

Summary of financial information

Unaudited results for the 6 months ended 31 December 2013

MMI GROUP LIMITED

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited condensed interim results of MMI Group Limited for the period ended 31 December 2013. The preparation of these results was supervised by the finance director, Preston Speckmann, BCompt (Hons), CA(SA).

Basis of preparation of financial information

These condensed consolidated interim 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 as well as the South African Companies Act of 2008. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those adopted in the previous periods.

Corporate governance

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

Directorate changes and directors' shareholding

Mr Blignault Gouws, a non-executive director, retired from the Board of MMI Group Limited on 27 November 2013. Mr DJ Botes, Mr NJ Dunkley and Mrs NDL Motsei all resigned from the MMI Group Limited Board of directors effective 31 August 2013.

Contingent liabilities and capital commitments

As part of running a business, the company is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The company had no material capital commitments at 31 December 2013 that were not in the ordinary course of business.

Events after the reporting period

MMI Group Limited intends to issue R1.5 billion of unsubordinated debt during March 2014 for which FSB approval has already been received.

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

Directors' responsibility and external audit

These results are the responsibility of the directors. The condensed interim results have not been reviewed or audited by the external auditors.

MMI Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2013	31.12.2012	30.06.2013
	Rm	Rm	Rm
ASSETS			
Intangible assets	2,759	2,623	2,753
Owner-occupied properties	1,283	667	1,240
Property and equipment	138	49	154
Investment properties	4,669	452	4,511
Investment in subsidiary companies	54,606	38,668	45,432
Employee benefit assets	332	202	328
Financial instrument assets ⁽¹⁾	251,834	172,779	241,647
Insurance and other receivables	2,505	843	2,493
Reinsurance contracts	1,730	984	1,609
Cash and cash equivalents	11,440	9,281	11,620
Non-current assets held for sale	-	22	-
Total assets	331,296	226,570	311,788
EQUITY			
Equity attributable to owners of the parent	15,345	9,753	15,829
Non-redeemable, non-cumulative, non-participative preference shares	500	500	500
Total equity	15,845	10,253	16,329
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	94,547	46,732	91,006
Financial instrument liabilities			
Investment contracts	201,522	147,209	180,840
– with discretionary participation features	23,108	10,504	23,801
– designated as fair value through income	178,414	136,705	157,039
Other financial instrument liabilities ⁽²⁾	9,339	10,259	11,431
Deferred income tax	1,808	1,032	1,408
Employee benefit obligations	1,002	326	1,035
Other payables	7,039	10,661	9,546
Provisions	-	66	71
Current income tax liabilities	194	32	122
Total liabilities	315,451	216,317	295,459
Total equity and liabilities	331,296	226,570	311,788
(1) Financial instrument assets consist of the following:			
Assets designated as fair value through income:	235,035	148,523	215,068
Investments in associates at fair value	6,672	14,147	15,310
Derivative financial instruments:	3,191	2,799	3,111
Available-for-sale assets:	381	1,284	882
Loans and receivables:	6,555	6,026	7,276
(2) Other financial instrument liabilities consist of the following:			
Liabilities designated as fair value through income:	6,304	8,840	8,593
Derivative financial instruments:	2,533	1,419	2,336
Liabilities at amortised cost:	502	-	502

	6 mths to 31.12.2013 Rm	6 mths to 31.12.2012 Rm	12 mths to 30.06.2013 Rm
CONSOLIDATED INCOME STATEMENT			
Net insurance premiums received	8,935	4,393	8,630
Fee income ⁽¹⁾	1,540	939	2,543
Investment income	6,148	4,000	9,404
Net realised and fair value gains	24,483	14,624	18,939
Net income	41,106	23,956	39,516
Net insurance benefits and claims	10,447	5,563	10,054
Change in liabilities	2,773	2,387	(1,392)
Change in insurance contract liabilities	3,543	2,762	1,027
Change in investment contracts with DPF liabilities	(694)	(325)	(2,344)
Change in reinsurance provision	(76)	(50)	(75)
Fair value adjustments on investment contract liabilities	20,156	11,480	20,852
Depreciation, amortisation and impairment expenses	86	46	98
Employee benefit expenses	1,519	891	1,745
Sales remuneration	1,506	902	1,856
Other expenses	878	507	1,186
Expenses	37,365	21,776	34,399
Results of operations	3,741	2,180	5,117
Finance costs ⁽²⁾	(697)	(571)	(1,506)
Profit before tax	3,044	1,609	3,611
Income tax expenses	(1,179)	(483)	(885)
Earnings	1,865	1,126	2,726
Attributable to:			
Owners of the parent	1,853	1,111	2,695
MMI Group Ltd preference shares	12	15	31
	1,865	1,126	2,726
(1) Fee income consists of the following:			
Investment contracts	938	590	1,784
Trust and fiduciary services	438	192	368
Other fee income	164	157	391
	1,540	939	2,543
(2) Finance costs consist of the following:			
Subordinated redeemable debt	55	33	53
Cost of carry and interest rate swaps	580	478	1,266
Other	62	62	187
	697	573	1,506

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2013 Rm	6 mths to 31.12.2012 Rm	12 mths to 30.06.2012 Rm
Changes in share capital			
Balance at beginning	1,041	1,041	1,041
Balance at end	1,041	1,041	1,041
Changes in other reserves			
Balance at beginning	5,917	857	857
Total comprehensive income	(318)	126	5,068
Transfer to retained earnings	(3)	(4)	(8)
Balance at end ⁽¹⁵⁾	5,596	979	5,917
 Changes in retained earnings			
Balance at beginning	8,871	8,172	8,172
Total comprehensive income	1,834	1,111	2,695
Dividend paid	(2,000)	(1,554)	(2,004)
Transfer from other reserves	3	4	8
Balance at end	8,708	7,733	8,871
Equity attributable to owners of the parent	15,345	9,753	15,829
 MMI Group Ltd preference shares			
Balance at beginning	500	500	500
Total comprehensive income	12	15	32
Dividends paid	(12)	(15)	(32)
Balance at end	500	500	500
 Total equity	15,845	10,253	16,329
Land and buildings revaluation reserve	447	403	418
Revaluation of subsidiaries	190	567	538
Revaluation of available-for-sale investments	5	9	7
Non-distributable reserve	295	-	295
Common control reserve	4,659	-	4,659

	6 mths to	6 mths to	12 mths to
	31.12.2013	31.12.2012	30.06.2013
	Rm	Rm	Rm
CONSOLIDATED CASH FLOW STATEMENT			
Net cash outflow from operating activities	11,197	947	1,259
Net cash inflow/(outflow) from investing activities	(9,068)	(75)	(54)
Net cash (outflow)/inflow from financing activities	(2,309)	342	(1,579)
Net cash flow	(180)	1,214	(374)
Cash resources and funds on deposit at beginning	11,620	8,067	8,068
Cash arising from common control transaction			3,926
Cash resources and funds on deposit at end	11,440	9,281	11,620
Made up as follows:			
Cash and cash equivalents as per statement of financial position	11,440	9281	11,620

FINANCIAL INSTRUMENT ASSETS	31.12.2013	31.12.2012	30.06.2013
	Rm	Rm	Rm
Equity securities	56,670	32,476	52,438
Debt securities	73,673	55,985	77,268
Funds on deposit and other money market instruments	12,112	6,740	12,563
Unit-linked investments	92,961	54,606	73,680
Derivative financial instruments	3,191	2,799	3,111
Investments in associates	6,672	14,147	15,310
Loans and receivables	6,555	6,026	7,277
Total financial instrument assets	251,834	172,779	241,647