



UNAUDITED SUMMARY  
RESULTS ANNOUNCEMENT  
AND CASH DIVIDEND  
DECLARATION

for the six months ended 31 December

2021



RMI

# CONTENTS

▶ VALUE CREATED	1
▶ TRIBUTE TO OUR FOUNDERS	2
▶ ABOUT RMI	4
▶ RMI'S INVESTMENTS	6
▶ RMI'S FUTURE STRATEGY	9
▶ PERFORMANCE AND OUTLOOK	11
Operating environment	11
Overview of results	13
Outlook and future value creation	17
▶ CASH DIVIDEND DECLARATION	19
▶ PORTFOLIO OVERVIEW	20
OUTsurance	20
▶ FINANCIAL REVIEW	22
▶ ADMINISTRATION	43

## Basis of preparation

These unaudited summary financial results of Rand Merchant Investment Holdings Limited (RMI) for the six months ended 31 December 2021 have been prepared in accordance with:

- International Financial Reporting Standards (IFRS), including IAS 34: *Interim Financial Reporting*
- The requirements of the Companies Act, 71 of 2008, as amended
- The SAICA Financial Reporting Guide as issued by the Accounting Practices Committee
- The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council
- The Listings Requirements of the JSE Limited.

The accounting policies applied are consistent with those applied in the previous financial period and are in accordance with IFRS. Schalk Human MCom (Acc) CA(SA) prepared these consolidated financial results under the supervision of Herman Bosman LLM CFA. The board of directors takes full responsibility for the preparation of this announcement and for correctly extracting the financial information for inclusion in the announcement.

The summary consolidated financial statements for the six months ended 31 December 2021 contained in this booklet have not been audited.

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](http://www.rmih.co.za).



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



# VALUE CREATED

for the six months ended 31 December 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 was able to produce pleasing financial results.

The announcement on 20 September 2021 of RMI's intention to unbundle its investments in Discovery Limited (Discovery) and Momentum Metropolitan Holdings Limited (Momentum Metropolitan) and on 8 December 2021 in respect of the sale of the group's 30% interest in Hastings Group (Consolidated) Limited (Hastings) for R14.6 billion have resulted in the creation of significant shareholder value.

<b>COMPOUND SHAREHOLDERS' RETURN</b>	<b>INCREASE IN MARKET CAPITALISATION</b>	<b>INCREASE IN INTRINSIC NET ASSET VALUE</b>
	↑ 41%	↑ 14%
17.9%	R69.2	R76.3
per annum	billion	billion
since listing in 2011	(2020: R49.1 billion)	(2020: R67.1 billion)
<b>NORMALISED EARNINGS</b>	<b>HEADLINE EARNINGS</b>	<b>ORDINARY AND SPECIAL DIVIDEND</b>
↓ 6%	↑ 6%	↑ >100%
R1 922	R1 680	165.5
million	million	cents
(2020: R2 048 million)	(2020: R1 591 million)	(2020: 22.5 cents)



PAUL HARRIS

LAURIE DIPPENAAR

## TRIBUTE TO OUR FOUNDERS

Laurie Dippenaar and Paul Harris are stepping down as directors of RMI after serving on the board for almost 40 years. They are the last of the original Founders to leave the board. RMI pays tribute to the Founders for the immeasurable contribution they have made not just to RMI but to the financial services landscape in South Africa generally.

**They shared some parting words of wisdom while reflecting upon key milestones**

### How it all began

**Paul:** "We'd started RCI and at the exact same time, in 1977, Rand Bank went under with RMB as one of its subsidiaries. Johann Rupert, together with a group of associates, put a consortium together and they bought RMB out of Rand Bank. In 1985, we merged with them and assumed management of the combined entity as a result of effectively reversing RCI into RMB."

**Laurie:** "The RMB history is closely tied to Remgro. We acquired the bank from the Rupert family and they became its biggest shareholder. It has been a very symbiotic relationship for over 40 years. We share the same value system and they've always been a wonderful partner."

### Biggest highlights over the years

**Laurie:** "The first leveraged lease transaction that we concluded with Krugersdorp municipality was momentous because once we put that to bed we could actually draw salaries (roughly nine months after we started, during which time we lived off savings). Then the three big strategic acquisitions were natural highlights: RMB in 1985, Momentum in 1992 (and listing RMH) and FirstRand in 1998."

**Paul:** "In a merchant bank you're working with highly professional people and you can manage them with a light touch. We applied the

same style at Momentum, even for clerical workers, and found they responded incredibly well. By empowering people, you take the heat off management.

One of the big highlights for me was in 2000, when Deloitte financed an award for the 'Best Company to Work for' and we won it hands down. I've also gained a lot of pleasure from seeing guys like Michael Jordaan come through, and graduates of 'The Class of' programme where we've fostered great talent. Being in a place that you and your colleagues really enjoy working, where it's competitive, and you're fully stretched at all times, has been a big highlight."

### Doing things differently in shaping financial services in South Africa

**Paul:** "One of the things we drove a very early trend in, was dis-intermediating the banks with leveraged lending. Our origins at RCI and RMB were based on being able to play in the big league, as it were, without a very big balance sheet. Instead of depositing with the banks, we thought – why not go straight to the capital markets and directly connect project owners? However, we never abused our position in relation to the balance sheet or being a balance sheet player. We always made sure that we were well regulated in terms of capital buffers, hedging and managing our risk."

**Laurie:** "We could have withstood a run at any time. In the early years we managed it as if there might be a banking crisis around every corner – such that we had enough liquid assets to meet any potential rush on our deposit base. If you've got all your eggs in one basket, as we did, you've

got to watch the basket. If you're concentrated in financial services, you've got to find as big a footprint within that industry as you can to protect your income stream and profit base. This diversification, which we achieved over a very long period, was enormously important in our history."

## Culture and the owner-manager philosophy

**Paul:** "We were able to jointly create a culture with our people which they enjoyed and which facilitated their achievement.

Culture is the secret to success. You have to live it and it takes a long time but it's something which we've got that is very difficult to replicate.

Our greatest asset is our culture. While we didn't create it – it was created by the people in the organisation, we established a sound foundation from which the culture evolved. They love it, they like to be involved, and that's the way they want to be managed."

**Laurie:** "Paul, GT, and I were very big shareholders in the bank, and we were running the bank, which is quite unusual. This gave rise to the philosophy of an owner-manager culture, as we realised that we wanted people to spend the company's money with the same care that they'd spend their own money. It stems from RMB's payoff line: 'traditional values, innovative ideas'. By traditional values we mean the same traditional values that our parents teach us – like if someone else is paying for dinner don't order what you wouldn't pay for yourself!"

## The secret to your success

**Laurie:** "If I could explain it in four words, it would be captured in RMB's original payoff line: 'traditional values, innovative ideas'. The single biggest winning factor was that we really were successful in creating an aspirational home for talented people. I think we did well in building trust in our dealings with shareholders. We fostered financial conservatism that comes from being owner-managers. We've fiercely protected our reputation. If there was ever any negative issue, we would immediately address it and didn't let it simmer or boil over. Finally, we're known for fair dealing and proper, not 'tick the box' governance."

**Paul:** "There are a few other important principles. Firstly, 'the business case must prevail' i.e. when you make decisions they should be based on the business case, not other agendas or emotions.

Secondly, you're entitled to your own opinion but not your own facts. And finally, as we've mentioned before, we believe in the importance of ensuring managers empower not control."

## The role of companies in stakeholder value initiatives and the social purpose debate

**Laurie:** "Being a good company is based on the same principles as being a good citizen. To be a good citizen you need to be law abiding, have a sense of community spirit, not pollute and treat people with dignity and respect. A company is just a collection of people and if you run the company on the same principles you'll get the right results."

## South Africa's economic future after the Covid-19 pandemic

**Laurie:** "When people ask me about the future I often reference a quote from a movie titled the Marigold Hotel, where the lead character says: 'everything will come right in the end, and if it doesn't come right – it's not the end!'"

**Paul:** "We've had worse environments. In the late 80s we had a debt standstill, before that we had apartheid, Sharpeville, the Soweto riots in '76, and the transition. They were all massive issues that the country had to deal with, but we eventually did. We've navigated the crash in '87, the dot.com bust in 2000, and the financial crisis in 2007/8. At one stage, the market capitalisation of FirstRand was greater than the market capitalisation of Citibank and Morgan Stanley combined. But we came out of it – I still don't know how, but we did.

In some ways this could be a great opportunity for entrepreneurs. A lot of things that we knew were going to come have just come much more quickly – like the evolution of the digital economy. This really could be the time for entrepreneurs and if government can assist with removing obstacles to support them, then we could have a very exciting 'reset'. We

need to remember that, after the Spanish flu and the 1st World War, we had the roaring 20s!"

**Laurie:** "As an example, look at what the universities have achieved in a matter of weeks after SA went into lockdown. Thousands of devices were organised and data provision deals struck to support remote learning. This is a gigantic leap forward for South Africa, in light of the pressing educational needs of our nation."

## Advice to South Africa's struggling entrepreneurs

**Paul:** "Adrian Gore once said that an entrepreneur is someone who jumps out of an aeroplane with a whole load of silkworms on his back, hoping that they're overachievers. An entrepreneur has to crawl over broken glass to get there – not every wildebeest makes it safely through the crocodile-filled river. We had some good luck but also tough times early on when we couldn't draw salaries or have new motor cars. One of the things I say to entrepreneurs is 'plan for the worst and hope for the best' and if you have to make a tough decision in three to six months, it's better to make it now."

**Laurie:** "I really feel sorry for many companies that did nothing wrong but are struggling. It's about survival now, not about profits. When you go into survival mode it's the same for small and big companies as it is for individuals. You need to be inventive. You need to dream up plans you've never considered before. People come up with extraordinarily good plans when they have to."

## Gratitude

**Paul:** "Firstly, I have to acknowledge Johann, GT, and Laurie. We've had an amazing relationship and I deeply value and appreciate these relationships that have stood the test of time for over 40 years. Secondly, I have to thank all the people that have helped run the organisations we've been involved with. We've worked with some amazing people – I've certainly developed by association and we've collectively prospered. It's been a wonderful experience."

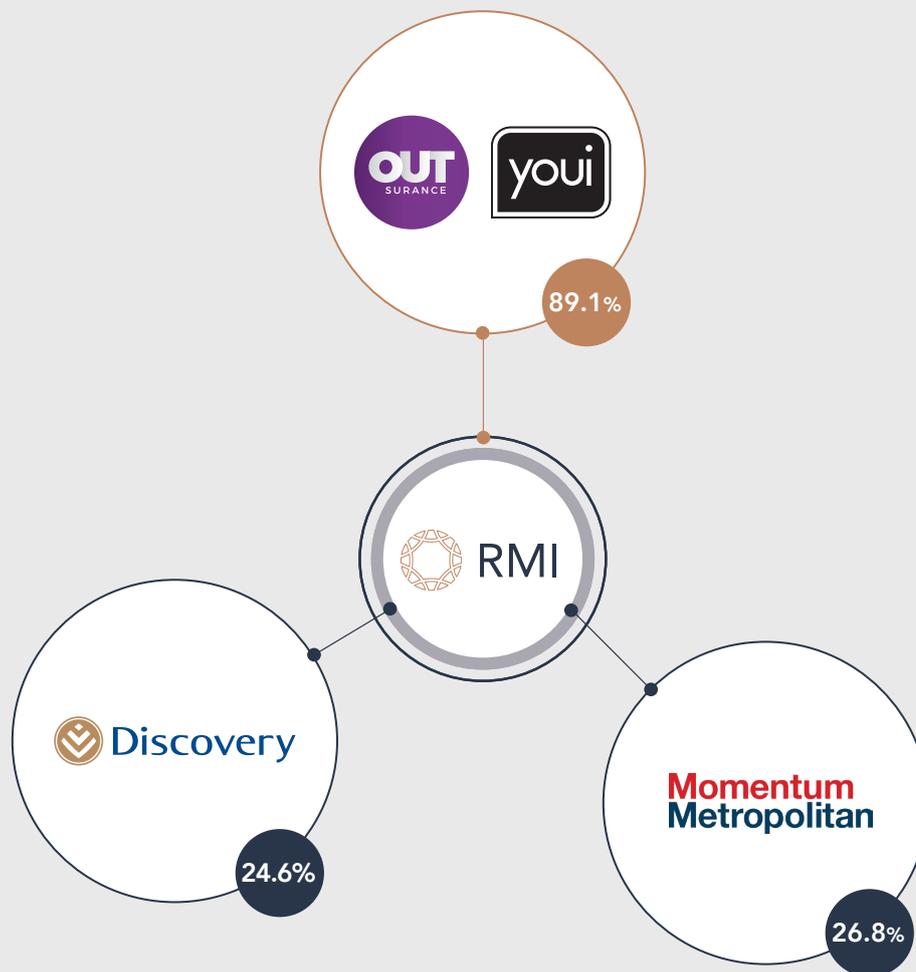
**Laurie:** "All of us Founders have huge respect and appreciation for each other. We built a foundation that attracted talented people and then they built the skyscrapers."

# ABOUT RMI

RMI is a JSE-listed holding company with significant investments in property and casualty insurance (P&C), life insurance, asset management and fintech.

Since its formation, and in partnership with the Rand Merchant Bank group of companies, RMI has been a significant investor in some of South Africa's most iconic financial services brands, as well as a portfolio of emerging financial services businesses.

RMI's large investments are depicted in the diagram below:

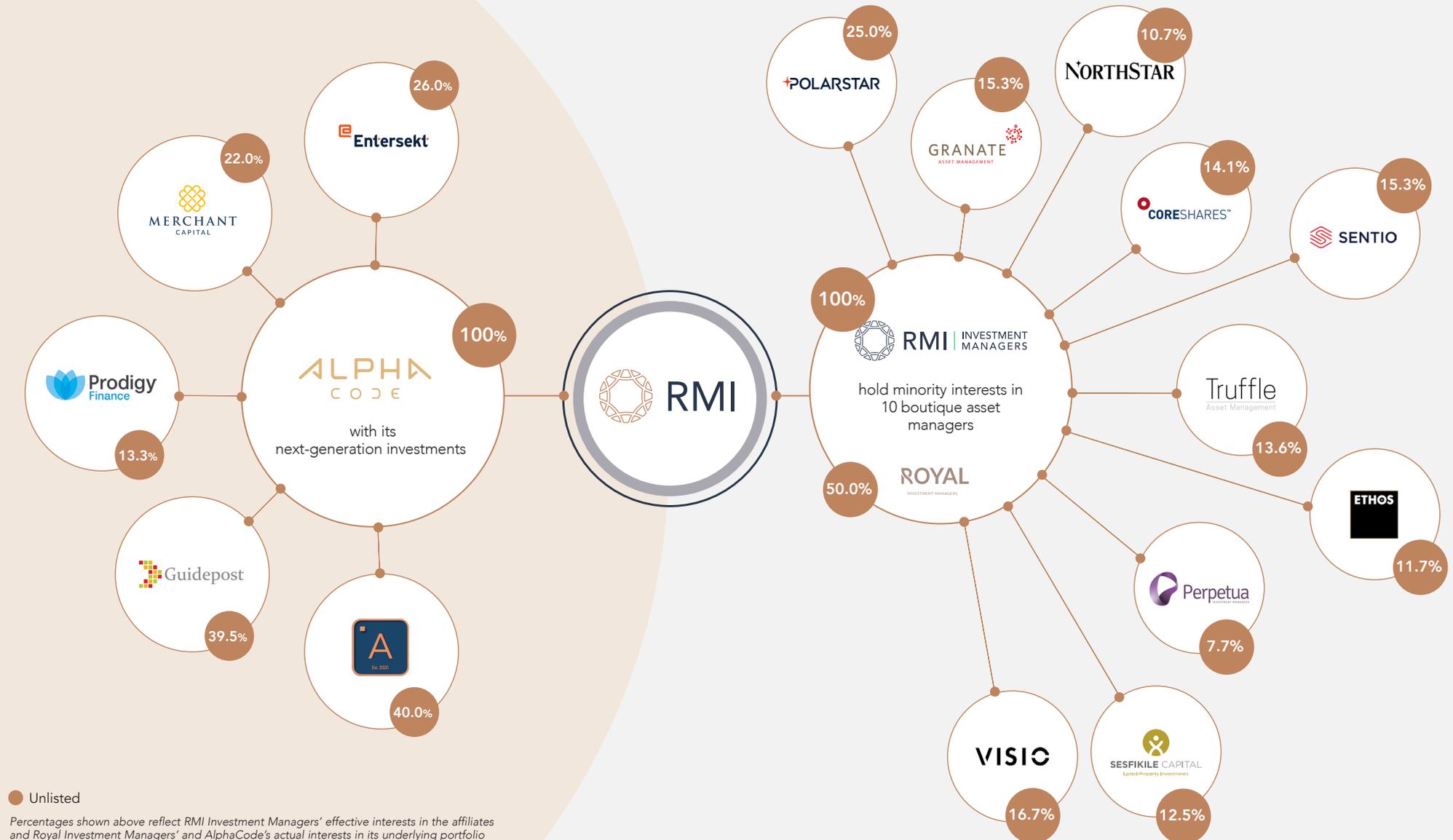


● Listed ● Unlisted

Percentages shown above reflect RMI's actual percentage ownership of the relevant company's issued shares.

# Growth portfolio

The diagram below sets out RMI's smaller investments in RMI Investment Managers and the AlphaCode fintech investments:



● Unlisted

Percentages shown above reflect RMI Investment Managers' effective interests in the affiliates and Royal Investment Managers' and AlphaCode's actual interests in its underlying portfolio companies.

# RMI'S INVESTMENTS

RMI's investments as at 31 December 2021:

	Continuing operations		Discontinued operations	
				
	Listed or unlisted	Unlisted	JSE-listed	JSE-listed
MARKET CAPITALISATION/ INTERNAL VALUATION (100%)	R43.8 billion	R1.9 billion	R96.0 billion	R28.4 billion
RMI'S INTEREST	89.1%	100%	24.6%	26.8%
RMI'S RANKING AS SHAREHOLDER	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
MARKET VALUE/ INTERNAL VALUATION OF RMI'S INTEREST	R39.7 billion	R1.9 billion	R23.7 billion	R7.6 billion
SHARE OF RMI PORTFOLIO BASED ON MARKET/ INTERNAL VALUE	54%	3%	33%	10%
NORMALISED EARNINGS (100%)	R1 102 million	R52 million	R2 876 million	R1 525 million

## Unlisted investments (continuing operations)

**OUTsurance** provides P&C and life 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 first such reward system in South Africa.

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



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

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

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. Accordingly, agreement was reached with Royal Bafokeng Holdings during July 2021 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 in becoming leading players in the South African asset management industry.

RMI Investment Managers has continued with its focus to expand 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 Royal Bafokeng Holdings.



**RMI** | INVESTMENT MANAGERS



**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
- **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.

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 (discontinued operations)

**Discovery** is a global, integrated financial services organisation that uses a pioneering shared value insurance model across businesses to achieve its core purpose of making people healthier and enhancing and protecting their lives.

It is a South African-founded diversified financial services organisation that operates in health insurance, life insurance, long-term savings and investments, P&C and commercial insurance, banking and behaviour change programmes.

Since its inception over two decades ago, it has been guided by its core purpose, which has manifested in a globally recognised shared value insurance model underpinned by its leading behaviour change platform, Vitality. The Vitality platform has been exported to 22 countries, reaching more than 40 million lives.



**Momentum Metropolitan** is an insurance-based financial services group listed on the JSE. It operates primarily in South Africa, with insurance interests in select African countries, the United Kingdom (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. Their product and service solutions are provided to all market segments through the Momentum and Metropolitan operating brands.



# RMI'S FUTURE STRATEGY

## RMI value unlock

RMI has unlocked significant value for shareholders since the announcement of:

- i) its intention to restructure its portfolio through the distribution of its listed shares in Discovery and Momentum Metropolitan to RMI shareholders (the Unbundling) on 20 September 2021 and
  - ii) the subsequent sale of its 30% interest in Hastings to its co-shareholder in the business, Sampo plc (the Sale), on 8 December 2021:
- RMI now trades at a c.2% discount to its intrinsic net asset value, having previously traded at a c.30% discount prior to the Unbundling announcement, representing a c.28% value unlock.
  - The RMI share price has increased c.54% during the period<sup>1</sup>, compared to the increases in the JSE All Share Index of c.17% and Life Insurance Index of c.6%.

Through the implementation of the Unbundling, RMI will return value to shareholders of c.R33.4 billion (based on the market capitalisation of Discovery and Momentum Metropolitan or R21.83 per share as at 11 March 2022, being the last practicable date prior to finalisation of this announcement). Further details of the terms, structure and timing of implementation of the Unbundling will be published in a matter of days. The Unbundling is expected to be implemented before the end of April 2022.

As a consequence of the Sale, RMI:

- no longer requires a rights issue to give effect to the restructure (as set out in the Unbundling announcement); and
- has increased its dividend payout ratio and, net of the ordinary and special dividend described below, held a net cash position of R0.8 billion as at 31 December 2021. In turn, OUTsurace has cash reserves of R4.1 billion.

In line with its stated dividend policy to return excess free cash generated to its shareholders (in the absence of suitable investment opportunities), RMI has declared an ordinary and special dividend of R2.54 billion, being 165.5 cents per share. Combined with the Unbundling, RMI will be delivering c. R36.0 billion in value to shareholders or R23.48 per share, representing c.50% of RMI's share price as at 11 March 2022.

Following the Sale and implementation of the Unbundling, RMI will predominantly reflect the value of OUTsurace alongside RMI's investments in RMI Investment Managers and the AlphaCode portfolio of fintech companies.

## Transition to OUTsurace

Over the last two years, RMI has been evaluating the creation of a portfolio of unlisted, non-competing and collaborative businesses in the short-term insurance industry. This portfolio could benefit greatly from shared best practice across markets, distribution channels and underwriting experience and represent a blend of diversified and cash generative 'local champions'. RMI conducted a detailed country and company analysis to identify potential target investments. Currently there are no actionable investment opportunities which meet RMI's expectations around asset quality, price and availability.

An expanded portfolio also needs to be compared to the status quo – an efficient and capitalised corporate structure almost solely representing OUTsurace which, in its own right, is a growing short-term insurance group operating across multiple geographies. OUTsurace could, in time, drive international expansion independently, should attractive opportunities arise.

The RMI board of directors has concluded that it is in the best interests of shareholders not to continue with the active investment strategy as outlined to RMI shareholders in the SENS announcement issued on 20 September 2021, and has therefore decided to embark on an orderly and managed transition to a structure that represents an effective listing of OUTsurace.

<sup>1</sup> Period from 17 September 2021, being the last practicable date prior to finalisation of the Unbundling announcement to 11 March 2022, being the last practicable date prior to finalisation of this announcement.

The managed transition is expected to result in the following key benefits for RMI shareholders:

- Simpler operational structure offering a single access point to OUTsurance;
- More focused OUTsurance management team with direct accountability to shareholders;
- Higher dividend payout ratio;
- A phased reduction of the holding company and personnel costs at RMI of approximately R25 million to R30 million over the next six to 12 months; and
- A special dividend of R2.18 billion.

The options available in relation to RMI Investment Managers and the AlphaCode portfolio companies are under review and RMI is in the process of engaging the management teams and co-shareholders to design the optimal future strategic outcomes for these portfolio companies and their underlying investee businesses. The RMI management team will continue to support these businesses during the transition period.

The managed transition is expected to be implemented over the next six to 12 months. Further details, including the implementation structure, will be announced in time.

**Important note:**

RMI shareholders are referred to the SENS announcement issued by RMI on 20 September 2021 (and accessible on RMI's website via the following link: <https://www.rmih.co.za/investor-relations>) for the full disclaimers which apply to this announcement (including the information contained herein) and are incorporated by reference in full in this announcement, as if specifically stated.



# PERFORMANCE AND OUTLOOK

## Operating environment

Our operating model, investment decisions and the results of our portfolio companies are impacted by factors in our external environment and the outlook in the countries in which our businesses operate.

### External factors impacting our current environment

### External factors we expect to impact the environment in the years ahead



#### Ukraine invasion and its effect on the world economy

- Russia's invasion of Ukraine has resulted in extreme **commodity price swings** that will have a profound impact on the global economy over the short term.
- Russia is a major **oil and gas** producer. The oil price continues to spike as major buyers shunned Russian oil in protest of the Ukraine invasion. Coal prices rose sharply with concern about Russian coal supplies.
- Russia and Ukraine combined are responsible for more than 25% of global **wheat** exports. Amid concerns of disruption of both harvesting and exports, global wheat prices have surged.
- Belarus, one of the world's largest producers of potash, a key input in **fertiliser**, was hit by severe sanctions for supporting Russia's war efforts. Grain and fertiliser prices will push already record-high global food prices even higher.

- The additional upward pressure on inflation will **squeeze household purchasing power** across the globe, especially in the Euro Zone and the UK where gas forms an important part of the energy mix.
- Escalation and expansion of Russian aggression and the resultant economic sanctions can have a **lasting and dramatic effect** on the world economy in the medium to long term.



#### South African economy

- **Coal** exports generate significant export revenue for SA.
- SA will, however, not escape the inflationary impact of **higher fuel and food prices**.
- After the third and fourth Covid-19 waves, brought on by the Delta and Omicron variants respectively, and the riot-induced quarterly **GDP decline** in the third quarter of 2021, real GDP growth is estimated at 4.8% in 2021. This follows the 6.4% real GDP decline in 2020.

- National Treasury's real economic growth prediction for 2022 moderates to 2.2%, with output and employment remaining well below pre-pandemic levels until 2023.
- **Structural constraints** and the slow pace of economic reforms will continue to constrain medium-term economic growth.
- We remain confident that partnerships across government, economic sectors and civil groupings should support a **turnaround** in the medium to long term.

### External factors impacting our current environment

### External factors we expect to impact the environment in the years ahead

 <p>Australia</p>	<ul style="list-style-type: none"> <li>The OECD estimates Australia's GDP to have grown by 3.8% in 2021 driven by domestic demand.</li> </ul>	<ul style="list-style-type: none"> <li>The OECD projects GDP growth of 4.1% in 2022 and 3% in 2023.</li> <li>The economy is recovering as strict containment measures first imposed in some states in mid-2021 have now been lifted.</li> <li>As the <b>recovery</b> continues, labour market conditions will improve and spare capacity will be absorbed.</li> </ul>
 <p>Covid-19</p>	<ul style="list-style-type: none"> <li>South Africa's vaccination programme got off to a slow start, but vaccines are now readily available. However, <b>vaccine hesitancy</b> remains a challenge to reaching government vaccination targets.</li> </ul>	<ul style="list-style-type: none"> <li>It is expected that Covid-19 will be with us for some time yet, although vaccinations and the development of effective treatment protocols are expected to, over time, ameliorate the effects.</li> </ul>
 <p>Climate change</p>	<ul style="list-style-type: none"> <li>Climate-related <b>weather events</b> and <b>cyberattacks</b> continue to be the top risks.</li> </ul>	<ul style="list-style-type: none"> <li>Severe weather events are expected to become <b>more frequent and severe</b> in the coming decade.</li> <li>Momentum on climate change action and ESG <b>disclosures</b> are growing.</li> </ul>

## Overview of results

At the time when RMI's intention to unbundle its shareholdings in Discovery and Momentum Metropolitan was announced, it was envisaged that a rights issue of approximately R6.5 billion would be required before the unbundling could be finalised to reduce debt to a level that would be appropriate for the reduced size of the balance sheet post unbundling. The sales proceeds from the sale of Hastings were utilised to repay all the preference share debt and therefore negated the need for a rights issue prior to the unbundling of Discovery and Momentum Metropolitan.

Hastings represented a major geographical area of operation and both Discovery and Momentum Metropolitan represent major lines of business. The results of all these investee companies have therefore been treated as discontinued operations in the RMI group results. The results of Hastings were equity accounted until 8 December 2021, the effective date of the sale. The results of Discovery and Momentum Metropolitan have also been equity accounted until 8 December 2021, the date on which the unbundling of these assets met the accounting definition of being highly probable.

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

R million	Six months ended 31 December		% change	Year ended 30 June 2021
	2021	2020		
<b>Continuing operations</b>				
OUTsurance (excluding Hastings)	1 037	1 351	(23%)	2 535
– OUTsurance (including Hastings)	1 102	1 437	(23%)	2 779
– Hastings included in OUTsurance	(65)	(86)	24%	(244)
RMI Investment Managers and AlphaCode investments	52	62	(16%)	142
Funding and holding company costs	(254)	(269)	6%	(597)
<b>Discontinued operations</b>				
Discovery	2 876	2 284	26%	3 406
Hastings	801	652	23%	2 066
Momentum Metropolitan	1 525	1 012	51%	1 007

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

R million	Six months ended 31 December		% change	Year ended 30 June 2021
	2021	2020		
<b>Continuing operations</b>	741	1 015	(27%)	1 841
OUTsurance (excluding Hastings)	943	1 222	(23%)	2 296
– OUTsurance (including Hastings)	1 001	1 299	(23%)	2 513
– Hastings included in OUTsurance	(58)	(77)	25%	(217)
RMI Investment Managers and AlphaCode investments	52	62	(16%)	142
Funding and holding company costs	(254)	(269)	6%	(597)
<b>Discontinued operations</b>	1 181	1 033	14%	1 704
Discovery (up to 8 December 2021)	620	578	7%	850
Hastings (up to 8 December 2021)	191	183	4%	585
Momentum Metropolitan (up to 8 December 2021)	370	272	36%	269
<b>Normalised earnings</b>	1 922	2 048	(6%)	3 545

If the financial results of Discovery and Momentum Metropolitan had been equity accounted up to 31 December 2021, group normalised earnings would have increased by 1% to R2 069 million.

## Continuing operations



Normalised earnings from **OUTsurance**, excluding its stake in Hastings, decreased by 23% for the six months ended 31 December 2021. Annualised new premiums written increased by 18% to R3.4 billion and gross written premiums increased by 14% to R11.6 billion.

OUTsurance's South African operations were negatively impacted by an increased claims ratio as a result of wetter weather conditions, increased non-motor claims costs and the further normalisation of motor claims frequencies. Premium adjustments in response to higher non-motor claims are expected to improve the claims ratio during the second half of the financial year.

At **Youi**, the increase in the claims ratio from 53.4% to 62.0% is due to the extent of natural catastrophe events experienced which included the Melbourne earthquake and various hail and flood events. This compares to a comparative six months which had few catastrophe events. The financial impact of these events in the period under review was amplified by changes to Youi's reinsurance structure for the 2022 financial year, where reinsurance attaches at AU\$30 million per event compared to AU\$10 million per event in the 2021 financial year. Youi's natural perils aggregate does, however, compensate for the higher event retention by providing cover of AU\$70 million once the aggregated retained natural perils losses for the year exceed AU\$60 million. At 31 December 2021, the aggregated natural perils losses stood at AU\$58 million. Youi is therefore expected to have a favourable claims ratio performance in the second half of the financial year.



Normalised earnings generated in the comparative period by **RMI Investment Managers** included a significant amount for performance fees earned. Although the investment performance and growth in assets under management during the period under review were pleasing, the same level of performance fees was not repeated.

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.

Assets under management (AUM) increased by 24% (up by R40.4 billion) during the six-month period to R208.8 billion. The increase in AUM was a result of strong net inflows of R21 billion and market returns adding R19.4 billion over the six-month period to December 2021.

Local equities continued to rally in the second half of 2021, with the FTSE/JSE All Share Index and the FTSE/JSE All Property Index gaining 14.2% and 15.4% respectively. Fixed Income and cash returns were disappointing, with the STEFI and the FTSE/JSE All Bond Index ending on 1.9% and 3.2%. Global markets were also strong performers, with 9.5% for the S&P 500, 12.3% for developed market equities and 11.8% for emerging market equities over the period under review.

The **Royal Investment Managers** portfolio performed marginally ahead of expectation, largely due to the strong recovery in listed property and listed equities over the six-month period.

The **AlphaCode** portfolio continues to perform in line with expectations.



All the preference share debt funding was repaid by mid-December with the proceeds from the sale of Hastings. This was the main contributor to the reduction of 6% in **funding and holding company costs** during the period under review.

## Discontinued operations



**Discovery's** normalised earnings increased by 26% to R2.9 billion during the six months ended 31 December 2021. Normalised earnings were positively impacted by mark-to-market foreign currency gains arising from a weakening of the Rand during the reporting period compared to losses due to the strengthening of the Rand in the comparative period. Discovery has navigated the Covid-19 pandemic across its global operations, with mortality risk in South Africa having the largest financial impact. Although the Covid-19 claims paid of R3.4 billion during the reporting period was the highest throughout the pandemic, the earnings impact was limited, given strong reinsurance arrangements and previously raised provisions. Discovery believes the remaining provisions are sufficient to withstand a potential fifth wave. High levels of vaccination among its clients and high levels of immunity in South Africa contributed to the significant reduction in case fatalities from the Omicron variant during the fourth wave.



**Hastings** achieved 23% growth in normalised earnings during the reporting period. Its calendar year loss ratio for 2021 of 62.2% was significantly ahead of the target of 76%. Motor claims frequencies, although higher than 2020, remained below 2019 levels throughout 2021, largely reflecting reduced motor vehicle usage as a result of Covid-19 restrictions. The average cost of claims continued to rise, reflecting increases in repair costs, largely due to extended repair periods as a result of Covid-19 and general inflation in labour, parts and paint. Client retention rates continue to be high and above market averages. Home insurance client policies grew by 16% year-on-year to more than 310 000 policies.



**Momentum Metropolitan** normalised earnings increased by 51% to R1.5 billion in the period under review, mainly due to a significant increase in investment returns from R122 million to R630 million resulting from the general recovery of investment markets, fair value gains from the group's investment in venture capital funds and foreign exchange gains on the foreign currency-based assets. Operating profit increased by 1% and was negatively impacted by net mortality losses of R378 million. New business volumes increased by 23% to R37 billion and the value of new business increased by 20% to R400 million.

## Value of investments

During the 2021 calendar year, RMI's share price increased by 41% (2020: increased by 4%), compared to an 8% increase in the Life Insurance Index and a 6% increase in the Non-life Insurance Index. RMI has delivered a total annually compounded return to shareholders of 17.9% since its listing in March 2011.

The individual investment performances of RMI's investments during the 2021 calendar year are outlined below:

- **Discovery's** share price decreased by 6% (2020: increased by 25%)
- **Momentum Metropolitan's** share price increased by 20% (2020: decreased by 28%)
- The internal valuation of **OUTsurance** (excluding its stake in **Hastings**) increased by 16% to R39.7 billion
- The value of RMI's investments in **RMI Investment Managers** and **AlphaCode** investments increased by 31% to R1.9 billion.

R million	Six months ended 31 December		% change	Year ended 30 June 2021
	2021	2020		
<b>Internal valuation of unlisted investments</b>	<b>41 553</b>	44 408	(6)	46 295
OUTsurance (excluding Hastings) <sup>1</sup>	<b>39 681</b>	34 127	16	35 429
Hastings <sup>2</sup>	–	8 849	(100)	9 258
RMI Investment Managers and AlphaCode <sup>3</sup>	<b>1 872</b>	1 432	31	1 608
<b>Market value of listed investments</b>	<b>31 262</b>	31 625	(1)	28 631
Discovery <sup>4</sup>	<b>23 662</b>	25 305	(6)	20 811
Momentum Metropolitan <sup>4</sup>	<b>7 600</b>	6 320	20	7 820
<b>Gross value of portfolio</b>	<b>72 815</b>	76 033	(4)	74 926
Net assets/(liabilities) of holding company <sup>5</sup>	<b>3 529</b>	(8 941)	>100	(8 485)
<b>Net value of portfolio<sup>6</sup></b>	<b>76 344</b>	67 092	14	66 441
Net value of portfolio per share (cents)	<b>4 984</b>	4 380	14	4 337

The valuations are based on:

- <sup>1</sup> An internal discounted cash flow management model that has been independently verified.
- <sup>2</sup> A discounted cash flow valuation. The group's investment in Hastings was sold on 8 December 2021, the proceeds of which are included in the net assets of the holding company.
- <sup>3</sup> The investments in RMI Investment Managers and AlphaCode are shown at the internal management valuation.
- <sup>4</sup> Market capitalisation on 31 December 2021.
- <sup>5</sup> The net assets/(liabilities) of the holding company include all the assets and liabilities at holding company level other than the investments shown separately in the table above. All the preference share debt in terms of RMI's debt programme was repaid with the proceeds from the sale of Hastings.
- <sup>6</sup> 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.

## Interim and special dividend

In line with RMI's dividend policy to return excess free cash generated to its shareholders, the board resolved to declare an interim dividend of 23.5 cents (2020: 22.5 cents) per ordinary share. The interim dividend per ordinary share is covered 5.3 times (2020: 5.9 times) by the normalised earnings of 125.5 cents (2020: 133.7 cents) per share. In addition, the board resolved to pay a special dividend of R2 175 million (142.0 cents per share).

Shareholders are referred to the dividend declaration on page 19 regarding the applicability of Dividend Withholding Tax to the ordinary and special dividend.

## Changes to the board

At the annual general meeting held on 24 November 2021, Messrs Harris, Mupita and Phetwe and Ms De Bruyn stepped down as RMI board members. On the same date, Mr Morobe took over from Ms De Bruyn as member of the remuneration committee and Mr Lucht took over from Ms De Bruyn as member of the social, ethics and transformation committee. On 14 March 2022 Mr Dippenaar retired from the RMI board.

## Events after the reporting period

The directors are not aware of any material adjusting or non-adjusting events relating to the six months ended 31 December 2021 that occurred between the date of the statement of financial position and the date of this report.

## Outlook and future value creation



**OUTsurance's** various growth initiatives are expected to maintain good momentum into the second half of the financial year, with OUTsurance Business expected to improve its monthly loss profile as scale benefits are realised. Management is focused on ensuring that the premium growth achieved translates into quality earnings and long-term shareholder value creation.

The rising inflation and interest rate environment will be the main factors impacting the shape of economic recovery since the onset of the pandemic. These factors, if contained, will improve the revenue growth for the group after a protracted period of low premium inflation in the South African operation.

OUTsurance aims to make significant progress with its operational and financial systems transformation projects over the course of 2022. These modernisation projects are key to retaining systems agility and data analysis excellence to underpin its leading client service offering and scientific underwriting.



**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 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 Royal Bafokeng Holdings 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 AlphaCode Explore and Incubate programmes supported 45 entrepreneurs in 2021 and provided ±1 500 hours of mentor and expert support to the businesses. This cohort, on average, saw 43% revenue growth in their businesses and the start-ups created 46 jobs. Eight businesses have been selected for the 2022 programme, which includes fintech businesses ranging from peer-to-peer payment platforms to mobile stokvel management systems, to analytics businesses using Artificial Intelligence to support the insurance industry. We look forward to seeing what South Africa's top entrepreneurial talent has in store for us in the next year.

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 ESD beneficiary and will provide funding of R1 million to R2 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. The fund made its first investment into a business called Carscan, which provides analytical tools to the insurance industry to make vehicle inspections simpler and more efficient. The fund has an interesting pipeline of opportunities in the South African fintech industry.

AlphaCode's growth investment portfolio went from strength to strength in 2021 and attracted international attention. **Entersekt** secured investment from one of the world's leading venture capital investors, Accel-KKR. **Prodigy Finance** received its first credit rating from Kroll and Moody's and launched its maiden securitisation, which was 13 times oversubscribed. **Merchant Capital** launched new partnerships with Discovery and AB InBev to deliver tailored financing solutions to the medical and FMCG industry. **Guidepost** secured new global partners such as Abbott. The portfolio is well positioned to benefit from the interest in the African fintech industry which is attracting global investors' attention.

---

We believe our updated strategy will enable RMI to continue delivering value to its shareholders in the short, medium and long term.

For and on behalf of the board.

**JJ Durand**  
Chairman

Rosebank

16 March 2022

**HL Bosman**  
Chief executive officer



# CASH DIVIDEND DECLARATION

Notice is hereby given that an ordinary gross interim cash dividend of 23.5 cents per ordinary share and a special dividend of 142.0 cents per ordinary share, payable out of income reserves, was declared on 16 March 2022 in respect of the six months ended 31 December 2021.

These dividends will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 18.8 cents per ordinary share in respect of the normal dividend and 113.6 cents per ordinary share in respect of the special dividend 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:

Finalisation date for the special dividend	Friday, 8 April 2022
Last day to trade in order to participate in this dividend	Tuesday, 19 April 2022
Shares commence trading ex-dividend on	Wednesday, 20 April 2022
The record date for the dividend payment will be	Friday, 22 April 2022
Dividend payment date	Monday, 25 April 2022

No dematerialisation or rematerialisation of share certificates may be done between Wednesday, 20 April 2022 and Friday, 22 April 2022 (both days inclusive). The special dividend is subject to South African Reserve Bank approval. Shareholders will be notified accordingly by the finalisation date.

By order of the RMI board.



**Schalk Human**  
Company secretary

Rosebank

16 March 2022

## Investor call

Herman Bosman (chief executive officer) invites you to join him in a conversation about RMI's performance for the six months ended 31 December 2021.

He will be joined by Jan Hofmeyr (chief financial officer) and Marthinus Visser (chief executive) of OUTsurance. This investor call will take place on **Wednesday, 16 March 2022 at 10:00 (SAST)**.

[To join, click here.](#)

Alternatively, you can obtain the link from the company secretary by email to [company.secretary@rmih.co.za](mailto:company.secretary@rmih.co.za).

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

# PORTFOLIO OVERVIEW



## INTERNAL VALUATION

**R43.8**  
billion

2020: R40.6 billion

**+8%**

## NORMALISED EARNINGS

**R1 102**  
million

2020: R1 437 million

**(23%)**

## DIVIDENDS PAID

**24.7 cents**  
per share

2020: 24.7 cents per share

**Unchanged**

### What differentiates OUTsurance

- Market leader in direct insurance
- World-class technology and claims handling processes
- Well-loved and easily recognisable brand
- Innovative value for money products
- World-class service
- Local and international presence in the P&C market
- High level of cash generation and dividend-paying capabilities
- Differentiated business model in a rapidly changing and competitive market
- Preferred employer attracting talented professionals

### Key features of OUTsurance's performance

- Group normalised earnings decreased by 23% to R1.1 billion
- Annualised new business premiums written increased by 18% to R3.4 billion
- Gross written premiums increased by 14% to R11.6 billion
- The claims ratio increased to 58.1% (2020: 52.6%)
- The cost-to-income ratio increased from 27.2% to 28.6%
- The group maintained its interim dividend of 24.7 cents per share.

**OUTsurance SA's** operations recorded 9% growth in gross written premium and 8% growth in annualised new business premium written aided by the continued expansion of the OUTsurance Broker force and steady volume growth delivered by OUTsurance Personal. Accelerating premium inflation is being observed across the motor and non-motor book in response to global inflationary pressures, the impact of increased load shedding, higher new and used vehicle values and the normalisation of motor claims frequencies. The improved inflationary outlook follows multiple years of persistently low premium inflation.

**OUTsurance Business** delivered 23% growth in gross written premium for the six months under review. This growth rate compares to 8% achieved in the 2020 interim financial period. The growth is attributed to the continued expansion in the OUTsurance Broker sales capacity and a positive turn in the direct book following improved trading conditions for small businesses. The expansion of OUTsurance Business contributes to an increasing proportion of commercial risk exposure for OUTsurance which operates at a



higher claims ratio compared to the core Personal Lines operation. As such, the claims ratio of OUTsurance will reflect this mix change over time. This change is also observed in the cost-to-income ratio, where OUTsurance Business operates at a higher cost-to-income ratio.

**Youi** achieved strong new business growth in the six months under review. Gross written premiums increased by 26% measured in Australian Dollars. The BZI partnership and CTP initiatives were the primary drivers of the higher growth rate. Net earned premiums grew by 23% as the lower proportional cost of Youi's 2022 reinsurance programme translated into a narrower growth differential between gross and net premiums. Youi's annualised new business premium written in the six months under review increased by 14% in Australian Dollars. New business flows from BZI were bolstered by the inclusion of BZI's product on the Steadfast Platform during the third quarter of 2021. The Steadfast Platform provides a large broker footprint for distribution across Australia. Youi's CTP offering is performing in line with expectations and, following a recent licence approval, will be expanded to South Australia in the 2023 financial year. Youi's cost-to-income ratio increased from 32.5% to 34.9%. The increase is associated with the cost of the Youi's

product and channel growth initiatives, broker commission paid to BZI and the ongoing cost of regulatory and systems transformation projects.

A significant investment is being made in product and channel expansion for **OUTsurance Life**. The Funeral product and face-to-face distribution capability for the underwritten life products are positioned as key growth catalysts. OUTsurance Life grew gross written premiums by 24% for the six months under review, with the Funeral product delivering growth in excess of 80%. The Funeral partnership with Shoprite is delivering exciting growth. During July 2021, OUTsurance Life launched the face-to-face distributed underwritten product supported by the OUTsurance Financial Advisor (tied-agents) distribution strategy. The pandemic continued to elevate mortality claims, particularly during the third Covid-19 wave, when the Delta variant created significantly higher mortality losses for OUTsurance Life. The fourth wave, dominated by the Omicron variant, had a more muted impact on the

mortality experience. Covid-19 claims for the six months under review amounted to R90 million, compared to R36 million in the comparative period. A prudent Covid-19 reserve is being maintained to allow for adverse mortality and lapsation linked to the pandemic. Experience to date indicates that the reserve is appropriately prudent.

OUTsurance has entered a binding offer to dispose of its 49% interest in **OUTsurance Namibia** to the FirstRand Group. Completion is subject to regulatory approval. OUTsurance will continue to support OUTsurance Namibia for a defined period after the disposal to ensure an appropriate operational transition.

RMI included R1 001 million of OUTsurance's earnings in its normalised earnings (2020: R1 299 million).



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

# FINANCIAL REVIEW

## Effective interest

RMI's effective interest in the group entities is different from the actual holdings as a result of the following consolidation adjustments:

- Treasury shares held by group entities
- Shares held by consolidated share incentive trusts
- "Deemed" treasury shares arising from B-BBEE transactions entered into
- "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:

R million	As at 31 December 2021		As at 31 December 2020	
	Effective	Actual	Effective	Actual
OUTsurance	90.7%	89.1%	91.0%	89.1%
Hastings	–	–	30.0%	30.0%
Discovery	25.1%	24.6%	25.1%	24.8%
Momentum Metropolitan	28.2%	27.6%	27.8%	27.4%
RMI Investment Managers	100.0%	100.0%	100.0%	100.0%
Merchant Capital	22.0%	22.0%	24.8%	24.8%
Entersekt	26.0%	26.0%	28.2%	28.2%
Guidepost	39.5%	39.5%	39.5%	39.5%

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

# SUMMARY CONSOLIDATED INCOME STATEMENT

R million	Six months ended 31 December		% change	Year ended 30 June 2021 Audited
	2021 Unaudited	2020 Unaudited		
Gross insurance premiums	11 600	10 144	14	20 570
Less: Reinsurance premiums	(911)	(700)	30	(1 658)
<b>Net insurance premiums</b>	<b>10 689</b>	<b>9 444</b>	<b>13</b>	<b>18 912</b>
Change in provision for unearned premiums	(765)	(572)	34	(861)
<b>Net insurance premiums earned</b>	<b>9 924</b>	<b>8 872</b>	<b>12</b>	<b>18 051</b>
Fee and other income	63	17	>100	85
Investment income	153	79	94	152
Interest income on financial assets using the effective interest rate method	170	169	1	333
Realised losses	–	(8)	(100)	(6)
Net fair value gains on financial assets	294	275	7	406
Expected credit losses on financial assets	–	(9)	(100)	(2)
<b>Net income</b>	<b>10 604</b>	<b>9 395</b>	<b>13</b>	<b>19 019</b>
Gross claims paid	(5 709)	(5 429)	5	(10 019)
Reinsurance recoveries received	318	1 174	(73)	1 276
Provision for non-claims bonuses	(286)	(252)	13	(509)
Transfer to policyholder liabilities under insurance contracts	(92)	(157)	(41)	(249)
Fair value adjustment to financial liabilities	(76)	(54)	41	(140)
Marketing and administration expenses	(3 246)	(2 648)	23	(5 598)
<b>Profit before finance costs, results of associates and taxation</b>	<b>1 513</b>	<b>2 029</b>	<b>(25)</b>	<b>3 780</b>
Finance costs	(424)	(312)	36	(626)
Share of after-tax results of associates	70	56	25	64
<b>Profit before taxation</b>	<b>1 159</b>	<b>1 773</b>	<b>(35)</b>	<b>3 218</b>
Taxation	(483)	(594)	(19)	(1 139)
<b>Profit for the period from continuing operations</b>	<b>676</b>	<b>1 179</b>	<b>(43)</b>	<b>2 079</b>
Profit for the period from discontinued operations	5 960	604	>100	1 143
<b>Profit for the period</b>	<b>6 636</b>	<b>1 783</b>	<b>&gt;100</b>	<b>3 222</b>
<b>Attributable to:</b>				
Equity holders of the company	6 284	1 609	>100	2 893
Non-controlling interests	352	174	>100	329
<b>Profit for the period</b>	<b>6 636</b>	<b>1 783</b>	<b>&gt;100</b>	<b>3 222</b>

# SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	Six months ended 31 December		% change	Year ended 30 June 2021 Audited
	2021 Unaudited	2020 Unaudited		
<b>Profit for the period</b>	<b>6 636</b>	1 783	>100	3 222
<b>Other comprehensive income for the period</b>				
Items that may subsequently be reclassified to profit or loss				
– Exchange differences on translation of foreign operations	<b>334</b>	(254)	>100	(502)
– Fair value income/(losses) on other comprehensive income financial instruments	<b>49</b>	(201)	>100	(67)
– Deferred tax on fair value losses on other comprehensive income financial instruments	<b>1</b>	2	(50)	–
Share of other comprehensive income/(loss) of associates	<b>246</b>	(549)	>100	(761)
– Items that may subsequently be reclassified to profit or loss, after taxation	<b>330</b>	(659)	>100	(901)
– Movement in liabilities accounted for as net investment hedge	<b>(43)</b>	162	>(100)	215
– Items that will not be reclassified to profit or loss, after taxation	<b>(41)</b>	(52)	(21)	(75)
<b>Other comprehensive income/(loss) for the period</b>	<b>630</b>	(1 002)	>100	(1 330)
<b>Total comprehensive income for the period</b>	<b>7 266</b>	781	>100	1 892
<b>Attributable to:</b>				
Equity holders of the company	<b>6 855</b>	667	>100	1 682
Non-controlling interests	<b>411</b>	114	>100	210
<b>Total comprehensive income for the period</b>	<b>7 266</b>	781	>100	1 892
<b>Total comprehensive income from continuing operations</b>	<b>535</b>	901	(41)	1 732
<b>Total comprehensive income from discontinued operations</b>	<b>6 731</b>	(120)	>100	160

# COMPUTATION OF HEADLINE EARNINGS

R million	Six months ended 31 December		% change	Year ended 30 June 2021 Audited
	2021 Unaudited	2020 Unaudited		
<b>Earnings attributable to equity holders</b>	<b>6 284</b>	1 609	>100	2 893
Adjustment for:				
– (Gain)/loss on dilution and disposal of equity accounted investments	(4 801)	9		(84)
– Impairment of intangible assets	175	19		138
– Impairment of owner-occupied building to below cost	17	1		3
– Adjustments within equity accounted earnings	4	–		9
– Loss on disposal of property and equipment	1	–		4
– Profit on sale of subsidiary	–	(46)		(41)
– FCTR reversal on sale of foreign subsidiary	–	(1)		(4)
– Derecognition of intangible assets and property and equipment	–	–		10
– Loss on dilution of joint venture	–	–		1
<b>Headline earnings attributable to equity holders</b>	<b>1 680</b>	1 591	6	2 929

# COMPUTATION OF EARNINGS PER SHARE

R million	Six months ended 31 December		% change	Year ended 30 June 2021 Audited
	2021 Unaudited	2020 Unaudited		
Number of shares in issue (millions)	1 532	1 532	–	1 532
Weighted average number of shares in issue (millions)	1 529	1 529	–	1 529
<b>Continuing and discontinued operations</b>				
Earnings attributable to equity holders	6 284	1 609	>100	2 893
Headline earnings attributable to equity holders	1 680	1 591	6	2 929
Earnings per share (cents)	410.9	105.3	>100	189.2
Diluted earnings per share (cents)	410.1	104.7	>100	188.5
Headline earnings per share (cents)	109.8	104.1	6	191.6
Diluted headline earnings per share (cents)	108.8	103.5	5	190.9
<b>Continuing operations</b>				
Earnings attributable to equity holders	558	1 001	(44)	1 761
Headline earnings attributable to equity holders	536	1 013	(47)	1 829
Earnings per share (cents)	36.5	65.5	(44)	115.2
Diluted earnings per share (cents)	36.5	65.5	(44)	115.2
Headline earnings per share (cents)	35.0	66.3	(47)	119.6
Diluted headline earnings per share (cents)	35.0	66.3	(47)	119.6
<b>Discontinued operations</b>				
Earnings attributable to equity holders	5 727	608	>100	1 132
Headline earnings attributable to equity holders	1 144	578	98	1 100
Earnings per share (cents)	374.4	39.2	>100	74.0
Diluted earnings per share (cents)	373.6	39.2	>100	73.3
Headline earnings per share (cents)	74.8	37.8	98	72.0
Diluted headline earnings per share (cents)	73.8	37.2	98	71.3

# COMPUTATION OF NORMALISED EARNINGS

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

Unaudited R million	Six months ended 31 December		% change	Year ended 30 June 2021
	2021	2020		
<b>Headline earnings attributable to equity holders</b>	<b>1 680</b>	1 591	6	2 929
RMI's share of normalised adjustments made by associates	<b>230</b>	472		610
– Restructuring costs	<b>189</b>	222		219
– Amortisation of intangible assets relating to business combinations	<b>120</b>	151		289
– Economic assumption adjustments net of discretionary margin and interest rate derivative	<b>(81)</b>	89		95
– Unrealised (gains)/losses on foreign exchange contracts not designated as a hedge	<b>(15)</b>	37		54
– Transaction costs related to VitalityLife interest rate derivatives	<b>12</b>	–		1
– Time value of money movement of swap contract in VitalityLife	<b>(11)</b>	10		(28)
– Adjustments for iSabelo	<b>8</b>	–		11
– Finance costs – Convertible preference shares	<b>5</b>	–		–
– Deferred tax asset raised on assessed losses	<b>3</b>	(37)		(38)
– B-BBEE cost	<b>–</b>	–		7
Group treasury shares	<b>12</b>	(15)		6
<b>Normalised earnings attributable to equity holders</b>	<b>1 922</b>	2 048	(6)	3 545

# COMPUTATION OF NORMALISED EARNINGS PER SHARE

Unaudited R million	Six months ended 31 December		% change	Year ended 30 June 2021
	2021	2020		
Number of shares in issue (millions)	<b>1 532</b>	1 532	–	1 532
Weighted average number of shares in issue (millions)	<b>1 532</b>	1 532	–	1 532
<b>Continuing and discontinued operations</b>				
Normalised earnings attributable to equity holders	<b>1 922</b>	2 048	(6)	3 545
Normalised earnings per share (cents)	<b>125.5</b>	133.7	(6)	231.4
Diluted normalised earnings per share (cents)	<b>124.8</b>	133.4	(6)	231.1
<b>Continuing operations</b>				
Normalised earnings attributable to equity holders	<b>742</b>	1 016	(27)	1 841
Normalised earnings per share (cents)	<b>48.4</b>	66.3	(27)	120.2
Diluted normalised earnings per share (cents)	<b>48.4</b>	66.3	(27)	120.2
<b>Discontinued operations</b>				
Normalised earnings attributable to equity holders	<b>1 180</b>	1 032	14	1 704
Normalised earnings per share (cents)	<b>77.1</b>	67.4	14	111.2
Diluted normalised earnings per share (cents)	<b>76.4</b>	67.1	14	110.9

# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	As at 31 December		As at
	2021 Unaudited	2020 Unaudited	30 June 2021 Audited
<b>ASSETS</b>			
Property and equipment	1 094	1 133	1 056
Intangible assets	246	161	213
Right-of-use assets	101	130	104
Investments in associates	884	29 212	29 301
Financial assets	16 122	12 520	14 789
Insurance and other receivables	4 741	3 720	3 803
Deferred acquisition cost	636	477	513
Reinsurance contracts	1 718	2 276	1 140
Deferred taxation	329	257	502
Taxation	123	44	25
Assets of discontinued operations	20 017	–	–
Non-current assets held for sale	38	–	–
Cash and cash equivalents	4 843	3 291	2 618
<b>Total assets</b>	<b>50 892</b>	<b>53 221</b>	<b>54 064</b>
<b>EQUITY</b>			
Share capital and premium	15 364	15 318	15 353
Reserves	18 287	11 233	11 885
Total shareholders' equity	33 651	26 551	27 238
Non-controlling interests	1 501	1 673	1 776
<b>Total equity</b>	<b>35 152</b>	<b>28 224</b>	<b>29 014</b>
<b>LIABILITIES</b>			
Financial liabilities	295	11 846	11 806
Lease liabilities	113	144	118
Share-based payment liability	402	162	258
Deferred taxation	44	35	270
Insurance and other payables	2 575	2 001	2 146
Insurance contracts	12 258	10 647	10 311
Taxation	53	162	141
<b>Total liabilities</b>	<b>15 740</b>	<b>24 997</b>	<b>25 050</b>
<b>Total equity and liabilities</b>	<b>50 892</b>	<b>53 221</b>	<b>54 064</b>

# SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited R million	Share capital	Equity accounted reserves	Transac- tions with non- controlling interests	Other reserves	Retained earnings	Non- controlling interests	Total equity
<b>Balance as at 1 July 2020</b>	15 342	7 463	(3 856)	727	6 172	1 697	27 545
Profit for the period	–	–	–	–	1 609	174	1 783
Other comprehensive loss	–	(546)	–	(397)	–	(59)	(1 002)
Dividends paid	–	–	–	–	–	(145)	(145)
Income of associate companies retained	–	421	–	–	(421)	–	–
Movement in treasury shares	(24)	–	–	–	–	14	(10)
Transactions with non-controlling interests	–	1	11	–	(1)	(10)	1
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	1	1
Share-based payment reserve	–	26	–	3	1	–	30
Issue of equity financial instrument	–	–	–	5	–	1	6
Sale of financial asset through other comprehensive income	–	–	–	(47)	47	–	–
Reserve adjustment of associate entities	–	15	–	–	–	–	15
<b>Balance as at 31 December 2020</b>	<b>15 318</b>	<b>7 380</b>	<b>(3 845)</b>	<b>291</b>	<b>7 407</b>	<b>1 673</b>	<b>28 224</b>
<b>Balance as at 1 July 2021</b>	<b>15 353</b>	<b>7 504</b>	<b>(3 932)</b>	<b>224</b>	<b>8 089</b>	<b>1 776</b>	<b>29 014</b>
Profit for the period	–	–	–	–	6 284	352	6 636
Other comprehensive income	–	238	–	333	–	59	630
Dividends paid	–	–	–	–	(344)	(472)	(816)
Income of associate companies retained	–	597	–	–	(597)	–	–
Movement in treasury shares	11	2	223	–	–	(6)	230
Transactions with non-controlling interest	–	5	(375)	–	–	(271)	(641)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	63	63
Share-based payment reserve	–	36	–	4	(4)	–	36
<b>Balance as at 31 December 2021</b>	<b>15 364</b>	<b>8 382</b>	<b>(4 084)</b>	<b>561</b>	<b>13 428</b>	<b>1 501</b>	<b>35 152</b>

Audited R million	Share capital	Equity accounted reserves	Trans- actions with non- controlling interests	Other reserves	Retained earnings	Non- controlling interests	Total equity
<b>Balance as at 1 July 2020</b>	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
<b>Balance as at 30 June 2021</b>	15 353	7 503	(3 932)	225	8 089	1 776	29 014

## DIVIDEND PER SHARE

R million	Six months ended 31 December		% change	Year ended 30 June 2021 Audited
	2021 Unaudited	2020 Unaudited		
<b>Dividend per share</b>				
Interim	23.5	22.5	4	22.5
Special	142.0	–	>100	–
Final	–	–	–	22.5
<b>Total dividend per share</b>	<b>165.5</b>	22.5	>100	45.0
Ordinary dividend cover (relative to headline earnings)	4.7	4.6		4.3
Ordinary dividend cover (relative to normalised earnings)	5.3	5.9		5.1

# SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Six months ended 31 December		Year ended 30 June
	2021 Unaudited	Restated 2020 Unaudited	Restated 2021 Audited
<b>Cash flows from operating activities</b>			
Cash generated from operations	1 560	1 436	4 424
Interest income	207	177	308
Dividends received	155	116	256
Cash flows on assets backing policyholder liabilities	(146)	210	(244)
Purchase of financial assets	(5 169)	(6 103)	(7 986)
Proceeds on disposal of financial assets	5 179	5 982	7 558
Income tax paid	(722)	(519)	(1 116)
Cash flows from discontinued operations	187	182	397
<b>Net cash generated from operating activities</b>	<b>1 251</b>	<b>1 481</b>	<b>3 597</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(38)	(66)	(81)
Proceeds on disposal of property and equipment	–	–	1
Purchase of financial assets	(4)	(96)	(3 112)
Proceeds on disposal of financial assets	74	184	1 395
Investments in associates	(33)	(15)	(226)
Proceeds on sale of associates	–	3	11
Proceeds on sale of discontinued operations	14 575	–	–
<b>Net cash inflow/(outflow) from investing activities</b>	<b>14 574</b>	<b>10</b>	<b>(2 012)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of preference share debt	–	–	2 000
Borrowings repaid	(11 779)	(100)	(2 108)
Repayment of lease liability	(12)	(20)	(41)
Cost of funding	–	(30)	(68)
Dividends paid on preference shares in issue	(468)	(287)	(560)
Dividends paid by subsidiaries to non-controlling interests	(472)	(145)	(226)
Cash dividends paid to shareholders	(345)	–	(345)
Proceeds on issue of equity financial instrument	–	5	–
Proceeds on issue of shares to non-controlling interests	4	1	40
Purchase of shares from non-controlling interests	(659)	–	–
<b>Net cash outflow into financing activities</b>	<b>(13 731)</b>	<b>(576)</b>	<b>(1 308)</b>
Net increase in cash and cash equivalents for the period	2 094	915	277
Unrealised foreign currency translation adjustment on cash and cash equivalents	131	(38)	(73)
Cash and cash equivalents at the beginning of the period	2 618	2 414	2 414
<b>Cash and cash equivalents at the end of the period</b>	<b>4 843</b>	<b>3 291</b>	<b>2 618</b>

# SEGMENTAL REPORT

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

Unaudited R million	Discovery	Momentum Metropolitan	Hastings	OUTsurance	Other <sup>1</sup>	RMI
<b>Six months ended 31 December 2021</b>						
Net income	–	–	–	10 391	213	10 604
Policyholder benefits and transfer to policyholder liabilities	–	–	–	(5 769)	–	(5 769)
Depreciation	–	–	–	(115)	(9)	(124)
Amortisation	–	–	–	(8)	–	(8)
Other expenses	–	–	–	(2 925)	(189)	(3 114)
Finance costs	–	–	–	(6)	(418)	(424)
Fair value adjustment to financial liabilities	–	–	–	(76)	–	(76)
Share of after-tax results of associates	–	–	–	2 449	(2 379)	70
Impairment of investment in associate	–	–	–	(249)	249	–
<b>Profit/(loss) before taxation</b>	–	–	–	3 692	(2 533)	1 159
Taxation	–	–	–	(432)	(51)	(483)
<b>Profit/(loss) for the period from continuing operations</b>	–	–	–	3 260	(2 584)	676
Profit for the period from discontinued operations	716	146	5 098	–	–	5 960
Hastings included in OUTsurance	–	–	–	(2 447)	2 447	–
<b>Profit/(loss) for the period</b>	716	146	5 098	813	(137)	6 636
<b>Normalised earnings/(loss)</b>	620	370	126	1 102	(296)	1 922
Hastings included in OUTsurance	–	–	65	(65)	–	–
<b>Normalised earnings/(loss)</b>	620	370	191	1 037	(296)	1 922
<b>As at 31 December 2021</b>						
Assets	–	–	–	25 207	4 500	29 707
Investments in associates	–	–	–	67	817	884
Intangible assets	–	–	–	241	5	246
Assets of discontinued operations and non-current assets held for sale	13 736	6 281	–	38	–	20 055
<b>Total assets</b>	13 736	6 281	–	25 553	5 322	50 892
<b>Total liabilities</b>	–	–	–	15 338	402	15 740

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

Unaudited R million	Discovery	Momentum Metropolitan	Hastings	OUTsurance	Other <sup>1</sup>	RMI
<b>Six months ended 31 December 2020</b>						
Net income	–	–	–	9 276	119	9 395
Policyholder benefits and transfer to policyholder liabilities	–	–	–	(4 664)	–	(4 664)
Depreciation	–	–	–	(64)	(2)	(66)
Amortisation	–	–	–	(14)	–	(14)
Other expenses	–	–	–	(2 495)	(73)	(2 568)
Finance costs	–	–	–	(2)	(310)	(312)
Fair value adjustment to financial liabilities	–	–	–	(54)	–	(54)
Share of after-tax results of associates	–	–	–	(59)	115	56
<b>Profit/(loss) before taxation</b>	–	–	–	1 924	(151)	1 773
Taxation	–	–	–	(574)	(20)	(594)
<b>Profit/(loss) for the period from continuing operations</b>	–	–	–	1 350	(171)	1 179
Profit/(loss) for the period from discontinued operations	465	251	(112)	–	–	604
Hastings included in OUTsurance	–	–	–	64	(64)	–
<b>Profit/(loss) for the period</b>	465	251	(112)	1 414	(235)	1 783
<b>Normalised earnings/(loss)</b>	578	272	97	1 437	(336)	2 048
Hastings included in OUTsurance	–	–	86	(86)	–	–
<b>Normalised earnings/(loss)</b>	578	272	183	1 351	(336)	2 048
<b>As at 31 December 2020</b>						
Assets	–	–	–	20 680	3 168	23 848
Investments in associates	12 163	6 418	6 155	3 619	857	29 212
Intangible assets	–	–	–	161	–	161
	12 163	6 418	6 155	24 460	4 025	53 221
Hastings included in OUTsurance	–	–	3 535	(3 535)	–	–
<b>Total assets</b>	12 163	6 418	9 690	20 925	4 025	53 221
<b>Total liabilities</b>	–	–	–	13 015	11 982	24 997

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

# GEOGRAPHICAL SEGMENTS

Unaudited R million	South Africa	Australia	United Kingdom	Total
<b>Six months ended 31 December 2021</b>				
Net income	5 933	4 671	–	10 604
Policyholder benefits and transfer to policyholder liabilities	(2 888)	(2 881)	–	(5 769)
Other expenses	(2 126)	(1 620)	–	(3 746)
Share of after-tax results of associates	70	–	–	70
<b>Profit before taxation</b>	<b>989</b>	<b>170</b>	<b>–</b>	<b>1 159</b>
Taxation	(436)	(47)	–	(483)
<b>Profit for the period from continuing operations</b>	<b>553</b>	<b>123</b>	<b>–</b>	<b>676</b>
Profit from discontinued operations	669	–	5 291	5 960
<b>Profit for the period</b>	<b>1 222</b>	<b>123</b>	<b>5 291</b>	<b>6 636</b>
<b>As at 31 December 2021</b>				
<b>Assets</b>				
Property and equipment	355	739	–	1 094
Investments in associates	884	–	–	884
Financial assets	9 235	6 887	–	16 122
Other assets	24 577	8 215	–	32 792
<b>Total assets</b>	<b>35 051</b>	<b>15 841</b>	<b>–</b>	<b>50 892</b>
<b>Liabilities</b>				
Insurance contract liabilities	3 039	9 219	–	12 258
Other liabilities	950	2 532	–	3 482
<b>Total liabilities</b>	<b>3 989</b>	<b>11 751</b>	<b>–</b>	<b>15 740</b>
<b>Six months ended 31 December 2020</b>				
Net income	5 325	4 070	–	9 395
Policyholder benefits and transfer to policyholder liabilities	(2 506)	(2 158)	–	(4 664)
Other expenses	(1 673)	(1 314)	(27)	(3 014)
Share of after-tax results of associates	56	–	–	56
<b>Profit/(loss) before taxation</b>	<b>1 202</b>	<b>598</b>	<b>(27)</b>	<b>1 773</b>
Taxation	(402)	(192)	–	(594)
<b>Profit/(loss) for the period from continuing operations</b>	<b>800</b>	<b>406</b>	<b>(27)</b>	<b>1 179</b>
Profit/(loss) from discontinued operations	590	–	14	604
<b>Profit/(loss) for the period</b>	<b>1 390</b>	<b>406</b>	<b>(13)</b>	<b>1 783</b>
<b>As at 31 December 2020</b>				
<b>Assets</b>				
Property and equipment	379	754	–	1 133
Investments in associates	19 522	–	9 690	29 212
Financial assets	6 329	6 191	–	12 520
Other assets	5 468	4 888	–	10 356
<b>Total assets</b>	<b>31 698</b>	<b>11 833</b>	<b>9 690</b>	<b>53 221</b>
<b>Liabilities</b>				
Insurance contract liabilities	2 728	7 919	–	10 647
Other liabilities	10 403	1 941	2 006	14 350
<b>Total liabilities</b>	<b>13 131</b>	<b>9 860</b>	<b>2 006</b>	<b>24 997</b>

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## 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:

Unaudited R million	Level 1	Level 2	Level 3	Total carrying amount
<b>As at 31 December 2021</b>				
<b>Financial assets</b>				
Equity securities				
– Exchange traded funds	1 060	–	–	1 060
– Collective investment schemes	–	434	–	434
– Listed equity securities	422	–	–	422
– Unlisted equity securities	–	–	433	433
Debt securities				
– Unsecured loans	–	–	46	46
– Unlisted preference shares	–	18	–	18
– Zero-coupon deposits	–	860	–	860
– Government, municipal and public utility securities	–	283	–	283
– Money market securities	–	4 844	–	4 844
– Convertible loan	–	–	15	15
– Other debt securities	–	–	548	548
Derivative asset	–	200	–	200
<b>Total financial assets recognised at fair value</b>	<b>1 482</b>	<b>6 639</b>	<b>1 042</b>	<b>9 163</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	116	116
Derivative liability	–	112	–	112
Investment contracts	–	41	–	41
<b>Total financial liabilities recognised at fair value</b>	<b>–</b>	<b>153</b>	<b>116</b>	<b>269</b>

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

Unaudited R million	As at 31 December	
	2021	2020
<b>Reconciliation of movement in Level 3 assets</b>		
Balance at the beginning of the period	807	910
Additions in the current period	209	45
Disposal (sales and redemptions)	(36)	(94)
Fair value movement	62	(198)
<b>Balance at the end of the period</b>	<b>1 042</b>	<b>663</b>
<b>Reconciliation of movement in Level 3 liabilities</b>		
Balance at the beginning of the period	125	104
Preference dividends charged to the income statement	77	54
Preference dividends paid	(86)	(65)
<b>Balance at the end of the period</b>	<b>116</b>	<b>93</b>

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 B-BBEE 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 31 December 2021:

Unaudited R million	Current	1% increase in interest rate	1% decrease in interest rate
<b>31 December 2021</b> Fair value	<b>44</b>	<b>44</b>	<b>45</b>
<b>31 December 2020</b> Fair value	42	41	43

- **Convertible loan:** The loan with AutoGuru Australia Proprietary 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.

Unaudited R million	Current	1% increase in interest rate	1% decrease in interest rate
<b>31 December 2021</b>			
Fair value	15	16	15
<b>31 December 2020</b>			
Fair value	14	14	14

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 R15 million (2020: R11 million) at 31 December 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 31 December 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.

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

## Reclassification of comparative information

RMI classified Hastings, Discovery and Momentum Metropolitan as discontinued operations. The comparative information in the income statement and statement of cash flows have been reclassified as required by IFRS 5.

The reclassifications to the summary consolidated income statement are set out below:

### Summary consolidated income statement for the six months ended 31 December 2020

R million	Original 31 December 2020	Restated 31 December 2020	Reclas- sification
Share of after-tax results of associates	660	56	(604)
Profit for the period from discontinued operations	–	604	604

### Summary consolidated income statement for the year ended 30 June 2021

R million	Original 30 June 2021	Restated 30 June 2021	Reclas- sification
Share of after-tax results of associates	1 207	64	(1 143)
Profit for the period from discontinued operations	–	1 143	1 143

The reclassifications to the summary consolidated statement of cash flows are set out below:

### Summary consolidated statement of cash flows for the six months ended 31 December 2020

R million	Original 31 December 2020	Restated 31 December 2020	Reclas- sification
Dividends received	298	116	(182)
Cash flows from discontinued operations	–	182	182

### Summary consolidated statement of cash flows for the year ended 30 June 2021

R million	Original 30 June 2021	Restated 30 June 2021	Reclas- sification
Dividends received	653	256	(397)
Cash flows from discontinued operations	–	397	397

## Discontinued operations

On 20 September 2021, RMI announced its intention to unbundle its investments in Discovery and Momentum Metropolitan by way of a distribution *in specie*. Further to this announcement, on 8 December 2021 it announced the sale of its 30% interest in Hastings and confirmed its intention to continue with the distribution of Discovery and Momentum Metropolitan. Consequently, these investments were classified as discontinued operations in the results for the six months ended 31 December 2021. The effective date for these reclassifications was 8 December 2021. Comparative information presented has been restated in terms of IFRS 5 *Non-current Assets Held for sale and Discontinued Operations*.

Financial information relating the discontinued operations are as follows:

R million	8 December 2021 Unaudited	31 December 2020 Unaudited	30 June 2021 Audited
Name of entity	<b>Discovery Limited</b>		
Country of incorporation	Republic of South Africa		
% of ownership	25.1	25.1	25.1
% of voting rights	24.6	24.8	24.8
RMI's effective portion in at acquisition net asset value	4 083	4 083	4 083
Notional goodwill	1 031	1 031	1 031
Cost price of investment	5 114	5 114	5 114
RMI's effective interest in post-acquisition movement in net asset value	8 622	7 049	7 368
Group carrying value	13 736	12 163	12 482
Dividends received from Discovery	–	–	–
Name of entity	<b>Momentum Metropolitan Holdings Limited</b>		
Country of incorporation	Republic of South Africa		
% of ownership	28.2	27.8	28.2
% of voting rights	27.6	27.6	27.4
RMI's effective portion in at acquisition net asset value	6 142	6 142	6 142
Notional goodwill	153	153	153
Cost price of investment	6 295	6 295	6 295
RMI's effective interest in post-acquisition movement in net asset value	84	241	(59)
Treasury shares	(98)	(118)	(87)
Group carrying value	6 281	6 418	6 149
Dividends received from Momentum Metropolitan	60	–	100
Name of entity	<b>Hastings Group (Consolidated) Limited</b>		
Country of incorporation	United Kingdom		
% of ownership	30.0	30.0	30.0
% of voting rights	30.0	30.0	30.0
RMI's effective portion in at acquisition net asset value	3 365	3 365	3 365
Hastings dividend forming part of acquisition price	(216)	(216)	(216)
Notional goodwill	5 613	5 613	5 613
Cost price of investment	8 762	8 762	8 762
RMI's effective interest in post-acquisition movement in net asset value	1 301	928	1 049
Group carrying value	10 063	9 690	9 811
Dividends received from Hastings	126	182	297

Unaudited R million				Five months ended 8 December 2021
	Discovery	Momentum Metropolitan	Hastings	
Equity accounted earnings for the period	716	146	137	999
Gain on disposal of investment	–	–	4 512	4 512
Reclassification of accumulated comprehensive income of discontinued operations	–	–	469	469
Transaction costs	–	–	( 20)	( 20)
<b>Profit from discontinued operations</b>	<b>716</b>	<b>146</b>	<b>5 098</b>	<b>5 960</b>
Attributable to:				
Equity holders of the company	716	146	4 865	5 727
Non-controlling interests	–	–	233	233
<b>Profit from discontinued operations</b>	<b>716</b>	<b>146</b>	<b>5 098</b>	<b>5 960</b>
Profit from discontinued operations	716	146	4 865	5 727
Headline earnings adjustment of discontinued operations	( 1)	152	(4 734)	(4 583)
Headline earnings from discontinued operations	715	298	131	1 144
Normalised earnings adjustment of discontinued operations	( 95)	72	60	37
<b>Normalised earnings from discontinued operations</b>	<b>620</b>	<b>370</b>	<b>191</b>	<b>1 181</b>

Unaudited R million				Six months ended 31 December 2020
	Discovery	Momentum Metropolitan	Hastings	
Equity accounted earnings/(loss) for the period	465	251	( 112)	604
<b>Profit/(loss) from discontinued operations</b>	<b>465</b>	<b>251</b>	<b>( 112)</b>	<b>604</b>
Attributable to:				
Equity holders of the company	465	251	( 107)	609
Non-controlling interests	–	–	( 5)	( 5)
<b>Profit from discontinued operations</b>	<b>465</b>	<b>251</b>	<b>( 112)</b>	<b>604</b>
Profit/(loss) from discontinued operations	465	251	( 107)	609
Headline earnings adjustment of discontinued operations	( 3)	( 28)	–	( 31)
Headline earnings/(loss) from discontinued operations	462	223	( 107)	578
Normalised earnings adjustment of discontinued operations	116	49	290	455
<b>Normalised earnings from discontinued operations</b>	<b>578</b>	<b>272</b>	<b>183</b>	<b>1 033</b>

Audited R million	Discovery	Momentum Metropolitan	Hastings	Year ended 30 June 2021
Equity accounted earnings for the year	790	108	245	1 143
<b>Profit from discontinued operations</b>	790	108	245	1 143
Attributable to:				
Equity holders of the company	790	108	234	1 132
Non-controlling interests	–	–	11	11
<b>Profit from discontinued operations</b>	790	108	245	1 143
Profit from discontinued operations	790	108	234	1 132
Headline earnings adjustment of discontinued operations	(41)	9	–	(32)
Headline earnings from discontinued operations	749	117	234	1 100
Normalised earnings adjustment of discontinued operations	101	152	351	604
<b>Normalised earnings from discontinued operations</b>	850	269	585	1 704

# 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) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe and JA Teeger.

Messrs PK Harris, RT Mupita and O Phetwe and Ms SEN De Bruyn stepped down as directors at the annual general meeting held on 24 November 2021. Mr Dippenaar retired as a director on 14 March 2022.

### Alternates

DA Frankel, F Knoetze and UH Lucht

### Secretary and registered office

#### JS Human

Physical address: 12th Floor, The Bank  
Corner of 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](http://www.rmih.co.za)

### Sponsor

(in terms of JSE Listings Requirements)

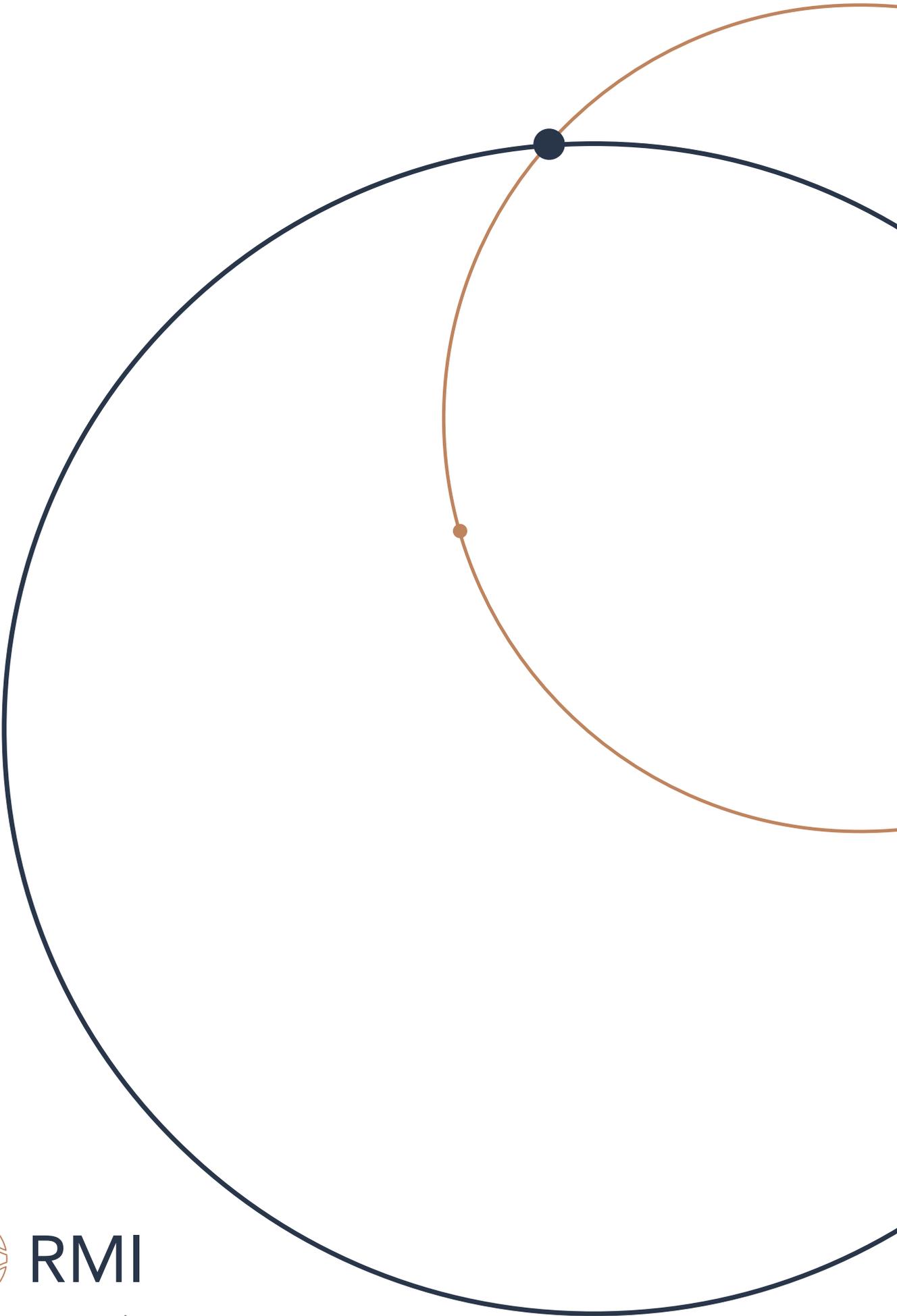
#### Rand Merchant Bank (a division of FirstRand Bank Limited)

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, 2196  
Postal address: Private Bag X9000, Saxonwold, 2132  
Telephone: +27 11 370 5000  
Telefax: +27 11 688 5221



**RMI**

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