



MMI HOLDINGS

Summary of financial information

Audited results for the 12 months ended 30 June 2015

MMI HOLDINGS GROUP

DIRECTORS' STATEMENT

The directors take pleasure in presenting the audited results of MMI Holdings financial services group for the year ended 30 June 2015. The preparation of the group's results was supervised by the group finance director, Mary Vilakazi, CA(SA).

Corporate events

Acquisitions

On 2 October 2014, the group acquired an accounting ownership of 71% (legal ownership of 66%) of Cannon Assurance Ltd (Cannon), a composite insurer, for R308 million. The minority shareholders of Cannon also acquired a minority stake in Metropolitan Life Kenya.

On 19 November 2014, the group acquired 100% of the shares in the CareCross Health Group (CareCross), a health administrator, for R300 million in cash. It includes a majority share in Occupational Care South Africa (OCSA).

Listed debt

MMI Group Ltd (MMIGL) listed new instruments to the total value of R750 million on the JSE Limited on 1 December 2014. The instruments are unsecured subordinated callable notes.

On 15 December 2014, R500 million of unsecured subordinated notes previously issued by MMIGL were redeemed.

Basis of preparation of financial information

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those adopted in the previous years except as described below. Critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2015, including changes in estimates that are an integral part of the insurance business. The group is exposed to financial and insurance risks, details of which are also provided in the group's integrated report.

The current year includes Guardrisk Group (Pty) Ltd and its subsidiaries' (collectively Guardrisk's) results for 12 months, while the prior year includes four months (3 March 2014 to 30 June 2014). Certain aspects of the group results are therefore not directly comparable.

New and revised standards effective for the period ended 30 June 2015 and relevant to the group

- The following amendments to standards and interpretations became effective for the first time in the current year and had no impact on the group's earnings or net asset value: Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities, IAS 19 Employee benefits, IAS 27 Separate financial statements, IAS 32 Financial instruments: presentation, IAS 36 Impairment of assets and IAS 39 Financial instruments: recognition and measurement; IFRIC 21 Levies.
- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

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Reclassifications

The group's June 2014 results have been restated for the following reclassifications:

- Certain income and expenses of R334 million in the Shareholder Capital segment have been set off to better reflect the information used by management.
- The classification of certain financial assets has been refined in the current period, and where considered necessary, the prior year was restated. This had no change to the statement of financial position. Refer to the financial asset disclosure section for more details.
- As reported with the December 2014 results, reinsurance contract liabilities of R202 million, previously shown with reinsurance contract assets, have been grossed up and disclosed separately. This restatement was deemed necessary in order to improve comparability between periods.
- As reported with the December 2014 results, promoter cell administration expenses of R88 million, previously included in cell captive business expenses in the segment report, was reallocated to administration expenses in line with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the Momentum Employee Benefits segment.

These restatements had no impact on the current or prior year reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow.

Corporate governance

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

Changes to the directorate, secretary and directors' shareholding

On 30 June 2015, Ngao Motsei, group executive for strategic human resources and transformation, resigned. We thank her for her contribution to the development and growth of the group. On the same day, Preston Speckmann, the group finance director, retired from the board and on 1 July 2015, Mary Vilakazi, was appointed in the same position. We thank Preston for his invaluable input over the years and wish him well in his future endeavours. On 8 July 2015 MMI announced the impending retirement of Sizwe Nxasana from the MMI board with effect from 30 September 2015. We thank Sizwe for his commitment and contribution to the group.

All transactions in listed shares of the company involving directors were disclosed on SENS.

Changes to the group executive committee

Herman Schoeman, managing director of Guardrisk, was appointed to the group executive committee from 1 July 2014. On the same day, Khanyi Nzukuma was appointed to the group executive committee as chief executive officer of Metropolitan Retail. On 30 June 2015, Ngao Motsei resigned and Preston Speckmann retired from the group executive committee.

Contingent liabilities and capital commitments

As part of running a business, the group is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The group had no material capital commitments at 30 June 2015 that were not in the ordinary course of business other than those disclosed in the 2015 integrated report.

MMI HOLDINGS GROUP

Events after year-end

Announcements

On 8 July 2015 the group announced that it entered into an agreement with a group of key individuals from Momentum Asset Management for a management buy-out of a portion of the asset management business. This marks one of the initial steps in the implementation of MMI's client-centric outcomes-based investment model.

This buy-out will enable these individuals to establish a new majority black-owned and controlled asset management business, in which MMI will be a shareholder. The transaction will be financed by both MMI and the key individuals.

On 12 August 2015, MMIGL issued listed instruments to the value of R1.25 billion on the JSE Limited and will be redeeming R1 billion of the existing issued subordinated debt that becomes callable during September 2015. The newly issued instruments are unsecured subordinated callable notes.

Subsequent to the financial year-end, Metropolitan Health, which was party to a competitive tender process regarding the administration contracts of two existing clients, was informed that these two clients had decided not to renew these contracts. The contracts will terminate effective 1 January 2016. Management is in the process of assessing the financial impact of the loss of these contracts on the business.

No other material events occurred between the reporting date and the date of approval of these results.

Final dividend declaration

Ordinary shares

- On 8 September 2015, a gross final dividend of 92 cents per ordinary share was declared, resulting in a total dividend of 155 cents per share.
- The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the company at the close of business on Friday, 2 October 2015, and will be paid on Monday, 5 October 2015.
- The dividend will be subject to local dividend withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate.
- This will result in a net final dividend of 78.2 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.
- The last day to trade cum dividend will be Friday, 25 September 2015.
- The shares will trade ex dividend from the start of business on Monday, 28 September 2015.
- Share certificates may not be dematerialised or rematerialised between Monday, 28 September 2015 and Friday, 2 October 2015, both days inclusive.
- The number of ordinary shares at the declaration date was 1 571 950 755.
- MMI's income tax number is 975 2050 147.

Preference shares

- Dividends of R21.3 million (132 cents per share p.a.) were declared on the unlisted A3 MMI Holdings Ltd preference shares as determined by the company's Memorandum of Incorporation.

Integrated information

The full integrated report for 2015 will be posted to shareholders, and can be viewed online at www.mmiholdings.com, on or about 30 September 2015.

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Directors' responsibility

The preparation of these results, and the correct extraction thereof from the group's audited 2015 annual financial statements, are the responsibility of the directors. The full condensed IAS 34 compliant results are available on MMI's website and at MMI's registered offices upon request. A printed version of the SENS announcement may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255.

External audit

These condensed results have not been audited, but have been extracted from the group's 2015 annual financial statements, which have been audited by PricewaterhouseCoopers Inc. and their unqualified audit report, together with the group's audited 2015 annual financial statements, are available for inspection at the company's registered office. In addition, the summarised group embedded value information has been extracted from the 2015 group embedded value report, which has been reviewed by PricewaterhouseCoopers Inc. in accordance with the embedded value basis of MMI, and the review report is available for inspection at the company's registered office.

Signed on behalf of the board

JJ Njeke	<i>Chairman</i>
Nicolaas Kruger	<i>Group chief executive officer</i>

Centurion
8 September 2015

DIRECTORS: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), M Vilakazi (group finance director), L Crouse, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, LL von Zeuner

GROUP COMPANY SECRETARY: Maliga Chetty

WEBSITE: www.mmiholdings.com

TRANSFER SECRETARIES: Link Market Services SA (Pty) Ltd (registration number 2000/007239/07) Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein 2001. PO Box 4844, Johannesburg 2000 Telephone: +27 11 713 0800 E-mail: info@linkmarketservices.co.za SPONSOR: Merrill Lynch (registration number: 2000/031756/06)

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion 0157

JSE CODE: MMI NSX CODE: MIM ISIN NO: ZAE000149902

SENS ISSUE: 9 September 2015

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.06.2015 Rm	Restated 30.06.2014 Rm
ASSETS		
Intangible assets	13 153	12 819
Owner-occupied properties	3 030	1 714
Property and equipment	353	315
Investment properties	7 212	7 675
Investments in associates	145	179
Employee benefit assets	408	405
Financial instruments (1)	388 258	355 073
Reinsurance contract assets	3 046	2 778
Deferred income tax	287	263
Properties under development	330	252
Insurance and other receivables	4 080	3 813
Current income tax assets	365	330
Cash and cash equivalents	26 174	28 875
Non-current assets held for sale	-	17
Total assets	446 841	414 508
EQUITY		
Equity attributable to owners of the parent	24 547	24 734
Non-controlling interests	501	480
Total equity	25 048	25 214
LIABILITIES		
Insurance contract liabilities		
Long-term insurance contracts	104 776	106 047
Short-term insurance contracts	6 553	5 496
Financial instruments		
Investment contracts	246 490	227 056
– with discretionary participation features	26 134	25 405
– designated at fair value through income	220 356	201 651
Other financial instruments (2)	42 923	34 117
Reinsurance contract liabilities	659	202
Deferred income tax	4 351	4 281
Employee benefit obligations	1 735	1 246
Other payables	14 062	10 437
Provisions	78	157
Current income tax liabilities	166	255
Total liabilities	421 793	389 294
Total equity and liabilities	446 841	414 508

1. Financial instruments consist of the following:

- Securities designated at fair value through income: R365 727 million (30.06.2014: R334 996 million)
- Investments in associates designated at fair value through income: R12 362 million (30.06.2014: R11 900 million)
- Derivative financial instruments: R2 033 million (30.06.2014: R2 362 million)
- Available-for-sale: R208 million (30.06.2014: R129 million)
- Held-to-maturity: R73 million (30.06.2014: R100 million)
- Loans and receivables: R7 855 million (30.06.2014: R5 586 million)

2. Other financial instruments consist of the following:

- Designated at fair value through income: R39 720 million (30.06.2014: R30 801 million)
- Derivative financial instruments: R2 111 million (30.06.2014: R1 853 million)
- Amortised cost: R1 092 million (30.06.2014: R1 463 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Net insurance premiums	27 396	23 138
Fee income ⁽¹⁾	7 355	6 567
Investment income	15 559	14 043
Net realised and fair value gains	16 248	43 906
Net income	66 558	87 654
Net insurance benefits and claims	24 610	22 321
Change in liabilities	(869)	7 850
Change in long-term insurance contract liabilities	(2 069)	7 786
Change in short-term insurance contract liabilities	(139)	(72)
Change in investment contracts with DPF liabilities	728	468
Change in reinsurance assets	154	(534)
Change in reinsurance liabilities	457	202
Fair value adjustments on investment contract liabilities	16 039	32 959
Fair value adjustments on collective investment scheme liabilities	2 457	3 061
Depreciation, amortisation and impairment expenses	1 326	1 159
Employee benefit expenses	5 922	5 132
Sales remuneration	5 071	3 899
Other expenses	5 806	5 035
Expenses	60 362	81 416
Results of operations	6 196	6 238
Share of profit of associates	4	2
Finance costs ⁽²⁾	(792)	(482)
Profit before tax	5 408	5 758
Income tax expense	(2 431)	(2 458)
Earnings for the year	2 977	3 300
Attributable to:		
Owners of the parent	2 857	3 197
Non-controlling interests	120	103
	2 977	3 300
Basic earnings per ordinary share (cents)	183.5	205.5
Diluted earnings per ordinary share (cents)	180.5	202.4

1. Fee income consists of the following:
 - Investment contracts: R2 225 million (30.06.2014: R1 772 million)
 - Trust and fiduciary services: R1 842 million (30.06.2014: R2 014 million)
 - Health administration: R2 053 million (30.06.2014: R1 978 million)
 - Other fee income: R1 235 million (30.06.2014: R803 million)
2. Finance costs consist of the following:
 - Preference shares issued by MMI: R108 million (30.06.2014: R46 million)
 - Subordinated redeemable debt: R271 million (30.06.2014: R149 million)
 - Cost of carry positions: R261 million (30.06.2014: R156 million)
 - Other: R152 million (30.06.2014: R131 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Earnings for the year	2 977	3 300
Other comprehensive income, net of tax	68	165
Items that may subsequently be reclassified to income	6	32
Exchange differences on translating foreign operations	1	40
Available-for-sale financial assets	5	(8)
Items that will not be reclassified to income	62	133
Land and building revaluation	118	41
Change in non-distributable reserves	-	6
Adjustments to employee benefit funds		
Metropolitan Staff Pension Fund	-	107
Other	(20)	(9)
Income tax relating to items that will not be reclassified	(36)	(12)
Total comprehensive income for the year	3 045	3 465
Total comprehensive income attributable to:		
Owners of the parent	2 926	3 363
Non-controlling interests	119	102
	3 045	3 465

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings		Diluted earnings	
	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Earnings	2 857	3 197	2 857	3 197
Finance costs – convertible preference shares			44	45
Dilutory effect of subsidiaries ⁽¹⁾			(31)	(22)
Diluted earnings			2 870	3 220
Intangible asset and other impairments	19	25	19	25
Tax on intangible asset and other impairments	(4)	-	(4)	-
Headline earnings ⁽²⁾	2 872	3 222	2 885	3 245
Net realised and fair value gains on excess	6	(544)	6	(544)
Basis and other changes and investment variances	148	160	148	160
Amortisation of intangible assets relating to business combinations	720	575	720	575
Non-recurring items ⁽³⁾	53	171	53	171
Investment income on treasury shares – contract holders			24	14
Core headline earnings ⁽⁴⁾	3 799	3 584	3 836	3 621

1. Metropolitan Health is consolidated at 100% and the MMI Holdings Namibian group, Metropolitan Kenya and Cannon are consolidated at 96% in the results. For purposes of diluted earnings, diluted non-controlling interests and investment returns are reinstated.
2. Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
3. Non-recurring items include one-off costs relating to the restructuring of the group. For June 2014 it also includes a one-off enhancement of benefits relating to the outsourcing of the Metropolitan Staff Pension Fund liabilities, amounting to R107 million. The previously unrecognised net surplus asset exceeding the employer surplus account was used to fund the enhancement and released in other comprehensive income, resulting in an accounting mismatch. The net asset value of the group has therefore not been impacted.
4. Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on financial assets and liabilities, investment variances and basis and other changes that can be volatile, certain non-recurring items, as well as the amortisation of intangible assets relating to business combinations as this is part of the cost of acquiring the business.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

EARNINGS PER SHARE (cents) attributable to owners of the parent	12 mths to 30.06.2015	12 mths to 30.06.2014
Basic		
Core headline earnings	244.0	230.3
Headline earnings	184.5	207.1
Earnings	183.5	205.5
Weighted average number of shares (million)	1 557	1 556
Diluted		
Core headline earnings	239.2	225.7
Weighted average number of shares (million) ⁽¹⁾	1 604	1 604
Headline earnings	181.4	204.0
Earnings	180.5	202.4
Weighted average number of shares (million) ⁽²⁾	1 590	1 591

1. For diluted core headline earnings per share, treasury shares held on behalf of contract holders are deemed to be issued.
2. For diluted earnings and headline earnings per share, treasury shares held on behalf of contract holders are deemed to be cancelled.

DIVIDENDS	2015	2014
Ordinary listed MMI Holdings Ltd shares (cents per share)		
Interim – March	63	57
Final – September	92	85
Total	155	142
Special dividend - September		50

MMI Holdings Ltd convertible redeemable preference shares (issued to Kagiso Tiso Holdings (Pty) Ltd (KTH))

The A3 MMI Holdings Ltd preference shares are redeemable in June 2017 at a redemption value of R9.18 per share unless converted into MMI Holdings Ltd ordinary shares on a one-for-one basis prior to that date. On each of 13 November 2014 and 31 March 2015, 1.1 million preference shares were converted into ordinary shares. The ordinary shares were originally issued at a price of R10.18 per share. Dividends are still payable on the remaining preference shares at 132 cents per annum (payable March and September).

Significant related party transactions

R333 million of the ordinary dividends declared by MMI Holdings Ltd in September 2014 (R298 million of the ordinary dividends declared in September 2013) and R248 million of the ordinary dividends declared in March 2015 (R223 million of the ordinary dividends declared in March 2014) were attributable to RMI Holdings Ltd. In September 2014, R196 million of the special dividends declared by MMI Holdings Ltd were attributable to RMI Holdings Ltd.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Changes in share capital		
Balance at beginning and end	9	9
Changes in share premium		
Balance at beginning	13 782	13 794
Conversion of preference shares	20	-
Increase in treasury shares held on behalf of contract holders	(7)	(12)
Balance at end	13 795	13 782
Changes in other reserves		
Balance at beginning	1 802	1 631
Total comprehensive income	69	166
BEE cost	4	2
Transfer (to)/from retained earnings	(9)	3
Balance at end ⁽¹⁾	1 866	1 802
Changes in retained earnings		
Balance at beginning	9 141	8 039
Total comprehensive income	2 857	3 197
Dividend paid	(3 094)	(2 092)
Transactions with non-controlling interests	(15)	-
Transfer from/(to) other reserves	9	(3)
Puttable non-controlling interests ⁽²⁾	(21)	-
Balance at end	8 877	9 141
Equity attributable to owners of the parent	24 547	24 734
Changes in non-controlling interests		
Balance at beginning	480	391
Total comprehensive income	119	102
Dividend paid	(23)	(18)
Transactions with owners ⁽²⁾	(170)	-
Business combinations	95	5
Balance at end	501	480
Total equity	25 048	25 214

1. Other reserves consist of the following:

- Land and building revaluation reserve: R631 million (30.06.2014: R561 million)
- Foreign currency translation reserve: R181 million (30.06.2014: R179 million)
- Revaluation of available-for-sale investments: R8 million (30.06.2014: R3 million)
- Non-distributable reserve: R19 million (30.06.2014: R16 million)
- Employee benefit revaluation reserve: R78 million (30.06.2014: R98 million)
- Fair value adjustment for preference shares issued by MMI Holdings Ltd: R940 million (30.06.2014: R940 million)
- Equity-settled share-based payment arrangements: R9 million (30.06.2014: R5 million)

2. Non-controlling interests of 25% of Metropolitan Life Kenya and Cannon have the option to sell their shares from 3 October 2016 at a price linked to embedded value. In terms of IFRS, the group has recognised a financial liability (R111 million), being the present value of the estimated purchase price, for exercising this option. The group has consolidated 96% of the subsidiaries' results and de-recognised the non-controlling interest (R90 million) due to the financial liability recognised above, which is in line with its selected accounting policy.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Net cash inflow from operating activities	1 505	5 201
Net cash (outflow)/inflow from investing activities	(1 271)	793
Net cash (outflow)/inflow from financing activities	(2 935)	606
Net cash flow	(2 701)	6 600
Cash resources and funds on deposit at beginning	28 875	22 275
Cash resources and funds on deposit at end	26 174	28 875

PRINCIPAL ASSUMPTIONS (South Africa) ⁽¹⁾	30.06.2015 %	30.06.2014 %
Pre-tax investment return		
Equities	12.1	12.0
Properties	9.6	9.5
Government stock	8.6	8.5
Other fixed-interest stocks	9.1	9.0
Cash	7.6	7.5
Risk-free return ⁽²⁾	8.6	8.5
Risk discount rate (RDR)	10.9	10.8
Investment return (before tax) – balanced portfolio ⁽²⁾	10.8	10.7
Expense inflation base rate ⁽³⁾	6.8	6.7

1. The principal assumptions relate only to the South African life insurance business. Assumptions relating to international life insurance businesses are based on local requirements and can differ from the South African assumptions.
2. The risk-free return was determined with reference to the market interest rate on South African government bonds at the valuation date. The investment return on balanced portfolio business was calculated by applying the above returns to an expected long-term asset distribution.
3. An additional 1% expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.

NON-CONTROLLING INTERESTS	30.06.2015 %	30.06.2014 %
Cannon Assurance	33.7	-
Eris Property Group	45.7	45.7
Metropolitan Botswana	-	24.2
Metropolitan Ghana	-	3.8
Metropolitan Health Botswana	28.0	28.0
Metropolitan Health Ghana	1.8	1.8
Metropolitan Health Group	17.6	17.6
Metropolitan Health Mauritius	5.0	5.0
Metropolitan Health Namibia Administrators	49.0	49.0
Metropolitan Kenya	33.7	33.7
Metropolitan Life Mauritius	30.0	30.0
Metropolitan Nigeria	50.0	50.0
Metropolitan Swaziland	33.0	33.0
Metropolitan Tanzania	33.0	33.0
Metropolitan Zambia	35.0	35.0
MMI Holdings Namibia	10.3	10.3
Momentum Mozambique	33.0	33.0
Momentum Swaziland	33.0	33.0

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

ANALYSIS OF ASSETS MANAGED AND/OR ADMINISTERED ⁽¹⁾	30.06.2015 Rm	30.06.2014 Rm
Managed and/or administered by Momentum Investments (net)		
Financial assets	333 545	370 073
Momentum Manager of Managers	83 044	72 846
Momentum Collective Investments	54 977	51 215
Metropolitan Collective Investments	25 546	55 538
Momentum Asset Management	125 920	141 874
Momentum Global Investments	40 126	36 076
Momentum Alternative Investments	3 932	12 524
Properties – Eris Property Group	26 133	24 448
On-balance sheet	8 066	7 406
Off-balance sheet	18 067	17 042
	359 678	394 521
Momentum Wealth linked product assets under administration	138 854	130 845
On-balance sheet	85 433	80 484
Off-balance sheet	53 421	50 361
Managed internally or by other managers within MMI	70 450	26 712
On-balance sheet	64 872	21 600
Off-balance sheet	5 578	5 112
Managed by external managers (on-balance sheet)	16 789	32 507
Properties managed internally or by other managers within MMI or externally	2 506	2 252
Momentum Employee Benefits – segregated assets	1 517	1 380
Momentum Employee Benefits – cell captives on-balance sheet	16 381	12 058
Total assets managed and/or administered	606 175	600 275
Managed and/or administered by Momentum Investments (net)		
On-balance sheet	181 042	181 915
Off-balance sheet	178 636	212 606
	359 678	394 521

1. Assets managed and/or administered are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS ⁽¹⁾	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
12 mths to 30.06.2015					
Momentum Retail	15 684	8 333	24 017	(23 636)	381
Metropolitan Retail	1 415	5 495	6 910	(4 967)	1 943
Momentum Employee Benefits	7 271	13 860	21 131	(15 933)	5 198
International	348	3 215	3 563	(1 953)	1 610
Momentum Investments	8 305	-	8 305	(11 277)	(2 972)
Metropolitan Health	-	387	387	(301)	86
Shareholder Capital	-	506	506	(442)	64
Long-term insurance business fund flows	33 023	31 796	64 819	(58 509)	6 310
Off-balance sheet fund flows					
Managed and/or administered by Momentum Investments (net)					
Financial assets ⁽²⁾			65 329	(88 354)	(23 025)
Properties – Eris Property Group			2 912	(1 886)	1 026
Momentum Wealth linked product assets under administration			10 168	(10 582)	(414)
Managed internally or by other managers within MMI			1 280	(1 117)	163
Momentum Employee Benefits – segregated assets			3 077	(2 396)	681
Total net funds received from clients			147 585	(162 844)	(15 259)

NET FUNDS RECEIVED FROM CLIENTS ⁽¹⁾	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
12 mths to 30.06.2014					
Momentum Retail	14 661	7 856	22 517	(21 215)	1 302
Metropolitan Retail	1 507	5 313	6 820	(5 523)	1 297
Momentum Employee Benefits	7 060	10 283	17 343	(12 907)	4 436
International	277	2 621	2 898	(1 602)	1 296
Momentum Investments	6 262	-	6 262	(10 823)	(4 561)
Metropolitan Health	-	47	47	(46)	1
Shareholder Capital	23	332	355	(313)	42
Long-term insurance business fund flows	29 790	26 452	56 242	(52 429)	3 813
Off-balance sheet fund flows					
Managed and/or administered by Momentum Investments (net)					
Financial assets			70 048	(72 444)	(2 396)
Properties – Eris Property Group			2 114	(2 379)	(265)
Momentum Wealth linked product assets under administration			11 332	(11 163)	169
Managed internally or by other managers within MMI			842	(775)	67
Momentum Employee Benefits – segregated assets			2 571	(2 108)	463
Total net funds received from clients			143 149	(141 298)	1 851

- Assets managed and/or administered and the related fund flows are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.
- Includes outflows of R31 billion relating to Metropolitan Collective Investments.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	30.06.2015		Restated 30.06.2014	
	Rm	%	Rm	%
Equity securities	346	1.4	1 533	6.2
Preference shares	1 497	6.1	1 354	5.5
Collective investment schemes	523	2.1	710	2.9
Debt securities	4 761	19.4	6 699	27.1
Properties	2 241	9.1	2 459	9.9
Owner-occupied properties	1 509	6.1	1 270	5.1
Investment properties	732	3.0	1 189	4.8
Cash and cash equivalents and funds on deposit	9 368	38.2	6 980	28.2
Intangible assets	8 503	34.6	8 129	32.9
Other net assets	1 322	5.4	563	2.3
	28 561	116.4	28 427	114.9
Redeemable preference shares	(292)	(1.2)	(313)	(1.3)
Subordinated redeemable debt	(3 298)	(13.4)	(3 075)	(12.4)
Treasury shares ⁽¹⁾	(424)	(1.7)	(305)	(1.2)
Shareholder excess per reporting basis	24 547	100.0	24 734	100.0

1. The elimination of treasury shares was previously included in equity securities. This is now disclosed as a separate line item to enhance comparability between periods.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

BUSINESS COMBINATIONS – JUNE 2015

Cannon

On 2 October 2014, the group acquired an accounting ownership of 71% (legal ownership of 66%) of Cannon, a composite insurer, for R308 million. The minority shareholders of Cannon also acquired a minority stake in Metropolitan Life Kenya. This acquisition allowed for geographical as well as product diversification within the group's international operations. The purchase price allocation has been finalised and the transaction resulted in R103 million goodwill being recognised attributable to certain anticipated operating synergies.

CareCross

On 19 November 2014, the group acquired 100% in CareCross, a health administrator, for R300 million in cash. It includes a majority share in Occupational Care South Africa (OCSA). This acquisition allowed for revenue diversification in the Metropolitan Health segment. The transaction did not result in any goodwill being recognised.

Other

During the year the group also made a few smaller acquisitions.

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above two transactions are as follows:

June 2015	Total Rm	Cannon Rm	CareCross Rm
Purchase consideration in total	608	308	300
Fair value of net assets			
Intangible assets	566	174	392
Tangible assets	145	138	7
Financial instrument assets	241	228	13
Reinsurance contract assets	6	6	-
Insurance and other receivables	36	36	-
Other assets	39	19	20
Cash and cash equivalents	79	16	63
Insurance contract liabilities	(195)	(177)	(18)
Financial instrument liabilities	(38)	(38)	-
Other liabilities	(268)	(98)	(170)
Net identifiable assets acquired	611	304	307
Non-controlling interests (fair value method)	(95)	(88)	(7)
Goodwill recognised	103	103	-
Derecognition of Metropolitan Life Kenya shares	(11)	(11)	-
Purchase consideration in cash	608	308	300

The goodwill relating to the above transactions is not deductible for tax purposes. The above transactions contributed net income of R437 million and earnings of R43 million to the group results for the year.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

BUSINESS COMBINATIONS – JUNE 2014

Guardrisk

On 3 March 2014, MMI Holdings Ltd acquired 100% of Guardrisk for R1.6 billion in cash. The transaction resulted in R567 million goodwill being recognised attributable to certain anticipated operating synergies.

Providence

On 11 November 2013, the group acquired 100% of Providence, a health administrator, for R51 million in cash with an additional R57 million contingent consideration. The transaction resulted in R19 million goodwill being recognised attributable to certain anticipated operating synergies.

Other

During the June 2014 year the group also had a few smaller acquisitions, relating mostly to life books being acquired.

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above transactions are as follows:

June 2014	Total Rm	Guardrisk Rm	Providence Rm	Other Rm
Purchase consideration in total	1 760	1 607	108	45
Fair value of net assets				
Intangible assets	1 095	940	112	43
Tangible assets	5	1	2	2
Financial instrument assets	10 837	10 630	11	196
Reinsurance contracts	762	762	-	-
Insurance and other receivables	686	686	-	-
Other assets	176	176	-	-
Cash and cash equivalents	2 330	2 284	4	42
Insurance contract liabilities	(6 061)	(5 836)	-	(225)
Financial instrument liabilities	(7 305)	(7 298)	-	(7)
Other liabilities	(1 346)	(1 305)	(40)	(1)
Net identifiable assets acquired	1 179	1 040	89	50
Non-controlling interests (fair value method)	(5)	-	-	(5)
Goodwill recognised	586	567	19	-
Contingent liability payments	(57)	-	(57)	-
Purchase consideration in cash	1 703	1 607	51	45

The goodwill relating to the above transactions is not deductible for tax purposes. The above transactions contributed net income of R2 255 million and earnings of R83 million to the group results for the June 2014 year.

RECONCILIATION OF GOODWILL	30.06.2015 Rm	30.06.2014 Rm
Carrying amount at beginning	1 088	502
Business combinations	234	586
Exchange differences	11	-
Carrying amount at end	1 333	1 088

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

12 mths to 30.06.2015	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits ⁽³⁾ Rm	International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue										
Net insurance premiums	24 017	6 910	21 131	3 563	8 305	387	506	64 819	(37 423)	27 396
Recurring premiums	8 333	5 495	13 860	3 215	-	387	506	31 796	(8 031)	23 765
Single premiums	15 684	1 415	7 271	348	8 305	-	-	33 023	(29 392)	3 631
Fee income	2 374	95	2 054	256	1 367	1 674	74	7 894	(539)	7 355
Fee income	2 374	95	2 054	256	1 367	1 674	74	7 894	439	8 333
Inter-segmental fee income	-	-	-	-	-	-	-	-	(978)	(978)
Expenses										
Net payments to contract holders										
External payments	23 636	4 967	15 933	1 953	11 277	301	442	58 509	(33 899)	24 610
Other expenses	3 916	1 982	4 120	1 431	1 189	1 481	1 043	15 162	2 963	18 125
Sales remuneration	2 072	893	1 391	544	-	7	87	4 994	77	5 071
Administration expenses ⁽²⁾	1 844	1 089	1 532	887	1 028	1 462	437	8 279	1 079	9 358
Amortisation due to business combinations and impairments	-	-	-	-	58	12	40	110	891	1 001
Cell captive business	-	-	1 197	-	-	-	-	1 197	-	1 197
Direct property expenses	-	-	-	-	-	-	-	-	120	120
Asset management and other fee expenses	-	-	-	-	103	-	252	355	1 774	2 129
Holding company expenses	-	-	-	-	-	-	227	227	-	227
Inter-segmental expenses	-	-	-	-	-	-	-	-	(978)	(978)
Diluted core headline earnings	1 531	738	660	152	181	209	365	3 836	-	3 836
Operating profit	2 129	1 026	918	185	206	272	(21)	4 715	-	4 715
Tax on operating profit	(598)	(288)	(258)	(33)	(61)	(76)	(48)	(1 362)	-	(1 362)
Investment income	-	-	-	-	50	19	549	618	-	618
Tax on investment income	-	-	-	-	(14)	(6)	(115)	(135)	-	(135)
Actuarial liabilities	184 048	33 226	91 912	10 095	34 420	30	4 203	357 934	(115)	357 819

- The 'Reconciling items' column includes: an adjustment to reverse investment contract premiums (R37 673 million) and claims (R33 899 million); FNB Life excluded from Metropolitan Retail (premiums R250 million, fee income R10 million, sales remuneration R84 million and expenses R184 million); grossing up of fee income and expenses relating to the Shareholder Capital segment that are set off for management reporting purposes (R355 million); non-recurring items of R378 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R17 million); other minor adjustments to expenses (R145 million), sales remuneration (R7 million) and fee income (R74 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.
- Administration expenses for the current year include the following relating to new acquisitions: International – R54 million relating to Cannon; Metropolitan Health – R258 million relating to CareCross.
- Momentum Employee Benefits includes net insurance premiums (R5 484 million), fee income (R577 million), net payments to contract holders (R3 502 million), sales remuneration (R1 293 million), administration expenses (R272 million), cell captive business expenses (R1 197 million) and actuarial liabilities (R17 460 million) relating to Guardrisk (now including Momentum Ability).

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2014	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits ⁽²⁾ Rm	International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue										
Net insurance premiums	22 517	6 820	17 343	2 898	6 262	47	355	56 242	(33 104)	23 138
Recurring premiums	7 856	5 313	10 283	2 621	-	47	332	26 452	(6 713)	19 739
Single premiums	14 661	1 507	7 060	277	6 262	-	23	29 790	(26 391)	3 399
Fee income	2 034	112	1 479	184	1 442	1 513	168	6 932	(365)	6 567
Fee income	2 034	112	1 479	184	1 442	1 513	168	6 932	444	7 376
Inter-segmental fee income	-	-	-	-	-	-	-	-	(809)	(809)
Expenses										
Net payments to contract holders										
External payments	21 215	5 523	12 907	1 602	10 823	46	313	52 429	(30 108)	22 321
Other expenses	3 474	2 100	2 316	1 168	1 195	1 311	830	12 394	2 831	15 225
Sales remuneration	1 892	937	519	424	-	-	71	3 843	56	3 899
Administration expenses	1 582	1 163	1 426	729	954	1 288	197	7 339	852	8 191
Amortisation due to business combinations and impairments	-	-	-	15	9	14	39	77	776	853
Cell captive business	-	-	371	-	-	-	-	371	-	371
Direct property expenses	-	-	-	-	-	-	-	-	159	159
Asset management and other fee expenses	-	-	-	-	232	9	270	511	1 819	2 330
Holding company expenses	-	-	-	-	-	-	253	253	-	253
Inter-segmental expenses	-	-	-	-	-	-	-	-	(831)	(831)
Diluted core headline earnings	1 372	587	516	122	197	171	656	3 621	-	3 621
Operating profit	1 908	814	704	155	219	205	(38)	3 967	-	3 967
Tax on operating profit	(536)	(227)	(188)	(33)	(59)	(44)	12	(1 075)	-	(1 075)
Investment income	-	-	-	-	51	14	864	929	-	929
Tax on investment income	-	-	-	-	(14)	(4)	(182)	(200)	-	(200)
Actuarial liabilities	175 869	32 296	82 902	9 152	34 942	8	3 528	338 697	(98)	338 599

1. The 'Reconciling items' column includes an adjustment to reverse investment contract premiums (R33 305 million) and claims (R30 108 million); FNB Life excluded from Metropolitan Retail (premiums R201 million, fee income R20 million, sales remuneration R64 million and expenses R159 million); grossing up of fee income and expenses relating to the Shareholder Capital segment that are set off for management reporting purposes (R334 million); non-recurring items of R192 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R6 million); other minor adjustments to expenses (R161 million), sales remuneration (R8 million) and fee income (R90 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.

2. Momentum Employee Benefits includes net insurance premiums (R1 927 million), fee income (R192 million), net payments to contract holders (R1 642 million), sales remuneration (R415 million), administration expenses (R88 million), cell captive business expenses (R371 million) and actuarial liabilities (R15 869 million) relating to Guardrisk (now including Momentum Ability).

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

CHANGE IN DILUTED CORE HEADLINE EARNINGS	Change %	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Momentum Retail	12	1 531	1 372
Metropolitan Retail	26	738	587
Momentum Employee Benefits	28	660	516
International	25	152	122
Momentum Investments	(8)	181	197
Metropolitan Health	22	209	171
Operating divisions	17	3 471	2 965
Shareholder Capital	(44)	365	656
Total diluted core headline earnings	6	3 836	3 621

RECONCILIATION OF MOMENTUM INVESTMENTS	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Revenue	1 410	1 463
Fee income	1 367	1 442
Other income	43	21
Expenses and finance costs	(1 237)	(1 239)
Other expenses	(1 189)	(1 195)
Finance costs	(48)	(44)
Share of profit of associates	6	9
Non-controlling interests	(36)	(23)
	143	210
Core adjustments	63	9
Operating profit before tax	206	219
Tax on operating profit	(61)	(59)
Investment income	50	51
Tax on investment income	(14)	(14)
Diluted core headline earnings	181	197

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF METROPOLITAN HEALTH	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Revenue	2 061	1 560
Net insurance premiums	387	47
Fee income	1 674	1 513
Expenses	(1 782)	(1 357)
Net payments to contract holders	(301)	(46)
Other expenses	(1 481)	(1 311)
Non-controlling interests	(3)	-
	276	203
Core adjustments	(4)	2
Impairments and amortisation of intangibles relating to business combinations	12	14
Adjustments for dilution	(19)	(13)
Other	3	1
Operating profit before tax	272	205
Tax on operating profit	(76)	(44)
Investment income	19	14
Tax on investment income	(6)	(4)
Diluted core headline earnings	209	171
Additional off-balance sheet information		
Assets under administration at reporting date	10 776	10 686
Gross recurring inflow of funds	42 162	41 137
Gross outflow of funds	(37 582)	(36 791)
RECONCILIATION OF GUARDRISK (PROMOTER CELL ⁽¹⁾)	12 mths to 30.06.2015 Rm	4 mths to 30.06.2014 Rm
Revenue by type	495	165
Management fees	353	121
Investment fees	51	22
Underwriting profit	23	2
Other income	3	1
Investment income	65	19
Expenses and finance costs	(273)	(81)
Administration expenses	(263)	(80)
Finance costs	(10)	(1)
Operating profit before tax	222	84
Tax attributable to promoter operating profit	(62)	(10)
Diluted core headline earnings	160	74

1. An insurer that enters into contractual arrangements with cell shareholders whereby the risks and rewards associated with certain insurance activities accruing to the cell shareholder, in relation to the insurer, is specified. The promoter cell will exclude all assets and liabilities and related income and expenses of the cell arrangements.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF SHAREHOLDER CAPITAL	12 mths to 30.06.2015 Rm	Restated 12 mths to 30.06.2014 Rm
Revenue		
Net insurance premiums (excluding investment business)	506	332
Balance Sheet Management income including fee income	791	607
Guaranteed portfolios earnings	354	299
Returns in excess of benchmark	234	160
Returns on working capital and other	203	148
Other income	127	18
Total income	1 424	957
Expenses		
Net payments to contract holders (excluding investment business)	(442)	(204)
Other expenses	(1 003)	(791)
Balance Sheet Management	(203)	(196)
Strategic initiatives and other ⁽¹⁾	(573)	(342)
Holding company	(227)	(253)
Total expenses	(1 445)	(995)
Operating loss before tax	(21)	(38)
Tax on operating loss	(48)	12
Investment income	549	864
Tax on investment income	(115)	(182)
Diluted core headline earnings	365	656

1. Includes Momentum Short-term Insurance, Solvency Assessment and Management (SAM) costs, India joint venture costs and other strategic initiatives.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Momentum Retail	23 636	21 215
Death and disability claims	3 730	3 412
Maturity claims	7 546	6 444
Annuities	4 763	4 505
Withdrawal benefits	80	46
Surrenders	8 523	7 569
Re-insurance recoveries	(1 006)	(761)
Metropolitan Retail	4 967	5 523
Death and disability claims	1 093	1 049
Maturity claims	1 668	2 373
Annuities	620	558
Withdrawal benefits	84	97
Surrenders	1 560	1 542
Re-insurance recoveries	(58)	(96)
Momentum Employee Benefits ⁽¹⁾	15 933	12 907
Death and disability claims	4 589	3 635
Maturity claims	948	667
Annuities	1 554	765
Withdrawals and surrenders	4 020	3 358
Terminations and disinvestments	3 109	3 802
Short-term insurance	4 745	1 880
Re-insurance recoveries	(3 032)	(1 200)
International	1 953	1 602
Death and disability claims	813	701
Maturity claims	371	284
Annuities	99	97
Withdrawal benefits	108	90
Surrenders	498	395
Terminations and disinvestments	194	80
Re-insurance recoveries	(130)	(45)
Momentum Investments		
Withdrawals	11 277	10 823
Metropolitan Health		
Claims – capitation agreements	301	46
Shareholder Capital		
Claims	442	313
Total payments to contract holders	58 509	52 429
Reconciling items ⁽²⁾	(33 899)	(30 108)
Net insurance benefits and claims per income statement	24 610	22 321

1. Included in Momentum Employee Benefits above is R6 119 million claims (30.06.2014: R2 556 million) and R2 617 million re-insurance recoveries (30.06.2014: R914 million) relating to Guardrisk (now including Momentum Ability).
2. Relates mainly to payments to investment contract holders.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

NUMBER OF EMPLOYEES	30.06.2015	30.06.2014
Indoor staff	10 438	9 877
Momentum Retail	1 841	1 711
Metropolitan Retail	1 052	1 174
Momentum Employee Benefits ⁽¹⁾	1 668	1 650
International ⁽²⁾	1 010	1 037
Momentum Investments	651	667
Metropolitan Health ⁽³⁾	2 902	2 553
Shareholder Capital		
Balance Sheet Management	78	68
Group services ⁽⁴⁾	925	781
Short-term insurance	311	236
Field staff	6 801	6 815
Momentum Retail	1 327	1 041
Metropolitan Retail	3 840	4 424
International ⁽²⁾	1 634	1 350
Total	17 239	16 692

1. Momentum Employee Benefits in the current year includes 220 (30.06.2014: 218) employees relating to Guardrisk (now including Momentum Ability).
2. International in the current year includes 87 employees relating to Cannon indoor staff and 201 employees relating to Cannon field staff.
3. Metropolitan Health in the current year includes 467 employees relating to CareCross.
4. Group services in the current year includes 83 employees transferred from operating divisions.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS SUMMARISED BY MEASUREMENT CATEGORY	30.06.2015 Rm	30.06.2014 Rm
Financial assets designated at fair value through income	380 330	349 387
Securities designated at fair value through income	365 727	334 996
Investments in associates designated at fair value through income	12 362	11 900
Derivative financial instruments	2 033	2 362
Available-for-sale	208	129
Financial assets carried at amortised cost	33 899	34 561
Held-to-maturity	73	100
Loans and receivables	7 652	5 586
Cash and cash equivalents	26 174	28 875
Total financial assets	414 229	383 948

The fair value of loans and receivables is R7 666 million (30.06.2014: R5 636 million) and the carrying value of held-to-maturity financial assets and cash and cash equivalents approximates fair value.

FINANCIAL LIABILITIES SUMMARISED BY MEASUREMENT CATEGORY	30.06.2015 Rm	30.06.2014 Rm
Investment contracts with DPF	26 134	25 405
Financial liabilities designated at fair value through income	262 187	234 305
Investment contracts designated at fair value through income	220 356	201 651
Liabilities designated at fair value through income	39 720	30 801
Derivative financial instruments	2 111	1 853
Financial liabilities carried at amortised cost	12 927	10 011
Financial liabilities	1 092	1 463
Other payables	11 835	8 548
Total financial liabilities	301 248	269 721

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation to the fair value of this financial liability.

The fair value of financial liabilities at amortised cost is R1 772 million (30.06.2014: R2 053 million) and the carrying value of other payables approximates fair value due to their short-term nature.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

The different valuation method levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- **Level 3:** Input for the asset or liability that is not based on observable market data (that is, unobservable input)

FINANCIAL ASSETS	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2015				
Securities designated at fair value through income	232 804	126 361	6 562	365 727
Equity securities				
Local listed	79 806	37	-	79 843
Foreign listed	23 566	1 033	16	24 615
Unlisted	-	75	215	290
Debt securities				
Stock and loans to government and other public bodies				
Local listed	29 009	10 393	-	39 402
Foreign listed	596	1 312	24	1 932
Unlisted	-	2 840	81	2 921
Other debt instruments				
Local listed	215	25 621	114	25 950
Foreign listed	91	471	2	564
Unlisted	16	29 817	3 574	33 407
Funds on deposit and other money market instruments	-	24 470	3	24 473
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	78 158	360	61	78 579
Foreign unlisted or listed quoted	20 358	9 667	2	30 027
Foreign unlisted unquoted	-	470	433	903
Other unit-linked investments				
Local unlisted or listed quoted	984	8 311	1	9 296
Local unlisted unquoted	-	10 222	2 019	12 241
Foreign unlisted unquoted	-	1 262	17	1 279
Foreign unlisted or listed quoted	5	-	-	5
Investments in associates designated at fair value through income ⁽¹⁾	12 280	-	82	12 362
Derivative financial instruments	109	1 924	-	2 033
Held for trading	109	1 918	-	2 027
Held for hedging purposes	-	6	-	6
Available-for-sale	190	14	4	208
Equity securities				
Local listed	12	-	-	12
Foreign listed	147	-	-	147
Unlisted	31	1	4	36
Local unlisted/listed quoted unit-linked investments	-	13	-	13
	245 383	128 299	6 648	380 330

1. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price. ABIL retention funds have been classified as level 3.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS				
Restated	Level 1	Level 2	Level 3	Total
30.06.2014	Rm	Rm	Rm	Rm
Securities designated at fair value through income	221 835	106 619	6 542	334 996
Equity securities				
Local listed	78 237	24	-	78 261
Foreign listed	20 878	792	2	21 672
Unlisted	-	129	728	857
Debt securities				
Stock and loans to government and other public bodies				
Local listed ⁽¹⁾	23 466	7 048	-	30 514
Foreign listed	424	1 258	24	1 706
Unlisted	6	3 156	70	3 232
Other debt instruments				
Local listed	20	23 590	74	23 684
Foreign listed	47	440	4	491
Unlisted ⁽²⁾	5	26 357	2 799	29 161
Funds on deposit and other money market instruments ⁽²⁾	-	24 941	-	24 941
Unit-linked investments				
Collective investment schemes ⁽³⁾				
Local unlisted or listed quoted	70 588	136	-	70 724
Foreign unlisted or listed quoted	25 583	358	1	25 942
Foreign unlisted unquoted	-	550	675	1 225
Other unit-linked investments				
Local unlisted or listed quoted	2 565	6 374	2	8 941
Local unlisted unquoted	-	10 174	2 159	12 333
Foreign unlisted unquoted	-	1 292	4	1 296
Foreign unlisted or listed quoted	16	-	-	16
Investments in associates designated at fair value through income ⁽³⁾	11 900	-	-	11 900
Derivative financial instruments	71	2 291	-	2 362
Held for trading	71	2 276	-	2 347
Held for hedging purposes	-	15	-	15
Available-for-sale	121	4	4	129
Equity securities				
Local listed	3	-	-	3
Foreign listed	87	-	-	87
Unlisted	-	-	4	4
Debt securities – foreign listed	31	-	-	31
Local unlisted/listed quoted unit-linked investments	-	4	-	4
	233 927	108 914	6 546	349 387

1. R626 million of listed government stock was transferred from level 2 to level 1 assets during the June 2014 year in line with classification policy. The timing of the transfers are deemed to have occurred at the beginning of the year.
2. The financial asset disclosure was refined in the current year to better align to the group's asset accounting policies, resulting in R4.9 billion of funds on deposit reclassified to debt securities.
3. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES				
30.06.2015	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts				
Designated at fair value through income	965	219 247	144	220 356
Financial liabilities designated at fair value through income	24 322	14 289	1 109	39 720
Collective investment scheme liabilities	24 322	583	964	25 869
Subordinated call notes	-	3 320	-	3 320
Carry positions	-	9 370	-	9 370
Preference shares	-	1 016	-	1 016
Other borrowings	-	-	145	145
Derivative financial instruments				
Held for trading	163	1 948	-	2 111
	25 450	235 484	1 253	262 187

FINANCIAL LIABILITIES				
30.06.2014	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts				
Designated at fair value through income	1 658	199 840	153	201 651
Financial liabilities designated at fair value through income	21 747	8 956	98	30 801
Collective investment scheme liabilities	21 747	526	40	22 313
Subordinated call notes	-	2 573	-	2 573
Carry positions	-	4 851	-	4 851
Preference shares	-	1 001	-	1 001
Other borrowings	-	5	58	63
Derivative financial instruments				
Held for trading	176	1 677	-	1 853
	23 581	210 473	251	234 305

1. There were no significant transfers between level 1 and level 2 liabilities for both the current and prior years.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets					Total Rm
	Designated at fair value through income					
	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Other invest- ments ⁽²⁾ Rm		
12 mths to 30.06.2015						
Opening balance	730	2 971	2 841	4		6 546
Total gains/(losses) in net realised and fair value gains in the income statement						
Realised gains/(losses)	338	25	(80)	-		283
Unrealised (losses)/gains	(32)	(237)	206	2		(61)
Accrued interest in investment income in the income statement	-	25	-	-		25
Purchases	187	885	784	1		1 857
Sales	(233)	(756)	(1 102)	-		(2 091)
Settlements	(759)	(133)	(183)	-		(1 075)
Transfers into level 3 ⁽³⁾	-	1 295	67	79		1 441
Transfers out of level 3	-	(277)	-	-		(277)
Closing balance	231	3 798	2 533	86		6 648

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets					Total Rm
	Designated at fair value through income					
	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Other invest- ments ⁽²⁾ Rm		
12 mths to 30.06.2014						
Opening balance	820	4 846	2 571	439		8 676
Transfer from/(to) other asset classes	-	-	41	(41)		-
Total gains/(losses) in net realised and fair value gains in the income statement						
Realised gains/(losses)	2	(5)	(51)	-		(54)
Unrealised gains	177	552	259	-		988
Accrued interest in investment income in the income statement	-	62	14	-		76
Purchases	254	426	264	-		944
Sales	(523)	(377)	(188)	(394)		(1 482)
Settlements	-	(1 667)	(53)	-		(1 720)
Transfers into level 3	-	311	1	-		312
Transfers out of level 3 ⁽⁴⁾	-	(1 177)	(17)	-		(1 194)
Closing balance	730	2 971	2 841	4		6 546

1. Includes funds on deposit and other money market instruments.
2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.
3. The group's holdings in the various debt and equity instruments of ABIL, and its various subsidiaries, were transferred from levels 1 and 2 to level 3 on 1 January 2015, subsequent to the placing into curatorship of the African Bank Group and the suspension of these securities by the JSE Limited.
4. The reason for the transfer out of level 3 in the June 2014 year is mainly as a result of obtaining access to more observable data and refining the valuation technique. The timing of the transfers are deemed to have occurred at the beginning of the year.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

Sensitivity of level 3 financial instrument assets measured at fair value to changes in key assumptions:

	Financial assets Designated at fair value through income				Total Rm
	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Other invest- ments ⁽²⁾ Rm	
30.06.2015					
Carrying value	231	3 798	2 533	86	6 648
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	Not sensitive	
Effect of increase in assumption	23	6	253	N/A	
Effect of decrease in assumption	(23)	1	(253)	N/A	

1. Includes funds on deposit and other money market instruments.

2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.

	Financial assets Designated at fair value through income			Available-for- sale	Total Rm
	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	Equity securities Rm	
30.06.2014					
Carrying value	730	2 971	2 841	4	6 546
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	Not sensitive	
Effect of increase in assumption	73	(130)	284	N/A	
Effect of decrease in assumption	(73)	123	(284)	N/A	

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

12 mths to 30.06.2015	Financial liabilities designated at fair value through income			Total Rm
	Investment contracts designated at fair value through income Rm	Collective investment scheme liabilities Rm	Other borrowings Rm	
Opening balance	153	40	58	251
Business combinations	-	-	4	4
Total (gains)/losses in net realised and fair value gains in the income statement				
Realised losses	1	189	-	190
Unrealised losses/(gains)	4	(11)	-	(7)
Issues	-	53	117	170
Settlements	-	(98)	(34)	(132)
Contract holder movements				
Benefits paid	(19)	-	-	(19)
Investment return	5	-	-	5
Transfers into level 3 ⁽¹⁾	-	791	-	791
Closing balance	144	964	145	1 253

1. The transfer into level 3 represents the ABIL retention funds consolidated as at 30 June 2015.

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R117 million and R118 million, respectively.

12 mths to 30.06.2014	Financial liabilities designated at fair value through income			Total Rm
	Investment contracts designated at fair value through income Rm	Collective investment scheme liabilities Rm	Other borrowings Rm	
Opening balance	663	-	-	663
Business combinations	-	-	4	4
Total losses/(gains) in net realised and fair value gains in the income statement				
Realised losses	5	-	-	5
Unrealised losses/(gains)	1	7	(3)	5
Issues	-	33	57	90
Settlements	(498)	-	-	(498)
Contract holder movements				
Benefits paid	(28)	-	-	(28)
Investment return	10	-	-	10
Closing balance	153	40	58	251

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R30 million and R30 million, respectively.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

Group's valuation processes

The group's in-house valuation experts perform the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held at least bi-annually, in line with the group's bi-annual reporting dates.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
- Listed, local and foreign	External valuations/quoted prices	Management applies judgement if an adjustment of quoted prices is required due to an inactive market.
Stock of and loans to other public bodies		
- Listed, local	Yield of benchmark (listed government) bond	Market input
- Listed, foreign	Discounted cash flow (DCF), benchmarked against similar instrument with the same issuer	Market input
- Unlisted	DCF, real interest rates, six-month JIBAR plus fixed spread or risk-free yield curve plus fixed spread	Market input and appropriate spread
Other debt securities		
- Listed, local	DCF (BESA and ASSA bond perfect fit zero curve and other published real or nominal yields, uplifted with inflation), external valuations (linked notes), or published price quotations on JSE equity (preference shares) and interest rate market	Market input, uplifted with inflation
- Listed, foreign	External valuations that are based on published market input	Market input
- Unlisted	DCF (market-related nominal and real discount rates, bank and credit default swap curves, government bond yield curve plus a spread, three-month JIBAR plus fixed spread), external valuations, or NAV of a hedge fund	Market input and appropriate spread

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

Instrument	Valuation basis	Main assumptions
Funds on deposit and other money market instruments		
- Listed	DCF (market-related yields), issue price, or external valuations	Market input (based on quotes received from market participants and valuation agents)
- Unlisted	Deposit rates, or DCF (market-related yields)	Market input (based on quotes received from market participants and valuation agents)
Unit-linked investments	External valuations	Net asset value (assets and liabilities are carried at fair value)
Derivative assets and liabilities	Black-Scholes model/net present value of estimated floating costs less the performance of the underlying index over the contract term/DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments)	Market input, credit spreads, contract inputs
Subordinated call notes (Liability)	Price quotations on JSE interest rate market (based on yield of benchmark bond)	Market input
Carry positions (Liability)	DCF (in accordance with JSE interest rate market repo pricing methodology)	Market input, contract input
Preference shares (Liability)	Capital outstanding plus accrued dividends	Contract input

There were no significant changes in the valuation methods applied since the prior year, except for transfers between levels.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets	Fair value at 30 June 2015 Rm	Fair value at 30 June 2014 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Securities designated at fair value through income						
Equity securities						
Unlisted	215	728	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
			Mark to model	Adjusted price-earnings ratios	Could vary significantly due to the different risks associated with the investee	The higher the price-earnings multiple, the greater the fair value
Debt securities						
Stock and loans to government and other public bodies						
Foreign listed	24	24	Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
Unlisted	81	70	Discounted cash flow	Nominal interest rate	8.51% to 9.99% (2014: 8.51% to 9.99%)	The higher the nominal interest rate, the lower the fair value of the assets
Subtotal	320	822				

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets (continued)	Fair value at 30 June 2015 Rm	Fair value at 30 June 2014 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Subtotal	320	822				
Debt securities (continued)						
Other debt instruments						
Local listed	114	74	Mark to model	Fair value of underlying assets	Could vary significantly based on the assets held to match the notes	The higher the value of the underlying assets, the greater the fair value
			Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
Unlisted	3 574	2 799	Discounted cash flow	Nominal interest rate	6.73% to 10.69% (2014: 5.8% to 10.04%); 7.38% to 13.09% (2014: 6.75% to 14.01%)	The higher the nominal interest rate, the lower the fair value of the assets
			Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
			Net asset value	Fair value of respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Subtotal	4 008	3 695				

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets (continued)	Fair value at 30 June 2015 Rm	Fair value at 30 June 2014 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Subtotal	4 008	3 695				
Unit-linked investments						
Collective investment schemes						
Local unlisted or listed quoted	61	-	Net asset value	Fair value of respective assets and liabilities which are adjusted in line with market practice	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Foreign unlisted unquoted	433	675	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Other unit-linked investments						
Local unlisted unquoted	2 019	2 159	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
				Distributions or net cash flows since last valuation	Could vary significantly due to range of holdings	The fair value varies on distributions/ net cash flows and period since last valuation
	6 521	6 529				
Other	127	17				
	6 648	6 546				

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial liabilities	Fair value at 30 June 2015 Rm	Fair value at 30 June 2014 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investment contracts designated at fair value through income	144	153	Asset and liability matching method	Asset value	Unit price	The asset value increase will increase the fair value of the liability
Financial liabilities designated at fair value through income Collective investment scheme liabilities	964	40	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
Other borrowings	145	58	Discounted cash flow	Adjustments to discount rate	Dependent on credit risk and other risk factors	The lower the rate, the higher the fair value
			Mark to model	Adjusted embedded value	Could vary significantly based on the risks associated with the investee	The higher the embedded value, the greater the fair value
	1 253	251				

There were no significant changes in the valuation methods applied since the prior year, except for transfers between levels.

MMI HOLDINGS GROUP – STATUTORY EXCESS

STATUTORY EXCESS	30.06.2015 Rm	30.06.2014 Rm
Group excess per reporting basis	24 547	24 734
Net assets – other businesses	(3 256)	(2 999)
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	(3 826)	(4 343)
Excess – long-term insurance business, net of non-controlling interests ⁽¹⁾	17 465	17 392
Disregarded assets ⁽²⁾	(1 010)	(966)
Difference between statutory and published valuation methods	(839)	(571)
Write-down of subsidiaries and associates for statutory purposes	(1 210)	(1 387)
Unsecured subordinated debt	3 320	3 075
Consolidation adjustments	141	(23)
Statutory excess – long-term insurance business	17 867	17 520
Capital adequacy requirement (CAR) (Rm) ⁽³⁾	6 639	6 221
Ratio of long-term insurance business excess to CAR (times)	2.7	2.8
Discretionary margins	13 620	14 161

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa; in respect of Guardrisk only including MMI's promoter exposure to the South African long-term insurance business, Guardrisk Life Ltd. It excludes the short-term insurance businesses of Guardrisk, Momentum Short-term Insurance and Cannon (Kenya) due to it being classified as non-covered, as well as the other non-life insurance entities. Guardrisk Life Ltd was transferred to covered business 1 July 2014, with a statutory excess of R44 million and capital adequacy requirement of R20 million. The figures are after non-controlling interests but excludes certain items which are eliminated on consolidation.
2. Disregarded assets are those as defined in the South African Long-term Insurance Act, 52 of 1998, and are only applicable to South African long-term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R518 million (30.06.2014: R546 million).
3. Aggregation of separate company's capital adequacy requirements (CARs), with no assumption of diversification benefits.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	30.06.2015 Rm	30.06.2014 Rm
Covered business		
Reporting excess – long-term insurance business ⁽¹⁾	17 465	17 392
Reclassification to non-covered business	(1 204)	(1 459)
	16 261	15 933
Disregarded assets ⁽²⁾	(575)	(682)
Difference between statutory and published valuation methods	(839)	(571)
Dilutory effect of subsidiaries ⁽³⁾	(38)	(34)
Consolidation adjustments ⁽⁴⁾	(5)	(77)
Value of MMI Group Ltd preference shares issued	(500)	(500)
Diluted adjusted net worth – covered business	14 304	14 069
Net value of in-force business	21 696	20 324
Diluted embedded value – covered business	36 000	34 393
Non-covered business		
Net assets – non-covered business within life insurance companies	1 204	1 459
Net assets – non-covered business outside life insurance companies	3 256	2 999
Consolidation adjustments and transfers to covered business ⁽⁴⁾	(3 024)	(2 291)
Adjustments for dilution ⁽⁵⁾	819	720
Diluted adjusted net worth – non-covered business	2 255	2 887
Write-up to directors' value	2 075	2 395
Non-covered business ⁽¹⁾	4 143	4 188
Holding company expenses ⁽⁶⁾	(1 578)	(1 383)
International holding company expenses ⁽⁶⁾	(490)	(410)
Diluted embedded value – non-covered business	4 330	5 282
Diluted adjusted net worth	16 559	16 956
Net value of in-force business	21 696	20 324
Write-up to directors' value	2 075	2 395
Diluted embedded value	40 330	39 675
Required capital – covered business (adjusted for qualifying debt) ⁽⁷⁾	7 306	7 039
Surplus capital – covered business	6 998	7 030
Diluted embedded value per share (cents)	2 514	2 474
Diluted adjusted net worth per share (cents)	1 032	1 057
Diluted number of shares in issue (million) ⁽⁸⁾	1 604	1 604

- Guardrisk Life Ltd was included as part of non-covered business at 30 June 2014 at a directors' valuation of R368 million. On 1 July 2014 Guardrisk Life Ltd was transferred to covered business (adjusted net worth of R44 million and value of in-force of R324 million).
- Disregarded assets include Sage intangible assets of R518 million (30.06.2014: R546 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, while MMI Holdings Namibia, Metropolitan Kenya and Cannon have been consolidated at 96% in the statement of financial position, for the current year. For embedded value purposes, disclosed on a diluted basis, the non-controlling interests and related funding have been reinstated.
- Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
- Adjustments for dilution are made up as follows:
 - Dilutory effect of subsidiaries (note 3): R103 million (30.06.2014: R102 million)
 - Treasury shares held on behalf of contract holders: R424 million (30.06.2014: R305 million)
 - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R292 million (30.06.2014: R313 million)
- The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.
- The required capital for covered business amounts to R10 604 million (30.06.2014: R10 114 million) and is adjusted for qualifying debt of R3 298 million (30.06.2014: R3 075 million).
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	30.06.2015 Rm	30.06.2014 Rm
Momentum Retail	10 062	9 674
Gross value of in-force business	11 486	11 212
Less cost of required capital	(1 424)	(1 538)
Metropolitan Retail	3 661	3 738
Gross value of in-force business	4 374	4 445
Less cost of required capital	(713)	(707)
Momentum Employee Benefits ⁽¹⁾	5 200	4 242
Gross value of in-force business	5 954	4 892
Less cost of required capital	(754)	(650)
International	2 108	1 832
Gross value of in-force business	2 310	2 006
Less cost of required capital	(202)	(174)
Shareholder Capital	665	838
Gross value of in-force business ⁽²⁾	665	838
Less cost of required capital	-	-
Net value of in-force business	21 696	20 324

Notes

- Guardrisk Life Ltd is included within Momentum Employee Benefits at 30 June 2015. The business was transferred effective 1 July 2014 with gross value of in-force of R348 million less cost of capital of R24 million at that date.
- The value of in-force in the Shareholder Capital represents discretionary margins managed centrally by Balance Sheet Management.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE PER DIVISION	Adjusted net worth Rm	Net value of in-force Rm	30.06.2015 Rm	30.06.2014 Rm
Covered business				
South African life licences	12 452	19 588	32 040	31 053
MMI Group Ltd	12 280	19 052	31 332	30 994
Guardrisk Life Ltd ⁽¹⁾	113	536	649	-
Metropolitan Odyssey Ltd	59	-	59	59
International	1 852	2 108	3 960	3 340
MMI Holdings Namibia Ltd	677	1 295	1 972	1 793
Metropolitan Life of Botswana Ltd	354	217	571	341
Metropolitan Lesotho Ltd	370	477	847	783
Other international businesses	451	119	570	423
Total covered business	14 304	21 696	36 000	34 393
	Adjusted net worth Rm	Write-up to directors' value Rm	30.06.2015 Rm	30.06.2014 Rm
Non-covered business				
Momentum Investments ⁽²⁾	1 007	1 158	2 165	1 928
Health businesses ⁽³⁾	445	1 215	1 660	1 761
Momentum Retail (Wealth) ⁽³⁾	344	473	817	655
Guardrisk business ^(1,3)	448	998	1 446	1 607
Momentum Short-term Insurance (MSTI)	295	82	377	319
International ^(4, 5)	(532)	(273)	(805)	(386)
MMI Holdings (after consolidation adjustments) ⁽⁵⁾	248	(1 578)	(1 330)	(602)
Total non-covered business	2 255	2 075	4 330	5 282
Total embedded value	16 559	23 771	40 330	39 675
Diluted adjusted net worth – non-covered business	(2 255)			
Adjustments to covered business – adjusted net worth	3 161			
Reporting excess – long-term insurance business	17 465			

- Guardrisk Life Ltd was included as part of non-covered business at 30 June 2014 at a directors' valuation of R368 million. On 1 July 2014 Guardrisk Life Ltd was transferred to covered business (adjusted net worth of R44 million and value of in-force of R324 million).
- Momentum Investments subsidiaries are valued using forward price-earnings multiples applied to the relevant sustainable earnings bases.
- The Health businesses, Momentum Retail (Wealth off-balance sheet) and Guardrisk are valued using embedded value methodology.
- Cannon is included within International's non-covered business at 30 June 2015.
- The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			12 mths to 30.06.2015	12 mths to 30.06.2014
		Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	Total EV Rm	Total EV Rm
Profit from new business		(1 345)	2 615	(216)	1 054	875
Embedded value from new business	A	(1 345)	2 513	(214)	954	779
Expected return to end of period	B	-	102	(2)	100	96
Profit from existing business		4 289	(1 162)	136	3 263	3 228
Expected return – unwinding of RDR	B	-	2 551	(338)	2 213	1 786
Release from the cost of required capital	C	-	-	445	445	407
Expected (or actual) net of tax profit transfer to net worth	D	4 128	(4 128)	-	-	-
Operating experience variances	E	474	261	(34)	701	544
Development expenses	F	(79)	-	-	(79)	-
Operating assumption changes	G	(234)	154	63	(17)	491
Embedded value profit from operations		2 944	1 453	(80)	4 317	4 103
Investment return on adjusted net worth	H	664	-	-	664	1 063
Investment variances	I	61	(494)	27	(406)	1 278
Economic assumption changes	J	(23)	12	69	58	(321)
Exchange rate movements		(12)	4	1	(7)	(2)
Embedded value profit – covered business		3 634	975	17	4 626	6 121
Transfer of business from/(to) non-covered business	K	202	348	(27)	523	(6)
Changes in share capital	L	143	73	(14)	202	42
Dividend paid		(3 744)	-	-	(3 744)	(3 271)
Change in embedded value – covered business		235	1 396	(24)	1 607	2 886
Non-covered business						
Change in directors' valuation and other items					(557)	718
Holding company expenses					(275)	(175)
Embedded value profit – non-covered business					(832)	543
Changes in share capital	L				(202)	(42)
Dividend paid					649	1 179
Finance costs – preference shares					(44)	(45)
Transfer of business (to)/from covered business	K				(523)	6
Change in embedded value – non-covered business					(952)	1 641
Total change in group embedded value					655	4 527
Total embedded value profit					3 794	6 664
Return on embedded value (%) - internal rate of return					9.6%	19.0%

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail ⁽¹⁾ Rm	Momentum Employee Benefits Rm	International Rm	Total Rm
12 mths to 30.06.2015					
Value of new business	246	186	456	66	954
Gross	305	233	552	78	1 168
Less cost of required capital	(59)	(47)	(96)	(12)	(214)
New business premiums	18 138	2 460	8 351	686	29 635
Recurring premiums	1 077	1 045	1 564	402	4 088
Single premiums	17 061	1 415	6 787	284	25 547
New business premiums (APE)	2 783	1 187	2 243	430	6 643
New business premiums (PVP)	22 924	5 117	20 191	2 164	50 396
Profitability of new business as a percentage of APE	8.8	15.7	20.3	15.3	14.4
Profitability of new business as a percentage of PVP	1.1	3.6	2.3	3.0	1.9
Restated					
12 mths to 30.06.2014					
Value of new business	240	236	254	49	779
Gross	312	276	299	61	948
Less cost of required capital	(72)	(40)	(45)	(12)	(169)
New business premiums	15 948	2 160	6 384	541	25 033
Recurring premiums	1 022	1 083	1 033	327	3 465
Single premiums	14 926	1 077	5 351	214	21 568
New business premiums (APE)	2 515	1 191	1 568	348	5 622
New business premiums (PVP)	20 434	4 948	14 491	1 866	41 739
Profitability of new business as a percentage of APE	9.5	19.8	16.2	14.1	13.9
Profitability of new business as a percentage of PVP	1.2	4.8	1.8	2.6	1.9

1. The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R64 million (30.06.2014: R42 million) and PVP by R635 million (30.06.2014: R424 million). This had no impact on value of new business.
2. Value of new business and new business premiums are net of non-controlling interests.
3. The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum	Metropolitan	Momentum	International	Total
	Retail	Retail ⁽¹⁾	Employee		
	Rm	Rm	Benefits	Rm	Rm
			Rm		
12 mths to 30.06.2015					
New business premiums	18 138	2 460	8 351	686	29 635
Recurring premiums	1 077	1 045	1 564	402	4 088
Risk	509	668	843	-	2 020
Savings/Investments	568	377	721	-	1 666
International	-	-	-	402	402
Single premiums	17 061	1 415	6 787	284	25 547
Savings/Investments	16 418	277	4 652	-	21 347
Annuities	643	1 138	2 135	-	3 916
International	-	-	-	284	284
New business premiums (APE)	2 783	1 187	2 243	430	6 643
Risk	509	668	843	-	2 020
Savings/Investments	2 210	405	1 186	-	3 801
Annuities	64	114	214	-	392
International	-	-	-	430	430
Restated					
12 mths to 30.06.2014					
New business premiums	15 948	2 160	6 384	541	25 033
Recurring premiums	1 022	1 083	1 033	327	3 465
Risk	501	713	408	-	1 622
Savings/Investments	521	370	625	-	1 516
International	-	-	-	327	327
Single premiums	14 926	1 077	5 351	214	21 568
Savings/Investments	14 130	201	4 198	-	18 529
Annuities	796	876	1 153	-	2 825
International	-	-	-	214	214
New business premiums (APE)	2 515	1 191	1 568	348	5 622
Risk	501	713	408	-	1 622
Savings/Investments	1 934	390	1 045	-	3 369
Annuities	80	88	115	-	283
International	-	-	-	348	348

1. The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R64 million (30.06.2014: R42 million) and PVP by R635 million (30.06.2014: R424 million). This had no impact on value of new business.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	12 mths to 30.06.2015 Rm	Restated 12 mths to 30.06.2014 Rm
Total lump sum inflows	33 023	29 790
Inflows not included in value of new business	(8 966)	(8 670)
Term extensions on maturing policies	558	465
Retirement annuity proceeds invested in living annuities	822	-
Non-controlling interests and other adjustments	110	(17)
Single premiums included in value of new business	25 547	21 568

- The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R64 million (30.06.2014: R42 million) and PVP by R635 million (30.06.2014: R424 million). This had no impact on value of new business.

B. EXPECTED RETURN

The expected return is determined by applying the risk discount rate applicable at the beginning of the reporting year to the present value of in-force covered business at the beginning of the reporting year and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to the end of the year.

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

The release from the cost of required capital represents the difference between the risk discount rate and the expected after tax investment return on the assets backing the required capital over the year.

D. EXPECTED (OR ACTUAL) NET OF TAX PROFIT TRANSFER TO NET WORTH

The expected profit transfer for covered business from the present value of in-force to the adjusted net worth is calculated on the statutory valuation method.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	12 mths to 30.06.2015			12 mths to
		ANW Rm	Net VIF Rm	EV Rm	30.06.2014 EV Rm
Momentum Retail		76	153	229	170
Mortality and morbidity	1	296	12	308	235
Terminations, premium cessations and policy alterations	2	(211)	129	(82)	5
Expense variance		(35)	-	(35)	43
Other		26	12	38	(113)
Metropolitan Retail		144	3	147	39
Mortality and morbidity	1	82	10	92	108
Terminations, premium cessations and policy alterations		2	(24)	(22)	(60)
Expense variance		28	-	28	45
FNB Life – share of profits		38	-	38	30
Other		(6)	17	11	(84)
Momentum Employee Benefits		65	7	72	218
Mortality and morbidity	1	69	6	75	60
Terminations		4	14	18	138
Expense variance		(2)	-	(2)	21
Other		(6)	(13)	(19)	(1)
International		58	61	119	102
Mortality and morbidity	1	88	21	109	86
Terminations, premium cessations and policy alterations		(14)	3	(11)	17
Expense variance		(30)	2	(28)	6
Other	3	14	35	49	(7)
Shareholder Capital	4	131	24	155	86
Opportunity cost of required capital		-	(21)	(21)	(71)
Total operating experience variances		474	227	701	544

Notes

- Overall, mortality and morbidity experience for the 12 months were better compared to what was allowed for in the valuation basis.
- Better than expected termination experience on whole life insurance contracts as well as negative persistency on investment contracts contributed to the negative termination experience.
- Mainly contributions from Health operations.
- Shareholder Capital includes mainly earnings from activities in respect of the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax payments and corporate expenses not allocated to underlying business units are also included here.

F. DEVELOPMENT EXPENSES

Business development expenses, comprising mainly middle market and other initiatives within Momentum Retail.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

G. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	12 mths to 30.06.2015			12 mths to
		ANW Rm	Net VIF Rm	EV Rm	30.06.2014 EV Rm
Momentum Retail		(164)	147	(17)	12
Mortality and morbidity assumptions	1	169	57	226	80
Termination assumptions		-	(37)	(37)	(51)
Renewal expense assumptions	2	(138)	59	(79)	(30)
Modelling, methodology and other changes	3	(195)	68	(127)	13
Metropolitan Retail		97	(37)	60	(129)
Mortality and morbidity assumptions	1	75	23	98	101
Termination assumptions		43	(64)	(21)	(85)
Renewal expense assumptions	2	34	(7)	27	87
FNB Life		-	-	-	(91)
Modelling, methodology and other changes	3	(55)	11	(44)	(141)
Momentum Employee Benefits		(63)	37	(26)	461
Mortality and morbidity assumptions	4	(3)	(72)	(75)	(23)
Termination assumptions	5	-	81	81	144
Renewal expense assumptions	2	-	(101)	(101)	366
Modelling, methodology and other changes	3	(60)	129	69	(26)
International		91	(5)	86	15
Mortality and morbidity assumptions	1	26	22	48	(7)
Termination assumptions		5	(9)	(4)	10
Renewal expense assumptions		28	(6)	22	17
Modelling, methodology and other changes	3	32	(12)	20	(5)
Shareholder Capital	6	(195)	86	(109)	(7)
Methodology change: cost of required capital		-	(11)	(11)	139
Total operating assumption changes		(234)	217	(17)	491

Notes

1. Allowance for better than assumed mortality experience on risk business.
2. Allowance for unit costs in line with budgeted renewal expenses and expected business volumes.
3. Various modelling and methodology changes, including more explicit allowances for reinsurance modelling at Momentum Retail.
4. Allowance for lower future profitability on income disability and group life business.
5. Allowance for better than assumed termination experience on FundsAtWork business.
6. More explicit allowance for Balance Sheet Management future expenses and enhancements to shareholder investment assets in the cost of required capital.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

H. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	12 mths to 30.06.2015 Rm	12 mths to 30.06.2014 Rm
Investment income	618	722
Capital appreciation and other	77	368
Preference share dividends paid and change in fair value of preference shares	(31)	(27)
Investment return on adjusted net worth	664	1 063

I. INVESTMENT VARIANCES

Investment variances represent the impact of higher/lower than assumed investment returns on current and expected future after tax profits from in-force business.

J. ECONOMIC ASSUMPTION CHANGES

The economic assumption changes include the effect of the change in assumed rate of investment return, expense inflation rate and risk discount rate in respect of local and offshore business.

K. TRANSFER OF BUSINESS (TO)/FROM NON-COVERED BUSINESS

This transfer includes the transfer of Guardrisk Life Ltd to covered business (ie adjusted net asset value of R44 million and net value of in-force of R324 million at 1 July 2014) as well as the alignment of net assets and value of in-force of mainly international subsidiaries between covered and non-covered business.

L. CHANGES IN SHARE CAPITAL

Changes in share capital include the purchase of the non-controlling interest shareholding in Metropolitan Botswana and recapitalisation of some of the health entities.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 30.06.2015	Adjusted net worth	In-force business			New business written		
		Net value	Gross value	Cost of CAR ⁽³⁾	Net value	Gross value	Cost of CAR ⁽³⁾
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Base value	14 304	21 696	24 789	(3 093)	954	1 168	(214)
1% increase in risk discount rate % change		19 891 (8)	23 399 (6)	(3 508) 13	796 (17)	1 031 (12)	(235) 10
1% reduction in risk discount rate % change		23 737 9	26 365 6	(2 628) (15)	1 141 20	1 331 14	(190) (11)
10% decrease in future expenses % change ⁽¹⁾		22 805 5	25 898 4	(3 093) -	1 066 12	1 280 10	(214) -
10% decrease in lapse, paid-up and surrender rates % change		22 505 4	25 622 3	(3 117) 1	1 107 16	1 337 14	(230) 7
5% decrease in mortality and morbidity for assurance business % change		23 217 7	26 310 6	(3 093) -	1 124 18	1 338 15	(214) -
5% decrease in mortality for annuity business % change		21 310 (2)	24 438 (1)	(3 128) 1	945 (1)	1 159 (1)	(214) -
1% reduction in gross investment return, inflation rate and risk discount rate % change ⁽²⁾	14 247 -	22 260 3	25 349 2	(3 089) -	1 023 7	1 237 6	(214) -
1% reduction in inflation rate % change		22 421 3	25 514 3	(3 093) -	1 043 9	1 257 8	(214) -
10% fall in market value of equities and properties % change	13 987 (2)	20 626 (5)	23 624 (5)	(2 998) (3)			
10% reduction in premium indexation take-up rate % change		21 423 (1)	24 480 (1)	(3 057) (1)	924 (3)	1 139 (2)	(215) -
10% decrease in non-commission related acquisition expenses % change					1 056 11	1 270 9	(214) -
1% increase in equity/property risk premium % change		22 135 2	25 206 2	(3 071) (1)	991 4	1 205 3	(214) -

1. No corresponding changes in variable policy charges are assumed, although in practice it is likely that these will be modified according to circumstances.
2. Bonus rates are assumed to change commensurately.
3. The change in the value of cost of required capital is disclosed as nil where the sensitivity test results in an insignificant change in the value.

MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	30.06.2015	30.06.2014
12 months		
Value of listed shares traded (rand million)	19 153	15 362
Volume of listed shares traded (million)	642	637
Shares traded (% of average listed shares in issue)	41	41
Value of shares traded – life insurance (J857 – Rbn)	230	165
Value of shares traded – top 40 index (J200 – Rbn)	3 464	3 069
Trade prices		
Highest (cents per share)	3 475	2 783
Lowest (cents per share)	2 502	2 039
Last sale of period (cents per share)	3 015	2 625
Annualised percentage (%) change during year	15	18
Annualised percentage (%) change – life insurance sector (J857)	11	28
Annualised percentage (%) change – top 40 index (J200)	-	31
30 June		
Price/diluted core headline earnings (segmental) ratio	12.6	11.6
Dividend yield % (dividend on listed shares)	5.1	5.4
Dividend yield % – top 40 index (J200)	3.0	2.6
Total shares issued (million)		
Ordinary shares listed on JSE	1 572	1 570
Treasury shares held on behalf of contract holders	(14)	(14)
Basic number of shares in issue	1 558	1 556
Treasury shares held on behalf of contract holders	14	14
Convertible redeemable preference shares	32	34
Diluted number of shares in issue ⁽¹⁾	1 604	1 604
Market capitalisation at end (Rbn) ⁽²⁾	48	42
Percentage (%) of life insurance sector	13	12

1. The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.
2. The market capitalisation is calculated on the fully diluted number of shares in issue.