CRAZY ABOUT people OBSESSED WITH service

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

OUTSURANCE Holdings Limited

contents

OUTsurance Holdings Limited

1997/022260/06

Certain entities within the OUTsurance Holdings Group are authorised financial services providers.

introduction

THIS REPORT COVERS THE CONSOLIDATED FINANCIAL RESULTS OF OUTSURANCE HOLDINGS LIMITED (THE GROUP) FOR THE SIX MONTHS ENDED 31 DECEMBER 2016. THE FINANCIAL RESULTS ARE PREPARED BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ARE UNAUDITED.

Jan Hofmeyr, CA (SA), supervised the preparation of the consolidated financial results.

The Group provides short and long-term insurance products in South Africa, Australia, New Zealand and Namibia. We abide by a simple client centric ethos of providing value for money insurance solutions backed by awesome client service. The Group is 84% owned by Rand Merchant Investment Holdings Limited which is listed on the Johannesburg Securities Exchange.

our performance

R7 048 million
NET EARNED PREMIUM
up by 10%

25%
NEW POLICY INCEPTIONS
(MEASURED IN TERMS OF ANNUALISED PREMIUM)

31,4 cents
DILUTED HEADLINE EARNINGS PER SHARE
up by 23%

R1 139 million
HEADLINE EARNINGS
up by 23%

17,5 cents
ORDINARY DIVIDEND PER SHARE
up by 6.1%

39%
HEADLINE ROE

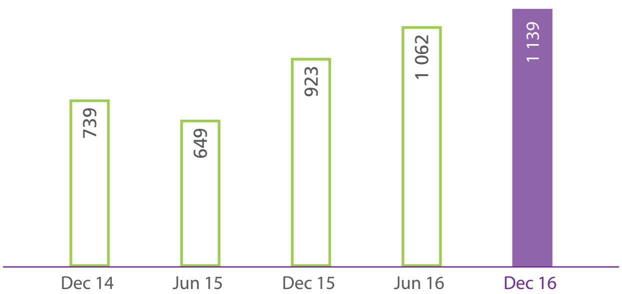
overview of results

THE GROUP DELIVERED A PLEASING EARNINGS PERFORMANCE FOR THE SIX MONTHS ENDED 31 DECEMBER 2016. HEADLINE EARNINGS GREW BY 23.4% TO R1.139 BILLION ON THE BACK OF INCREASED EARNINGS ACROSS ALL OPERATING SEGMENTS.

OUTsurance benefitted from a lower claims ratio and improved cost-to-income ratio to deliver 14.2% growth in headline earnings.

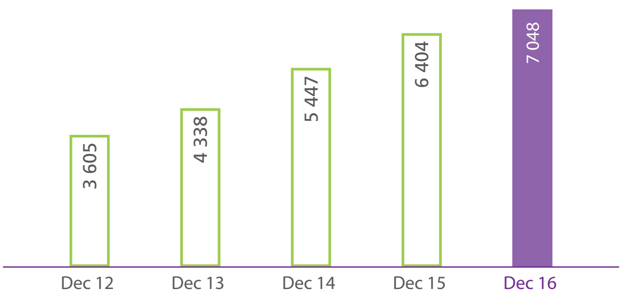
Youi's premium growth, lower cost-to-income ratio and reduced start-up loss in New Zealand drove the 87.6% growth in headline earnings to R212 million. Youi's contribution to Group revenue and earnings for the six month period was 46% and 19% respectively.

Headline earnings (six monthly breakdown) (R'million)



The Group's net earned premium income increased by 10.1%. Premium growth was mostly driven by inflation and benefited from a weaker average exchange rate at which the Australasian premium income is translated.

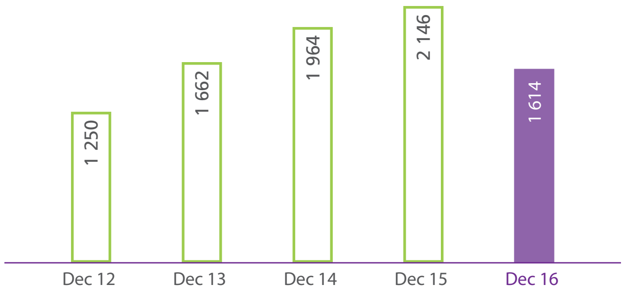
Net earned premium (R'million)



New policy inceptions for the Group, measured in terms of annualised premium, decreased by 25% from the comparative six months, a period which reflected a historic high. In Australia, the decrease is primarily associated with a material increase in price competition over the last year as claims inflation outstripped premium inflation in that market. This diluted Youi's competitive position which is anchored by a philosophy of pricing discipline.

In the South African market, the ongoing difficult economic climate and competitive conditions continued to suppress volume growth.

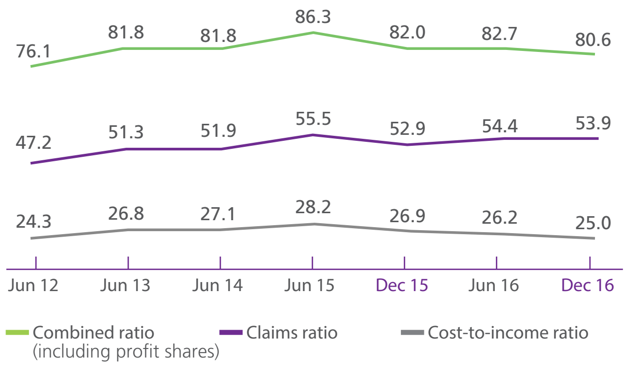
New policy inceptions
(measured in terms of annualised premium – R'million)



The decline in the number of new policies added in the Group's core operations guides to a lower future premium income growth rate if the current market conditions persist. These factors are elaborated on in the respective business unit reviews below.

The Group's claims ratio was higher at 53.9% due to higher weather related claims in Australia. The cost-to-income ratio was lower at 25% primarily as a result of the improvement in Youi's cost efficiency and aided by low expense growth at OUTsurance.

Key ratios (%)



Group – key performance indicators

	Six months ended 31 December 2016	2015	% Change	Year ended 30 June 2016
Net earned premium (R'million)	**7 048**	6 404	10.1%	**13 427**
Headline earnings (R'million)	**1 139**	923	23.4%	**1 985**
Headline ROE (%)[1]	**39.0%**	37.1%		**38.4%**
Headline earnings per share (cents)	**32,7**	26,5	23.4%	**57,0**
Diluted headline earnings per share (cents)	**31,4**	25,6	22.7%	**54,7**
Dividend declared per share (cents)	**17,5**	16,5	6.1%	**36,0**
Claims ratio (including non-claims bonuses) (%)	**53.9%**	52.9%		**54.4%**
Cost-to-income ratio (%)	**25.0%**	26.9%		**26.2%**
Combined ratio[2] (%)	**80.6%**	82.0%		**82.7%**

1 Attributable to ordinary shareholders.
2 After profit share distributions paid to FirstRand Limited.

Sources of headline earnings

The various operating entities contributed to the Group result as follows:

	Six months ended 31 December 2016	2015	% Change	Year ended 30 June 2016
OUTsurance	**894**	783	14.2%	**1 570**
OUTsurance Life	**35**	24	45.8%	**60**
OUTsurance Namibia (49%)	**8**	6	33.3%	**15**
Central (including consolidation adjustments)	**5**	6	(16.7%)	**19**
Youi Group	**212**	113	87.6%	**347**
Youi Australia	**270**	201	34.3%	**497**
Youi New Zealand	**(35)**	(70)	50%	**(107)**
Central funding costs	**(23)**	(18)	(27.8%)	**(43)**
Non-controlling interest	**(15)**	(9)	(66.7%)	**(26)**
Headline earnings	**1 139**	923	23.4%	**1 985**

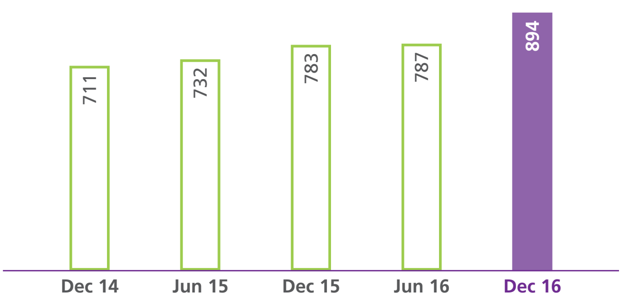
BUSINESS UNIT PERFORMANCE

OUTsurance

OUTsurance delivered a pleasing financial performance under challenging economic conditions for the six months under review. The business grew headline earnings by 14.2% to R894 million. The growth in profitability is attributable to inflationary premium growth, lower claims and cost-to-income ratios, as well as higher investment income.

The graph below provides a breakdown of the six-monthly earnings performance of OUTsurance:

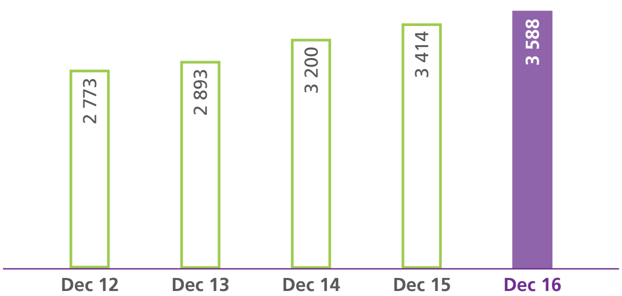
Headline earnings (six monthly breakdown) (R'million)



OUTsurance's net earned premium income increased by 5.1%. The core personal lines operation, which excludes the FirstRand Homeowners arrangement, grew premiums by 5.5%. New business volumes in the personal lines segment have been under pressure as a result of the weak economy, which has resulted in a significant decrease in vehicles sales, coupled with a highly competitive market.

Business OUTsurance delivered strong net earned premium growth of 10.1%, benefitting from new business acquisition and premium inflation.

Net earned premium (R'million)



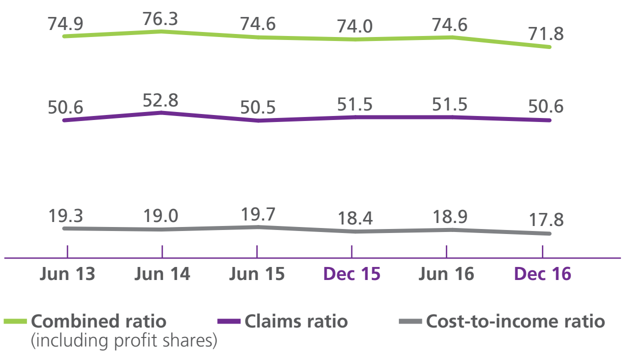
Key ratios (%)

OUTsurance's claims ratio decreased from 51.5% to 50.6% for the six months due to reduced new business strain resulting from slower growth. The claims ratio continues to track below the long-term target of 55%.

The cost-to-income ratio improved from 18.4% to 17.8% as a result of below inflationary growth in the cost base.

The graph below compares the key ratios of the current and comparative interim periods against the recent full year outcomes.

Key ratios (%)



OUTsurance – key performance indicators

(R'million)	Six months ended 31 December 2016	2015	% Change	Year ended 30 June 2016
Net earned premium	**3 588**	3 414	5.1%	**6 907**
Headline earnings	**894**	783	14.2%	**1 570**
Claims ratio (including bonuses) (%)	**50.6%**	51.5%		**51.5%**
Cost-to-income ratio (%)	**17.8%**	18.4%		**18.9%**
Combined ratio (%)[1]	**71.8%**	74.0%		**74.6%**

1 *After profit share distributions paid to FirstRand Limited.*

UNLOCK YOUR REWARDS NOW

Youi

The Youi Group delivered a satisfactory financial performance for the six months under review growing headline earnings by 87.6% to R212 million. Youi's profitability benefitted from 15.9% growth in net premium income and a significantly lower cost-to-income ratio.

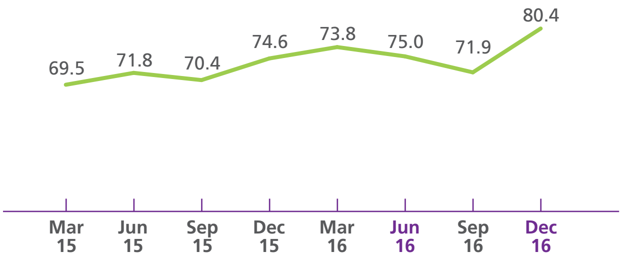
Youi Group – Key performance indicators

	Six months ended 31 December			Year ended 30 June
	2016	2015	% Change	**2016**
Rand (R'million)				
Net earned premium	**3 260**	2 813	15.9%	**6 162**
Headline earnings attributable to ordinary shareholders	**212**	113	87.6%	**347**
Australian Dollars ($'million)				
Net earned premium	**313**	283	10.6%	**585**
Headline earnings attributable to ordinary shareholders	**20**	11	81.8%	**33**
Ratios				
Claims ratio (%)	**59.3%**	58.6%		**59.1%**
Cost-to-income ratio (%)	**31.5%**	35.6%		**32.8%**
Combined ratio (%)	**90.7%**	94.2%		**91.9%**
AUD/ZAR exchange rate				
– Closing	**9,89**	11,31	(12.6%)	**11,00**
– Average	**10,43**	9,95	4.8%	**10,53**

Since its launch in 2008, Youi has been highly successful in gaining share of the Australian market by providing customers with awesome service and value-for-money products. The Australian personal lines market is intensely competitive and is currently experiencing significant price competition. Favourable weather and a lack of natural catastrophe events have resulted in a soft pricing environment and an absence of consumers shopping around for lower premiums. Youi's disciplined underwriting and sophisticated claims management capabilities positions the business favourably to take advantage of a price hardening cycle.

The graph below illustrates the recent increase in the car insurance industry loss ratio indicating the competitive pricing environment:

Car Insurance – industry claims ratio (%)



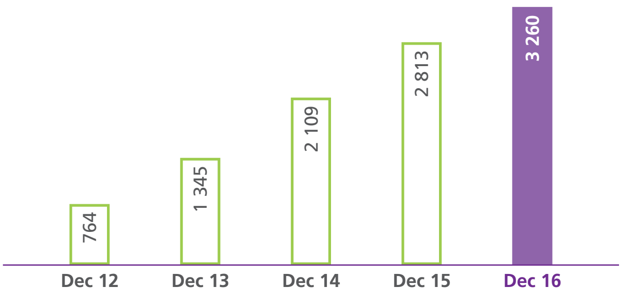
In addition to these market factors which have impacted all insurers, Youi also faced some negative press in both Australia and New Zealand in relation to our sales process. This negative press had an impact on consumer confidence in our brand, particularly in New Zealand, and contributed to the slower growth rate. While we are confident in our processes, we have changed and modified some elements to ensure that we are meeting the high expectations of our customers in both Australia and New Zealand, to whom we remain 100% committed.

We have identified the limited digital channel interaction offered by Youi as a growth and client service constraint. Over the next year we will refocus and enhance our digital strategy to broaden our new business opportunity.

As part of our drive to accelerate Youi's growth rate we exploring opportunities in the Compulsory Third Party (bodily injury) and commercial insurance markets.

Net earned premium income for the Youi Group grew to R3 260 million for the six month period which represents 15.9% and 10.6% growth in Rand and Australian Dollar terms respectively.

Youi Group – net earned premium (R'million)

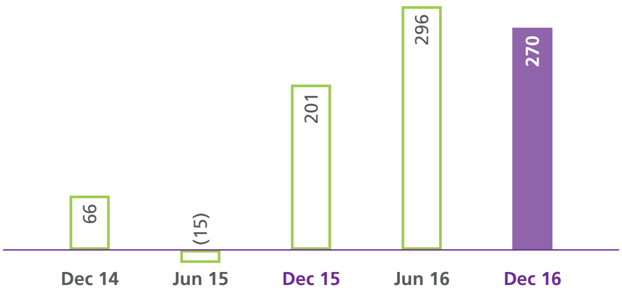


Youi Australia grew headline earnings by 34.3% to R270 million. Youi Australia's claims ratio increased from 58.4% to 59.2% as a result of higher natural peril claims when compared to the first half of the prior financial year.

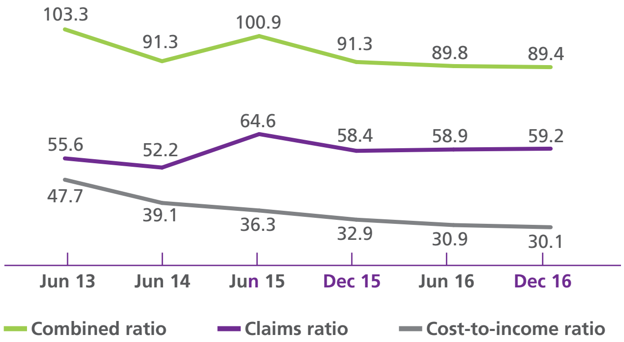
Youi Australia's cost-to-income ratio has reduced from 32.9% to 30.1% for the six months under review, owing to cost efficiencies and scale attained over the last year.

The graph below compares the key ratios of the current and comparative interim periods against the recent full year outcomes.

Youi Australia – Headline earnings (six monthly breakdown) (R'million)



Youi Australia – Key ratios (%)



Youi Australia – Key performance indicators

	Six months ended 31 December			Year ended 30 June
	2016	2015	% Change	**2016**
Rand (R'million)				
Net earned premium	**3 228**	2 793	15.6%	**6 110**
Headline earnings attributable to ordinary shareholders	**270**	201	34.3%	**497**
Australian Dollars ($'million)				
Net earned premium	**310**	281	10.3%	**580**
Headline earnings attributable to ordinary shareholders	**26**	20	30%	**47**
Ratios				
Claims ratio (%)	**59.2%**	58.4%		**58.9%**
Cost-to-income ratio (%)	**30.1%**	32.9%		**30.9%**
Combined ratio (%)	**89.4%**	91.3%		**89.8%**

Youi New Zealand generated a loss of R35 million for the six month period which compares favourably to the R70 million loss of the comparative six months. This improvement is largely attributable to premium growth and a sharp reduction in the claims ratio.

Due to the relatively short trading history of Youi New Zealand, a deferred tax asset relating to the assessed loss of the business is not yet recognised. For the same reason, acquisition costs incurred during the period did not qualify for deferral in line with the Group's accounting policy to defer acquisition costs for parties with a contractual term of one year or more.

Youi New Zealand – Key performance indicators

	Six months ended 31 December			Year ended 30 June
	2016	2015	% Change	**2016**
Rand (R'million)				
Net earned premium	**33**	20	65.0%	**52**
Headline earnings attributable to ordinary shareholders	**(35)**	(70)	(50.0%)	**(107)**
Australian Dollars ($'million)				
Net earned premium	**3**	2	50.0%	**5**
Headline earnings attributable to ordinary shareholders	**(3)**	(7)	(57.1%)	**(10)**
Ratios				
Claims ratio (%)	**60.7%**	77.0%		**78.0%**

As shown on page 4, the Youi Group incurred central funding costs of R23 million for the six months under review. The funding costs relate to an intragroup funding arrangement established to support the expansion into the New Zealand market and to support the high growth rate of the Australian business.

At 31 December 2016, the Group's effective interest in the Youi Group was 93%. Based on the number of share options currently in issue, the Group's interest can dilute to 80.5%.

OUTsurance Life

OUTsurance Life's net earned premium grew by 13% for the period which, together with reduced operating expenditure and higher investment income, drove the 45.8% increase in headline earnings. The embedded value has grown by 14.7% since December 2015. The embedded value is analysed on page 25.

OUTsurance Life – Key performance indicators

	Six months ended 31 December			Year ended 30 June
R'million	**2016**	2015	% Change	**2016**
Net earned premium	**200**	177	13%	**358**
Headline earnings	**35**	24	45.8%	**60**
Embedded value	**766**	668	14.7%	**682**

OUTsurance Namibia

OUTsurance Namibia delivered strong growth in headline earnings of 30.8% over the comparative six month period. The 10.6% growth in premium income coupled with a material improvement in the cost-to-income ratio were the major drivers behind the 30.8% growth in headline earnings.

OUTsurance Namibia – Key performance indicators

R'million	Six months ended 31 December 2016	Six months ended 31 December 2015	% Change	Year ended 30 June 2016
Net earned premium	**104**	94	10.6%	**194**
Headline earnings	**17**	13	30.8%	**30**
Claims ratio (%)	**57.1%**	55.3%		**53.0%**

CAPITAL POSITION

At 31 December 2016, the regulated entities in the Group traded from adequate capital positions as summarised in the table below:

Capital adequacy ratio	Six months ended 31 December 2016	Six months ended 31 December 2015	Target CAR	Year ended 30 June 2016
Group	**2.1**	2.0	1.2	**2.0**
Short-term insurance				
OUTsurance	**1.9**	1.8	1.2	**1.8**
OUTsurance Namibia	**1.5**	1.3	1.2	**1.6**
Youi Group	**2.7**	2.4	1.5	**2.7**
Long-term insurance				
OUTsurance Life	**5.3**	6.2	1.5	**3.9**

The formal introduction of the Solvency Assessment and Management ('SAM') regulatory regime, applicable to the South African operation is expected to become effective on 1 July 2017. The Group is well prepared to comply with the new prudential standards.

DIVIDENDS

The Group declared an interim dividend of 17,5 cents per ordinary share. When compared to the growth in Group earnings, the slower growth in the interim dividend is explained by increased earnings retention to fund strategic initiatives.

Cents per share	2016	2015	% Change
Interim dividend	**17,5**	16,5	6.1%

The Group's dividend strategy allows for the payment of an ordinary dividend after taking into account the target regulatory capital requirement of the various licensed entities in the Group. The Group funds strategic growth initiatives as far as possible from retained earnings. The growth in the dividend may differ from the Group's underlying earnings growth due to changes in regulatory capital requirements in the various operating entities of the Group.

LOOKING AHEAD

The major challenge facing the Group's operating entities is to sustain profitable growth. Although we are optimistic about improved economic prospects for the South African economy, a recovery will be slow. The growth trajectories of our South African operating segments are expected to remain unchanged for the foreseeable future.

In Australia and New Zealand we hope to reignite the growth of these entities assisted by product and channel innovation. We do expect that such a recovery will be incremental.

A key strategic focus is to digitise the way we do business. The Group's current operating model is dependent on call centre interaction. We believe that enabling interaction through digital channels will create enhanced customer outcomes and widen our new business acquisition opportunities. A significant investment is being made to adapt our systems infrastructure to enable our digital strategy.

We look forward to launching innovative new products over the course of the next twelve months whilst maintaining a strong focus on growing our established operations.

ACQUISITION OF A MATERIAL INTEREST IN HASTINGS GROUP

Rand Merchant Investment Holdings Ltd (RMIH) recently acquired a 29.9% interest in Hastings Group Holdings plc (Hastings). Hastings is a fast growing motor insurer operating in the United Kingdom with a unique digitally enabled business model. Hastings predominantly writes retail motor insurance policies through price comparison websites (PCW) which comprises c.68% of the market and currently holds a 6.5% share of the UK motor insurance market. The business employs a highly disciplined approach to underwriting and shares a similar operating culture to the OUTsurance Group. The management teams of Hastings and OUTsurance have agreed to share best practices and seek collaborative opportunities.

OUTsurance and RMIH have agreed to enter into negotiations whereby OUTsurance will acquire a 49% interest in Main Street 1353, the wholly owned subsidiary of RMIH which owns a 29.9% interest in Hastings. An effective interest of 14.7% in Hastings will be a key enabler to explore collaborative opportunities. The purchase consideration will be funded primarily by a rights issue and from existing resources.

MANAGEMENT CHANGES

Our co-founder and joint CEO, Howard Aron, has taken a decision to retire from his executive role. Howard will continue to serve on the board of OUTsurance Holdings in a non-executive capacity. Howard's passion for technology, entrepreneurial mind-set and exceptional leadership skills contributed to the strong cultural and operational foundations of our Group. We would like to thank Howard for his immense role in the success of OUTsurance and Youi since the inception of these businesses.

Ernst Gouws, the long serving CEO of the Southern African operation, has stepped down from his executive role to assist in managing the Group's various strategic projects. Danie Matthee, Youi's current CEO and former COO of the Southern African operation, will return to South Africa to assume Ernst's CEO position. Frank Costigan, Youi's current deputy CEO, will assume the role of CEO of the Youi Group. These management changes which are effective from 1 July 2017 follow a long period of considered succession planning. We wish to thank Ernst for the considerable contribution he made to our business during his tenure as CEO.

BASIS OF PRESENTATION

OUTsurance Holdings prepares its consolidated financial results in accordance with the Companies Act (71 of 2008) and IFRS, including IAS 34 Interim Financial Reporting. This circular should be read in conjunction with the Group's annual report for the year ending 30 June 2016 which is available at www.outsurance.co.za.

The accounting policies applied are consistent with those applied during the previous financial year.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2016 and the date of the authorisation of the interim results announcement.

LAURIE DIPPENAAR
Chairman
23 February 2017

WILLEM ROOS
Chief Executive Officer
23 February 2017

Headline earnings reconciliation

	Six months ended 31 December			Year ended 30 June
	2016 R'000	2015 R'000	% Change	**2016 R'000**
IFRS profit attributable to equity holders	**1 154 103**	932 882	23.7%	**2 008 903**
Non-controlling interest	**(14 804)**	(8 656)	(71.0%)	**(25 947)**
IFRS earnings attributable to ordinary shareholders	**1 139 299**	924 226	23.3%	**1 982 956**
Adjusted for:				
Impairment of available-for-sale reserve				**3 804**
Gains on disposal of property and equipment	**(276)**	(1 726)		**(1 571)**
Tax effect of headline earnings adjustments	**79**	506		**(446)**
Headline earnings	**1 139 102**	923 006	23.4%	**1 984 743**

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IT WILL **FOREVER CHANGE THE WAY YOU LOOK** AT LIFE INSURANCE.

Consolidated statement of comprehensive income

for the six months ended 31 December 2016

	Six months ended 31 December 2016 R'000	Six months ended 31 December 2015 R'000	% Change	Year ended 30 June 2016 R'000
Gross insurance premium written	**7 660 887**	7 232 359	5.9%	**14 753 916**
Outward reinsurance premiums	**(464 088)**	(370 195)	(25.4%)	**(854 358)**
Net premiums written	**7 196 799**	6 862 164	4.9%	**13 899 558**
Change in provision for unearned premiums	**(149 029)**	(458 080)	67.5%	**(472 292)**
Earned premiums, net of reinsurance	**7 047 770**	6 404 084	10.1%	**13 427 266**
Commission income	**54 959**	38 481	42.8%	**91 900**
Other income	**2 785**	4 963	(43.9%)	**8 920**
Investment income	**266 853**	233 507	14.3%	**487 971**
Net (losses)/gains from fair value adjustments on financial assets	**(13 517)**	(70 003)	80.7%	**9 868**
Income	**7 358 850**	6 611 032	11.3%	**14 025 925**
Claims on insurance contracts net of reinsurance	**(3 579 415)**	(3 246 779)	(10.1%)	**(6 888 525)**
Gross insurance contract claims incurred	**(3 756 613)**	(3 401 767)	(10.4%)	**(7 049 232)**
Reinsurers' share of insurance contract claims	**177 198**	154 988	17.4%	**160 707**
Non-claims bonuses on insurance contracts	**(197 480)**	(183 487)	(7.6%)	**(362 395)**
Acquisition expenses	**(7 349)**	(16 911)	56.5%	**(29 204)**
Marketing and administration expenses	**(1 814 348)**	(1 752 306)	(3.5%)	**(3 591 462)**
Transfer to policyholder liabilities under insurance contracts	**(23 638)**	39 826	>(100%)	**(51 533)**
Fair value adjustment to financial liabilities	**(88 192)**	(99 890)	11.7%	**(204 351)**
Result of operating activities	**1 648 428**	1 351 485	22.0%	**2 898 455**
Finance charges	**(409)**	(9)	>(100%)	**(160)**
Equity accounted earnings from associate	**8 189**	6 478	26.4%	**14 671**
Profit before taxation	**1 656 208**	1 357 954	22.0%	**2 912 966**
Taxation	**(502 105)**	(425 072)	(18.1%)	**(904 063)**
Net profit for the year	**1 154 103**	932 882	23.7%	**2 008 903**
Other comprehensive income				
Fair value (losses)/gains on available-for-sale financial instruments	**(26 574)**	(27 710)	4.1%	**1 028**
Deferred income tax relating to available-for-sale financial instruments	**5 953**	5 173	15.1%	**(4 077)**
Exchange differences on foreign operations	**(280 785)**	428 190	>(100%)	**364 444**
Total comprehensive income for the year	**852 697**	1 338 535	(36.3%)	**2 370 298**
Net profit attributable to:				
Ordinary shareholders	**1 139 299**	924 226	23.3%	**1 982 956**
Non-controlling interest	**14 804**	8 656	71.0%	**25 947**
Net profit for the year	**1 154 103**	932 882	23.7%	**2 008 903**
Total comprehensive income attributable to:				
Ordinary shareholders	**853 686**	1 329 879	(37.0%)	**2 323 184**
Non-controlling interest	**(989)**	8 656	71.0%	**47 114**
Total comprehensive income for the year	**852 697**	1 338 535	(36.3%)	**2 370 298**

Consolidated statement of financial position

at 31 December 2016

	Six months ended 31 December 2016 R'000	Six months ended 31 December 2015 R'000	Year ended 30 June 2016 R'000
ASSETS			
Property and equipment	**722 863**	698 126	**669 372**
Employee benefits	**72 921**	38 316	**110 245**
Investment in associate	**37 994**	30 433	**38 626**
Reinsurers' share of insurance contract provisions	**237 330**	331 152	**257 324**
Deferred acquisition costs	**347 757**	411 053	**365 074**
Financial assets			
Fair value through profit and loss	**7 623 157**	7 303 062	**8 369 491**
Available-for-sale	**1 440 099**	1 374 368	**1 452 529**
Loans and receivables	**2 620 248**	2 767 112	**2 755 336**
Deferred tax	**90 847**	106 310	**193 722**
Tax receivable	**–**	2 028	**–**
Cash and cash equivalents	**734 987**	840 794	**477 856**
TOTAL ASSETS	**13 928 203**	13 902 754	**14 689 575**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	**34 827**	34 857	**34 780**
Share premium	**237 394**	260 203	**197 656**
Other reserves			
Share-based payment reserve	**13 521**	8 822	**8 580**
Foreign currency translation reserve	**286 003**	611 688	**550 995**
Available-for-sale reserve	**60 154**	61 287	**80 775**
Retained earnings	**5 306 619**	4 381 938	**4 893 454**
Total shareholders' equity	**5 938 518**	5 358 795	**5 766 240**
Non-controlling interest	**126 144**	140 307	**130 137**
TOTAL EQUITY	**6 064 662**	5 499 102	**5 896 377**
LIABILITIES			
Insurance contract liabilities	**6 589 343**	6 867 403	**7 067 907**
Employee benefits	**119 799**	112 655	**153 430**
Share based payment liability	**81 254**	132 822	**202 105**
Financial liabilities at fair value through profit and loss	**88 191**	129 189	**104 461**
Tax liabilities	**62 836**	44 329	**244 582**
Financial liabilities held at amortised cost			
Insurance and other payables	**922 118**	1 117 254	**1 020 713**
TOTAL LIABILITIES	**7 863 541**	8 403 652	**8 793 198**
TOTAL EQUITY AND LIABILITIES	**13 928 203**	13 902 754	**14 689 575**

Consolidated statement of changes in equity

for the six months ended 31 December 2016

	Share capital R'000	Share premium R'000	Available-for-sale reserves R'000	Currency translation reserve R'000	Share based payments reserve R'000	Retained earnings R'000	Total ordinary shareholders' interest R'000	Non-controlling interest R'000	Total R'000
Opening balance at 1 July 2015	34 843	249 923	83 824	183 498	2 914	4 019 227	4 574 229	136 344	4 710 573
Total comprehensive income for the period	–	–	(22 537)	428 190	–	932 882	1 338 535	–	1 338 535
Issue of share capital	14	10 280	–	–	–	–	10 294	–	10 294
Share based payment	–	–	–	–	5 908	–	5 908	–	5 908
Share option expense transferred to retained earnings	–	–	–	–	–	(2 236)	(2 236)	(4 693)	(6 929)
Profit attributable to minorities	–	–	–	–	–	(8 656)	(8 656)	8 656	–
Ordinary dividend paid	–	–	–	–	–	(559 279)	(559 279)	–	(559 279)
Balance at 31 December 2015	34 857	260 203	61 287	611 688	8 822	4 381 938	5 358 795	140 307	5 499 102
Opening balance as at 1 July 2016	**34 780**	**197 656**	**80 775**	**550 995**	**8 580**	**4 893 454**	**5 766 240**	**130 137**	**5 896 377**
Total comprehensive income for the period	**–**	**–**	**(20 621)**	**(280 785)**	**–**	**1 154 103**	**852 697**	**–**	**852 697**
Issue of share capital	**47**	**39 738**	**–**	**–**	**–**	**–**	**39 785**	**–**	**39 785**
Share based payment	**–**	**–**	**–**	**–**	**4 941**	**–**	**4 941**	**–**	**4 941**
Share option expense transferred to retained earnings	**–**	**–**	**–**	**–**	**–**	**(47 983)**	**(47 983)**	**–**	**(47 983)**
Total comprehensive income attributable to minorities	**–**	**–**	**–**	**15 793**	**–**	**(14 804)**	**989**	**(989)**	**–**
Transactions with minorities	**–**	**–**	**–**		**–**	**3 004**	**3 004**	**(3 004)**	**–**
Ordinary dividend paid	**–**	**–**	**–**	**–**	**–**	**(681 155)**	**(681 155)**	**–**	**(681 155)**
Balance at 31 December 2016	**34 827**	**237 394**	**60 154**	**286 003**	**13 521**	**5 306 619**	**5 938 518**	**126 144**	**6 064 662**

Consolidated statement of cash flows

for the six months ended 31 December 2016

	Six months ended 31 December 2016 R'000	Six months ended 31 December 2015 R'000	Year ended 30 June 2016 R'000
OPERATING ACTIVITIES			
Cash generated by operations	**1 495 907**	1 590 009	**3 866 433**
Finance charges	**(409)**	(9)	**(160)**
Taxation paid	**(543 051)**	(337 103)	**(686 636)**
Ordinary dividends paid	**(681 155)**	(559 279)	**(1 134 446)**
Preference dividends paid	**(104 461)**	(107 062)	**(206 953)**
Cash inflow from operating activities	**166 831**	586 556	**1 838 238**
INVESTING ACTIVITIES			
Intellectual property			
Payments	**(7 940)**	(7 182)	**(115 561)**
Settlements	**165**	111	**416**
Property and equipment acquired to maintain operations	**(140 204)**	(218 149)	**(262 829)**
Proceeds on disposal of property and equipment	**432**	15 991	**18 581**
Proceeds on disposal of financial assets	**2 718 275**	1 675 920	**3 492 706**
Purchase of financial assets	**(1 999 601)**	(2 819 470)	**(5 697 744)**
Cash inflow/(outflow) from investing activities	**571 127**	(1 352 779)	**(2 564 431)**
FINANCING ACTIVITIES			
Purchase of treasury shares by share scheme participants	**128 384**	82 428	**83 640**
Purchase of treasury shares by share trust	**(88 599)**	(72 134)	**(135 970)**
Cash inflow/(outflow) from financing activities	**39 785**	10 294	**(52 330)**
Increase/(decrease) in cash and cash equivalents	**777 743**	(755 929)	**(778 523)**
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents	**477 856**	581 389	**581 389**
Effect of exchange rates on cash and cash equivalents	**(520 612)**	1 015 334	**674 990**
Increase/(decrease) in cash and cash equivalents	**777 743**	(755 929)	**(778 523)**
Closing balance of cash and cash equivalents	**734 987**	840 794	**477 856**

Notes to the financial statements

Financial risk management

The Group's activities expose it to a variety of financial risks. The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual Financial Statements at 30 June 2016.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date.

Level 2 – fair value is determined through inputs, other than quoted prices included in level 1, that are observable for the assets and liabilities, either directly (prices) or indirectly (derived from prices).

Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Group at 31 December 2016				
Financial assets				
Equity securities				
Listed preference shares	**387 667**	**–**	**–**	**387 667**
Exchange traded funds	**547 208**	**–**	**–**	**547 208**
Debt securities				
Unlisted preference shares	**–**	**505 224**	**–**	**505 224**
Zero-coupon deposits	**–**	**126 717**	**–**	**126 717**
Term deposits	**–**	**4 577 224**	**–**	**4 577 224**
Government, municipal and public utility securities	**–**	**465 701**	**–**	**465 701**
Money market securities <1 year	**–**	**1 605 481**	**–**	**1 605 481**
Money market securities >1 year	**–**	**848 034**	**–**	**848 034**
Total financial assets	**934 875**	**8 128 381**	**–**	**9 063 256**
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit and loss	**–**	**–**	**88 191**	**88 191**
Total financial liabilities	**–**	**–**	**88 191**	**88 191**

Financial risk management *continued*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Group at 31 December 2015				
Financial assets				
Equity securities				
Listed preference shares	478 288	–	–	478 288
Exchange traded funds	245 077	–	–	245 077
Debt securities				–
Unlisted preference shares	–	651 003	–	651 003
Term deposits	–	4 696 145	–	4 696 145
Government, municipal and public utility securities	–	649 531	–	649 531
Money market securities <1 year	–	1 309 940	–	1 309 940
Money market securities >1 year	–	647 446	–	647 446
Total financial assets	723 365	7 954 065	–	8 677 430
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit and loss	–	29 299	99 890	129 189
Total financial liabilities	–	29 299	99 890	129 189

There were no transfers between levels for the six months ended 31 December 2016.

The fair values of the above instruments were determined as follows:

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share and ordinary share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investment as at the statement of financial position date. These instruments are included in level 1 and comprise mainly equity and debt instruments classified as trading securities. The ordinary share investment is an investment in an exchange traded fund which tracks the performance of the top forty and top fifty companies listed on the JSE.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are market observable, the instrument is included in level 2.

Level 2 instruments comprise of the following:

- Derivative, debt and short-term money market instruments where the value is determined by using market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments
- Investment contract liabilities

The unlisted preference shares are redeemable with a notice period ranging from thirty days to three years. Dividend yields range from 59.39% to 65.18% of the prime overdraft rate. The fair value of the preference shares with a maturity date of longer than one year, is calculated on a discounted cash flow basis with the discount rate adjusted for changes in the credit risk of the ultimate counterparty. Due to their redeemable nature, the preference shares are deemed to be debt securities.

The fair values of money market instruments are determined based on observable market inputs.

Zero-coupon deposits which are not traded actively during a financial reporting period are classified as level 2 financial instruments.

Financial risk management *continued*

The Group uses zero-coupon deposits to offset the interest rate risk inherent in the OUTbonus product feature offered by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the Johannesburg Securities Exchange is referenced. The instruments are designated at fair value through profit and loss, with both the interest accrual and fair value accounted for in the statement of profit and loss and other comprehensive income.

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. The financial instruments at fair value through profit and loss represent profits arising out of the profit sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends bi-annually to the FirstRand Limited Group. The only significant unobservable input in the calculation of the preference dividend is the historic profit of the profit sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the profit sharing arrangement increase or decrease, the preference dividend will increase or decrease in direct proportion.

Specific valuation techniques used to value level 3 financial instruments include:

- Unquoted equity instruments (Preference dividend)

  Fair value is determined based on valuation techniques where the input is determined by management, e.g. profits arising out of profit sharing arrangements, and is not readily available in the market or where market observable input is significantly adjusted.

  Inputs are determined by the profits arising and calculations are made in accordance with the profit share percentages, stipulated within the profit sharing arrangement. No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

The table below analyses the movement of the level 3 financial instruments for the six months under review.

	Six months ended 31 December	
	2016 R'000	2015 R'000
Opening balance at 1 July	**104 461**	107 063
Preference dividend paid	**(104 461)**	(107 063)
Preference dividend accrued	**88 191**	99 890
Closing balance at 31 December	**88 191**	99 890

SEGMENTAL REPORTING

For management purposes the Group is organised into business units based on product offering. Consequently the Group has the following three operating segments:

- Personal insurance: This segment provides short-term insurance products to individuals. Personal insurance business is conducted in OUTsurance Insurance Company Limited, Youi (Pty) Limited (Australia) and Youi New Zealand (Pty) Limited;
- Commercial insurance: This segment provides short-term insurance products to small and medium sized businesses. Commercial insurance business is conducted in OUTsurance Insurance Company Limited; and
- Life Insurance: This segment provides long-term insurance products to individuals. Life insurance business is conducted in OUTsurance Life Insurance Company Limited.

The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results.

The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties. Given the nature of the operations, there is no single external customer that provides 10% or more of the Group's revenues.

Segmental reporting *continued*

	Short term insurance					Long term insurance	New business development and consolidation adjustments	
	OUTsurance							
	Personal* R'000	Commercial R'000	**OUTsurance total R'000**	Youi Australia Personal R'000	Youi New Zealand Personal R'000	OUTsurance Life R'000	R'000	**Group total R'000**
Six months ended 31 December 2016								
Gross earned premium	3 134 623	519 260	3 653 883	3 487 910	152 660	217 405	–	7 511 858
Outward reinsurance premiums	(55 560)	(10 603)	(66 163)	(260 357)	(119 882)	(17 686)	–	(464 088)
Earned premium, net of reinsurance	3 079 063	508 657	3 587 720	3 227 553	32 778	199 719	–	7 047 770
Commission income	–	–	–	–	54 959	–	–	54 959
Other income	–	–	–	355	–	–	2 430	2 785
Net claims on insurance contracts net of reinsurance (including non-claims bonuses)	(1 552 639)	(262 859)	(1 815 498)	(1 911 997)	(19 893)	(29 507)	–	(3 776 895)
Marketing, acquisition and administration expenses	(522 210)	(118 025)	(640 235)	(972 489)	(109 671)	(112 068)	12 766	(1 821 697)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–	(23 638)	–	(23 638)
Fair value adjustment to financial liabilities	(88 192)	–	(88 192)	–	–	–	–	(88 192)
Underwriting result	916 022	127 773	1 043 795	343 422	(41 827)	34 506	15 196	1 395 092
Net investment income	–	–	204 958	55 451	6 574	13 015	(27 071)	252 927
Equity accounted earnings from associate	–	–	–	–	–	–	8 189	8 189
Profit before tax	916 022	127 773	1 248 753	398 873	(35 253)	47 521	(3 686)	1 656 208

* *Includes Homeowners cover book sourced from FirstRand Limited.*

Segmental reporting *continued*

	Short term insurance					Long term insurance		
	OUTsurance							
	Personal R'000	Commercial R'000	**OUTsurance total R'000**	Youi Australia Personal R'000	Youi New Zealand Personal R'000	OUTsurance Life R'000	Unallocated and consolidation adjustments R'000	**Group total R'000**
Six months ended 31 December 2015								
Gross earned premium	2 993 493	468 364	3 461 857	3 017 691	103 389	191 342	–	6 774 279
Outward reinsurance premiums	(41 319)	(6 545)	(47 864)	(224 624)	(83 864)	(13 843)	–	(370 195)
Earned premium, net of reinsurance	2 952 174	461 819	3 413 993	2 793 067	19 525	177 499	–	6 404 084
Commission income			–		38 481			38 481
Other income			–	109	176		4 678	4 963
Net claims on insurance contracts net of reinsurance (including non-claims bonuses)	(1 551 777)	(206 945)	(1 758 722)	(1 632 239)	(15 027)	(24 278)	–	(3 430 266)
Marketing, acquisition and administration expenses	(557 124)	(74 091)	(631 215)	(918 731)	(121 607)	(114 220)	16 556	(1 769 217)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–		39 826	–	39 826
Fair value adjustment to financial liabilities	(99 890)	–	(99 890)	–		–	–	(99 890)
Underwriting result	743 383	180 783	924 166	242 206	(78 452)	78 827	21 234	1 187 981
Net investment income	–	–	175 540	49 686	8 461	(44 524)	(25 668)	163 495
Equity accounted earnings from associate	–	–	–	–		–	6 478	6 478
Profit before tax	743 383	180 783	1 099 706	291 892	(69 991)	34 303	2 044	1 357 954

Calculation of earnings per share

	Six months ended 31 December 2016	Six months ended 31 December 2015	Year ended 30 June 2016
Basic headline earnings per share			
Headline earnings attributable to ordinary shareholders (R'000)	**1 139 102**	923 006	**1 984 743**
Weighted average number of shares in issue ('000)	**3 483 189**	3 486 916	**3 483 476**
Headline earnings per share – basic (cents)	**32,70**	26,47	**56,98**
Diluted headline earnings per share			
Headline earnings attributable to ordinary shareholders (R'000)	**1 139 102**	923 006	**1 984 743**
Diluted headline earnings attributable to Youi Group (R'000)	**(27 926)**	(15 285)	**(43 538)**
Diluted headline earnings attributable to ordinary shareholders (R'000)	**1 111 176**	907 721	**1 941 205**
Weighted average number of shares in issue ('000)	**3 483 189**	3 486 916	**3 483 476**
Dilution impact of share incentive scheme ('000)	**56 743**	64 217	**63 852**
Diluted weighted average number of shares in issue ('000)	**3 539 932**	3 551 133	**3 547 328**
Headline earnings per share – diluted (cents)	**31,39**	25,56	**54,72**
Total number of shares in issue ('000)	**3 518 163**	3 518 163	**3 518 163**

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OUTsurance Life
embedded value

EMBEDDED VALUE OF COVERED BUSINESS

Actuarial Practice Note ("APN") 107 governs the way in which embedded values of life insurance companies are reported.

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business consists of:

- Adjusted net worth ('ANW'); plus
- The value of in-force covered business; less
- The cost of required capital.

The total profit recognised over the lifetime of a policy is the same as under International Financial Reporting standards ("IFRS") but the timing of recognition of profits is different.

Covered business is defined as business regulated by the Financial Services Board ('FSB') as long-term insurance business written in OUTsurance Life Insurance Company Limited ('OUTsurance Life').

The ANW represents the excess of assets over liabilities on the statutory valuation method.

The value of in-force covered business is the discounted value of the projected stream of after-tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities which differs from the release of profits on the published accounting basis.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory Capital Adequacy Requirement ('CAR') calculated in accordance with Standard Actuarial Practice ('SAP') 104 plus any additional capital considered appropriate by the Board given the risks of the business. The required capital has been set at 1.5 x CAR, which is the target CAR Ratio.

The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the past 12 months. The value of new business is also reduced by the cost of required capital for new covered business. The value of new business has been calculated on closing assumptions. No adjustment has been made for the discounting of tax provisions in the embedded value.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (gross of reinsurance), which is defined as the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.

The return on embedded value is calculated by expressing the embedded value earnings as a percentage of the embedded value at the beginning of the period.

Embedded value of covered business *continued*

The table below shows the components of the embedded value of OUTsurance Life at 31 December 2016 and comparative periods:

Embedded value

	Six months ended 31 December			Year ended 30 June
	2016 R'000	2015 R'000	% Change	2016 R'000
Covered business ANW	**457 408**	395 390	15.7%	**431 908**
Free surplus	**333 667**	307 283	8.6%	**276 449**
Required capital	**123 741**	88 107	40.4%	**155 459**
Present value of in-force business (PVIF)	**464 198**	429 260	8.1%	**434 367**
Cost of required capital	**(155 642)**	(156 958)	0.8%	**(184 001)**
Embedded value of covered business	**765 964**	667 692	14.7%	**682 274**
Return on embedded value (annualised)	**25.4%**	27.7%		**15.7%**

The embedded value of OUTsurance Life increased by 14.7% since December 2015 and by 12.3% since June 2016. A significant contributor to the growth in the embedded value is a reduced capital requirement.

The table below shows the reconciliation of ordinary shareholders' funds to covered business ANW:

	Six months ended 31 December			Year ended 30 June
	2016 R'000	2015 R'000	% Change	2016 R'000
Ordinary shareholders funds per IFRS	**559 442**	491 308	13.9%	**526 718**
Allowance for deferred acquisition costs in policyholder liabilities (net of tax)	**(102 035)**	(95 918)	(6.4%)	**(94 810)**
Covered business ANW	**457 407**	395 390	15.7%	**431 908**

Embedded value earnings

The tables below show the components of the embedded value earnings of OUTsurance Life for the six months under review and comparative periods:

	Adjusted net worth R'000	PVIF R'000	Cost of required capital R'000	Embedded value R'000
At 31 December 2016				
Embedded value at end of the period	457 407	464 198	(155 642)	**765 963**
Movement in available-for-sale reserve	(1 864)	–	–	**(1 864)**
Embedded value at beginning of the period	(431 909)	(434 367)	184 001	**(682 275)**
Embedded value earnings for the period	23 634	29 831	28 359	**81 824**
Movement in allowance for deferred acquisition costs in policyholder liabilities (net of tax)	3 725			
Headline earnings	27 359			
At 31 December 2015				
Embedded value at end of the period	395 390	429 260	(156 958)	**667 692**
Capital injected	(50 000)	–	–	**(50 000)**
Embedded value at beginning of the period	(331 452)	(383 738)	168 594	**(546 596)**
Embedded value earnings for the period	13 938	45 522	11 636	**71 096**
Movement in allowance for deferred acquisition costs in policyholder liabilities (net of tax)	10 490			
Headline earnings	24 428			
At 30 June 2016				
Embedded value at end of the period	431 908	434 367	(184 001)	**682 274**
Capital injected	(50 000)	–	–	**(50 000)**
Movement in available-for-sale reserve	112	–	–	**112**
Embedded value at beginning of the period	(331 452)	(383 738)	168 594	**(546 596)**
Embedded value earnings for the period	50 568	50 629	(15 407)	**85 790**
Movement in allowance for deferred acquisition costs in policyholder liabilities (net of tax)	9 383			
Headline earnings	59 951			

Value of new business

The table below shows the value of new business written for the preceding twelve months:

	Twelve months ended 31 December 2016 R'000	Twelve months ended 31 December 2015 R'000	% Change	Year ended 30 June 2016 R'000
Gross value of new business	**42 759**	104 165	(59%)	**62 560**
Cost of required capital	**(14 444)**	(50 750)	71.5%	**(23 391)**
	28 315	53 415	(47%)	**39 169**
Present value of new business premiums	**587 503**	736 208		**693 145**
New business margin	**4.8%**	7.3%		**5.7%**

The decrease in the new business margin over the last twelve months results from a slowdown in sales owing to tough economic conditions.

Sensitivity analysis

The table below provides an analysis of the sensitivities of the embedded value of the in-force book:

	Gross value of in-force R'000	Cost of required capital R'000	Net value of in-force R'000	% Change
at December 2016				
Base value at 31 December 2016	**464 198**	**(155 642)**	**308 556**	
1% increase in risk discount rate	**448 015**	**(155 061)**	**292 954**	**(5.1%)**
1% decrease in the interest rate environment	**487 807**	**(163 574)**	**324 233**	**5.1%**
10% decrease in maintenance expenses	**479 308**	**(155 473)**	**323 835**	**5.0%**
10% decrease in new business acquisition expenses	**464 198**	**(155 642)**	**308 556**	**–**
10% decrease in lapse rates	**455 887**	**(170 765)**	**285 122**	**(7.6%)**
5% decrease in morbidity and mortality rates	**485 522**	**(154 327)**	**331 195**	**7.3%**
at December 2015				
Base value at 31 December 2015	429 260	(156 958)	272 302	
1% increase in risk discount rate	414 122	(154 973)	259 149	(4.8%)
1% decrease in the interest rate environment	454 835	(211 197)	243 638	(10.5%)
10% decrease in maintenance expenses	443 118	(156 763)	286 355	5.2%
10% decrease in new business acquisition expenses	429 260	(156 958)	272 302	–
10% decrease in lapse rates	425 601	(169 567)	256 034	(6.0%)
5% decrease in morbidity and mortality rates	447 778	(157 175)	290 603	6.7%
at June 2016				
Base value at 30 June 2016	434 367	(184 001)	250 366	
1% increase in risk discount rate	418 625	(184 367)	234 258	(6.4%)
1% decrease in the interest rate environment	461 690	(219 298)	242 392	(3.2%)
10% decrease in maintenance expenses	448 968	(183 819)	265 149	5.9%
10% decrease in new business acquisition expenses	434 367	(184 001)	250 366	–
10% decrease in lapse rates	425 693	(197 367)	228 326	(8.8%)
5% decrease in morbidity and mortality rates	455 368	(183 458)	271 910	8.6%

Sensitivity analysis *continued*

The table below provides an analysis of the sensitivities of the value of new business written:

	Gross value of in-force R'000	Cost of required capital R'000	Net value of in-force R'000	% Change
at December 2016				
Base value at 31 December 2016	**42 759**	**(14 444)**	**28 315**	
1% increase in risk discount rate	**37 984**	**(13 564)**	**24 420**	**(13.8%)**
1% decrease in the interest rate environment	**50 549**	**(10 000)**	**40 549**	**43.2%**
10% decrease in maintenance expenses	**45 922**	**(14 413)**	**31 509**	**11.3%**
10% decrease in new business acquisition expenses	**57 296**	**(14 444)**	**42 852**	**51.3%**
10% decrease in lapse rates	**52 941**	**(16 183)**	**36 758**	**29.8%**
5% decrease in morbidity and mortality rates	**46 277**	**(14 586)**	**31 691**	**11.9%**
at December 2015				
Base value at 31 December 2015	104 165	(50 750)	53 415	
1% increase in risk discount rate	97 792	(49 550)	48 242	(9.7%)
1% decrease in the interest rate environment	114 095	(33 653)	80 442	50.6%
10% decrease in maintenance expenses	108 583	(50 688)	57 895	8.4%
10% decrease in new business acquisition expenses	116 672	(50 750)	65 922	23.4%
10% decrease in lapse rates	113 211	(56 519)	56 692	6.1%
5% decrease in morbidity and mortality rates	108 752	(50 639)	58 113	8.8%
at June 2016				
Base value at 30 June 2016	62 560	(23 391)	39 169	
1% increase in risk discount rate	57 071	(22 182)	34 889	(10.9%)
1% decrease in the interest rate environment	71 177	(38 920)	32 257	(17.6%)
10% decrease in maintenance expenses	66 307	(23 344)	42 963	9.7%
10% decrease in new business acquisition expenses	76 674	(23 391)	53 283	36.0%
10% decrease in lapse rates	71 616	(26 963)	44 653	14.0%
5% decrease in morbidity and mortality rates	66 779	(23 451)	43 328	10.6%

Economic assumptions

The following economic assumptions were used in calculating the embedded value at 31 December 2016 and the comparative periods:

	Six months ended 31 December		Year ended 30 June
	2016	2015	**2016**
Point used on the relevant yield curve (in years)	**12.0**	11.2	**11.8**
Fixed-interest securities (bond curve – non ALM) (%)	**11.4%**	12.0%	**11.2%**
Fixed-interest securities (swap curve – ALM) (%)	**9.5%**	–	**8.9%**
Inflation rate (%)	**9.0%**	10.1%	**9.4%**
Risk discount rate (%)	**16.3%**	16.9%	**16.2%**

Reclassification of comparatives

31 December 2015	Amount as previously reported R'000	Amount as reclassified R'000	Difference R'000	Explanation
Statement of financial position				
Assets				
Financial assets – Fair value through profit and loss	**2 606 917**	**7 303 062**	**(4 696 145)**	Reclassification of term deposits from cash and cash equivalents to financial assets – fair value through profit and loss
Cash and cash equivalents	**5 536 939**	**840 794**	**4 696 145**	Reclassification of term deposits from cash and cash equivalents to financial assets – fair value through profit and loss
Total	**8 143 856**	**8 143 856**	**–**	
Statement of cash flows				
Operating activities				
Cash generated by operations	**1 596 938**	**1 590 009**	**6 929**	Reclassification of share option expense transferred to retained earnings to cash generated by operations
Share option expense transferred to retained earnings	**(6 929)**	**–**	**(6 929)**	Reclassification of share option expenses to cash generated by operations
Investing activities				
Purchase of financial assets	**(1 614 708)**	**(2 819 470)**	**1 204 762**	Reclassification of term deposits from cash and cash equivalents to financial assets – fair value through profit and loss
Opening balance of cash and cash equivalents	**4 072 772**	**581 389**	**3 491 383**	Reclassification of term deposits from cash and cash equivalents to financial assets – fair value through profit and loss
Closing balance of cash and cash equivalents	**(5 536 939)**	**(840 794)**	**(4 696 145)**	Reclassification of term deposits from cash and cash equivalents to financial assets – fair value through profit and loss
Total	**(1 488 866)**	**(1 488 866)**	**–**	

simplified **group structure**

OUTSURANCE

OUTsurance provides short-term insurance cover direct to the South African public. Its product range includes personal lines and commercial insurance products. OUTsurance was established in 1998.

100% owned

OUTSURANCE Life

OUTsurance Life is a direct life insurer that offers basic and fully underwritten life insurance products to the South African market. OUTsurance Life was established in 2010.

100% owned

OUTSURANCE Namibia

OUTsurance Namibia was established in 2006 and provides personal lines and commercial lines short-term insurance products direct to the Namibian public. OUTsurance Namibia is 51% owned by FNB Namibia Holdings Limited.

49% owned

you always get something out

youi AUSTRALIA

In 2008, we launched Youi in Australia. The business provides personal lines short-term insurance cover direct to the Australian public.

93% owned

youi NEW ZEALAND

Youi New Zealand was launched in July 2014. The start-up operation provides personal lines insurance cover direct to the New Zealand public.

93% owned

we get you

definitions

Annualised premium income	Annualised premium value of all new client policies incepted during the period under review. This measure excludes the renewal of existing client policies.
Capital adequacy ratio (CAR)	Eligible capital divided by the solvency capital requirement.
Claims ratio	Net incurred claims including non-claims bonus costs divided by net earned premium. The Group claims ratio measure include policyholder liability transfers relating to long-term insurance business.
Combined ratio	Net incurred claims (including non-claims bonuses) plus total operating expenses plus profit share distributions divided by net earned premium. This ratio provides a measure of the surplus generated from the Group's insurance activities.
Cost-to-income ratio	Total operating expenses divided by net earned premium. Total operating expenses excludes profit share distributions to FirstRand Limited relating to the Homeowners Cover product.
Eligible capital	Total equity adjusted for asset inadmissibility and valuation differences per the local or group regulations.
Normalised earnings	Normalised earnings adjustments are applied where the Group believes that certain transactions creates a mismatch between the Group's accounting and economic performance. Normalised earnings is therefore considered to most accurately reflect the Group's economic performance.
Return on equity (ROE)	Headline earnings divided by average ordinary shareholders' equity.
Solvency capital requirement (SCR)/ Required capital	The amount of regulatory capital required as determined by the local regulatory authorities.
Weighted number of ordinary shares	Weighted number of ordinary shares in issue during the reporting period.
Actuarial Practice Note (APN) 107	The guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa.
Covered business	Business regulated by the FSB as long-term insurance business.

Embedded value (EV) of covered business	The present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. Consists of: • Adjusted net worth, plus • Value of in-force covered business, less • The cost of required capital.
Adjusted net worth (ANW)	Excess value of all assets attributed to covered business but not required to back the liabilities of covered business.
Free surplus	ANW less the required capital attributed to covered business.
Value of in-force covered business	The discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business.
Cost of required capital	The present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.
Value of new business	Present value of the expected after-tax shareholder cash flows less cost of required capital arising at the point of sale in respect of new covered business contracts sold in the reporting period.
Profitability of new covered business	Ratio of the net value of new business to present value of new business premiums (gross of reinsurance).
Present value of new business premiums	The discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.

COMPANY INFORMATION

Directors

Mr Laurie Dippenaar (Chairman), Mr Kubandiran Pillay, Mr Alan William Hedding, Ms Judy Madavo, Mr George Louis Marx, Mr Rudolf Pretorius, Mr Herman Lambertus Bosman, Mr Neville Nightingale, Mr Willem Roos (Chief Executive Officer), Mr Howard Aron, Mr Marthinus Visser (alternate to Howard Aron), Mr Peter Cooper, Mr Francois Knoetze

Company secretary and registered address

The company secretary is Mr Mark Ehlert whose registered addresses are:

Business address

1241 Embankment Road
Zwartkop Ext 7
Centurion

Postal Address

PO Box 8443
Centurion
0046

CONTACT INFORMATION

Jan Hofmeyr Chief Financial Officer
OUTsurance Holdings Limited • 1241 Embankment Road • Zwartkop • Centurion 0157
Tel +27 12 684 8084 **Email** hofmeyrj@out.co.za

www.outsurance.co.za

OUTSURANCE
Holdings Limited

STUDIO 5