

MMI GROUP LIMITED

SUMMARY OF FINANCIAL INFORMATION

Unaudited results for the 6 months ended 31 December 2017

MMI GROUP LIMITED

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited summarised interim results of MMI Group Ltd for the period ended 31 December 2017. The preparation of the company's results was supervised by the finance director, Risto Ketola (FIA, FASSA, CFA).

Corporate events

Listed debt

MMI Group Ltd listed new instruments to the total value of R750 million on the JSE Ltd on 4 December 2017. The instruments are unsecured subordinated callable notes.

Basis of preparation of financial information

These summarised interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS); 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 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 company's annual financial statements for the year ended 30 June 2017, including changes in estimates that are an integral part of the insurance business. The company is exposed to financial and insurance risks, details of which are also provided in the company's annual financial statements.

New and revised standards effective for the period ended 31 December 2017 and relevant to the company

- The following amendments to standards and interpretations became effective for the first time in the current period and had no impact on the company's earnings or net asset value: Amendments to IAS 7 Cash flow statements and IAS 12 Income taxes.
- 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 company's earnings.

Segmental report

The client-centric reporting view reflects the following segments:

Momentum Retail: Momentum Retail offers a wide range of financial solutions to middle and affluent market segments. Our product range spans all major insurance lines (life, disability, health, motor, property, and all-risks) and a wide range of savings and investment products. We differentiate our business through the quality of our advice channels and our commitment to high levels of client engagement to encourage our clients to make choices that optimise their financial and physical wellness. Our most popular product solutions are retirement savings and life insurance. Momentum Retail is closely associated with Multiply, our client engagement programme. Clients who have Multiply active on their policies enjoy premium discounts, partner rewards and access to personal financial management tools.

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Metropolitan Retail: Metropolitan Retail is a long-established life insurance provider in the lower- and middle-income segments. Metropolitan Retail's most popular products include funeral plans, savings policies, underwritten life cover policies, and annuities. Our funeral plans are low sum insured whole life policies designed to pay for funeral costs. To extend our distribution channels and expand our solutions basket, Metropolitan recently partnered with African Bank to offer insurance and lending products to the existing Metropolitan client base.

Momentum Corporate: Momentum Corporate provides insurance, administration and investment services to employee groups in the private and public sectors. The business is one of the largest underwriters of death and disability insurance in the corporate market. We also have a strong market share in umbrella funds (multi-employer retirement schemes) and annuity solutions.

International: MMI International operates in the rest of Africa, India and the United Kingdom. We offer a wide range of solutions in these areas, with a focus on life, health and short-term insurance products. In Africa, life insurance is offered in nine countries and health insurance offered in seven as well as in India. Our Multiply wellness programme is only active in India at present, where it complements the health insurance offering. We have announced our plan to exit a number of African countries to improve focus on remaining operations.

Shareholder Capital: The Shareholder Capital segment reflects investment income on capital held to support operations, earnings from start-up ventures not yet allocated to other segments, and some costs not allocated to operating segments (eg certain holding company expenses).

The product houses support the segments to deliver best of breed product solutions that segments can distribute to clients. There are five of these centres of excellence supporting the segments, namely: Investments and savings, Life Insurance, Health, Short-term Insurance and Client Engagement Solutions. Each of the centres of excellence design solutions that meet unique Financial Wellness needs of clients as identified by our segment business.

Corporate governance

The board has satisfied itself that appropriate principles of corporate governance (King IV) were applied, where possible, throughout the period under review.

Changes to the directorate and secretary

On 16 January 2018, Risto Ketola was appointed to the board as Financial Director. On 15 February 2018, Nicolaas Kruger stepped down from the board and as CEO. On the same date, Hillie Meyer was appointed to the board as CEO. On 1 March 2018, Jeanette Marais was appointed to the board as deputy CEO.

Contingent liabilities and capital commitments

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 2017 that were not in the ordinary course of business.

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Events after the reporting period

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

Directors' responsibility

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

Signed on behalf of the board

JJ Njeke

Chairman

Hillie Meyer

Group chief executive officer

Centurion

6 March 2018

DIRECTORS: MJN Njeke (chairman), LL von Zeuner (deputy chairman), HP Meyer (chief executive officer), J Marais (deputy chief executive officer), M Vilakazi (deputy chief executive officer), RS Ketola (finance director), F Jakoet, Prof SC Jurisich, FJC Truter

COMPANY SECRETARY: Maliga Chetty

WEBSITE: www.mmiholdings.com

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion, 0157

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF FINANCIAL POSITION

	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
ASSETS			
Intangible assets	2 743	2 979	2 817
Owner-occupied properties	1 590	1 614	1 851
Property and equipment	117	110	122
Investment properties	6 069	6 719	6 639
Interest in subsidiary companies	63 243	51 816	59 431
Employee benefit assets	419	456	408
Financial instruments ⁽¹⁾	303 426	293 866	291 353
Reinsurance contracts	1 795	1 788	1 714
Insurance and other receivables	2 672	2 534	2 535
Current income tax assets	81	310	298
Cash and cash equivalents	14 422	12 907	14 054
Total assets	396 577	375 099	381 222
EQUITY			
Equity attributable to owners of the parent	15 066	16 238	16 500
Non-redeemable, non-cumulative, non-participative preference shares	500	500	500
Total equity	15 566	16 738	17 000
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	100 364	96 263	96 613
Financial instruments			
Investment contracts	257 173	239 327	244 213
- with discretionary participation features (DPF)	23 435	22 885	22 750
- designated at fair value through income	233 738	216 442	221 463
Other financial instrument liabilities ⁽²⁾	12 701	12 750	12 751
Deferred income tax	1 285	1 255	994
Employee benefit obligations	604	853	836
Other payables	8 884	7 913	8 815
Total liabilities	381 011	358 361	364 222
Total equity and liabilities	396 577	375 099	381 222

(1) Financial instrument assets consist of the following:

Securities designated at fair value through income	275 394	268 125	262 800
Investments in associates designated at fair value through income	17 329	16 378	18 848
Derivative financial instruments	2 849	2 076	2 382
Loans and receivables	7 854	7 287	7 323
	303 426	293 866	291 353

(2) Other financial instrument liabilities consist of the following:

Liabilities designated at fair value through income	11 006	10 970	10 993
Derivative financial instruments	1 695	1 780	1 758
	12 701	12 750	12 751

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED INCOME STATEMENT	6 mths to 31.12.2017	6 mths to 31.12.2016	12 mths to 30.06.2017
	Rm	Rm	Rm
Net insurance premiums	9 487	9 280	18 221
Fee income ⁽¹⁾	1 518	1 474	2 840
Investment income	7 756	7 560	15 325
Net realised and fair value gains	17 289	(4 503)	128
Net income	36 050	13 811	36 514
Net insurance benefits and claims	9 631	9 621	19 143
Change in actuarial liabilities and related reinsurance	4 356	(2 236)	(1 946)
Change in insurance contract liabilities	3 752	(1 320)	(970)
Change in investment contracts with DPF liabilities	685	(697)	(831)
Change in reinsurance contracts	(81)	(219)	(145)
Fair value adjustments on investment contract liabilities	14 714	(466)	5 845
Depreciation, amortisation and impairment expenses	444	133	401
Employee benefit expenses	1 474	1 413	2 740
Sales remuneration	1 623	1 680	3 175
Other expenses	1 067	1 025	2 058
Expenses	33 309	11 170	31 416
Results of operations	2 741	2 641	5 098
Finance costs ⁽²⁾	(405)	(402)	(783)
Profit before tax	2 336	2 239	4 315
Income tax expense	(1 156)	(740)	(1 570)
Earnings for the period	1 180	1 499	2 745
Attributable to:			
Owners of the parent	1 162	1 481	2 709
MMI Group Ltd preference shares	18	18	36
	1 180	1 499	2 745

(1) Fee income consists of the following:

Investment contracts	1 213	1 218	2 350
Trust and fiduciary services	205	99	243
Other fee income	100	157	247
	1 518	1 474	2 840

(2) Finance costs consist of the following:

Subordinated debt	(190)	(176)	(351)
Cost of carry positions	(195)	(202)	(408)
Other	(20)	(24)	(24)
	(405)	(402)	(783)

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	6 mths to 31.12.2017	6 mths to 31.12.2016	12 mths to 30.06.2017
	Rm	Rm	Rm
Earnings for the period	1 180	1 499	2 745
Other comprehensive income, net of tax	(695)	(311)	(11)
Items that may subsequently be reclassified to income	(697)	(333)	(133)
Revaluation of subsidiaries	(697)	(333)	(133)
Items that will not be reclassified to income	2	22	122
Land and buildings revaluation	16	59	121
Change in non-distributable reserve	-	-	19
Remeasurements of post-employee benefit funds	(11)	(24)	11
Income tax relating to items that will not be reclassified	(2)	(13)	(29)
Total comprehensive income for the period	484	1 188	2 734
Total comprehensive income attributable to:			
Owners of the parent	467	1 170	2 698
MMI Group Ltd preference shares	18	18	36
	484	1 188	2 734

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Changes in share capital			
Balance at the beginning and end	9	9	9
Changes in share premium			
Balance at the beginning and end	1 032	1 032	1 032
Changes in other reserves			
Balance at beginning	6 946	6 898	6 898
Total comprehensive (loss)/income	(695)	(310)	72
Transfer to retained earnings	(35)	(14)	(23)
Balance at end ⁽¹⁾	6 216	6 574	6 947
Changes in retained earnings			
Balance at beginning	8 512	8 675	8 675
Total comprehensive income	1 162	1 482	2 710
Dividend paid	(1 900)	(1 550)	(2 812)
Shares Repurchased and Cancelled	-	-	(86)
Transfer from other reserves	35	14	23
Other	-	2	2
Balance at end	7 809	8 623	8 512
Equity attributable to the owners of the parent	15 066	16 238	16 500
Non-redeemable, non-cumulative, non-participative preference shares			
Balance at the beginning	500	500	500
Total comprehensive income	18	18	36
Dividend paid	(18)	(18)	(36)
Balance at end	500	500	500
Total equity	15 566	16 738	17 000
⁽¹⁾ Other reserves consist of the following:			
Land and buildings revaluation reserve	652	635	673
Revaluation of subsidiaries	811	1 225	1 508
Employee benefit revaluation reserve	76	55	88
Common control reserve	4 677	4 659	4 678
	6 216	6 574	6 947

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF CASH FLOWS	6 mths to 31.12.2017	6 mths to 31.12.2016	12 mths to 30.06.2017
	Rm	Rm	Rm
Net cash (outflow)/inflow from operating activities	(7 897)	(2 404)	5 798
Net cash inflow/(outflow) from investing activities	10 019	214	(5 446)
Net cash (outflow) from financing activities	(1 754)	(1 402)	(2 797)
Net cash flow	368	(3 592)	(2 445)
Cash resources and funds on deposit at beginning	14 054	16 499	16 499
Cash resources and funds on deposit at end	14 422	12 907	14 054

MMI GROUP LIMITED – SEGMENTAL INFORMATION

6 mths to 31.12.2017	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Shareholder capital Rm	Segmental total Rm	Reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue								
Net insurance premiums	11 769	3 788	10 702	-	-	26 259	(16 772)	9 487
Recurring premiums	4 481	3 120	5 395	-	-	12 996	(4 928)	8 068
Single premiums	7 288	668	5 307	-	-	13 263	(11 844)	1 419
Fee income	883	34	600	-	1	1 518	-	1 518
External fee income	883	34	600	-	1	1 518	-	1 518
Expenses								
Net payments to contract holders								
External payments	12 238	2 781	12 616	-	-	27 635	(18 004)	9 631
Other expenses	1 961	1 192	587	5	368	4 113	495	4 608
Sales remuneration	1 034	539	50	-	-	1 623	-	1 623
Administration expenses	927	653	537	5	340	2 462	-	2 462
Amortisation due to business combinations and impairments	-	-	-	-	23	23	-	23
Direct property expenses	-	-	-	-	-	-	197	197
Asset management and other fee expenses	-	-	-	-	5	5	298	303
Earnings attributable to equity holders	548	336	210	(5)	73	1 162	-	1 162
Actuarial liabilities	204 089	34 879	118 570	-	-	357 538	-	357 538

(1) The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees 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; and other minor adjustments to expenses and fee income.

MMI GROUP LIMITED – SEGMENTAL INFORMATION

Restated 6 mths to 31.12.2016	Momentum Retail	Metropolitan Retail	Momentum Corporate	International	Shareholder capital	Segmental total	Reconciling items ⁽¹⁾	IFRS total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue								
Net insurance premiums	11 620	3 521	9 684	-	-	24 825	(15 545)	9 280
Recurring premiums	4 319	2 996	4 981	-	-	12 296	(4 517)	7 779
Single premiums	7 301	525	4 703	-	-	12 529	(11 028)	1 501
Fee income	1 016	37	417	-	4	1 474	-	1 474
External fee income	1 016	37	417	-	4	1 474	-	1 474
Expenses								
Net payments to contract holders								
External payments	11 541	2 724	10 384	-	-	24 649	(15 028)	9 621
Other expenses	1 954	1 141	519	12	134	3 760	491	4 251
Sales remuneration	1 063	550	67	-	-	1 680	-	1 680
Administration expenses	891	591	452	12	120	2 066	-	2 066
Amortisation due to business combinations and impairments	-	-	-	-	18	18	-	18
Direct property expenses	-	-	-	-	-	-	194	194
Asset management and other fee expenses	-	-	-	-	(4)	(4)	297	293
Earnings attributable to equity holders	577	382	175	(12)	359	1 481	-	1 481
Actuarial liabilities	192 419	32 550	110 621	-	-	335 590	-	335 590

(1) The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees 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; and other minor adjustments to expenses and fee income.

MMI GROUP LIMITED – SEGMENTAL INFORMATION

12 mths to 30.06.2017	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Shareholder capital Rm	Segmental total Rm	Reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue								
Net insurance premiums	23 914	6 898	19 341	-	-	50 153	(31 932)	18 221
Recurring premiums	8 838	5 877	10 249	-	-	24 964	(9 291)	15 673
Single premiums	15 076	1 021	9 092	-	-	25 189	(22 641)	2 548
Fee income	1 785	79	976	-	-	2 840	-	2 840
External fee income	1 785	79	976	-	-	2 840	-	2 840
Expenses								
Net payments to contract holders								
External payments	24 757	5 321	20 595	-	-	50 673	(31 530)	19 143
Other expenses	3 696	2 328	1 136	23	210	7 393	982	8 375
Sales remuneration	2 047	1 025	103	-	-	3 175	-	3 175
Administration expenses	1 649	1 303	1 033	23	173	4 181	-	4 181
Amortisation due to business combinations and impairments	-	-	-	-	37	37	-	37
Direct property expenses	-	-	-	-	-	-	402	402
Asset management and other fee expenses	-	-	-	-	-	-	580	580
Earnings attributable to equity holders	1 109	679	328	(28)	621	2 709	-	2 709
Actuarial liabilities	195 020	32 417	113 389	-	-	340 826	-	340 826

(1) The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees 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; and other minor adjustments to expenses and fee income.

MMI GROUP LIMITED – EARNINGS PER ORDINARY SHARE

EARNINGS PER ORDINARY SHARE

	Basic earnings		
	6 mths to 31.12.2017	6 mths to 31.12.2016	12 mths to 30.06.2017
	Rm	Rm	Rm
Attributable to owners of the parent			
Earnings (cents per share)	612	779	1 426
Headline earnings (cents per share)	655	741	1 432
Reconciliation of headline earnings attributable to owners of the parent			
Earnings - equity holders of the company	1 162	1 481	2 709
Loss on sale of subsidiary	54	-	-
Profit on sale of business	-	(73)	(73)
Impairment of capital expenditure on owner-occupied buildings	-	-	29
Impairment of internally developed computer software	28	-	55
Headline earnings (1)	1 244	1 408	2 720

(1) Headline earnings

Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basic and other changes.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS SUMMARISED BY MEASUREMENT CATEGORY	31.12.2017	Restated 31.12.2016	Restated 30.06.2017
	Rm	Rm	Rm
Financial assets designated at fair value through income	295 572	286 579	284 030
Securities designated at fair value through income	275 394	268 125	262 800
Investment in associates designated at fair value through income	17 329	16 378	18 848
Derivative financial instruments	2 849	2 076	2 382
Financial assets carried at amortised cost	24 792	22 575	23 756
Loans and receivables	7 854	7 287	7 323
Insurance and other receivables	2 516	2 381	2 379
Cash and cash equivalents	14 422	12 907	14 054
Total financial assets	320 364	309 154	307 786

The carrying value of financial assets carried at amortised cost approximates fair value.

FINANCIAL LIABILITIES SUMMARISED BY MEASUREMENT CATEGORY	31.12.2017	31.12.2016	30.06.2017
	Rm	Rm	Rm
Investment contracts with DPF	23 435	22 885	22 750
Financial liabilities designated at fair value through income	246 439	229 192	234 214
Investment contracts designated at fair value through income	233 738	216 442	221 463
Liabilities designated at fair value through income	11 006	10 970	10 993
Derivative financial instruments	1 695	1 780	1 758
Financial liabilities carried at amortised cost			
Other payables	8 884	7 913	8 815
Total financial liabilities	278 758	259 990	265 779

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 carrying value of other payables approximates fair value due to their short-term nature.

MMI GROUP LIMITED – 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	Level 2	Level 3	Total
31.12.2017	Rm	Rm	Rm	Rm
Securities designated at fair value through income	192 342	78 603	4 449	275 394
Equity securities				
Local listed	47 194	8	-	47 202
Foreign listed	664	-	-	664
Unlisted	-	-	40	40
Debt securities				
Stock and loans to government and other public bodies				
Local listed	23 234	10 241	-	33 475
Foreign listed	-	21	-	21
Unlisted	-	3 608	-	3 608
Other debt instruments				
Local listed	-	19 650	8	19 658
Foreign listed	-	6	-	6
Unlisted	-	20 712	1 703	22 415
Funds on deposit and other money market instruments	-	11 713	-	11 713
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	91 574	26	1	91 601
Foreign unlisted or listed quoted	26 887	16	72	26 975
Foreign unlisted unquoted	-	373	192	565
Other unit-linked investments				
Local unlisted or listed quoted	528	7 197	-	7 725
Local unlisted unquoted	2 261	5 032	2 319	9 612
Foreign unlisted unquoted	-	-	114	114
Investments in associates designated at fair value through income ⁽¹⁾	17 328	1	-	17 329
Derivative financial instruments - Held for trading	10	2 839	-	2 849
	209 680	81 443	4 449	295 572

(1) Collective investment schemes and Investment 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.

(2) There were no significant transfers between level 1 and level 2 assets in the current or prior periods.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
31.12.2016	Rm	Rm	Rm	Rm
Securities designated at fair value through income	184 068	80 257	3 800	268 125
Equity securities				
Local listed	55 745	15	-	55 760
Foreign listed	461	-	-	461
Unlisted	-	5	123	128
Debt securities				
Stock and loans to government and other public bodies				
Local listed	29 083	9 333	-	38 416
Foreign listed	-	35	-	35
Unlisted	-	3 170	-	3 170
Other debt instruments				
Local listed	-	20 482	7	20 489
Foreign listed	-	91	-	91
Unlisted	-	22 106	1 462	23 568
Funds on deposit and other money market instruments	-	12 147	60	12 207
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	78 039	36	-	78 075
Foreign unlisted or listed quoted	19 566	48	26	19 640
Foreign unlisted unquoted	-	2 751	109	2 860
Other unit-linked investments				
Local unlisted or listed quoted	1 174	6 284	-	7 458
Local unlisted unquoted	-	3 754	2 000	5 754
Foreign unlisted unquoted	-	-	13	13
Foreign unlisted or listed quoted	-	-	-	-
Investments in associates designated at fair value through income ⁽¹⁾	16 315	63	-	16 378
Derivative financial instruments - Held for trading	-	2 076	-	2 076
	200 383	82 396	3 800	286 579

(1) Collective investment schemes and Investment 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 GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
30.06.2017	Rm	Rm	Rm	Rm
Securities designated at fair value through income	181 363	77 300	4 137	262 800
Equity securities				
Local listed	49 371	69	-	49 440
Foreign listed	526	-	-	526
Unlisted	-	-	101	101
Debt securities				
Stock and loans to government and other public bodies				
Local listed	23 922	9 272	-	33 194
Foreign listed	-	20	-	20
Unlisted	-	3 343	-	3 343
Other debt instruments				
Local listed	-	19 854	8	19 862
Foreign listed	-	15	-	15
Unlisted	-	20 194	1 594	21 788
Funds on deposit and other money market instruments	-	12 779	135	12 914
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	78 492	38	2	78 532
Foreign unlisted or listed quoted	26 647	14	17	26 678
Foreign unlisted unquoted	-	358	152	510
Other unit-linked investments				
Local unlisted or listed quoted	585	6 763	-	7 348
Local unlisted unquoted	1 820	4 551	2 067	8 438
Foreign unlisted unquoted	-	-	61	61
Foreign unlisted or listed quoted	-	30	-	30
Investments in associates designated at fair value through income ⁽¹⁾	18 848	-	-	18 848
Derivative financial instruments - Held for trading	1	2 378	3	2 382
	<u>200 212</u>	<u>79 678</u>	<u>4 140</u>	<u>284 030</u>

(1) Collective investment schemes and Investment 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 GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
31.12.2017	Rm	Rm	Rm	Rm
Investment contracts designated at fair value through income	-	233 716	22	233 738
Financial liabilities designated at fair value through income	-	11 006	-	11 006
Subordinated call notes	-	4 381	-	4 381
Carry positions	-	6 625	-	6 625
Derivative financial instruments	-	1 695	-	1 695
Held for trading	-	1 695	-	1 695
	-	246 417	22	246 439

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
31.12.2016	Rm	Rm	Rm	Rm
Investment contracts designated at fair value through income	-	216 384	58	216 442
Financial liabilities designated at fair value through income	-	10 970	-	10 970
Subordinated call notes	-	3 553	-	3 553
Carry positions	-	7 417	-	7 417
Derivative financial instruments	-	1 780	-	1 780
Held for trading	-	1 780	-	1 780
	-	229 134	58	229 192

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
30.06.2017	Rm	Rm	Rm	Rm
Investment contracts designated at fair value through income	-	221 428	35	221 463
Financial liabilities designated at fair value through income	-	10 993	-	10 993
Subordinated call notes	-	3 602	-	3 602
Carry positions	-	7 391	-	7 391
Derivative financial instruments	-	1 758	-	1 758
Held for trading	-	1 758	-	1 758
	-	234 179	35	234 214

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

Financial Assets Designated at fair value through income

6 mths to 31.12.2017	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Total Rm
Opening balance	101	1 737	2 299	4 137
Total (losses)/gains in net realised and fair value gains in the income statement				-
Realised gains	3	11	12	26
Unrealised (losses)/gains	(26)	15	82	71
Accrued interest in investment income in the income statement	-	9	-	9
Purchases	-	280	375	655
Sales	(38)	(502)	(109)	(649)
Transfer into level 3	-	389	39	428
Transfer out of level 3		(228)		(228)
Closing balance	40	1 711	2 698	4 449

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

Financial Assets Designated at fair value through income

6 mths to 31.12.2016	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Total Rm
Opening balance	179	1 989	2 349	4 517
Total (losses)/gains in net realised and fair value gains in the income statement				-
Realised (losses)/gains	(6)	5	907	906
Unrealised (losses)/gains	(21)	2	(427)	(446)
Accrued interest in investment income in the income statement	-	11	-	11
Purchases	5	213	2 054	2 272
Sales	(34)	(434)	(2 735)	(3 203)
Settlements	-	(342)	-	(342)
Transfer into level 3	-	85	-	85
Closing balance	123	1 529	2 148	3 800

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

Financial Assets Designated at fair value through income

12 mths to 30.06.2017	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Total Rm
Opening balance	179	1 989	2 350	4 518
Total (losses)/gains in net realised and fair value gains in the income statement				-
Realised gains/(losses)	12	(11)	540	541
Unrealised (losses)/gains	(27)	25	66	64
Accrued interest in investment income in the income statement	-	116	-	116
Purchases	33	1 488	4 111	5 632
Sales	(96)	(1 955)	(4 768)	(6 819)
Transfer into level 3	-	85	-	85
Closing balance	101	1 737	2 299	4 137

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

	Financial instruments			Total
	Designated at fair value through income			
	Equity securities	Debt securities ⁽¹⁾	Unit-linked investments	
31.12.2017	Rm	Rm	Rm	Rm
Carrying value	40	1 711	2 698	4 449
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	
Effect of increase in assumption	4	(17)	270	257
Effect of decrease in assumption	(4)	17	(270)	(257)

	Financial instruments			Total
	Designated at fair value through income			
	Equity securities	Debt securities ⁽¹⁾	Unit-linked investments	
31.12.2016	Rm	Rm	Rm	Rm
Carrying value	123	1 529	2 148	3 800
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	
Effect of increase in assumption	18	(20)	235	233
Effect of decrease in assumption	(18)	20	(235)	(233)

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

	Financial instruments			Total
	Designated at fair value through income			
	Equity securities	Debt securities ⁽¹⁾	Unit-linked investments	
30.06.2017	Rm	Rm	Rm	Rm
Carrying value	101	1 737	2 299	4 137
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	
Effect of increase in assumption	10	(17)	230	223
Effect of decrease in assumption	(10)	17	(230)	(223)

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

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES

Financial liabilities designated at fair value through income

	Investment contracts	Total
	Rm	Rm
31.12.2017		
Opening Balance	35	35
Contract holder movements		
Benefits paid	(13)	(13)
Closing Balance	22	22

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES

Financial liabilities
designated at fair value
through income

Investment contracts	Total
Rm	Rm

31.12.2016

Opening Balance	76	76
Total realised gains/losses in net realised and fair value gains in the income statement	1	1
Total unrealised gains/losses in net realised and fair value gains in the income statement	(8)	(8)
Contract holder movements		
Benefits paid	(13)	(13)
Investment return	2	2
Closing Balance	58	58

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES

Financial liabilities
designated at fair value
through income

Investment contracts	Total
Rm	Rm

30.06.2017

Opening Balance	76	76
Total realised losses in net realised and fair value gains in the income statement	4	4
Total unrealised gains in net realised and fair value gains in the income statement	(13)	(13)
Contract holder movements		
Benefits paid	(36)	(36)
Investment return	4	4
Closing Balance	35	35

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R3.5 million (2016: R7.6 million) and R3.5 million (2016: R7.6 million) respectively.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Company's valuation processes

The company'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 company's bi-annual reporting dates.

Instrument	Valuation basis	Main assumptions
Equities and similar securities <ul style="list-style-type: none"> 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 and loans to other public bodies <ul style="list-style-type: none"> Listed, local Listed, foreign Unlisted 	Yield of benchmark (listed government) bond Discounted cash flow (DCF), benchmarked against similar instrument with the same issuer DCF, real interest rates, six-month JIBAR plus fixed spread or risk-free yield curve plus fixed spread	Market input Market input Market input and appropriate spread
Other debt securities <ul style="list-style-type: none"> Listed, local Listed, foreign Unlisted 	DCF (BESA and ASSA bond perfect fit zero curve and other published real or nominal yields, uplifted with inflation)/external valuations (linked notes)/published price quotations on JSE equity (preference shares) and interest rate market External valuations that are based on published market input 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, NAV of a hedge fund	Market input, uplifted with inflation Market input Market input and appropriate spread
Funds on deposit and other money market instruments <ul style="list-style-type: none"> Listed Unlisted 	DCF (market-related yields)/issue price/external valuations Deposit rates/DCF (market related yields)	Market input (based on quotes received from market participants and valuation agents) Market input (based on quotes received from market participants and valuation agents)

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

Instrument	Valuation basis	Main assumptions
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 (which are 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

There were no significant changes in the valuation methods applied since the prior period.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at 31 December 2017 Rm	Fair value as at 31 December 2016 Rm	Fair value as at 30 June 2017 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Financial assets							
Securities designated at fair value through income							
Equity securities							
Unlisted	40	123	101	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							
Other debt instruments							
Local listed	8	7	8	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
Unlisted	1 703	1 462	1 594	Discounted cash flow	Nominal interest rate	5.8% to 10.04% 6.75% to 14.01%	The higher the nominal interest rate the lower the fair value of the assets
				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
Unit linked investments							
Collective investment schemes							
Foreign unlisted unquoted	192	109	152	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	2 319	2 000	2 067	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
Subtotal	4 262	3 701	3 922				

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at 31 December 2017 Rm	Fair value as at 31 December 2016 Rm	Fair value as at 30 June 2017 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Subtotal	4 262	3 701	3 922				
Other	187	99	215				
	4 449	3 800	4 137				
Financial liabilities							
Investment contracts designated at fair value through income	22	58	35	Asset and liability matching method	Assets value	Unit price	The asset value increase will increase the fair value of the liability
	22	58	35				

There were no significant changes in the valuation methods applied since the prior period.