momentum
METROPOLITAN

Group Annual Financial Statements

Audited results for the year ended June 2022

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MOMENTUM METROPOLITAN
Audited Annual Financial Statements

for the year ended 30 June 2022

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The preparation of the Group's audited consolidated results was supervised by the Group Finance Director, Risto Ketola (FIA, FASSA, CFA Charterholder).

Our reporting for the year ended 30 June 2022

Our Annual Financial Statements form part of our reporting suite which includes our Integrated Report and other supplementary reports. These are available at www.momentummetropolitan.co.za/en/investor-relations/financial-results.

Directors' responsibility and approval

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board takes responsibility for ensuring that these financial statements accurately and fairly represent the state of affairs of Momentum Metropolitan Holdings Ltd (MMH or the Company) and its subsidiaries (collectively Momentum Metropolitan or the Group) at the end of the financial year and the profits and losses for the year. The Board is also responsible for the accuracy and consistency of other information included in the financial statements.

To enable the Board to meet these responsibilities:

- the Group and Company financial statements are prepared by management; opinions are obtained from the external auditors of the companies and also from the Heads of Actuarial Function (HAFs) of the insurance companies (life and non-life) regarding the statutory solvency of those entities; and
- the Board is advised by the Audit Committee, comprising independent non-executive directors, and the Actuarial Committee. These committees meet regularly with the auditors, the Group HAF and the management of the Group to ensure that adequate internal controls are maintained, and that the financial information complies with International Financial Reporting Standards and advisory practice notes issued by the Actuarial Society of South Africa. The internal auditors, external auditors and the HAFs of the companies have unrestricted access to these committees or similar committees applicable at subsidiary level.

The Board is comfortable that the internal financial controls are effective and adequate to support the integrity of the preparation and presentation of the Annual Financial Statements (AFS).

The financial statements have been prepared in accordance with the provisions of the South African Companies Act, 71 of 2008 (as amended) (Companies Act), the Long-term Insurance Act, 52 of 1998, the Short-term Insurance Act, 53 of 1998, and the Insurance Act, 18 of 2017, and comply with International Financial Reporting Standards and guidelines issued by the Actuarial Society of South Africa.

The Board is satisfied that the Group is a going concern and remains so for the foreseeable future, based on cash forecasts, liquidity, solvency and capital assessments.

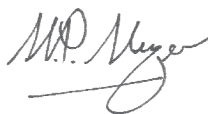
It is the responsibility of the independent auditors to report on the financial statements. In order to do so, they were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of directors and committees of the Board. The independent auditor's report is presented on page 3.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements, presented on pages 34 to 221, were approved by the Board of directors on 12 September 2022 and are signed on its behalf by:

Paul Baloyi
Chairman

Centurion, 12 September 2022



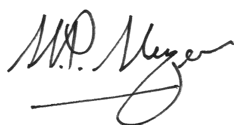
Hillie Meyer
Group Chief Executive Officer

Centurion, 12 September 2022

CEO and Financial Director confirmation of financial controls

Each of the directors, whose names are stated below, hereby confirm that:

a) the annual financial statements set out on pages 34 to 221, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of International Financial Reporting Standards (IFRS);
b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
e) where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
f) we are not aware of any fraud involving directors.



Hillie Meyer
Group Chief Executive Officer

Centurion, 12 September 2022

Risto Ketola
Group Finance Director

Centurion, 12 September 2022

Certificate by the Group Company Secretary

In accordance with the provisions of section 88(2)(e) of the Companies Act, I certify that for the year ended 30 June 2022 the companies have lodged with the registrar of companies all such returns as are required of a company in terms of the Companies Act, and that all such returns are true, correct and up to date.

Gcobisa Tyusha
Group Company Secretary

Centurion, 12 September 2022

Independent auditor's report

TO THE SHAREHOLDERS OF MOMENTUM METROPOLITAN HOLDINGS LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Momentum Metropolitan Holdings Ltd and its subsidiaries ('the Group') and Company set out on pages 34 to 211, which comprise of the consolidated and separate statements of financial position as at 30 June 2022, the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matters applies to the audit of the consolidated financial statements as specified below.

Key Audit Matter	How the matter was addressed in the audit
1. VALUATION OF LIFE INSURANCE CONTRACT LIABILITIES *This key audit matter applies to the audit of the consolidated financial statements.*	
We considered the valuation of insurance contract liabilities to be a significant risk for the Group. Specifically, we considered the actuarial assumptions and models applied, as these involve complex and significant judgements about future events, both internal and external to the business for which small changes can result in a material impact to the resultant valuation. Additionally, the valuation process is conditional upon the accuracy and completeness of the data. The disclosures around the key assumptions and methodologies applied in valuing the insurance contract liabilities are included in note 11 and the valuation and movements in the liability are disclosed in note 9.1.1. We have split the risks relating to the valuation of insurance contract liabilities into the following components: • actuarial assumptions; • actuarial modelling; and • data.	The specific audit procedures performed to address the various aspects of significant risk are set out in the sections below. In addition to the procedures below, we also evaluated management's analysis of movements in insurance contract liabilities and corroborated large or unexpected movements.
1.1 Actuarial assumptions Key actuarial assumptions in the valuation of the insurance contract liabilities include both economic and non-economic assumptions as described below. • Economic assumptions are set by management taking into account market conditions as at the valuation date. The economic assumptions applied in determining the valuation rate of interest used to discount insurance contract liabilities is a key assumption within the valuation of insurance contract liabilities. • Non-economic assumptions such as future expenses, mortality, morbidity and persistency are set based on the Group's past experience, market experience, market practice, regulations and expectations about future trends, with specific focus on persistency, mortality and morbidity that we consider to have the most significant impact. These actuarial assumptions require significant focus annually with the use of internal actuarial specialists to assess the reasonability of assumptions set by management using expert judgement. In addition, the Covid-19 pandemic continues to evolve and still has uncertain outcomes. Management has considered experience to date as well as their view on the possible future outcomes and based on this continued to set aside a judgemental provision in addition to the base actuarial assumptions and liability to allow for their updated outlook.	Our audit included the following procedures with the assistance of our internal actuarial specialists: • we assessed the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions – performing additional substantive testing where necessary (for example, in respect of data inputs to the experience analysis); • we assessed the appropriateness of the methodology and assumptions applied based on our knowledge of the Group, industry standards and regulatory and financial reporting requirements; • we reviewed the results of management's experience analysis (where available), including base mortality, morbidity and persistency, to assess whether this analysis supports the adopted assumptions; • we evaluated the information applied by management in determining key economic assumptions such as the valuation rate of interest, to assess whether these were reflective of the assets backing insurance contract liabilities; • we evaluated and performed procedures over management's modelling of investment guarantee reserves; • we assessed the expense assumptions adopted by management with reference to the Group's underlying expense base and the relevant functional cost analysis; • we evaluated the use of the chosen longevity improvement model and the parameters used to ensure that it was appropriate relative to the industry; • we agreed the assumptions used in the year end valuation to the approved basis; and • we considered the expert judgement applied by management in determining the Covid-19 explicit provision based on currently available information and the treatments applied by other market participants.

Key Audit Matter continued	**How the matter was addressed in the audit** continued
1.2 Actuarial modelling We consider the integrity and appropriateness of the models used by management to be critical to the overall valuation of insurance contract liabilities. Our audit focused on the insurance contract liabilities which are modelled using the core actuarial models, as this represents the majority of the liability. However, we also placed attention on the liabilities which are calculated outside the core actuarial systems to address the risk of additional required liabilities which are not reflected in the model and consequently require significant judgement applied by management. Every year, the Group assesses the models to ensure that it remains appropriate given the product features, applicable legislation and relevant actuarial guidance. Therefore, we involve our actuarial specialists who for the current period assist with assessing the: i) integrity and appropriateness of actuarial models used by management relative to product features, applicable legislation and relevant actuarial guidance; ii) model developments applied to the core actuarial models; and iii) the appropriateness of the adjustments that are applied outside of the core actuarial model which require individual assessment.	Our audit included the following procedures with the assistance of our internal actuarial specialists: • we obtained an understanding of management's process for model developments to the core actuarial models and tested the design, implementation and operating effectiveness of key controls over that process; • we obtained an understanding of the governance process around model changes; • we evaluated the integrity of the core actuarial models by considering testing performed on a subset of products by a specialist appointed by management in the current year. This is in addition to the testing performed on a sample of products in the previous financial years; • we evaluated the changes made to the core actuarial models during the year by analysing management's rationale behind these changes, the tests conducted by management to validate the changes and where appropriate, evaluate the impacts of these changes to our own calculations of what we expect the impact to be; • we assessed the results of management's analysis of movements in insurance contract liabilities to corroborate that the actual impact of changes to models was consistent with that expected when the model change was implemented; and • we stratified the components of reserves modelled outside the core actuarial models and focused our audit procedures on those that presented a higher risk of material misstatement.
1.3 Data The large volume of insurance contract data held on policy administration systems ('policyholder data') is a key input to the valuation process. The valuation of insurance contract liabilities is therefore conditional upon the accuracy and completeness of the data extracted from the policy administration systems and converted for use in the valuation process.	Our audit included the following procedures to assess the completeness and accuracy of policyholder data: • we tested the design and operating effectiveness of key controls supporting the maintenance of policyholder data on underlying source systems with the involvement of our internal IT specialists; • we evaluated that the data maintained on these source systems was correctly used as an input to the valuation process by performing audit procedures to evaluate that the extraction scripts had operated as intended or via two-way sample tests of policies, as applicable; • we obtained an understanding of management's process for the collection, extraction and validation of data and tested the design and operating effectiveness of key controls; and • we confirmed the results of the data enrichment and conversion process by assessing the integrity of the rules applied by management and re-performing it for a sample of policies.

Key Audit Matter continued	**How the matter was addressed in the audit** continued
2. VALUATION OF COMPLEX AND ILLIQUID ASSETS *This key audit matter applies to the audit of the consolidated financial statements.*	
The extent of judgement applied by management in valuing the Group's investments varies with the nature of securities held, the markets in which they are traded, and the valuation methodology applied. Observable inputs are not readily available for some of the Group's invested assets and a mark-to-model valuation is applied as a result. The Level 3 assets amount to: R2 870 million of owner-occupied properties as disclosed in note 4; R9 031 million of investment properties as disclosed in note 5; and R6 188 million of financial assets as disclosed in note 7. We consider the valuation of the diverse portfolio of Level 3 assets to be a key auditing matter given: i) that the assumptions determined by management are largely based on non-observable inputs, are highly judgemental and consider a diverse range of sector information, which required the involvement of our internal valuation experts; and ii) the extent of effort required assessing the completeness and accuracy of data utilised in the valuation models due to the diverse and large portfolio.	Our audit included the following procedures with the assistance of our internal valuation specialists: • we obtained an understanding of management's process for determining fair value on Level 3 assets and we evaluated the design effectiveness of key controls (including IT general controls) relevant to the valuation of Level 3 assets; • we assessed the appropriateness of the valuation methodologies applied by management with reference to relevant accounting standards and industry guidance; • we tested the completeness and accuracy of data inputs used in the valuation model by agreeing them on a sample basis to source (including the underlying contracts) or comparing them to available market benchmarks; • we evaluated the key assumptions applied in determining fair value by making a comparison to our own understanding of the market, comparable evidence relied upon by management and to industry benchmarks; • we involved our internal valuation specialist to perform independent valuations on a sample basis and we compare the output to the modelled valuations produced by management or third parties, as applicable; • we considered the completeness and accuracy of valuation adjustments applied by management to exposures of leveraged entities that may be adversely affected by the Covid-19 pandemic or other forms of economic uncertainty in terms of their ability to service interest and capital; and • with the assistance of our internal valuation specialists, we corroborated key inputs to models and validated significant assumptions on a sample basis with reference to relevant industry market valuation considerations, with a particular focus on discount rates and credit risk.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 222-page document titled "Momentum Metropolitan Group Annual Financial Statements – Audited results for the year ended June 2022", which includes the Directors' report, the Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, and the following:

- Directors' responsibility and approval
- CEO and Financial Director confirmation of financial controls
- Certificate by the Group Company Secretary
- Report on Group embedded value
- Directors' report
- Report of the Audit Committee
- Annexure A
- Annexure B
- Shareholder profile
- Stock exchange performance
- Shareholder diary
- Administration
- Momentum Metropolitan Integrated Report 2022
- King IV application summary.
- Sustainability report
- Stewardship report (latest version from 2021)
- Task Force on Climate-related Financial Disclosures Report (latest version from 2021)

The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

  We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

  From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst and Young Inc. has been the auditor of the Momentum Metropolitan Group for 3 years.

Ernst & Young Inc.

Director: JC de Villiers CA(SA)

Registered Auditor

102 Rivonia Road
Sandton

14 September 2022

Review report on Group embedded value

OF MOMENTUM METROPOLITAN HOLDINGS LTD AND ITS SUBSIDIARIES TO THE DIRECTORS OF MOMENTUM METROPOLITAN HOLDINGS LTD

INTRODUCTION

We have reviewed the accompanying Group embedded value report ("the Report") of Momentum Metropolitan Holdings Ltd for the year ended 30 June 2022, as set out on pages 11 to 24, and the basis of accounting as set out on page 11.

DIRECTORS' RESPONSIBILITY

The directors of Momentum Metropolitan Holdings Ltd are responsible for the preparation and presentation of the Report in accordance with the basis of accounting set out on page 11, for determining that the basis of accounting is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express a conclusion on the Report. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Report is not prepared in all material respects in accordance with the basis of accounting as set out on page 11. This standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Report.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report for the year ended 30 June 2022 is not prepared, in all material respects in accordance with the basis of accounting set out on page 11.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

Without modifying our conclusion, we draw attention to page 11 of the Report, which describes the basis of accounting. The Report is prepared to provide additional information in respect of the Group embedded value which is used by management in evaluating the performance of the Group. As a result, the Report may not be suitable for another purpose.

Ernst & Young Inc.

Director: JC de Villiers CA(SA)
Registered Auditor

14 September 2022

102 Rivonia Road
Sandton
2196

Report on Group embedded value

At 30 June 2022

The report on Group embedded value sets out the diluted embedded value (EV), taking into account all shares issued by Momentum Metropolitan Holdings Ltd. This report has been prepared in accordance with the EV guidance from the Actuarial Society of South Africa (ASSA) – APN 107.

MOMENTUM METROPOLITAN LIFE LTD REQUIRED CAPITAL

Momentum Metropolitan Life Ltd required capital is determined as the amount of assets required to support the internal capital targets of the covered business over the business planning horizon.

OTHER COVERED BUSINESS

A multiple of regulatory capital requirements applicable to those entities has been used.

ASSETS BACKING REQUIRED CAPITAL

The assumed composition of the assets backing the required capital has been determined with reference to the shareholder fund mandate.

Report on Group embedded value continued

At 30 June 2022

Embedded value results	2022 Rm	2021 Rm
Covered business		
Equity attributable to owners of the parent	**24 620**	21 575
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	**(2 015)**	(2 014)
Net assets – non-covered business within life insurance companies	**(3 394)**	(3 982)
Net assets – non-covered business outside life insurance companies	**(6 631)**	(6 387)
Diluted adjusted net worth – covered business	**12 580**	9 192
Net value of in-force business	**20 650**	20 706
Diluted embedded value – covered business	**33 230**	29 898
Non-covered business		
Net assets – non-covered business within life insurance companies	**3 394**	3 982
Net assets – non-covered business outside life insurance companies	**6 631**	6 387
Consolidation adjustments[1]	**(1 548)**	(2 550)
Adjustments for dilution[2]	**1 422**	1 510
Diluted adjusted net worth – non-covered business	**9 899**	9 329
Write-up to directors' value	**2 299**	2 101
Non-covered business	**5 247**	5 475
Holding company expenses[3]	**(1 839)**	(2 204)
International holding company expenses[3]	**(1 109)**	(1 170)
Diluted embedded value – non-covered business	**12 198**	11 430
Diluted adjusted net worth	**22 479**	18 521
Net value of in-force business	**20 650**	20 706
Write-up to directors' value	**2 299**	2 101
Diluted embedded value	**45 428**	41 328
Required capital – covered business (adjusted for qualifying debt)[4]	**6 633**	6 451
Free surplus – covered business	**5 947**	2 741
Diluted embedded value per share (cents)	**2 977**	2 708
Diluted adjusted net worth per share (cents)	**1 473**	1 214
Diluted number of shares in issue (million)[5]	**1 526**	1 526

1 Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.

2 Adjustments for dilution are made up as follows:
- Treasury shares held on behalf of contract holders: R407 million (30.06.2021: R587 million);
- Liabilities related to iSabelo transaction: R763 million (30.06.2021: R678 million); and
- Liability – MMH convertible preference shares issued to KTH: R252 million (30.06.2021: R245 million).

3 The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international businesses.

4 The required capital for in-force covered business amounts to R10 936 million (30.06.2021: R10 881 million) and is adjusted for qualifying debt of R4 303 million (the total qualifying debt amounts to R5 327 million when including R1 024 million of subordinated debt to be redeemed in August 2022 (including accrued interest); 30.06.2021: R4 430 million).

5 The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders as well as those held by a subsidiary related to the iSabelo transaction.

Analysis of net value of in-force business	2022 Rm	2021 Rm
Momentum Life	**9 832**	9 501
Gross value of in-force business	**10 585**	10 330
Less cost of required capital	**(753)**	(829)
Momentum Investments[1]	**1 410**	1 389
Gross value of in-force business	**1 794**	1 707
Less cost of required capital	**(384)**	(318)
Metropolitan Life	**3 950**	4 190
Gross value of in-force business	**4 425**	4 593
Less cost of required capital	**(475)**	(403)
Momentum Corporate	**2 948**	3 136
Gross value of in-force business	**4 080**	4 092
Less cost of required capital	**(1 132)**	(956)
Momentum Metropolitan Africa	**2 510**	2 490
Gross value of in-force business	**2 885**	2 856
Less cost of required capital	**(375)**	(366)
Net value of in-force business	**20 650**	20 706

1 Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R160 million (30.06.2021: R51 million).

Embedded value detail	Adjusted net worth[2, 3] Rm	Net value of in-force Rm	2022 Rm	Restated 2021[2] Rm
Covered business				
Momentum Life	2 600	9 832	**12 432**	13 001
Momentum Investments[1]	1 707	1 410	**3 117**	2 405
Metropolitan Life	1 800	3 950	**5 750**	5 990
Momentum Corporate	3 600	2 948	**6 548**	6 536
Momentum Metropolitan Africa	1 229	2 510	**3 739**	3 655
Operating segments[2]	10 936	20 650	**31 586**	31 587
Qualifying Debt	(4 303)	–	**(4 303)**	(4 430)
Free Surplus	5 947	–	**5 947**	2 741
Total covered business	12 580	20 650	**33 230**	29 898

1 Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R160 million (30.06.2021: R51 million).

2 The embedded value of the covered operating segments have been restated to more clearly disclose the required capital referenced in the valuation (cost of required capital). The embedded value consist of the following components:

	2022 Rm	Restated 2021 Rm
Required capital	**10 936**	10 881
Net value of in-force	**20 650**	20 706
Operating segments embedded value	**31 586**	31 587

3 Intercompany loans are carried by the units that utilise the funding, aligned with capital management practices.

Report on Group embedded value continued

At 30 June 2022

Embedded value detail	Adjusted net worth[2] Rm	Write-up to directors' value Rm	2022 Rm	2021 Rm
Non-covered business				
Momentum Life	156	(620)	**(464)**	(563)
Momentum Multiply	144	(620)	**(476)**	(566)
Other	12	-	**12**	3
Momentum Investments	1 159	1 423	**2 582**	2 559
Investment and savings	1 050	1 429	**2 479**	2 334
Other	109	(6)	**103**	225
Metropolitan Life	9	–	**9**	7
Other	9	–	**9**	7
Momentum Corporate	109	–	**109**	80
Other	109	–	**109**	80
Momentum Metropolitan Health	467	599	**1 066**	1 234
Health	467	599	**1 066**	1 234
Non-life Insurance	3 859	2 763	**6 622**	6 776
Non-life insurance	1 403	599	**2 002**	2 666
Cell captives	2 456	2 164	**4 620**	4 110
Momentum Metropolitan Africa	572	(1 140)	**(568)**	(349)
Life insurance	223	(205)	**18**	47
Health	300	83	**383**	541
Non-life insurance	62	25	**87**	73
Other	(13)	66	**53**	160
International holding company expenses[1]	–	(1 109)	**(1 109)**	(1 170)
New Initiatives	1 129	1 113	**2 242**	1 876
New initiatives India	1 030	1 113	**2 143**	1 547
New initiatives aYo	–	–	**–**	220
Other	99	–	**99**	109
Shareholders	2 439	(1 839)	**600**	(190)
Other	2 439	–	**2 439**	2 014
Holding company expenses[1]	–	(1 839)	**(1 839)**	(2 204)
Total non-covered business	9 899	2 299	**12 198**	11 430
Total embedded value	22 479	22 949	**45 428**	41 328

1 The international holding company expenses reflect the allowance for support services to the international businesses. The holding company expenses reflect the present value of projected recurring head office expenses.

2 Intercompany loans are carried by the units that utilise the funding, aligned with capital management practices.

Analysis of changes in Group embedded value	Notes	Covered business Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2022 Total EV Rm	12 mths to 30.06.2021 Total EV Rm
Profit from new business		(824)	1 790	(277)	**689**	783
Embedded value from new business	A	(824)	1 727	(277)	**626**	725
Expected return to end of period	B	–	63	–	**63**	58
Profit from existing business		3 951	(1 108)	294	**3 137**	(1 328)
Expected return – unwinding of RDR	B	–	1 907	(268)	**1 639**	1 495
Release from the cost of required capital	C	–	–	488	**488**	570
Expected (or actual) net of tax profit transfer to net worth	D	3 223	(3 223)	–	**–**	–
Operating experience variances	E	82	(109)	–	**(27)**	(528)
Development expenses	F	(52)	–	–	**(52)**	(37)
Operating assumption changes	G	698	317	74	**1 089**	(2 828)
Embedded value profit/(loss) from operations		3 127	682	17	**3 826**	(545)
Investment return on adjusted net worth	H	246	–	–	**246**	124
Investment variances	I	388	(650)	(355)	**(617)**	1 130
Economic assumption changes	J	(35)	157	92	**214**	535
Exchange rate movements	K	3	3	(1)	**5**	(91)
Embedded value profit/(loss) – covered business		3 729	192	(247)	**3 674**	1 153
Transfer of business to non-covered business	L	–	–	–	**–**	(10)
Other capital transfers	M	519	(1)	–	**518**	118
Dividend paid		(860)	–	–	**(860)**	(1 892)
Change in embedded value – covered business		3 388	191	(247)	**3 332**	(631)
Non-covered business						
Change in directors' valuation and other items					**687**	2 519
Change in holding company expenses					**426**	(853)
Embedded value profit – non-covered business					**1 113**	1 666
Transfer of business from covered business	L				**–**	10
Other capital transfers	M				**(518)**	(118)
Dividend received					**125**	1 527
Allowance for shareholder flows related to iSabelo transaction					**85**	387
Finance costs – preference shares					**(37)**	(37)
Change in embedded value – non-covered business					**768**	3 435
Total change in Group embedded value					**4 100**	2 804
Total embedded value profit					**4 787**	2 819
Return on embedded value (%) – annualised internal rate of return					**11.6**	7.3

Report on Group embedded value continued

At 30 June 2022

Analysis of changes in Group embedded value	Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2022 Rm	12 mths to 30.06.2021 Rm
Momentum Life					
Embedded value from new business	(342)	377	(55)	**(20)**	72
Expected return – unwinding of RDR	–	690	(57)	**633**	523
Release from the cost of required capital	–	–	173	**173**	271
Expected (or actual) net of tax profit transfer to net worth	1 250	(1 250)	–	**–**	–
Operating experience variances	(147)	22	–	**(125)**	(159)
Development expenses	(30)	–	–	**(30)**	(9)
Operating assumption changes	254	299	293	**846**	(916)
Embedded value profit/(loss) from operations	985	138	354	**1 477**	(218)
Investment return on adjusted net worth	61	–	–	**61**	106
Investment variances	53	39	(300)	**(208)**	(292)
Economic assumption changes	–	78	22	**100**	656
Embedded value profit – covered business	1 099	255	76	**1 430**	252
Momentum Investments					
Embedded value from new business	(8)	412	(58)	**346**	392
Expected return – unwinding of RDR	–	116	(25)	**91**	98
Release from the cost of required capital	–	–	60	**60**	54
Expected (or actual) net of tax profit transfer to net worth	286	(286)	–	**–**	–
Operating experience variances	212	(38)	–	**174**	178
Development expenses	(1)	–	–	**(1)**	(6)
Operating assumption changes	103	244	(157)	**190**	(248)
Embedded value profit/(loss) from operations	592	448	(180)	**860**	468
Investment return on adjusted net worth	58	–	–	**58**	(49)
Investment variances	33	(372)	112	**(227)**	487
Economic assumption changes	–	9	2	**11**	(239)
Embedded value profit/(loss) – covered business	683	85	(66)	**702**	667
Metropolitan Life					
Embedded value from new business	(160)	477	(73)	**244**	253
Expected return – unwinding of RDR	–	330	(20)	**310**	273
Release from the cost of required capital	–	–	88	**88**	77
Expected (or actual) net of tax profit transfer to net worth	809	(809)	–	**–**	–
Operating experience variances	(113)	(75)	–	**(188)**	3
Development expenses	(20)	–	–	**(20)**	(9)
Operating assumption changes	52	–	–	**52**	(453)
Embedded value profit/(loss) from operations	568	(77)	(5)	**486**	144
Investment return on adjusted net worth	32	–	–	**32**	59
Investment variances	43	(88)	(68)	**(113)**	325
Economic assumption changes	–	(2)	–	**(2)**	(15)
Embedded value profit/(loss) – covered business	643	(167)	(73)	**403**	513

Analysis of changes in Group embedded value	Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2022 Rm	12 mths to 30.06.2021 Rm
Momentum Corporate					
Embedded value from new business	(140)	273	(65)	**68**	11
Expected return – unwinding of RDR	–	566	(117)	**449**	420
Release from the cost of required capital	–	–	167	**167**	168
Expected (or actual) net of tax profit transfer to net worth	485	(485)	–	**–**	–
Operating experience variances	304	21	–	**325**	(552)
Development expenses	(1)	–	–	**(1)**	(13)
Operating assumption changes	251	(229)	(62)	**(40)**	(1 185)
Embedded value profit/(loss) from operations	899	146	(77)	**968**	(1 151)
Investment return on adjusted net worth	60	–	–	**60**	48
Investment variances	150	(212)	(99)	**(161)**	420
Economic assumption changes	(2)	55	–	**53**	117
Embedded value profit/(loss) – covered business	1 107	(11)	(176)	**920**	(566)
Momentum Metropolitan Africa					
Embedded value from new business	(174)	188	(26)	**(12)**	(3)
Expected return – unwinding of RDR	–	268	(49)	**219**	239
Expected (or actual) net of tax profit transfer to net worth	393	(393)	–	**–**	–
Operating experience variances	(120)	(39)	–	**(159)**	(39)
Operating assumption changes	38	3	–	**41**	(26)
Embedded value profit/(loss) from operations	137	27	(75)	**89**	171
Investment return on adjusted net worth	131	–	–	**131**	118
Investment variances	34	(17)	–	**17**	159
Economic assumption changes	(33)	17	68	**52**	16
Exchange rate movements	3	3	(1)	**5**	(91)
Embedded value profit/(loss) – covered business	272	30	(8)	**294**	373
Shareholders					
Operating experience variances	(54)	–	–	**(54)**	41
Embedded value (loss)/profit operations	(54)	–	–	**(54)**	41
Investment return on adjusted net worth	(96)	–	–	**(96)**	(158)
Investment variances	75	–	–	**75**	31
Embedded value loss – covered business	(75)	–	–	**(75)**	(86)

A. VALUE OF NEW BUSINESS (VNB)

In determining the VNB for retail and traditional corporate business:

- A policy is only taken into account for new business if at least one premium, that has not subsequently been refunded, is recognised in the financial statements.
- Premium increases that have been allowed for in the value of in-force covered business are not included as new business at inception.
- The expected value of future premium increases, resulting from premium indexation on the new recurring premium business written during the financial year under review, is included in the VNB.
- Only client-initiated continuations of individual policies and deferrals of retirement annuity policies after the maturity dates of contracts not previously expected in the present valuation of in-force business, are allowed for.
- For Momentum Life and Momentum Investments business, new business exclude negative alterations after the commission clawback period.
- For employee benefit business, increases in business from new schemes or new benefits on existing schemes are included as new business, but new members or salary-related increases under existing schemes are allowed for in the value of in-force covered business.
- Renewable recurring premiums under existing Group insurance contracts are treated as in-force covered business.

Reconciliation of lump sum inflows	12 mths to 30.06.2022 Rm	12 mths to 30.06.2021 Rm
Total lump sum inflows	**41 593**	38 905
Inflows not included in value of new business	**(6 723)**	(6 618)
Wealth off-balance sheet business	**15 270**	13 637
Term extensions on maturing policies	**242**	321
Automatically Continued Policies	**1 510**	1 255
Non-controlling interests and other adjustments	**(7)**	(3)
Single premiums included in value of new business	**51 885**	47 497

A. VALUE OF NEW BUSINESS (VNB) CONTINUED

Value of new business[1,2,3]	Momentum Life Rm	Momentum Investments[4] Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2022						
Value of new business	**(20)**	**346**	**244**	**68**	**(12)**	**626**
Gross	**35**	**404**	**317**	**133**	**14**	**903**
Less cost of required capital	**(55)**	**(58)**	**(73)**	**(65)**	**(26)**	**(277)**
New business premiums	**3 255**	**41 854**	**3 555**	**5 789**	**2 039**	**56 492**
Recurring premiums	**1 053**	**205**	**1 710**	**1 239**	**400**	**4 607**
Protection	**459**	**–**	**1 219**	**784**	**148**	**2 610**
Long-term savings	**594**	**189**	**483**	**453**	**252**	**1 971**
Annuities and structured products	**–**	**16**	**8**	**2**	**–**	**26**
Single premiums	**2 202**	**41 649**	**1 845**	**4 550**	**1 639**	**51 885**
Protection	**–**	**–**	**–**	**1**	**105**	**106**
Long-term savings	**2 202**	**36 129**	**474**	**4 521**	**886**	**44 212**
Annuities and structured products	**–**	**5 520**	**1 371**	**28**	**648**	**7 567**
New business premiums (APE)	**1 273**	**4 370**	**1 894**	**1 694**	**565**	**9 796**
Protection	**459**	**–**	**1 219**	**784**	**159**	**2 621**
Long-term savings	**814**	**3 802**	**530**	**905**	**341**	**6 392**
Annuities and structured products	**–**	**568**	**145**	**5**	**65**	**783**
Present value of new business premiums (PVNBP)	**7 291**	**42 476**	**7 160**	**12 276**	**3 470**	**72 673**
Profitability of new business as a percentage of APE	**(1.6)**	**7.9**	**12.9**	**4.0**	**(2.1)**	**6.4**
Profitability of new business as a percentage of PVNBP	**(0.3)**	**0.8**	**3.4**	**0.6**	**(0.3)**	**0.9**
12 mths to 30.06.2021						
Value of new business	72	392	253	11	(3)	725
Gross	146	414	320	34	21	935
Less cost of required capital	(74)	(22)	(67)	(23)	(24)	(210)
New business premiums	3 149	40 873	2 892	3 008	1 358	51 280
Recurring premiums	1 059	207	1 409	694	414	3 783
Protection	503	–	1 015	170	153	1 841
Long-term savings	556	190	388	522	261	1 917
Annuities and structured products	–	17	6	2	–	25
Single premiums	2 090	40 666	1 483	2 314	944	47 497
Protection	–	–	–	35	108	143
Long-term savings	2 090	35 647	509	2 242	261	40 749
Annuities and structured products	–	5 019	974	37	575	6 605
New business premiums (APE)	1 268	4 274	1 557	926	509	8 534
Protection	503	–	1 015	174	164	1 856
Long-term savings	765	3 755	439	746	287	5 992
Annuities and structured products	–	519	103	6	58	686
Present value of new business premiums (PVNBP)	7 479	41 471	5 885	8 220	2 843	65 898
Profitability of new business as a percentage of APE	5.7	9.2	16.2	1.2	(0.6)	8.5
Profitability of new business as a percentage of PVNBP	1.0	0.9	4.3	0.1	(0.1)	1.1

1 Value of new business and new business premiums are net of non-controlling interests.

2 The value of new business has been calculated using opening demographic and point of sale economic assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business; for other business the investment yields at the reporting date have been assumed to be representative of the economic assumptions at point of sale. The Group does not allow for marginal diversification benefits to be allocated to the value of new business for purposes of deriving the cost of required capital.

3 No allowance has been made for Covid-19 in the assumptions used to calculate value of new business.

4 Included in covered business is Wealth business not deemed to be long-term insurance business with value of new business of R68 million (30.06.2021: R75 million).

A. VALUE OF NEW BUSINESS (VNB) CONTINUED

Changes in bases and assumptions

The Group constantly reviews its EV methodologies to align them with evolving practice and to ensure consistency with current practices.

Assumptions

The main assumptions used in the EV calculations are described below.

Principal assumptions (South Africa)[1, 2]	30.06.2022 %	30.06.2021 %
Pre-tax investment return		
Equities	**15.5**	13.9
Properties	**13.0**	11.4
Government stock	**12.0**	10.4
Other fixed-interest stocks	**12.5**	10.9
Cash	**11.0**	9.4
Risk-free return[3]	**12.0**	10.4
Risk discount rate (RDR)[4]	**14.4**	12.8
Investment return (before tax) – balanced portfolio[3]	**14.2**	12.6
Renewal expense inflation rate[5]	**7.7**	6.5

1 The principal assumptions relate only to the South African life insurance business. Assumptions relating to international life insurance businesses are based on local requirements and can differ from the South African assumptions.

2 The assumptions quoted in the table are representative rates derived at the 10-year point of the yield curves.

3 Risk-free returns are taken from an appropriate market-related, risk-free yield curve as at the valuation date. Appropriate risk premia are added to the risk-free yields in order to derive yields on other asset classes. Expected cash flows at each duration are discounted using yields appropriate to that duration. The investment return on balanced portfolio business was calculated by applying the above returns to an expected long-term asset distribution.

4 The risk discount rate applied for covered business in South Africa is derived based on a weighted average cost of capital approach. The assumptions with regards the beta used to derive the cost of equity, the equity risk premium and the relative weighting between debt and equity funding are reviewed annually and has remained unchanged from that assumed at 30 June 2021 (the parameters used to derive the cost of debt have been updated to reflect the current market inputs and expectations).

5 For the retail businesses an inflation rate of 5.0% p.a. is used over the planning horizon (three years) where after the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. An addition to the expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off. The 7.7% above represents the 10-year point of the yield curves.

Non-economic

The EV calculation uses the same best estimate assumptions with respect to future experience as those used in the financial soundness valuation (FSV).

The EV of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The VNB excludes premium increases during the current year resulting from premium indexation arrangements in respect of in-force business, but includes the expected value of future premium increases in respect of new policies written during the current financial year.

B. EXPECTED RETURN

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

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

E. OPERATING EXPERIENCE VARIANCES

Operating experience variances	Notes	12 mths to 30.06.2022 ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	12 mths to 30.06.2021 EV Rm
Momentum Life		**(147)**	**22**	**–**	**(125)**	(159)
Mortality and morbidity	1	**(261)**	**(11)**	**–**	**(272)**	(316)
Terminations, premium cessations and policy alterations	2	**76**	**142**	**–**	**218**	228
Expense variance		**27**	**–**	**–**	**27**	82
Other	3	**11**	**(109)**	**–**	**(98)**	(153)
Momentum Investments		**212**	**(38)**	**–**	**174**	178
Mortality and morbidity	4	**125**	**(8)**	**–**	**117**	81
Terminations, premium cessations and policy alterations	5	**(7)**	**(32)**	**–**	**(39)**	(68)
Expense variance		**39**	**–**	**–**	**39**	84
Credit risk variance		**47**	**–**	**–**	**47**	29
Other		**8**	**2**	**–**	**10**	52
Metropolitan Life		**(113)**	**(75)**	**–**	**(188)**	3
Mortality and morbidity	6	**25**	**(9)**	**–**	**16**	(107)
Terminations, premium cessations and policy alterations	7	**(200)**	**(72)**	**–**	**(272)**	40
Expense variance		**(2)**	**–**	**–**	**(2)**	18
Credit risk variance		**25**	**–**	**–**	**25**	34
Other		**39**	**6**	**–**	**45**	18
Momentum Corporate		**304**	**21**	**–**	**325**	(552)
Mortality and morbidity	8	**320**	**(3)**	**–**	**317**	(266)
Terminations, premium cessations and policy alterations	9	**5**	**22**	**–**	**27**	(298)
Expense variance		**(78)**	**–**	**–**	**(78)**	64
Credit risk variance		**11**	**–**	**–**	**11**	(6)
Other	10	**46**	**2**	**–**	**48**	(46)
Momentum Metropolitan Africa		**(120)**	**(39)**	**–**	**(159)**	(39)
Mortality and morbidity	11	**(126)**	**9**	**–**	**(117)**	61
Terminations, premium cessations and policy alterations	12	**(7)**	**(57)**	**–**	**(64)**	(100)
Expense variance		**(4)**	**–**	**–**	**(4)**	(11)
Other		**17**	**9**	**–**	**26**	11
Shareholders		**(54)**	**–**	**–**	**(54)**	41
Total operating experience variances		**82**	**(109)**	**–**	**(27)**	(528)

Notes

1. The mortality and morbidity variance has been impacted by additional deaths during the Covid-19 pandemic. This was offset to some extent by reinsurance recoveries and a release from the Covid-19 provisions.
2. Largely driven by better than expected lapse experience on the Protection business and net positive contribution from alterations experience, in particular with regards voluntary premium growth.
3. In line with premium changes for new business (and voluntary premium growth), the mortality basis for in-force business has also been adjusted. The positive impact on the VIF relating to voluntary premium pricing partly offset the negative impact of mortality basis change on in-force business.
4. The annuity book of business experienced higher than expected mortality due to the Covid-19 pandemic.
5. Reprice of contracts, fee changes and drawdowns on living annuities.
6. The mortality and morbidity variance has been impacted by additional deaths during the Covid-19 pandemic. This was offset by a release from the Covid-19 provisions.
7. The deterioration in persistency and alteration experience includes once-off operational impacts and deterioration observed in the lapse experience.
8. The ANW was positively impacted by morbidity experience on the PHI book as well as positive mortality experience on the CPI annuity and Group Risk book.
9. The VIF benefited mainly from better-than-expected termination experience on the Investments book.
10. Mainly relates to admin fees exceeding expectations.
11. The mortality and morbidity variance has been impacted by additional deaths during the Covid-19 pandemic. This was offset to some extent by a release from the Covid-19 provisions.
12. ANW impact is mainly due to a lapse rule change in Lesotho (to lapse policies in arrears due to Covid-19) and lower lapse experience in Botswana. The reduction in VIF is as a result of schemes being terminated in Lesotho as well as moving from higher to lower margin products.

F. DEVELOPMENT EXPENSES

Business development expenses within segments.

G. OPERATING ASSUMPTION CHANGES

Operating assumption changes	Notes	12 mths to 30.06.2022 ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	12 mths to 30.06.2021 EV Rm
Momentum Life		**254**	**299**	**293**	**846**	(916)
Mortality and morbidity assumptions	1	(64)	–	–	(64)	(876)
Termination assumptions	2	(679)	558	–	(121)	(245)
Renewal expense assumptions		296	(114)	–	182	188
Modelling, methodology and other changes	3, 4	701	(145)	293	849	17
Momentum Investments		**103**	**244**	**(157)**	**190**	(248)
Mortality and morbidity assumptions		–	–	–	–	20
Termination assumptions		–	(10)	–	(10)	39
Renewal expense assumptions		29	271	–	300	(338)
Modelling, methodology and other changes	4, 5	74	(17)	(157)	(100)	31
Metropolitan Life		**52**	**–**	**–**	**52**	(453)
Mortality and morbidity assumptions	1	196	–	–	196	(387)
Termination assumptions	6	(34)	(65)	–	(99)	–
Renewal expense assumptions		(41)	(7)	–	(48)	39
Modelling, methodology and other changes	7	(69)	72	–	3	(105)
Momentum Corporate		**251**	**(229)**	**(62)**	**(40)**	(1 185)
Mortality and morbidity assumptions	1, 8	206	40	–	246	(1 176)
Termination assumptions		–	–	–	–	(130)
Renewal expense assumptions		(34)	(298)	–	(332)	178
Modelling, methodology and other changes	4, 5	79	29	(62)	46	(57)
Momentum Metropolitan Africa		**38**	**3**	**–**	**41**	(26)
Mortality and morbidity assumptions	9	(8)	(28)	–	(36)	(78)
Termination assumptions	10	(50)	6	–	(44)	(12)
Renewal expense assumptions		11	33	–	44	(50)
Modelling, methodology and other changes	11	85	(8)	–	77	114
Total operating assumption changes		**698**	**317**	**74**	**1 089**	(2 828)

Notes

1. No mortality basis changes were implemented other than changes to the Covid-19 provisions (releases in Momentum Corporate and Metropolitan Life; increase in Momentum Life).
2. The impact noted relates to an increase in the long-term persistency for Protection business (mostly impacting ANW). This has been offset (in VIF) by an adjustment in the allowance for take-up of voluntary premium growth.
3. Changes to the modelling of ancillary benefits (and other features of the Protection models) resulted in a net release of reserves. In addition some provisions have been assessed and formally aligned with internal projects resulting in some movements in these (overall a net release of these provisions are recognised).
4. Cost of capital impact mainly due to an adjustment in the capital allocation basis between segments.
5. Release of data reserves.
6. Funeral lapse basis assumptions updated in line with experience excluding the once-off operational losses.
7. The impact consists of a number of changes, including margin direction and asset allocation assumption updates.
8. Assumption changes on the PHI book which impacted the claims margins.
9. The impact is due to the revision of EB profit margins across all countries.
10. Mainly due to the update of lapse rates in Namibia on the Myriad business.
11. Mainly due to asset fee corrections, margin direction updates and reserve releases in Namibia.

H. INVESTMENT RETURN ON ADJUSTED NET WORTH

Investment return on adjusted net worth	12 mths to 30.06.2022 Rm	12 mths to 30.06.2021 Rm
Investment income	**491**	420
Capital appreciation and other[1]	**(245)**	(296)
Preference share dividends paid	**–**	–
Investment return on adjusted net worth	**246**	124

[1] This includes the revaluation of owner-occupied properties.

I. INVESTMENT VARIANCES

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

J. ECONOMIC ASSUMPTION CHANGES

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

K. EXCHANGE RATE MOVEMENTS

The impact of foreign currency movements on International covered businesses.

L. TRANSFER OF BUSINESS FROM/TO NON-COVERED BUSINESS

Transfer of business between covered and non-covered business.

M. OTHER CAPITAL TRANSFERS

Capital transfers include the alignment of the net asset value of subsidiaries between covered and non-covered business and the recapitalisation of some International subsidiaries. In addition, the change in the treatment of intercompany loans to align with capital management practices has been analysed as capital transfers (this represents the bulk of the number).

At 30 June 2022

Sensitivity of the in-force value and the VNB

This section illustrates the effect of different assumptions on the ANW, the value of in-force business, the VNB and the cost of required capital. For each sensitivity illustrated, all other assumptions have been left unchanged and, with the exception of the first two sensitivities and the "1% reduction in gross investment return, inflation rate and RDR" sensitivity, the central RDR has been used.

The table below shows the impact on the EV (ANW, value of in-force and cost of required capital) and VNB (gross and net of the cost of required capital) of a 1% change in the RDR. It also shows the impact of independent changes in a range of other experience assumptions. The effect of an equivalent improvement in these experience assumptions would be to increase the base values by a percentage approximately equal to the reductions shown below.

		In-force business			New business written		
Covered business: sensitivities – 30.06.2022	Adjusted net worth Rm	Net value Rm	Gross value Rm	Cost of required capital[3] Rm	Net value Rm	Gross value Rm	Cost of required capital[3] Rm
Base value	12 580	20 650	23 769	(3 119)	626	903	(277)
1% increase in risk discount rate		18 998	22 447	(3 449)	497	803	(306)
% change		(8)	(6)	11	(21)	(11)	10
1% reduction in risk discount rate		22 500	25 247	(2 747)	785	1 030	(245)
% change		9	6	(12)	25	14	(12)
10% decrease in future expenses		22 462	25 581	(3 119)	819	1 096	(277)
% change[1]		9	8	–	31	21	–
10% decrease in lapse, paid-up and surrender rates		21 211	24 330	(3 119)	818	1 095	(277)
% change		3	2	–	31	21	–
5% decrease in mortality and morbidity for assurance business		23 596	26 715	(3 119)	813	1 090	(277)
% change		14	12	–	30	21	–
5% decrease in mortality for annuity business		20 255	23 374	(3 119)	597	874	(277)
% change		(2)	(2)	–	(5)	(3)	–
1% reduction in gross investment return, inflation rate and risk discount rate	12 580	20 711	23 830	(3 119)	655	932	(277)
% change[2]	–	–	–	–	5	3	–
1% reduction in inflation rate		21 606	24 725	(3 119)	735	1 012	(277)
% change		5	4	–	17	12	–
10% fall in market value of equities and properties	12 488	19 700	22 819	(3 119)			
% change[2]	(1)	(5)	(4)	–			
10% reduction in premium indexation take-up rate		19 939	23 058	(3 119)	584	861	(277)
% change		(3)	(3)	–	(7)	(5)	–
10% decrease in non-commission-related acquisition expenses					768	1 045	(277)
% change					23	16	–
1% increase in equity/property risk premium		21 138	24 257	(3 119)	663	940	(277)
% change		2	2	–	6	4	–

1 No corresponding changes in variable policy charges are assumed, although in practice it is likely that these will be modified according to circumstances.

2 Bonus rates are assumed to change commensurately.

3 The change in the value of cost of required capital is disclosed as nil where the sensitivity test results in an insignificant change in the value.

SUBSEQUENT EVENTS

Refer to note 34 in the Group financial statements.

Directors' report

The Board is pleased to present the audited financial statements of Momentum Metropolitan Holdings Ltd (MMH or the Company) and its subsidiaries (collectively Momentum Metropolitan or the Group) for the year ended 30 June 2022. The Board is of the opinion that the Group is in compliance with the Companies Act as well as the Company's Memorandum of Incorporation. The material risk factors applicable to the Group can be found in the Integrated Report which is available online in PDF format at https://www.momentummetropolitan.co.za.

NATURE OF ACTIVITIES

Momentum Metropolitan is a South African based financial services group that offers a comprehensive range of products and administration services, including life and short-term insurance, employee benefits, medical scheme and asset management to clients in selected African and other countries. MMH is listed on the Johannesburg Stock Exchange (JSE) and A2X Markets (A2X) in South Africa, and the Namibian Stock Exchange (NSX) in Namibia.

CORPORATE EVENTS

Acquisitions

On 9 December 2020, the Group, through its 70% owned subsidiary, Momentum Short-term Insurance (Namibia) Ltd, acquired 100% in Alexander Forbes Insurance Company Namibia Ltd (AFIN). AFIN has since been renamed to Momentum Insurance (Namibia). The initial accounting for the AFIN acquisition was provisionally determined and was presented as preliminary at 31 December 2020 and 30 June 2021. The acquisition accounting has been finalised and has resulted in a revision of the purchase consideration from N$40 million in cash and N$10 million contingent consideration to a purchase consideration of N$32 million which comprises a cash component of N$32 million and a contingent consideration of nil. The excess cash of N$8 million represents a receivable at the acquisition date.

On 1 June 2022, the Group, through its wholly owned subsidiary, Workers Health Investments (Pty) Ltd, acquired 30% in Homeville Holdings (Pty) Ltd (the holding company of a group of pharmacies) for R16.5 million in cash. The Group has significant influence over this entity and has therefore classified it as an investment in associate.

Disposals

Sales agreements were entered into for the sale of three properties during the prior financial year and were thus classified as held for sale. These properties have been sold during the current year.

On 1 September 2021, the Group disposed of its 25% shareholding in aYo Holdings Ltd (aYo), as well as the related intellectual property, for a consideration of $20 million (R287 million).

On 30 April 2022, the Group disposed of its 40% shareholding in Aluwani Capital Partners (Pty) Ltd (Aluwani) for a consideration of R146.8 million.

Listed debt

On 25 May 2022, Momentum Metropolitan Life Ltd (MML) listed two new subordinated debt instruments to the combined value of R1 billion on the JSE Ltd. The proceeds of the issuance were used to refinance the subordinated debt instrument, MMIG05, which became callable on 12 August 2022.

Other

The Group entered into a Broad-based black economic empowerment (B-BBEE) transaction with strategic partners during the current year in order to establish and enhance relationships that will encourage business and health value penetration in the government, public and private sector. The Group provided preference share funding to facilitate the transaction. The strategic restructuring resulted in a change of the Group's holdings in respect of two subsidiaries Metropolitan Health Corporate (Pty) Ltd (MHC) (51% to 70.5%) and Momentum Health Solutions (Pty) Ltd (MHS) (100% to 73%). No IFRS 2 Share-based payment expense has been recognised in respect of this transaction as all terms of the transaction are considered to be market related.

PRESENTATION OF FINANCIAL STATEMENTS

The consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, as set out in these financial statements, have been prepared in accordance with:

- IFRS;
- Interpretations by the IFRS Interpretations Committee (IFRIC) issued and effective at the time of preparing these statements;
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides (as issued by the Accounting Practices Committee);
- Financial Pronouncements (as issued by the Financial Reporting Standards Council);
- JSE Listings Requirements; and
- Companies Act.

The accounting policies of the Group have been applied consistently to all years presented except specific restatements being listed in note 47 of the AFS. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the Group's accounting policies. Such judgement, assumptions and estimates are disclosed in the Critical judgements and accounting estimates note on page 40 of the AFS, including changes in estimates that are an integral part of the insurance business.

SOLVENCY ASSESSMENT AND GOING CONCERN

The Group's solid performance during the current year follows the less severe impacts of Covid-19 on earnings as mortality experience in the current year improved over the second half of the year. This resulted in a small full-year net mortality profit, after a partial release of opening Covid-19 provisions, for the first time since the start of the pandemic. The mortality experience during the second half of the current year, affected by the fourth and fifth Covid-19 waves in South Africa, was less severe than during the first half when the third Covid-19 wave still caused significant mortality losses. The second half showed an improvement in mortality experience with a net mortality profit of R483 million being recognised after release of Covid-19 provisions, offsetting the net mortality loss of R378 million reported in the first half of the year. This brought the net mortality profit for the full year to R105 million. Releases of the mortality component of the Covid-19 provision in the current year amounted to R1 639 million, of which R1 133 million was released in the first half of the year. The timing and magnitude of future Covid-19 waves remain uncertain, and the Group's remaining provision for future claims assumes a sixth and seventh wave in line with the experience during the fourth and fifth waves. The Group remains profitable, with robust levels of capital and liquidity and a strong regulatory solvency position. The Board, through the Audit Committee and Actuarial Committee, has received reports and updates on the operational and financial performance. The Board is satisfied of the Group's solvency, taking into account its ability to withstand impacts from the continuously evolving environment, and its ability to continue as a going concern.

CORPORATE GOVERNANCE

The Board has satisfied itself that the Group has applied the principles of corporate governance as detailed in the King Report on Corporate Governance™ for South Africa, 2016 (King IV™)* throughout the year under review. Refer to the Integrated Report and the King IV™ Application Summary available on the Group's website for details of the governance framework and assessment of its application throughout the year.

PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group is party to legal proceedings and appropriate provisions are made when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and that amount is measured reliably. The Group is not aware of capital commitments at 30 June 2022 that were not in the ordinary course of business other than what is disclosed in note 32.

RESULTS OF OPERATIONS

The operating results and the financial position of the Group are reflected in the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, segmental report and the notes thereto.

Group basic earnings and headline earnings attributable to equity holders for the year under review were R3 711 million (2021: R451 million) and R4 233 million (2021: R445 million) respectively. Group normalised headline earnings were R4 383 million (2021: R1 007 million) and normalised headline earnings per share 287.2 cents (2021: 67.1 cents). Refer to note 1 for a reconciliation of basic earnings to normalised headline earnings.

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Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations and B-BBEE costs. Additionally, the iSabelo special purpose vehicle, which houses preference shares issued as part of the employee share ownership scheme's funding arrangement is deemed to be external from the Group and the discount at which the iSabelo Trust acquired the MMH treasury shares is amortised over a period of 10 years and recognised as a reduction to normalised headline earnings. The adjustment for the impact of treasury shares held by policyholder funds removes mismatches that might arise from elimination of treasury shares (potential mismatches that are peculiar to financial institutions that invest in their own securities on behalf of clients). Group normalised headline earnings are reported by segment and disclosed in note 2. For the current year and prior year it is as follows:

	2022		2021	
Analysis of normalised headline earnings	**Rm**	**% of total**	**Rm**	**% of total**
Momentum Life	**1 110**	**25**	(859)	(85)
Momentum Investments	**938**	**21**	1 095	109
Metropolitan Life	**672**	**15**	435	43
Momentum Corporate	**1 174**	**27**	(552)	(55)
Momentum Metropolitan Health	**209**	**5**	213	21
Non-life Insurance	**461**	**11**	544	55
Momentum Metropolitan Africa	**118**	**3**	256	25
New Initiatives	**(466)**	**(11)**	(358)	(36)
Shareholders	**167**	**4**	233	23
Total	**4 383**	**100**	1 007	100

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of significant subsidiary companies are contained in note 42. Details of associates are contained in note 6 and 43. Details of joint ventures are contained in note 6.

SHARE CAPITAL

Share issue and repurchase

During the current and prior year, no A3 preference shares were converted into ordinary shares. There were also no share issues or share repurchases in the current year. As part of the employee share ownership programme, 17 987 573 number of shares were repurchased during the prior year. Refer to note 16 for more details.

Share options

The Group awards units to employees as part of cash-settled share-based schemes. Refer to note 15.1.2 for more details.

The iSabelo Trust (the Trust) has been set up to hold and administer 3% of total issued MMH shares until such time as the shares are allocated to employees. At commencement of the programme, units in the Trust were allocated to all current South African employees during April 2021. Units will also be allocated, on an annual basis, to new South African employees who joined after the commencement date. Accordingly, units were granted to new South African employees who joined after commencement date on 29 April 2022. Vesting will occur as follows: 10% to vest in year one and 15% thereafter for years two to seven. The shares will be distributed to employees at the end of the 10th anniversary of their initial allocation. Refer to note 17.6 for more details.

SHAREHOLDER DIVIDEND

MMH – ordinary shares

During the current year, interim ordinary dividends of 35 cents per share were declared in March 2022 and a final ordinary dividend of 65 cents per share was declared on 12 September 2022 by the Board, resulting in a total ordinary dividend of 100 cents per share. In the prior year, an interim ordinary dividend of 25 cents per share was declared in March 2021 and a final ordinary dividend of 15 cents per share was declared in September 2021 by the Board.

The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 7 October 2022, and will be paid on Monday, 10 October 2022. The dividend will be subject to local dividend withholding tax at a rate of 20% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. This will result in a net final dividend of 52 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.

The last day to trade cum dividend will be Tuesday, 4 October 2022. The shares will trade ex dividend from the start of business on Wednesday, 5 October 2022. Share certificates may not be dematerialised or rematerialised between Wednesday, 5 October 2022 and Friday, 7 October 2022, both days inclusive. The number of ordinary shares in issue at the declaration date was 1 497 475 356. MMH's income tax number is 975 2050 147.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on the payment date.

Preference shares

Dividends of R18.5 million (2021: R18.5 million) (132 cents per share p.a.) were declared on the unlisted A3 MMH preference shares as determined by the Company's Memorandum of Incorporation.

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

The A3 MMH preference shares are redeemable on 30 November 2022 (after extending it by 5 months in the current year) at a redemption value of R9.18 per share unless converted into MMH ordinary shares on a one-for-one basis prior to that date. Refer to note 12.2.3 for more details.

SHAREHOLDERS

Details of the Group's shareholders are provided in the Shareholder profile note of this report.

DIRECTORATE, SECRETARY AND AUDITOR

The Group had the following directors at 30 June 2022:

PC Baloyi (Chair)[1]	Independent non-executive
HP Meyer (Group Chief Executive)	Executive
JC Cilliers (Marais) (Deputy Chief Executive)	Executive
RS Ketola (Group Finance Director)	Executive
LM Chiume	Independent non-executive
P Cooper	Independent non-executive
L de Beer	Independent non-executive
NJ Dunkley	Independent non-executive
T Gobalsamy	Independent non-executive
SC Jurisich	Independent non-executive
PJ Makosholo	Non-independent non-executive
S McPherson	Independent non-executive
V Nkonyeni	Independent non-executive
DJ Park	Independent non-executive

The following represents a list of the new Board appointments and resignations or retirements during the year:

	Appointments	Resignations
MS Moloko – Chair		25 November 2021
P Cooper – Interim Board Chair[1]	25 November 2021	1 July 2022
F Daniels *(retired)*		25 November 2021
FJC Truter *(retired)*		25 November 2021
PC Baloyi – Chair[2]	8 April 2022	

[1] P Cooper acted as interim chair of the Board following the resignation of MS Moloko on 25 November 2021, until the appointment of PC Baloyi as Chair on 1 July 2022.

[2] PC Baloyi was appointed as Chair on 1 July 2022.

Detailed information regarding the directors and Group Company Secretary of MMH is provided in the Integrated Report which is available online in PDF format at https://www.momentummetropolitan.co.za.

Ernst & Young Inc. will continue in office as auditor in accordance with section 90(6) of the Companies Act.

DIRECTORS' INTEREST

KTH, of which Mr P Makosholo is an executive director, has a direct holding of 5.3% interest in the Group (28 million MMH preference shares and 81 million listed MMH ordinary shares).

No material contracts involving directors' interests were entered into by Group entities during the year.

DIRECTORS' SHAREHOLDING

The aggregate direct and indirect holdings in MMH of the directors of the Company at 30 June 2022 are set out below:

	Direct Beneficial '000	Indirect Beneficial '000	Total 2022 '000	Total 2021 '000
Listed				
Executive directors	**469**	**394**	**863**	827
Non-executive directors	**574**	**952**	**1 526**	992
	1 043	**1 346**	**2 389**	1 819

The above directors' effective MMH shareholding amounts to 0.16% (2021: 0.07%).

Refer to the Shareholder profile note for the percentage of issued shares held by directors.

All transactions in listed shares of the Company involving directors were disclosed on the Stock Exchange News Service as required.

No changes occurred between the reporting date and the date of approval of the financial statements. The detail in terms of the Listings Requirements of the JSE is set out in note 45.

The aggregate direct and indirect holdings of the directors in Rand Merchant Investment Holdings Ltd (RMI) shares at 30 June 2022 are set out below:

	Direct Beneficial '000	Indirect Beneficial '000	Total 2022[1] '000	Total 2021 '000
Listed				
Executive directors	–	–	–	44
Non-executive directors	–	–	–	4 054
	–	–	–	4 098

[1] RMI unbundled from MMH effectively on 25 April 2022 and as at 30 June 2022, there are no shares held by RMI in MMH. In the prior year, RMI was a significant shareholder of MMH. In the current year, there is no disclosure of MMH director's shareholding in RMI. In the prior year, the shares held by MMH directors in RMI was disclosed as RMI was a significant shareholder of MMH.

DIRECTORS' REMUNERATION

The executive directors have standard employment contracts with the Company or its subsidiaries with a minimum of a one month notice period. The aggregate remuneration of the MMH directors for the period ended 30 June 2022 is set out below. The detail in terms of the Listings Requirements of the JSE is set out in note 45.

	Fees R'000	Salary R'000	Short-term incentive payments[1] R'000	Expense allowance R'000	Retirement fund R'000	Medical aid R'000	Long-term incentive payment R'000	Total 2022 R'000	Total 2021 R'000
Executive	–	16 673	3 750	–	520	154	6 005	27 102	26 709
Non-executive	19 291	–	–	–	–	–	–	19 291	18 142
Total	19 291	16 673	3 750	–	520	154	6 005	46 393	44 851

[1] Bonus payments relate to the 2021 financial year's bonus.

BORROWING POWERS

In terms of the Company's Memorandum of Incorporation, directors have unlimited borrowing powers (subject to section 45 of the Companies Act); however, Financial Sector Conduct Authority (FSCA) approval is required for any borrowings within a life insurance company in the Group.

EVENTS AFTER THE REPORTING PERIOD

During August 2022, Aditya Birla Capital Ltd and MMH announced a transaction whereby the Abu Dhabi Investment Authority will own 9.99% in Aditya Birla Health Insurance Company Ltd (ABHIL), by way of a fresh issuance of ordinary shares. This will result in a dilution of the Group's shareholding from 49% to 44.1%. Completion of the transaction is still subject to statutory and regulatory approvals, including the approval of the Insurance Regulatory and Development Authority of India. The capital infusion of R1.3 billion (Rs. 665 crore) will be used to drive ABHIL's growth in the health insurance market in India.

During July 2022, the Group, through its wholly owned subsidiary, Metropolitan International Holdings (Pty) Ltd (MIH), disposed of its entire shareholding in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. At 30 June 2022, this disposal did not meet all the recognition criteria to be classified as held for sale in terms of IFRS 5 - Non-current assets held for sale and discontinued operations.

MMH has commenced a R750 million share buyback programme in August 2022 after receiving approval from the Prudential Authority (PA). Share buybacks deliver considerable value accretion to shareholders while the share price continues to trade at a deep discount to embedded value. They also represent an effective form of capital distribution in line with the Group's capital management framework. Future share buybacks will continue to be considered based on affordability.

On 25 August 2022, the Competition Commission released a media statement that it was conducting search and seizure operations at the premises of eight insurance companies in South Africa, including Momentum, a division of MMH. In the statement, the Commission indicated that it has reasonable grounds to suspect that the insurers under investigation have contravened the Competition Act by engaging in collusive practices to fix prices and/or trading conditions in respect of fees for investment products and premiums for risk-related life products.

At the time of the approval of these financial statements, the directors have assessed that the scope of the Commission's investigation does not extend beyond the kinds of investment and risk-related life products reported in the Commission's media statement. In addition, the directors have concluded that the impact to MMH group entities would be unclear until such time as the Commission concludes its investigation and decides formally to refer a case to the Competition Tribunal for adjudication. Accordingly, given the preliminary stage of the Commission's investigation, these financial statements do not make provision for the Commission's allegations relating to contraventions of the Competition Act to the extent that they remain subject to further investigation, assessment and determination.

Refer to note 34 for more details relating to these events. No other material events occurred between the reporting date and the date of approval of these results.

Report of the Audit Committee

The Audit Committee (the Committee) of Momentum Metropolitan Holdings Group (MMH/the Group) herewith presents its report for the financial year ended 30 June 2022. The Group consists of Momentum Metropolitan Holdings Ltd (the Company) and its subsidiaries, which includes the Momentum Metropolitan Life Group.

This was a year of change for the Committee, as two of our stalwart members, Fatima Daniels and Frans Truter, retired from the Board of Momentum Metropolitan Holdings Ltd (the Board), and hence the Committee. Towards the end of the 2022 financial year the Nominations Committee added Lisa Chuime and David Park to the Committee as members, with effect 1 July 2022. Lisa has been a permanent attendee. Due to the unbundling of Rand Merchant Investment Holdings' shareholding in MMH, she is now an independent director and therefore meets the requirements of the Companies Act to serve as an audit committee member. David has also served on the MMH Board for quite some time. He took over the chairmanship of the Board Risk, Capital and Compliance Committee and hence became a permanent invitee to the Committee, which was subsequently changed to a member.

FUNCTION OF THE COMMITTEE

The Committee had discharged its responsibilities as mandated by the Board, its statutory duties in compliance with the Companies Act 71 of 2008, as amended, and the JSE Listings Requirements and best practices in corporate governance, set out in King IV™.

The Committee's oversight responsibilities, delegated to the Committee by the Board include:

- the integrity of financial reporting;
- the internal audit function, including the annual internal audit plan as well as objectivity and performance of the function;
- assessment of the internal control environment;
- combined assurance;
- external audit, including independence and audit quality.

The Committee's terms of reference, which are regularly reviewed and are available on our website, are aligned with the above legislation, regulations and practices.

An overview of the Committee's terms of reference, focus areas for the current year and 2023 objectives are included on pages 46 to 50 of the Group's 2022 Integrated Report. This report does not elaborate on the complete list of responsibilities of the Committee, as set out in its terms of reference, but instead, focuses on the more pertinent matters and required assessments, sign offs and attestations by the Committee.

COMMITTEE COMPOSITION, ATTENDEES AND MEETINGS

The Committee comprises only of independent non-executive directors. The Chair of the Board of the Company is not a member of the Committee.

The Committee's composition during the year was as follows:
Linda de Beer (Chair)
Nigel Dunkley
Seelan Gobalsamy
Fatima Daniels (retired on 25 November 2021)
Frans Truter (retired on 25 November 2021)

A brief profile of the current members can be viewed on pages 36 to 38 of the 2022 Integrated Report and the Group's website at www.momentummetropolitan.co.za.

The Committee had five scheduled meetings during the year. An additional three meetings were held to consider information for purposes of trading updates, with one other special meeting held to discuss the implementation of the joint audit requirement. Member attendance is reflected on pages 36 to 38 of the 2022 Integrated Report, which is available on the Group's website.

Key members of management as well as control functions such as Risk, Compliance, Internal Audit and External Audit attend meetings of the Committee by invitation. Closed sessions for Committee members only, as well as with internal audit, external audit and management are held on a regular basis.

KEY FOCUS AREAS OF THE COMMITTEE FOR THE YEAR

During the current year, the Committee, in addition to its regular agenda as per its terms of reference, paid specific attention to the following:

- Continuously assessing the adequacy of Covid-19 related provisioning and valuations as well as the underlying methodology and assumptions applied in doing this.
- Ongoing monitoring of the Group's readiness for the implementation of IFRS 17: Insurance Contracts, where notable progress has been made.
- Further focus on the reviews and findings by Internal Audit mainly on the various businesses outside of South Africa, to oversee corrective action.
- Commencing with actions to ensure the Group's readiness to implement the joint audit requirement, once this becomes mandatory. This also entailed a realignment of the various assurance providers in the Group.

ANNUAL CONFIRMATIONS BY THE COMMITTEE

On an annual basis the Committee assesses the following:

Group financial reporting practice processes and annual financial statements

As required by the JSE Listings Requirements, the Committee considered the appropriateness of financial reporting procedures and whether these are operational in all entities in the Group, to effectively prepare and report on the financial statements. This oversight by the Committee is supported by the combined assurance activities of the Group, as further explained below.

Furthermore, the Committee considered all related guidance and requirements issued by the JSE, including its 2021 Proactive Monitoring Report and the impact thereof on the Group.

The Committee recommended the Group annual financial statements to the Board for approval.

Going concern

The Committee considered management's assessment of the ability of the Group to continue as a going concern, including key assumptions, forecasts, current and future liquidity, solvency and capital assessments and has made a recommendation to the Board in accordance with this assessment. In doing this, the Committee specifically considered the impact of the Covid-19 pandemic on the Group's ongoing financial stability and sustainability. The Board's statement on the going concern status is included on page 1 of the AFS.

Group Finance Director and finance function

The Committee considered and satisfied itself that Risto Ketola has the appropriate expertise and experience to fulfil the role of Group Finance Director; that the finance function has adequate experience and expertise, and that the finance function has established appropriate financial reporting procedures, which are operating effectively.

Integrated Report

The Committee reviewed the Group's 2022 Integrated Report to satisfy itself as to the integrity thereof, including an appropriate and consistent view of the Group's position and performance relative to operational and financial information known to the Committee. The Integrated Report was recommended to the Board for approval.

External audit quality and independence

The Committee assessed and is satisfied with the suitability of EY and the designated auditor, Cornea de Villiers, following inspection of the required reports, in line with the JSE Listings Requirements. Furthermore, in accordance with section 94(8) of the Companies Act, the Committee was satisfied with the independence and objectivity of EY in carrying out their duties as external auditors.

The Committee has satisfied itself that, EY, with Cornea de Villiers as the designated auditor, satisfactorily fulfilled their responsibilities as the external auditors and designated auditor, respectively, during the financial year.

External audit fees are disclosed on page 111 within note 26 to the AFS. All the non-audit services (disclosed on page 111, note 26 of the AFS) provided by the external auditors were approved by the Committee in accordance with the policy for the provision of non-audit services.

Internal audit

Otsile Sehularo, Chief Audit Executive (CAE) oversees the Group Internal Audit function and the internal audit co-sourced relationship with KPMG. The Committee annually assesses the performance of the CAE and Group Internal Audit and remains satisfied that the co-sourced internal audit model with KPMG results in the appropriate independence of Group Internal Audit, provides access to subject matter assurance expertise and has the authority to fulfil its duties as per its mandate, which is outlined in the internal audit charter. The charter and the risk-based internal audit plan are reviewed annually and approved by the Committee. Progress in terms of the internal audit plan is monitored by the Committee.

During the year the Committee approved the reappointment of KPMG as co-sourced internal auditors, effective 1 January 2023 for a period of five years.

Combined assurance and internal financial control assessment

Momentum Metropolitan has a well-established combined assurance framework and practices to enable integrated planning, execution and reporting of the various assurance activities across the business. These assurance activities include both internal assurance functions, including Compliance, Risk, Actuarial and Group Internal Audit as well as external assurance providers, most pertinently External Audit. This integrated approach allows for improved understanding and coverage of risks by all relevant Momentum Metropolitan assurance providers.

The Committee has carried out its responsibilities with the support of the Combined Assurance Forums that represent the various operating structures within the Group. The Combined Assurance Forums report to the Committee every quarter.

As Chair of this Committee, I am a member of the Board's Risk, Capital and Compliance Committee. The chair of the Risk, Capital and Compliance Committee has been a permanent invitee, who became a member of this Committee, with effect from 1 July 2022. The dual membership ensures that the Committee is appropriately made aware of material matters that may impact the Group's financial reporting procedures.

Details of the Group's combined assurance framework and the results of the assurance work in 2022 is provided on page 30 of the Integrated Report.

Through feedback from the quarterly Combined Assurance Forums, the Committee was able to assess that the review of the design, implementation and effectiveness of the Group's internal controls, with specific focus on internal financial controls, was performed in all material segments of the business. Based on the feedback from the Combined Assurance Forums, the annual self-assessments by the management of the various businesses, the work done to support the CEO and FD conclusion and sign off on the financial controls to support the accuracy of the financial statements, as well as the assurance provided by Group Internal Audit, the Committee concluded that internal financial controls are effective and adequate to support the integrity of the preparation and presentation of the annual financial statements.

THE COMMITTEE'S RESPONSE TO KEY AUDIT MATTERS REPORTED BY THE EXTERNAL AUDITOR

Key audit matters (KAMs) are matters that, in the external auditor's professional judgement, were of most significance in the audit of the AFS for the current financial year.

The Committee considers these matters as follows:

Valuation of insurance contract liabilities

The valuation of insurance liabilities is a critical focus area for the Committee. The Committee reviews the key assumptions used and reasons for basis changes and other adjustments to understand the impact it would have on the calculations. As in the past, the Committee relied on the Board Actuarial Committee to interrogate the consistency and appropriateness of the methodology and calculations applied in determining the appropriate level of provisioning. Feedback from the Chair of the Actuarial Committee was given to the Committee. The Committee paid particular attention to the assumptions and judgments applied to determine the Covid-19 provisions. Other basis changes were also assessed. The Committee is satisfied that the valuation of insurance contract liabilities were adequately considered.

Valuation of complex and illiquid financial instruments

The Committee has considered the appropriateness and consistency of the methodology applied, as well as the assumptions and judgments made by management in order to determine the fair value of its property portfolio, investment in non-listed entities and credit exposure in respect of lending activities. The Committee gave specific consideration to the judgements applied to take account of the economic impact of the Covid-19 pandemic on the property portfolio and credit exposure in respect of lending activities. To this end, in compliance with the measurement requirements of International Financial Reporting Standards, the Committee was comfortable with these valuations and that the related judgements in this regard are adequately considered and disclosed.

PLANNED KEY FOCUS AREAS OF THE COMMITTEE FOR 2023

The key items of focus for the 2023 financial year are currently considered as follows:

- Overseeing that the Group is ready to implement IFRS 17, for meaningful financial reporting.
- Monitoring that the Group is ready to implement the joint audit requirement, should this become mandatory - which will inadvertently impact the construct of other assurance providers and services for which the Committee is responsible.
- Continued focus on developments in the regulatory environment to monitor that controls and processes are in place to ensure compliance.

Linda de Beer
Chair: Audit Committee

12 September 2022

Statement of financial position

at 30 June

	Notes	2022 Rm	Restated 2021[1] Rm	Restated 1 July 2020[1] Rm
Assets				
Intangible assets	3	**8 747**	9 939	10 339
Owner-occupied properties	4	**3 016**	3 033	3 598
Fixed assets		**478**	404	391
Investment properties	5	**9 051**	8 938	9 042
Properties under development		**162**	163	118
Investments in associates and joint ventures	6	**1 491**	1 156	905
Employee benefit assets		**460**	697	652
Financial assets at fair value through profit and loss (FVPL)	7.1	**489 511**	471 362	433 186
Financial assets at amortised cost	7.2	**8 739**	7 968	6 063
Reinsurance contract assets	8	**14 976**	6 849	6 142
Deferred income tax	14	**880**	756	862
Insurance and other receivables	7.3	**7 739**	6 240	5 380
Current income tax assets		**81**	456	371
Assets relating to disposal groups held for sale	46	**14**	171	154
Cash and cash equivalents	7.4	**28 720**	36 822	30 414
Total assets		**574 065**	554 954	507 617
Equity				
Equity attributable to owners of the parent		**24 621**	21 575	22 593
Share capital	16	**12 769**	12 737	13 170
Other components of equity	17	**1 453**	1 469	2 315
Retained earnings		**10 399**	7 369	7 108
Non-controlling interests		**365**	348	410
Total equity		**24 986**	21 923	23 003
Liabilities				
Insurance contract liabilities				
Long-term insurance contracts	9.1	**126 225**	128 918	114 387
Non-life insurance contracts	9.2	**22 152**	13 563	11 445
Capitation contracts		**8**	7	9
Investment contracts		**321 789**	311 722	279 956
– with discretionary participation features (DPF)	10.1	**3 031**	19 222	18 320
– designated at FVPL	10.2	**318 758**	292 500	261 636
Financial liabilities at FVPL	12.1	**48 141**	51 013	52 307
Financial liabilities at amortised cost	12.2	**4 336**	4 164	4 610
Reinsurance contract liabilities	13	**2 299**	2 347	2 277
Deferred income tax	14	**2 601**	2 729	2 926
Employee benefit obligations	15.1	**1 438**	1 148	1 228
Other payables	12.3	**19 567**	16 967	14 789
Provisions	33	**307**	283	321
Current income tax liabilities		**216**	170	238
Liabilities relating to disposal groups held for sale	46	**–**	–	121
Total liabilities		**549 079**	533 031	484 614
Total equity and liabilities		**574 065**	554 954	507 617

[1] Refer to note 47 for more information on the restatements.

Income statement

for the year ended 30 June

	Notes	2022 Rm	Restated 2021[1] Rm
Insurance premiums		**59 666**	56 589
Insurance premiums ceded to reinsurers		**(20 773)**	(19 553)
Net insurance premiums	18	**38 893**	37 036
Fee income	19	**9 267**	9 022
Contract administration		**3 533**	3 119
Health administration		**2 246**	2 107
Trust and fiduciary services		**1 252**	1 150
Cell captive commission		**1 496**	1 322
Other fee income		**740**	1 324
Investment income	20	**26 167**	22 040
Amortised cost		**1 394**	1 236
Other investment income		**24 773**	20 804
Net realised and unrealised fair value (losses)/gains	21	**(4 170)**	40 262
Net income		**70 157**	108 360
Insurance benefits and claims		**53 491**	43 320
Insurance claims recovered from reinsurers		**(23 115)**	(12 182)
Net insurance benefits and claims	22	**30 376**	31 138
Change in actuarial liabilities and related reinsurance		**(6 605)**	12 961
Change in long-term insurance contract liabilities		**(3 280)**	13 002
Change in non-life insurance contract liabilities		**(126)**	(78)
Change in investment contracts with DPF liabilities		**(1 644)**	763
Change in reinsurance assets	8	**(897)**	(142)
Change in reinsurance liabilities	13	**(658)**	(584)
Fair value adjustments on investment contract liabilities	10.2	**10 884**	34 192
Fair value adjustments on collective investment scheme (CIS) liabilities		**894**	3 091
Depreciation, amortisation and impairment expenses	23	**1 680**	1 273
Employee benefit expenses	24	**7 157**	6 511
Sales remuneration	25	**7 674**	7 193
Other expenses	26	**8 256**	7 306
Expenses		**60 316**	103 665
Results of operations		**9 841**	4 695
Share of equity accounted loss on associates and joint ventures	6	**(243)**	(237)
Profit on sale of associate and joint venture		**246**	–
Finance costs	27	**(2 327)**	(1 616)
Profit before tax		**7 517**	2 842
Income tax expense	28	**(3 709)**	(2 298)
Earnings for the year		**3 808**	544
Attributable to:			
Owners of the parent	1	**3 711**	451
Non-controlling interests		**97**	93
		3 808	544
Basic earnings per ordinary share (cents)	1	**260.6**	31.3
Diluted earnings per ordinary share (cents)	1	**256.9**	31.3

[1] Refer to note 47 for more information on the restatements.

Statement of comprehensive income

for the year ended 30 June

	Notes	2022 Rm	Restated 2021[1] Rm
Earnings for the year		**3 808**	544
Other comprehensive loss, net of tax		**(36)**	(738)
Items that may subsequently be reclassified to income		**89**	(469)
Exchange differences on translating foreign operations[2, 3]	17	**37**	(381)
Share of other comprehensive income/(loss) of associates	17	**52**	(88)
Items that will not be reclassified to income		**(125)**	(269)
Own credit losses on financial liabilities designated at FVPL	12	**(26)**	(90)
Land and building revaluation	17	**(138)**	22
Remeasurements of post-employee benefit funds	17	**(8)**	(179)
Income tax relating to items that will not be reclassified	17	**47**	(22)
Total comprehensive income/(loss) for the year		**3 772**	(194)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**3 675**	(275)
Non-controlling interests		**97**	81
		3 772	(194)

1 Refer to note 47 for more information on the restatements.

2 In the prior year, negative R17 million represents the foreign currency translation reserve (FCTR) reversal on the sale of Metropolitan Life Zambia Ltd, Metropolitan Health Zambia Ltd, Metropolitan Tanzania Life Assurance Company Ltd and Metropolitan Tanzania Insurance Company Ltd, giving rise to an income of the same extent in the income statement.

3 The movement is primarily caused by the year-on-year strengthening of the ZAR against the GBP, BWP, GHS, KES and USD. In the prior year, the ZAR weakened against these currencies.

Statement of changes in equity

	Notes	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 July 2020		9	13 161	2 315	7 108	22 593	410	23 003
Total comprehensive (loss)/income		–	–	(636)	361	(275)	81	(194)
Income statement		–	–	–	451	451	93	544
Other comprehensive loss		–	–	(636)	(90)	(726)	(12)	(738)
Dividend declared/paid		–	–	–	(365)	(365)	(109)	(474)
Equity-settled share-based payments	17.6	–	–	46	–	46	–	46
Net movement in treasury shares held on behalf of contract holders	16	–	(142)	–	–	(142)	–	(142)
Increase in treasury shares held by subsidiary for employees		–	(291)	–	–	(291)	–	(291)
Transfer to retained earnings from other reserves		–	–	(256)	256	–	–	–
Increase relating to transactions with owners[1]		–	–	–	9	9	17	26
Decrease relating to transactions with owners[1]		–	–	–	–	–	(10)	(10)
Sale of subsidiary		–	–	–	–	–	(41)	(41)
Balance at 1 July 2021		**9**	**12 728**	**1 469**	**7 369**	**21 575**	**348**	**21 923**
Total comprehensive (loss)/income		**–**	**–**	**(10)**	**3 685**	**3 675**	**97**	**3 772**
Income statement		**–**	**–**	**–**	**3 711**	**3 711**	**97**	**3 808**
Other comprehensive loss		**–**	**–**	**(10)**	**(26)**	**(36)**	**–**	**(36)**
Dividend declared/paid		**–**	**–**	**–**	**(735)**	**(735)**	**(58)**	**(793)**
Equity-settled share-based payments	17.6	**–**	**–**	**52**	**–**	**52**	**–**	**52**
Net movement in treasury shares held on behalf of contract holders	16	**–**	**32**	**–**	**–**	**32**	**–**	**32**
Transfer to retained earnings from other reserves		**–**	**–**	**(58)**	**58**	**–**	**–**	**–**
Increase relating to transactions with owners[2]		**–**	**–**	**–**	**151**	**151**	**38**	**189**
Decrease relating to transactions with owners[3]		**–**	**–**	**–**	**(129)**	**(129)**	**(60)**	**(189)**
Balance at 30 June 2022		**9**	**12 760**	**1 453**	**10 399**	**24 621**	**365**	**24 986**

[1] Information previously presented on an aggregated basis has now been disaggregated for comparability.

[2] The current year relates to the strategic restructuring which resulted in the Group's effective interest in MHS declining by 27% from 100% to 73%.

[3] The current year relates to the strategic restructuring which resulted in the Group's effective interest in MHC increasing from 51% to 70.5%.

Statement of cash flows

for the year ended 30 June

	Notes	2022 Rm	Restated 2021[1] Rm
Cash flow from operating activities			
Cash utilised in operations	29.1	**(19 619)**	(7 350)
Interest received		**16 297**	16 202
Dividends received		**6 190**	4 423
Income tax paid	29.2	**(3 484)**	(2 588)
Interest paid	29.3	**(1 986)**	(1 604)
Net cash (outflow)/inflow from operating activities		**(2 602)**	9 083
Cash flow from investing activities			
Contingent consideration related to business combinations	30	**(64)**	–
Proceeds on sale of associate		**147**	–
Net investments in subsidiaries		**–**	(214)
Proceeds on sale of associate and intangibles included in non current assets held for sale		**291**	(79)
Investment in associates and joint ventures		**(647)**	(457)
Capital injection on associate held in non-current asset held for sale		**(69)**	–
Loans advanced to related parties		**–**	(37)
Loans repaid by related parties		**150**	8
Purchase of owner-occupied properties		**(256)**	(242)
Proceeds from disposal of owner-occupied properties		**–**	20
Purchase of fixed assets		**(279)**	(233)
Proceeds from disposal of fixed assets		**–**	11
Purchase of computer software		**(58)**	(77)
Proceeds from disposal of computer software		**–**	5
Dividends from associates		**37**	16
Net cash outflow from investing activities		**(748)**	(1 279)
Cash flow from financing activities			
Proceeds from borrowings	29.4	**6 704**	8 716
Repayment of borrowings	29.4	**(10 916)**	(8 140)
Dividends paid to equity holders		**(735)**	(365)
Dividends paid to non-controlling interest shareholders		**(58)**	(109)
Purchase of treasury shares held on behalf of contract holders		**–**	(619)
Proceeds from disposal of treasury shares held on behalf of contract holders		**32**	477
Purchase of treasury shares held by subsidiary for employees		**–**	(291)
Shares purchased from non-controlling interest shareholders[2]		**(347)**	–
Shares issued and sold to non-controlling interest shareholders[3]		**347**	21
Subordinated call notes issued	29.4	**1 000**	750
Subordinated call notes repaid	29.4	**(87)**	(750)
Net cash outflow from financing activities		**(4 060)**	(310)
Net cash flow		**(7 410)**	7 494
Cash resources and funds on deposit at beginning		**36 822**	30 439
Foreign currency translation		**(692)**	(1 111)
Cash resources and funds on deposit at end		**28 720**	36 822
Made up as follows:			
Cash and cash equivalents	7.4	**28 720**	36 822
		28 720	36 822

1 Refer to note 47 for more information on the restatements.

2 MHC repurchased ordinary shares (R347 million). Non-controlling interests purchased ordinary shares in the entity for R158 million.

3 Momentum Metropolitan Strategic Investments (Pty) Ltd (MMSI) sold a portion of its ordinary shares in MHS to non-controlling interest.

Basis of preparation

The financial statements, as set out below, have been prepared in accordance with IFRS, IFRIC interpretations issued and effective at the time of preparing these statements, the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), Financial Pronouncements (as issued by the Financial Reporting Standards Council), the Listings Requirements of the JSE and the South African Companies Act. These statements have been prepared on the historical cost basis, except for the following items which are carried at fair value or valued using another measurement basis:

FAIR VALUE

- Owner-occupied and investment properties
- Investments in associates at FVPL
- Financial assets at FVPL
- Investment contract liabilities designated at FVPL and financial liabilities at FVPL
- Liabilities for cash and equity-settled share-based payment arrangements

OTHER MEASUREMENT BASIS

- Insurance contracts, investment contracts with DPF and reinsurance contracts valued using the Financial Soundness Valuation (FSV) basis as set out in Standard of Actuarial Practice (SAP) 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers
- Non-life insurance contracts valued using the Insurance Act, 18 of 2017
- Employee benefit obligations measured using the projected unit credit method
- Investments in associates and joint ventures measured using the equity method of accounting
- Assets and liabilities relating to disposal groups held for sale measured at the lower of carrying value or fair value less cost to sell

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 48. These policies have been consistently applied to all the years presented except specific restatements being listed in note 47 of the AFS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. There are areas of complexity involving a higher degree of judgement and areas where assumptions and estimates are significant to the consolidated financial statements. The accounting estimates and assumptions have been reviewed in line with the Covid-19 pandemic. These judgements, assumptions and estimates are disclosed in detail in the notes to the AFS and in a summary in the Critical judgements and accounting estimates note.

The preparation of the Group's consolidated results was supervised by the Group Finance Director, Risto Ketola (FIA, FASSA, CFA Charterholder) and have been audited by Ernst & Young Inc. in compliance with the requirements of the Companies Act.

Published standards, amendments and interpretations effective for June 2022 financial period

The following published standards are mandatory for the Group's accounting period beginning on or after 1 July 2021 and have been implemented in accordance with the transitional provisions of these standards:

- Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, International Accounting Standards (IAS) 39, IFRS 7, IFRS 4 and IFRS 16; and
- Covid-related rent concessions beyond 30 June 2021: Amendment to IFRS 16.

These amended standards had no financial impact on the Group's earnings or net asset value.

Critical judgements and accounting estimates

PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared on the going concern basis of accounting. The statement of financial position is presented based on liquidity. The income statement is presented on the nature of expense method; however, sales remuneration is separately disclosed. In the statement of cash flows, the cash flows from operating activities are reported on the indirect method. The consolidated financial statements are presented in South African rand, which is the functional currency of the parent.

APPLICATION OF ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Group. Management applies judgement in determining best estimates of future experience. Judgements are based on historical experience and management's best-estimate expectations of future events. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying amount of the affected assets and liabilities. All business across the Group reviewed their bottom-up forecasted cash flows to account for the potential impact of the pandemic on its assumptions including revenue growth, claims experience, expenses and lapse rates inter alia. These have been incorporated into the projections which are used as inputs in various valuations models. The critical judgements and estimates made in applying the Group's accounting policies are detailed in the notes to the AFS, as listed below:

- Impairment testing of intangible assets – note 3
- Valuation assumptions for both owner-occupied and investment properties – notes 4 and 5
- Valuation of financial assets – note 7
- Assessment of control over CISs – note 7
- Assumptions and estimates of contract holder liabilities (also applicable to reinsurance contracts) – notes 8, 11 and 13
- Provision for deferred tax – note 14
- Business combination – note 30
- Assessment of the principles of IFRS 15 around the timing of revenue recognition – note 48
- Valuation assumptions for financial instruments – note 44
- Valuation assumptions for cash and equity-settled arrangements – note 45

1 NORMALISED HEADLINE EARNINGS

Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations and B-BBEE costs. Additionally, the iSabelo special purpose vehicle, which houses preference shares issued as part of the employee share ownership scheme's funding arrangement is deemed to be external from the Group and the discount at which the iSabelo Trust acquired the MMH treasury shares is amortised over a period of 10 years and recognised as a reduction to normalised headline earnings.

	Basic earnings[1]		Diluted earnings[2]	
Group earnings per ordinary share attributable to owners of the parent	**2022**	**2021**	**2022**	**2021**
Earnings (cents per share)	**260.6**	31.3	**256.9**	31.3
Headline earnings (cents per share)	**297.3**	30.9	**292.7**	30.9
Normalised headline earnings (cents per share)			**287.2**	67.1

	Basic earnings		Diluted earnings	
	2022	**2021**	**2022**	**2021**
Weighted average number of ordinary shares in issue (million)[1]	**1 424**	1 439	**1 424**	1 439
Adjustments for				
Employee share scheme[3]			**7**	–
Assumed conversion of 28 million preference shares (weighted)[2]			**28**	–
Weighted average – earnings and headline earnings (million)[1]			**1 459**	1 439
Employee share scheme[3]			**(7)**	–
Assumed conversion of 28 million preference shares (weighted)[2]			**–**	28
Treasury shares held on behalf of contract holders			**29**	23
Treasury shares held on behalf of employees			**45**	10
Weighted average – normalised headline earnings (million)[4]			**1 526**	1 500

	Basic earnings		Diluted earnings	
Reconciliation of headline earnings attributable to owners of the parent	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Earnings – equity holders of the Group	**3 711**	451	**3 711**	451
Finance costs – convertible preference shares[5]			**37**	–
Diluted earnings			**3 748**	451
Adjustments within equity-accounted earnings	**16**	28	**16**	28
Loss on dilution of joint venture	**–**	5	**–**	5
Intangible asset impairments[6]	**709**	117	**709**	117
Tax on intangible asset impairments	**4**	(40)	**4**	(40)
Gain on sale of associate and joint venture[7]	**(246)**	–	**(246)**	–
Gain on sale of subsidiary[8]	**–**	(150)	**–**	(150)
FCTR reversal on sale of foreign subsidiary	**–**	(17)	**–**	(17)
Investment in associates impairments[9]	**–**	38	**–**	38
Net impairment of owner-occupied property below cost[10]	**35**	116	**35**	116
Tax on net impairment of owner-occupied property below cost	**4**	(103)	**4**	(103)
Headline earnings[11]	**4 233**	445	**4 270**	445
B-BBEE costs			**11**	25
Adjustments for iSabelo[12]			**(54)**	40
Adjustments for MMH shares held by policyholder funds			**(134)**	54
Amortisation of intangible assets relating to business combinations			**290**	406
Finance costs – convertible preference shares[5]			**–**	37
Normalised headline earnings[13, 14]			**4 383**	1 007

1 NORMALISED HEADLINE EARNINGS CONTINUED

[1] For basic and diluted earnings and headline earnings per share, treasury shares held on behalf of contract holders as well as those held by a subsidiary on behalf of employees are deemed to be cancelled.

[2] On a diluted basis, the KTH preference shares were anti-dilutive in the prior year. For diluted earnings and headline earnings, these preference shares were therefore ignored in accordance with IAS 33 for that year. Normalised headline earnings treats the preference shares as if they were ordinary equity. This treatment is consistent with how the preference shares are treated when dilutive.

[3] The diluted number of shares in issue includes the dilutive potential ordinary shares from the iSabelo employee scheme. The diluted number of shares in issue for normalised headline earnings does not include this adjustment as these shares are deemed to be issued.

[4] For normalised headline earnings per share, treasury shares held on behalf of contract holders as well as those held by a subsidiary on behalf of employees are deemed to be issued.

[5] The finance costs relating to the KTH preference shares were anti-dilutive in the prior year and it accordingly was only taken into account in the calculation of normalised headline earnings for that year.

[6] The current year impairments relate mainly to:

- Goodwill recognised as part of the acquisition of the Alexander Forbes Short-term Insurance business (Non-life Insurance segment). The recoverable amount (R2 002 million) of the cash-generating unit (Momentum Insure) is determined based on value-in-use calculations with reference to directors' valuations (DVs). The impairment is due to a revision of the 5-year forecast that reflects a more subdued medium-term growth outlook. The remaining goodwill balance after the impairment is R478 million.

The prior year included impairments related mainly to:

- Value of in-force business acquired in Shareholders segment due to a decrease in the asset values that back these liabilities.
- The reversal of impairments relating to computer software in Momentum Metropolitan Africa segment due to a higher recoverable amount.

[7] Relates to the sale of aYo, the related intellectual property sold as part of the disposal, as well as the sale of Aluwani.

[8] The prior year related mainly to the sale of the controlling interest in Methealth Namibia Administrators (Pty) Ltd (MHNA) as well as the sale of Metropolitan Life Zambia Ltd, Metropolitan Health Zambia Ltd, Metropolitan Tanzania Life Assurance Company Ltd and Metropolitan Tanzania Insurance Company Ltd in the Momentum Metropolitan Africa segment.

[9] The prior year related to the impairment of RMI Investment Managers Affiliates 2 (Pty) Ltd due to a decline in value of this associate.

[10] The impairment in the current and prior year mainly relate to the impairment of the Marc, Tower 2. The impairment can largely be attributed to the decline in market rental rates for office property in Sandton in recent years, as well as considering the weak property market outlook as a result of the Covid-19 pandemic.

[11] Headline earnings consist of operating profit, investment return, investment variances and basis and other changes. The long-term insurance industry exemption which allows that net realised and unrealised fair value gains on investment properties not being excluded from headline earnings has been applied.

[12] This mainly includes the add back of the IFRS 2 expense incurred as a result of the employee share ownership scheme, as well as the investment income earned on the preference shares issued to the iSabelo special purpose vehicle. In the current year, it also includes the fair value loss on these preference shares.

[13] As announced in February 2022, the South African corporate tax rate will be reduced from 28% to 27%, effective for years of assessment ending on or after 31 March 2023. As a result, the closing deferred tax balance at 30 June 2022 has been adjusted to take into account the change in rate. In accordance with the Headline Earnings Circular 1/2021, the items impacting headline earnings have been adjusted to take this change into account.

[14] Refer to note 2 for an analysis of normalised headline earnings per segment.

2 SEGMENTAL REPORT

The Group's reporting view reflects the following segments:

- **Momentum Life:** Momentum Life includes protection and savings products focused on the middle and affluent client segments, as well as Multiply, a wellness focused client engagement platform.
- **Momentum Investments:** Momentum Investments consists of the Momentum Wealth platform business, local and offshore asset management operations, retail annuities and guaranteed investments, as well as Eris Properties.
- **Metropolitan Life:** Metropolitan Life focuses on the lower and middle income retail market segment, with a range of protection, savings and annuity products.
- **Momentum Corporate:** Momentum Corporate offers group risk, annuities, pension savings and umbrella fund (FundsAtWork) products.
- **Momentum Metropolitan Health:** Provides healthcare solutions to individuals, corporates and the public sector within a range of structures and products.
- **Non-life Insurance:** Non-life Insurance comprises the retail general insurance offering, Momentum Short-term Insurance and Momentum Insurance; and the cell captive insurer, Guardrisk.
- **Momentum Metropolitan Africa:** This segment includes the Group's operations within other African countries. This includes life insurance, non-life insurance, health insurance and administration and asset management. Botswana, Lesotho and Namibia contributes most materially to the results of this segment.
- **New Initiatives:** This includes India, aYo, Multiply Money, Exponential Ventures and Momentum Consult.
- **Shareholders:** The Shareholders segment represents the investment return on venture capital fund investments, a proportion of the investment returns from MML, less the head office costs not allocated to operating segments (eg certain holding company expenses).

Intergroup fees are charged at market-related rates. Corporate costs are allocated on a usage or time spent basis. Intergroup charges are eliminated in the 'Reconciling items' column. No individual customer generates more than 10% of revenue for the Group.

The Executive Committee of the Group assesses the performance of the operating segments based on normalised headline earnings. Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations and B-BBEE costs. Additionally, the iSabelo special purpose vehicle, which houses preference shares issued as part of the employee share ownership scheme's funding arrangement is deemed to be external from the Group and the discount at which the iSabelo Trust acquired the MMH treasury shares is amortised over a period of 10 years and recognised as a reduction to normalised headline earnings.

A reconciliation of earnings to normalised headline earnings is provided in note 1.

Refer to the EV report for in depth detail on covered business.

Reconciliation of management information to IFRS

The segmental information is reconciled to the IFRS income statement results. The 'Reconciling items' column represents the IFRS accounting reclassifications and adjustments that are required to reconcile management information to the IFRS financial statements. More information has been provided as a footnote.

Notes to the financial statements continued

2 SEGMENTAL REPORT CONTINUED

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	Total[2] Rm
12 mths to 30.06.2022													
Revenue													
Net insurance premiums	2.4	9 889	30 732	8 239	17 509	1 186	14 035	5 620	–	–	87 210	(48 317)	38 893
Recurring premiums		9 392	869	6 450	12 798	1 186	10 907	4 015	–	–	45 617	(14 328)	31 289
Single premiums		497	29 863	1 789	4 711	–	3 128	1 605	–	–	41 593	(33 989)	7 604
Fee income		1 274	3 689	70	1 237	2 315	1 685	189	123	546	11 128	(1 861)	9 267
Fee income	2.3, 2.4	1 233	2 976	70	1 234	2 261	1 685	189	83	–	9 731	(464)	9 267
Intergroup fee income		41	713	–	3	54	–	–	40	546	1 397	(1 397)	–
Expenses													
Net payments to contract holders													
External payments		11 250	27 035	6 485	19 917	724	6 373	3 418	–	–	75 202	(44 826)	30 376
Other expenses[3]		3 350	3 579	3 072	1 611	2 320	5 445	1 747	215	775	22 114	2 653	24 767
Sales remuneration		1 324	998	1 402	85	83	3 070	675	37	–	7 674	–	7 674
Administration expenses		1 783	1 927	1 506	1 222	1 826	2 099	830	105	1 381	12 679	2 888	15 567
Asset management, direct property and other fee expenses		53	286	–	–	7	–	2	1	15	364	1 162	1 526
Intergroup expenses		190	368	164	304	404	276	240	72	(621)	1 397	(1 397)	–
Income tax		347	920	169	498	67	1 522	69	1	118	3 711	(2)	3 709
Normalised headline earnings	2.1	1 110	938	672	1 174	209	461	118	(466)	167	4 383	–	4 383
Operating profit/(loss)[4]		1 395	1 145	845	1 475	295	450	22	(467)	(285)	4 875	–	4 875
Tax on operating profit/(loss)		(419)	(275)	(239)	(426)	(83)	(51)	(14)	(1)	(4)	(1 512)	–	(1 512)
Investment return		143	83	71	134	(4)	70	137	2	535	1 171	–	1 171
Tax on investment return		(9)	(15)	(5)	(9)	1	(8)	(27)	–	(79)	(151)	–	(151)
Covered	2.2	1 164	680	670	1 172	–	–	202	–	(17)	3 871	–	3 871
Non-covered	2.2	(54)	258	2	2	209	461	(84)	(466)	184	512	–	512
		1 110	938	672	1 174	209	461	118	(466)	167	4 383	–	4 383
Basis changes and investment variances[5]		307	136	95	399	–	–	39	–	75	1 051	–	1 051
Actuarial liabilities		74 637	190 001	36 265	107 064	108	45 052	16 899	–	148	470 174	–	470 174

[1] The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R460 million) and asset management fees for all entities (R702 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business (R2 395 million); the amortisation of intangible assets relating to business combinations (R475 million); expenses relating to consolidated CISs and other minor adjustments to expenses and fee income.

[2] The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R22 769 million, and the total of such non-current assets located in other countries is R175 million.

[3] Other expenses consists of the following line items on the income statement: depreciation, amortisation and impairment expenses, employee benefit expenses, sales remuneration and other expenses.

[4] Operating profit/(loss) is normalised headline earnings gross of tax less investment return.

[5] Basis changes and investment variances are included in normalised headline earnings and are net of tax. The reported numbers represent basis changes on in-force business and investment variances that are aligned with EV reporting.

Notes to the financial statements continued

2 SEGMENTAL REPORT CONTINUED

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	Total[2] Rm
Restated 12 mths to 30.06.2021[3]													
Revenue													
Net insurance premiums	2.4	9 516	32 361	7 657	14 864	932	11 146	4 839	–	–	81 315	(44 279)	37 036
Recurring premiums		8 976	766	6 233	12 346	931	9 291	3 867	–	–	42 410	(12 674)	29 736
Single premiums		540	31 595	1 424	2 518	1	1 855	972	–	–	38 905	(31 605)	7 300
Fee income		1 226	3 427	106	1 011	2 123	1 995	224	90	112	10 314	(1 292)	9 022
Fee income	2.3, 2.4	1 182	2 785	106	1 010	2 120	1 997	224	69	–	9 493	(471)	9 022
Intergroup fee income		44	642	–	1	3	(2)	–	21	112	821	(821)	–
Expenses													
Net payments to contract holders External payments		10 718	29 551	6 564	18 102	633	6 265	2 701	–	–	74 534	(43 396)	31 138
Other expenses[4]		3 451	3 072	2 808	1 497	2 014	4 452	1 536	239	316	19 385	2 898	22 283
Sales remuneration		1 357	858	1 265	88	45	2 890	658	32	–	7 193	–	7 193
Administration expenses		1 917	1 704	1 489	1 184	1 625	1 362	656	174	910	11 021	2 650	13 671
Asset management, direct property and other fee expenses		67	258	–	–	6	–	2	4	14	351	1 068	1 419
Intergroup expenses		110	252	54	225	338	200	220	29	(608)	820	(820)	–
Income tax		–	79	1	–	74	1 194	80	–	80	1 508	790	2 298
Normalised headline earnings	2.1	(859)	1 095	435	(552)	213	544	256	(358)	233	1 007	–	1 007
Operating (loss)/profit[5]		(1 346)	1 490	513	(827)	282	699	122	(360)	(219)	354	–	354
Tax on operating (loss)/profit		355	(387)	(146)	220	(68)	(191)	(60)	–	(4)	(281)	–	(281)
Investment return		151	(14)	79	64	(1)	50	248	2	597	1 176	–	1 176
Tax on investment return		(19)	6	(11)	(9)	–	(14)	(54)	–	(141)	(242)	–	(242)
Covered	2.2	(822)	885	433	(547)	–	–	225	–	90	264	–	264
Non-covered	2.2	(37)	210	2	(5)	213	544	31	(358)	143	743	–	743
		(859)	1 095	435	(552)	213	544	256	(358)	233	1 007	–	1 007
Basis changes and investment variances[6]		(1 486)	327	(278)	(774)	–	–	(26)	–	31	(2 206)	–	(2 206)
Actuarial liabilities		76 910	185 275	36 608	106 351	35	32 952	15 889	–	190	454 210	–	454 210

1 The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R468 million) and asset management fees for all entities (Restated R600 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business (R2 044 million); the amortisation of intangible assets relating to business combinations (R558 million); expenses relating to consolidated CISs and other minor adjustments to expenses and fee income.

2 The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R23 175 million, and the total of such non-current assets located in other countries is R458 million.

3 Refer to note 47 for more information on the restatements.

4 Other expenses consists of the following line items on the income statement: depreciation, amortisation and impairment expenses, employee benefit expenses, sales remuneration and other expenses.

5 Operating (loss)/profit is normalised headline earnings gross of tax less investment return.

6 Basis changes and investment variances are included in normalised headline earnings and are net of tax. The reported numbers represent basis changes on in-force business and investment variances that are aligned with EV reporting.

2 SEGMENTAL REPORT CONTINUED

2.1 Change in normalised headline earnings

	Notes	Change %	12 mths to 30.06.2022 Rm	12 mths to 30.06.2021 Rm
Momentum Life		>100	1 110	(859)
Momentum Investments		(14)	938	1 095
Metropolitan Life		54	672	435
Momentum Corporate		>100	1 174	(552)
Momentum Metropolitan Health		(2)	209	213
Non-life Insurance		(15)	461	544
Momentum Metropolitan Africa		(54)	118	256
Normalised headline earnings from operating segments		>100	4 682	1 132
New Initiatives		(30)	(466)	(358)
Shareholders		(28)	167	233
Total normalised headline earnings	2	>100	4 383	1 007

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Share-holders Rm	Total Rm
12 mths to 30.06.2022											
Covered											
Protection		749	–	214	759	–	–	5	–	–	1 727
Long-term savings		159	(17)	201	314	–	–	157	–	–	814
Annuities and structured products		–	641	166	34	–	–	55	–	–	896
Traditional		126	–	38	–	–	–	(6)	–	–	158
Other[1]		1	(4)	(15)	(60)	–	–	(43)	–	53	(68)
Investment return		129	60	66	125	–	–	34	–	(70)	344
Total	2	1 164	680	670	1 172	–	–	202	–	(17)	3 871
Non-covered											
Investment and savings	2.2.1	–	249	–	–	–	–	–	–	–	249
Life insurance		–	–	–	–	–	–	(23)	–	–	(23)
Health	2.2.2	–	–	–	–	212	–	20	–	–	232
Momentum Multiply		(50)	–	–	–	–	–	–	–	–	(50)
Non-life insurance	2.2.3	–	–	–	–	–	(9)	(32)	–	–	(41)
Cell captives	2.2.3	–	–	–	–	–	408	–	–	–	408
Holding company expenses		–	–	–	–	–	–	(125)	–	(206)	(331)
New initiatives India	2.2.4	–	–	–	–	–	–	–	(338)	–	(338)
New initiatives aYo		–	–	–	–	–	–	–	(1)	–	(1)
Other[2]		(9)	1	2	2	–	–	–	(129)	(136)	(269)
Investment return		5	8	–	–	(3)	62	76	2	526	676
Total	2	(54)	258	2	2	209	461	(84)	(466)	184	512
Normalised headline earnings		1 110	938	672	1 174	209	461	118	(466)	167	4 383

[1] Included in Other are once-off items that are not linked to a specific product as well as earnings that are not policyholder related.

[2] Included in Other is mainly Multiply Money as well as earnings that are not policyholder related.

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life[1] Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Share-holders Rm	Total Rm
Restated											
12 mths to 30.06.2021											
Covered											
Protection		(1 110)	–	78	(997)	–	–	(2)	–	–	(2 031)
Long-term savings		236	107	28	257	–	–	114	–	–	742
Annuities and structured products		–	779	216	175	–	–	26	–	–	1 196
Traditional		(216)	–	81	–	–	–	6	–	–	(129)
Other[2]		146	18	(38)	(36)	–	–	3	–	58	151
Investment return		122	(19)	68	54	–	–	78	–	32	335
Total	2	(822)	885	433	(547)	–	–	225	–	90	264
Non-covered											
Investment and savings	2.2.1	–	199	–	–	–	–	–	–	–	199
Life insurance		–	–	–	–	–	–	(4)	–	–	(4)
Health	2.2.2	–	–	–	–	214	–	82	–	–	296
Momentum Multiply		(40)	–	–	–	–	–	–	–	–	(40)
Non-life insurance	2.2.3	–	–	–	–	–	133	(27)	–	–	106
Cell captives	2.2.3	–	–	–	–	–	375	–	–	–	375
Holding company expenses		–	–	–	–	–	–	(108)	–	(193)	(301)
New initiatives India	2.2.4	–	–	–	–	–	–	–	(230)	–	(230)
New initiatives aYo		–	–	–	–	–	–	–	(17)	–	(17)
Other[3]		(7)	–	2	(6)	–	–	(28)	(113)	(88)	(240)
Investment return		10	11	–	1	(1)	36	116	2	424	599
Total	2	(37)	210	2	(5)	213	544	31	(358)	143	743
Normalised headline earnings		(859)	1 095	435	(552)	213	544	256	(358)	233	1 007

[1] There has been a revision to the reporting disclosure within covered Metropolitan Life mainly relating to GetUp development expenses as well as the treatment of the expected profit on the income stabilisation reserve. June 2021 has been restated accordingly.

[2] Included in Other are once-off items that are not linked to a specific product as well as earnings that are not policyholder related.

[3] Included in Other is mainly Multiply Money as well as earnings that are not policyholder related.

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.1 Momentum Investments – non-covered business

	Notes	12 mths to 30.06.2022 Rm	Restated 12 mths to 30.06.2021[1] Rm
Revenue		**1 714**	1 576
Fee income		**1 645**	1 522
Investment income		**53**	32
Fair value gains		**16**	22
Expenses and finance costs		**(1 428)**	(1 306)
Other expenses		**(1 391)**	(1 276)
Finance costs		**(37)**	(30)
Share of profit of associates		**37**	17
Profit before tax		**323**	287
Income tax expense		**(60)**	(73)
Non-controlling interest		**(5)**	(4)
Normalised headline earnings		**258**	210
Operating profit before tax	2.2	**309**	271
Tax on operating profit	2.2	**(60)**	(72)
Investment return		**10**	12
Tax on investment return		**(1)**	(1)
Normalised headline earnings		**258**	210
Assets under management at year end[2]		**518 727**	492 656

[1] The Fee income and Other expenses line items were erroneously grossed up for intercompany transactions within the Momentum Investments segment. June 2021 has been restated accordingly.

[2] Refer to the Analysis of assets managed and/or administered note for more information on the restatements other than footnote 1.

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.2 Health – non-covered business

	Notes	Momentum Metropolitan Health Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2022				
Revenue		3 482	596	4 078
Net insurance premiums		1 186	571	1 757
Fee income		2 263	2	2 265
Investment income		18	23	41
Intergroup fees		15	–	15
Expenses and finance costs		(3 067)	(583)	(3 650)
Net payments to contract holders		(724)	(434)	(1 158)
Change in actuarial liabilities		1	–	1
Other expenses		(2 341)	(149)	(2 490)
Finance costs		(3)	–	(3)
Share of profit of associates		12	26	38
Profit before tax		427	39	466
Income tax expense		(116)	(4)	(120)
Non-controlling interest		(102)	1	(101)
Normalised headline earnings		209	36	245
Operating profit before tax	2.2	295	20	315
Tax on operating profit	2.2	(83)	–	(83)
Investment return		(4)	21	17
Tax on investment return		1	(5)	(4)
Normalised headline earnings		209	36	245
Closed schemes		24	36	60
Open scheme		104	–	104
Other		81	–	81
		209	36	245

	Principal members	Lives
Momentum Metropolitan Health principal members	1 184 094	
Momentum Metropolitan Africa lives		404 890

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.2 Health – non-covered business continued

	Notes	Momentum Metropolitan Health Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2021				
Revenue		3 087	634	3 721
Net insurance premiums		932	518	1 450
Fee income		2 121	82	2 203
Investment income		12	34	46
Intergroup fees		22	–	22
Expenses and finance costs		(2 698)	(477)	(3 175)
Net payments to contract holders		(633)	(314)	(947)
Change in actuarial liabilities		(7)	(2)	(9)
Other expenses		(2 055)	(160)	(2 215)
Finance costs		(3)	(1)	(4)
Share of profit of associates		13	15	28
Profit before tax		402	172	574
Income tax expense		(104)	(44)	(148)
Non-controlling interest		(85)	(22)	(107)
Normalised headline earnings		213	106	319
Operating profit before tax	2.2	282	117	399
Tax on operating profit	2.2	(68)	(35)	(103)
Investment return		(1)	24	23
Normalised headline earnings		213	106	319
Closed schemes		49	106	155
Open scheme		75	–	75
Other		89	–	89
		213	106	319

	Principal members	Lives
Momentum Metropolitan Health principal members	1 164 241	
Momentum Metropolitan Africa lives		432 663

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.3 Non-life Insurance

	Notes	Non-life business Rm	Cell captive business Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2022					
Gross written premiums		2 878	–	432	3 310
Net insurance premiums		2 753	–	344	3 097
Fee income		3	1 119	89	1 211
Management fees		–	635	–	635
Investment fees		–	79	–	79
Underwriting fees		–	399	–	399
Other fee income		3	6	89	98
Investment income		76	166	33	275
Total income		2 832	1 285	466	4 583
Expenses and finance costs		(2 913)	(688)	(462)	(4 063)
Net payments to contract holders		(1 916)	–	(185)	(2 101)
Change in actuarial liabilities		–	–	19	19
Acquisition costs[1]		(206)	–	(73)	(279)
Other expenses		(791)	(673)	(223)	(1 687)
Finance costs		–	(15)	–	(15)
(Loss)/Profit before tax		(81)	597	4	520
Income tax expense		94	(149)	(4)	(59)
Non-controlling interest		–	–	(5)	(5)
Normalised headline earnings		13	448	(5)	456
Operating (loss)/profit before tax	2.2	(111)	558	(29)	418
Tax on operating (loss)/profit	2.2	102	(150)	(3)	(51)
Investment return		31	39	27	97
Tax on investment return		(9)	1	–	(8)
Normalised headline earnings		13	448	(5)	456
Momentum Insure (including Admin)		13	–	–	13
Guardrisk Group		–	448	–	448
Momentum Insurance (Namibia)		–	–	8	8
Momentum Short-term Insurance (Namibia)		–	–	5	5
Cannon Short-term		–	–	(18)	(18)
		13	448	(5)	456

[1] The acquisition costs relating to the cell captive business are included in underwriting fees.

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.3 Non-life Insurance continued

	Notes	Non-life business Rm	Cell captive business Rm	Momentum Metropolitan Africa Rm	Total Rm
Restated					
12 mths to 30.06.2021[1]					
Gross written premiums		2 793	–	472	3 265
Net insurance premiums		1 495	–	271	1 766
Fee income		537	952	67	1 556
Management fees		–	590	–	590
Investment fees		–	79	–	79
Underwriting fees		–	276	–	276
Other fee income		537	7	67	611
Investment income		69	145	59	273
Total income		2 101	1 097	397	3 595
Expenses and finance costs		(1 861)	(587)	(369)	(2 817)
Net payments to contract holders		(926)	–	(139)	(1 065)
Change in actuarial liabilities		–	–	(26)	(26)
Acquisition costs[2]		(270)	–	(52)	(322)
Other expenses		(665)	(572)	(152)	(1 389)
Finance costs		–	(15)	–	(15)
Profit before tax		240	510	28	778
Income tax expense		(74)	(132)	(1)	(207)
Non-controlling interest		–	–	(2)	(2)
Normalised headline earnings		166	378	25	569
Operating profit/(loss) before tax	2.2	193	506	(26)	673
Tax on operating profit/(loss)	2.2	(60)	(131)	(1)	(192)
Investment return		46	3	52	101
Tax on investment return		(13)	–	–	(13)
Normalised headline earnings		166	378	25	569
Momentum Short-term Insurance (including Admin)		2	–	–	2
Momentum Insurance		164	–	–	164
Guardrisk Group		–	378	–	378
Momentum Insurance (Namibia)		–	–	1	1
Tanzania		–	–	–	–
Momentum Short-term Insurance (Namibia)		–	–	1	1
Cannon Short-term		–	–	23	23
		166	378	25	569

[1] Momentum Insurance acquisition costs were incorrectly shown as Other expenses. June 2021 has been restated accordingly.

[2] The acquisition costs relating to the cell captive business are included in underwriting fees.

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.4 India – non-covered business[1]

	Notes	12 mths to 30.06.2022 Rm	12 mths to 30.06.2021 Rm
Gross written premiums		**3 522**	2 710
Net earned premiums		**2 426**	1 765
Fee income		**21**	26
Net incurred claims		**(1 688)**	(883)
Total management expenses		**(1 545)**	(1 393)
Net commission expenses		**(39)**	(103)
Underwriting loss		**(825)**	(588)
Investment income		**145**	130
Operating loss		**(680)**	(458)
Investment income on excess		**48**	46
Loss before and after tax		**(632)**	(412)
MMH share of results (49%)		**(310)**	(202)
Group support costs		**(32)**	(28)
Group IT and IT services		**4**	–
Normalised headline earnings	2.2	**(338)**	(230)
Number of lives		**18 789 363**	13 414 469

[1] The India results have been reported with a three month lag.

2.3 Segment IFRS 15 – *Revenue from contracts with customers*

	Notes	Total revenue in scope of IFRS 15					
		Contract administration Rm	Trust and fiduciary services Rm	Health administration Rm	Cell captive commission Rm	Other fee income Rm	Total fee income Rm
12 mths to 30.06.2022							
Momentum Life		**1 043**	**20**	**–**	**–**	**170**	**1 233**
Momentum Investments		**1 561**	**1 243**	**–**	**–**	**172**	**2 976**
Metropolitan Life		**–**	**–**	**–**	**–**	**70**	**70**
Momentum Corporate		**759**	**431**	**–**	**–**	**44**	**1 234**
Momentum Metropolitan Health		**–**	**–**	**2 246**	**–**	**15**	**2 261**
Non-life Insurance		**121**	**–**	**–**	**1 496**	**68**	**1 685**
Momentum Metropolitan Africa		**49**	**26**	**–**	**–**	**114**	**189**
New Initiatives		**–**	**–**	**–**	**–**	**83**	**83**
Segmental total		**3 533**	**1 720**	**2 246**	**1 496**	**736**	**9 731**
Reconciling items		**–**	**(468)**	**–**	**–**	**4**	**(464)**
Total	2	**3 533**	**1 252**	**2 246**	**1 496**	**740**	**9 267**
Restated							
12 mths to 30.06.2021[1]							
Momentum Life		963	19	–	–	200	1 182
Momentum Investments		1 459	1 162	–	–	164	2 785
Metropolitan Life		36	–	–	–	70	106
Momentum Corporate		537	421	–	–	52	1 010
Momentum Metropolitan Health		1	–	2 102	–	17	2 120
Non-life Insurance		99	–	–	1 319	579	1 997
Momentum Metropolitan Africa		24	22	5	3	170	224
New Initiatives		–	–	–	–	69	69
Segmental total		3 119	1 624	2 107	1 322	1 321	9 493
Reconciling items		–	(474)	–	–	3	(471)
Total	2	3 119	1 150	2 107	1 322	1 324	9 022

[1] Refer to note 47 for more information on the restatements.

2 SEGMENTAL REPORT CONTINUED

2.4 Segment revenue per geographical basis

	Notes	SA Rm	Non-SA Rm	Total revenue Rm
12 mths to 30.06.2022				
Momentum Life		**11 122**	**–**	**11 122**
Momentum Investments		**33 020**	**688**	**33 708**
Metropolitan Life		**8 309**	**–**	**8 309**
Momentum Corporate		**18 743**	**–**	**18 743**
Momentum Metropolitan Health		**3 447**	**–**	**3 447**
Non-life Insurance		**14 840**	**880**	**15 720**
Momentum Metropolitan Africa		**–**	**5 809**	**5 809**
New Initiatives		**83**	**–**	**83**
Segmental total		**89 564**	**7 377**	**96 941**
Reconciling items		**(47 105)**	**(1 676)**	**(48 781)**
Total	2	**42 459**	**5 701**	**48 160**
Restated				
12 mths to 30.06.2021[1]				
Momentum Life		10 698	–	10 698
Momentum Investments		34 426	720	35 146
Metropolitan Life		7 763	–	7 763
Momentum Corporate		15 874	–	15 874
Momentum Metropolitan Health		3 052	–	3 052
Non-life Insurance		11 875	1 268	13 143
Momentum Metropolitan Africa		–	5 063	5 063
New Initiatives		62	7	69
Segmental total		83 750	7 058	90 808
Reconciling items		(42 962)	(1 788)	(44 750)
Total	2	40 788	5 270	46 058

[1] Refer to note 47 for more information on the restatements.

3 INTANGIBLE ASSETS

Refer to note 48.4 for the accounting policies relating to this note.

		2022 Rm	Restated 2021[1] Rm
3.1	**Goodwill**	**1 775**	2 489
3.2	**VOBA**	**3 034**	3 261
3.3	**Customer relationships**	**577**	697
3.4	**Brands**	**562**	628
3.5	**Broker network**	**310**	365
3.7	**Deferred acquisition costs (DAC) on long-term investment business**	**1 992**	2 002
3.8	**Computer software**	**283**	303
3.9	**DAC on short-term insurance business**	**214**	194
		8 747	9 939

3.1 Goodwill

	2022 Rm	Restated 2021[1] Rm
Cost	**2 969**	2 965
Accumulated impairment	**(1 194)**	(476)
Carrying amount	**1 775**	2 489
Carrying amount at beginning	**2 489**	2 288
Business combinations (refer to note 30)	**1**	201
Impairment charges[2]	**(717)**	–
Exchange differences	**2**	–
Carrying amount at end	**1 775**	2 489
Cash-generating units (CGUs)		
Momentum Insure *(previously Momentum Insurance)* – Non-life Insurance	**478**	1 185
Guardrisk – Non-life Insurance	**660**	660
Eris Property Group – Momentum Investments	**191**	191
Ex-Metropolitan Group – Metropolitan Life (Metropolitan/Momentum merger)	**170**	170
Momentum Global Investment Management – Momentum Investments	**142**	139
Momentum Medical Scheme Administrators – Momentum Metropolitan Health	**116**	125
Other	**18**	19
	1 775	2 489

1 Refer to note 47 for more information on the restatements.

2 The current year impairment predominantly relates to Goodwill recognised as part of the acquisition of the Alexander Forbes Short-term Insurance business (Non-life Insurance segment). The recoverable amount (R2 002 million) of the cash-generating unit (Momentum Insure) is determined based on value-in-use calculations with reference to DVs. The impairment is due to a revision of the 5-year forecast that reflects a more subdued medium-term growth outlook. The remaining goodwill balance after the impairment is R478 million. Refer to note 3.6 for further details on the sensitivity of this impairment amount.

Critical accounting estimates and judgements

Goodwill is allocated to CGUs and impairment testing is performed at the level of individual CGUs.

The recoverable value of these CGUs is determined based on value-in-use calculations with reference to directors' valuations. The value-in-use calculations use risk-adjusted cash flow projections, which include projected new business based on financial forecasts approved by management covering a five-year period. These cash flow projections take account of entity specific risks and are subject to a revenue ceiling and an expense floor to ensure that the earnings projections lie within boundaries that are deemed appropriate. The financial forecasts are informed by past experience as well management's best estimate of the future. Appropriate allowance is also made for terminations risk where a CGU has concentrated exposure to large clients.

At the end of the defined projection period, a terminal value is determined based on an assumption of inflationary growth following the five years.

The other assumption that is subject to judgement is the determination of an appropriate discount rate. The approach to setting the discount rate is to reference the yield on long-dated government bonds and add an equity risk premium plus an additional margin for entity-specific risk. The assessment of the risk discount rate (RDR) takes into account the risk adjustments already made in the cash flow projection.

The central RDR assumption for most of the strategic subsidiaries resident in South Africa has been derived as follows:

	2022	2021
Risk-free rate (long-term)	**12.0%**	10.5%
Equity risk premium	**3.5%**	3.5%
Risk premium applied to unlisted equity investments	**2.3%**	2.3%
Total (central rate)	**17.8%**	16.3%

The long-term risk-free rate is set with reference to the 10 year RSA government bond yield.

For CGUs where the range of possible outcomes remains wide, the RDR is adjusted to allow for the risk characteristics of the entity under consideration. For entities with risk characteristics above the norm, additions of 2% – 4% to the central rate are made, based on the maturity of the CGU under consideration, as well as the perceived degree of certainty in the cash flow projections.

3 INTANGIBLE ASSETS CONTINUED

3.1 Goodwill continued

	2022		2021	
	RDR %	Long-term growth rate %	RDR %	Long-term growth rate %
Assumptions				
Momentum Insure *(previously Momentum Insurance)*	**18**	**7**	18	6
Guardrisk	**16**	**7**	16	6
Eris Property Group	**16**	**7**	16	6
Ex-Metropolitan Group	**14**	**8**	13	6
Momentum Global Investment Management	**13**	**3**	13	2
Momentum Medical Scheme Administrators	**16**	**7**	16	6

A higher discount rate applies to Momentum Insure, due to a higher risk profile associated with the recent integration with the Alexander Forbes Short-term business and higher uncertainty in its earnings forecasts.

Momentum Global Investment Management has a lower RDR, commensurate with lower UK interest rates, compared to SA.

Guardrisk, Eris Property Group and Momentum Medical Scheme Administrators have a history of sustainable profits and with the inclusion of limits to revenue and margin growth have relatively less uncertainty associated with their cash flows. As such, the central rate is deemed appropriate.

The discount rate for the ex-Metropolitan Group is based on run-off of in-force insurance liabilities and thus its valuation employed a lower RDR, in line with the discount rate used for "covered business" in the Group EV calculation.

3.2 VOBA

		2022 Rm	2021 Rm
Acquisition of insurance and investment contracts with DPF			
Cost		**6 667**	6 683
Accumulated amortisation		**(3 474)**	(3 253)
Accumulated impairment		**(159)**	(169)
Carrying amount		**3 034**	3 261
Carrying amount at beginning		**3 261**	3 663
Amortisation charges		**(237)**	(258)
Impairment reversals/(charges)		**10**	(144)
Carrying amount at end		**3 034**	3 261
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Metropolitan/Momentum merger			
Metropolitan Life	2037	**2 092**	2 237
Momentum Corporate	2037	**428**	459
Momentum Metropolitan Africa	2026	**47**	63
Sage – Shareholders	2032	**286**	303
Momentum Namibia – Momentum Metropolitan Africa	2037	**152**	163
Guardrisk – Non-life Insurance	2029	**29**	36
		3 034	3 261

As a result of certain insurance contract acquisitions, the Group carries intangible assets representing the VIF acquired.

Critical accounting estimates and judgements

VOBA is reviewed for impairment through a discounted cash flow (DCF) valuation. This valuation method references the results of the EV calculations for the relevant products. This methodology uses a number of assumptions relating to future cash flows which is aligned to the Group's valuation data and models and these are all subjected to the Group's governance structures and review.

VOBA relating to the Sage acquisition (Shareholders) had a reversal of prior year impairments of R10 million (2021: impairment of R144 million) by comparing the carrying amount with the recoverable amount. The current year's reversal of impairment is due to positive investment experience on the Sage products. Value in use was used to calculate the recoverable amount by incorporating valuation assumptions and economic bases of the Sage product liabilities, including a RDR of 14.36% (2021: 12.8%). Refer to note 11 for additional information regarding contract holder liabilities – assumptions and estimates. The Sage book of business is in run-off and depending on the rate of run-off impacting on the VIF relative to the amortisation of the carrying value future consideration of impairment might be required. Refer to note 3.6 for further details on the sensitivity of this impairment amount.

Notes to the financial statements continued

3 **INTANGIBLE ASSETS** CONTINUED

3.3 Customer relationships

	To be fully amortised by year:	2022 Rm	2021 Rm
Cost		**3 883**	3 883
Accumulated amortisation		**(3 256)**	(3 136)
Accumulated impairment		**(50)**	(50)
Carrying amount		**577**	697
Carrying amount at beginning		**697**	791
Business combinations (refer to note 30)		**–**	99
Amortisation charges		**(120)**	(184)
Impairment charges		**–**	(9)
Carrying amount at end		**577**	697
The carrying amount is made up as follows:			
Metropolitan/Momentum merger			
Investment contracts – Momentum Corporate	2030	**322**	367
Guardrisk – Non-life Insurance	2024	**57**	106
Momentum Insure *(previously Momentum Insurance)* – Non-life Insurance	2030	**98**	110
Momentum Global Investment Management – Momentum Investments	2031	**83**	93
Other		**17**	21
		577	697

Customer relationships represent the fair value of customer relationships in place immediately before a business combination took place. The recoverable value is determined based on directors' valuations and value-in-use calculations with reference to VIF business which is set out in notes 3.1 and 3.2 respectively.

Customer relationships relating to Providence Risk Managers (Momentum Metropolitan Health segment) were impaired by R9 million during the prior year as a result of the ThebeMed contract making losses.

Additional sensitivity analysis on all intangible assets are disclosed in note 3.6.

3.4 Brands

	To be fully amortised by year:	2022 Rm	Restated 2021[1] Rm
Cost		**1 257**	1 257
Accumulated amortisation		**(687)**	(621)
Accumulated impairment		**(8)**	(8)
Carrying amount		**562**	628
Carrying amount at beginning		**628**	673
Business combinations (refer to note 30)		**–**	19
Amortisation charges		**(66)**	(64)
Carrying amount at end		**562**	628
The carrying amount is made up as follows:			
Metropolitan brand – Metropolitan Life (Metropolitan/Momentum merger)	2031	**453**	507
Guardrisk brand – Non-life Insurance	2034	**46**	50
Momentum Insure *(previously Momentum Insurance)* brand – Non-life Insurance	2035	**38**	41
Momentum Insurance (Namibia) brand – Non-life Insurance	2031	**16**	19
Momentum Namibia brand – Momentum Metropolitan Africa	2027	**9**	11
		562	628

[1] Refer to note 47 for more information on the restatements.

Brands represent the fair value of Brands acquired as part of various acquisitions of the Group. The recoverable value is determined based on directors' valuations and value-in-use calculations with reference to VIF business which is set out in notes 3.1 and 3.2 respectively.

Additional sensitivity analysis on all intangibles are disclosed in note 3.6.

3 INTANGIBLE ASSETS CONTINUED

3.5 Broker network

	To be fully amortised by year:	2022 Rm	Restated 2021[1] Rm
Cost		**766**	768
Accumulated amortisation		**(433)**	(378)
Accumulated impairment		**(23)**	(25)
Carrying amount		**310**	365
Carrying amount at beginning		**365**	376
Business combinations (refer to note 30)		**–**	42
Amortisation charges		**(55)**	(53)
Carrying amount at end		**310**	365
The carrying amount is made up as follows:			
Guardrisk (non-life) – Non-life Insurance	2029	**121**	139
Momentum Insure *(previously Momentum Insurance)* – Non-life Insurance	2030	**105**	119
Momentum Insurance (Namibia) – Non-life Insurance	2031	**3**	3
Guardrisk (life) – Non-life Insurance	2029	**41**	47
Momentum Global Investment Management – Momentum Investments	2041	**36**	39
Momentum Short-term Insurance (Namibia) – Momentum Metropolitan Africa	2023	**4**	18
		310	365

[1] Refer to note 47 for more information on the restatements.

Broker network represents the fair value of Broker network acquired as part of various acquisitions of the Group. The recoverable value is determined based on directors' valuations which is disclosed in note 3.1.

Additional sensitivity analysis on all intangible assets are disclosed in note 3.6.

3.6 Sensitivity analysis of intangible assets acquired in business combinations

Management have performed additional sensitivity analysis on intangible assets acquired as part of business combinations to assess how sensitive these assets are to changes in the recoverable amounts ie how much headroom exists in these recoverability tests. The significant items are discussed below:

The Group currently recognise goodwill, VOBA, customer relationships and brands relating to the Metropolitan/Momentum merger. The current recoverable amount of these assets are R2 040 million (2021: R2 118 million) higher than the carrying value and has 37% (2021: 36%) headroom available before the Group would need to consider impairing any of the associated goodwill.

The combination of the net asset value and the intangible assets recognised on the acquisition of Alexander Forbes Short-term Insurance business (Non-life Insurance segment), which was subsequently renamed to Momentum Insurance and thereafter integrated into Momentum Insure from 1 July 2021 is currently below the recoverable amount with nil (2021: nil) headroom available. The recoverable amount (R2 002 million) of the cash-generating unit (Momentum Insure) is determined based on value-in-use calculations with reference to DVs. The goodwill recognised as part of the acquisition was impaired during the current year by R707 million. The impairment is due to a revision of the 5-year forecast that reflects a more subdued medium-term growth outlook. The remaining goodwill balance after the impairment is R478 million (2021: R1 186 million) which may be subject to further impairment should the medium-term outlook not be achieved.

Following the acquisition of Guardrisk, the Group currently recognises goodwill, VOBA, customer relationships and brands on the statement of financial position. The current recoverable amount of these assets is currently R1 800 million (2021: R1 372 million) higher than the carrying value and has 40% (2021: 34%) headroom available before the Group would need to consider impairing any of the associated goodwill. Future revenue and expenses included in the risk-adjusted cashflow projections will need to decrease by 20% and increase by 35% respectively in order for the recoverable amount to equate to the carrying amount.

During the current year, the VOBA relating to Sage decreased due to amortisation charges to its recoverable amount of R286 million (2021: R303 million). Any further reduction in the recoverable amount will result in an additional impairment.

The acquisition of Seneca during the prior year included the recognition of goodwill, customer relationships and broker networks by the Group. Following the acquisition, the Seneca business has been fully integrated into Momentum Global Investment Management. As such, Seneca is no longer individually assessed for the purposes of impairment testing, but rather forms part of the Momentum Global Investment Management CGU. The current recoverable amount of these assets is currently R63 million (2021: R25 million) higher than the carrying value and has 9% (2021: 3%) headroom available before the Group would need to consider impairing any of the associated goodwill. Future revenue and expenses included in the risk-adjusted cashflow projections will need to decrease by 2% and increase by 3% respectively in order for the recoverable amount to equate to the carrying amount.

In aggregate, if the recoverable amounts of all the CGUs under consideration were to decrease by 10%, it would result in an impairment of intangible assets of R192 million (2021: R319 million). Should the recoverable amounts decrease by 20%, an impairment of R510 million (2021: R749 million) will be required, with R326 million (2021: R528 million) of this relating to the Momentum Insure goodwill, R85 million (2021: R129 million) relating to Momentum Global Investment Management goodwill, R70 million (2021: R9 million) relating to Momentum Health Solution goodwill and R29 million (2021: R61 million) relating to the VOBA from Momentum Namibia.

3 INTANGIBLE ASSETS CONTINUED

	2022 Rm	2021 Rm
3.7 DAC on long-term insurance business		
Carrying amount at beginning	**2 002**	2 042
Additions	**390**	394
Amortisation charges	**(411)**	(422)
Impairment reversals/(charges)	**9**	(9)
Exchange differences	**2**	(3)
Carrying amount at end	**1 992**	2 002

Critical accounting estimates and judgements

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contract. DAC is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary. Refer to assumptions in note 11.

	2022 Rm	2021 Rm
3.8 Computer software		
Cost	**858**	845
Accumulated amortisation	**(445)**	(409)
Accumulated impairment	**(130)**	(133)
Carrying amount	**283**	303
Carrying amount at beginning	**303**	334
Additions	**58**	77
Disposals	**(3)**	(2)
Amortisation charges	**(73)**	(104)
Impairment (charges)/reversal	**(2)**	36
Transfer to assets relating to disposal groups held for sale	**–**	(36)
Exchange differences	**–**	(2)
Carrying amount at end	**283**	303

In the current year, the computer software impairment relates to internally developed software held by Momentum Metropolitan Life Ltd (Shareholders segment). The impairment is due to the impaired post-merger JDE consolidation project costs which were incurred to merge multiple ledgers. The business has moved significantly beyond a residual benefit of this particular project. In the prior year, the impairment reversal related to computer software held by Metropolitan International Support (Momentum Metropolitan Africa segment). A sales agreement was entered into for the software which caused the recoverable amount, which is based on the purchase price, to increase to R36 million. The software has been sold during the current year.

Internally developed software

Included in computer software is a carrying amount of R56 million (2021: R90 million) representing Internally developed software. The decrease in Internally developed software mainly relates to R23 million (2021: R33 million) amortisation charges.

Material computer software

The Non-life Insurance segment has computer software of R159 million (2021: R141 million) relating to MSTI's line of business system which will be fully amortised by 2027. For impairment testing purposes, a RDR of 14% (2021: 13%) and a growth rate of 8% (2021: 16%) was used to present value the future economic benefits of the software. No impairment was required.

Momentum Multiply (Momentum Life segment) has computer software of R41 million (2021: R51 million) relating to the wellness and rewards platform which will be fully amortised by 2028. No impairment was required.

Guardrisk (Non-life Insurance segment) has computer software of R18 million (2021: R28 million) relating to cell captive and product administration systems which will be fully amortised by 2024. For valuation purposes a RDR of 18% (2021: 16%) and a growth rate of 6% (2021: 6%) was used. No impairment was required.

	2022 Rm	Restated 2021[1] Rm
3.9 DAC on short-term insurance business		
Carrying amount at beginning	**194**	172
Net movement in deferred acquisition costs	**20**	22
Business combinations (refer to note 30)	**–**	25
Acquisition costs paid	**1 612**	1 553
Acquisition costs incurred (expensed to income statement)	**(1 592)**	(1 556)
Carrying amount at end	**214**	194

[1] Refer to note 47 for more information on the restatements.

4 OWNER-OCCUPIED PROPERTIES

Refer to note 48.5 and 48.15 for the accounting policies relating to this note.

		2022 Rm	2021 Rm
4.1	**Owned owner-occupied properties**	**2 870**	2 857
	Right-of-use assets	**146**	176
		3 016	3 033
4.1	**Owned owner-occupied properties**		
	Owner-occupied properties – at fair value	**2 870**	2 857
	Historical carrying amount – cost model	**1 808**	2 509
	Fair value at beginning	**2 857**	3 360
	Additions	**256**	242
	Disposals	**–**	(20)
	Revaluations	**(138)**	(9)
	Depreciation charges	**(50)**	(62)
	Net impairment charges charged to income statement	**(35)**	(116)
	Transfer to investment properties	**(23)**	(532)
	Other	**2**	–
	Exchange differences	**1**	(6)
	Fair value at end	**2 870**	2 857

In the prior year, borrowing costs of R18 million were capitalised, no borrowing costs were capitalised in the current year. The borrowing costs related to the Marc, Tower 2 and a capitalisation rate equal to the interest rate on the loan of 3 month Jibar plus 2.1 points were used.

The revaluation decrease mainly relates to Centurion Head office revaluation loss of R152 million (Shareholder segment) due to decline in market rental rates per square meter.

The net impairment in the current and prior year mainly related to the impairment of the Marc, Tower 2 of R51 million (2021: R77 million) (Shareholders segment). The impairment can largely be attributed to the decline in market rental rates for office property in Sandton in recent years, as well as considering the weak property market outlook as a result of the Covid-19 pandemic. The valuation further took the expected vacancy into account.

A register of owner-occupied properties is available for inspection at the Company's registered office.

Owner-occupied properties are classified as level 3.

Critical accounting estimates and judgements

All properties are valued using a DCF method or the income capitalisation approach based on the aggregate contractual or market-related rent receivable less associated costs. The DCF takes projected cash flows and discounts them at a rate that is consistent with comparable market transactions. Increases in the carrying amount arising on revaluation of owner-occupied buildings are credited to a land and building revaluation reserve in other comprehensive income, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase shall be recognised in profit or loss. Decreases that offset previous increases in respect of the same asset are charged against the revaluation reserve, and all other decreases are charged to the income statement. All owner-occupied properties were valued by internal valuers at the end of the current year. At the end of the prior year, the properties were valued by external valuers. Valuations are performed semi-annually.

				Change in fair value	
Assumptions	Valuation technique	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2022					
Capitalisation rate					
Office buildings	DCF & Income capitalisation	**8.56% – 9.50%**	**100bps**	**252**	**(205)**
Parkade	Income capitalisation	**9.00%**	**100bps**	**9**	**(7)**
Discount rate					
Office buildings	DCF & Income capitalisation	**13.09% – 13.44%**	**100bps**	**94**	**(75)**
Restated					
2021[1]					
Capitalisation rate					
Office buildings	DCF & Income capitalisation	8.09% – 9.98%	100bps	286	(229)
Parkade	Income capitalisation	9.25%	100bps	8	(6)
Discount rate					
Office buildings	DCF & Income capitalisation	8.39% – 9.20%	100bps	73	(68)

[1] Information previously presented on an aggregated basis has now been disaggregated for comparability.

4 OWNER-OCCUPIED PROPERTIES CONTINUED

Capitalisation and discount rates are based on a number of factors, including but not limited to the following: the current risk-free rate, the risk associated with the income stream flowing from the property, the real estate cycle, current economic conditions at both the micro- and macro-economic level and the yield that an investor would require in order to make the property an attractive investment. For valuation purposes, existing lease agreements and subsequent expected market-related rentals are used to determine the fair value of each building. Furthermore, the internal valuers performed a sensitivity analysis by adjusting the capitalisation rate and discount rate up and down by 100bps.

In determining the property values regard was had for the fact that, due to the Covid-19 pandemic, market activity was being impacted in many sectors. Due to Covid-19, a conservative take up of the vacant space has been assumed, likewise a conservative view has been taken on probable market rentals. Market rental growth has been adjusted downward from an industry average of 5% to 4 – 4.5% (2021: 3 – 4%).

5 INVESTMENT PROPERTIES

Refer to note 48.6 and 48.15 for the accounting policies relating to this note.

		2022 Rm	2021 Rm
5.1	**Owned investment properties**	9 031	8 918
	Right-of-use assets	20	20
		9 051	8 938
5.1	**Owned investment properties**		
	At 30 June, investment properties comprised the following property types:		
	Shopping malls	3 954	3 125
	Office buildings	4 193	5 141
	Industrial	638	532
	Hotels	248	257
	Vacant land	223	133
	Other	155	95
	Property at valuation	9 411	9 283
	Accelerated rental income (refer to note 7.3)	(380)	(365)
		9 031	8 918
	Investment properties under development		
	Fair value at beginning	–	270
	Capitalised development expenditure	–	38
	Transfer to completed properties[1]	–	(308)
	Fair value at end	–	–
	Completed properties		
	Fair value at beginning	8 918	8 739
	Capitalised subsequent expenditure	118	207
	Additions	22	–
	Disposals	(5)	(159)
	Revaluations charged to income statement	(26)	(330)
	Change in accelerated rental income	(21)	(21)
	Transfer from owner-occupied properties[2]	23	532
	Transfer from investment properties under development[1]	–	308
	Transfer to assets relating to disposal groups held for sale	(14)	(129)
	Sale of business	–	(178)
	Exchange differences	13	(51)
	Other	3	–
	Fair value at end	9 031	8 918

[1] The prior year relates to Chuma Mall and Umgeni.

[2] The current year relates to Meersig. The prior year relates to 3 Gwen Lane, Parc Du Cap 9 and 102 Rivonia.

A register of investment properties is available for inspection at the Company's registered office.

Investment properties are classified as level 3.

Critical accounting estimates and judgements

In the current year all properties were internally valued using an income approach or DCF method based on contractual or market-related rent receivable. The internal valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

5 INVESTMENT PROPERTIES CONTINUED

5.1 Owned investment properties continued

Critical accounting estimates and judgements continued
The valuation input is focused on "headline" assumptions including capital and discount rates however the underlying cashflow is based on contractual arrangements where applicable and appropriate market norms. Each valuation is carried out in isolation, and tested in each individual case by looking at factors including current tenant retention, potential market rentals and potential of increased long-term vacancies as well as necessary changes in the capitalisation and discount rates. The valuers carried out extensive market research and also collaborated with the their professional peers.

				Change in fair value	
Assumptions	Valuation technique	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2022					
Capitalisation rate				**638**	**(503)**
Shopping malls	DCF	**7.54% – 9.49%**	**100bps**	**393**	**(306)**
Office buildings	DCF	**8.10% – 10.97%**	**100bps**	**190**	**(153)**
Industrial	DCF	**9.51% – 10.00%**	**100bps**	**38**	**(31)**
Hotels	DCF	**9.00%**	**100bps**	**17**	**(13)**
Discount rate				**405**	**(379)**
Shopping malls	DCF	**12.39% – 14.45%**	**100bps**	**218**	**(204)**
Office buildings	DCF	**13.07% – 14.98%**	**100bps**	**140**	**(130)**
Industrial	DCF	**13.51% – 14.00%**	**100bps**	**30**	**(29)**
Hotels	DCF	**13.00%**	**100bps**	**17**	**(16)**
Vacancy rate				**61**	**(61)**
Shopping malls	DCF	**1.40% – 3.99%**	**100bps**	**36**	**(36)**
Office buildings	DCF	**1.52% – 5.33%**	**100bps**	**21**	**(20)**
Industrial	DCF	**1.00% – 1.51%**	**100bps**	**3**	**(4)**
Hotels	DCF	**1.00%**	**100bps**	**1**	**(1)**
2021					
Capitalisation rate				584	(464)
Shopping malls	DCF	7.25% – 11.00%	100bps	274	(215)
Office buildings	DCF	8.00% – 10.50%	100bps	258	(207)
Industrial	DCF	9.50% – 11.50%	100bps	36	(29)
Hotels	DCF	8.50% – 9.00%	100bps	16	(13)
Discount rate				381	(354)
Shopping malls	DCF	12.00% – 14.75%	100bps	175	(162)
Office buildings	DCF	12.25% – 15.25%	100bps	155	(145)
Industrial	DCF	13.00% – 14.50%	100bps	34	(31)
Hotels	DCF	12.50% – 13.75%	100bps	17	(16)
Vacancy rate				71	(72)
Shopping malls	DCF	1.51% – 3.78%	100bps	37	(37)
Office buildings	DCF	1.05% – 14.16%	100bps	29	(30)
Industrial	DCF	1.00% – 3.60%	100bps	4	(4)
Hotels	DCF	2.00%	100bps	1	(1)

Capitalisation and discount rates are based on a number of factors, including but not limited to the following: market transactions, the current risk-free rate, the risk associated with the income stream flowing from the property, the real estate cycle, current economic conditions at both the micro- and macro-economic level and the yield that an investor would require in order to make the property an attractive investment.

The Covid-19 pandemic has affected various property market sectors and the related valuation inputs and assumptions are as follows:

Office sector – higher vacancies (due to tenant fall-off as well as downsizing) has been experienced. Based on South African Property Owners Association statistics the office market was already experiencing an oversupply of office space and this increased during the past 18 months. The oversupply and decrease in demand has led to downwards asking (and achieved) rentals which inevitably led to yield compression and associated valuations.

Retail sector – rural retail had a strong year-on-year performance and is continuing to perform well. Urban retail experienced some lease fall-off but this was mostly attributable to tenants who were already experiencing difficulties prior to Covid-19. The ability to re-let may have been a bit slow in 2020 but this has improved greatly in 2021/2022. Capitalisation rates and discount rates have remained stable due to locational performance and rentals achieved.

Industrial – The industrial sector is still a strong performer with distribution centres, large warehousing and multi-parks showing the strongest total return by property type across all sectors. This resulted in more robust market rentals and a steady vacancy rate.

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Refer to note 48.2.2 and 48.2.3 for the accounting policies relating to this note.

	2022 Rm	2021 Rm
Carrying amount at beginning	**1 156**	905
Additions[1]	**647**	641
Disposals[2]	**(84)**	–
Loss on dilution of joint venture	**–**	(5)
Share of loss[3]	**(243)**	(237)
Dividends declared	**(37)**	(16)
Impairment charges[4]	**–**	(38)
Transfer to assets relating to disposal groups held for sale	**–**	(6)
Exchange differences	**52**	(88)
Carrying amount at end – non-current	**1 491**	1 156

[1] The current year includes :
- Workers Health Investment (Pty) Ltd, acquired 30% in Homeville Holdings (Pty) for R17 million acquisition in cash.
- Momentum Metropolitan Stategic Investment (Pty) Ltd made capital injections to ABHIL for R584 million in cash.
- MML made capital injection to South African Student Accommodation Impact Investments (Pty) Ltd (SASAII) for R46 million in cash.
- A capital contribution was made to aYo while the investment was classified as held for sale (R69 million), therefore the amount has not been presented as an additions in this note.

[2] The disposals relate to sale of Aluwani during the current year.

[3] Mainly relates to ABHIL losses.

[4] The impairment in prior year related to RMI Investment Managers Affiliates 2 (Pty) Ltd (RMIA) (Momentum Investments segment). The main reason for the impairment was due to a decrease in one of the underlying investments in the fund following a deterioration in business prospects.

The directors' valuation of investment in associates exceeds the carrying value.

Equity-accounted associates and joint ventures*	%**	Carrying amount Rm	Assets# Rm	Liabilities# Rm	Revenue# Rm	(Loss)/ profit for the year# Rm	Earnings^ Rm
2022							
Associates							
ABHIL	**49%**	**1 017**	**3 846**	**(2 719)**	**2 455**	**(631)**	**(309)**
MHNA	**49%**	**175**	**82**	**(29)**	**211**	**53**	**26**
SASAII[1]	**17%**	**69**	**512**	**(122)**	**25**	**32**	**6**
2Cana	**30%**	**64**	**217**	**(20)**	**153**	**25**	**7**
RMIA	**49%**	**71**	**336**	**(86)**	**26**	**(13)**	**(6)**
Aluwani	**0%**	**–**	**–**	**–**	**–**	**–**	**10**
Other		**86**	*******	*******	*******	*******	**22**
		1 482					**(244)**
Joint ventures							
MRKT Energy Holdings (Pty) Ltd (MRKT)	**50%**	**9**	**85**	**(66)**	**10**	**–**	**–**
2021							
Associates							
ABHIL	49%	694	2 917	(2 119)	1 792	(412)	(202)
MHNA	49%	171	84	(40)	205	31	15
RMIA	49%	77	329	(89)	19	(65)	(32)
Aluwani	40%	76	76	(40)	142	25	10
Other		133	***	***	***	***	19
		1 151					(190)
Joint ventures							
MRKT	50%	5	52	(41)	7	–	–

* All entities' principal place of business is in South Africa unless otherwise stated.

** Effective group percentage held.

*** This amount consists of various associates' financial information.

\# This represents the actual assets, liabilities, revenue and profit or loss of the associate or joint venture at the end of the financial year. ABHIL has a financial year end of 31 March and as such the summarised financial information disclosed for ABHIL represents the financial information at 31 March 2022.

^ Group's share of equity accounted earnings.

[1] Despite the Group holding less than 20% of the ordinary shares, the Group exerts significant influence as a result of decision making rights to which the Group remains entitled.

- ABHIL is a health insurance business and was formed by MMSI, which holds 49% of ordinary shares, and Aditya Birla Capital Ltd[&] (incorporated in India), which holds 51% of ordinary shares. Voting rights are proportional to ordinary shareholding, with Aditya Birla Capital Ltd being able to outvote MMSI, appoint the CEO of ABHIL, who in turn appoints the executive team and therefore directing the relevant activities of the business. MMSI does not have control over this entity. The carrying amount of the associate includes further capital injections advanced to the Company in addition to the capital acquired. The total assets consist of R421 million current assets and R3 425 million non-current assets. The total liabilities consist of R1 283 million current liabilities and R1 436 million non-current liabilities. The principal place of business is in India.

[&] Aditya Birla Financial Services Ltd was renamed to Aditya Birla Capital Ltd in June 2017.

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

- MHNA is an entity engaged in the administration of medical aid schemes and operates principally in Namibia. During the prior year Momentum Metropolitan Namibia Ltd sold its controlling interest in MHNA. The entity is thus classified as an investment in associate.
- SASAII is a fund that will engage in the development of student accomodation and the purchase and refurbishment of existing student accomodation. This will either be done directly by the fund or by the fund investing in another proprietary limited company. MML holds 17% in this fund and does not have control over this fund, as the relevant activities of the fund are not under the direction of MML. SASAII became an associate as at 30 June 2021.
- The 2Cana Group has been responsible for the development of the MHS IT platform which maintains MHS data on the Oracle system. MHS identified this outsourced function as a potential strategic risk and viewed the acquisition of the 2Cana Group as a way to secure the protection of the Intellectual Property maintained in the system.
- RMIA is an investment company that invests in asset management business held by MMSI. MMSI does not have control over this entity, as the relevant activities of the entity is not under the direction of MMSI.
- Aluwani is an asset management services company that is 40% held by MMSI in the Momentum Investments segment. MMSI sold Aluwani during April 2022.
- MRKT will be carried on between RKT Energy (Pty) Ltd (RKT) and MML as equal shareholders. MRKT has a predefined business scope, which centers around the ownership and operation of solar energy systems and the identification of future prospective energy-related assets and opportunities.

7 FINANCIAL ASSETS

Refer to note 48.7, 48.8 and 48.9 for the accounting policies relating to this note.

The Group classifies its financial assets into the following categories:

- Financial assets at FVPL
- Financial assets at amortised cost

The classification is based on contractual cash flows characteristics and models through which financial instruments are managed (business model). Management determines the classification of its financial assets at initial recognition.

Above classification is not applied to insurance and other receivables as classification is dependent on the nature of the risk transferred.

Critical judgements and estimates
Management applies judgement to the valuation of certain level 2 and level 3 financial assets, which include the Group's venture capital investments, where the market is inactive. Refer to note 44 for more information.

The assessment of significant increase in credit risk to calculate the expected credit loss for assets carried at amortised cost is performed by determining the risk of default over the expected lifetime of an instrument. Management applies judgement to the probability of default and loss given default. Refer to note 7.6 for more information.

As a result of the adoption of IFRS 10 the Group considers control over the fund manager to be a key aspect in determining whether a CIS is controlled by the Group or not. Where the funds are managed by Group owned fund managers and the Group holds 20% or more in these funds, it is viewed to have control of the fund. Where the control criteria are not met, the criteria for joint control and significant influence are considered. Refer to note 42 and 43 for information on the CISs classified as subsidiaries or associates.

		2022 Rm	Restated 2021[1] Rm
	The Group's financial assets are summarised below:		
7.1	**Financial assets at FVPL**	**489 511**	471 362
7.2	**Financial assets at amortised cost**	**8 739**	7 968
7.3	**Insurance and other receivables (excluding accelerated rental income, prepayments and other)**	**6 861**	5 613
7.4	**Cash and cash equivalents**	**28 720**	36 822
	Total financial assets	**533 831**	521 765
7.1	**Financial assets at FVPL**		
	Unit-linked investments[2]	**184 886**	178 981
	Debt securities[2]	**174 781**	157 347
	Equity securities	**96 646**	105 163
	Carry positions	**1 124**	4 461
	Funds on deposit and other money market instruments[2]	**30 160**	22 649
	Derivative financial assets	**1 914**	2 761
		489 511	471 362
	Open-ended	**277 371**	280 972
	Current	**61 575**	51 437
	Non-current	**150 565**	138 953
	1 to 5 years	**60 650**	58 263
	5 to 10 years	**23 015**	18 864
	> 10 years	**66 900**	61 826
		489 511	471 362

1 Refer to note 47 for more information on the restatements.
2 Upon further investigation it was concluded that funds on deposit of R643 million should have been classified as debt securities (R256 million) and unit-linked investments (R386 million). June 2021 has been restated accordingly.

7 FINANCIAL ASSETS CONTINUED

7.1 Financial assets at FVPL continued

General

The open-ended maturity category includes investment assets such as listed and unlisted equities, unit-linked investments and other non-term instruments. For these instruments, management is unable to provide a reliable estimate of maturity, given factors such as the volatility of the respective markets and policyholder behaviour.

A schedule of equity securities is available for inspection at the Company's registered office.

	2022		Restated 2021[1]	
Derivative financial instruments	**Assets Rm**	**Liabilities Rm**	**Assets Rm**	**Liabilities Rm**
Held for trading	**1 914**	**3 039**	2 761	3 993

[1] Refer to note 47 for more information on the restatements.

As part of its asset and liability management, the Group purchases derivative financial instruments to reduce the exposure of policyholder and shareholder assets to market risks and to match the liabilities arising on insurance contracts.

Under no circumstances are derivative contracts entered into for speculative purposes.

The following table shows the fair value of derivative financial instruments recorded as assets or liabilities, together with their effective exposure. Effective exposure is the exposure of a derivative financial contract or instrument to the underlying asset by also taking delta (the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative) into account, where applicable.

The mark-to-market value of a derivative does not give an indication of the effective exposure of portfolios to changes in market values of that derivative position. The effective exposure of a derivative position reflects the equivalent amount of the underlying security that would provide the same profit or loss as the derivative position, given an incremental change in the price of the underlying security. A derivative position is translated into the equivalent physical holding, or its market value, which provides a meaningful measure in respect of asset allocation. For example:

- the market value for swaps, such as interest rate swaps;
- the underlying market value represented by futures contracts; and
- the delta adjusted effective exposure derived from an option position.

7 FINANCIAL ASSETS CONTINUED

7.1 Financial assets at FVPL continued

	2022			Restated 2021[1]		
	Effective exposure Rm	Assets Rm	Liabilities Rm	Effective exposure Rm	Assets Rm	Liabilities Rm
Derivatives held for trading						
Equity derivatives		222	83		538	348
Options, OTC	5	4	–	9	340	327
Options, exchange traded	330	216	1	71	187	6
Futures, OTC	–	–	–	211	6	1
Futures, exchange traded	1 792	1	2	831	1	1
Swaps, OTC	(80)	–	80	(9)	4	13
CFD, OTC	814	1	–	513	–	–
Interest rate derivatives		1 683	2 058		1 842	2 754
Futures, exchange traded	(5)	–	5	–	–	–
Swaps, OTC	(308)	1 658	1 958	(978)	1 667	2 610
Forward rate agreement, OTC	(91)	25	95	30	175	144
Bonds		3	140		51	10
Options, exchange traded	82	–	–	44	–	–
Futures, OTC	3 285	–	139	2 696	50	10
Futures, exchange traded	(81 728)	3	1	(13 954)	1	–
Credit derivatives		–	16		26	–
Swaps, OTC	(16)	–	16	26	26	–
Currency derivatives		6	742		304	881
Options, OTC	–	–	–	6	300	300
Futures, OTC	727	6	–	(159)	4	8
Futures, exchange traded	(205)	–	18	19	–	1
Swaps, OTC	(724)	–	724	534	–	572
Commodity derivatives		–	–		–	–
Futures, exchange traded	120	–	–	72	–	–
Total derivative financial instruments		**1 914**	**3 039**		2 761	3 993

[1] Refer to note 47 for more information on the restatements.

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter (OTC) derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

7 FINANCIAL ASSETS CONTINUED

7.1 Financial assets at FVPL continued

Offsetting

The following financial instruments are subject to offsetting, enforceable master netting arrangements and similar agreements:

	2022 Rm	Restated 2021[1] Rm
Derivative financial assets		
Gross and net amounts of recognised financial assets	1 914	2 761
Related amounts not set off in the statement of financial position		
Financial instruments	(1 281)	(2 325)
Cash collateral received	(141)	(539)
Net amount	492	(103)
Derivative financial liabilities		
Gross and net amounts of recognised financial liabilities	3 039	3 993
Related amounts not set off in the statement of financial position		
Financial instruments	(1 281)	(2 325)
Cash collateral issued	(814)	(849)
Net amount	944	819

[1] Refer to note 47 for more information on the restatements.

7.2 Financial assets at amortised cost

	2022 Rm	Restated 2021[1] Rm
Unsettled trades	1 896	1 854
Accounts receivable	3 426	2 930
Less: provision for impairment	(143)	(127)
Debt securities	481	512
Funds on deposit and other money market instruments	294	342
Less: provision for impairment	(31)	(31)
Loans	2 816	2 488
Related party loans		
Empowerment partners	262	262
Loans due from associates	54	74
Preference shares	36	81
Staff loans	55	53
Other related party loans	139	213
Less: provision for impairment	(51)	(42)
Other loans		
Policy loans	1 004	1 057
Due from agents, brokers and intermediaries	443	392
Less: provision for impairment	(84)	(73)
Other[2]	958	471
Total financial assets at amortised cost	8 739	7 968
Open-ended	215	190
Current	7 524	6 715
Non-current	1 000	1 063
	8 739	7 968

[1] Refer to note 47 for more information on the restatements.

[2] Includes loans advanced of R294 million (2021: R44 million) of which the largest (R251 million) relates to monies advanced by the Public Rail Agency of South Africa to fund their 25% obligation, R268 million (2021: R239 million) in respect of a the underlying assets in a credit fund classified as a CIS, R205 million (2021: nil) relates to investments held by external managers on behalf of the Group and R99 million (2021: R118 million) relates to fully secured loans advanced to clients with investment holdings.

Unsettled trades result from transactions that Portfolios Managers enter into on behalf of the various subsidiaries in the Group in accordance with discretionary portfolio management agreements. The Group's accounting policy is to recognise purchases and sales of financial assets on the trade date, ie the date on which the Group commits to purchase or sell the financial asset. All trade transactions that the Group enters into before the last day of the reporting period, ie 30 June, but where the settlement will only occur after the reporting period, are reported as unsettled trades. This is applied to both purchases and sales across all entities in the Group. As a result of the nature of these type of transactions, the unsettled trades balances can fluctuate significantly year-on-year.

7 FINANCIAL ASSETS CONTINUED

7.2 Financial assets at amortised cost continued

Reconciliation of expected credit losses	Accounts receivable Rm	Related party loans Rm	Due from agents, brokers and inter-mediaries Rm	Funds on deposit and other money market instruments[1] Rm	Total Rm
2022					
Balance at beginning	**(127)**	**(42)**	**(73)**	**(31)**	**(273)**
Additional provision	**(29)**	**(11)**	**(9)**	**–**	**(49)**
Reversed to the income statement	**11**	**2**	**2**	**–**	**15**
Other[2]	**2**	**–**	**(4)**	**–**	**(2)**
Balance at end	**(143)**	**(51)**	**(84)**	**(31)**	**(309)**
2021					
Balance at beginning	(184)	(6)	(75)	–	(265)
Additional provision	(45)	(2)	(6)	(31)	(84)
Reversed to the income statement	105	1	12	–	118
Other[2]	(3)	(35)	(4)	–	(42)
Balance at end	(127)	(42)	(73)	(31)	(273)

1 In the prior year, an impairment was raised in respect of promissory notes held, determined based on 14% of the gross carrying amount. As a result of partial redemptions in the current year, the expected credit loss provision represents 22% of the gross carrying amount as at 31 June 2022. Given significant uncertainty arising from a lack of counterparty information, there is potential for further downside risk to transpire in future. An increase of the impairment to 30% of the gross carrying amount will result in an additional impairment of R11 million (2021: R14 million).
2 Includes FCTR movements, foreign exchange gains/losses, and amounts written off as bad debt.

Terms and conditions of material loans

- The loans to empowerment partners is R 262 million (2021: R262 million) at 30 June 2022, which relates to preference shares acquired on 2 December 2011 in Off the Shelf Investments (Pty) Ltd (a KTH subsidiary) for R316 million. Given the financial substance of the KTH subsidiary and the commercial terms attached to the funding arrangement, there is sufficient security in the Company that the Group does not carry and has not carried the risks and rewards of the shares that are funded by the loan. The loan is therefore not accounted for as an option under IFRS 2 – *Share-based payments* – and is recognised as a receivable carried at amortised cost. Interest is charged at 88% of the prime interest rate of South Africa and the preference shares have a repayment date of 30 November 2022 (after extending the terms for a further 5 months in the current year). The modification did not constitute a significant modification and therefore this was accounted for as a change in the expected future cash flows.
  In 2019, the Company subscribed for a cumulative, redeemable preference share in Off The Shelf Investment 108 (Pty) Ltd which is linked to the A3 preference shares, first acquired in 2011. This is accounted for as a financial asset at FVPL.
- Policy loans are limited to and secured by the underlying value of the unpaid policy benefits. These loans attract interest at rates greater than the current prime rate but limited to 9% (2021: 8%) and have no fixed repayment date. Policy loans are tested for impairment against the surrender value of the policy.

Refer to note 7.6 for the split of the credit risk and expected credit loss allowances into stages.

7.3 Insurance and other receivables

	2022 Rm	Restated 2021[1] Rm
Insurance and other receivables		
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**6 764**	5 572
Insurance contract holders	**2 456**	2 403
Cell captives	**1 950**	1 343
Due from reinsurers	**2 478**	1 889
Investment contract holders with DPF	**28**	58
Less: provision for impairment	**(148)**	(121)
Other[2]	**97**	41
Total included in financial assets	**6 861**	5 613
Accelerated rental income	**380**	365
Other (not included in financial assets)[3]	**263**	–
Prepayments	**235**	262
Total insurance and other receivables	**7 739**	6 240
Current	**6 747**	5 627
Non-current	**992**	613
	7 739	6 240

1 Refer to note 47 for more information on the restatements.
2 Included in other is R53 million (2021: R33 million) salvage and recovery reserves, R30 million (2021: R33 million) relates to the investment portion of premium debtors and other immaterial balances.
3 Included in other is R263 million (2021: nil) relating to VAT receivables.

7 FINANCIAL ASSETS CONTINUED

7.3 Insurance and other receivables continued

Impairment of receivables arising from insurance contracts and investment contracts with DPF

For insurance-related receivables, provision for impairment is made in line with expected lapse rates, or where specific and objective evidence on corporate clients indicates that balances may not be recoverable. Objective evidence that an insurance receivable is impaired is gathered when the following events occur:

- significant financial difficulty of the debtor;
- a breach of contracts such as default or delinquency in payments; or
- it becomes probable that the debtor will enter bankruptcy or financial reorganisation.

Where outstanding balances can be recovered from fund values, no provision is made.

7.4 Cash and cash equivalents

	2022 Rm	Restated 2021[1] Rm
Bank and other cash balances	**13 370**	14 453
Funds on deposit and other money market instruments – maturity < 90 days	**15 350**	22 369
	28 720	36 822

[1] Refer to note 47 for more information on the restatements.

Expected credit loss on cash and cash equivalents is immaterial.

7.5 Financial assets measurement

Financial assets summarised by measurement category in terms of IFRS 9	FVPL Mandatorily Rm	FVPL Designated[1] Rm	FVPL Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
2022						
Unit-linked investments	**184 886**	**–**	**184 886**	**–**	**–**	**184 886**
Debt securities	**45 386**	**129 395**	**174 781**	**481**	**–**	**175 262**
Equity securities[2]	**96 646**	**–**	**96 646**	**–**	**–**	**96 646**
Carry positions	**–**	**1 124**	**1 124**	**–**	**–**	**1 124**
Funds on deposit and other money market instruments	**13 442**	**16 718**	**30 160**	**263**	**–**	**30 423**
Derivative financial assets	**1 914**	**–**	**1 914**	**–**	**–**	**1 914**
Financial assets at amortised cost	**–**	**–**	**–**	**7 995**	**–**	**7 995**
Insurance and other receivables (excluding accelerated rental and prepayments)	**–**	**–**	**–**	**–**	**6 861**	**6 861**
Cash and cash equivalents	**–**	**–**	**–**	**28 720**	**–**	**28 720**
Total financial assets	**342 274**	**147 237**	**489 511**	**37 459**	**6 861**	**533 831**
Restated 2021[3]						
Unit-linked investments[4]	178 981	–	178 981	–	–	178 981
Debt securities[4, 5]	40 922	116 425	157 347	512	–	157 859
Equity securities[2]	105 163	–	105 163	–	–	105 163
Carry positions	–	4 461	4 461	–	–	4 461
Funds on deposit and other money market instruments[4, 5]	10 023	12 626	22 649	311	–	22 960
Derivative financial assets	2 761	–	2 761	–	–	2 761
Financial assets at amortised cost	–	–	–	7 145	–	7 145
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	5 613	5 613
Cash and cash equivalents	–	–	–	36 822	–	36 822
Total financial assets	337 850	133 512	471 362	44 790	5 613	521 765

[1] Assets designated at fair value mainly consists of policyholder assets which back policyholder liabilities which are carried at FVPL. The amount of change, during the period and cumulatively, in the fair value of financial assets designated at FVPL that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in the benchmark rate. The impact of the changes in credit risk for the current and prior year was immaterial.

[2] Equity securities are classified as FVPL at inception.

[3] Refer to note 47 for more information on the restatements.

[4] Upon further investigation it was concluded that funds on deposit of R643 million should have been classified as debt securities (R256 million) and unit-linked investments classified as mandatorily at FVPL (R386 million). June 2021 has been restated accordingly.

[5] Upon further investigation it was concluded that funds on deposit and other money market instruments (R569 million) and debt securities classified as mandatorily at FVPL (R3 billion) should have been classified as designated at FVPL. June 2021 has been restated accordingly.

7 FINANCIAL ASSETS CONTINUED

7.5 Financial assets measurement continued

Business model assessment

The Group's financial asset classification is determined based on the contractual cash flows characteristics and models through which financial instruments are managed (business model). The Group has a number of subsidiaries which range from life companies, non-life companies and CISs which are consolidated. The level at which the business model assessment is done is determined by Group and is on a portfolio level.

Life insurance companies

Financial assets mandatorily at FVPL

All shareholder assets are managed to maximise shareholder value creation on a long-term sustainable basis through the optimised taking or minimising of market risk borne by shareholders, across the Group. Shareholder value creation is measured on a basis that is risk adjusted, ie returns achieved must fully compensate their associated risk profile, taking into account the earnings at risk, economic value at risk and solvency at risk perspectives. These assets are managed on a fair value basis and are classified mandatorily at FVPL.

Financial assets designated at FVPL

Debt securities and funds on deposit and other money market instruments that back policyholder liabilities are designated at FVPL to eliminate or reduce accounting mismatch.

- Certain policyholder fixed income assets follow an enhanced immunisation strategy which implies that while the inherent risk is well managed the cash flows would not be strictly matched. The strategy therefore involves buying and selling securities to keep the risks within risk limits and to meet contractual liability flows.
- Other policyholder fixed income assets are managed in accordance with an Investment Management Agreement (IMA) that does not allow fund managers to enter into activities which are deemed to be speculative or profit-taking in nature. These fixed income instruments are purchased with the intent of achieving stated investment return objectives through capital return and interest income. Portfolio managers sell these assets from time to time to honor contractual liabilities or to manage inherent market risk factors.

Other companies

The rest of the Group's operating activities include non-life, health and asset management services. The business model assessments on the financial assets were done within the individual entities, using Group methodology.

Consolidated CISs

A number of CISs are consolidated into the Group. Refer to note 42 for a list of significant schemes. The majority of these funds are held with an objective of capital growth. For those funds not held for capital growth, a look-through basis is applied to determine the business model. The majority of the underlying assets are sold before maturity and the fund's performance and management fee is based on the fair value of the underlying assets and therefore have been classified mandatorily at FVPL.

Impairment

The impairment of financial assets is based on assumptions about risk of default and expected loss rates, which include the estimation of future cash flows and the significant increase in credit risk. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculations, based on the Group's history, existing market conditions, as well as forward-looking estimates at the end of each reporting period. Refer to note 7.2 for more detail.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk

Refer to note 40 for detail on the credit risk management.

Credit risk exposure

The Group's maximum exposure to credit risk, without considering any collateral or credit enhancements, is through the following classes of assets, and is equal to their carrying amounts:

	2022 Rm	Restated 2021[1] Rm
Financial assets at FVPL		
Debt securities	**174 781**	157 347
Stock and loans to government and other public bodies	**91 417**	83 819
Other debt instruments[2, 3]	**83 364**	73 528
Funds on deposit and other money market instruments[3]	**30 160**	22 649
Unit-linked investments (categorised as interest-bearing and money market – refer to note 43)	**8 302**	9 271
CISs[3]	**6 805**	7 527
Other unit-linked investments	**1 497**	1 744
Derivative financial assets – Held for trading	**1 914**	2 761
Carry positions	**1 124**	4 461
Financial assets at amortised cost	**8 739**	7 968
Unsettled trades	**1 896**	1 854
Accounts receivable	**3 283**	2 803
Debt securities	**481**	512
Funds on deposit and other money market instruments	**263**	311
Loans	**2 816**	2 488
Insurance and other receivables		
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**6 764**	5 572
Cash and cash equivalents	**28 720**	36 822
Total assets bearing credit risk	**260 504**	246 851

1 Refer to note 47 for more information on the restatements.

2 Amandla Renewable Energy Fund (Pty) Ltd holds collateral in respect of preference shares held by the associated special purpose vehicle, Amandla Ilanga (RF) (Pty) Ltd. The security has subsequently been ceded to the holder of the senior preference shares issued by the special purpose vehicle as part of initially securing the senior funding. The material terms of the security cession include that the bare dominium in respect of the asset remains with the cedent and the cessionary only receives the right to sell the security upon default as well as only to the extent that value is owed by the cedent in terms of the cession agreement. The fair value of the security ceded is R600 million (2021: R591 million).

3 Upon further investigation it was concluded that funds on deposit of R643 million should have been classified as other debt instruments (R256 million) and CISs (R386 million). June 2021 has been restated accordingly.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2022				
Financial assets at amortised cost				
Unsettled trades	**1 896**	**–**	**–**	**1 896**
Accounts receivable	**3 162**	**76**	**188**	**3 426**
Provision for impairment	**(51)**	**(2)**	**(90)**	**(143)**
Debt securities	**481**	**–**	**–**	**481**
Funds on deposit and other money market instruments[1]	**149**	**–**	**145**	**294**
Provision for impairment[1]	**–**	**–**	**(31)**	**(31)**
Policy loans	**1 004**	**–**	**–**	**1 004**
Due from agents, brokers and intermediaries	**260**	**–**	**183**	**443**
Provision for impairment	**(76)**	**–**	**(8)**	**(84)**
Other[2]	**1 425**	**–**	**79**	**1 504**
Provision for impairment[2]	**–**	**–**	**(51)**	**(51)**
	8 250	**74**	**415**	**8 739**
Restated				
2021[3]				
Financial assets at amortised cost				
Unsettled trades	1 854	–	–	1 854
Accounts receivable	2 686	110	134	2 930
Provision for impairment	(47)	(5)	(75)	(127)
Debt securities	512	–	–	512
Funds on deposit and other money market instruments	116	–	226	342
Provision for impairment	–	–	(31)	(31)
Policy loans	1 057	–	–	1 057
Due from agents, brokers and intermediaries	120	22	250	392
Provision for impairment	(18)	(5)	(50)	(73)
Other	1 092	–	62	1 154
Provision for impairment	(8)	–	(34)	(42)
	7 364	122	482	7 968

1 The gross carrying amount for funds on deposit and other money market instruments (stage 3) has decreased by R81 million while the expected credit loss has remained consistent. In the prior year, an impairment was raised in respect of promissory notes held, determined based on 14% of the gross carrying amount. As a result of partial redemptions in the current year, the expected credit loss provision represents 22% of the gross carrying amount as at 30 June 2022.

2 The gross carrying amount for other loans (stage 1) has increased by R333 million in the current year, while the associated expected credit loss decreased by R8 million. The decrease in expected credit loss (R8 million) is driven by a corresponding decrease in the gross carrying amount (R66 million). The remaining increase in the gross carrying amount is not accompanied by a correlated increase in the expected credit loss balance, as the majority of the increase in the gross carrying amount relates to instruments for which the expected credit loss is considered to be immaterial.

3 Refer to note 47 for more information on the restatements.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

The Group's maximum exposure to credit risk balances relate to unrated counterparties, except for:

- Debt securities and funds on deposit totaling R719 million (2021: R776 million) and associated impairment of R31 million (2021: R31 million), issued by a B-rated counterparty; and
- Debt securities and funds on deposit totaling Rnil (2021: R23 million), which relates to government stock issued by a country with a sovereign rating of BBB.

Reconciliation of expected credit losses	12 month expected credit losses (Stage 1) Rm	Lifetime expected credit losses (Stage 2) Rm	Lifetime expected credit losses (Stage 3) Rm	Total Rm
2022				
Accounts receivable				
Opening balance	(47)	(5)	(75)	(127)
Transfer between stages	(1)	–	1	–
Movement recognised in the income statement	(5)	3	(16)	(18)
Other	2	–	–	2
Closing balance	(51)	(2)	(90)	(143)
Related party loans				
Opening balance	(8)	–	(34)	(42)
Transfer between stages	5	–	(5)	–
Movement recognised in the income statement	3	–	(12)	(9)
Closing balance	–	–	(51)	(51)
Due from agents, brokers and intermediaries				
Opening balance	(18)	(5)	(50)	(73)
Transfer between stages	-	5	(5)	–
Movement recognised in the income statement	(53)	–	46	(7)
Other	(5)	–	1	(4)
Closing balance	(76)	–	(8)	(84)
Funds on deposit and other money market instruments				
Opening and closing balance	–	–	(31)	(31)
2021				
Accounts receivable				
Opening balance	(4)	(61)	(119)	(184)
Transfer between stages	(111)	60	51	–
Movement recognised in the income statement	67	(4)	(3)	60
Other	1	–	(4)	(3)
Closing balance	(47)	(5)	(75)	(127)
Related party loans				
Opening balance	–	–	(6)	(6)
Transfer between stages	(5)	–	5	–
Movement recognised in the income statement	(3)	–	2	(1)
Other	–	–	(35)	(35)
Closing balance	(8)	–	(34)	(42)
Due from agents, brokers and intermediaries				
Opening balance	–	(4)	(71)	(75)
Transfer between stages	(10)	(1)	11	–
Movement recognised in the income statement	(4)	–	10	6
Other	(4)	–	–	(4)
Closing balance	(18)	(5)	(50)	(73)
Funds on deposit and other money market instruments				
Opening balance	–	–	–	–
Movement recognised in the income statement	–	–	(31)	(31)
Closing balance	–	–	(31)	(31)

There were no significant changes to the gross carrying amounts of the financial assets during the current and prior year that resulted in changes in the expected credit loss allowances due to significant increases in credit risk.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Stage	Staging definitions				
	Unsettled trades and accounts receivable	Debt securities and funds on deposit and other money market instruments	Loans	Due from agents, brokers and intermediaries	Basis for recognition of expected credit loss provision
Stage 1	• Low risk of default • Strong capability to meet contractual payments	• Low risk of default • Strong capability to meet contractual payments	• Loans are recoverable • Low risk of default • Strong capability to meet contractual payments • Repayment of interest and capital payments in line with terms of agreements • No restructuring of the loan has occurred	• Low risk of default • Strong ability to meet contractual payments	12 months expected losses
Stage 2	• Significant increase in credit risk • Repayments are more than 30 days and less than 90 days past due	Financial assets move to stage 2 if the instruments investment grade falls with two rating grades	• Loans are recoverable • Repayment of interest and capital significantly in line with the terms of agreements, ie not more than 30 days past due • Loans have been restructured due to the inability to repay interest and capital. The requirement for a restructure of this nature indicates deterioration of credit quality, which results in the loan being classified as stage 2. • Deterioration of credit quality	• Significant increase in credit risk • Repayments are more than 30 days and less than 90 days past due	Lifetime expected losses
Stage 3	• Significant increase in credit risk • Repayments are more than 90 days past due	• Financial assets move to stage 3 if the instruments investment grade falls an additional two rating grades since classified as stage 2	• Loans are partially recoverable • Loan is in default, ie repayment of interest and capital payments are not in line with the terms of the agreement and default relates to amounts 90 days past due. • Significant deterioration in credit quality	• Broker balances are more than 90 days past due or where legal action has been taken • Out-of-service brokers and financial planners	Lifetime expected losses
Written off	Long outstanding amounts due are evaluated on a case by case basis and would generally be written off when there is no alternative for the debtor to return to solvency and/or legal action taken was unsuccessful.				

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Significant increase in credit risk	Criteria
Unsettled trades, accounts receivable, due from agents, broker and intermediaries and loans	To determine a significant change in credit risk both historical data and forward looking information is taken into account. This includes existing or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, a breach of contract, significant changes in the value of any collateral supporting the obligation and reductions in financial support from a parent entity.
Debt securities and funds on deposit and other money market instruments	Significant increase in credit risk means that the credit rating of the instrument has dropped by two ratings.

Financial asset	Impairment information
Unsettled trades and accounts receivable	Impairment of accounts receivable is based on the recoverability of balances grouped together based on shared credit risk characteristics, eg instrument type. Balances generally relate to amounts where the timing of settlement is within one month. Historic payments as well as forward looking information is also taken into account.
Debt securities and funds on deposit and other money market instruments	The expected credit loss is calculated using information extracted from the reports published by the rating agencies annually.
Loans	For related party loans the solvency of the counterparty is taken into account as well as any collateral held.
Due from agents, brokers and intermediaries	Impairment of amounts due from agents, brokers and intermediaries is mainly due to intermediaries moving to out-of-service status and unproductive agent accounts.

Sensitivities	
Accounts receivable and due from agents brokers and intermediaries	As most of the balances in stage 1 are short-term in nature and majority of the balance in stage 3 has been provided for, the impairment amount for stages 1 and 3 are not considered to be sensitive to changes in the forward looking information. A deterioration of the forward looking information for balances in stage 2 is also not expected to be material as the gross amounts are not material.
Debt securities and funds on deposit and other money market instruments	Considered to have low credit risk and therefore the expected credit loss is not considered to be sensitive.
Loans	Most of the loan balances outstanding are considered to have low credit risk as the borrower has a strong capacity to meet its obligations and has a low risk of default. The expected credit loss is therefore not considered to be sensitive to changes in forward looking information.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Credit quality

The assets in the Group's maximum exposure table on the previous page are analysed in the table below, using national scale long-term credit ratings issued by rating agencies, or national scale ratings generated by an internal model where rating agency ratings are not available. The internal rating scale is based on internal definitions and influenced by definitions published by external rating agencies including Moody's, Standard & Poor's (S&P) and Global Credit Rating (GCR). Refer to Annexure A for the definitions used in this section.

	AAA Rm	AA Rm	A Rm	BBB Rm	BB Rm	B Rm	C Rm	CCC Rm	Unrated Rm	Total Rm
2022										
Financial assets at FVPL										
Debt securities										
Stock and loans to government and other public bodies[1]	**76 998**	**6 926**	**5 091**	**222**	**825**	**644**	**145**	**312**	**254**	**91 417**
Other debt instruments	**9 876**	**57 727**	**10 289**	**1 819**	**233**	**282**	**–**	**100**	**3 038**	**83 364**
Derivative financial assets	**180**	**1 509**	**10**	**5**	**20**	**–**	**–**	**–**	**190**	**1 914**
Carry positions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 124**	**1 124**
Debt securities and funds on deposit and money market instruments at amortised cost[2]	**–**	**–**	**–**	**–**	**–**	**137**	**–**	**581**	**26**	**744**
Cash and cash equivalents and funds on deposit and money market instruments	**11 490**	**39 426**	**5 558**	**1 072**	**107**	**133**	**–**	**5**	**1 089**	**58 880**
Other unrated instruments										
Other financial assets at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7 995**	**7 995**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6 764**	**6 764**
Unit-linked investments[3]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8 302**	**8 302**
	98 544	**105 588**	**20 948**	**3 118**	**1 185**	**1 196**	**145**	**998**	**28 782**	**260 504**
Restated 2021[4]										
Financial assets at FVPL										
Debt securities										
Stock and loans to government and other public bodies[5]	70 072	7 084	4 322	235	587	1 116	–	176	227	83 819
Other debt instruments[5, 6]	9 837	45 185	8 609	2 095	346	146	–	218	7 092	73 528
Derivative financial assets	201	2 315	6	2	1	–	–	–	236	2 761
Carry positions	–	–	–	–	–	–	–	–	4 461	4 461
Debt securities and funds on deposit and money market instruments at amortised cost	–	–	–	23	–	776	–	–	24	823
Cash and cash equivalents and funds on deposit and money market instruments[6]	14 653	36 507	6 202	1 047	60	248	– –	–	754	59 471
Other unrated instruments										
Other financial assets at amortised cost	–	–	–	–	–	–	–	–	7 145	7 145
Insurance and other receivables	–	–	–	–	–	–	–	–	5 572	5 572
Unit-linked investments[3, 6]	–	–	–	–	–	–	–	–	9 271	9 271
	94 763	91 091	19 139	3 402	994	2 286	–	394	34 782	246 851

1 Debt securities (stock and loans to government and other public bodies) were rated as AA (R145 million) in the prior year, in line with the credit rating of the issuing entity. In the current year the issuing entity's credit rating has been downgraded to C, as such the rating assigned to the debt securities issued by this entity (R145 million) has been updated accordingly.

2 Debt securities and funds on deposit and money market instruments at amortised cost held by the Ghanaian entities in the Group were classified as a B credit rating at June 2021, in line with the country's sovereign rating at the time. During 2022 the country's sovereign rating changed to CCC, as a result the credit rating of the debt securities and funds on deposit and money market instruments at amortised cost was updated accordingly.

3 Refer to note 43 for detail on unit-linked investments and note 40 for credit risk management relating to unit-linked investments.

4 Refer to note 47 for more information on the restatements.

5 Upon further investigation it was noted that R153 million of other debt instruments rated as BB was inappropriately classified as such and should have been classified as stock and loans to government and other public bodies rated as BB. June 2021 has been restated accordingly.

6 Upon further investigation it was noted that cash and cash equivalents and funds on deposit and other money market instruments was inappropriately classified as having a BB credit rating (R131 million) and an unrated credit rating (R512 million). This should have been classified as debt securities (other debt instruments) with an A credit rating (R131 million) and an unrated credit rating (R126 million) as well as unit-linked investments with an unrated credit rating (R386 million). June 2021 has been restated accordingly.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Credit quality of reinsurers

The table below represents the reinsured portion of all the businesses with whom the Group has reinsured of R2 478 million (2021: R1 889 million) (included in note 7.3) as well as their respective national scale credit rating issued by rating agencies, or national scale ratings generated by an internal model where rating agency ratings are not available:

	2022		2021	
Reinsurer	Reinsured portion – %	Credit rating	Reinsured portion – %	Credit rating
Swiss Re	31%	AA-	29%	AA-
General Cologne Re	18%	AA+	20%	AA+
Hannover Re	3%	AA-	4%	AA-
RGA Re	15%	AA-	15%	AA-
Munich Re	26%	AA-	26%	AA-
SCOR Re	5%	AA-	5%	AA-
Other	2%	A	1%	A
	100%		100%	

The following tables analyse the age of financial assets that are past due as at the reporting date but not impaired:

	0 – 90 days Rm	90 days – 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
2022					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	709	126	457	157	1 449
2021					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	826	371	50	51	1 298

Other receivables that are past due but not impaired have not been impaired as there has been no specific and objective evidence that has indicated that balances may not be recoverable.

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy

Refer to note 44 for the valuation techniques relating to this note.

The following table provides an analysis of the assets at fair value into the various levels:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022				
Securities at FVPL	339 107	144 216	6 188	489 511
Unit-linked investments				
CISs[1]				
Local unlisted or listed quoted	113 859	1 214	–	115 073
Local unlisted unquoted	–	16	–	16
Foreign unlisted or listed quoted	53 645	270	55	53 970
Foreign unlisted unquoted	–	1 529	58	1 587
Other unit-linked investments				
Local unlisted or listed quoted	3 364	1	–	3 365
Local unlisted unquoted	–	6 620	3 132	9 752
Foreign unlisted or listed quoted	463	–	–	463
Foreign unlisted unquoted	–	96	564	660
Debt securities				
Stock and loans to government and other public bodies				
Local listed	70 362	10 789	1	81 152
Foreign listed	1 590	3 652	2	5 244
Unlisted	–	3 650	1 371	5 021
Other debt instruments				
Local listed	1	43 832	3	43 836
Foreign listed	10	3 281	64	3 355
Unlisted	–	35 717	456	36 173
Equity securities				
Local listed	60 522	3	1	60 526
Foreign listed	35 221	567	146	35 934
Unlisted	–	27	159	186
Funds on deposit and other money market instruments	–	30 155	5	30 160
Carry positions	–	1 124	–	1 124
Derivative financial assets – Held for trading	70	1 673	171	1 914
	339 107	144 216	6 188	489 511

[1] CISs are classified as level 1 when there is an active market of transactions between investors and CISs based on a published price.

There were no significant transfers in and out of level 1 and 2 respectively in the current year.

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy continued

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Restated 2021[1]				
Securities at FVPL	333 827	132 153	5 382	471 362
Unit-linked investments				
CISs[2]				
Local unlisted or listed quoted[3, 4, 5, 6]	112 026	1 182	–	113 208
Local unlisted unquoted	–	17	–	17
Foreign unlisted or listed quoted[7]	49 432	51	58	49 541
Foreign unlisted unquoted[8]	–	1 161	263	1 424
Other unit-linked investments				
Local unlisted or listed quoted[4]	3 330	2	–	3 332
Local unlisted unquoted[5]	–	7 542	2 427	9 969
Foreign unlisted or listed quoted[7]	187	108	54	349
Foreign unlisted unquoted[8]	3	948	190	1 141
Debt securities				
Stock and loans to government and other public bodies				
Local listed	62 641	11 111	820	74 572
Foreign listed	1 775	3 220	2	4 997
Unlisted[9]	–	3 578	672	4 250
Other debt instruments				
Local listed[6, 10]	–	39 868	103	39 971
Foreign listed	–	2 506	64	2 570
Unlisted[9]	–	30 675	312	30 987
Equity securities				
Local listed	68 291	3	1	68 295
Foreign listed	36 101	517	128	36 746
Unlisted	–	17	105	122
Funds on deposit and other money market instruments[6]	–	22 644	5	22 649
Carry positions	–	4 461	–	4 461
Derivative financial assets – Held for trading	41	2 542	178	2 761
	333 827	132 153	5 382	471 362

1 Refer to note 47 for more information on the restatements other than footnotes 3, 4, 5, 6, 7, 8, 9 and 10.

2 CISs are classified as level 1 when there is an active market of transactions between investors and CISs based on a published price.

3 Upon further interrogation is was noted that R280 million local unlisted or listed quoted CISs were inappropriately classified as level 1 and should have been classified as level 2. June 2021 has been restated accordingly.

4 Upon further interrogation it was noted that R17 million local unlisted or listed quoted other unit-linked investments included in level 2 was inappropriately classified as such and should have been classified as local unlisted or listed quoted CISs included in level 1. June 2021 has been restated accordingly.

5 Upon further interrogation it was noted that R33 million local unlisted unquoted other unit-linked investments included in level 3 was inappropriately classified as such and should have been classified as local unlisted or listed quoted CISs included in level 1. June 2021 has been restated accordingly.

6 Upon further interrogation it was concluded that funds of deposit of R643 million included in level 2 should have been classified as debt securities (R256 million) included in level 2 and CIS (R386 million) included in level 1. June 2021 has been restated accordingly.

7 Upon further interrogation is was noted that R108 million foreign unlisted or listed quoted CISs inlcuded in level 2 was inappropriately classified as such and should have been classified as foreign unlisted or listed quoted other unit-linked investments included in level 2. June 2021 has been restated accordingly.

8 Upon further interrogation it was noted that R932 million foreign unlisted unquoted CISs included in level 2 was inappropriately classified as such and should have been classified as foreign unlisted unquoted other unit-linked investments included in level 2. June 2021 has been restated accordingly.

9 Upon further interrogation it was noted that R153 million unlisted other debt instruments included in level 2 was inappropriately classified as such and should have been classified as unlisted stock and loans to government and other public bodies included in level 3. June 2021 has been restated accordingly.

10 Upon further interrogation it was noted that R94 million local listed other debt instruments was inappropriately included in level 2 and should have been included in level 3. June 2021 has been restated accordingly.

There were no further significant transfers in and out of level 1 and 2 respectively in the prior year.

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy continued

The following table provides a reconciliation of the fair value of the level 3 assets:

	At FVPL					
	Unit-linked investments Rm	Debt securities Rm	Equity securities Rm	Funds on deposit and other money market instruments Rm	Derivative financial assets Rm	Total Rm
2022						
Opening balance	**2 992**	**1 973**	**234**	**5**	**178**	**5 382**
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	**107**	**17**	**(49)**	**–**	**–**	**75**
Unrealised gains/(losses)	**998**	**(39)**	**39**	**–**	**3**	**1 001**
Foreign exchange adjustments	**(3)**	**–**	**1**	**–**	**2**	**–**
Accrued interest in investment income in the income statement	**–**	**56**	**–**	**–**	**–**	**56**
Other	**(4)**	**(3)**	**–**	**–**	**–**	**(7)**
Purchases	**459**	**865**	**176**	**–**	**–**	**1 500**
Sales	**(284)**	**(917)**	**(133)**	**–**	**–**	**(1 334)**
Settlements	**(464)**	**(68)**	**–**	**–**	**(12)**	**(544)**
Transfers into level 3 from level 2[1]	**8**	**13**	**69**	**–**	**–**	**90**
Transfers out to level 2[2]	**–**	**–**	**(31)**	**–**	**–**	**(31)**
Closing balance	**3 809**	**1 897**	**306**	**5**	**171**	**6 188**
Restated 2021[3]						
Opening balance	2 667	1 166	296	5	–	4 134
Transfer to assets relating to disposal groups held for sale	(10)	–	–	–	–	(10)
Transfer from other asset classes	–	–	–	–	4	4
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised (losses)/gains	(35)	6	(6)	–	–	(35)
Unrealised gains/(losses)	109	(211)	(74)	–	181	5
Foreign exchange adjustments	(4)	–	(19)	–	(7)	(30)
Accrued interest in investment income in the income statement	–	47	–	–	–	47
Purchases	626	1 281	42	–	–	1 949
Sales	(343)	(862)	(1)	–	–	(1 206)
Settlements	(10)	(279)	–	–	–	(289)
Transfers into level 3 from level 1[4]	–	–	1	–	–	1
Transfers into level 3 from level 2[4]	25	825	33	–	–	883
Transfers out to level 2[2]	–	–	(38)	–	–	(38)
Transfers out to level 1[5]	(33)	–	–	–	–	(33)
Closing balance	2 992	1 973	234	5	178	5 382

1 Level 2 equity securities (R52 million) were transferred to level 3 as the instrument's price was stale for more than 30 days.

2 Transfers out to level 2 relates mainly to assets with inputs to valuation techniques that are no longer stale.

3 Refer to note 47 for more information on the restatements.

4 Transfers into level 3 equity securities and unit-linked investments relates mainly to assets with stale prices. Debt securities of R759 million were transferred from level 2 to level 3 in June 2021 as a result of fair value adjustments processed due to recoverability and credit risk. The remaining debt securities which were transferred in June 2021 related to instruments with stale prices.

5 Upon further investigation it was noted that R33 million other unit-linked investments included in level 3 was inappropriately classified as such and should have been classified as local unlisted or listed quoted CIS included in level 1. June 2021 has been restated accordingly.

The amount of total gains and losses for the year included in net realised and unrealised fair value gains in the income statement for assets held at the end of the year is R960 million (2021: R24 million) for the Group.

Transfers in and out of level 3 are deemed to have occurred at inception of the reporting period at fair value.

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy continued

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

	At FVPL	
	Unit-linked investments Rm	Debt securities Rm
2022		
Carrying amount	**3 809**	**1 897**
Assumption change	**10% increase/ (decrease) in unit price**	**1% increase/ (decrease) in discount rates**
Effect of increase in assumption	**381**	**1**
Effect of decrease in assumption	**(381)**	**3**
Restated 2021[1, 2]		
Carrying amount	2 992	1 973
Assumption change	10% increase/ (decrease) in unit price	1% increase/ (decrease) in discount rates
Effect of increase in assumption	299	3
Effect of decrease in assumption	(299)	(13)

1 Level 2 debt securities were reclassified to level 3 debt securities as through further interrogation it was deemed more appropriate.

2 The carrying amount on which the assumptions are applied has been corrected. June 2021 sensitivities have been restated accordingly.

The following table provides an analysis of the fair value of financial assets not carried at fair value in the statement of financial position:

	2022		Restated 2021[1]	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets at amortised cost	**8 739**	**8 739**	7 968	7 968
Unsettled trades	**1 896**	**1 896**	1 854	1 854
Accounts receivable	**3 283**	**3 283**	2 803	2 803
Debt securities	**481**	**481**	512	512
Funds on deposit and other money market instruments	**263**	**263**	311	311
Loans	**2 816**	**2 816**	2 488	2 488
Insurance and other receivables (excluding accelerated rental income and prepayments)	**6 861**	**6 861**	5 613	5 613
Cash and cash equivalents	**28 720**	**28 720**	36 822	36 822
	44 320	**44 320**	50 403	50 403

1 Refer to note 47 for more information on the restatements.

Calculation of fair value

- For unsettled trades, accounts receivable, debt securities, funds on deposit and other money market instruments, loans, insurance and other receivables and cash and cash equivalents, the carrying amount approximates fair value due to their short-term nature.
- For policy loans, the fair value of R958 million (2021: R1 023 million) is the discounted amount of the estimated future cash flows to be received, based on monthly repayments of between 15 and 30 months. The expected cash flows are discounted using a rate of 12.02% (2021: 10.5%). The fair value for policy loans are level 2.

8 REINSURANCE CONTRACT ASSETS

Refer to note 48.10 for the accounting policies relating to this note.

	2022 Rm	Restated 2021[1] Rm
Reinsurance asset relating to cell captive business	**10 671**	3 472
Reinsurance asset relating to long-term insurance	**3 229**	2 399
Prepaid reinsurance	**1 076**	978
	14 976	6 849
Balance at beginning	**6 849**	6 142
Movement charged to income statement	**897**	142
Attributable to non-cell captive business	**753**	279
Attributable to cell captive business	**144**	(137)
Business combinations (refer to note 30)	**–**	125
Cell captive premiums	**–**	35
First-party cell captives	**1**	(92)
Third-party cell captives	**711**	215
Promoter[2]	**6 638**	237
Other	**(151)**	98
Exchange differences	**31**	(53)
Balance at end	**14 976**	6 849
Current	**13 281**	5 530
Non-current	**1 695**	1 319
	14 976	6 849

1 Refer to note 47 for more information on the restatements.

2 In prior year, the Promoter business amount was included in the First-party cell captives balance and this year, we have created a line for Promoter business since the balance has moved significantly. Promoter business includes contingency policies, and policies where the company accepts insurance and reinsurance inwards risks directly.

A significant claim of R6.9 billion was received following the floods in KwaZulu-Natal during April 2022. This claim is fully reinsured. Towards the end of June 2022, an amount of R1.7 billion was received from the reinsurer and paid to the client. At 30 June 2022, the outstanding gross claim estimate is R5.2 billion.

Refer to note 11 for relevant assumptions and estimates applied in valuation of the reinsurance assets.

Amounts due from reinsurers in respect of claims incurred by the Group on contracts that are reinsured are included in insurance and other receivables. Refer to note 7.3.

9 INSURANCE CONTRACTS

Refer to note 48.10 for the accounting policies relating to this note.

		2022 Rm	Restated 2021[1] Rm
9.1	**Long-term insurance contracts**		
9.1.1	**Long-term insurance contract liabilities**	**123 636**	125 899
9.1.2	**Liabilities to third-party cell captive owners**	**2 589**	3 019
		126 225	128 918
	Current	**38 908**	42 365
	Non-current	**87 317**	86 553
		126 225	128 918
	Movement in long-term insurance contracts		
9.1.1	**Long-term insurance contract liabilities**		
	Balance at beginning	**125 899**	112 539
	Transfer (from)/to policyholder liabilities under insurance contracts	**(2 365)**	13 706
	(Decrease)/Increase in retrospective liabilities	**(548)**	4 886
	Unwind of discount rate	**3 625**	2 552
	Expected release of margins	**(3 408)**	(3 548)
	Expected cash flows	**(7 243)**	(4 990)
	Change in economic assumptions	**(176)**	2 188
	Change in non-economic assumptions	**(352)**	1 003
	New business	**6 862**	5 919
	Experience variances	**(1 033)**	5 694
	Other	**(92)**	2
	Revaluation liability	**–**	58
	Other	**136**	21
	Exchange differences	**(34)**	(425)
	Balance at end	**123 636**	125 899
9.1.2	**Liabilities to third-party cell captive owners**		
	Balance at beginning	**3 019**	1 848
	Charge to the income statement	**(915)**	(707)
	Net insurance related cash flows	**6 079**	4 859
	Dividends paid to cell owners	**(3 358)**	(1 129)
	Changes in share capital and other items relating to cell captives[2]	**(2 236)**	(1 852)
	Balance at end	**2 589**	3 019

[1] Refer to note 47 for more information on the restatements.

[2] Relates mainly to cell captive expenses including binder fees, administration fees and commission and includes net proceeds in share issues of R143 million (2021: R41 million).

9 INSURANCE CONTRACTS CONTINUED

		2022 Rm	Restated 2021[1] Rm
9.2	**Non-life insurance contracts**		
9.2.1	**Unearned premium provision**	**7 749**	6 664
9.2.2	**Outstanding claims**	**11 413**	4 055
9.2.3	**Liabilities to third-party cell captive owners**	**2 990**	2 845
	Total	**22 152**	13 564
	Current	**18 905**	10 634
	Non-current	**3 247**	2 929
		22 152	13 563
	Movement in non-life insurance contracts		
9.2.1	**Unearned premium provision**		
	Balance at beginning	**6 664**	5 236
	Business combinations (refer to note 30)	**–**	650
	Movement in unearned premium provision		
	Premium income received	**9 199**	6 950
	Recognition of premium income	**(8 049)**	(6 142)
	Other	**(77)**	(3)
	Exchange differences	**12**	(27)
	Balance at end	**7 749**	6 664
9.2.2	**Outstanding claims**		
	Balance at beginning	**4 055**	3 531
	Business combinations (refer to note 30)	**–**	56
	Increase in outstanding claims	**7 272**	487
	Other	**58**	43
	Exchange differences	**28**	(62)
	Balance at end	**11 413**	4 055

A significant claim of R6.9 billion was received following the floods in KwaZulu-Natal during April 2022. This claim is fully reinsured. Towards the end of June 2022, an amount of R1.7 billion was received from the reinsurer and paid to the client. At 30 June 2022, the outstanding gross claim estimate is R5.2 billion.

		2022 Rm	Restated 2021[1] Rm
9.2.3	**Liabilities to third-party cell captive owners**		
	Balance at beginning	**2 845**	2 678
	Business combinations (refer to note 30)	**–**	15
	Charge to the income statement	**(97)**	(108)
	Cell tax	**(275)**	(271)
	Net fair value gains on assets at FVPL	**178**	163
	Cell captive income	**1 103**	1 091
	Net cash flows	**182**	(6)
	Dividends paid	**(1 080)**	(766)
	Exchange differences	**37**	(59)
	Balance at end	**2 990**	2 845

[1] Refer to note 47 for more information on the restatements.

Refer to note 11 for the assumptions and estimates used.

Notes to the financial statements continued

10 INVESTMENT CONTRACTS

Refer to note 48.10 for the accounting policies relating to this note.

		2022 Rm	Restated 2021[1] Rm
10.1	**Investment contracts with DPF**	**3 031**	19 222
10.2	**Investment contracts designated at FVPL**	**318 758**	292 500
10.2.1	**Investment contract liabilities designated at FVPL**	**307 867**	283 414
10.2.2	**Liabilities to first-party cell captive owners**	**10 891**	9 086
	Total investment contract liability	**321 789**	311 722
	Movement in investment contracts with DPF		
10.1	**Investment contracts with DPF**		
	Balance at beginning	**19 222**	18 320
	Reclassification to investment contracts designated at FVPL[2]	**(14 547)**	–
	Transfer (from)/to policyholder liabilities under investment contracts with DPF	**(1 644)**	763
	(Decrease)/Increase in retrospective liabilities	**(1 511)**	790
	Unwind of discount rate	**30**	5
	Expected release of margins	**(40)**	(31)
	Expected cash flows	**8**	37
	Change in non-economic assumptions	**(141)**	(17)
	New business	**1**	3
	Experience variances	**9**	(24)
	Other	**–**	144
	Exchange differences	**–**	(5)
	Balance at end	**3 031**	19 222
	Current	**1 586**	17 648
	Non-current	**1 445**	1 574
		3 031	19 222

[1] Refer to note 47 for more information on the restatements.

[2] As a result of an update to legislation, namely FSCA Standard 5 of 2020, certain investment contracts that were previously classified as investment contracts with DPF were reclassified to investment contracts designated at FVPL. The update in the legislation resulted in a modification to the contract which resulted in the derecognition of investment contracts with DPF and recognition of investment contracts designated at FVPL.

		2022 Rm	Restated 2021[1] Rm
	Movement in investment contracts designated at FVPL		
10.2	**Investment contracts designated at FVPL**		
10.2.1	**Investment contract liabilities designated at FVPL**		
	Balance at beginning	**283 414**	251 914
	Contract holder movements	**9 633**	31 861
	Deposits received	**47 239**	42 898
	Contract benefit payments	**(44 240)**	(41 587)
	Fees on investment contracts	**(3 308)**	(2 919)
	Fair value adjustment to policyholder liabilities under investment contracts[2]	**10 711**	33 628
	Other	**(769)**	(159)
	Reclassification from investment contracts with DPF[3]	**14 547**	–
	Exchange differences	**273**	(361)
	Balance at end	**307 867**	283 414

[1] Refer to note 47 for more information on the restatements.

[2] The decrease is mainly due to decrease in fair value gains on the assets backing the investment contract policies.

[3] As a result of an update to legislation, namely FSCA Standard 5 of 2020, certain investment contracts that were previously classified as investment contracts with DPF were reclassified to investment contracts designated at FVPL. The update in the legislation resulted in a modification to the contract which resulted in the derecognition of investment contracts with DPF and recognition of investment contracts designated at FVPL.

10 INVESTMENT CONTRACTS CONTINUED

10.2 Investment contracts designated at FVPL continued

10.2.2 Liabilities to first-party cell captive owners

	2022 Rm	Restated 2021[1] Rm
Balance at beginning	**9 086**	9 722
Contract holder movements	**1 643**	(278)
Deposits received	**1 078**	1 339
Contract benefit payments	**(586)**	(1 827)
Fees on investment contracts	**(101)**	(85)
Fair value adjustment to policyholder liabilities under investment contracts	**173**	564
Cell captive income	**(89)**	(49)
Changes in share capital, dividends and other items relating to cell captives[2]	**1 168**	(220)
Exchange differences	**162**	(358)
Balance at end	**10 891**	9 086
Current	**313 009**	151 185
Non-current	**5 749**	141 315
	318 758	292 500

1 Refer to note 47 for more information on the restatements.

2 Includes net proceeds in share issues of R299 million (2021: R45 million) and dividend distributions of R25 million (Restated 2021: R454 million) and Other items relating to cell captives R1 142 million (Restated 2021: 189 million). The increase in Other items relating to cell captive is due to increase in net assets of the first party cells, which is a function of the results thereof.

The instruments in note 10.2 would have been classified as financial liabilities at amortised cost under IFRS 9 had they not been designated at FVPL.

For the IFRS 7 disclosures relating to investment contracts, refer to note 12.4.

Refer to note 11 for the assumptions and estimates used.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES

The actuarial value of policyholder liabilities arising from long-term insurance contracts is determined using the FSV method as described in the actuarial guidance note SAP 104 of ASSA – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers. The valuation of contract holder liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies in note 48.10.

The assumptions are set as follows:

- The best estimate for a particular assumption is determined.
- Prescribed margins are then applied, as required by SAP 104.
- Discretionary margins are applied where the prescribed compulsory margins are deemed insufficient in a particular case in relation to prevailing uncertainty or for the prudent release of profit.

The liabilities at 30 June 2022 would have been R6 854 million (2021: R8 901 million) lower for the Group without the discretionary margins. This impact is shown gross of transfer tax.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

The process used to decide on best-estimate assumptions is described below:

Mortality

- Individual smoothed bonus and non-profit business: Mortality assumptions are based on internal investigations into mortality experience. These are monitored annually, more recent experience that includes the impact of Covid-19 has been excluded when setting long-term assumptions.
- Conventional with-profit business (excluding home service funeral business): Regular mortality investigations are carried out, with the most recent investigations being in respect of the period ended June 2020 for MML retail businesses.
- Home service business: Mortality assumptions are based on internal investigations into mortality experience, with the most recent investigation being for the period 2011 to 2016 for Metropolitan Life business.
- Annuity business: Mortality assumptions for Metropolitan Life annuity business are based on internal experience investigations. The Momentum Investments annuitant mortality basis is derived from the RMV 92, RFV 92 and 2002 South African Annuitant standard mortality tables, adjusted for experience. Mortality assumptions for employee benefits contracts within the Momentum Corporate segment are based on the 2002 South African Annuitant mortality tables adjusted for experience. The most recent investigation was in respect of the period to December 2020. An explicit allowance is made for mortality improvements.

Morbidity

- Internal morbidity and accident investigations on retail contracts are done regularly, the most recent being in respect of the period ended June 2020 for Momentum Life. For Metropolitan Life exposure is extremely low and morbidity rates are derived through collaboration with reinsurers.
- For individual Permanent Health Insurance business, disability claim recovery probabilities are based on recovery rates provided by reinsurers.
- For benefits under employee benefit contracts within the Momentum Corporate segment, disability claim recovery probabilities are modelled using the Group Long-term Disability Table (GLTD) developed in the United States of America. The table details recovery rates for given ages, elimination periods and durations since disability. These recovery rates are then adjusted for the Group's own experience. The most recent investigation was in respect of the period ended December 2020.

Persistency

- Lapse and surrender assumptions are based on past experience. When appropriate, account is also taken of expected future trends (including the effect of expected premium reviews).
- Lapse investigations are performed at least annually for MML retail business, the most recent being in respect of the period ended December 2021 for Metropolitan Life business and June 2021 for Momentum Life and Investments business (December 2021 for protection business).
- Surrender investigations are performed at least annually for MML retail business, the most recent being in respect of the period ended February 2022 for Metropolitan Life business and June 2021 for Momentum Life and Investments business (December 2021 for protection business).
- Experience is analysed by product type as well as policy duration, distribution channel and smoker status.

Expenses

Expenses are allocated into three major categories, namely new business, maintenance and development and project expenses. Expenses are allocated into these categories, as well as per segment and product, using a variety of methods. These methods include direct allocations according to function and/or operational structure, functional cost analyses as well as pre-defined cost allocation models.

- Provision for future renewal expenses starts at a level consistent with the budgeted expense for the 2023 financial year and allows for escalation at the assumed expense inflation rate.
- Asset management expenses are expressed as an annual percentage of assets under management.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Investment returns and inflation

- Market-related information is used to derive assumptions in respect of investment returns, discount rates used in calculating contract holder liabilities and renewal expense inflation.
- These assumptions take into account the notional long-term asset mix backing each liability type and are suitably adjusted for tax and investment expenses.
- Yields of appropriate duration from an appropriate market-related yield curve as at the valuation date are used to discount expected cash flows at each duration. The yield curve used is based on fixed or CPI-linked risk-free securities and, depending on the nature of the corresponding liability, adjusted for credit and liquidity spreads of the assets actually held in the underlying portfolio.
- Investment returns for other asset classes are set as follows:
  - Equity rate: gilt rate +3.5% (2021: +3.5%)
  - Property rate: gilt rate +1.0% (2021: +1.0%)
  - Corporate bonds: gilt rate +0.5% (2021: +0.5%)
  - Cash rate: gilt rate -1.0% (2021: -1.0%)

- An inflation rate of 5% p.a. (2021: 5% p.a) for ZAR-denominated business is used to project future renewal expenses over the planning horizon (three years) whereafter the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. The 7.7% (2021: 6.5%) in the table below represents the 10-year point of the yield curves. An addition to the expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.
- The main best-estimate investment assumptions, gross of tax, used in the valuation are:

	2022	2021
RDR	14.4%	12.8%
Gilt rate – risk-free investment return	12.0%	10.4%
Assumed investment return for individual smoothed bonus business	14.2%	12.6%
Renewal expense inflation rate	7.7%	6.5%

Future bonuses

- Contract holders' reasonable benefit expectations are allowed for by assuming bonus rates supported by the market value of the underlying assets and the assumed future investment return.
- For smoothed bonus business, where bonus stabilisation accounts (BSAs) are negative, liabilities are reduced by an amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years. These amounts are determined by projecting BSAs three years into the future using assumed investment returns as per the valuation basis, net of applicable taxes and charges, as well as assumed bonus rates that are lower than those supported by the assumed investment return but nevertheless consistent with the bonus philosophies of the relevant funds. The assumed bonus rates are communicated to, and accepted by, both management and the respective boards of directors.
- For conventional with-profit business, all future bonuses are provided for at bonus rates supported by the market value of the underlying assets and the assumed future investment return. Any resulting reduction in future bonus rates used in the valuation assumptions, relative to those most recently declared, is communicated to, and accepted by, both management and the respective boards of directors at each annual bonus declaration.

Investment guarantees (APN 110)

- Market-consistent stochastic models were calibrated using market data as at 30 June 2022. The value of the investment guarantee liabilities was calculated as at this date.
- APN 110 prescribes specific disclosure in respect of the market-consistent stochastic models that were used to calculate the liabilities. The disclosure is set out below.

The following table discloses specific points on the zero coupon yield curve used in the projection of the assets as at 30 June:

Year	1	2	3	4	5	10	15	20	25	30	35	40
2022	6.8	7.6	8.3	9.1	9.7	12.1	12.8	13.0	12.9	12.6	12.3	11.9
2021	4.9	5.6	6.3	6.9	7.6	10.3	11.9	12.5	12.5	12.3	11.8	11.4

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Investment guarantees (APN 110) continued

The following instruments have been valued by the model:

	2022		2021	
Instrument	**Price (% of nominal)**	**Volatility**	**Price (% of nominal)**	**Volatility**
A 1-year at-the-money (spot) put on the Financial Times Stock Exchange (FTSE)/JSE Top 40 index	**8.3%**	**26.0%**	7.1%	21.3%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a 0.8 (2021: 0.8) of spot	**2.8%**	**30.2%**	1.8%	25.0%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.0357 (2021: 1.024)	**9.7%**	**25.2%**	8.1%	20.9%
A 5-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**5.9%**	**23.6%**	7.0%	21.7%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^5$ (2021: $(1.04)^5$) of spot	**10.9%**	**22.4%**	12.9%	20.2%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.4152 (2021: 1.2991)	**17.0%**	**21.6%**	15.7%	19.7%
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**0.4%**	**25.0%**	0.4%	25.0%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^{20}$ (2021: $(1.04)^{20}$) of spot	**2.3%**	**24.0%**	2.6%	23.8%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 7.2514 (2021: 6.7896)	**24.7%**	**23.0%**	25.4%	23.1%
A 5-year put, with a strike price equal to $(1.04)^5$ of spot, on an underlying index constructed as 60% FTSE/JSE Top 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**4.2%**	**13.9%**	6.1%	12.7%
A 20-year put on an interest rate with a strike price equal to the present 5-year forward rate at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike price	**0.1%**	**N/A**	0.2%	N/A

Tax

- Future tax on investment returns is allowed for, according to current five-fund tax legislation, by appropriately reducing the gross valuation interest rate expected to be earned in the future on the various books of business.
- A long-term assumption is made for assumed future tax relief on expenses, based on past experience and expected future trends.
- No value has been attributed to any assessed losses in the contract holder tax funds.

Provisions for Covid-19

The Group has considered the possible impact of the Covid-19 pandemic. It has reviewed recent claims experience, and publicly available infection and excess death data.

The expected impact of the pandemic has led to changes in the applicable mortality assumptions for F2023 that are used in the valuation basis of the life insurance operations of the Group. Morbidity and terminations assumptions were left unchanged. The impact of claims on non-life insurance business in Guardrisk has also been considered.

Taking into account the observed progression of the pandemic, and the prevailing uncertainty regarding its future course, it was decided to allow for a series of mild Covid-19 waves over the next two years (or limited to the contract boundary of the business if shorter). The assumed severity of the projected waves was based on the most recent waves as experienced over the previous six months by each segment.

The resultant mortality assumptions thus differ between segments. As trends in Covid-related claims experience and policyholder behaviour continue to evolve, the Group will continue to evaluate and assess the assumptions used in the valuation basis.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Provisions for Covid-19 continued

The Covid-19 provision was increased during the current year by the net of tax amount of R107 million (2021: 2 305 million increase), while existing provisions of R1 763 million (2021: R1 193 million) were released. The overall net impact is an increase in the Group's normalised headline earnings for the year of R1 656 million (2021: R1 046 million decrease). This led to the total embedded value increasing by R1 656 million (2021: R648 million reduction).

The impacts by segment are shown in the table below:

	Impact of provisions for Covid-19 on:							
	Normalised headline earnings							
	Mortality Rm	Morbidity Rm	Non-life insurance claims Rm	Termina-tions Rm	Total 2022 Rm	Embedded value Total 2022 Rm	NHE impact Total 2021 Rm	Embedded value Total 2021 Rm
Provision balance at beginning of the year	1 854	71	54	50	2 029	2 029	983	1 381
Release of provision during the year	(1 639)	(62)	(36)	(26)	(1 763)	(1 763)	(1 193)	(1 591)
Momentum Life	(689)	(26)	–	(1)	(716)	(716)	(346)	(460)
Metropolitan Life	(283)	–	–	(24)	(307)	(307)	(169)	(169)
Momentum Corporate	(610)	(36)	–	–	(646)	(646)	(568)	(852)
Momentum Metropolitan Africa	(57)	–	–	(1)	(58)	(58)	(73)	(73)
Non-life Insurance	–	–	(36)	–	(36)	(36)	(37)	(37)
Additional provision during the year	87	–	–	–	87	87	2 305	2 305
Momentum Life	64	–	–	–	64	64	747	747
Metropolitan Life	–	–	–	–	–	–	386	386
Momentum Corporate	–	–	–	–	–	–	1 026	1 026
Momentum Metropolitan Africa	23	–	–	–	23	23	93	93
Non-life Insurance	–	–	–	–	–	–	53	53
Change in annuitant reserve during the year	20	–	–	–	20	20	(66)	(66)
Total change in provision	(1 532)	(62)	(36)	(26)	(1 656)	(1 656)	1 046	648
Provision at 30 June 2022	322	9	18	24	373	373	2 029	2 029

Where pricing assumptions were adjusted in response to the Covid-19 pandemic, the assumptions used in the valuation of contract holder liabilities were adjusted as required to reflect a best-estimate view of the future and prevent the premature recognition of profit.

Non-life insurance claims

Previous provisions made by Guardrisk to deal with claims related to business interruption as a result of the Covid-19 lock down regulations were adequate and claims largely been settled.

The overall exposure relating to Covid-19 for Momentum Insure business interruption claims as accounted for at the end of June 2021 (approx. R38 million) remained unchanged with corresponding movement from IBNR to OCR and paid levels during the financial year.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Basis and other changes

Assumptions and methodologies used in the FSV basis are reviewed at the reporting date and the impact of any resulting changes in actuarial estimates is reflected in the income statement as they occur. An exception to this is the impact of changes in the valuation discount rate, consequent changes in the assumed level of renewal expense inflation or bonuses and investment over or underperformance in respect of non-linked business, which is treated in accordance with the stabilisation policy as described in the accounting policies in note 48.10.

- Basis and other changes decreased the excess of assets over liabilities at 30 June 2022 by R647 million (2021: R2 470 million) for the Group. The major contributors to this change were as follows:
  - Actuarial methodology changes and corrections (other changes) - positive R869 million (2021: positive R185 million). Methodology changes consist mainly of reserve release as a result of a number of modelling improvements and refinements as well as a net positive impact from a number of parameter and assumption updates.
  - Experience basis changes - negative R174 million (2021: negative R2 609 million). The experience basis changes are in respect of withdrawal, expense and mortality assumptions. A significant portion of the current year changes relates to the alignment of Protection business lapse rates with the pricing assumptions, offset by a release of the Covid-19 provision and a positive change in respect of future expense assumptions.
  - Economic assumption changes - negative R47 million (2021: negative R46 million). The economic assumption changes are in respect of future investment returns, bonus and inflation assumptions as well as the difference between actual and expected investment returns on non-profit business.

Sensitivity analysis

The sensitivity of the value of contract holder liabilities to movement in the assumptions is shown in the table below. In each instance, the specified assumption changes while all the other assumptions remain constant.

The numbers in the table demonstrate the impact on liabilities if experience deviates from best-estimate assumptions by the specified amount in all future years.

	Liability Rm	Renewal expenses decrease by 10% Rm	Expense inflation decreases by 1% Rm	Discontinuance rates decrease by 10% Rm	Mortality and morbidity decrease by 5% Rm	Investment returns reduce by 1% Rm
2022						
Insurance business						
Retail insurance business (excluding annuities)	**63 551**	**61 945**	**62 319**	**64 031**	**60 101**	**65 413**
Annuities (retail and employee benefits)	**58 178**	**57 997**	**58 024**	**58 178**	**58 762**	**60 913**
Employee benefits business (excluding annuities)	**2 277**	**2 273**	**2 275**	**2 277**	**2 281**	**2 304**
Investment with DPF business	**3 031**	**3 013**	**3 023**	**3 031**	**3 031**	**3 039**
Investment business	**296 241**	**296 222**	**296 232**	**296 245**	**296 240**	**298 952**
Subtotal	**423 278**	**421 450**	**421 873**	**423 762**	**420 415**	**430 621**
Cell captive and non-life business	**46 896**					
Total	**470 174**	**421 450**	**421 873**	**423 762**	**420 415**	**430 621**
Restated 2021[1]						
Insurance business						
Retail insurance business (excluding annuities)	66 847	65 221	65 712	67 359	63 319	68 204
Annuities (retail and employee benefits)	56 439	56 260	56 290	56 439	57 024	59 037
Employee benefits business (excluding annuities)	3 140	3 138	3 140	3 145	3 145	3 282
Investment with DPF business	19 222	19 203	19 213	19 221	19 221	19 402
Investment business	273 777	273 755	273 767	273 783	273 777	276 136
Subtotal	419 425	417 577	418 122	419 947	416 486	426 061
Cell captive and non-life business	34 785					
Total	454 210	417 577	418 122	419 947	416 486	426 061

[1] Refer to note 47 for more information on the restatements.

The impact of the reduction in the assumed investment return includes the consequent change in projected bonus rates, discount rates and the assumed level of renewal expense inflation.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Sensitivity analysis continued

The sensitivities were chosen because they represent the main assumptions regarding future experience that the Group employs in determining its insurance liabilities. The magnitudes of the variances were chosen to be consistent with the sensitivities shown in the Group's published EV report and also to facilitate comparisons with similar sensitivities published by other insurance companies in South Africa.

It is not uncommon to experience one or more of the stated deviations in any given year. There might be some correlation between sensitivities; for instance, changes in investment returns are normally correlated with changes in discontinuance rates. The table on the previous page shows the impact of each sensitivity in isolation, without taking into account possible correlations.

The table does not show the financial impact of variances in lump sum mortality and morbidity claims in respect of employee benefits business because of the annually renewable nature of this class of insurance. An indication of the sensitivity of financial results to mortality and morbidity variances in this class of business can be obtained by noting that a 5% (2021: 5%) increase in mortality and morbidity lump sum benefits paid on employee benefits business in any given year will result in a reduction of R164 million (2021: R198 million) in the before-tax earnings of the Group.

It should be pointed out that the table shows only the sensitivity of liabilities to changes in valuation assumptions. It does not fully reflect the impact of the stated variances on the Group's financial position. In many instances, changes in the fair value of assets will accompany changes in liabilities. An example of this is the annuity portfolio, where assets and liabilities are closely matched. A change in annuitant liabilities following a change in long-term interest rates will be countered by an almost equal change in the value of assets backing these liabilities, resulting in a relatively modest overall change in net asset value.

12 FINANCIAL LIABILITIES

Refer to note 48.11, 48.15 and 48.23 for the accounting policies relating to this note.

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition.

		2022 Rm	Restated 2021[1] Rm
	The Group's financial liabilities are summarised below:		
12.1	**Financial liabilities at FVPL**	**48 141**	51 013
12.2	**Financial liabilities at amortised cost**	**4 336**	4 164
12.3	**Other payables (excluding premiums paid in advance and deferred revenue liability (DRL))**	**17 628**	15 238
		70 105	70 415
12.1	**Financial liabilities at FVPL**		
	CIS liabilities	**30 782**	29 372
	Subordinated call notes	**5 327**	4 429
	Carry positions	**7 723**	11 692
	Derivative financial liabilities (refer to note 7.1)	**3 039**	3 993
	Preference shares issued by subsidiaries	**337**	357
	Other borrowings	**933**	1 170
		48 141	51 013
	Current	**40 217**	42 720
	Non-current	**7 924**	8 293
		48 141	51 013

[1] Refer to note 47 for more information on the restatements.

12 FINANCIAL LIABILITIES CONTINUED

12.1 Financial liabilities at FVPL continued

- The change in the fair value of financial liabilities designated at FVPL due to own credit risk amounted to a loss of R26 million (2021: a loss of R90 million). This was calculated by measuring the daily changes in the instrument's credit spreads against the equivalent risk-free assets and then accumulating the impact of the changes in the market value for the period. The difference between the fair value of the subordinated call notes and the contractual amount required to pay at maturity is R77 million (2021: R179 million).
- CIS liabilities – certain CISs have been classified as investments in subsidiaries; refer to note 42. Consequently, scheme interests not held by the Group are classified as third–party liabilities as they represent demand deposit liabilities measured at fair value.
- Subordinated call notes (unsecured) – the PA granted approval for MML to raise debt issuances. MML has sufficient cash to cover the debt. On 25 May 2022, MML listed two new subordinated debt instruments to the combined value of R1 billion on the JSE Ltd. A fair value gain of R134 million (2021: a loss of R82 million) was recognised in profit or loss. During the current year, R26 million (2021: a loss of R90 million) fair value loss was recognised on the subordinated call notes which has been accounted for in other comprehensive income. These fair value losses were offset by other market factors. Refer to note 36 for more detail. *(cash flow interest rate risk)*
- Carry positions (secured) – this relates to a carry position reported by the Group that represents a sale and repurchase of assets in specific group annuity portfolios. These carry positions are secured by government stock with a value of R8 491 million (2021: R9 492 million). Offsetting has not been applied. *(fair value interest rate risk)*
- The preference shares issued by subsidiaries relate to senior variable rate cumulative redeemable preference shares issued to external parties by Amandla Renewable Energy Fund (Pty) Ltd, an asset holding entity. These preference shares are measured at fair value in order to eliminate an accounting mismatch. There is no recourse to the MMH Group in case of default on these preference shares. *(cash flow interest rate risk)*
- The Amandla Renewable Energy Fund (Pty) Ltd holds collateral in respect of preference shares held by, the associated special purpose vehicle, Amandla Ilanga (RF) (Pty) Ltd. The security has subsequently been ceded to the holder of the senior preference shares issued by the special purpose vehicle as part of initially securing the senior funding. The material terms of the security cession include that the bare dominium in respect of the asset remains with the cedent and the cessionary only receives the right to sell the security upon default as well as only to the extent that value is owed by the cedent in terms of the cession agreement. The fair value of the security ceded is R600 million (2021: R591 million).
- Other borrowings - non-controlling interests of 25% of Cannon Life Assurance (Pty) Ltd and Cannon General Insurance (Pty) Ltd have the option to sell their shares to the Group from 3 October 2016 at a price linked to EV. In terms of IFRS, the Group has recognised a financial liability of R94 million (2021: R103 million), being the present value of the estimated purchase price, for exercising this option. The Group has consolidated 96% of the subsidiaries' results.

  Other borrowings also include outstanding contingent consideration of R33 million (2021: R118 million) relating to the acquisition of subsidiaries in the prior year. The majority of the balance relates to the Seneca acquisition. *(no interest rate risk)*

  Other borrowings also include financed trades of R377 million (2021: R427 million) and short positions in respect of government stock of R383 million (2021: R294 million) recognised as a result of the Group's investment into Qualified Investor Hedge funds that, as a result of the requirements in IFRS 10 – Consolidated Financial Statements, are consolidated. There is no recourse to MMH in case of default *(fair value interest rate risk)*.
- These instruments, excluding 'Other borrowings' and 'Derivative financial liabilities, would have been disclosed as at amortised cost under IFRS 9 had they not been designated at FVPL.

12.2 Financial liabilities at amortised cost

	2022 Rm	2021 Rm
Term loans[1]	**1 541**	1 357
Cumulative redeemable preference shares[2]	**2 025**	2 022
Lease liabilities	**188**	220
Cumulative redeemable convertible preference shares	**252**	245
Other	**330**	320
	4 336	4 164
Current	**818**	700
Non-current	**3 518**	3 464
	4 336	4 164

[1] It was deemed more appropriate that certain loans previously disclosed in other (2021:932 million) have now been presented within loans of a similar nature as term loans. June 2021 has been restated accordingly.

[2] Cumulative redeemable preference shares are those issued by a subsidiary in the Group, MMSI. More detail is disclosed in note 12.2.2.

12 **FINANCIAL LIABILITIES** CONTINUED

12.2 **Financial liabilities at amortised cost** continued

12.2.1 Term loans

Term loans include property development loans that were subsequently converted to Term loans. Details of which are as follows:

- A R475 million (2021: R489 million) loan from Standard Bank Ltd relates to a developed property held by a subsidiary, 129 Rivonia Road (Pty) Ltd. Interest on the loan is levied at the three-month JIBAR plus 1.85%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*.
- A R234 million (2021: R247 million) loan from FirstRand Bank Ltd in order to develop property held by a subsidiary, 102 Rivonia Road (Pty) Ltd. Interest on the loan is levied at a fixed rate of 11%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R167 million (2021: R178 million) loan from Standard Bank Ltd in order to develop property held by a subsidiary, Momentum Metropolitan Umhlanga (Pty) Ltd. Interest on the loan is levied at JIBAR plus 1.90%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*
- A R224 million (2021: R214 million) loan from Amalgamated Bank of South Africa in order to develop property held by a subsidiary, Chuma Mall (Pty) Ltd. Interest on the loan is levied at a fixed rate 9.63%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R20 million (2021: R20 million) loan from ABSA in order to develop property held by a subsidiary, Umgeni Developments 4 (Pty) Ltd. Interest on the loan is levied at a fixed rate 7.95%. *(no interest rate risk)*
- A R82 million (2021: R90 million) loan from Nedbank Ltd in order to develop property held by a subsidiary, Rilarex (Pty) Ltd. Interest on the loan is levied at a fixed rate 10.98%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R142 million (2021: Rnil) loan from Rand Merchant Bank to fund the acquisition of Seneca Investment Managers Ltd by MGIM (100% held subsidiary of MMH). Interest on the loan is levied at a fixed rate 6.31%. The loan is secured by MGIM and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R86 million (2021: R54 million) loan from Nedbank Ltd relates to a developed property held by a subsidiary, Taung Mall (Pty) Ltd. Interest on the loan is levied at three-month JIBAR plus 2.79%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*
- The remaining term loans of R111 million (2021: R68 million) relate to property entities within the Group and bear interest at a fixed rates. There is no recourse to the Group in the event of default for these loans. *(no interest rate risk)*

12.2.2 Cumulative redeemable preference shares

On 26 June 2014, MMSI issued 1 000 cumulative redeemable preference shares at R1 million per share to FirstRand Bank Ltd. The declaration of preference dividends is calculated at 72% of JIBAR plus 180 basis points. During June 2020 300 redeemable preference shares were redeemed, the remaining 700 redeemable preference shares have a redemption date of 30 June 2023. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to redeem the preference shares on any dividend payment date. *(cash flow interest rate risk)*

On 29 January 2020, MMSI issued 1 000 Class B cumulative redeemable preference shares at R1 million per share to FirstRand Bank Ltd. The declaration of preference dividends is calculated at 72% of three-month JIBAR plus 200 basis points with a redemption date of 28 January 2025. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to redeem the preference shares on any dividend payment date. *(cash flow interest rate risk)*

On 28 April 2020, MMSI issued 300 cumulative redeemable preference shares at R1 million per share to Sanlam Alternative Income Fund. The declaration of preference dividends is calculated at 72% of three-month JIBAR plus 165 basis points with a redemption date of 28 April 2023. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to redeem the preference shares. *(cash flow interest rate risk)*

12.2.3 Cumulative redeemable convertible preference shares

MMH had 28 060 898 A3 cumulative convertible redeemable preference shares in issue (to KTH, the Group's strategic B-BBEE partner) at the beginning of the year. The preference shares were issued in 2011. Dividends are payable at 132 cents semi-annually in arrears on 31 March and 30 September each year. The preference shares are redeemable at a redemption value of R9.18 per share unless converted, at the option of the holder, into MMH ordinary shares on a one-for-one basis any time prior to the redemption date. The ordinary shares were originally issued at a price of R10.18 per share.

In 2019, MMH subscribed for a cumulative, redeemable preference share in Off The Shelf Investments 108 (Pty) Ltd (a subsidiary of KTH) which is linked to the A3 preference shares acquired in 2011. The dividends on the Off The Shelf Investments preference share aligns the A3 preference share dividend to the ordinary dividends. This is accounted for as a financial asset at FVPL. Refer to note 7.1.

The current redemption date of the A3 preference shares is 30 November 2022 (after extending it by 5 months in the current year). In the prior year the redemption date was also extended by 18 months to be redeemed on 30 June 2022. The extension in the current and prior year did not constitute a significant modification, the extinguishment of the liability or result in the recognition of a new liability and have therefore been accounted for as a change in the expected future cash flows. The change in the expected cash flows resulted in a R6 million loss recognised in profit or loss in the current year (2021: R8 million gain). In addition, the change in the expected cash flows before and after the extension resulted in an IFRS 2 – Share-based payment B-BBEE expense of R11 million being recognised in the current year (2021: R25 million). *(no interest rate risk)*

The equity component of the preference shares is included in note 17.6.

12 FINANCIAL LIABILITIES CONTINUED

12.3 Other payables

	2022 Rm	Restated 2021[1] Rm
Payables arising from insurance contracts and investment contracts with DPF	**6 647**	6 874
Claims in process of settlement		
Insurance contracts	**5 076**	4 615
Investment contracts with DPF	**123**	1 171
Due to reinsurers	**1 448**	1 088
Payables arising from investment contracts	**3 093**	1 742
Financial instruments	**7 888**	6 622
Unsettled trades	**1 467**	1 414
Commission creditors	**708**	714
Health saver liability	**295**	272
Other payables	**5 418**	4 222
Total included in financial liabilities	**17 628**	15 238
Premiums paid in advance	**1 360**	1 178
Deferred revenue liability	**579**	551
Total other payables	**19 567**	16 967
Current	**18 611**	15 987
Non-current	**956**	979
	19 567	16 967

[1] Refer to note 47 for more information on the restatements.

	2022 Rm	2021 Rm
Reconciliation of deferred revenue liability		
Balance at beginning of year	**551**	583
Deferred income relating to new business	**136**	106
Amount recognised in income statement[1]	**(108)**	(138)
Balance at end of year	**579**	551
Current	**331**	330
Non-current	**248**	221
1 to 5 years	**91**	70
5 to 10 years	**129**	120
> 10 years	**28**	31
	579	551

[1] Materially all fees recognised in the current year were included in the opening balance.

Refer to note 48.10 for the accounting policies relating to deferred revenue liability.

12 FINANCIAL LIABILITIES CONTINUED

12.4 Financial liabilities measurement

Financial liabilities summarised by measurement category in terms of IFRS 9	FVPL					
	Mandatorily Rm	Designated Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
2022						
Investment contracts with DPF	**–**	**–**	**–**	**–**	**3 031**	**3 031**
Investment contracts designated at FVPL	**–**	**318 758**	**318 758**	**–**	**–**	**318 758**
CIS liabilities	**–**	**30 782**	**30 782**	**–**	**–**	**30 782**
Subordinated call notes	**–**	**5 327**	**5 327**	**–**	**–**	**5 327**
Carry positions	**–**	**7 723**	**7 723**	**–**	**–**	**7 723**
Preference shares	**–**	**337**	**337**	**–**	**–**	**337**
Derivative financial liabilities	**3 039**	**–**	**3 039**	**–**	**–**	**3 039**
Other borrowings	**878**	**55**	**933**	**–**	**–**	**933**
Financial liabilities at amortised cost	**–**	**–**	**–**	**4 148**	**188**	**4 336**
Other payables (excluding premiums in advance and deferred revenue liability)	**–**	**–**	**–**	**10 981**	**6 647**	**17 628**
Total financial liabilities	**3 917**	**362 982**	**366 899**	**15 129**	**9 866**	**391 894**
Restated 2021[1]						
Investment contracts with DPF	–	–	–	–	19 222	19 222
Investment contracts designated at FVPL	–	292 500	292 500	–	–	292 500
CIS liabilities	–	29 372	29 372	–	–	29 372
Subordinated call notes	–	4 429	4 429	–	–	4 429
Carry positions	–	11 692	11 692	–	–	11 692
Preference shares	–	357	357	–	–	357
Derivative financial liabilities	3 993	–	3 993	–	–	3 993
Other borrowings	1 170	–	1 170	–	–	1 170
Financial liabilities at amortised cost	–	–	–	3 944	220	4 164
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	8 367	6 872	15 239
Total financial liabilities	5 163	338 350	343 513	12 311	26 314	382 138

[1] Refer to note 47 for more information on the restatements.

12.5 Financial liabilities hierarchy

Refer to note 44 for the valuation techniques relating to this note.

The following liabilities are carried at fair value and have been split into a fair value hierarchy:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022				
Investment contracts designated at FVPL	**–**	**318 748**	**10**	**318 758**
Financial liabilities at FVPL	**31 577**	**16 142**	**422**	**48 141**
CIS liabilities	**30 768**	**–**	**14**	**30 782**
Subordinated call notes	**–**	**5 327**	**–**	**5 327**
Carry positions	**–**	**7 723**	**–**	**7 723**
Preference shares	**–**	**43**	**294**	**337**
Derivative financial liabilities – held for trading	**3**	**3 036**	**–**	**3 039**
Other borrowings	**806**	**13**	**114**	**933**
	31 577	**334 890**	**432**	**366 899**
Restated 2021[1]				
Investment contracts designated at FVPL	–	292 477	23	292 500
Financial liabilities at FVPL	30 304	20 177	532	51 013
CIS liabilities	29 354	–	18	29 372
Subordinated call notes	–	4 429	–	4 429
Carry positions	–	11 692	–	11 692
Preference shares	–	44	313	357
Derivative financial liabilities – held for trading	1	3 992	–	3 993
Other borrowings	949	20	201	1 170
	30 304	312 654	555	343 513

[1] Refer to note 47 for more information on the restatements.

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

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy continued

A reconciliation of the level 3 liabilities has been provided below:

	At FVPL				
	Investment contracts designated at FVPL Rm	CIS liabilities Rm	Preference shares Rm	Other borrowings Rm	Total Rm
2022					
Opening balance	**23**	**18**	**313**	**201**	**555**
Total gains in net realised and unrealised fair value gains in the income statement					
Unrealised gains	**(2)**	**(1)**	**(13)**	**(61)**	**(77)**
Issues	**–**	**4**	**–**	**35**	**39**
Sales	**–**	**(4)**	**–**	**–**	**(4)**
Settlements	**–**	**(3)**	**(6)**	**(64)**	**(73)**
Contract holder movements					
Benefits paid	**(11)**	**–**	**–**	**–**	**(11)**
Exchange differences	**–**	**–**	**–**	**3**	**3**
Closing balance	**10**	**14**	**294**	**114**	**432**
2021					
Opening balance	26	22	–	110	158
Total (gains)/losses in net realised and unrealised fair value gains in the income statement					
Unrealised (gains)/losses	(3)	(7)	6	(8)	(12)
Issues	–	3	323	104	430
Settlements	–	–	(16)	–	(16)
Exchange differences	–	–	–	(5)	(5)
Closing balance	23	18	313	201	555

Transfers in and out of level 3 are deemed to have occurred at inception of the reporting period at fair value.

There were no transfers in and out of level 3 in the current and prior years.

Sensitivity: Increasing/decreasing the net asset value of the underlying entity by 10% does not have an impact on the carrying amount of level 3 borrowings in both the current and prior years. Increasing/decreasing the assets under management growth rate by 10% would decrease/increase the carrying amount of the contingent consideration, included in other borrowings, in level 3 by R1.1 million and R1.1 million (2021: R1 million and nil) respectively.

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy continued

The following table provides an analysis of the fair value of financial liabilities not carried at fair value in the statement of financial position:

	2022		Restated 2021[1]	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Investment contracts with DPF	**3 031**	**3 031**	19 222	19 222
Financial liabilities at amortised cost	**4 336**	**4 484**	4 164	4 477
Cumulative redeemable preference shares	**2 025**	**2 025**	2 022	2 022
Cumulative redeemable convertible preference shares	**252**	**400**	245	558
Term loans[2]	**1 541**	**1 541**	1 357	1 357
Lease liabilities	**188**	**188**	220	220
Other	**330**	**330**	320	320
Other payables (excluding premiums in advance and deferred revenue liability)	**17 628**	**17 628**	15 238	15 238
Payables arising from investment contracts	**3 093**	**3 093**	1 742	1 742
Other	**14 535**	**14 535**	13 496	13 496
	24 995	**25 143**	38 624	38 937

[1] Refer to note 47 for more information on the restatements.

[2] A large part of the term loans are subject to variable interest rates and as such the carrying value approximates fair value. For term loans subject to fixed rates of interest, the carrying value does not materially differ from the fair value as the loans do not have significant term to maturity.

Calculation of fair value

- The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which has been used as an approximation for the fair value of this financial liability. There is no intention to dispose of these financial instruments.
- The estimated fair value of the cumulative redeemable preference shares is determined by referencing similar preference shares that could be obtained with the same maturity profile and an interest rate linked to a 72% three-month JIBAR. The carrying amount approximates fair value as the terms of the current arrangement are market related. *(level 2)*
- The estimated fair value of the cumulative redeemable convertible preference shares is based on the market value of the listed ordinary shares, adjusted for the differences in the estimated dividend cash flows between the valuation and conversion dates. As the preference shares are already convertible, the market value is deemed to be the minimum value. In 2022, the expected cash flows were discounted at a current market rate of 14% (2021: 13%). The conversion of the preference shares is at the option of the preference shareholder; the date of conversion was estimated based on the most beneficial dividend stream to the holder. *(level 2)*
- For term loans at amortised cost, the carrying amount approximates fair value as the loans have been granted on market-related terms.
- For lease liabilities, other liabilities at amortised cost, payables arising from investment contracts and other payables, the carrying amount approximates fair value due to their short-term nature.

13 REINSURANCE CONTRACT LIABILITIES

Refer to note 48.10 for the accounting policies relating to this note.

	2022 Rm	2021 Rm
Balance at beginning	**2 347**	2 277
Change in liabilities under reinsurance agreements	**(658)**	(584)
New financial reinsurance agreements	**680**	475
Repayments	**(727)**	(294)
Change in liabilities due to release of rebate	**(680)**	(660)
Change in estimates	**69**	(105)
Reinsurance premium rebate received	**680**	660
Reinsurance ceded	**(70)**	(6)
Balance at end	**2 299**	2 347
Current	**128**	296
Non-current	**2 171**	2 051
	2 299	2 347

The reinsurance liability relates to a financial reinsurance agreement with registered reinsurers, whereby the reinsurer provided upfront funding to cells within Guardrisk. The cells then repay this funding over an agreed term. The liability associated with this repayment is disclosed above.

Refer to note 11 for relevant assumptions and estimates applied in valuation of the reinsurance liabilities.

14 DEFERRED INCOME TAX

Refer to note 48.12 for the accounting policies relating to this note.

	2022 Rm	Restated 2021[1] Rm
Deferred tax asset	**880**	756
Deferred tax liability	**(2 601)**	(2 729)
	(1 721)	(1 973)
Deferred tax is made up as follows:		
Accruals and provisions	**134**	98
Accelerated wear and tear	**(123)**	(149)
Revaluations of financial instruments and properties	**(1 071)**	(1 085)
Deferred tax on intangible assets as a result of past business combinations	**(1 193)**	(1 385)
Deferred revenue liability	**(15)**	7
Difference between published and statutory policyholder liabilities	**4**	2
Tax losses	**816**	1 003
Negative rand reserves	**(254)**	(395)
DAC	**(19)**	(17)
Other	**–**	(52)
	(1 721)	(1 973)
Movement in deferred tax		
Balance at beginning	**(1 973)**	(2 064)
Business combinations	**–**	(39)
Charge to the income statement	**196**	143
Change in tax rate	**60**	–
Accruals and provisions	**35**	(7)
Accelerated wear and tear	**26**	(16)
Revaluations of financial instruments and properties	**12**	(391)
Deferred tax movement on intangible assets as a result of past business combinations	**136**	179
Deferred revenue liability	**(22)**	(13)
Tax losses	**(184)**	258
Negative rand reserves	**132**	132
DAC	**–**	4
Prepayments	**1**	–
Other	**–**	(3)
Charge to other comprehensive income (refer to note 17)[2]	**47**	(22)
Other	**7**	–
Exchange differences	**2**	3
Balance at end	**(1 721)**	(1 973)
Unused tax losses for which no deferred tax has been recognised	**3 294**	3 172
Potential tax benefit	**889**	889

1 Refer to note 47 for more information on the restatements.

2 Included in Charge to other comprehensive income is a decrease of R3 million that is attributable to the change in the South African corporate tax rate from 28% to 27% as announced in February 2022.

14 DEFERRED INCOME TAX CONTINUED

Creation of deferred tax assets and recognition of deferred tax liabilities

Deferred tax assets are raised for tax losses where their recoverability thereof was probable at year end. The deferred tax asset is generally raised to the extent it will be utilised within 3 – 5 years. Remaining balances are not recognised.

Included in the deferred tax asset of R816 million (2021: R1 003 million) raised due to tax losses, is a deferred tax asset of R151 million (2021: R21 million), the utilisation of which depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the subsidiary has suffered a loss in either the current or preceding year. Based on approved budgets prepared by management of these subsidiaries, the Group considers it probable that the deferred tax asset will be used against future taxable profits.

The deferred tax asset recognised by the Group relates mainly to historic trading losses brought forward in Guardrisk Life Ltd's Individual Policyholder Fund (IPF) and Momentum Insurance (Pty) Ltd. Management considers it probable that the tax asset will be used against future taxable profits within a five-year projection period.

Potential tax benefits due to unused tax losses will expire should an entity cease to trade. Deferred tax assets have not been recognised in this respect. Included in the potential tax benefit is R104 million attributable to Metropolitan Life International Limited, which ceased trading during the last 12 months. This tax benefit is expected to expire by 30 June 2023.

No deferred tax liability is recognised on temporary differences of R1 925 million (2021: R1 486 million) relating to the unremitted earnings of international subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

During his budget speech on the 23rd of February 2022, the Minister of Finance announced a decrease in the corporate income tax rate from 28% to 27% for the years of assessment ending on or after 31 March 2023. IAS 12 requires that deferred tax assets and liabilities be measured at the tax rate applicable when the assets are realised or liabilities are settled, based on the tax rates that are enacted or substantively enacted at the end of the reporting period. It is expected that the 2022 Draft Rates and Monetary Amounts and Amendments of Revenue Laws Bill will be promulgated and therefore the rate change is regarded as substantively enacted. The deferred tax balances as at 30 June 2022 have been redetermined based on a rate of 27%.

Critical accounting estimates and judgements

The Group is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations where the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact earnings in the period in which such determination is made. Deferred tax assets are raised based on forecasts that are annually updated. Future taxable profits, on which the recognition of deferred tax assets are based, have been updated to consider the recovery post the Covid-19 pandemic. All business across the Group reviewed their bottom-up forecasted cash flows to account for the potential impact of the pandemic on its assumptions including revenue growth, claims experience, expenses, lapse rates inter alia.

15 EMPLOYEE BENEFIT OBLIGATIONS

Refer to note 48.19 for the accounting policies relating to this note.

	2022 Rm	2021 Rm
15.1 Employee benefit obligations		
15.1.1 Post-retirement medical benefits	**101**	108
15.1.2 Cash-settled arrangements	**195**	288
Other employee benefit obligations[1]	**1 142**	752
Total employee benefit obligations	**1 438**	1 148
Current	**1 255**	842
Non-current	**183**	306
	1 438	1 148

[1] Other employee benefit obligations relate to a leave pay liability of R355 million (2021: R362 million) and staff and management bonuses of R787 million (2021: R390 million).

Employee benefit expenses are included in the income statement. Refer to note 24.

	2022 Rm	2021 Rm
15.1.1 Post-retirement medical benefits		
Balance at beginning – unfunded	**108**	124
Current service costs	**2**	1
Past service costs	**–**	(1)
Interest expense	**10**	13
Actuarial (losses)/gains – other comprehensive income	**(10)**	5
Settlements	**(1)**	(27)
Benefits paid and transferred	**(8)**	(7)
Balance at end – unfunded	**101**	108
Current	**12**	12
Non-current	**89**	96
	101	108

Valuation methodology

Liabilities for qualifying employees and current retirees are taken as the actuarial present value of all future medical contribution subsidies, using the long-term valuation assumptions. The current medical scheme contribution rates are projected into the future using the long-term healthcare inflation rate, while the value of the portion subsidised by the employer after retirement is discounted back to the valuation date using the valuation rate of interest. The projected unit credit method is used to calculate the liabilities.

	2022 Rm	2021 Rm
15.1.2 Cash-settled arrangements		
Retention and remuneration schemes		
Balance at beginning	**288**	404
Additional provisions	**63**	168
Benefits paid	**(156)**	(284)
Balance at end	**195**	288
Current	**101**	140
Non-current	**94**	148
	195	288

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

MMH share schemes

Subsequent to the merger, the Group started share schemes linked to MMH shares.

MMH Long-term Incentive Plan (MMH LTIP)

Certain key senior staff members were identified as vital to the future success of the Group, and its ability to compete in an ever-changing environment. The purpose of the MMH LTIP is to incentivise and retain these key senior staff members. The MMH LTIP comprises three separate long-term incentives, the first being a grant of retention units, the second being an award of performance units, and the third being a grant of deferred bonus units.

Retention units

The retention units have no imposed performance criteria and therefore vest on award date subject to the employee maintaining satisfactory performance during the period between the award date and the settlement date.

Performance units

The performance units have performance criteria based on minimum hurdles related to the return on EV of the Group. The units will therefore vest after a period of three years, and the Group's performance will be averaged over the same period to determine whether the criteria have been met.

Deferred bonus units

The deferred bonus units represent the deferred portion of short-term incentives above a threshold. These units vest subject to the employee remaining in the employ of the Group on the vesting date, and not being subject to disciplinary action during the period between the award date and the vesting date.

When the retention units, performance units and deferred bonus units have vested on the vesting date, they represent the right to receive a cash sum on the settlement date equal to the fair market price of a MMH share (average of 20 trading days before the settlement date).

Momentum Sales Phantom Shares (MSPS)

In November 2013, Momentum Sales began issuing phantom shares to sales staff. Allocations made will vest in three equal tranches on the third, fourth and fifth anniversary, after the grant date. When the shares vest, the Group will make a cash payment to the employee to the value of the share price on vesting date. No shares are issued by the Group and therefore the scheme is cash-settled.

MMH Share Appreciation Rights Scheme (MMH SAR)

The MMH SAR commenced in October 2018, and is a performance-based cash-settled option scheme in terms of which certain executives are allocated Share Appreciation Rights (SARs) in MMH shares. The SARs simulate "at-the-money" call options on MMH shares, meaning that the growth in the share price between the allocation date and the vesting date will accrue to the participant at the vesting date. The measurement of performance takes place after a period of four years, and vesting then takes place in equal thirds after four, five and six years, at the ruling MMH share price based on the 20 day volume weighted average price (VWAP) up to payment date. Resignation before the vesting date results in the forfeiture of any unsettled units.

The volatility used in the valuation of the SAR scheme was based on market rates and determined to be 30%. The risk free rate used within the valuations was 4.99%.

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

	MMH LTIP				
	Retention units '000	Performance units '000	Deferred bonus units '000	MSPS '000	MMH SAR '000
Units in force at 1 July 2020	10 983	24 873	13 563	2 901	22 157
Units granted during year	6	12 453	6 097	630	–
Units exercised/released during year	(10 730)	(1 842)	(5 820)	(807)	–
Units cancelled/lapsed during year	(55)	(10 730)	(320)	(79)	(350)
Units in force at 1 July 2021	**204**	**24 754**	**13 520**	**2 645**	**21 807**
Units granted during year	**16**	**10 812**	**5 761**	**562**	**–**
Units exercised/released during year	**(198)**	**(2)**	**(7 320)**	**(746)**	**–**
Units cancelled/lapsed during year	**(22)**	**(2 999)**	**(555)**	**(128)**	**(1 341)**
Units in force at 30 June 2022	**–**	**32 565**	**11 406**	**2 333**	**20 466**

Market value of range at date of exercise/release	2022 Cents	2021 Cents
MMH LTIP		
Retention units	**1 519 – 1 947**	1 519 – 1 826
Performance units	**1 519**	1 519 – 1 819
Deferred bonus units	**1 519 – 2 076**	1 412 – 1 994
MSPS	**1 427 – 1 966**	1 427 – 1 822

Units outstanding (by expiry date) for the MMH LTIP, MSPS, and MMH SAR at 30 June 2022 are as follows:

	MMH LTIP				
	Retention units '000	Performance units '000	Deferred bonus units '000	MSPS '000	MMH SAR '000
2022					
Financial year 2022/2023	**–**	**3 624**	**6 020**	**631**	**6 822**
Financial year 2023/2024	**–**	**7 509**	**3 578**	**570**	**6 822**
Financial year 2024/2025	**–**	**10 855**	**1 808**	**567**	**6 822**
Financial year 2025/2026	**–**	**7 231**	**–**	**379**	**–**
Financial year 2026/2027	**–**	**3 346**	**–**	**186**	**–**
Total outstanding shares	**–**	**32 565**	**11 406**	**2 333**	**20 466**

Refer to note 45 for the valuation assumptions relating to these schemes.

16 SHARE CAPITAL AND SHARE PREMIUM

Refer to note 48.21 for the accounting policies relating to this note.

In December 2010, Metropolitan Holdings Ltd, now Momentum Metropolitan Holdings Ltd (MMH), became the legal parent company of Momentum Group Ltd, now MML, by acquiring all the shares in MML from FirstRand Ltd. As this was accounted for as a reverse acquisition under IFRS 3 – *Business combinations (revised)* – the share capital and share premium of the Group in the consolidated financial statements were based on the value of those of MML at the time of the merger. The equity structure in terms of the number of authorised and issued shares in the consolidated financial statements reflects the equity structure of MMH.

Authorised share capital of MMH

- 2 billion ordinary shares of 0.0001 cents each.
- 129 million (76 million A1, 13 million A2 and 40 million A3) variable rate cumulative redeemable convertible preference shares of 0.0001 cents each.

Issued share capital

The issued share capital of the Group reflects the issued share capital of MMH.

	2022 Rm	2021 Rm
Balance at beginning	12 737	13 170
Net decrease/(increase) in treasury shares held on behalf of contract holders	32	(142)
Increase in treasury shares held by subsidiary for employees	–	(291)
	12 769	12 737
Share capital	9	9
Share premium	12 760	12 728
	12 769	12 737

Number of ordinary shares in issue	2022 Million	2021 Million
Total ordinary shares in issue	1 498	1 498
Treasury shares held on behalf of contract holders	(29)	(30)
Treasury shares held on behalf of employees	(45)	(45)
Basic number of shares in issue	1 424	1 423
Adjustment to employee share scheme shares	7	–
Convertible redeemable preference shares	28	–
Diluted number of shares in issue	1 459	1 423
Adjustment to employee share scheme shares	(7)	–
Convertible redeemable preference shares	–	28
Treasury shares held on behalf of contract holders	29	30
Treasury shares held on behalf of employees	45	45
Diluted number of shares in issue for normalised headline earnings purposes (prior to weighting)	1 526	1 526

The increase in treasury shares in the prior year is as a result of the Group entering into an employee share ownership plan. Refer to note 17.6 for more details.

Preference shares

MMH had 28 million A3 preference shares in issue at the beginning of the year. The variable rate, redeemable, convertible preference shares are compound instruments with a debt and an equity component. The fair value of the equity component is disclosed under note 17 and the debt component is disclosed under note 12.2. Refer to note 12.2 for more details.

Notes to the financial statements continued

		2022 Rm	2021 Rm
17	**OTHER COMPONENTS OF EQUITY**		
17.1	**Land and building revaluation reserve**	311	409
17.2	**FCTR**	(16)	(106)
17.3	**Non-distributable reserve**	73	66
17.4	**Employee benefit revaluation reserve**	23	84
17.5	**Fair value adjustment for preference shares issued by MMH**	940	940
17.6	**Equity-settled share-based payment arrangements**	122	76
		1 453	1 469
	Movements in other reserves		
17.1	**Land and building revaluation reserve**		
	Refer to note 48.5 for the accounting policies relating to this note.		
	Balance at beginning	409	677
	Earnings directly attributable to other components of equity	(91)	–
	Revaluation	(138)	22
	Deferred tax on revaluation	47	(22)
	Transfer to retained earnings	(7)	(268)
	Balance at end	311	409
17.2	**FCTR**		
	Refer to note 48.3 for the accounting policies relating to this note.		
	Balance at beginning	(106)	337
	Currency translation differences	89	(457)
	Transfer from retained earnings	1	14
	Balance at end	(16)	(106)
17.3	**Non-distributable reserve**		
	Balance at beginning	66	68
	Transfer from/(to) retained earnings	7	(2)
	Balance at end	73	66
17.4	**Employee benefit revaluation reserve**		
	Refer to note 48.19 for the accounting policies relating to this note.		
	Balance at beginning	84	263
	Remeasurement of post-employment benefit obligations	(8)	(179)
	Transfer to retained earnings[1]	(53)	–
	Balance at end	23	84

[1] During the current year, the Metropolitan Staff Pension Fund was liquidated and R53 million was transferred from the Employee Benefit Fund Reserve to Retained earnings

		2022 Rm	2021 Rm
17.5	**Fair value adjustment for preference shares issued by MMH**		
	Equity component of preference shares issued	940	940
	This represents the write-up of the carrying amount of the preference shares issued by MMH to KTH to fair value, as part of the fair value exercise performed on Metropolitan as a result of the merger with Momentum in December 2010.		
17.6	**Equity-settled share-based payment arrangements**		
	B-BBEE share-based payment reserve		
	Balance at beginning	76	30
	Transfer to retained earnings	(6)	–
	Share schemes – value of services provided	52	46
	Balance at end	122	76

A3 Preference shares

The Company issued A3 preference shares to Off The Shelf Investments 108 (Pty) Ltd (a subsidiary of KTH) in 2011.

In 2019, the Company subscribed for a cumulative, redeemable preference share in Off The Shelf Investments 108 (Pty) Ltd which is linked to the A3 preference shares acquired in 2011. The dividends on the Off The Shelf Investments preference share aligns the A3 preference shares dividend to the ordinary dividends.

The redemption date was extended by 5 months to 30 November 2022 in the current year. In the prior year, the redemption date was extended by 18 months to 30 June 2022. As a result of this, an IFRS 2 – Share-based payment B-BBEE expense of R10 million (2021: R25 million) was recognised.

17 OTHER COMPONENTS OF EQUITY CONTINUED

17.6 Equity-settled share-based payment arrangements continued

iSabelo Trust

To achieve our long-term strategic business objectives and to strengthen our B-BBEE ownership, Momentum Metropolitan has made available an Employee Share Ownership Plan to its employees. iSabelo is structured to benefit all permanent employed South African based employees to promote inclusivity.

Units were granted to all permanent Momentum Metropolitan employees based in South Africa who were employed by the Group as at 28 February 2021. The units were granted to these eligible employees during April 2021.

These units are allocated on a deferred delivery basis over a seven-year period. All units need to be held for an initial period of 10 years (lock in period) before they can be redeemed for Momentum Metropolitan shares. At the end of the lock in period, the iSabelo Trust will exchange the units for MMH shares.

Employees will retain the proportional vesting of units for the portion of the seven years they were employed by Momentum Metropilitan, however if they leave within the first year of the scheme they will forfeit their entire allocation. Units will be granted annually to new permanent South African based employees of the Group who have joined between the period of 1 March 2021 to 30 April 2026, under the same terms as above. No further units will be allocated to any new employees after April 2026. Units were granted to new employees on 28 April 2022.

The fair value used in determining the allocation is based on the unit price on grant date, adjusted for various variables. Refer to note 45 for more details regarding the valuation assumptions. The total unit allocation costs relating to the current period for the iSabelo Trust amounting to R42 million (2021: R23 million) (refer to note 24) has been included in the income statement. As at 30 June 2022, the total value of the units was R264 million (2021:R400 million). There were no modifications to the scheme in the current period.

The valuation model used to determine the grant date fair value at June 2021 has been refined during F2022.

The following refinements were incorporated:

- Refined the share price projection to reference the risk-free rate (ie a risk-neutral projection)
- Refined the dividend yield assumption to a constant rate of 4% over the projection period
- Semi-annual time steps to match the coupon payments of the debt instruments
- A z-spread roll-up basis was used to model future coupon obligations beyond the contractual terms of the debt instruments to more accurately allow for the upwarsloping nature of the yield curve.
- Allowance for term-dependent discount rates over the projection period
- Updated the volatility assumption to our best estimate of long-term option volatilities based on the duration of the scheme.

Refer to note 45 for valuation assumptions relating to this scheme.

The following units were awarded and the redemption thereof deferred to a predetermined future date:

	Grant date[1, 2]	Redemption date	Weighted average remaining contractual life	Grant date fair value[3]	Number of units '000
Units awarded F2021	22-Apr-21	12-Apr-31	8.8 years	64	359 479
Units awarded F2022	29-Apr-22	28-Apr-32	9.8 years	48	72 410

[1] Units were allocated to employees on 12 April 2021. The IFRS 2 grant date for employees is 22 April 2021 as at this date there was a shared understanding of the terms and conditions of the arrangement.

[2] Units were allocated to employees on 28 April 2022. The IFRS 2 grant date for employees is 29 April 2022 as at this date there was a shared understanding of the terms and conditions of the arrangement.

	Average price Cents	Number of units '000
Movements on units awarded:		
As at 1 July 2020	–	–
Units awarded[3]	64	359 479
Awarded units lapsed due to resignation[3]	64	(14 529)
As at 1 June 2021		344 950
Units awarded	48	72 410
Awarded units lapsed due to resignation	63	(69 505)
As at 30 June 2022		**347 855**

[3] It was noted that the valuation model used at June 2021 was a simplified approximation of the grant date fair value. The model has been refined in the current year and as a result the 2021 grant date fair value for units awarded in June 2021 has been corrected from 89 cents to 64 cents. The correction of the 2021 grant date fair value has been recognised as a prospective change in the current year, as it did not give rise to a material difference in the prior year. As such, the Share-based payment expense related to equity settled arrangements (included within employee benefit expenses – refer to note 24), has been revised for June 2022 to counter the overstatement recognised in the June 2021 financial year. The revised expense recognised in the current year ensures that the appropriate closing balance is disclosed and recognised in line with the refined valuation model. Refer above for details of how the valuation model has been refined.

Notes to the financial statements continued

		2022 Rm	Restated 2021[1] Rm
18	**NET INSURANCE PREMIUMS**		
	Refer to note 48.10 for the accounting policies relating to this note.		
	Premiums received	**59 666**	56 589
	Long-term insurance contracts	**40 093**	37 471
	Non-life insurance contracts	**17 725**	16 269
	Investment contracts with DPF	**770**	1 832
	Health premiums	**1 078**	1 017
	Premiums received ceded to reinsurers	**(20 773)**	(19 553)
		38 893	37 036
	Included in the above is the following relating to cell captives:		
	Premiums received	**24 151**	20 634
	Non-life insurance contracts	**14 306**	12 030
	Long-term insurance contracts	**9 845**	8 604
	Premiums received ceded to reinsurers	**(17 391)**	(14 300)
		6 760	6 334
19	**FEE INCOME**		
	Refer to note 48.24 for the accounting policies relating to this note.		
	Contract administration	**3 533**	3 119
	Investment contract administration	**3 409**	3 004
	Release of deferred front-end fees	**124**	115
	Health administration	**2 246**	2 107
	Trust and fiduciary services	**1 252**	1 150
	Asset management	**639**	500
	Retirement fund administration	**446**	437
	Asset administration	**167**	213
	Cell captive commission	**1 496**	1 322
	Other fee income	**740**	1 324
	Momentum Multiply fee income	**166**	175
	Reinsurance commission[2]	**–**	528
	Administration fees received	**6**	83
	Other	**568**	538
		9 267	9 022

1 Refer to note 47 for more information on the restatements.

2 Reinsurance commission income has declined in the current year as a result of the cessation of proportional treaties in the prior year.

Revenue disaggregation

Revenue from contracts with customers is disaggregated by type of revenue and also split per the Group's reporting segments. This most accurately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2022 Rm	Restated 2021[1] Rm
20 INVESTMENT INCOME		
Refer to note 48.24 for the accounting policies relating to this note.		
Interest income	**18 550**	16 289
At FVPL	**17 156**	15 053
At amortised cost using the effective interest rate method		
Cash and cash equivalents	**1 089**	931
Financial assets at amortised cost	**182**	191
Funds on deposit and other money market instruments	**34**	27
Debt securities	**89**	87
Dividend income at FVPL	**6 317**	4 450
Listed	**3 144**	2 291
Unlisted	**3 173**	2 159
Rental income	**1 289**	1 274
Investment properties	**1 278**	1 264
Owner-occupied properties	**11**	10
Other income	**11**	27
	26 167	22 040
21 NET REALISED AND UNREALISED FAIR VALUE (LOSSES)/GAINS		
Refer to note 48.6, 48.7 and 48.11 for the accounting policies relating to this note.		
Financial assets	**(4 360)**	40 467
Designated at FVPL	**(3 233)**	37 680
Mandatorily at FVPL	**(1 493)**	1 473
Derivative financial instruments – income	**329**	1 418
Net realised and unrealised foreign exchange differences on financial instruments not at FVPL	**37**	(104)
Investment property	**(47)**	(389)
Valuation losses	**(26)**	(358)
Change in accelerated rental income	**(21)**	(31)
Financial liabilities	**221**	83
Designated at FVPL	**221**	83
Other investments[2]	**16**	101
	(4 170)	40 262

[1] Refer to note 47 for more information on the restatements.

[2] The prior year amount included profit on sale of subsidiaries and the loss on dilution of aYo.

		2022 Rm	Restated 2021[1] Rm
22	**NET INSURANCE BENEFITS AND CLAIMS**		
	Refer to note 48.10 for the accounting policies relating to this note.		
	Long-term insurance contracts	**31 730**	30 578
	Death and disability claims	**19 209**	17 839
	Maturity claims	**4 121**	4 203
	Annuities	**5 422**	4 953
	Surrenders	**2 524**	2 421
	Terminations, disinvestments and withdrawal benefits	**454**	1 162
	Non-life insurance benefits incurred	**12 701**	8 054
	Investment contracts with DPF[2]	**816**	3 394
	Terminations, disinvestments and withdrawal benefits	**30**	1 541
	Maturity claims	**316**	710
	Surrenders	**359**	971
	Annuities	**87**	94
	Death and disability claims	**24**	78
	Health and capitation benefits incurred	**973**	828
	Non-life insurance change in provision for outstanding claims[3]	**7 271**	466
		53 491	43 320
	Amounts recovered from reinsurers	**(23 115)**	(12 182)
		30 376	31 138

1 Refer to note 47 for more information on the restatements.

2 Certain investment contracts with DPF were reclassified as investment contracts designated at FVPL. Refer to note 10.2 for more information on the reclassification.

3 A significant claim of R6.9 billion was received following the floods in KwaZulu-Natal during April 2022. This claim is fully reinsured. Towards the end of June 2022, an amount of R1.7 billion was received from the reinsurer and paid to the client. At 30 June 2022, the outstanding gross claim estimate is R5.2 billion.

		2022 Rm	2021 Rm
23	**DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES**		
	Refer to note 48.4, 48.5 and 48.7 for the accounting policies relating to this note.		
	Depreciation	**358**	367
	Owner-occupied properties (refer to note 4.1)	**50**	62
	Equipment	**205**	196
	Right-of-use assets	**103**	109
	Amortisation (refer to note 3)	**551**	663
	VOBA	**237**	258
	Customer relationships	**120**	184
	Brands	**66**	64
	Broker network	**55**	53
	Computer software	**73**	104
	Impairment losses/(reversals) of intangible assets (refer to note 3)	**709**	117
	Goodwill	**717**	–
	Customer relationships	**–**	9
	Computer software	**2**	(36)
	VOBA	**(10)**	144
	Impairment of owner-occupied properties (refer note 4.1)	**35**	116
	Impairment of investment in associates (refer to note 6)	**–**	38
	Impairment of financial assets (refer to note 7.2)	**27**	(28)
		1 680	1 273

	2022 Rm	2021 Rm
24 EMPLOYEE BENEFIT EXPENSES		
Refer to note 48.19 for the accounting policies relating to this note.		
Salaries	**6 215**	5 575
Defined contribution retirement fund	**419**	385
Contributions to medical aid funds	**235**	223
Share-based payment expenses – Cash-settled arrangements (refer to note 15.1.2)	**63**	168
Training costs	**122**	93
Retirement fund assets	**(42)**	(56)
Share-based payment expenses – Equity-settled arrangements (refer to note 17.6)	**42**	23
Post-retirement medical benefits	**14**	13
Defined benefit retirement fund	**1**	1
Other	**88**	86
	7 157	6 511

For detail of directors' and prescribed officers' remuneration, refer to note 45.

	2022 Rm	Restated 2021[1] Rm
25 SALES REMUNERATION		
Refer to note 48.10 for the accounting policies relating to this note.		
Commission incurred for the acquisition of insurance contracts	**6 015**	5 711
Commission incurred for the acquisition of investment contracts	**1 232**	1 053
DAC long-term – Acquisition costs incurred	**400**	434
Net movement in DAC (long-term)	**10**	40
Additions (refer to note 3.7)	**390**	394
DAC short-term – Expense	**20**	1
Acquisition costs paid	**1 612**	1 557
Acquisition costs incurred	**(1 592)**	(1 556)
Impairment of amounts due from agents, brokers and intermediaries (refer to note 7.2)	**7**	(6)
	7 674	7 193
26 OTHER EXPENSES		
Refer to note 48.25 for the accounting policies relating to this note.		
Asset management fees	**3 423**	2 942
Consulting fees	**943**	787
Information technology expenses	**1 003**	817
Direct property operating expenses on investment property	**544**	552
Office costs	**457**	433
Marketing costs	**481**	436
Other indirect taxes	**381**	360
Momentum Multiply benefit payments	**53**	66
Travel expenses	**151**	74
Auditors' remuneration	**105**	118
Audit fees	**98**	110
Fees for other services	**7**	8
Bank charges	**101**	109
Bad debts written off[2]	**36**	130
Lease charges[3]	**39**	65
Policy services	**79**	67
Other expenses	**460**	350
	8 256	7 306

[1] Refer to note 47 for more information on the restatements.

[2] Amounts written off mainly in respect of premium debtors not within the scope of IFRS 9.

[3] Included in Lease charges are R24 million (2021: R49 million) relating to short-term leases, Rnil (2021: R2 million) relating to leases of low-value assets, and R15 million (2021: R14 million) relating to variable lease payments.

Notes to the financial statements continued

		2022 Rm	Restated 2021[1] Rm
27	**FINANCE COSTS**		
	Refer to note 48.25 for the accounting policies relating to this note.		
	Interest expense on financial liabilities		
	Unsecured subordinated call notes	**345**	353
	Cost of carry positions	**347**	198
	Redeemable preference shares	**145**	133
	Cost of trading positions	**1 286**	748
	Lease liabilities	**13**	19
	Other[2]	**191**	165
		2 327	1 616
	Designated at FVPL	**1 978**	1 299
	Amortised cost	**349**	317
		2 327	1 616

[1] Refer to note 47 for more information on the restatements.

[2] Included are the following items: interest on term loans R104 million (2021: R94 million); and interest on late payment of claims R58 million (2021: R40 million).

		2022 Rm	2021 Rm
28	**INCOME TAX EXPENSE**		
	Refer to note 48.13 for the accounting policies relating to this note.		
	Income tax expenses/(credits)		
	Current taxation	**3 905**	2 441
	Shareholder tax		
	South African normal tax – current year	**1 505**	923
	South African normal tax – prior year	**(5)**	18
	Foreign countries – normal tax	**73**	111
	Foreign withholding tax	**170**	143
	Contract holder tax		
	Tax on contract holder funds – current year	**625**	276
	Tax on contract holder funds – prior year	**13**	–
	Tax attributable to cell captive owners	**1 524**	970
	Deferred tax	**(196)**	(143)
	Shareholder tax		
	South African normal tax – current year	**(101)**	(777)
	Foreign countries – normal tax	**(1)**	8
	Foreign withholding tax	**19**	9
	Contract holder tax		
	Tax on contract holder funds – current year	**(112)**	599
	Tax attributable to cell captive owners	**(1)**	18
		3 709	2 298

Tax rate reconciliation	2022 %	2021 %
Tax calculated at standard rate of South African tax on earnings	**28.0**	28.0
Capital gains tax	**(1.1)**	(1.6)
Change in tax rate	**(0.8)**	–
Prior year adjustments	**(0.2)**	2.0
Taxation on contract holder funds	**14.3**	45.3
Foreign taxes differential due to different statutory rates	**(1.0)**	(3.4)
Non-taxable income[1]	**(9.5)**	(26.3)
Non-deductible expenses[2]	**9.9**	20.1
Tax losses for which no deferred tax asset was recognised	**1.7**	5.6
Cell captive tax – to be recovered from cell owners	**8.9**	13.4
Recognition of deferred tax assets relating to prior year losses	**(0.9)**	(2.2)
Effective rate	**49.3**	80.9

[1] Non-taxable income mainly comprises dividend income which is not taxable.

[2] Non-deductible expenses comprises Shareholders expenses which are not directly attributable to an income generating unit (including depreciation and impairments) and are thus not deductible for tax purposes.

29 CASH FLOW FROM OPERATING ACTIVITIES

29.1 Cash utilised in operations

	2022 Rm	Restated 2021[1] Rm
Profit before tax	**7 517**	2 842
Adjusted for		
Items separately disclosed		
Dividend income	**(6 317)**	(4 450)
Interest income	**(18 550)**	(16 289)
Finance costs	**2 327**	1 616
Adjustments to reconcile profit before tax to net cash flows		
Share of losses of associates and joint ventures	**243**	237
Depreciation and amortisation expenses	**909**	1 030
Impairment charges	**778**	233
Profit on sale of investment in associate and non current asset held for sale	**(246)**	(150)
Gains and losses on foreign exhange differences and fair value gains and losses relating to investing and financing activities	**457**	1 070
Share-based payments	**52**	46
Impairment of investment in joint ventures/associates	**–**	38
Cash flow from operating assets and liabilities		
Movements in financial assets and liabilities	**(15 846)**	(40 861)
Properties under development	**1**	(45)
Insurance and other receivables	**(1 499)**	(1 173)
Employee benefit assets and obligations	**561**	(151)
Net insurance and investment contract liabilities	**15 486**	47 804
Intangible assets related to insurance and investment contracts	**(8)**	90
Investment properties	**(96)**	258
Reinsurance assets and liabilities	**(8 144)**	(430)
Other operating liabilities	**2 756**	935
Cash utilised in operations	**(19 619)**	(7 350)

29.2 Income tax paid

	2022 Rm	Restated 2021[1] Rm
Receivable at beginning	**286**	133
Charged to income statement	**(3 905)**	(2 441)
Business combinations (refer to note 30)	**–**	3
Exchange differences	**–**	3
Due/(receivable) at end	**135**	(286)
	(3 484)	(2 588)

29.3 Interest paid

	2022 Rm	Restated 2021[1] Rm
Redeemable preference shares	**(129)**	(133)
Unsecured subordinated call notes	**(252)**	(353)
Cost of trading positions	**(1 258)**	(920)
Cost of carry positions	**(347)**	(198)
	(1 986)	(1 604)

[1] Refer to note 47 for more information on the restatements.

Notes to the financial statements continued

		2022 Rm	Restated 2021[1] Rm
29	CASH FLOW FROM OPERATING ACTIVITIES CONTINUED		
29.4	Liabilities arising from financing activities		
29.4.1	Subordinated call notes	5 327	4 429
29.4.2	Carry positions	7 723	11 692
29.4.3	Preference Shares	337	357
29.4.4	Other borrowings	933	1 170
29.4.5	Financial liabilities at amortised cost	4 336	4 164
		18 656	21 812
29.4.1	Subordinated call notes		
	Due at beginning	4 429	4 431
	Subordinated call notes issued	1 000	750
	Accrued interest	345	353
	Interest paid	(252)	(362)
	Subordinated call notes repaid	(87)	(750)
	Fair value movement	(134)	(83)
	Own credit gains included in other comprehensive income	26	90
	Due at end	5 327	4 429
29.4.2	Carry positions		
	Due at beginning	11 692	11 094
	Proceeds from carry positions	5 607	8 042
	Repayment of carry positions	(9 528)	(7 436)
	Accrued interest	347	190
	Interest paid	(347)	(198)
	Fair value movement	(48)	–
	Due at end	7 723	11 692
29.4.3	Preference Shares		
	Due at beginning	357	25
	Preference shares proceeds	38	371
	Preference shares repaid	(62)	(46)
	Accrued interest	145	–
	Interest paid	(129)	–
	Fair value movement	–	1
	Due at end	(12)	6
		337	357
29.4.4	Financial liabilities at FVPL: Other borrowings		
	Due at beginning	1 170	1 055
	Proceeds from other borrowings	796	29
	Repayment of other borrowings	(936)	(6)
	Business combinations	(64)	104
	Fair value movement	(27)	(7)
	Exchange differences	(6)	(5)
	Due at end	933	1 170
29.4.5	Financial liabilities at amortised cost		
	Due at beginning	4 164	4 610
	New leases entered into	65	33
	Accrued interest on leases	13	19
	Interest paid on leases	(13)	(19)
	Payments of leases	(103)	(130)
	Modifications	3	6
	Exchange differences on leases	1	(6)
	Modification of preference shares	6	(8)
	Preference shares repaid	(129)	(130)
	Preference shares interest	131	128
	Proceeds from other borrowings	263	306
	Repayment of capital portion of term loans	(23)	(19)
	Repayment of other borrowings	(121)	(560)
	Business combinations relating to other borrowings	–	(142)
	Accrued interest on other borrowings	79	76
	Due at end	4 336	4 164

[1] Refer to note 47 for more information on the restatements.

	2022 Rm	2021 Rm
29 CASH FLOW FROM OPERATING ACTIVITIES CONTINUED		
29.5 Disposal of subsidiary recon		
Assets/(liabilities) disposed of:		
Financial assets at FVPL	–	10
Financial assets at amortised cost	–	98
Investment properties	–	178
Cash and cash equivalents	–	84
Other assets	–	75
Long-term insurance contracts	–	(30)
Financial liabilities at amortised cost	–	(175)
Other liabilities	–	(122)
Net assets sold	–	118
Non-controlling interests disposed of	–	(41)
Investment in associate recognised	–	(184)
Loan to associate	–	(38)
Profit on sale of subsidiary (refer to note 21)	–	150
Cash flow from sale of subsidiary	–	5
Cash outflow recon		
Cash inflow from sale of subsidiary	–	5
Cash disposed of included in net assets of subsidiary	–	(84)
Net cash outflow from sale of subsidiary	–	(79)

In the prior year, the Group disposed of its entire holding in Metropolitan Life Zambia Ltd, Metropolitan Health Zambia Ltd, Metropolitan Tanzania Life Assurance Company Ltd, Metropolitan Tanzania Insurance Company Ltd and a portion of its holding in MHNA and SASAII. MHNA and SASAII are now classified as investments in associates as the Group has significant influence over these investments.

30 BUSINESS COMBINATIONS

June 2022

There were no significant business combinations for the 12 months ended June 2022.

June 2021

Seneca

On 30 November 2020, the Group, through its wholly owned subsidiary, MGIM, acquired 100% of the shares in Seneca for £8.22 million in cash and £5 million contingent consideration. The contingent consideration is dependant on certain targets being met. If no targets are met, the payment will be nil and if the targets are met, a maximum payment of £5 million will be made.

AFIN

On 9 December 2020, the Group, through its 70% owned subsidiary, Momentum Short-term Insurance (Namibia) Ltd, acquired 100% in AFIN. AFIN has since been renamed to Momentum Insurance (Namibia). The initial accounting for the AFIN acquisition was provisionally determined and was presented as preliminary at 30 June 2021. The acquisition accounting has been finalised and has resulted in a revision of the purchase consideration from N$40 million in cash and N$10 million contingent consideration to a purchase consideration of N$32 million which comprises a cash component of N$32 million and a contingent consideration of nil. The excess cash of N$8 million represents a receivable at the acquisition date. June 2021 has been restated accordingly.

These acquisitions provide an opportunity for growth, which is the Group's current focus.

There were no other significant business combinations for the 12 months ended June 2021.

30 BUSINESS COMBINATIONS CONTINUED

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

	2021 Seneca Rm	Restated 2021[1] Other Rm	Restated 2021[1] Total Rm
Purchase consideration in total	283	92	375
Fair value of net assets			
Intangible assets	138	48	186
Tangible assets	1	18	19
Financial instrument assets	10	582	592
Insurance and other receivables	–	22	22
Cash and cash equivalents	26	17	43
Reinsurance contract assets	–	125	125
Insurance contract liabilities	–	(701)	(701)
Other liabilities	(31)	(81)	(112)
Net identifiable assets acquired	144	30	174
Goodwill recognised	139	62	201
Contingent liability payments	(107)	(19)	(126)
Refund receivable	–	8	8
Purchase consideration in cash	176	81	257
Revenue since acquisition	26	78	104
Earnings since acquisition	4	2	6

[1] Refer to note 47 for more information on the restatements.

In the current period the first contingent payment of R64 million was paid in relation to the acquisition of Seneca. Subsequently, the change in the United Kingdom macroeconomic conditions has meant that the full criteria for the remaining contingent consideration to Seneca is not expected to be met. As such the estimated contingent consideration payable has been revised downward by R18 million.In the prior period, the above acquisitions resulted in a total of R201 million being recognised, attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes.

Critical accounting estimates and judgements

As part of and as a result of the Alexander Forbes Insurance Company Ltd (AFI) acquisition in 2020 , various intangible assets were purchased, and goodwill was recognised. The review of these intangible assets required significant judgements to be made by management.

The first one was the determination of the CGUs. Various options were considered by management in the prior year and it was decided that the Group's short-term businesses (MSTI and Momentum Insurance) will continue to operate as two separate entities until all systems have been integrated and all clients and employees have moved over to Momentum Metropolitan. Their cash flows would therefore be independent until a certain point of the integration process has been reached. During this initial period, the Group Executive Committee also considered the management reports of these entities separately in order to make decisions regarding the business. As a result, management concluded that in the prior year the most appropriate view would be to treat MSTI and Momentum Insurance as two CGUs.

During the prior financial year the process of integrating Momentum Insurance and MSTI has led management to consider these two entities as one business referred to as Momentum Insure. The integration of both businesses was expected to become effective 1 July 2021 and as a result, management concluded that having one CGU was deemed more appropriate.

The identification of CGUs was based on which CGUs in the Group's short-term business were expected to benefit from the synergies of the business combination as well as management's view of how the Group's short-term businesses will continue to operate in the future.

The second area of judgement was the allocation of the goodwill and other intangible assets to the two CGUs. As the goodwill was recognised due to the expected future benefits of the acquisition, an allocation proportional to directors' valuations was deemed appropriate. This was because directors' valuations represented our current best-estimate view of future financial benefits to be derived from each entity. The same was applied to all other intangible assets, with the exception of computer software purchased which was only used by Momentum Insurance.

All the intangible assets allocated to MSTI were written off in the prior years. Refer to note 3 for more details.

31 RELATED PARTY TRANSACTIONS

31.1 Major shareholders and group companies

MMH is the ultimate holding company in the Group. RMI previously had significant influence over the Group by virtue of its shareholding of 26.3% in MMH, however as a result of RMI unbundling its shareholding in MMH on 25 April 2022, RMI is no longer a related party as of that date.

KTH is considered to be a related party by virtue of its role as the Group's B-BBEE partner.

Apart from the shareholders' roles as related parties discussed above, no other MMH shareholders have a significant influence and thus no other shareholder is a related party.

Significant subsidiaries of the Group are listed in note 42. Details of the associates of the Group are contained in note 6 and note 43. Details of the joint ventures of the Group are contained in note 6.

Various CISs in which the Group invests are defined as subsidiaries as the Group controls them in terms of IFRS 10; these are listed in note 42. CISs over which the Group has significant influence but not control are classified as investments in associates carried at fair value included as part of Financial assets at FVPL; details are included in note 43.

Other related parties include directors, key management personnel and their families. Key management personnel for the Group are defined as the executive and non-executive directors. It is not considered necessary to disclose details of key management family members and the separate entities that they influence or control. To the extent that specific transactions have occurred between the Group and these related parties (as defined in IAS 24) the details are included in the aggregate disclosure contained below under key management, where full details of all relationships and terms of the transactions are provided.

31.2 Transactions with directors and key management personnel and their families

Remuneration is paid to executive directors and key management personnel of the Group, as well as to non-executive directors (in the form of fees). Remuneration paid to directors is disclosed in note 45.

The aggregate compensation paid by the Group or on behalf of the Group to key management for services rendered to the Group is:

	2022 Rm	2021 Rm
Salaries and other short-term employee benefits	**27**	26
Post-employment benefits	**1**	–
Share-based payment expense	**2**	5
Directors' fees	**19**	18
	49	49

The Group's executive directors are members of the staff pension schemes.

The executive directors participate in the Group's long-term retention schemes, the details of which are in note 15.1.2.

Aggregate details of insurance and investment transactions between MMH (including any subsidiary) and key management personnel and their families are as follows:

	2022		2021	
	Insurance Rm	Investment Rm	Insurance Rm	Investment Rm
Fund value	**–**	**69**	–	246
Aggregate life and disability cover	**30**	**N/A**	33	N/A
Deposits/premiums for the year	**–**	**1**	1	10
Withdrawals/claims for the year	**(5)**	**(1)**	(4)	(4)

In aggregate, the Group earned fees and charges totalling R4.3 million (2021: R1.3 million) on the insurance and investment products set out above.

31 RELATED PARTY TRANSACTIONS CONTINUED

31.3 B-BBEE partner

The Group's B-BBEE partner, KTH, has an interest of 5.3% (2021: 7.4%) in MMH. The Group has entered into the following transactions with KTH:

- MMH issued preference shares to KTH and subscribed to a preference share in KTH as disclosed in note 12.2.3.
- KTH has certain strategic empowerment holdings in the Group. Refer to the directors' report for more details.
- Dividends of R38 million (2021: R38 million) were paid to KTH on the A3 MMH preference shares.

31.4 Contract administration

Certain companies in the Group carry out third-party contract and other administration activities for other related companies in the Group. These transactions are entered into at market-related rates. These fees are eliminated on consolidation.

31.5 Transactions with associates

Transactions with associates relate to loans advanced and preference share investments (refer to note 7.2).

31.6 Transactions with significant shareholders

MMH dividend declarations:

R60 million of the ordinary dividends declared by MMH in September 2021 and R140 million of the ordinary dividends declared in March 2022 (R100 million of the ordinary dividends declared in March 2021) were attributable to RMI. As a result of RMI unbundling its shareholding in MMH on 25 April 2022, RMI is no longer a related party as of that date.

31.7 Post-employment benefit plans

Refer to note 15 for details of the Group's employee benefit plans.

	2022 Rm	2021 Rm
32 CAPITAL AND LEASE COMMITMENTS		
Capital commitments		
Authorised but not contracted	**687**	602
Authorised and contracted	**80**	64
	767	666
The above commitments, which are in respect of computer software, building refurbishments, and new business opportunities, will be financed from internal sources. The Group has also made capital commitments of R192 million for 2023 for the India and other new initiatives, and R203 million for Momentum Investments.		
Lease commitments		
The minimum future lease payments relating to short-term leases, low-value asset leases and variable lease payments payable under non-cancellable leases on property and equipment:		
Less than 1 year	**4**	4
	4	4
The minimum future lease payments receivable under non-cancellable operating leases on investment properties:		
Less than 1 year	**413**	492
Between 1 to 2 years	**351**	363
Between 2 to 3 years	**310**	316
Between 3 to 4 years	**294**	218
Between 4 to 5 years	**283**	145
More than 5 years	**749**	867
	2 400	2 401

33 PROVISIONS AND CONTINGENT LIABILITIES

Refer to note 48.17 and 48.18 for the accounting policies relating to this note.

The Group is party to legal proceedings in the normal course of business and appropriate provisions are made when losses are expected to materialise.

2022	Reinter-mediation Rm	Other Rm	Total Rm
Beginning of period	245	38	283
Additional provisions made in the period	12	30	42
Amounts utilised	–	(6)	(6)
Unused amounts reversed during the period	(26)	–	(26)
Other	6	6	12
Exchange differences	–	2	2
Total provisions	237	70	307

There is an obligation to reintermediate clients that are not linked to a financial adviser. A provision was made to provide for the costs expenses that will be incurred to reintermediate these clients with in-force policies to a financial adviser. It is expected that the provision will be utilised over the next five years, but there is uncertainty about the number of advisers and clients that will participate in this reintermediation programme, as well as the timing, which impacts the amount of the provision and timing of the utilisation. The provision will be re-assessed annually every year and adjusted as required based on the actual experience associated with the number of financial advisers and clients that will participate in this reintermediation programme.

Commercial building claim

In January 2022 a commercial building claim originated within Momentum Insure, where an entire insured building has burnt down. The total sum insured was R194 million excluding VAT. The claim on the policy was rejected due to the underwriting criteria not being met, as contractually agreed upon. Momentum Insure is aware that a law firm has been appointed to dispute the decision. A portion of the claim to the value of R38 million, which relates to a mortgagee clause, is already reserved for at the reporting date due to specific conditions on the policy for which a portion of the claim may need to be paid. The retention on this claim is R5 million and the reinstatement premium is R9 million, with a total impact of R14 million, which has already been accounted for. In the unlikely scenario, which is considered to be remote, where the claim has to be paid in full, the retention would remain at R5 million and the reinstatement premium cost for reinsurance would be R14 million, resulting in the total impact potentially increasing with a contingent R5 million to R19 million.

34 EVENTS AFTER THE REPORTING PERIOD

The Board declared a final ordinary dividend of 65 cents per share on 12 September 2022.

During July 2022, the Group, through its wholly owned subsidiary, MIH, disposed of its entire shareholding in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. At 30 June 2022, this disposal did not meet all the recognition criteria to be classified as held for sale in terms of IFRS 5 - Non-current assets held for sale and discontinued operations.

During August 2022, Aditya Birla Capital Ltd and MMH announced a transaction whereby the Abu Dhabi Investment Authority will own 9.99% in ABHIL, by way of a fresh issuance of ordinary shares. This will result in a dilution of the Group's shareholding from 49% to 44.1%. Completion of the transaction is still subject to statutory and regulatory approvals, including the approval of the Insurance Regulatory and Development Authority of India. A reasonable estimate of the financial effect cannot be made given the relevant pending approvals.

MMH has commenced a R750 million share buyback programme in August 2022 after receiving approval from the Prudential Authority. Share buybacks deliver considerable value accretion to shareholders while the share price continues to trade at a deep discount to embedded value. They also represent an effective form of capital distribution in line with the Group's capital management framework. Future share buybacks will continue to be considered based on affordability.

On 25 August 2022, the Competition Commission released a media statement that it was conducting search and seizure operations at the premises of eight insurance companies in South Africa, including Momentum, a division of MMH. In the statement, the Commission indicated that it has grounds to suspect that the insurers under investigation have contravened the Competition Act by engaging in collusive practices to fix prices and/or trading conditions in respect of fees for investment products and premiums for risk-related life products.

At the time of the approval of these financial statements, the directors have assessed that the scope of the Commission's investigation does not extend beyond the kinds of investment and risk-related life products reported in the Commission's media statement. In addition, the directors have concluded that the impact to MMH group entities would be unclear until such time as the Commission concludes its investigation and decides formally to refer a case to the Competition Tribunal for adjudication. Accordingly, given the preliminary stage of the Commission's investigation, these financial statements do not make provision for the Commission's allegations relating to contraventions of the Competition Act to the extent that they remain subject to further investigation, assessment and determination.

35 FINANCIAL RISK MANAGEMENT

The risk philosophy, structures and management processes of the Group recognise that managing risk is an integral part of generating sustainable shareholder value while at the same time enhancing the interests of all stakeholders. The importance of maintaining an appropriate balance between entrepreneurial endeavours and sound risk management practice is also taken into account. While striving to create a competitive long-term advantage by managing risk as an enabler, the Group simultaneously seeks to achieve higher levels of responsibility to all stakeholders. The material risk factors applicable to the Group can be found in the Integrated Report which is available online in PDF format at https://www.momentummetropolitan.co.za. The Group is currently exposed to the following financial risks:

Long-term insurance risk: Long-term insurance risk is the risk of loss or adverse change in the value of long-term (life) insurance contracts resulting from changes in current or expected future risk claims or policyholder persistency. This can be through the realisation of an operating experience loss or the change in insurance liabilities. The value of life insurance contracts is the expectation in the pricing and/or liability of the underlying contract where insurance liabilities are determined using an economic boundary. It therefore relates to risk exposures across mortality, morbidity/disability, retrenchment, longevity, life catastrophes, lapse and persistency. The Group also has exposure to health insurance risk in India and its African subsidiaries outside South Africa.

Non-life insurance risk: Non-life insurance risk is the risk of unexpected underwriting losses in respect of existing non-life insurance business as well as the new business expected to be written over the next 12 months. Underwriting losses could result from adverse claims, increased expenses, insufficient pricing, inadequate reserving, or through inefficient mitigation strategies like inadequate or non-adherence to underwriting guidelines. It covers premium, reserve, lapse and catastrophe risk exposures.

Liquidity risk: Liquidity risk is the risk that the Group, though solvent, has inadequate liquid financial resources to meet its financial obligations as and when they fall due, or where these resources can only be secured at excessive cost. The Group differentiates between funding liquidity risk (the risk of losses arising from difficulty in raising funding to meet obligations when they become due or the funding can only be raised at excessive cost) and market liquidity risk (the risk of losses arising when engaging in financial instrument transactions due to inadequate market depth and/or breadth or a market disruption).

Market risk: Market risk is the risk of financial loss due to adverse movements in the market value of assets supporting liabilities relative to the value of those liabilities, or due to a decrease in the net asset value, as a consequence of changes in market conditions or as a result of the performance of investments held. This includes exposure to equities, interest rates, credit spreads, property, price inflation and currencies.

Credit risk: Credit risk is the risk of losses arising from the potential that a counterparty will fail to meet its obligations in accordance with agreed terms. It arises from investment and non-investment activities, such as reinsurance credit risk, amounts due from intermediaries and policy loans.

The sections that follow provide information on the processes in place to manage and mitigate the financial and insurance risks inherent in the contracts issued by the Group.

36 CAPITAL MANAGEMENT

36.1 Capital management objectives

The Board has the ultimate responsibility for the efficient management of capital within the Group. The Balance Sheet Management function is responsible for the day-to-day activities relating to capital management and to make timely, prudent recommendations to the relevant governance committees.

The key objectives of the Group's capital management programme are to maintain compliance with minimum regulatory Solvency Capital Requirements (SCR) as well as the target SCR cover ratios as approved as part of the Group's risk appetite framework. The focus on maintaining an optimal solvency position will always be balanced with the aim of not retaining excessive surplus capital on the statement of financial position. In order to do this, the Group continues to focus on optimising capital consumption, the Group capital structure, capital deployment and capital distribution. When these activities are combined, capital management drives value creation within the Group. The capital management programme is underpinned by appropriate links to the Group's risk appetite framework and governance processes while focusing on effective implementation and execution of the principles.

36.2 Capital management framework

The Group's capital management framework rests on the following key principles:

- **Capital requirements and definition of capital**
  The risks inherent in the business activities of the Group drive the need to hold sufficient capital reserves to protect the business against the adverse impacts of unexpected risk events. This is the primary aim for holding capital on the statement of financial position. In addition to this, holding capital on the statement of financial position enables the Group to support its business strategy.

  Within the Group, capital is measured and monitored on both an IFRS and regulatory basis. On the IFRS basis, capital is defined as the total equity plus subordinated debt. On the regulatory basis, capital is defined as the total eligible own funds calculated in line with the technical specifications of the Prudential Standards together with any applicable approvals obtained.

- **Own Funds and Solvency Capital Requirements**
  The regulatory capital coverage is determined as the ratio of own funds to the SCR. The calculation of the own funds and SCR are in accordance with the technical specifications of the Prudential Standards applicable to all of the Group's local insurance entities.

- **Capital coverage**
  The Group specifies capital coverage ratios and ranges for the Group and its regulated insurance entities, which are defined under its risk appetite framework.

- **Capital allocation**
  As a general principle, subsidiaries are capitalised to ensure medium-term regulatory solvency while additional capital is held centrally to support the long-term regulatory solvency of the entities. MML houses MMH's shareholder assets, therefore, MML is capitalised in excess of what its own covered business requires.

- **Investment of assets backing shareholder capital**
  The assets held in the shareholder capital portfolios, housed within MML, are financial assets that are in excess of the assets required to meet policyholder obligations and are directly attributable to the Group's shareholders. These assets back the Group's minimum required capital, approved capital buffers, the subordinated debt programme, as well as discretionary capital. The assets backing shareholder capital portfolios are invested in line with approved risk appetite and mandates.

- **Capital planning process**
  The Group's capital planning process facilitates value creation by aligning corporate strategy, capital allocation and performance measurement. This process is conducted on a forward-looking basis through regular solvency and liquidity projections that take into account capital sourcing requirements, strategic capital deployment and subsidiary capital requirements.

- **Dividends**
  The Group's dividend policy is to grow dividends in line with normalised headline earnings growth. The Group targets a 2.5x normalised headline earnings dividend cover with a 2.0x to 3.0x target coverage range. This implies a pay-out ratio of c.40% to c.50% of normalised headline earnings per annum.

36 CAPITAL MANAGEMENT CONTINUED

36.2 Capital management framework continued

- **Alignment of capital with subsidiaries**
  The Group provides the over-arching guiding principles regarding capital management for all subsidiaries as it is the main provider of capital to these subsidiaries.

36.3 Overview of capital management developments

36.3.1 Regulatory capital developments

The Financial Sector Regulation Act of 2017 became effective on 1 April 2018, introducing the Twin Peaks model of regulating financial institutions. The Insurance Act 18 of 2017 took effect on 1 July 2018. The PA has confirmed the conversion of MML's registration in terms of item 6(2) of Schedule 3 to the Insurance Act. In addition, the PA has confirmed the designation of Momentum Metropolitan as an insurance group as well as the licencing of Momentum Metropolitan Holdings as the controlling company of the Group. The capital management information in this report reflects the requirements of the applicable Prudential Standards.

36.3.2 Changes in capital structure

Subordinated debt raising
On 25 May 2022, MML successfully auctioned two unsecured subordinated debt instruments, MML05 and MML06, with a total nominal value of R1 000 million. The MML05 bond is a 5 year floating rate note maturing on 25 May 2027 and the MML06 bond is a 7 year fixed rate note maturing on 25 May 2029. The proceeds of the issuance were used to refinance the subordinated debt instrument MMIG05 which became callable on 12 August 2022.

36.3.3 Subordinated debt profile

The table below shows a summary of the MML subordinated debt profile, which relates to unsecured callable notes currently in issue at 30 June 2022:

Instrument code	Amount issued (Rm)	Coupon rate	Tenor	Date issued	Interest rate
MMIG05	980	10.86%	7 years	Aug 15	Fixed
MMIG04	270	11.30%	10 years	Aug 15	Fixed
MMIG06	750	JIB03 + 220bps	6 years	Oct 17	Floating
MMIG07	750	JIB03 + 175bps	5.5 years	Mar 19	Floating
MML01	290	JIB03 + 175bps	7 years	Dec 19	Floating
MML02	460	9.29%	7 years	Dec 19	Fixed
MML03	300	JIB03 + 194bps	7.1 years	Feb 21	Floating
MML04	450	7.89%	7.1 years	Feb 21	Fixed
MML05	865	JIB03 + 160bps	5 years	May 22	Floating
MML06	135	10.01%	7 years	May 22	Fixed
Total	5 250				

The Group believes that the current capital mix is adequate, but will continue to pursue strategies to optimise the capital mix within the Prudential Standards.

The table below shows the maturity profile of Momentum Metropolitan's subordinated debt at 30 June 2022:

Bond code	Bond Issue Amount (Rm)	Date Issued	Outstanding Tenor	Year of maturity
MMIG05	980	Aug 15	0.1 years	2022
MMIG04	270	Aug 15	3.1 years	2025
MMIG06	750	Oct 17	1.3 years	2023
MMIG07	750	Mar 19	2.2 years	2024
MML01	290	Dec 19	4.4 years	2026
MML02	460	Dec 19	4.4 years	2026
MML03	300	Feb 21	5.7 years	2028
MML04	450	Feb 21	5.7 years	2028
MML05	865	May 22	4.9 years	2027
MML06	135	May 22	6.9 years	2029
Total	5 250			

36 CAPITAL MANAGEMENT CONTINUED

36.4 Capital coverage

MML has adopted a target range for regulatory solvency cover of 1.6 to 2.0 times the SCR. This makes allowance for the capital required to support the covered business against a range of severe but plausible scenarios, as well as the wider strategic investments. The Solvency Capital Requirements (SCR) requirements of MML were met at 30 June 2022 and throughout the financial year.

The PA has designated Momentum Metropolitan as an insurance group and approval for the licensing of MMH as the controlling company of the insurance group was received in August 2021. The Group has received approval to calculate its group solvency position using the Accounting Consolidation method (for Momentum Metropolitan Life Ltd, Momentum Insure Company Ltd and the Asset Holding Intermediaries held by these entities) as well as certain additional methodology approvals that have a minor impact on group solvency.

The Group targets an SCR cover range of 1.4 to 1.7 times SCR. The Group's solvency position is determined by aggregating the adjusted own funds and SCR under the regulatory framework of all the underlying entities, after elimination of intra-group arrangements. The prescribed Deduction and Aggregation method is applied in aggregating the adjusted solo own funds and solo SCRs of the controlling company and its participations. For entities for which approval has been received for inclusion in the Accounting Consolidation group, the eligible own funds and SCR are calculated using a consolidated balance sheet approach as required by the Framework for Financial Soundness of Insurance Groups.

36.5 Credit ratings

MML and the Guardrisk Group entities are the main rated entities within the Group. Therefore, this section provides an update on these entities.

In April 2022, Moody's updated their credit opinion for Guardrisk and MML. In those credit opinion reports, Moody's affirmed the MML and Guardrisk credit ratings and changed the credit rating outlook from negative to stable. The table below shows the relevant Momentum Metropolitan entity credit ratings as at 30 June 2022.

		National scale		Global scale		
Entity	**Type**	**30 June 2022**	**30 June 2021**	**30 June 2022**	**30 June 2021**	**Outlook**
MML						
MML	Insurance Financial Strength (IFS)	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba1 (BB+)**	Ba1 (BB+)	**Stable**
MML	Issuer rating	**Aa1.za (AA+)**	Aa1.za (AAA)	**Ba2 (BB)**	Ba2 (BB)	**Stable**
Subordinated debt	N/A	**Aa3.za (AA-)**	Aa3.za (AA)	**Ba3 (BB-)**	Ba3 (BB-)	**Stable**
Guardrisk						
Guardrisk Insurance Company Ltd	IFS	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba2 (BB)**	Ba2 (BB)	**Stable**
Guardrisk Life Insurance Company Ltd	IFS	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba2 (BB)**	Ba2 (BB)	**Stable**
Guardrisk International Ltd PCC	IFS	**N/a**	N/a	**Ba2 (BB)**	Ba2 (BB)	**Stable**

On MML, in the April 2022 report, Moody's commented that "MML Ba1 global scale and Aaa.za national scale, IFS ratings reflect the insurer's top tier market position in South Africa, its solid capital position and its flexible product characteristics which serve to reduce the impact on the Group from stress related to credit pressures at the sovereign level." They further noted: "These strengths are partially offset by the Group's exposure to South Africa, both in the form of its invested assets and revenues. These are susceptible to the pressure on the domestic economy and the effects of coronavirus which has significantly impacted earnings via high mortality claims and additional life insurance provisions, thus hampering the group's ability to achieve its previous "Reset and Grow" profitability target."

On Guardrisk, in the April 2022 report, Moody's commented that "The Ba2 global scale IFS ratings, with stable outlook, assigned to entities in the Guardrisk group - as well as the Aaa.za national scale IFS ratings assigned to the South African entities - reflect its good market position as the largest cell captive insurer in the South African market, low underwriting risk due to its predominantly fee based model, diverse product mix across life insurance and short-tailed non-life insurance lines, and strong profitability. These strengths are partially offset by its investment portfolio's concentrated exposure to the South African economy and banking system with a significant majority of Guardrisk group's invested assets comprising South African bank deposits, debt securities and investments in money market funds. Also, Guardrisk group has a lower regulatory capital buffer above the new South African Solvency Assessment and Management framework (SAM) capital requirements due to non-recognition of surplus capital in cells for regulatory capital purposes, and is exposed to corporate credit risk through its reliance on cell-owners to recapitalise cells in the event needed."

Notes to the financial statements continued

37 INSURANCE AND INVESTMENT BUSINESS

The table below reconciles the contract holder liabilities for each category to the total liability in the statement of financial position. Each category represents distinct financial risks. Some categories may include both insurance and investment contracts.

	Insurance Rm	Investment with DPF Rm	Investment Rm	Total Rm
2022				
Individual contracts with market exposure	52 999	2 998	188 672	244 669
Market-related business	16 184	1 040	186 260	203 484
Smoothed bonus business	27 026	1 120	735	28 881
Smoothed bonus – fully vesting	–	838	1 677	2 515
Conventional with-profit business	9 789	–	–	9 789
Group contracts with market exposure	11 729	1	102 153	113 884
Market-related business	(6)	–	87 980	87 974
Smoothed bonus business	–	–	13 545	13 546
Smoothed bonus – fully vesting	–	–	628	628
Conventional with-profit business	11 735	1	–	11 736
Other business	59 278	32	5 416	64 726
Non-profit annuity business	46 443	–	1 630	48 073
Guaranteed endowments	–	–	3 786	3 786
Other non-profit business	12 835	32	–	12 867
Subtotal	124 006	3 031	296 241	423 278
Liabilities in cell captive and non-life business	24 379	–	22 517	46 896
Total contract holder liabilities	148 385	3 031	318 758	470 174
Restated 2021[1]				
Individual contracts with market exposure	55 549	2 732	181 785	240 066
Market-related business	17 295	1 023	179 301	197 619
Smoothed bonus business	28 359	811	800	29 970
Smoothed bonus – fully vesting	–	898	1 684	2 582
Conventional with-profit business	9 895	–	–	9 895
Group contracts with market exposure	12 647	16 342	85 415	114 404
Market-related business	(14)	–	85 371	85 357
Smoothed bonus business	(41)	15 694	–	15 653
Smoothed bonus – fully vesting	–	618	–	618
Conventional with-profit business	12 702	30	44	12 776
Other business	58 230	148	6 577	64 955
Non-profit annuity business	43 736	–	1 322	45 058
Guaranteed endowments	4	–	5 255	5 259
Other non-profit business	14 490	148	–	14 638
Subtotal	126 426	19 222	273 777	419 425
Liabilities in cell captive and non-life business	16 062	–	18 723	34 785
Total contract holder liabilities	142 488	19 222	292 500	454 210

[1] Refer to note 47 for more information on the restatements.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.1 Classes of long-term insurance and investment business

The different classes of business are discussed below:

Individual and group contracts with market exposure: Market-related business

Market-related or unit-linked contracts are those invested in portfolios where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. These may be investment contracts or insurance contracts, and include universal life contracts that also provide cover on death or disability.

- The Group holds the assets on which unit prices are based in accordance with policy terms and conditions.
- Policyholders carry the investment risk; however, the Group carries a risk of reduced income from fees where these are based on investment returns or the underlying fund value, or where investment conditions affect its ability to recoup expenses incurred. Furthermore, there is also the reputational risk if actual investment performance is not in line with policyholder expectations. These risks are managed through the rigorous investment research process applied by the Group's investment managers, which is supported by technical as well as fundamental analysis.
- The shareholders earn management fees as a percentage of the fair value of the asset portfolio. To the extent that these assets are subject to interest rate and market price risk, these fees are volatile, although always positive. In addition, shareholders earn fees as a percentage of the investment return on certain asset portfolios over the period. Due to fluctuations in investment returns over periods, these fees are volatile and can be negative.
- The liabilities originating from market-related investment contracts are measured with reference to their respective underlying assets. Changes in the credit risk of the underlying assets impact the measurement of these liabilities.

Individual and group contracts with market exposure: Discretionary participation business

Discretionary participation business includes traditional smoothed bonus business, conventional with-profit business and group with profit annuities. These may be insurance contracts or investment with Discretionary Participation Features (DPF) contracts, and include universal life contracts that also provide cover on death or disability.

- Bonuses are declared taking into account a number of factors, including actual investment returns, previous bonus rates declared and contract holders' reasonable expectations. Bonuses are generally designated as vesting bonuses, which cannot be removed or reduced on death or maturity, or non-vesting bonuses, which can be removed or reduced. Declared bonuses are usually a combination of both vesting and non-vesting bonuses, although for certain classes of business, declared bonuses are fully vesting or fully non-vesting.
- Bonuses for MML are subject to approval by the MMH Actuarial Committee which performs an oversight and approval role on behalf of the Boards of the life insurers. Non-South African subsidiaries' bonuses are subject to approval by their respective Boards.
- All long-term insurers that write discretionary participation business are required to define, and make publicly available, the principles and practices of financial management (PPFM) that they apply in the management of their discretionary participation business. In accordance with this, MML has issued PPFM for all discretionary participation portfolios detailing the investment strategies and bonus philosophies of the portfolios. In addition, management reports to the Fair Practices Committee (a subcommittee of the MMH Board) on an annual basis regarding compliance with the PPFM.
- Bonus Stabilisation Accounts (BSA) are held equal to the difference between the fund accounts, or the discounted value of projected future benefit payments for conventional with-profit and with-profit annuity business, and the market value of the underlying assets. A positive BSA is the undistributed surplus in the asset portfolio that is earmarked for future distribution to contract holders. A positive BSA is recognised as a liability.
- If the smoothing process has resulted in a negative BSA because of a downward fluctuation in the market value of the backing assets, the liabilities are reduced by the amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years, provided that the Board is satisfied that, if the market values of assets do not recover, future bonuses will be reduced to the extent necessary. The Group is exposed to market and liquidity risk to the extent that a negative BSA cannot reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years.
- Short-term derivative hedging strategies may be utilised at times to protect the funding level of the discretionary participation portfolios against significant negative market movements. These strategies would be implemented by the underlying asset managers in consultation with management.
- The shareholders earn management fees as a percentage of the fair value of the asset portfolio. To the extent that the assets are subject to interest rate and market price risk, these fees are volatile, although always positive. In addition, shareholders earn fees as a percentage of the investment return on certain asset portfolios over the period. Due to fluctuations in investment returns over periods, these fees are volatile and can be negative.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.1 Classes of long-term insurance and investment business continued

- The major classes of smoothed bonus business are:
  - Metropolitan Life individual smoothed bonus business (open to new business).
  - Momentum Corporate smoothed bonus business (open to new business).
  - Momentum Corporate with-profit annuity business (open to new business).
  - Momentum Life traditional smoothed bonus business sold on an individual life basis as part of the universal life investment option, with annual bonuses declared in arrears (closed to new business).
  - Momentum Life traditional smoothed bonus business sold on an individual life basis as investment options on the Investo and Wealth platforms, with annual bonuses declared in arrears (open to new business).
  - Momentum Life fully vesting smoothed bonus business sold on both an individual and an institutional basis, with monthly bonuses declared in advance (open to new business).

Non-profit annuity business

- Benefit payments on non-profit annuities are generally fixed in nominal or inflation-adjusted terms and guaranteed at inception (except to the extent that they are exposed to mortality insurance risk).
- Payments normally cease on death of the insured life or lives, but different options, such as guaranteed payment periods and maximum payment terms, are offered to policyholders.
- In order to reduce market risk, projected liability outflows on annuity business are closely matched by an actively managed combination of bonds of appropriate duration and interest rate derivatives. Any residual mismatch profit or loss as well as any credit risk for these policies is borne by the shareholder.

Guaranteed endowments (insurance and financial instrument business)

- Guaranteed endowments are typically five-year term contracts with fixed benefit payments that are guaranteed at inception. The benefit on death is the greater of the initial investment amount and the market value of the underlying assets. The guaranteed benefits are closely matched from inception by instruments of appropriate nature and duration.
- Credit risk for these policies is borne by the shareholder. In cases where structured assets back this business, they will have a credit rating that corresponds to senior bank debt, equivalent to a long-term national scale rating of A+.

Other non-profit business

- These include long-term regular premium insurance contracts of varying duration.
- The market risk on these contracts is mitigated through an actively managed combination of interest rate securities and interest rate derivatives. Any residual mismatch profit or loss as well as any credit risk for these policies is borne by the shareholder.

Investment guarantees

- A minimum guaranteed maturity value is attached to the majority of the individual discretionary participation business and some of the individual market-related business. Some products also provide minimum benefits on early duration deaths and on early terminations.
- In addition, all discretionary participation business has a minimum death or maturity value equal to the vested benefits.
- Some older blocks of retirement annuity business have attaching guaranteed annuity options on maturity. These give contract holders the right to purchase conventional annuity contracts at guaranteed rates specified at the inception dates of the retirement annuity contracts. The liabilities in respect of these types of guarantees are much less significant than the liabilities in respect of minimum guaranteed maturity values and minimum vested benefits.
- On inflation-linked annuities a minimum annual increase rate is generally applicable, for instance as a consequence of regulatory requirements whereby pension income cannot reduce in nominal terms.
- The liabilities in respect of investment guarantees are sensitive to interest rate and equity price movements as well as market-implied volatilities and are valued using accepted proprietary models in accordance with market-consistent valuation techniques as set out in professional guidance note APN 110 – Allowance for Embedded Investment Derivatives. Refer to note 11.
- Currently certain structures are in place to partially match movements in this liability. However, it is not possible to fully match these guarantees due to the long-term nature of the guarantees provided and the lack of corresponding financial instruments in the market with similar durations.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Long-term insurance risk

Long-term insurance risk is the risk of loss or adverse change in the value of long-term (life) insurance contracts resulting from changes in current or expected future risk claims or policyholder persistency. This can be through the realisation of an operating experience loss or the change in insurance liabilities. The value of insurance contracts is the expectation in the pricing and/or liability of the underlying contract where insurance liabilities are determined using an economic boundary. Insured events are random and the actual number and amount of claims and benefits will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. Similarly, diversification of the portfolio with respect to risk factors reduces insurance risk.

Long-term insurance risk management

The HAFs have a duty under the Insurance Act, 18 of 2017 and its associated prudential guidelines to evaluate and provide advice to the Board of directors and management on the financial soundness of the insurer. This includes the accuracy of the calculations and the appropriateness of the assumptions underlying the valuation of the insurer's technical provisions and calculation of the insurer's capital requirements. The HAFs report on these matters to the Board, Actuarial Committee and the Prudential Authority. The Actuarial Committee supports the HAFs in their responsibility for the oversight of insurance risk. The Actuarial Committee has been appointed by the Board to ensure that the technical actuarial aspects specific to insurance companies are debated and, where necessary, independently reviewed.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality and morbidity, termination rates, retrenchment rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected. In adverse circumstances, actual claims and benefits may exceed the liabilities held. The financial risk is partially mitigated through the addition of margins, especially where there is evidence of moderate or extreme variation in experience.

Reinsurance agreements are used as a primary risk mitigation tool, particularly in terms of insurance risks that are not well understood or fall outside the Group's risk appetite.

The main insurance risks, as well as the Group's approach to the management of these risks, are set out below.

37.2.1 Demographic risks

The risk of adverse change in the value of insurance contracts arising from changes in the level, trend, or volatility of demographic rates in respect of insurance obligations where a change in demographic rates lead to an increase in the value of insurance liabilities or claims. Underwriting processes are in place to manage exposure to these risks. The most significant measures are:

- The HAFs are required to evaluate and provide advice to the Board on the actuarial soundness of the terms and conditions of insurance contracts (Insurance Act, 18 of 2017, GOI 3).
- Regular experience investigations are conducted and used to set premium rates and valuation assumptions.
- Reinsurance arrangements are negotiated in order to limit the risk from any individual contract or aggregation of contracts. These include company-wide catastrophe reinsurance. MML's catastrophe reinsurance cover for the current financial year is R1 billion (2021: R750 million) in excess of R20 million of the total retained sum assured for any single event involving three or more lives.

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below.

Individual insurance business

- These are contracts providing benefits on death, disability, accident, medical events and survival that are sold directly to individuals. These contracts may also bear significant financial risk.
- Factors affecting demographic risks for individual insurance business:
  - The most significant factors that could substantially change the frequency of claims are epidemics or widespread changes in lifestyle (smoking, exercise, eating), resulting in more or earlier claims.
  - Economic conditions can potentially affect retrenchment claims as well as morbidity claims where benefits are determined in terms of the ability to perform an occupation.
  - Medical advances can potentially affect the size and severity of medical claims (including critical illness claims).
  - Anti-selection, such as where a client who has a pre-existing condition or disease purchases a product where a benefit will be paid on death or in the event of contracting such a disease.
  - The effect of selective terminations, which means policyholders are less likely to terminate voluntarily if the cover is more likely to be needed in the foreseeable future.
  - Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Long-term insurance risk continued

37.2.1 Demographic risks continued

- Demographic risks are managed as follows:
  - Risk premiums on most smoothed bonus and market-related contracts may be adjusted within the terms and conditions of the contracts. The ability of the Group to adjust these charges so that on average they reflect actual mortality experience reduces mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures and client expectation management.
  - To reduce cross-subsidisation of risks and the possibility of anti-selection, premium rates differentiate on the basis of some or all of age, gender, occupation, smoker status, education, income level, geographic region and the results of underwriting investigations. Experience investigations have shown that these are reliable indicators of the risk exposure.
  - A guarantee period shorter than the policy term applies to most risk business, and enables the Group to review premium rates on in-force contracts during the life of the contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years.
  - All policy applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
  - Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for a product. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
  - Underwriting is done to identify non-traditional risks and take appropriate action, such as applying additional premium loadings or altering benefit terms.
  - Additional provisions are held in respect of the potential deterioration of the mortality experience of supplementary benefits and direct marketing business.
  - Reinsurance agreements are used to limit the risk on any single policy and aggregation of policies. Sums assured above a negotiated retention level are reinsured on a risk premium basis. Facultative arrangements are used for substandard lives and large sums assured.
  - Momentum Life and Investments typically retains 85% of the risk on amounts of cover not exceeding R5 million on individual lives that are medically underwritten and that are not members of employee benefit schemes. Amounts of cover in excess of R5 million are typically fully reinsured.
  - Metropolitan Life has a number of different reinsurance structures in place, depending on the type of product, the size of the risks involved and the experience in this type of business. The two structures mostly used are surplus retention where, generally, amounts of up to R1 million are retained with the full amount above that reinsured, and risk premium reinsurance on a constant retention basis (up to a maximum retention limit of R400 000 on fully underwritten cover and R600 000 on limited underwritten cover). Reinsurance is in place on existing and new business for both fully underwritten and limited underwritten products still actively sold in the market. There is no reinsurance in place for funeral products.
  - Concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance, as well as by company-wide catastrophe reinsurance.

The table below shows the concentration of individual insurance contract benefits (gross and net of reinsurance) by sums insured at risk:

	2022			2021		
Sums insured per benefit	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**
0 – 20 000	**4 087 721**	**35 182**	**33 262**	3 772 542	33 350	31 469
20 001 – 50 000	**1 010 741**	**50 934**	**49 894**	984 562	50 484	49 427
50 001 – 100 000	**394 207**	**41 841**	**38 921**	378 936	40 348	37 307
100 001 – 200 000	**128 787**	**20 518**	**15 665**	126 322	21 559	15 909
200 001 – 500 000	**207 693**	**78 808**	**49 619**	203 357	77 565	47 720
500 001 – 1 000 000	**224 635**	**128 758**	**95 904**	223 731	119 832	88 882
> 1 000 000	**511 861**	**1 195 717**	**654 929**	500 889	1 083 490	607 954
Subtotal	**6 565 645**	**1 551 758**	**938 194**	6 190 339	1 426 628	878 668
Cell captive business	**7 517 206**	**669 283**	**269 132**	7 799 028	622 763	263 540
Total	**14 082 851**	**2 221 041**	**1 207 326**	13 989 367	2 049 391	1 142 208

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Long-term insurance risk continued

37.2.1 Demographic risks continued

Group insurance business

- These are contracts that provide life and/or disability cover to members of a group (eg clients or employees of a specific company).
- Typical benefits are:
  - Life insurance (mostly lump sum, but including some children and spouse's annuities)
  - Disability insurance (lump sum and income protection)
  - Dread disease cover
  - Continuation of insurance option.
- Factors affecting these risks and how they are managed:
  - Contracts are similar to individual insurance contracts but there is greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry; hence a higher degree of concentration risk exists.
  - The products are mostly simple designs with a one-year renewable term. In most cases the products are compulsory for all employees although it has become more common recently to provide members with a degree of choice when selecting risk benefits.
  - Underwriting on group business is much less stringent than for individual business as there is typically less scope for anti-selection. The main reason for this is that participation in the Group's insurance programmes is normally compulsory, and as a rule members have limited choice in the level of benefits. Where choice in benefits and levels is offered, this is accompanied by an increase in the level of underwriting to limit anti-selection.
  - Groups are priced using standard mortality and morbidity tables. The price for an individual scheme is adjusted for the following risk factors:
    - Region
    - Salary structure
    - Gender structure
    - Industry
  - For large schemes (typically 400 or more members), a scheme's past experience is an important input in setting rates for the scheme. The larger the scheme, the more weight is given to the scheme's past experience.
  - AIDS risk is no longer material, given the impact of anti-retrovirals and the reduction in AIDS cases.
  - To manage the risk of anti-selection, there is an "actively at work" clause, which requires members to be actively at work and attending to their normal duties for cover to take effect. This could be waived if the Group takes over a scheme from another insurer for all existing members. In addition, a pre-existing clause may apply, which states that no disability benefit will be payable if a member knew about a disabling condition within a defined period before the cover commenced and the event takes place within a defined period after cover has commenced.
  - There is a standard reinsurance treaty in place covering group business. Group life and lump sum disability sum benefits in excess of R5 million and disability income benefits above R50 000 per month are reinsured. There are also some facultative arrangements in place on some schemes that are particularly large and can have a significant impact on profit and loss. The number of facultative arrangements was increased in 2021 in order to reduce exposure to Covid-19 death claims. These arrangements are being reviewed given the reduced impact of Covid-19.
  - Furthermore, there is a company-wide catastrophe reinsurance treaty in place. The catastrophe reinsurance is particularly important for group risk business as there are considerably more concentrations of risks compared to individual business.

The table below shows the concentration of group schemes by scheme size (as determined by the number of lives covered):

Lives covered by scheme	2022	2021
0 – 1 000	7 855	7 769
1 001 – 5 000	372	248
> 5 000	243	146
Subtotal	**8 470**	8 163
Cell captive business	95	103
Total	**8 565**	8 266

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Long-term insurance risk continued

37.2.1 Demographic risks continued

Annuity business

- Annuity contracts provide a specified regular income in return for a lump sum consideration. The income is normally provided for the life of the annuitant. In the case of a joint-life annuity, the income is payable until the death of the last survivor. The income may furthermore be paid for a minimum guaranteed period and may be fixed or increased at a fixed rate or in line with inflation. With-profit annuities are also offered whereby the policyholder shares in the experience of a pre-defined group of policyholders. The longevity risk in this case is that the annuitants may live longer than assumed in the pricing of the contract.
- Factors affecting these risks:
  - Increased longevity due to medical advances and improvement in social conditions.
  - Selection bias – individuals purchasing annuities are in better health and therefore live longer than assumed in the pricing basis.
- How risks are managed:
  - Mortality on non-profit annuities is monitored and future mortality improvements are allowed for in the pricing.
  - Annuity products are sometimes sold in combination with whole life cover, which provides a natural hedge against longevity and mortality risk.
  - Premium rates differentiate on the basis of age and sex.

The following table shows the distribution of number of annuitants by total amount per year:

	2022		2021	
Annuity amount per annum	**Number of annuitants**	**Total amount per annum Rm**	**Number of annuitants**	**Total amount per annum Rm**
0 – 10 000	**57 958**	**259**	66 002	290
10 001 – 50 000	**42 703**	**1 008**	45 117	1 067
50 001 – 100 000	**12 523**	**887**	11 570	816
100 001 – 200 000	**8 040**	**1 134**	6 810	945
> 200 000	**6 241**	**2 445**	4 705	1 860
Subtotal	**127 465**		134 204	
Cell captive business	**1 479**	**104**	1 494	103
Total	**128 944**		135 698	

Permanent health insurance business

The Group also pays permanent health insurance (PHI) income to disabled employees, the bulk of which is from employee benefit insured schemes. The income payments continue to the earlier of death, recovery or retirement of the disabled employee. There is, therefore, the risk of lower recovery rates or lower mortality rates than assumed, resulting in claims being paid for longer periods. Claims are reviewed at inception to determine eligibility. Ongoing claims in payment are also reviewed regularly to ensure claimants still qualify and rehabilitation is managed and encouraged.

37.2.2 Contract persistency risk

- Persistency risk is the risk of adverse change in the value of insurance contracts due to adverse lapse, surrender and paid-up experience, or to a change in the expected exercise rates of such policyholder options.
- Expenses such as commission and acquisition costs are largely incurred at outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges in respect of the contract. Therefore, if the contract or premiums are terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred. As a result, any amount payable on withdrawal normally makes provision for recouping outstanding expenses from intermediaries. However, losses may still occur if the expenses incurred exceed the expected recoveries, which is usually the case for risk policies and normally happens early on in the term of recurring premium savings policies, or where the withdrawal amount does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum applying, or to product design.
- Terminations can have the effect of increasing insurance risk, eg contract holders whose health have deteriorated are less likely on average to terminate a contract providing medical, disability or death benefits. Also, for these types of policies, the risk at later durations is that terminations are less than assumed when pricing and valuing policies because upfront costs have largely been recouped and a termination at that stage releases a liability.

Factors affecting the risk:

- Economic conditions – economic hardship can cause an increase in terminations due to a reduced ability to afford premiums or a need for funds.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Long-term insurance risk continued

37.2.2 Contract persistency risk continued

How risks are managed:

- Premium rates are determined using realistic assumptions with regard to termination rates (rates of lapse, surrender and paid up experience) based on the Group's actual experience. In addition, customer retention programs are in place to actively retain customers at risk of departure due to a lapse, surrender or maturity.
- Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces may restrict the extent to which this may be done in future.
- Persistency rates are measured on a monthly basis by a variety of factors and retention strategies are implemented on an ongoing basis based on this information.
- Commission paid on many products is closely aligned to premium collection and the terms of the contract, therefore reducing the risk of non-recovery of commission on new policies subsequently cancelled or paid up, which may improve persistency.

37.2.3 Retrenchment risk

Retrenchment risk is the risk of loss, or of adverse changes in the value of insurance contracts, resulting from changes in the level, trend or volatility of retrenchment inception rates used in pricing and valuing retrenchment benefits provided under policies. The Group has limited exposure to retrenchment risk and will consider future opportunities which provide adequate risk-adjusted return and can be appropriately mitigated. The risk is seen as an enabler to get more exposure to other risks to which the Group has a risk seeking attitude. When writing retrenchment risk, the Group carefully considers the design of benefits, benefit term, premium guarantees as well as the expected diversification across employers and industries.

37.2.4 Expense risk

There is a risk that the Group may experience a loss due to actual expenses being higher than that assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in a smaller in-force book size.

Budget controls are in place to mitigate this risk. The Group performs expense investigations annually and sets pricing and valuation assumptions to be in line with actual experience and budgets, with allowance for inflation. The inflation assumption furthermore allows for the expected gradual shrinking of the number of policies arising from the run-off of certain books that are closed to new business.

37.2.5 Business volume risk

There is a risk that the Group may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs is variable and relates directly to sales volumes. The fixed cost component can be scaled down if there is an indication of a permanent decline in business volumes, but this will happen over a period of time. A further mitigating factor is that the distribution channels used to generate new insurance and investment business are used to distribute a range of product lines within the Group, such as health insurance and non-life insurance.

37.3 Non-life insurance risk

Non-life insurance risk is the risk of unexpected underwriting losses in respect of existing business as well as new business expected to be written over the following 12 months. Underwriting losses could result from adverse claims, expenses, insufficient pricing, inadequate reserving, or through inefficient mitigation strategies like inadequate or non-adherence to underwriting guidelines.

Guardrisk

Guardrisk transacts in all classes of non-life insurance business. Insurance is provided to corporate clients (through first-party cells and contingency policies) and to the general public (through third-party cell owners). Insurance contracts are issued for monthly, annual and multi-year periods and include the following classes of risk: motor, property, agriculture, engineering, marine, aviation, transport, rail, legal expense, liability, consumer credit, trade credit, guarantee, accident and health, travel, miscellaneous as well as reinsurance on all the classes above. Premiums charged for risks are regularly monitored by the underwriting and actuarial teams and, where necessary, adjustments are made to the office premium to take into account competition, the underwriting cycle, reinsurance and capital requirements.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk continued

- Guardrisk transacts in all classes of non-life insurance business, primarily as a cell captive and alternative risk transfer insurer, focusing on both the corporate and retail market.
- There are currently two distinct types of cell captive arrangements, which are described in detail within Annexure A.
- First party cell arrangements where the risks that are being insured relate to the cell owner's own operations or operations within the cell owner's group of companies. First party cell arrangements meet the definition of a financial instrument and is accounted for as such and premium, claims and other insurance expenses are not included in the statement of comprehensive income. The fair value gains/losses on financial assets and investment income are accounted for in the statement of comprehensive income but the amount owing to cells will be recorded as an expense as a fair value adjustment to financial liabilities at FVPL – amounts due to cell owners.
- All agreements for services provided in respect of third-party arrangements are transacted between Guardrisk and the third party. All transactions with third parties and policyholders are recorded in the income statement, with the third-party cell owner being a reinsurer of the net result. The impact of this application on the Group's financial statements is that the results of the cell captive arrangements have no direct impact on the Group's earnings, except for fee income earned by the promoter cell.
- In a number of cases, the promoter cell shares in the emerging underwriting experience of selected cell arrangements. In such cases the remaining risk in the cell could be further reinsured to external reinsurers. In addition to the fee income earned from the cell, the promoter cell also earns underwriting profits on the risk retained for these cells. Guardrisk also underwrites specific niche corporate and commercial business for its own account. Risk retention is managed with appropriate reinsurance.
- The Group's statement of comprehensive income includes several income and expense items related to insurance business written through cell arrangements. In particular all transactions relating to third-party cell arrangements are recorded. However, these transactions are transferred back to the third-party cell owner and therefore the net impact on the Group's earnings is limited to the net result of transactions relating to the promoter cell only. Assets and liabilities from cell captive arrangements are recognised in the statement of financial position. Except for the impact of contingency policies, as well as the fees earned by the promoter cell and income on the promoter cell's own assets, cell arrangements have no impact on the Group's earnings.

37.3.1 Non-life insurance risk management

The Group has similar governance structures in place for non-life insurance as those that are in place for long-term insurance. This includes a HAF who follows the reporting structure and support process as explained in note 37.2.

The Group has developed an Enterprise Risk Management (ERM) framework in respect of the non-life business to provide reasonable assurance that the Group's risks are being prudently and soundly managed. The framework is designed according to acceptable principles from Corporate Governance and Risk Management standards. The ERM framework outlines the key risks facing the business and how these risks are managed, monitored and reported on.

Risks are rated individually by programmes loaded onto the underwriting system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative reinsurance cover being arranged. No claims bonus, which rewards clients for not claiming, and safety bonuses, which reward clients for adhering to, monitoring and reporting certain safety criteria, also form part of the Group's non-life business underwriting strategy. Multi-claimants are monitored and managed by tightening conditions of cover or ultimately cancelling cover.

Guardrisk

Guardrisk has an Audit and Risk Committee and an Investment Committee. These Board subcommittees oversee the risk universe from general operations and investments respectively. Operational management of risk is delegated to the Guardrisk Executive Committee with operational committees tasked in specific areas. New and existing product development initiatives are considered by the Product Management Committees for appropriateness and viability that conforms to regulatory, legal, tax and accounting requirements.

For each cell or policy accepted by Guardrisk, a business take-on process is followed that utilises multi-disciplinary teams to determine major exposures to insurance risk. This take-on process varies in extent and detail depending on the significance of the new cell facility. Where the business take-on process identifies significant down-side risk, measures are put in place to manage the residual retained risks to remain within risk appetite.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk continued

37.3.1 Non-life insurance risk management continued

Premiums charged for risks are regularly monitored by the underwriting and actuarial teams and, where necessary, adjustments are made to the office premium to take into account competition, the underwriting cycle, reinsurance and capital requirements.

The definitions of the risks that compromise non-life insurance risk are presented below:

- **Premium risk:** the risk of financial loss arising from fluctuations in timing, frequency and severity of insured events for business to be written in the next 12 months and unexpired risks on existing contracts. Premium risk includes the risk that premium provisions turn out to be insufficient to compensate claims or the need to increase these provisions.
- **Reserve risk:** the risk of adverse change in the value of insurance obligations arising from fluctuations in timing and amounts of claim settlements.
- **Lapse risk:** the risk of financial loss, or of adverse change in the value of insurance obligations, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.
- **Catastrophe risk:** the risk that a single event, or series of events, of major magnitude, usually over a short period (often 72 hours), leads to a financial loss, or of an adverse change in the value of insurance liabilities. Catastrophe losses are the losses that arise from catastrophe risk and these include:
  - Natural catastrophes which include anything which is caused by a natural process, including earthquakes and hail storms.
  - Man-made catastrophes which are events that arise as a consequence of actions by humans.

The Group conducts business in different classes of non-life insurance and writes these either as personal or commercial contracts. The following types of traditional contracts are written:

- **Motor:** Provides policy benefits if an event, contemplated in the contract as a risk relating to the possession, use or ownership of a motor vehicle occurs.
- **Property:** Provides policy benefits for loss of or damage relating to the possession, use, or ownership of moveable and immovable property.
- **Accident and Health:** Provides policy benefits if a disability event, health event or death event occurs.
- **Liability:** Provides policy benefits relating to the incurring of a liability, otherwise than as part of a policy relating to a risk more specifically provided for elsewhere. This type of contract typically includes inter alia public liability, product recall and malicious product tampering.
- **Transportation:** Provides policy benefits relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water, or to the storage, treatment or handling of goods so conveyed or to be so conveyed.
- **Miscellaneous:** Provides policy benefits relating to any matter not otherwise provided for. This type of contract typically includes inter alia legal expense insurance.

Premiums and claims, gross of reinsurance, relating to non-life insurance for the Group are as follows:

	2022 Rm	Restated 2021[1] Rm
Premiums	**17 725**	16 269
Claims	**19 972**	8 250

[1] Refer to note 47 for more information on the restatements.

Guardrisk

Cell captive arrangements

The cell owner shareholders' agreements protect the Group from losses arising from business conducted in cells due to the rights and obligations of both parties set out in the various cell owner shareholders agreements. Individual cells not meeting capital requirements pose a solvency risk that is monitored on a monthly basis and, if required, additional capital is requested from such cell owners. This risk is managed by an assessment of potential cell owners' creditworthiness based on the ability to meet the responsibility and obligations in terms of the shareholders agreement. Solvency of cells are assessed monthly to manage the solvency support provided from the promoter within the Board approved solvency support framework.

The Group's exposure to risk on this business is a credit risk of the cell owner, if a cell owner does not meet its contractual solvency obligations set out in the cell owner shareholders agreement, with respect to third-party cell arrangements. Based on current economic conditions, and reviewing specific facilities, a probability of default is applied to cells in deficit. The Group's underwriting strategy is directed at a portfolio of underwritten risks that are well diversified in terms of risk, industry and geography.

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk continued

37.3.1 Non-life insurance risk management continued

In addition, reinsurance agreements are concluded to minimise the solvency risk (refer to Reinsurance section below).

Guardrisk

Contingency policy business

This business is usually written for a one-year period with the policies covering multiple risks. The risks underwritten are those of a corporate entity (ie first-party business) and are generally either in respect of primary layers of the corporate's insurance programme or for risks that are difficult to insure in a traditional insurance product. The corporate insured in a contingency policy is entitled to a share in the underwriting result if there is favourable claims experience.

Subject matter experts in the business provide input to develop suitable policy and cover limits as well as retention limits for reinsurance where applicable. Reinsurance is generally structured above the layer provided by the contingency policy.

There is an aggregate excess of loss treaty in place for all contingency policies. This reinsurance treaty is currently arranged for a limit of R19 million each and every loss in excess of R1 million each and every loss up to R5 million in the annual aggregate.

Guardrisk

Risk participation with cell shareholders

Guardrisk, through the promoter cell, shares in the emerging underwriting experience of selected cell arrangements. Before entering into new risk sharing agreements with cell owners, internal processes covering all disciplines are executed with a recommendation to the Guardrisk Product Management Committee for decision-making if within delegated mandate, otherwise the decision is escalated to the Guardrisk Board. In addition, the company utilises independent underwriting managers to undertake risk taking on behalf of the company with profit share agreements.

Reinsurance

The Group reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the Group to losses arising from insurance contracts and in order to protect the profitability of the Group and its capital. A suite of treaties is purchased in order to limit losses suffered from individual and aggregate insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the Board of directors. The Group only enters into reinsurance agreements with reinsurers which have adequate credit ratings, as prescribed by the Group's Reinsurance Risk Policy.

Guardrisk

The key objective when placing reinsurance is to optimise capital requirements and protection of the retained lines of both Guardrisk and the cell owners. The reinsurers selected are in accordance with Guardrisk's reinsurance vetting procedures. These are presented to and approved by the Guardrisk Board. These procedures include limiting individual cessions and accumulations per reinsurer in accordance with their credit rating.

Other than sourcing capacity for both first and third-party business, reinsurance is arranged to protect the net retention of the promoter on both a proportional and non-proportional basis. The net retention of both Guardrisk and the cells will determine the non-proportional programmes whereas estimated premium income and loss ratios determine retention on proportional programmes. The non-proportional reinsurance arrangements include per risk and/or per event excess-of-loss coverage. Proportional reinsurance arrangements are predominantly quota share treaties with limited use of surplus treaties.

Concentrations of insurance risk

The Group is exposed to a concentration of insurance risk in some geographical regions in South Africa. In order to manage this concentration of insurance risk, the Group has entered into a catastrophe excess of loss reinsurance treaty that would limit the loss of the Group to predetermined levels following the occurrence of a localised catastrophe in a specific area.

Guardrisk

Risks relating to the cell captive business are adequately spread across the major classes of insurance risk and is spread geographically.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day.

Catastrophe limits are set to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a reputable credit rating and cognisance is taken of the geographical spread of the other risks underwritten by the reinsurers in order to reduce correlation of the Group's exposure with the balance of their exposure. These reinsurance models are run at least annually to take account of changes in the portfolio and to take the latest potential loss information into account.

38 LIQUIDITY RISK

Liquidity risk is the risk that the Group, although solvent, has inadequate cash resources to meet its financial obligations when due, or can only secure these resources at excessive cost. The Group differentiates between funding liquidity risk (the risk of losses arising from difficulty in raising funding to meet obligations when they become due) and market liquidity risk (the risk of losses arising when engaging in financial instrument transactions due to inadequate market depth or market disruptions).

Liquidity risk governance

Liquidity risk for the Group is managed in terms of the Group liquidity risk management policy, which is a policy of the Group ERM function.

The Momentum Metropolitan Capital and Investment Committee (CIC) is responsible for the Group's liquidity and funding risk management with the Board Risk Capital and Compliance Committee providing oversight for funding and liquidity risk assumed in the Group's statement of financial position on behalf of shareholders. This includes the funding and liquidity risk on guaranteed and non-profit policyholder liabilities and shareholder portfolios.

Liquidity risk management

The principal risk relating to liquidity comprises the Group's exposure to policyholder behaviour, eg unanticipated benefit withdrawals or risk-related claims. The insurance and investment contract liabilities comprise 86% (2021: 85%) of the liabilities of the Group. Management of the liquidity risk thereof is described below in terms of policyholder benefits.

Policyholder liabilities

Guaranteed endowment and structured product benefits

Guaranteed endowments and structured products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when the liabilities become payable.

Non-profit annuity policyholder benefits

These contracts provide guaranteed annuity benefits and all liquidity risks arising from these contracts are borne by the shareholders. The expected liability outflow is matched as closely as possible with assets of an appropriate nature and term in order to match the duration and convexity of the portfolio and thus mitigate the interest rate risk exposure. The liquidity risk is mitigated by ensuring that expected liability cash flows are matched with sufficiently liquid assets of appropriate nature and term. The asset portfolio is a diversified portfolio of liquid cash and fixed-interest instruments (government bonds, corporate bonds, interest rate swaps and promissory notes) that closely matches the liquidity profile of the liability cash flow.

Conventional with-profit and smoothed bonus policyholder benefits

These benefits are determined mainly by reference to the policy fund values which reflect past contributions plus declared bonuses or the initial sum assured plus declared bonuses. The policy values, over time, move broadly in line with the value of underlying assets. Upon a contractual claim, assets are disposed of in the market, but only to the extent that cash flows into the fund are insufficient to cover the outflow. Assets are generally easy to realise as they consist mainly of large listed equity securities, government stock or funds on deposit.

The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets.

Maturity dates are normally known in advance and contractual claims are projected. Cash flow projections are performed to aid in portfolio and cash flow management. Where the product design allows for the payment of an early termination value (ie a benefit payment before the contract maturity date), such value is not normally guaranteed but is determined at the Group's discretion (subject to certain minima prescribed by legislation). This limits the loss on early termination. If underlying assets are illiquid, the terms of the policy contracts normally allow for a staggered approach to early termination benefit payments. Examples of the latter are contracts that invest in unlisted equity and certain property funds.

When a particular policyholder fund is shrinking (ie outflows exceed inflows), care is taken to ensure that the investment strategy and unit pricing structure of the fund are appropriate to meet liquidity requirements (as determined by cash flow projections). In practice, such a fund is often merged with cash flow positive funds to avoid unnecessary constraints on investment freedom.

Linked and market-related policyholder benefits

Market-related or unit-linked contracts are those invested in portfolios where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. These contracts do not expose the Group to significant liquidity risk because the risk of liquidity losses, except those that relate to investment guarantees and risk benefit claims, is largely borne by the policyholders. The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets.

38 LIQUIDITY RISK CONTINUED

Liquidity risk management continued

Policyholder liabilities continued

Other policyholder benefits

The liquidity risk arising from the liabilities in respect of embedded investment guarantees is managed by backing these liabilities with sufficiently liquid financial instruments.

Policyholder contracts that provide mostly lump sum risk benefits do not normally give rise to significant liquidity risks compared to policies that provide mostly savings benefits. Funds supporting risk benefits normally have substantial cash inflows from which claims can be paid. Accrued liabilities are matched by liquid assets to meet cash outflows in excess of expected inflows.

On certain large corporate policy contracts, the terms of each individual policy contract take into account the relevant liquidity requirements. Examples of such contractual provisions include the payment of benefits *in specie*, or a provision for sufficient lag times between the termination notification and the payment of benefits.

For these contracts providing guaranteed annuity benefits all the liquidity risk that arises is borne by the shareholders. The liquidity risk is mitigated by ensuring that expected liability cash flows are matched with sufficiently liquid assets of appropriate nature and term.

Shareholder funds

The significant shareholder liabilities of the Group are the cumulative convertible redeemable preference shares issued by the Company, the carry positions, the subordinated call notes issued by MML and the cumulative redeemable preference shares issued by MMSI.

The Group holds sufficient cash and liquid marketable financial instruments in its shareholders' funds to meet its commitments as and when they fall due. The investment assets backing the shareholder funds are invested in a diversified portfolio of liquid cash, floating rate instruments and interests in subsidiaries and/or related entities. The investment mandate and guidelines that govern the investment of shareholder funds restrict exposure to high-quality assets.

The projected liquidity requirements of the shareholder portfolio are identified, measured and reported on a regular basis to the CIC. The regular reports take the expected shareholder cash flows (eg committed mergers and acquisition activity and liquidity needs of related entities) into account in order to identify material funding liquidity gaps early. By determining the potential liquidity gaps, the funding liquidity and market liquidity risks of the shareholder portfolios are mitigated.

Liquidity profile of assets

The following table illustrates that the Group's assets are fairly liquid in order to meet the liquidity needs of obligations if the Group should be required to settle earlier than expected:

	2022		Restated 2021[1]	
Financial asset liquidity	**%**	**Rm**	**%**	**Rm**
High[2]	**70**	**398 068**	71	393 754
Medium[3]	**26**	**151 318**	25	135 578
Low/illiquid[4]	**4**	**22 945**	4	23 633
Other assets not included above				
– employee benefit assets		**460**		697
– accelerated rental income		**380**		365
– deferred income tax		**880**		756
– assets relating to disposal groups held for sale		**14**		171
Total assets		**574 065**		554 954

1 Refer to note 47 for more information on the restatements.

2 Highly liquid assets are those that are considered to be realisable within one month (eg level 1 financial assets at fair value, including funds on deposit and other money market instruments > 90 days, cash and cash equivalents), the current values of which might not be realised if a substantial short-term liquidation were to occur due to demand-supply principles.

3 Medium liquid assets are those that are considered to be realisable within six months (eg level 2 and level 3 financial assets at fair value, except for funds on deposit and other money market instruments > 90 days, loans at amortised cost, insurance receivables, reinsurance contracts).

4 Low/illiquid assets are those that are considered to be realisable in excess of six months (eg intangible assets, investment and owner-occupied properties, property and equipment, equity-accounted associates).

38 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities

The cash flows (either expected or contractual) for these liabilities are disclosed in the maturity analysis below:

2022 Rm	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)[2]	148 385	148 385	27 746	30 076	34 820	22 370	33 373
Linked (market-related) business							
Individual	16 184	16 183	2 342	1 590	3 821	3 511	4 919
Employee benefits	(6)	(6)	–	(1)	(2)	(3)	–
Smoothed bonus business							
Individual	27 026	27 026	1 338	2 843	9 514	5 967	7 364
Conventional with-profit business	9 789	9 789	6 466	289	264	134	2 636
Non-profit business							
Individual	10 552	10 552	2 008	1 172	1 089	557	5 726
Employee benefits	2 283	2 282	12	1 263	307	193	507
Annuity business	58 178	58 179	10 636	6 731	16 595	11 996	12 221
Cell captive and non-life business	24 379	24 380	4 944	16 189	3 232	15	–
Investment contracts with DPF (DCFs)[2]	3 031	3 032	1 436	151	631	355	459
Linked (market-related) business							
Individual	1 040	1 041	9	91	410	247	284
Smoothed bonus business							
Individual	1 120	1 120	556	60	221	108	175
Employee benefits	1	1	1	–	–	–	–
Smoothed bonus – fully vesting							
Individual	838	838	838	–	–	–	–
Non-profit business							
Individual	(5)	(5)	(5)	–	–	–	–
Employee benefits	37	37	37	–	–	–	–
Investment contracts (undiscounted cash flows)	318 758	320 305	310 613	2 396	3 796	833	2 667
Linked (market-related) business							
Individual	186 260	186 260	185 333	104	302	349	172
Employee benefits	87 980	87 980	86 177	24	106	166	1 507
Smoothed bonus business							
Individual	735	735	735	–	–	–	–
Employee benefits	13 545	13 545	13 545	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 677	1 677	1 677	–	–	–	–
Employee benefits	628	628	628	–	–	–	–
Guaranteed endowments	3 786	4 075	–	1 628	2 447	–	–
Annuity business	1 630	2 888	1	640	941	318	988
Cell captive and non-life business	22 517	22 517	22 517	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	470 174	471 722	339 795	32 623	39 247	23 558	36 499

[1] Open-ended liabilities are defined as:
- policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand); or
- where policies do not have a specified contract term.

[2] The cash flows for insurance and investment contracts with DPF liabilities are calculated using discounted expected cash flows. All other values are based on contractual undiscounted cash flows.

38 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

2022 Rm	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Total policyholder liabilities under insurance and investment contracts (continued)	470 174	471 722	339 795	32 623	39 247	23 558	36 499
Financial liabilities at FVPL	48 141	47 025	30 805	9 705	5 195	1 099	221
Collective investment scheme liabilities	30 782	30 782	30 782	–	–	–	–
Subordinated call notes	5 327	6 892	–	1 393	4 525	974	–
Carry positions	7 723	7 723	–	7 723	–	–	–
Derivative financial liabilities[2]	3 039						
Preference shares	337	482	–	77	91	117	197
Other borrowings	933	1 146	23	512	579	8	24
Financial liabilities at amortised cost	4 336	4 813	26	1 893	2 429	415	50
Cumulative redeemable preference shares	2 025	2 076	–	1 050	1 026	–	–
Cumulative redeemable convertible preference shares	252	252	–	252	–	–	–
Lease liabilities	188	237	–	63	113	11	50
Other	330	425	26	68	82	249	–
Term loans	1 541	1 823	–	460	1 208	155	–
Other payables[3]	17 628	17 685	1	16 568	1 116	–	–
Reinsurance contract liabilities	2 299	2 299	–	128	1 080	949	142
Other liabilities[4]	6 501						
Total liabilities	549 079	543 544	370 627	60 917	49 067	26 021	36 912

[1] Open-ended liabilities are defined as:
- policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand); or
- where policies do not have a specified contract term.

[2] Cash flows for derivative financial instruments have been disclosed on a net basis below.

[3] Other payables exclude premiums paid in advance and deferred revenue liabilities.

[4] Other liabilities are considered to be excluded from the scope of IFRS 9 and IFRS 7; therefore no cash flows are provided for those liabilities.

38 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Cash flows relating to policyholder liabilities under insurance and investment contracts (current in-force book) have been apportioned between future time periods in the following manner:

- In general, the earliest contractual maturity date is used for all liabilities.
- For investment contracts, the contractually required cash flows for policies that can be surrendered are the surrender values of such policies (after deduction of surrender penalties). It is assumed that surrender values are contractually available on demand and therefore these policies are disclosed as open-ended.
- For policies with no surrender value, the estimated contractual cash flow is disclosed.
- Contractual undiscounted cash flows are disclosed for investment contract liabilities designated at FVPL.
- Expected discounted cash flows, ie the estimated timing of repayment of the amounts recognised in the statement of financial position, are disclosed for insurance contract liabilities and investment contracts with DPF liabilities. The assumptions used to calculate the statement of financial position value of these liabilities are disclosed in note 11.
- For investment contracts with DPF liabilities, the discretionary component of the liability has been allocated in line with the underlying expected benefits payable to policyholders.

Financial liabilities at FVPL:

- Collective investment scheme liabilities represent demand liabilities of scheme interests not held by the Group arising as a result of consolidation.
- The cash flows relating to the subordinated call notes have been allocated to the earliest period in which they are callable by MML. They will be funded from cash resources at that time. The shareholder funds include sufficient cash resources to fund the coupon payments under these call notes.
- Carry positions have a one-month rolling period and the funding thereof forms part of the general portfolio management.

Financial liabilities carried at amortised cost:

- The cumulative redeemable preference shares are redeemable at the option of the issuer on any dividend payment date. During the prior year 300 redeemable preference shares were redeemed and the remaining 700 redeemable preference shares have a redemption date of 30 June 2023 (after extending it under the same terms by 36 months in the prior year). It is expected that the preference shares will only be redeemed on the ultimate redemption date.

  On 29 January 2020, MMSI issued 1 000 Class B cumulative redeemable preference shares at R1 million per share to FirstRand Bank Ltd with a redemption date of 28 January 2025. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to redeem the preference shares on any dividend payment date. Additionally, on 28 April 2020, MMSI issued 300 cumulative redeemable preference shares at R1 million per share to Sanlam Alternative Income Fund with a redemption date of 28 April 2023. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to redeem the preference shares.
- Cumulative redeemable convertible preference shares: It is expected that the A3 preference shares will convert into ordinary shares and that there will therefore be no cash outflow on conversion; however, if the shares are not converted, an outflow at redemption value on the redemption date, 30 June 2022. The preference shares were not redeemed on 30 June 2022 and an extension was entered into in the current year for a further 5 months. The Group has a further obligation to pay preference share dividends. The cash flows for these dividends are those expected up to redemption date, even though the conversion of the preference shares is at the option of the preference shareholder.
- Included in other financial liabilities at amortised cost is a loan from FirstRand Bank Ltd of R234 million (2021: R247 million) with interest levied at 11% (2021: 11%). The interest is repaid monthly with the capital balance payable in December 2025.

  Also included is a loan from Standard Bank Ltd of R475 million (2021: R882 million) with interest levied at three-month average JIBAR plus 1.85% (2021: JIBAR plus 2.1%). The interest on the loan was capitalised against the loan balance until 1 November 2019. Thereafter the interest will be repaid quarterly with the capital balance also being amortised quarterly and the balance payable in November 2026.

  There is also a R163 million (2021: R178 million) loan from Standard Bank Ltd acquired in order to develop property held by a subsidiary, Momentum Metropolitan Umhlanga (Pty) Ltd. Interest on the loan is levied at JIBAR plus 1.9%.

  All loans are secured by underlying property.

Notes to the financial statements continued

38 **LIQUIDITY RISK** CONTINUED

Maturity profile of liabilities continued

Restated 2021[1] Rm	Carrying amount	Total	Open-ended	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)	142 488	142 488	29 689	23 127	34 452	22 813	32 406
Linked (market-related) business							
Individual	17 295	17 295	2 555	1 418	4 237	3 813	5 272
Employee benefits	(14)	(14)	–	(1)	(6)	(7)	–
Smoothed bonus business							
Individual	28 359	28 359	1 921	3 300	9 320	6 229	7 589
Employee benefits	(41)	(41)	(41)	–	–	–	–
Conventional with-profit business	9 895	9 895	6 371	363	308	152	2 701
Guaranteed endowments	3	3	–	3	–	–	–
Non-profit business							
Individual	11 283	11 283	2 585	1 966	1 188	611	4 933
Employee benefits	3 207	3 207	220	2 246	258	162	321
Annuity business	56 439	56 439	10 106	6 672	16 225	11 846	11 590
Cell captive and non-life business	16 062	16 062	5 972	7 160	2 922	7	–
Investment contracts with DPF (DCFs)	19 222	19 222	17 418	230	736	356	482
Linked (market-related) business							
Individual	1 023	1 023	13	125	378	222	285
Smoothed bonus business							
Individual	811	811	17	105	358	134	197
Employee benefits	15 694	15 694	15 694	–	–	–	–
Smoothed bonus – fully vesting							
Individual	898	898	898	–	–	–	–
Employee benefits	618	618	618	–	–	–	–
Non-profit business							
Employee benefits	148	148	148	–	–	–	–
Annuity business	30	30	30	–	–	–	–
Investment contracts (undiscounted cash flows)	292 500	293 030	281 061	2 412	5 307	1 066	3 184
Linked (market-related) business							
Individual	179 301	179 301	176 183	91	320	915	1 792
Employee benefits	85 371	85 371	83 661	19	89	151	1 451
Smoothed bonus business							
Individual	800	800	800	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 684	1 684	1 684	–	–	–	–
Guaranteed endowments	5 255	5 683	–	1 724	3 959	–	–
Annuity business	1 366	1 468	10	578	939	–	(59)
Cell captive and non-life business	18 723	18 723	18 723	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	454 210	454 740	328 168	25 769	40 495	24 235	36 072
Financial liabilities at FVPL	51 013	48 807	29 389	12 801	3 903	2 123	591
Collective investment scheme liabilities	29 372	29 372	29 372	–	–	–	–
Subordinated call notes	4 429	5 641	–	344	3 636	1 661	–
Carry positions	11 692	11 692	–	11 692	–	–	–
Derivative financial liabilities	3 983						
Preference shares	357	484	–	80	90	117	197
Other borrowings	1 180	1 618	17	685	177	345	394
Financial liabilities at amortised cost	4 164	4 944	–	477	4 087	325	55
Cumulative redeemable preference shares	2 022	2 239	–	1	2 237	–	1
Cumulative redeemable convertible preference shares	245	291	–	291	–	–	–
Lease liabilities	220	304	–	69	165	16	54
Other	320	456	–	67	126	262	–
Term loans	1 357	1 654	–	49	1 559	47	–
Other payables	15 239	15 239	33	14 726	480	–	–
Reinsurance contract liabilities	2 347	2 347	–	309	1 074	738	226
Other liabilities	6 058						
Total liabilities	533 031	526 077	357 590	54 082	50 039	27 421	36 944

[1] Refer to note 47 for more information on the restatements.

38 LIQUIDITY RISK CONTINUED

Maturity profile of derivative financial instruments

Contractual maturities are assessed to be essential for an understanding of all derivatives presented in the consolidated statement of financial position. The following table indicates the expiry of derivative financial assets and liabilities, based on net undiscounted cash flow projections. When the amount payable is not fixed, the amount disclosed is determined by reference to conditions existing at the reporting date.

Some of the Group's derivatives are subject to collateral requirements. Cash flows for those derivatives could occur earlier than the contractual maturity date.

2022	Carrying amount Rm	Total Rm	0 to 1 year Rm	1 to 5 years Rm	> 5 years Rm
Derivatives held for trading					
Equity derivatives	**139**	**(77)**	**(77)**	**–**	**–**
Interest rate derivatives	**(375)**	**(329)**	**(336)**	**199**	**(192)**
Bond derivatives	**(137)**	**(178)**	**(178)**	**–**	**–**
Credit derivatives	**(16)**	**(1)**	**6**	**(3)**	**(4)**
Currency derivatives	**(736)**	**(675)**	**45**	**(335)**	**(385)**
Total net undiscounted cash flow projections	**(1 125)**	**(1 260)**	**(540)**	**(139)**	**(581)**
Derivative financial instruments					
Assets	**1 914**				
Liabilities	**(3 039)**				
	(1 125)				
Restated 2021[1]					
Derivatives held for trading					
Equity derivatives	190	191	23	–	168
Interest rate derivatives	(912)	(754)	160	(2)	(912)
Bond derivatives	41	60	(60)	120	–
Credit derivatives	26	27	(11)	37	1
Currency derivatives	(577)	(352)	(51)	157	(458)
Total net undiscounted cash flow projections	(1 232)	(828)	61	312	(1 201)
Derivative financial instruments					
Assets	2 761				
Liabilities	(3 993)				
	(1 232)				

[1] Refer to note 47 for more information on the restatements.

39 MARKET RISK

Market risk is the risk of financial loss due to adverse movements in the market value of assets supporting liabilities relative to the value of those liabilities, or due to a decrease in the net asset value, as a consequence of changes in market conditions or as a result of the performance of investments held. This includes exposure to equities, interest rates, credit spreads, property, price inflation and currencies.

Financial instruments held by the Group are subject to the components of market risk as follows:

	Carrying amount				
	2022 Rm	Restated 2021[1] Rm	Market price risk	Interest rate risk	Currency risk
Assets					
Carried at FVPL					
Unit-linked investments	**184 886**	178 981	✓✓	✓	✓
Debt securities	**174 781**	157 347	✓	✓✓	✓
Equity securities	**96 646**	105 163	✓✓		✓
Carry positions	**1 124**	4 461	✓	✓✓	
Funds on deposit and other money market instruments	**30 160**	22 649	✓	✓✓	✓
Derivative financial assets	**1 914**	2 761	✓✓	✓✓	✓
Carried at amortised cost					
Unsettled trades	**1 896**	1 854			✓
Accounts receivable	**3 283**	2 803		✓	✓
Debt securities	**481**	512		✓✓	✓✓
Funds on deposit and other money market instruments	**263**	311		✓✓	✓✓
Loans	**2 816**	2 488		✓✓	✓
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**6 764**	5 572		✓	✓
Cash and cash equivalents	**28 720**	36 822		✓✓	✓
Other non-financial assets	**40 331**	33 230	N/A	N/A	N/A
Total assets	**574 065**	554 954			
Liabilities					
Carried at FVPL					
Investment contracts					
Designated at FVPL	**318 758**	292 499	✓✓	✓✓	✓
Collective investment scheme liabilities	**30 782**	29 372	✓✓	✓	✓
Subordinated call notes	**5 327**	4 429	✓	✓✓	
Carry positions	**7 723**	11 692	✓	✓✓	
Derivative financial liabilities	**3 039**	3 993	✓✓	✓✓	✓
Preference shares	**337**	357	✓	✓✓	
Other borrowings	**933**	1 170		✓	✓
Carried at amortised cost					
Term loans	**1 541**	1 357		✓✓	
Cumulative redeemable preference shares	**2 025**	2 022		✓✓	
Cumulative redeemable convertible preference shares	**252**	245		✓✓	
Lease liabilities	**188**	220		✓✓	✓
Other	**330**	320		✓	
Other payables (excluding premiums received in advance and deferred revenue liabilities)					
Payables arising from insurance contracts and investment contracts with DPF	**6 647**	6 874			✓
Payables arising from investment contracts	**3 093**	1 742			✓
Unsettled trades	**1 467**	1 414			✓
Commission creditors	**708**	714		✓	✓
Other	**5 713**	4 494		✓	✓
Insurance contract liabilities	**148 385**	142 488	*	*	*
Investment contracts with DPF liabilities	**3 031**	19 222	✓✓	✓✓	✓✓
Other non-financial liabilities	**8 800**	8 406	N/A	N/A	N/A
Total liabilities	**549 079**	533 030			

[1] Refer to note 47 for more information on the restatements.

✓✓ High exposure

✓ Medium/low exposure

* These liabilities are not financial instruments and the risks to which they are subject to are explained in note 37.

39 MARKET RISK CONTINUED

For discretionary participation business, market-related contracts or unit-linked contracts:

- the policyholder carries the majority of the market risk; while
- the Group carries the risk of investment guarantees provided and of a reduced income from fees where these are based on investment returns or the underlying fund value or where investment conditions affect its ability to recoup expenses incurred.

Furthermore, the Group is also exposed to reputational risk if actual investment performance is not in line with policyholder expectations.

For non-profit business (including annuities) and in respect of the net asset value, shareholders carry the market risk.

Market risk governance

Shareholder market risk is managed according to the Momentum Metropolitan Shareholder Market Risk Policy while the Client Investment Policy governs the management of policyholder market risk.

The Momentum Metropolitan CIC is also responsible for the Group's market risk management, with the Board Risk Capital and Compliance Committee providing oversight over market risks assumed on behalf of shareholders.

The Momentum Metropolitan Product Management Committee provides oversight over the management of policyholder market risk. Policyholder market risk is managed through various management-level governance committees established for this purpose. These committees monitor the performance of investment portfolios against client outcome requirements. This includes consideration of the appropriateness of the matching of assets and liabilities of the various policyholder portfolios where policyholder benefits are impacted by investment returns.

For contract holder liabilities, the financial instruments backing each major line of business are segregated to ensure that they are used exclusively to provide benefits for the relevant contract holders. The valuation of these financial instruments is subject to various market risks, particularly interest rate and price risk. Each portfolio consists of an asset mix deemed appropriate for the specific product. These risks and the Group's exposure to equity, interest rate, currency and property price risks are discussed and disclosed in this note.

Market risk management per product

Market-related/unit-linked business

Market-related or unit-linked contracts are those invested in portfolios where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. These may be investment contracts or insurance contracts and include universal life contracts which also provide cover on death or disability.

Policyholders carry the investment risk; however, the Group carries a risk of reduced income from fees where these are based on investment returns or the underlying fund value, or where investment conditions affect its ability to recoup expenses incurred. Furthermore, there is also reputational risk if actual investment performance is not in line with policyholder expectations. These risks are managed through the rigorous investment research process applied by the Group's investment managers.

Individual and group contracts with DPF

Assets are invested in line with specified mandates in equities, fixed-interest assets, property and cash, both globally and locally, according to the asset manager's best investment view. Separate investment portfolios are managed for each product.

The investment return earned on the underlying assets, after tax and charges, is distributed to policyholders in the form of bonuses in line with product design, reasonable policyholder expectations, affordability and management discretion. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the risk of volatile investment performance. Any returns not yet distributed are retained in a BSA for future distribution to policyholders.

A portion of smoothed bonus fund values are deemed vested and thereby constitutes a form of investment guarantee in certain circumstances. Similarly, on reversionary bonus business, an investment guarantee in the form of sum assured and declared reversionary bonuses is given.

39 MARKET RISK CONTINUED

Market risk management per product continued

Individual and group contracts with DPF continued

In the event of adverse investment performance, such as a sudden or sustained fall in the market value of assets backing smoothed bonus business, the BSA may be negative. In such an event, there are the following options:

- In valuing the liabilities it is assumed that lower bonuses will be declared in future.
- Lower bonuses are actually declared.
- For those contracts where a portion of bonuses declared is not vested, the Group has the right to remove previously declared non-vested bonuses in the event of a fall in the market value of assets. This will only be done if the BSA is negative and it is believed that markets will not recover in the short term.
- A market value adjuster may be applied in the event of voluntary withdrawal in cases where the withdrawal benefit exceeds the market value. For group contracts, an alternative option is to pay out the termination value over an extended term (usually 10 years). These measures are primarily to protect the remaining policyholders.
- Short-term derivative hedging or other partial derisking strategies can be used to protect the funding level against further deterioration due to poor investment performance.
- In very extreme circumstances, funds may be transferred from the shareholder portfolio into the BSA on a temporary or permanent basis.

Individual and group contracts with DPF and continuous guarantees

Certain portfolios provide a continuous guarantee on capital and declared bonuses. Bonuses are fully vesting and are declared monthly in advance.

No market value adjuster applies but for group contracts, allowance is made for the payment of benefits over a period of up to 12 months if large collective outflows may prejudice remaining investors. Derivative instruments are used to minimise downside market risk in these portfolios.

Individual contracts offering investment guarantees

The Group has books of universal life business that offer minimum maturity values, based on a specified rate of investment return. These guaranteed rates range from 0% to 4.5% p.a. for the bulk of business. This applies to smoothed bonus portfolios as well as certain market-linked portfolios (the latter mostly closed to new business). On some smoothed bonus portfolios, there is also a guarantee to policyholders that the average annual bonus rate, measured over the lifetime of the contract, will not be less than a contractual minimum (around 4.5% p.a.).

The Group also carries conventional business that offers minimum guarantees on maturity, surrender and death, with different forms of guarantees that apply in each event.

On some closed funds policyholders have the option to purchase a minimum guaranteed return of up to 5% p.a. The guarantee charge for these policies is set at a level that will cover the expected cost of guarantees, including the opportunity cost of additional capital held in respect of these guarantees. Only selected portfolios qualify for this guarantee and the guarantee also applies only to specific terms.

On inflation-linked annuities a minimum annual increase rate is generally applicable, for instance as a consequence of regulatory requirements whereby pension income cannot reduce in nominal terms. The minimum increase represents an inflation-related embedded financial guarantee.

Investment Guarantee risk management

The risk of being unable to meet investment guarantees is managed by holding a specific liability, as well as additional statutory capital, for minimum maturity values and other guaranteed benefits in accordance with actuarial guidance (APN 110). Stochastic modelling is used to quantify the reserves and capital required to finance possible shortfalls in respect of minimum maturity values and other guaranteed benefits. The stochastic model is calibrated to market data. The shareholders' exposure to fluctuations in this liability is mitigated by the use of hedging strategies, subject to available instruments and the overall risk profile of the business.

39 MARKET RISK CONTINUED

Market risk management per product continued

Non-profit annuity business

An annuity policy pays an income to the annuitant in return for a lump sum consideration paid on origination of the annuity policy. Income payments may be subject to a minimum period. The income may be fixed or increase at a fixed rate or in line with inflation.

This income is guaranteed and the value of the liability is, therefore, subject to interest rate risk, in addition to the risk of longer than anticipated life expectancy. In order to hedge against the interest rate risk, the Group invests in an actively managed portfolio of government and corporate bonds, promissory notes from banks, swaps and other interest rate derivatives which provide a high degree of matching to the interest risk profile of the liabilities. The mismatch risk is managed on a dedicated risk management system that includes daily monitoring of Board-approved limits. Index-linked annuities, which provide increases in line with inflation, are generally matched with index-linked bonds or bank-issued matching structures. Where cash flow matching is not possible, or not desirable from an overall risk profile perspective, interest rate risk is minimised by ensuring the values of assets and liabilities respond similarly to small changes in interest rates.

The impact of a 1% reduction in yields on the annuity portfolio will generate a mismatch loss of R24 million (2021[1]: R35 million) for MML.

The liability valuation calculation for MML annuities is based on the risk-free yield curve. The average rate that produces the same result is 12.5% (2021: 10.3%).

[1] Erroneously disclosed in the prior year. June 2021 has been restated accordingly.

Guaranteed endowments and structured products

The Group issues guaranteed endowment policies. The majority of these contracts are five-year single premium endowment policies providing guaranteed maturity values. In terms of these contracts, policyholders are not entitled to receive more than the guaranteed maturity value as assured at inception. The interest rate exposure on these policies is hedged through appropriate interest sensitive instruments.

A variation on guaranteed endowment policies is contracts where the capital guarantee is combined with a guaranteed return linked to the returns on local and offshore market indices. The risk associated with the guarantee on these contracts is managed through the purchase of appropriate assets including equity-linked notes issued by banks. In addition to these hedging strategies, a portion of the guaranteed endowment policies is reinsured with reinsurers in terms of the Group's reinsurance policies.

Other non-profit business

These policies mainly represent whole life and term assurance contracts that provide lump sum benefits on death and disability. In addition to mortality risk, morbidity risk, expense risk and persistency risk, there is also the risk that investment return experienced may be different to that assumed when the price of insurance business was determined. The market risk on these contracts is mitigated through appropriate interest rate instruments as well as contractual rights to review regular premium rates charged to clients.

Shareholder cash flows in respect of individual contracts with investment components

The expected future charges, expense outgo and risk benefit payments (including margins) on individual contracts with investment components are capitalised using long-term interest rates. The resultant discounted value is added to liabilities (an offset to liabilities when negative). The Group is therefore subject to interest rate risk as any changes in long-term interest rates will result in a change in the value of liabilities. This risk is mitigated through hedging as well as diversification against other interest rate risks.

39 MARKET RISK CONTINUED

39.1 Market risk management per risk factor

Equity risk

Equity risk is the risk of financial loss as a result of adverse movements in the market value of equities, implied volatility and/or income from equities.

Equities (listed and unlisted) are reflected at market values, which are susceptible to fluctuations. The risks from these fluctuations can be separated into systemic risk (affecting all equity instruments) and specific risk (affecting individual securities). In general, specific risk can be reduced through diversification, while systemic risk cannot.

The Group manages its listed equity risk by employing the following procedures:

- mandating specialist equity fund managers to invest in listed equities where there is an active market and where there is access to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce specific risk; and
- considering the risk-reward profile of holding equities and assuming appropriate risk in order to obtain higher expected returns on assets.

Unlisted equity investment risks are managed as follows:

- mandating asset managers and specialist alternative investment boutiques to invest in diversified pools of private equity partnerships and other unlisted equity investments;
- achieving diversification across sector, stage, vintage and geography;
- all investments are subject to prudential limits stipulated by the Momentum Metropolitan Private Equity Investments Committee, represented by specialist investment professionals and independent Momentum Metropolitan representatives; and
- mitigating the risk of potential subjective valuation due to the nature of unlisted investments by utilising the guideline developed by the South African Venture Capital and Private Equity Association (SAVCA) to provide a framework for valuation and disclosure in this regard. This framework is consistent with best practice exercised and recommended by the European Venture Capital and Private Equity Association.

Refer to the sensitivity analysis in note 39.5.

39.2 Interest rate risk

Interest rate risk is the risk that the value and/or future cash flows of financial instruments held will fluctuate relative to those of liabilities issued, as a result of changes in interest rates.

Exposure of financial instruments to interest rates

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed maturity investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates. The table overleaf provides a split of interest-bearing assets that are exposed to cash flow interest rate risk and those that are exposed to fair value interest rate risk. Debt securities with no interest rate risk exposure are securities where the valuation is driven by factors other than interest rates, such as capital structured notes where the valuation is derived from the underlying investments. Financial assets at amortised cost with short-term cash flows are considered not to have any interest rate risk since the effect of interest rate risk on these balances is not considered significant. In addition to the information disclosed below the Group holds investments in non-subsidiary unit-linked investments for which disclosures are not provided, as the Group does not manage these assets in a manner that considers risk from changes in interest rates.

39 MARKET RISK CONTINUED

39.2 Interest rate risk continued

Exposure of financial instruments to interest rates continued

Instrument class	Carrying amount Rm	Cash flow interest rate risk Rm	Fair value interest rate risk Rm	No interest rate risk Rm	Weighted average rate %
2022					
At FVPL					
Debt securities	**174 781**	**67 846**	**103 374**	**3 561**	**8.2**
Funds on deposit and other money market instruments	**30 160**	**20 016**	**10 132**	**12**	**5.9**
Derivative financial assets	**1 914**	**–**	**1 914**	**–**	**N/A**
Derivative financial liabilities	**(3 039)**	**–**	**(3 039)**	**–**	**N/A**
Carry positions	**1 124**	**–**	**–**	**1 124**	**–**
At amortised cost					
Debt securities	**481**	**25**	**–**	**456**	**12.4**
Funds on deposit and other money market instruments	**263**	**23**	**–**	**240**	**2.8**
Loans and receivables at amortised cost	**7 995**	**2 283**	**96**	**5 616**	**7.0**
Cash and cash equivalents	**28 720**	**25 139**	**–**	**3 581**	**4.3**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**6 764**	**–**	**–**	**6 764**	**–**
	249 161	**115 330**	**112 477**	**21 354**	
Restated					
2021[1]					
At FVPL					
Debt securities	157 346	58 742	92 703	5 901	7.0
Funds on deposit and other money market instruments	22 649	14 235	8 375	39	3.9
Derivative financial assets	2 761	612	2 149	–	N/A
Derivative financial liabilities	(3 993)	–	(3 993)	–	N/A
Carry positions	4 461	–	–	4 461	–
At amortised cost					
Debt securities	512	489	–	23	10.4
Funds on deposit and other money market instruments	311	–	–	311	2.2
Loans and receivables at amortised cost	7 145	1 897	–	5 248	6.3
Cash and cash equivalents	36 822	33 095	–	3 727	2.5
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	5 572	5	209	5 358	–
	233 586	109 075	99 443	25 068	

[1] Refer to note 47 for more information on the restatements.

Liability exposure to interest rates is reflected in note 12.

39.3 Currency risk

Currency risk is the risk that the rand value and/or future cash flows of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The majority of the Group's currency exposure results from the offshore assets held by policyholder portfolios. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to investment value fluctuations in terms of investment mandates, subject to limitations imposed by the South African Reserve Bank (SARB).

To the extent that offshore assets are held in respect of contracts where the contract holder benefits are a function of the returns on the underlying assets, currency risk is minimised.

Details of currency risk contained in investments in local collective investment schemes that are not subsidiaries have not been included in the table on the following page as the look-through principle was not applied.

39 **MARKET RISK** CONTINUED

39.3 **Currency risk** continued

Assets and liabilities denominated in Namibian dollar and Lesotho maloti currencies that are pegged to the South African rand on a 1:1 basis do not represent significant currency risk for the Group. The geographical area of Africa also includes Botswana, Ghana, Kenya, Uganda and Mozambique.

The following assets, denominated in foreign currencies, where the currency risk (including translation risk) resides with the Group, are included in the Group's statement of financial position at 30 June:

2022	Africa Rm	UK £ Rm	US $ Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
Closing exchange rate		*19.9009*	*16.3864*	*17.1352*			
Investment securities							
At FVPL							
Unit-linked investments	9	6 814	29 429	2 046	8	85	38 391
Equity securities	244	1 798	21 678	3 475	4 649	3 332	35 176
Debt securities	993	140	3 249	1 184	149	338	6 053
Funds on deposit and other money market instruments	190	1	197	–	–	–	388
Derivative financial assets	–	168	50	1	1	3	223
At amortised cost							
Debt securities	–	–	–	–	–	456	456
Funds on deposit and other money market instruments	126	–	–	–	–	–	126
Loans and accounts receivable	6	88	770	8	16	6	894
Cash and cash equivalents	325	460	4 330	573	61	751	6 500
Insurance and other receivables	–	–	275	–	–	59	334
	1 893	9 469	59 978	7 287	4 884	5 030	88 541
Restated							
2021[1]							
Closing exchange rate		*21.4519*	*17.3610*	*19.5045*			
Investment securities							
At FVPL							
Unit-linked investments	4	5 456	29 335	1 904	100	81	36 880
Equity securities	306	1 921	21 577	3 744	5 489	2 988	36 025
Debt securities	761	307	2 789	913	229	341	5 340
Funds on deposit and other money market instruments	345	1	6	–	–	–	352
Derivative financial assets	–	173	8	1	3	2	187
At amortised cost							
Debt securities	466	–	–	–	–	23	489
Funds on deposit and other money market instruments	116	–	–	–	–	–	116
Loans and accounts receivable	63	48	522	15	24	21	693
Cash and cash equivalents	413	322	3 929	764	49	115	5 592
Insurance and other receivables	1	–	109	–	–	48	158
	2 475	8 228	58 275	7 341	5 894	3 619	85 832

[1] Refer to note 47 for more information on the restatements.

The assets above generally back policyholder liabilities, reducing the currency risk exposure for shareholders.

African exchange rates representing material balances above are:

Closing exchange rate	Botswana	Ghana	Kenya	Nigeria
2022	**1.3183**	**2.0314**	**0.1390**	**0.0389**
2021	1.3088	2.4334	0.1322	0.0348

39 MARKET RISK CONTINUED

39.4 Property risk

Property risk is the risk that the value of investment properties, owner-occupied properties and properties under development, as well as participatory interest in property collective investment schemes, will fluctuate as a result of changes in rental income and interest rates.

Property investments are made on behalf of policyholders, shareholders and other investment clients and are reflected at market value. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

The Group's exposure to property holdings at 30 June is as follows:

	2022 Rm	Restated[1] 2021 Rm
Investment properties	**9 051**	8 938
Owner-occupied properties	**3 016**	3 033
Properties under development	**162**	163
CISs[2] (refer to note 43)	**4 412**	2 248
	16 641	14 382
Percentage of total assets	**2.9%**	3.1%

[1] Refer to note 47 for more information on restatements.

[2] These funds have a significant exposure to property investment.

Refer to note 5 for the concentration risk regarding types of properties relating to investment properties. Owner-occupied properties mainly comprise office buildings.

The Group is also exposed to tenant default and unlet space within the investment property portfolio. There were no material long outstanding debtors relating to tenants at 30 June 2022. The carrying amount of unlet and vacant investment property as at 30 June 2022 was R1 380 million (2021: R1 568 million).

39.5 Sensitivity to market risk

The Group's earnings and net asset value are exposed to market risks. The Group has identified that changes in equity prices and interest rates are the market risk elements with the most significant effect on earnings and equity. The table below provides the sensitivity to a change in equity prices by 10% and a change to long-term interest rates by 100 basis points:

	Equity prices		Interest rates	
	Increase by 10% Rm	Decrease by 10% Rm	Increase by 100 bps Rm	Decrease by 100 bps Rm
2022				
Increase/(decrease) in earnings and equity	**406**	**(404)**	**488**	**(300)**
2021				
Increase/(decrease) in earnings and equity	446	(445)	7	(66)

The impact of the projected cash flows as a result of the basis changes and the current shape and level of the yield curve affected the market risk exposure for the year.

Sensitivity ranges

- The upper and lower limits of the sensitivity ranges are management's best judgement of the range of probable changes within a 12-month period from the reporting date. Extreme or irregular events that occur sporadically, ie not on an annual basis, have been ignored as they are, by nature, not predictable in terms of timing.

Methods and assumptions used in preparing the sensitivity analysis

- The impacts were produced using 31 March 2022 policy and economic data, but adjusted for material differences in the Group's investment stabilisation reserve at balance sheet date.
- The liability valuation includes allowance for management actions relating to the review of premiums for whole life risk contracts in response to enduring interest rate risk in accordance with policy conditions and fair treatment of customers. Allowance for premium reviews amounting to R487 million in the interest rate decrease scenario (2021: R0 million) is included in the results presented.
- In line with the Group's current practice and accounting policy, the investment variances from insurance contracts were stabilised. As at 30 June 2022, the Group's investment stabilisation reserve had a balance of R179 million (2021: R187 million).
- The change in equity prices was assumed to be a permanent change.
- Future dividend yields were assumed to remain unchanged.
- No change was assumed in expected future returns and discount rates used in valuing liabilities as a result of changes in equity prices.
- The expected future real rates of return were assumed to remain unchanged.
- Future inflation rates were assumed to change in line with interest rates.
- Sensitivities on expected taxation have not been provided.

39 MARKET RISK CONTINUED

39.5 Sensitivity to market risk continued

Mitigation

Hedging strategies using derivatives and other structures are implemented to reduce equity and interest rate risk on shareholder exposures in accordance with risk appetite requirements. These structures and other ways of reducing this risk are assessed, investigated and implemented on an ongoing basis by management with consideration of the market conditions at any given time.

The impact of the change in interest rates is addressed by ensuring that contract holder liabilities and assets are matched within approved risk limits and tolerances and continuously monitored to ensure that no significant mismatching losses will arise due to a shift in the yield curve or a change in the shape of the yield curve.

Currency sensitivity

The impact of changes in currency on earnings and equity for the Group is not considered to be material. Refer to note 39.3 for more details on the Group's currency exposure.

40 CREDIT RISK

This is the risk of losses arising from the potential that a counterparty will fail to meet its obligations in accordance with agreed terms. It arises from investment and non-investment activities, such as reinsurance credit risk, amounts due from intermediaries and policy loans.

Credit risk could also arise from the decrease in value of an asset because of a deterioration of creditworthiness (which may give rise to the downgrading of counterparties). Credit risk arises from investments in debt securities, funds on deposit and other money market instruments, unit-linked investments, derivative financial instruments, reinsurance debtors, loans to policy holders and other loans and receivables in the shareholder and guaranteed portfolios as well as linked portfolios.

Where instruments are held to back investment-linked contract liabilities, the policyholder carries the credit risk. Where instruments are held in cell captive arrangements, where the cell owner takes the risk, the credit risk is also transferred.

Credit risk governance

The governance of credit risk is comprehensively set out in the CIC charter. The primary responsibility of the CIC is to oversee, and ensure proper corporate governance over and management of market risk, which includes credit risk, across the Group in respect of shareholders. The CIC charter forms part of the overall ERM framework. The overall responsibility for the effectiveness of credit risk management processes vests with the Board of directors. The operational responsibility has been delegated to the CIC, executive management and the credit risk management function. The product management committees are responsible for setting the credit risk sections of mandates for linked policyholder portfolios and for monitoring the performance.

The CIC is a subcommittee of the Group Executive Committee. This committee reports to the Group's Executive Committee on the effectiveness of credit risk management and provides an overview of the Group's shareholder credit portfolio. The CIC and its subcommittees are responsible for the approval of relevant credit policies and the ongoing review of the Group credit exposure. This includes the monitoring of the following:

- Quality of the credit portfolio
- Stress quantification
- Credit defaults against expected losses
- Credit concentration risk
- Appropriateness of loss provisions and reserves.

Independent oversight is also provided by the Board Risk, Capital and Compliance Committee.

Managing credit risk

Management recognises and accepts that losses may occur through the inability of corporate debt issuers to service their debt obligations. In order to limit this risk, the executive Balance Sheet Management (BSM) has formulated guidelines regarding the investment in corporate debt instruments, including a framework of limits based on the Group's credit risk appetite.

The approval framework for new credits consists of two committees, namely an Executive Credit Committee and the BSM Credit Committee. The BSM Credit Committee consists of senior credit executives and independent senior management executives. The Executive Credit Committee consists of Group Executive Committee members and senior management executives. The Executive Credit Committee approves credits in excess of the mandate and limits of the BSM Credit Committee.

40 CREDIT RISK CONTINUED

Managing credit risk continued

The following are taken into account in the approval process:

- The underlying nature of the instrument and credit strength of the counterparty.
- The credit rating of the issuer, either internally generated or external from Moody's, S&P or Global Credit Ratings (GCR).
- Current exposure and portfolio diversification effects.

To achieve the above, an internal credit risk function performs ongoing risk management of the credit portfolio which includes:

- The use of stochastic portfolio credit risk modelling in order to gauge the level of portfolio credit risk, consider levels of capital and identify sources of concentration risk and the implications thereof.
- Preparing credit applications and performing annual reviews.

Regular risk management reporting to the CIC includes credit risk exposure reporting, which contains relevant data on the counterparty, credit limits and ratings (internal and external). Counterparty exposures in excess of set credit limits are monitored and corrective action is taken where required.

Credit mitigation instruments are used where appropriate. These include collateral, netting agreements and guarantees or credit derivatives.

Concentration risk

Concentration risk is managed at the credit portfolio level. The nature thereof differs according to segment. Concentration risk management in the credit portfolio is based on individual name limits and exposures (which are reported to and approved by the CIC) and the monitoring of industry concentrations. A sophisticated simulation portfolio model has been implemented to quantify concentration risk and its potential impact on the credit portfolio.

Unit-linked investments

The Group is exposed to credit risk generated by debt instruments which are invested by collective investment schemes and other unit-linked investments in which the Group invests. The Group's exposure to these funds is classified at fund level (refer to note 43 for unit-linked categories) and not at the underlying asset level. This includes the investments in associated collective investment schemes. Although the funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of investment grade assets. Further credit risk reduction measures are obligatory for South African collective investment schemes as required by control clauses within the Collective Investment Scheme Control Act, 45 of 2002.

Derivative contracts

The Group enters into derivative contracts with A-rated local banks on terms set out by the industry standard International Swaps and Derivatives Agreements (ISDA). In terms of these ISDA agreements, derivative assets and liabilities can be set off with the same counterparty, resulting in only the net exposure being included in the overall group counterparty exposure analysis.

For OTC equity index options, the credit risk is managed through the creditworthiness of the counterparty in terms of the Group's credit risk exposure policy. For OTC interest rate swaps, the Group enters into margining arrangements with counterparties, which limit the exposure to each counterparty to a level commensurate with the counterparty's credit rating and the value-at-risk in the portfolio. For exchange-traded options, credit risk is largely mitigated through the formal trading mechanism of the derivative exchange.

40 CREDIT RISK CONTINUED

Scrip lending

The Group is authorised to conduct lending activities as a lender in respect of local listed equity securities and listed government stocks to appropriately accredited institutions. In general, the lender retains the full economic risks and rewards of securities lent.

Scrip lending agreements are governed by Global Master Securities Lending Agreement (GMSLA). The main risk in scrip lending activities is the risk of default by the borrower of securities, ie the borrower fails to return the borrowed securities. Borrower default risk is mitigated by either requiring borrowers to post adequate levels of high-quality collateral and/or by the use of indemnity guarantees from the borrowers.

Where collateral is received, the Group monitors collateral levels on a daily basis and the status of collateral coverage is reported to the executive BSM on a quarterly basis. This collateral serves as security for the scrip lending arrangements in the event of default by the borrowers. Where the borrower default risk is mitigated by means other than collateral, the Group monitors the counterparty credit exposure to be within approved limits and the Group ensures that the credit risk capital is held against counterparty credit exposure.

Financial assets at amortised cost

Due from agents, brokers and intermediaries

Commission debtors arise when upfront commission paid on recurring premium policies is clawed back on a sliding scale within the first two years of origination. As the largest portion of the Group's new business premiums arises from brokerages that are subsidiaries of A-rated South African banks, the risk of default is low, and relates mainly to independent intermediaries.

Refer to note 7.6 for impairment details.

Policy loans

The Group's policy is to lapse a policy automatically where the policy loan debt exceeds the surrender value of the policy. There is therefore little risk that policy loan debt will remain irrecoverable. Consequently, the policy is considered to be collateral for the debt. The fair value of the collateral is considered to be the value of the policy.

Policy loans are secured by policies issued by the Group. In terms of the regulations applicable to the Group, the value of policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which the Group owns.

Reinsurance

The Group only enters into reinsurance treaties with reinsurers registered with the PA. The credit rating of the Company is assessed when placing the business and when there is a change in the status of the reinsurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the contract holder.

The reinsurers contracted represent subsidiaries of large international reinsurance companies, and no material instances of default have yet been encountered.

Regular monthly reconciliations are performed regarding claims against reinsurers, and the payment of premiums to reinsurers.

Financial Assets credit risk exposure

For the Group's maximum exposure to credit risk refer to note 7.6.

40 CREDIT RISK CONTINUED

Financial liabilities designated at FVPL

The current fair value movements, on financial liabilities that would have otherwise been classified as at amortised cost or FVOCI under IFRS 9, but which have been designated at FVPL, include R26 million (2021: R90 million) loss attributable to change in own credit risk.

In April 2022, Moody's updated their credit opinion for MML's and Guardrisk Group. In the Moody's credit opinion MML's IFS ratings remained at Ba1 on an international scale and the national scale rating remained at Aaa.za. The Guardrisk's IFS ratings remained at Ba2 on an international scale and the national scale rating of Aaa.za. Moody's changed their credit outlook from negative outlook to stable outlook. The changes in the credit ratings outlook follows the change in the credit outlook for the sovereign credit rating outlook from negative to stable in April 2022.

Security and credit enhancements

In terms of the credit risk associated with the instruments above, the following collateral is held in order to mitigate the credit risk:

Debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments

For debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments, the credit risk is managed through the Group's credit risk exposure policy described in this note.

Linked notes

The Group has put options with Rand Merchant Bank (RMB) against the linked notes listed and issued by RMB for the guaranteed capital amounts invested which are exercisable when the market value of the underlying instruments supporting the notes decreases below the guaranteed amounts. The carrying amount of these investments included in other debt securities at FVPL was R503 million at 30 June 2022 (2021: R535 million).

Transfers of financial assets

The Group is involved in the transfer of financial assets through scrip lending and sale and repurchase of assets agreements. Refer below for detail on scrip lending arrangements as well as related security and credit enhancements. Also refer to the accounting policies for more detail on the nature of the arrangements.

The carrying value of scrip on loan in the current year was R1 051 million (2021: R2 254 million) and consisted of local listed equity securities. There is collateral of R1 239 million (2021: R2 609 million) on the scrip lent.

Financial assets at amortised cost

The receivables arising from investment contracts are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

Policy loans of R1 004 million (2021: R1 057 million) are limited to and secured by the underlying value of the unpaid policy benefits. For further details refer to note 7.6. The underlying value of the policy benefits exceeds the policy loan value.

Other receivables

Amounts receivable in terms of long-term insurance contracts and investment contracts with DPF are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

41 FINANCIAL RISK INHERENT IN CONSOLIDATED COLLECTIVE INVESTMENT SCHEMES AND OTHER INVESTMENT PRODUCTS

The Group consolidates a number of collective investment schemes and other investment products. Refer to note 42 for information on the schemes consolidated.

As a result of exercising control over these schemes and other investment products, the Group's risk management framework is applicable to the risk management of these portfolios.

Because of the specific nature of this type of business, the risk management principles may be applied differently to managing the risks relevant to them. This section describes how the financial risk management of the schemes differs from the overall financial risk management.

The management company has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolio risk appetites over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the chief risk officer of the management company.

When considering any new investment for a portfolio, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio level. The portfolio's mandate is also assessed.

A portfolio's market risk appetite is measured as a function of current market conditions and its investment objective and mandate in conjunction with its relevant benchmark.

Credit and liquidity risk are mitigated through diversification of issuers in line with credit policy. All amounts disclosed include amounts attributable to the consolidated collective investment portfolios.

The collective investment schemes and other investment products not consolidated are included in note 43 as Collective investment schemes and Investments in associates. These are designated at FVPL.

42 SIGNIFICANT SUBSIDIARY COMPANIES

42.1 Interest in significant subsidiary companies

42.1.1 Significant companies

		Interest held		Cost		Loans to subsidiaries[1]	
Companies	**Country of incorporation, where not South Africa**	**2022 %**	**2021 %**	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Momentum Metropolitan Life Ltd		**100**	100	**17 741**	17 741		
Subsidiary companies							
Momentum Finance Company (Pty) Ltd		**100**	100				
Momentum Ability Ltd		**100**	100				
Momentum Asset Management (Pty) Ltd		**100**	100				
Momentum Global Investment Management Ltd	UK	**100**	100				
Momentum Wealth (Pty) Ltd		**100**	100				
Momentum Wealth International Ltd	Guernsey	**100**	100				
Subsidiary company							
Momentum International Insurance PCC Ltd	Guernsey	**100**	100				
102 Rivonia Road (Pty) Ltd		**80**	80				
Momentum Multiply (Pty) Ltd		**100**	100				
Metropolitan International Holdings (Pty) Ltd		**100**	100	**2 358**	2 358		–
Subsidiary companies							
Momentum Metropolitan Namibia Ltd	Namibia	**99.2**	99.2				
Metropolitan Cannon Life Assurance Ltd	Kenya	**96**	96				
Metropolitan Cannon General Insurance Ltd	Kenya	**96**	96				
Metropolitan Life Insurance Ghana Ltd	Ghana	**100**	100				
Metropolitan International Support (Pty) Ltd		**100**	100				
Momentum Mozambique LDA	Mozambique	**66.7**	66.7				
Momentum Metropolitan Finance Company (Pty) Ltd		**100**	100	**600**	600	**3**	3
Metropolitan Life International Ltd		**–**	100	**–**	–		
Subtotal				**20 699**	20 699	**3**	3

[1] These loans have been provided as a long-term source of additional capital for the subsidiary.

42 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

42.1 Interest in significant subsidiary companies continued

42.1.1 Significant companies continued

Companies continued	Country of incorporation, where not South Africa	Interest held 2022 %	Interest held 2021 %	Cost 2022 Rm	Cost 2021 Rm	Loans to subsidiaries[1] 2022 Rm	Loans to subsidiaries[1] 2021 Rm
Subtotal carried forward				**20 699**	20 699	**3**	3
Metropolitan Life of Botswana Ltd	Botswana	**100**	100	**73**	73		
Metropolitan Lesotho Ltd	Lesotho	**100**	100	**120**	120		
MET Collective Investments (RF) (Pty) Ltd		**100**	100	**34**	34		
Eris Property Group (Pty) Ltd		**76.9**	76.9	**407**	407		
Momentum Metropolitan Infrastructure and Operations (Pty) Ltd		**100**	100	**352**	352		
Momentum Trust Ltd		**100**	100	**76**	76		
Momentum Metropolitan Strategic Investments (Pty) Ltd		**100**	100	**6 446**	6 138		
Subsidiary companies							
Momentum Health Solutions (Pty) Ltd		**73**	100				
Metropolitan Health Corporate (Pty) Ltd		**70.5**	51				
Momentum Consult (Pty) Ltd		**100**	100				
Momentum Insurance Company Ltd		**100**	100				
MMI Short Term Insurance Administration (Pty) Ltd		**100**	100				
Momentum Securities (Pty) Ltd		**100**	100				
Momentum Outcome-Based Solutions (Pty) Ltd		**100**	100				
Guardrisk Group (Pty) Ltd		**100**	100				
Subsidiary companies							
Guardrisk Life Ltd							
Guardrisk Insurance Company Ltd							
Guardrisk International Ltd PCC							
Momentum Metropolitan Holdings (UK) Ltd	UK	**100**	100				
Subsidiary companies							
Anthemis Exponential Ventures LLP	UK	**100**	100				
Euroguard Insurance Company PCC Ltd	Gibraltar	**100**	100				
Equity-settled shared-based payments Investment[2]				**63**	–		
Less: impairments (refer to note 42.1.2)				**(614)**	(669)		
Total interest in subsidiary companies				**27 656**	27 230	**3**	3

1 These loans have been provided as a long-term source of additional capital for the subsidiary.

2 The investment in subsidiaries is as a result of the iSabelo share-based transaction, for which the Company has the responsibility to settle the liability raised in the respective subsidiaries with its own shares. Please refer to Note 17.6 for the Share-based payment disclosures.

42.1.2 Subsidiary cumulative impairments

	2022 Rm	2021 Rm
Metropolitan International Holdings (Pty) Ltd	**25**	25
Momentum Metropolitan Finance Company (Pty) Ltd	**395**	437
MET Collective Investments (RF) (Pty) Ltd	**27**	27
Momentum Metropolitan Infrastructure and Operations (Pty) Ltd	**91**	105
Momentum Trust Ltd	**76**	75
	614	669

42.1.3 Other loans to/(from) significant subsidiaries

	2022 Rm	2021 Rm
Momentum Metropolitan Strategic Investments (Pty) Ltd	**–**	311
Metropolitan Capital (Pty) Ltd	**252**	228
	252	539
Less: impairments	**(2)**	(114)
Loans to subsidiary companies	**250**	425
Momentum Metropolitan Life Ltd	**(699)**	(982)
Loans from subsidiary companies	**(699)**	(982)

42 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

42.2 Interest in CIS subsidiaries

42.2.1 Significant CIS subsidiaries

At 30 June, the following CISs were significant subsidiaries of the Group:

	Interest held		Carrying amount	
	2022 %	**2021 %**	**2022 Rm**	**2021 Rm**
Momentum GF Global Equity Fund	**92.6**	92.6	**20 314**	21 517
Momentum Bond Fund	**96.7**	95.7	**8 451**	6 644
Momentum Money Market Fund	**54.8**	56.7	**7 777**	6 911
Momentum SA Flexible Fixed Interest Fund	**93.1**	92.3	**7 129**	5 954
Momentum GF Global Enhanced Index Fund	**97.3**	98.4	**6 585**	6 402
Momentum Income Plus Fund	**50.0**	47.8	**5 305**	5 291
Momentum Enhanced Yield Fund	**58.4**	52.5	**4 714**	3 806
Momentum Focus 6 Fund of Funds	**86.6**	86.7	**4 624**	4 733
Momentum MoM Ultra Long-Term Value Fund	**90.8**	90.0	**3 494**	3 176
Momentum GF Global Emerging Markets Equity Fund	**100.0**	***	**3 251**	***
Momentum Global Growth Fund IC Ltd	**94.5**	96.1	**2 961**	3 237
Momentum MoM High Growth Fund	**100.0**	99.6	**2 658**	2 660
Momentum MoM Opportunistic Equity Fund	**100.0**	100.0	**2 542**	2 668
Momentum MoM Macro Value Fund	**100.0**	100.0	**2 416**	2 499
Momentum Core Equity Fund	**78.6**	81.7	**2 399**	2 213
Momentum Capped SWIX Index Fund	**92.5**	99.8	**2 365**	2 145
Momentum Trending Equity Fund	**99.5**	99.5	**2 088**	2 745
Momentum Focus 7 Fund of Funds	**82.4**	80.9	**1 760**	1 570
Momentum Global Managed Fund IC Ltd	**89.8**	90.9	**1 599**	1 757
Momentum Diversified Income Fund	**64.9**	69.5	**1 415**	1 610
Momentum MoM Emerging Manager Growth Fund	**100.0**	99.5	**1 214**	1 365
Momentum Equity Fund	**34.2**	35.7	**1 181**	1 256
Momentum Value Equity Fund	**99.0**	99.3	**1 117**	1 708
Momentum Focus 5 Fund of Funds	**77.2**	74.8	**1 047**	900
Momentum GF Global Fixed Income Fund	**99.9**	***	**991**	***
Momentum Macro Growth Fund	**100.0**	100.0	**910**	874
Momentum MoM Property Equity Fund	**92.2**	92.4	**872**	892
Momentum RCIS Multi Managed ZAR Capi Alpha QI Hedge Fund	**100.0**	100.0	**758**	753
Momentum Rubix QI	**100.0**	99.1	**731**	736
Momentum Real Growth Property Fund	**86.4**	82.9	**701**	773
Momentum RCIS Multi-Managed ZAR Equity Hedge QI Hedge Fund	**99.4**	99.5	**664**	577
Momentum MoM Managed Bond Fund	**100.0**	***	**575**	***
Momentum SA Real Growth Property Fund	**100.0**	99.9	**522**	577
Momentum Inflation Linked Bond Portfolio	**	91.7	**	721
Momentum IF Global Fixed Income Fund	*	100.0	*	1 192
Momentum IF Global Emerging Markets Fund	*	98.6	*	3 655
Total			**105 107**	103 517

* The funds are no longer subsidiaries due to the liquidation of these funds.

** The fund is no longer a significant subsidiary.

*** The funds is new subsidiaries within the Group.

42.2.2 Domicile

Fund name	Domicile
Momentum GF Global Equity Fund	Luxembourg
Momentum GF Global Enhanced Index Fund	Luxembourg
Momentum GF Global Emerging Markets Equity Fund	Luxembourg
Momentum Global Growth Fund IC Ltd	Guernsey
Momentum Global Managed Fund IC Ltd	Guernsey
Momentum IF Global Fixed Income Fund	Luxembourg

43 UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The Group considers certain CISs and other unit-linked investments to be structured entities. This note provides information on significant unconsolidated structured entities in which the Group holds an interest.

43.1 CISs and other unit-linked investments

Unit-linked investments comprise local and foreign CISs as well as other unit-linked investments. CISs are categorised into property, equity, money market, mixed assets and interest-bearing instruments based on the Association for Savings and Investment South Africa (ASISA) classification of the South Africa regulated CIS portfolios.

The category of unit-linked investments with no ASISA classification has been assessed based on the mandate and objective of the fund, with reference to the ASISA classification guidelines. Where the Group is the contract holder of investment contracts at another institution, but does not have title to the underlying investment assets, it has been allocated to the class of underlying asset composition/exposure that exceeds 80%. If no single asset composition exceeds 80%, it has been allocated to the mixed asset class.

Unlisted and unquoted unit-linked instruments are mainly exposed to equity, comprising investments in hedge funds and private equity funds, or interest-bearing instruments, comprising mezzanine funding and structured guaranteed income products. It includes investments where the exposure is subject to the underlying investments, comprising investments in pooled funds as well as investments backing policies where the Group is the policyholder of an investment contract issued by other insurance companies.

	2022 Rm	Restated 2021[1] Rm	Restated difference 2021[2] Rm
CISs			
Local and foreign	**170 543**	164 191	(549)
Equity[3]	**54 787**	53 716	(51 736)
Interest-bearing[3, 4, 5]	**4 513**	5 053	(20 629)
Property[3]	**4 412**	2 248	(3 016)
Mixed[3, 6]	**104 247**	100 362	74 866
Money market[7]	**2 268**	2 474	(327)
Commodity[3]	**316**	338	293
Other unit-linked investments			
Local and foreign	**14 301**	14 791	997
Equity[4, 5, 6]	**5 743**	5 973	(3 225)
Interest-bearing[3, 7]	**919**	1 127	(1 092)
Property	**722**	303	303
Mixed	**6 109**	6 558	4 393
Money market	**639**	617	617
Commodity	**169**	213	1
At FVPL: unit-linked investments	**184 844**	178 982	448

1 The methodology to determine classification was revised in the current year to ensure that the classifications are representative of the true nature and extent of the risks arising from these financial instruments. The previous methodology, applied in the prior year, determined classification based on the class of underlying asset composition/exposure exceeding 55%. June 2021 has been restated accordingly.

2 Relates to the difference between the 2021 reported values and the 2021 restated values.

3 Refer to note 47 for more information on the restatements other than footnotes 3, 4, 5, 6 and 7.

4 Upon further interrogation it was concluded that interest-bearing CIS of R108 million should have been included in equity other unit-linked investments. June 2021 has been restated accordingly.

5 Upon further interrogation it was concluded that interest-bearing CIS of R932 million should have bee included in equity other unit-linked investments. June 2021 has been restated accordingly.

6 Upon further interrogation it was concluded that equity other unit-linked investments of R33 million should have been included in mixed CIS. June 2021 has been restated accordingly.

7 Upon further interrogation it was concluded that interest-bearing other unit-linked investments of R17 million should have been included in money market CIS. June 2021 has been restated accordingly.

43 UNCONSOLIDATED STRUCTURED ENTITIES CONTINUED

43.2 Investments in associates at FVPL

The Group holds a significant investment in the following associates at FVPL:

	Carrying amount Rm	% interest held	Nature of relationship	Principal place of business
2022				
Mometum Africa Real Estate Fund	**480**	**32.2%**	**Standard investment**	**London**
2021				
Momentum Harmony Portfolios Sterling Growth Fund	352	18.5%	Standard investment	Luxembourg
Momentum Africa Real Estate Fund	302	30.2%	Standard investment	London
Momentum Harmony Portfolios Asian Growth Fund	106	12.3%	Standard investment	Luxembourg

Summarised financial information relating to the associates above:

	Momentum Harmony Portfolios Asian Growth Fund[1] Rm	Momentum Harmony Portfolios Sterling Growth Fund[2] Rm	Momentum Africa Real Estate Fund Rm
2022			
Current assets	–	–	**1 260**
Non-current assets	–	–	**240**
Current liabilities	–	–	**7**
Non-current liabilities	–	–	**1 493**
Revenue	–	–	**32**
Profit	–	–	**8**
2021			
Current assets	34	194	313
Non-current assets	835	1 729	216
Current liabilities	3	16	16
Non-current liabilities	866	1 907	513
Revenue	212	387	12
Profit/(loss)	197	351	(24)

[1] This associate was not considered to be significant in the current year.

[2] This associate forms part of CIS subsidiaries in the current year.

43.3 Other unconsolidated structured entities

The table below provides information on significant other unconsolidated structured entities in which the Group holds an interest.

Name of entity	Investment type	Nature and purpose of business	How is the entity financed?	Carrying amount[1] 2022 Rm	Carrying amount[1] 2021 Rm	Income received[2] 2022 Rm	Income received[2] 2021 Rm
The Thekwini Fund 16 (RF) Ltd	Floating rate note/ vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**469**	483	**22**	15
The Thekwini Fund 17 (RF) Ltd	Floating rate note/ vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**856**	*	**15**	*
				1 325	483	**37**	15

* This listed securitisation was not considered to be significant in the prior year.

[1] Included in securities at FVPL in the statement of financial position. The carrying amount represents the Group's maximum exposure.

[2] Consists of interest income and fair value gains/(losses).

The Group has not sponsored any significant unconsolidated structured entities in which it holds an interest.

44 VALUATION TECHNIQUES

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

The valuation of the Group's assets and liabilities has been classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Instruments classified as level 1 have been valued using published price quotations in an active market and include the following classes of financial assets and liabilities:

- Local and foreign listed equity securities
- Stock and loans to government and other public bodies, excluding stock and loans to other public bodies listed on the JSE interest rate market
- Local and foreign listed and unlisted quoted CISs (this also refers to the related CIS liabilities)
- Derivative financial instruments, excluding OTC derivatives.

Critical accounting estimates and judgements

For venture capital fund investments that are classified as unit-linked investments, the Group applies the International Private Equity and Venture Capital (IPEV) valuation guidelines, which have been prepared with the goal that the derived fair value measurements are compliant with IFRS. The IPEV guidelines allow for adjustments post the valuation date for uncertainty related to time elapsing between the measurement dates of the fund manager and the investor, changes in market dynamics or other economic conditions, and facts or circumstances that may impact the valuation of start-up businesses. Management applies judgement if an adjustment is needed for any of these reasons.

44.1 Fair value classification on level 2 instruments

The following are the methods and assumptions for determining the fair value when a valuation technique is used in respect of instruments classified as level 2. Refer to note 7.7 for details of the instruments split into the different levels.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
– Listed, local and foreign	DCF, earnings multiple, published prices	Cost of capital, earnings multiple, consumer price index, budgets, cash flow forecasts
Stock and loans to other public bodies		
– Listed, local	Published yield of benchmark bond	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
	Published price quotation	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
– Listed, foreign	Published price quotation	Nominal bond curve, credit spread, currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread
Other debt securities		
– Listed, local	Published prices, DCF	Nominal bond curve, real bond curve, swap curve, consumer price index, credit spread
– Listed, foreign	Published prices, DCF	Nominal bond curve, credit spread and currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, currency rates
	DCF, Black-Scholes model	Yield curves, discount rates, volatilities
Funds on deposit and other money market instruments		
– Listed	DCF	Money market curve
	Published prices	Money market curve, credit spread
	Published yield of benchmark bond	Money market curve, credit spread
– Unlisted	DCF	Money market curve, nominal bond curve, swap curve, credit spread, inflation curve
Unit-linked investments	Adjusted NAV or NAV	Underlying asset and liability values
Derivative assets and liabilities	Black-Scholes model (European options), binomial tree (American/Bermudan options), DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, volatility, forward equity, currency rates

44 VALUATION TECHNIQUES CONTINUED

44.1 Fair value classification on level 2 instruments continued

Instrument	Valuation basis	Main assumptions
Subordinated call notes (Liability)	Published yield quotations	Nominal bond curve, real bond curve
Carry position assets and liabilities	DCF	Nominal bond curve, repo rates
Investment contracts designated at FVPL	Asset and liability matching method	Asset value

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

44.2 Fair value classification on level 3 instruments

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

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Securities at FVPL				
Equity securities				
Foreign listed	Published prices	Adjustments for low liquidity or inactivity	Liquidity discount: 0% to 30% (2021: 0% to 30%)	Adjustments would result in lower fair value
Unlisted	NAV	Underlying property valuations impacted by capitalisation rates, vacancy rates and potential capitalisation of project costs	Could vary significantly based on the value of the underlying properties[1]	The higher the capitalisation rate the lower the value of the property and the fair value. The higher the vacancy rate the lower the value of the property and the fair value[1]
	Adjusted NAV or NAV	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Debt securities				
Stock and loans to government and other public bodies				
Unlisted	DCF	Discount rate	8% to 13% (2021: 8.00% to 11.00%)	The higher the discount rate, the lower the fair value of the assets
Listed	Published prices	Adjustments for recoverability and credit risk determined by collection rates of performing and non-performing loans	Multiple unobservable inputs[1]	Adjustments would result in lower fair value
Other debt instruments				
Unlisted	DCF, Black-Scholes model	Discount rate, volatilities, yield curve	Multiple unobservable inputs[1]	Could vary significantly based on multiple inputs[1]
	DCF	Discount rate	6.41% to 17.92% (2021: 5% to 15.03%)	The higher the discount rate, the lower the fair value of the assets
	Last quoted price multiplied by number of units held	Price per unit	78c (2021: 78c)	The higher the price per unit, the higher the fair value

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

44 VALUATION TECHNIQUES CONTINUED

44.2 Fair value classification on level 3 instruments continued

Information about fair value measurements using significant unobservable inputs *(level 3) (continued)*

Financial assets (continued)	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Unit-linked investments				
CISs				
Foreign unlisted unquoted	Unit price of underlying assets/ liabilities multiplied by number of units held	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Other unit-linked investments				
Local unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Foreign unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Derivative financial assets	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Financial liabilities				
Other borrowings	DCF	Assets under management (AUM) growth rate	3.25% (2021: 2.75% to 3.25%)	The higher the rate, the higher the fair value
Preference shares	DCF	Discount rate	3% (2021: 12.22%)	The higher the discount rate, the lower the fair value of the liability

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

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

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION

45.1 Cash-settled arrangements

45.1.1 Valuation assumptions relating to outstanding MMH LTIP units at 30 June

	Units granted during the current year									
	Performance units							Deferred bonus units		
2022	21st tranche[1]	22nd tranche[1]	23rd tranche[1]	24th tranche[1]	25th tranche[1]	26th tranche[2]	27th tranche[2]	6th tranche[1]	9th tranche[1]	11th tranche[1]
Award date	01-Oct-19	01-Apr-20	06-Apr-20	01-Oct-20	01-Apr-21	01-Oct-21	01-Apr-22	01-Oct-19	01-Apr-20	01-Oct-20
Vesting date	01-Oct-22	01-Oct-22	06-Apr-23	01-Oct-23	01-Apr-24	01-Oct-24	01-Apr-25	01-Oct-22	01-Apr-23	01-Oct-22
Units granted (thousands)[3]	284	1	2	302	7	9 958	81	63	2	46
Valuation assumptions include:										
Outstanding tranche period in years	0.25	0.25	0.75	1.25	1.75	2.25	2.75	0.25	0.75	0.25
Take-up rate on units outstanding	98%	98%	95%	93%	90%	87%	84%	98%	95%	98%
Current vesting probability excluding attrition	41%	41%	41%	41%	41%	17%	17%	100%	100%	100%
Share price at year end	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26

	Units granted during the prior year									
	Retention units	Performance units							Deferred bonus units	
2021	19th tranche[1]	19th tranche[1]	20th tranche[1]	21st tranche[2]	22nd tranche[2]	23rd tranche[2]	24th tranche[2]	25th tranche[2]	3rd tranche[1]	5th tranche
Award date	01-Oct-18	09-Apr-18	01-Oct-18	01-Oct-19	01-Apr-20	06-Apr-20	01-Oct-20	01-Apr-21	01-Oct-18	01-Oct-19
Vesting date	01-Oct-21	31-Oct-21	01-Oct-21	01-Oct-22	01-Oct-22	06-Apr-23	01-Oct-23	01-Apr-24	01-Oct-21	01-Oct-21
Units granted (thousands)[3]	3	19	3	157	2	1	12 004	251	40	36
Valuation assumptions include:										
Outstanding tranche period in years	0.25	0.34	0.25	1.25	1.25	1.77	2.25	2.76	0.25	0.25
Take-up rate on units outstanding	94%	94%	94%	88%	88%	88%	82%	82%	94%	94%
Current vesting probability excluding attrition	100%	0%	0%	53%	53%	53%	49%	49%	100%	100%
Share price at year end	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50

1 This relates to dividend offers made during the year.

2 In terms of the MMH LTIP rules, the date at which the achievement of performance conditions is measured, is prior to the ultimate vesting date. After year 3 of the scheme, the measurement of performance and the vesting percentage in respect of all units is confirmed. Vesting and settlement then takes place one third on this date, one third a year thereafter, and one third two years thereafter.

3 This relates to units granted during the year, that are still outstanding at year end.

Vesting rate assumptions regarding performance units in the table above

As stated on page 103, the performance units in the MMH LTIP are subject to performance criteria.

The various active LTIP tranches are set out in the table above.

The October 2019 LTIP tranche's performance criteria are weighted 50% to business unit specific targets and 50% to Group level targets. The Group level targets have three components, of which two are linked to normalised headline earnings (NHE) growth over the vesting period, while the third is linked to MMH's Total Shareholder Returns (TSR) relative to its listed peers. Similarly, for business units, two of the three vesting conditions are based on cumulative NHE over the vesting period, while a third component is based on a business unit specific financial measure. The LTIP liability for the October 2019 LTIP tranche as at 30 June 2022 was calculated assuming 41% of units issued in 2019 (vesting in October 2022 with settlement dates in 2022, 2023 and 2024) will vest. This follows a recalibration of the performance criteria applicable to this tranche during F2020 in light of the adverse impact of Covid-19 and experience to date.

Units granted during the current year										
Deferred bonus units										
12th tranche[1]	14th tranche[1]	15th tranche[1]	17th tranche[1]	18th tranche[1]	19th tranche	20th tranche	21st tranche	22nd tranche	23rd tranche	24th tranche
01-Oct-20 01-Oct-23	01-Apr-21 01-Apr-23	01-Apr-21 01-Apr-24	01-May-21 01-May-23	01-May-21 01-May-24	30-Sep-21 30-Sep-22	30-Sep-21 30-Sep-23	30-Sep-21 30-Sep-24	01-Oct-21 01-Oct-22	01-Oct-21 01-Oct-23	01-Oct-21 01-Oct-24
46	0	0	1	1	9	9	9	1 799	1 799	1 799
1.25	0.75	1.75	0.83	1.83	0.25	1.25	2.25	0.25	1.25	2.25
93%	95%	90%	95%	89%	98%	93%	87%	98%	93%	87%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
R14.26	R14.26	R14.26	R14.26	R14.26	14.26	14.26	14.26	14.26	R14.26	R14.26

Units granted during the prior year											
Deferred bonus units											
6th tranche	8th tranche	9th tranche	10th tranche	11th tranche	12th tranche	13th tranche	14th tranche	15th tranche	16th tranche	17th tranche	18th tranche
01-Oct-19 01-Oct-22	01-Apr-20 01-Apr-22	01-Apr-20 01-Apr-23	01-Oct-20 01-Oct-21	01-Oct-20 01-Oct-22	01-Oct-20 01-Oct-23	01-Apr-21 01-Apr-22	01-Apr-21 01-Apr-23	01-Apr-21 01-Apr-24	01-May-21 01-May-22	01-May-21 01-May-23	01-May-21 01-May-24
36	1	1	1 897	1 897	1 897	13	13	13	27	27	27
1.25	0.75	1.75	0.25	1.25	2.25	0.75	1.75	2.76	0.84	1.84	2.84
88%	94%	88%	94%	88%	82%	94%	88%	82%	94%	88%	82%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50	R19.50

The October 2020 LTIP tranche's performance criteria are weighted 50% to business unit specific targets and 50% to Group level targets. The Group level targets have four components, of which two are linked to NHE growth over the vesting period, while the third is linked to Return on Equity (ROE) and the fourth is linked to MMH's TSR relative to its listed peers. Similarly, for business units, two of the four vesting conditions are based on cumulative NHE over the vesting period while the third component is liked to a business unit specific financial measure. Where applicable, business units have been given a ROE target for June 2023. The LTIP liability for the October 2020 LTIP tranche as at 30 June 2022 was calculated assuming 41% of units issued in October 2020 (vesting in 2023 with settlement dates in 2023, 2024 and 2025) will vest.

The latest LTIP tranche was issued in October 2021. Performance criteria are 100% weighted to the Group's TSR outperforming an equally weighted basket of listed peers (Discovery, Old Mutual and Sanlam). As at 30 June 2022 the LTIP liability for October 2021 was calculated assuming 17% of units issued in October 2021 (vesting in 2024 with settlement dates in 2024, 2025 and 2026) will vest.

Compared to the ROEV assumptions used in the MMH LTIP liability calculation, an additional two percentage point increase in the future ROEV is not expected to result in any change in the MMH LTIP cost for MMH LTIP tranches in force at 30 June 2022. This is because the ROEV performance impacting the 2018 MMH LTIP currently falls below the threshold for vesting and would need as much as a 19% improvement for the performance hurdle to be met. As a result, taking into account historic performance to date (30 June 2022), the MMH LTIP liability is relatively insensitive to modest improvements in ROEV.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.1 Cash-settled arrangements continued

45.1.2 Valuation assumptions relating to outstanding MSPS units at 30 June:

2022	Units granted during the current year		
	34th tranche	35th tranche	36th tranche
Award date	01-Nov-21	01-Nov-21	01-Nov-21
Vesting date	01-Nov-24	01-Nov-25	01-Nov-26
Units granted (thousands)[1]	186	186	186
Valuation assumptions include:			
Outstanding tranche period in years	2.34	3.34	4.34
Take-up rate on units outstanding	100%	100%	100%
Current vesting probability excluding attrition	95%	95%	95%

2021	Units granted during the prior year		
	31st tranche	32nd tranche	33rd tranche
Award date	01-Nov-20	01-Nov-20	01-Nov-20
Vesting date	01-Nov-23	01-Nov-24	01-Nov-25
Units granted (thousands)[1]	208	208	208
Valuation assumptions include:			
Outstanding tranche period in years	2.34	3.34	4.34
Take-up rate on units outstanding	100%	100%	100%
Current vesting probability excluding attrition	95%	95%	95%

[1] This relate to units granted during the year, that are still outstanding at year end.

45.1.3 Valuation assumptions relating to outstanding MMH SAR units at 30 June 2022

The SAR features three performance criteria measured over the vesting period. One third of the scheme will vest for each performance criterion that is met or exceeded.

Following the adverse impact of Covid-19, the Board Remuneration Committee agreed to extend the original vesting date and performance measurement period by 12 months, and to recalibrate the original vesting conditions during F2020. The scheme will now vest in October 2022 (as opposed to 2021) with settlement dates in 2022, 2023 and 2024. The approved performance criteria are:

- NHE in F2022 must meet or exceed R3 200 million.
- Average ROEV over the vesting period to exceed the 10-year SA Government Bond rate (the risk-free rate) plus 3%.
- TSR over the vesting period to exceed the TSR of an equal-weighted index of MMH's main listed peers.

For the ROEV performance condition, the Remuneration Committee will retain the right to choose the exact methodology to allow for the adverse impact of Covid-19. Given that TSR measures relative performance against listed peers, there was no change made to the performance criteria other than the 12-month extension to the measurement period.

The SAR award specifies a strike price, which will determine the value of vested SARs as at the vesting date. A vested SAR is worth the greater of zero and the amount by which the MMH share price exceeds the strike price.

The volatility used in the valuation of the SAR scheme was based on market rates and determined to be 30%. The risk free rate used within the valuations was 4.99%.

The SAR liability as at 30 June 2022 was calculated on an assumption that 59% of units issued in 2018 will vest.

Compared to the ROEV assumptions used in the SAR liability calculation, an additional increase in future ROEV of 2% would result in a higher vesting assumption of 66% and a resulting IFRS 2 cost of R1.1 million.

Tranches vested during the current or prior year

MMH LTIP: The 3rd, 5th, 10th and 19th tranches were settled in October 2021 at R19.47 per share totalling R138 million.
MMH LTIP: The 13th tranche was settled in April 2022 at R17.38 per share totalling R1.5 million.
MMH LTIP: The 16th tranche was settled in May 2022 at R17.12 per share totalling R0.5 million.
MMH LTIP: Ad-hoc payments totalling R6 million (2021: R5.5 million).

Share-based payment expense

The share-based payment expense relating to cash-settled schemes is R63 million (2021: R168 million) for the Group and is disclosed under employee benefit expenses in note 24.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.2 Equity-settled arrangements

45.2.1 Valuation assumptions relating to outstanding iSabelo units at 30 June 2022

The valuation model

The value of the share scheme is calculated using an option based model.

At the vesting date, the value of the units held, net of the debt attributable to those units, will be used to buy MMH shares for the holders of the vested units. Consequently, an individual unit holder in the scheme can be seen as holding a call option on MMH shares where the exercise price is the applicable value of the scheme debt per unit at the settlement date (ie the value of the preference shares).

All scheme debt will be settled at the end of year 10 of the scheme. Before this, the debt profile allows for the ranking of the different debt instruments by first servicing obligations to the most senior instruments, in this case the A preference shares, and then to the subordinated B preference shares.

The IFRS 2 charge for any specific issuance is then determined as the grant date fair valuation of the option adjusted for the expected proportion of units that will reach vesting (ie attrition). The recognition profile of the expenses follows a graded vesting pattern in line with IFRS 2 guidance.

In order to incorporate the impact of employees leaving over the scheme duration, an employee attrition rate of 14% (2021: 14%) was used.

Key inputs

For the valuation the following key parameters were used:

Key model parameters

2022			
Market based parameters	**Tranche 1**	**Tranche 2**	**Comment**
Share price	18.89	16.49	Share price as at issue date
Volatility	40.00%	40.00%	Based on market rates
Risk-free rate	10.87%	10.61%	10-year point on GOVI Zero NACS
Contractual parameters			
Dividend yield	4%	4%	Constant dividend yield assumed over the projection period
Funding charges	72% of prime	72% of prime	A preference shares
	120% of prime	120% of prime	B preference shares
Employee attrition	14.00%	14.00%	Based on historic experience

Key model parameters

2021		
Market based parameters	**Tranche 1**	**Comment**
Share price	18.89	Share price as at issue date
Volatility	30.20%	Based on market rates
Risk-free rate	11.40%	10-year point on GOVI Zero NACS
Contractual parameters		
Dividend yield	4%	Constant dividend yield assumed over the projection period
Funding charges	72% of prime	A preference shares
	120% of prime	B preference shares
Employee attrition	14.00%	Based on historic experience

The volatility used in the valuation was based on our best estimate of long-term option volatilities.

The valuation model used to determine the grant date fair value at June 2021 has been refined during F2022.

It was noted that the valuation model used at June 2021 was a simplified approximation of the grant date fair value. The model has been refined in the current year and as a result the 2021 grant date fair value for units awarded in June 2021 has been corrected from 89 cents to 64 cents. The correction of the 2021 grant date fair value has been recognised as a prospective change in the current year, as it did not give rise to a material difference in the prior year. As such, the Share-based payment expense related to equity settled arrangements (included within employee benefit expenses – refer to note 24), has been revised for June 2022 to counter the overstatement recognised in the June 2021 financial year. The revised expense recognised in the current year ensures that the appropriate closing balance is disclosed and recognised in line with the refined valuation model. Refer above for details of how the valuation model has been refined.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.2 Equity-settled arrangements continued

45.2.1 Valuation assumptions relating to outstanding iSabelo units at 30 June 2022 continued

The following refinements were incorporated:

- Refined the share price projection to reference the risk-free rate (i.e. a risk-neutral projection)
- Refined the dividend yield assumption to a constant rate of 4% over the projection period
- Semi-annual time steps to match the coupon payments of the debt instruments
- A z-spread roll-up basis was used to model future coupon obligations beyond the contractual terms of the debt instruments to more accurately allow for the upward sloping nature of the yield curve.
- Allowance for term-dependent discount rates over the projection period
- Updated the volatility assumption to our best estimate of long-term option volatilities based on the duration of the scheme

45.3 Directors' remuneration

The Group's executive directors are contracted as full-time, permanent employees, with the exception of the CEO who is currently on a fixed term contract. Notice periods range from one to three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant incentive scheme, subject to the discretion of the Remuneration Committee based on recommendations by the CEO.

Non-executive directors, including the Chairman and Independent Director, receive a fixed annual fee that is inclusive of all Board and committee attendance, as well as all other services performed on behalf of the Group. The Group pays for all travelling and accommodation expenses in respect of Board meetings.

	HP Meyer		JC Cilliers (Marais)		RS Ketola		Total	
R'000	2022	2021	2022	2021	2022	2021	2022	2021
Guaranteed remuneration								
Salary & allowances	7 121	7 613	4 882	4 243	4 670	3 932	16 673	15 788
Retirement fund contribution	–	–	263	231	257	223	520	454
Medical aid contribution	–	–	59	58	95	127	154	185
Short-term incentive payments	1 300	2 000	1 300	1 600	1 150	1 400	3 750	5 000
Long-term incentive payments	2 311	1 144	1 618	1 524	2 076	2 614	6 005	5 282
Executive directors	**10 732**	10 757	**8 122**	7 656	**8 248**	8 296	**27 102**	26 709
Value of shares granted	19 846	15 239	13 610	9 894	11 368	8 609	44 824	33 742
Value of total units outstanding at year end	16 857	28 256	15 665	20 712	9 898	17 040	42 420	66 008

	Total fees	
	2022 R'000	2021 R'000
PC Baloyi[1]	185	–
LM Chiume	1 661	1 580
P Cooper	2 280	1 199
F Daniels[2]	528	1 066
L de Beer	1 696	1 589
NJ Dunkley[3,4]	2 528	180
T Gobalsamy[3]	902	66
SC Jurisich	1 924	1 736
P Makosholo	944	871
SL McPherson	1 279	1 185
MS Moloko[2]	1 167	2 344
JJ Njeke[5]	–	869
V Nkonyeni	1 225	1 058
DJ Park	1 305	1 156
KC Shubane[5]	–	416
FJC Truter[2]	1 667	2 438
JC van Reenen[5]	–	389
Non-executive directors	**19 291**	18 142

1 Appointed April 2022
2 Resigned November 2021
3 Appointed 1 June 2021. The fees for 2021 were restated to reflect the fees earned for the month. These fees were subsequently paid.
4 Received fees from directorship in United Kingdom (MGIM and Euroguard Boards).
5 Resigned November 2020

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.4 Directors' shareholding in MMH

Listed shares	Direct Beneficial '000	Indirect Beneficial '000	Total 2022 '000	Total 2021 '000
Executive directors				
HP Meyer	255	394	649	638
JC Cilliers (Marais)	189	–	189	189
RS Ketola	25	–	25	–
Non-executive directors				
P Cooper	500	952	1 452	442
NJ Dunkley	73	–	73	73
SC Jurisich[1]	1	–	1	0
FJC Truter	–	–	–	477
	1 043	1 346	2 389	1 819

1 988 shares held in MMH in the current year and 169 in the prior year.

Shareholding of directors who stepped down/retired in F2022

Listed shares	Direct Beneficial '000	Indirect Beneficial '000	Total '000
FJC Truter	44	433	477
	44	433	477

46 DISPOSAL GROUPS HELD FOR SALE

Assets and liabilities held for sale

At 30 June 2022	2022 Rm	2021 Rm
Assets		
Intangible assets (refer to notes 3.2)	–	36
Investment properties	14	129
Investments in associates and joint ventures (refer to note 6)	–	6
Total assets	**14**	171

The Group has entered into a sales agreement for the sale of one property (Momentum Metropolitan Africa segment). This asset has therefore been classified as held for sale. The property is classified as level 3.

In the prior year, the Group made the decision to dispose of its remaining 25% shareholding in aYo (New Initiatives segment). The investment, as well as the related intellectual property (Momentum Metropolitan Africa segment), was classified as held for sale. On 1 September 2021, the Group successfully disposed of this investment, for a consideration of $20 million (R287 million).

Sales agreements were entered into for the sale of three properties (Shareholders segment) during the prior year and were thus classified as held for sale. These properties have been sold during the current year.

The Group's interest in the assets mentioned above have been classified as held for sale in the statement of financial position at the end of the respective period. This judgement was done based on the facts and circumstances which existed at that date when a formal assessment was made of whether the assets should be classified as held for sale. The Group is satisfied that it meets all the criteria required in order to classify these assets as held for sale. The sale of the asset held for sale in the current year will take effect via a cash sale and is expected to occur within the next 12 months.

47 RESTATEMENTS

The following restatements were made to the consolidated statement of financial position, income statement and statement of cash flows for the following periods:

Statement of financial position as at 30 June 2021	Before restatement Rm	Finance costs correction[1] Rm	Share portfolios reclassification[2] Rm	Hedge fund consolidation[3] Rm	Reintermediation[4] Rm	CIS consolidation[5] Rm	AFIN[6] Rm	Contingency cells[7] Rm	Guardrisk cell reclassification[8] Rm	CGT variance[9] Rm	After restatement Rm
Intangible assets	9 888	–	–	–	–	–	51	–	–	–	9 939
Financial assets at FVPL	466 280	–	1 726	3 356	–	–	–	–	–	–	471 362
Financial assets at amortised cost	9 598	–	–	(1 630)	–	–	–	–	–	–	7 968
Reinsurance contract assets	6 717	–	–	–	–	–	132	–	–	–	6 849
Insurance and other receivables	6 406	–	–	–	–	–	(71)	–	(95)	–	6 240
Cash and cash equivalents	38 121	–	(1 726)	427	–	–	–	–	–	–	36 822
Insurance contract liabilities											
Long-term insurance contracts	(128 882)	–	–	–	–	–	–	154	–	(190)	(128 918)
Non-life insurance contracts	(13 349)	–	–	–	–	–	(92)	–	(122)	–	(13 563)
Investment contracts designated at FVPL	(292 563)	–	–	–	–	–	–	(154)	217	–	(292 500)
Financial liabilities at FVPL	(47 420)	–	–	(3 603)	–	–	10	–	–	–	(51 013)
Deferred income tax	(2 722)	–	–	–	–	–	(7)	–	–	–	(2 729)
Other payables	(18 829)	–	–	1 450	245	–	(23)	–		190	(16 967)
Provisions	(38)	–	–	–	(245)	–	–	–	–	–	(283)
as at 1 July 2020											
Financial assets at FVPL	427 917	–	1 292	3 977	–	–	–	–	–	–	433 186
Financial assets at amortised cost	8 244	–	–	(2 181)	–	–	–	–	–	–	6 063
Insurance and other receivables	5 371	–	–	–	–	–	–	–	9	–	5 380
Cash and cash equivalents	31 596	–	(1 292)	110	–	–	–	–	–	–	30 414
Insurance contract liabilities											
Long-term insurance contracts	(114 545)	–	–	–	–	–	–	158	–	–	(114 387)
Non-life insurance contracts	(11 287)	–	–	–	–	–	–	–	(158)	–	(11 445)
Investment contracts designated at FVPL	(261 627)	–	–	–	–	–	–	(158)	149	–	(261 636)
Financial liabilities at FVPL	(47 645)	–	–	(4 662)	–	–	–	–	–	–	(52 307)
Other payables	(17 790)	–	–	2 756	245	–	–	–	–	–	(14 789)
Provisions	(76)	–	–	–	(245)	–	–	–	–	–	(321)

1 Finance costs correction relating to the elimination of an intercompany transaction. 30 June 2021 has been restated accordingly.

2 Investments held in share portfolios were previously incorrectly classified as cash and cash equivalents. These share portfolios have now been correctly split into the underlying assets. June 2021 and June 2020 has been restated accordingly. Additionally, realised fair value gains on certain share portfolios incorrectly included dividends received. June 2021 has been restated accordingly.

3 The Group invests into Qualified Investor Hedge funds that, as a result of the requirements in IFRS 10 – Consolidated financial statements, are consolidated. As a result of a further detailed review of the financial instruments held by these hedge funds, a number of refining correcting adjustments were required to the statement of financial position and income statement.
These adjustments do not impact the net asset value of the hedge fund nor that of MMH. The adjustments made in respect of the statement of financial position relate to the following:
1) the offset and classification of interest rate derivatives and carry positions.
2) the offset and recording of financed trade positions carried out in the funds.
June 2021 and June 2020 have been restated accordingly.
The adjustments made in respect of the income statement relate to the following:
1) inappropriate application of the offsetting criteria applied in respect of interest income and finance costs.
2) consolidation of the full income statement disclosures of the hedge funds, which resulted in a reclassification between the relevant lines of the income statement and fair value adjustments on CIS liabilities.
June 2021 has been restated accordingly.

4 In accordance with the Financial Advisory and Intermediary Services Act 37 of 2002 as well as the Policyholder Protection Rules, there is an obligation to reintermediate clients that are not linked to a financial adviser. Accumulated balances that were due to the financial advisers originally linked to policyholders, were previously reported as other payables. However, when these financial advisers went out of force, the balance was no longer contractually payable and therefore the payable should have been changed to a provision for the expected cost of reintermediation that is required in order to settle the obligation towards policyholders. In previous reporting periods this balance was however reported as a payable and has therefore been retrospectively corrected from a payable to a provision to provide for the cost that is required to reintermediate these clients with in-force policies, but no financial advisers. 30 June 2021 and 1 July 2020 have been restated accordingly.

5 Fee income correction relating to the over-elimination of asset management fees received on the CISs being consolidated into the Group. 30 June 2021 has been restated accordingly.

6 The initial accounting for the AFIN acquisition was provisionally determined and was presented as preliminary at 30 June 2021. The accounting has been finalised and 30 June 2021 has been restated accordingly.

7 Contingency policies were previously classified as insurance contracts in accordance with IFRS 4 – Insurance contracts. After reassessing the policy wording it was identified that there is no risk transfer as the policy benefits are limited to the funds available in the policy comprising of premiums plus investment growth less claims and policy fees. These policies should therefore have been classified as investment contract liabilities in terms of IFRS 9 - Financial instruments. 30 June 2021 and 1 July 2020 have been restated accordingly.

8 A cell previously classified as 1st party in terms of IFRS 9 – Financial instruments, has been reassessed based on the type of business underwritten in the cell to instead be classified in terms of IFRS 4 - Insurance contracts. 30 June 2021 and 1 July 2020 have been restated accordingly.

9 Long-term insurance companies are required to pay tax on behalf of policyholders according to the five-funds tax approach as required by section 29A of the South African Income Tax Act of 1962. The approach requires the insurer to collect taxation in respect of policies held, determined by reference to different rates of tax (including effective capital gains tax rates) to be applied to different categories of policyholders. In practice, the collection of tax from policyholders and specifically capital gains tax, follows a more simplistic approach than the calculation that is used for the income tax calculation when submitting a tax return to the South African tax authorities. This difference in methodology, resulted in over-recoveries from policyholders. The over-recovery was accounted for as an other payable. Management has re-assessed the recognition of this balance and has created an actuarial data reserve. As such, the balance has subsequently been re-classified from other payables to insurance liabilities. 30 June 2021 has been restated accordingly.

47 RESTATEMENTS CONTINUED

Income statement for the year ended 30 June 2021	Before restatement Rm	Finance costs correction[1] Rm	Share portfolios reclassification[2] Rm	Hedge fund consolidation[3] Rm	Reintermediation[4] Rm	CIS consolidation[5] Rm	AFIN[6] Rm	Contingency cells[7] Rm	Guardrisk cell reclassification[8] Rm	CGT variance[9] Rm	After restatement Rm
Insurance premiums	55 661	–	–	–	–	–	–	(7)	935	–	56 589
Insurance premiums ceded to reinsurers	(18 829)	–	–	–	–	–	–	6	(730)	–	(19 553)
Fee income											
Contract administration	3 116	–	–	–	–	–	–	3	–	–	3 119
Trust and fiduciary services	1 041	–	–	–	–	109	–	–	–	–	1 150
Cell captive commission	1 323	–	–	–	–	–	–	(1)	–	–	1 322
Other fee income	1 324	–	–	–	–	–		–	–	–	1 324
Investment income											
Amortised cost	1 240	–	–	(4)	–	–	–	–	–	–	1 236
Other investment income	19 862	–	208	734	–	–	–	–	–	–	20 804
Net realised and unrealised fair value gains/(losses)	40 233	(41)	(208)	278	–	–	–	–	–	–	40 262
Insurance benefits and claims	(43 334)	–	–	–	–	–	–	14	–	–	(43 320)
Insurance claims recovered from reinsurers	12 193	–	–	–	–	–	–	(11)	–	–	12 182
Change in actuarial liabilities and related reinsurance											
Change in long-term insurance contract liabilities	(12 808)	–	–	–	–	–	–	(4)	–	(190)	(13 002)
Change in non-life insurance contract liabilities	77	–	–	–	–	–	–	–	1	–	78
Change in reinsurance assets	140	–	–	–	–	–	–	2	–	–	142
Fair value adjustments on investment contract liabilities	(34 188)	–	–	–	–	–	–	(3)	(1)	–	(34 192)
Fair value adjustments on CIS liabilities	(2 816)	–	–	(275)	–	–	–	–	–	–	(3 091)
Sales remuneration	(6 989)	–	–	–	–	–	–	–	(204)	–	(7 193)
Other expenses	(7 402)	–	–	15	–	(109)	–	–	–	190	(7 306)
Finance cost	(909)	41	–	(748)	–	–	–	–	–	–	(1 616)
Earnings for the year	544	–	–	–	–	–	–	–	–	–	544
Statement of cash flows for the year ended 30 June 2021											
Cash utilised in operations	(6 998)	(41)	(642)	331	–	–	–	–	–	–	(7 350)
Interest received	15 442	–	–	760	–	–	–	–	–	–	16 202
Interest paid	(897)	41	–	(748)	–	–	–	–	–	–	(1 604)
Dividends received	4 241	–	208	(26)	–	–	–	–	–	–	4 423
Cash resources and funds on deposit at beginning	31 621	–	(1 292)	110	–	–	–	–	–	–	30 439
Cash resources and funds on deposit at end	38 121	–	(1 726)	427	–	–	–	–	–	–	36 822

1 Finance costs correction relating to the elimination of an intercompany transaction. 30 June 2021 has been restated accordingly.

2 Investments held in share portfolios were previously incorrectly classified as cash and cash equivalents. These share portfolios have now been correctly split into the underlying assets. June 2021 and June 2020 has been restated accordingly. Additionally, realised fair value gains on certain share portfolios incorrectly included dividends received. June 2021 has been restated accordingly.

3 The Group invests into Qualified Investor Hedge funds that, as a result of the requirements in IFRS 10 – Consolidated financial statements, are consolidated. As a result of a further detailed review of the financial instruments held by these hedge funds, a number of refining correcting adjustments were required to the statement of financial position and income statement.
These adjustments do not impact the net asset value of the hedge fund nor that of MMH. The adjustments made in respect of the statement of financial position relate to the following:
1) the offset and classification of interest rate derivatives and carry positions.
2) the offset and recording of financed trade positions carried out in the funds.
June 2021 and June 2020 have been restated accordingly.
The adjustments made in respect of the income statement relate to the following:
1) inappropriate application of the offsetting criteria applied in respect of interest income and finance costs.
2) consolidation of the full income statement disclosures of the hedge funds, which resulted in a reclassification between the relevant lines of the income statement and fair value adjustments on CIS liabilities.
June 2021 has been restated accordingly.

4 In accordance with the Financial Advisory and Intermediary Services Act 37 of 2002 as well as the Policyholder Protection Rules, there is an obligation to reintermediate clients that are not linked to a financial adviser. Accumulated balances that were due to the financial advisers originally linked to policyholders, were previously reported as other payables. However, when these financial advisers went out of force, the balance was no longer contractually payable and therefore the payable should have been changed to a provision for the expected cost of reintermediation that is required in order to settle the obligation towards policyholders. In previous reporting periods this balance was however reported as a payable and has therefore been retrospectively corrected from a payable to a provision to provide for the cost that is required to reintermediate these clients with in-force policies, but no financial advisers. 30 June 2021 and 1 July 2020 have been restated accordingly.

5 Fee income correction relating to the over-elimination of asset management fees received on the CISs being consolidated into the Group. 30 June 2021 has been restated accordingly.

6 The initial accounting for the AFIN acquisition was provisionally determined and was presented as preliminary at 30 June 2021. The accounting has been finalised and 30 June 2021 has been restated accordingly.

7 Contingency policies were previously classified as insurance contracts in accordance with IFRS 4 – Insurance contracts. After reassessing the policy wording it was identified that there is no risk transfer as the policy benefits are limited to the funds available in the policy comprising of premiums plus investment growth less claims and policy fees. These policies should therefore have been classified as investment contract liabilities in terms of IFRS 9 - Financial instruments. 30 June 2021 and 1 July 2020 have been restated accordingly.

8 A cell previously classified as 1st party in terms of IFRS 9 – Financial instruments, has been reassessed based on the type of business underwritten in the cell to instead be classified in terms of IFRS 4 - Insurance contracts. 30 June 2021 and 1 July 2020 have been restated accordingly.

9 Long-term insurance companies are required to pay tax on behalf of policyholders according to the five-funds tax approach as required by section 29A of the South African Income Tax Act of 1962. The approach requires the insurer to collect taxation in respect of policies held, determined by reference to different rates of tax (including effective capital gains tax rates) to be applied to different categories of policyholders. In practice, the collection of tax from policyholders and specifically capital gains tax, follows a more simplistic approach than the calculation that is used for the income tax calculation when submitting a tax return to the South African tax authorities. This difference in methodology, resulted in over-recoveries from policyholders. The over-recovery was accounted for as an other payable. Management has re-assessed the recognition of this balance and has created an actuarial data reserve. As such, the balance has subsequently been re-classified from other payables to insurance liabilities. 30 June 2021 has been restated accordingly.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES

48.1 New IFRS standards and amendments

Standards, amendments to and interpretations of published standards that are not yet effective and have not been early adopted by the Group

- IFRS 3 (Amendments) – Reference to the Conceptual Framework (effective from annual periods beginning on or after 1 January 2022).
- IAS 16 (Amendments) – Proceeds before intended use (effective from annual periods beginning on or after 1 January 2022).
- IAS 37 (Amendments) – Costs of fulfilling a contract (effective from annual periods beginning on or after 1 January 2022)
- IAS 1 and IFRS Practice Statement 2 (Amendments) – Disclosure of Accounting Policies (effective from annual periods beginning on or after 1 January 2023).
- IAS 1 (Amendments) – Classification of liabilities as current or non-current (effective from annual periods beginning on or after 1 January 2023).
- IAS 8 (Amendments) – Definition of accounting estimates (effective from annual periods beginning on or after 1 January 2023).
- IAS 12 (Amendments) – Deferred tax related to assets and liabilities arising from a Single Transaction (effective from annual periods beginning on or after 1 January 2023).
- IFRS 17 – *Insurance contracts* (effective from annual periods beginning on or after 1 January 2023).

Improvements project amendments

- IFRS 9 – *Financial instruments* (effective from annual periods beginning on or after 1 January 2022).

Management is currently assessing the impact of these amendments, but it is not expected to be significant other than detailed below.

Discussions of impact of initial application of changes to standards and interpretations that are not yet effective and have not been early adopted by the Group.

IFRS 17 – *Insurance contracts*

IFRS 17 – *Insurance contracts* (IFRS 17) will replace IFRS 4 – *Insurance contracts* (IFRS 4) in accounting for insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features and is effective for reporting periods starting on or after 1 January 2023.

The effective date for the Group is 1 July 2023 and the 31 December 2023 interim financial statements will be the first interim results, and the 30 June 2024 annual financial statements the first annual results, presented on an IFRS 17 basis.

Key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results, and cash flows of the entity.

Significant efforts are required to enable the production of IFRS 17 compliant financial statements, as the standard requires actuarial model and process development as well as data enhancements. These efforts are largely coordinated by the Group, although some subsidiaries are responsible for their own implementation projects.

Developments across life and non-life licenses have progressed, and significant areas of uncertainty have been addressed. Across the group, the majority of development efforts have been concluded. The focus of activities is now shifting to enable business as usual production incorporating IFRS17 as the group entered its period of parallel reporting on 1 July 2022.

The Group is actively participating in industry forums to ensure that the standard is interpreted and applied appropriately and consistently.

The Group anticipates that some compulsory and discretionary margins might be released into equity on transition to IFRS 17.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.2 Consolidation

48.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the day that control is lost. All material subsidiaries have financial years ending on 30 June and are consolidated to that date. Subsidiaries with financial year ends other than 30 June are consolidated using audited or reviewed results (where necessary) for the relevant period ended 30 June. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Group. Separate disclosure is made of non-controlling interests. All intragroup balances and unrealised gains and losses on transactions between group companies are eliminated.

Initial measurement

The acquisition method of accounting is used to account for the acquisition of subsidiaries/business combinations by the Group. The cost of a business combination is the fair value of the assets given at the date of acquisition, equity issued and liabilities assumed or incurred (including contingent liabilities). This includes assets or liabilities recognised from contingent consideration arrangements. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit and loss. Costs directly attributable to the business combination are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest shareholders even if this results in the non-controlling interest shareholders having a deficit balance.

Disposals

If the Group loses control of a subsidiary company, the gain or loss on disposal is calculated as the difference between the fair value of the consideration received, and the carrying amount of the subsidiary's net assets and any non-controlling interest. Gains and losses on disposal of subsidiaries are included in the income statement as net realised and unrealised fair value gains/(losses). Any gains or losses in other comprehensive income that are allowed to be recycled to the income statement are reclassified. Other comprehensive income amounts not reclassified to the income statement are directly transferred to retained earnings.

Transactions with non-controlling interest shareholders

Transactions with non-controlling interest shareholders are treated as transactions with equity participants of the Group. Disposals to/acquisitions from non-controlling interest shareholders result in gains and losses for the Group that are recorded in equity. Any difference between any consideration paid/received and the relevant share acquired/sold of the carrying amount of the net assets of the subsidiary is recorded in equity.

Measurement – MMH separate financial statements

Investment in subsidiary companies are stated at cost less any impairment losses. The carrying amount of these investments is assessed annually for impairment indicators. If an indicator exists, the investment is impaired to the higher of the investment's fair value less costs to sell and value in use.

48.2.2 Associates

Associates are all entities over which the Group has *significant influence* but not control. The Group's investment in associates includes goodwill, identified on acquisition, net of any accumulated impairment loss. The accounting policies for associates are consistent, in all material respects, with the policies adopted by the Group.

Profits and losses resulting from transactions between group companies are recognised in the Group's results to the extent of the Group's unrelated interests in the associates. Gains and losses arising on the dilution of investments in associates are recognised in the income statement.

Measurement

Investments in associate companies are initially recognised at cost, including goodwill, and the carrying amount is increased or decreased with the Group's proportionate share of post-acquisition profits or losses, using the equity method of accounting. Under this method, the Group's share of the associate's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition profit or loss and movements in other comprehensive income are adjusted against the carrying amount of the investments. The equity method is discontinued from the date that the Group ceases to have *significant influence* over the associate. When *significant influence* is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.2 Consolidation continued

48.2.2 Associates continued

Measurement continued

Investments in CISs where the Group has *significant influence* are recognised at FVPL and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – *Investments in associates and joint ventures* for investment-linked insurance funds. Initial measurement is at fair value on trade date, with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the reporting date. Fair value adjustments on CISs are recognised in the income statement. The related income from these schemes is recognised as interest or dividends received, as appropriate.

Impairment

Under the equity method, the carrying amount is tested for impairment at reporting dates by comparing the recoverable amount with the carrying amount.

Measurement – MMH separate financial statements

Associated companies are carried at cost less impairment.

48.2.3 Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Measurement

Interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

48.3 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand (the presentation currency), which is the functional currency of the parent. The financial statements have been rounded to the nearest R million.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, measured at FVPL, are recognised as part of their fair value gain or loss.

Subsidiary undertakings

Foreign entities are entities of the Group that have a functional currency different from the presentation currency. Assets and liabilities of these entities are translated into the presentation currency at the rates of exchange ruling at the reporting date. Income and expenditure are translated into the presentation currency at the average rate of exchange for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in the foreign currency translation reserve in other comprehensive income. On disposal, such exchange differences are recognised in the income statement as part of net realised and unrealised fair value gains.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.4 Intangible assets

48.4.1 Goodwill

Recognition and measurement

Goodwill represents the excess of the cost of a business combination over the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. Subsequent to initial measurement, goodwill is carried at cost less accumulated impairment losses.

Goodwill on acquisition of subsidiaries is included in intangible assets whereas goodwill on acquisition of associates is included in investment in associates.

When the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the income statement.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment

At the acquisition date, goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergy of the combination in which the goodwill arose. CGUs to which goodwill has been allocated are assessed annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised whenever the carrying amount of the CGU exceeds its recoverable amount, being the higher of value in use and the fair value less costs to sell. Any impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets on a pro rata basis. Impairment losses on goodwill are not reversed.

48.4.2 Value of in-force business acquired

On acquisition of a portfolio of insurance or investment with DPF contracts, the Group recognises an intangible asset representing the value of in-force business acquired (VOBA). VOBA represents the present value of future pre-tax profits embedded in the acquired insurance or investment with DPF contract business. The VOBA is recognised gross of tax, with the deferred tax liability accounted for separately in the statement of financial position.

Measurement

The fair value calculation of VOBA on acquisition is based on actuarial principles that take into account future premium and fee income, claim outgo, mortality, morbidity and persistency probabilities together with future costs and investment returns on the underlying assets. The profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. This calculation is particularly sensitive to the assumptions regarding discount rate, future investment returns and the rate at which policies discontinue.

The asset is subsequently amortised over the expected life of the contracts as the profits of the related contracts emerge.

Impairment

VOBA is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

48.4.3 Customer relationships

Customer relationships relate to rights to receive fees for services rendered in respect of acquired investment contract business, group risk business with annually renewable contracts, administered retirement fund schemes, health administration and asset administration. An intangible asset is recognised when rights can be identified separately and measured reliably and it is probable that the cost will be recovered.

Measurement

The asset represents the Group's right to benefit from the above services and is amortised on a straight-line basis over the period in which the Group expects to recognise the related revenue, which is between three and 10 years.

Impairment

The right is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.4 Intangible assets continued

48.4.4 Deferred acquisition costs (DAC)

On long-term investment business

Incremental costs that are directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an asset if the entity expects to recover them. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The asset represents the contractual right to benefit from receiving fees for providing investment management services, and is amortised over the policy term, as a constant percentage of expected gross profit margins (including investment income) arising from the contract or on a straight-line basis. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period.

On non-life insurance business

Acquisition costs, which include commission and other related expenses, are recognised in the period in which they are incurred. Deferred acquisition costs represent the portion of direct acquisition costs (ie commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

Impairment

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

48.4.5 Brand and broker network

Brand and broker network intangible assets have been recognised by the Group as part of a business combination. The assets are recognised when they are separately identifiable, it is probable that the future economic benefits will flow to the Group and the assets have a cost or value that can be measured reliably.

Measurement

The brand and broker networks are initially measured at fair value. As there is generally no active market for these intangibles, the fair value is determined with reference to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, on the basis of the best information available. In determining this amount, the Group considers the outcome of recent transactions for similar assets, for example, the Group applies multiples reflecting current market transactions to factors that drive the profitability of the asset (such as operating profit and VNB).

Subsequently, the brand and broker networks are amortised over their expected useful lives using the straight-line method. The brands are amortised over 15 to 20 years and the broker networks over five to 20 years.

Impairment

The brand and broker networks are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, being the higher of value in use and fair value less cost to sell.

48.4.6 Computer software

Recognition and measurement

Acquired computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised on the basis of an expected *useful life* of three to 10 years, which is assessed annually using the straight-line method.

Internally developed computer software

Costs directly associated with developing software for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits. Directly associated costs include employee costs of the development team and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their useful lives, up to 10 years, using the straight-line method.

Costs associated with research or maintaining computer software programmes are recognised as an expense as incurred.

Impairment

Computer software not ready for use is tested for impairment annually. Computer software in use is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of the fair value less cost to sell and the value in use.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.5 Owner-occupied properties

Owner-occupied properties are held for use in the supply of services or for administrative purposes. Where the Group occupies a significant portion of the property, it is classified as an owner-occupied property.

Measurement

Owner-occupied properties are stated at revalued amounts, being fair value reflective of market conditions at the reporting date.

Fair value is determined using DCF techniques which present values the net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. Where considered necessary, significant properties are valued externally by an independent valuator, at least in a three-year cycle, to confirm the fair value of the portfolio.

Increases in the carrying amount arising on revaluation of buildings are credited to a land and building revaluation reserve in other comprehensive income. Decreases that offset previous increases in respect of the same asset are charged against the revaluation reserve, and all other decreases are charged to the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Owner-occupied property buildings are depreciated on a straight-line basis, over 50 years, to allocate their revalued amounts less their residual values over their estimated useful lives. Property and equipment related to the buildings are depreciated over five to 20 years. Land is not depreciated. The residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Accumulated depreciation relating to these properties is eliminated against the gross carrying amount of the properties and the net amount is restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property.

Disposals

When owner-occupied properties are sold or when the properties are no longer classified as owner-occupied, the amounts included in the land and buildings revaluation reserve are transferred to retained earnings.

48.6 Investment properties

Investment properties are held to earn rentals or for capital appreciation or both and are not significantly occupied by the companies of the Group. Investment properties include property under development for future use as investment property.

Measurement

Investment properties comprise freehold land and buildings and are carried at fair value, reflective of market conditions at the reporting date, less the related cumulative accelerated rental income receivable. Fair value is determined as being the present value of net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. All properties are internally valued on a bi-annual basis and where considered necessary, significant properties are valued externally by an independent valuator, at least in a three-year cycle, to confirm the fair value of the portfolio. The accelerated rental income receivable represents the cumulative difference between rental income on a straight-line basis and the accrual basis. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Investment properties that are being redeveloped for continuing use as investment property, or for which the market has become less active, continue to be measured at fair value.

Undeveloped land is valued at fair value based on recent market activity in the area.

Transfers to and from investment properties

If an investment property becomes owner-occupied, it is reclassified under owner-occupied properties, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes, and vice versa.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.6 Investment properties continued

Properties held under leases

Properties held under leases are classified as investment property right-of-use assets when the properties are sublet and not occupied by the Group. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. These properties are carried at fair value after initial recognition.

Gains and losses

Unrealised gains or losses arising on the valuation or disposal of investment properties are included in the income statement in net realised and unrealised fair value gains and losses. These fair value gains and losses are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

48.7 Financial assets

Classification

The Group classifies its financial assets in the following main categories:

- Financial assets at FVPL, including derivative financial assets
- Financial assets at amortised cost

The classification of financial instruments is based on contractual cash flows characteristics and models through which financial instruments are managed (business model).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to not account for the equity investments at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when its business model for managing those assets changes.

- **Debt instruments**
  There are three measurement categories into which debt instruments can be classified:
  - Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
  - FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
  - FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured mandatorily at FVPL. The Group designates debt securities and funds on deposit and other money market instruments at FVPL upon initial recognition when it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise as a result of movements in related liabilities being recorded in profit or loss.
- **Equity instruments**
  The Group subsequently measures all equity investments at fair value. The Group's management has elected to not present fair value gains and losses on equity instruments in other comprehensive income. All fair value gains and losses on equity instruments are recognised in the income statement.

Recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the financial assets. These are recognised as unsettled trades until the settlement date occurs. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the asset. Transaction costs that are not recognised as part of the financial asset are expensed in the income statement in net realised and unrealised fair value gains.

Financial assets at FVPL is subsequently carried at fair value. Financial assets at amortised cost is recognised initially at fair value and subsequently carried at amortised cost, using the *effective interest rate method* less provision for impairment. Impairments are included in depreciation, amortisation and impairment expenses in the statement of comprehensive income.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.7 Financial assets continued

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets at amortised cost, the Group determines at each reporting date whether there has been a significant increase in credit risk since initial recognition of the financial asset by assessing the likelihood or risk of default occurring since initial recognition based on all reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition. Where there is no significant increase in credit risk since initial recognition or for assets that have low credit risk at reporting date, a 12 month expected credit loss is recognised. Where a significant increase in credit risk since initial recognition occurred a lifetime expected credit loss is calculated.

The Group views financial assets at amortised cost to be low credit risk when there is a low risk of default and the borrower has the strong capacity to meet its contractual cash flow obligations in the near term.

Impairment losses on financial assets at amortised cost, other than impairments relating to amounts due from agents, brokers and intermediaries, are presented as net impairment losses within profit or loss. Impairment losses on amounts due from agents, brokers and intermediaries, are presented as part of sales remuneration within profit and loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment – MMH separate financial statements

Intercompany loan impairment is calculated at each reporting date using probability of default and the loss given default rates. Probability of default rates considers historical defaults as well as forward looking estimates based on macroeconomic factors obtained from rating agencies. Loans without repayment terms consider any senior external or internal loans which need to be repaid before the intercompany loan to determine a probability of default, since it reduces the liquid assets available to repay that intercompany loan. Management applies its own judgement, on an individual loan basis, to adjust the prescribed LGD to include forward-looking information. Balances are written off when there is no reasonable expectation of recovery.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. The Group also derecognises a financial asset when the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset. When the Group has transferred its rights to receive cash flows from an asset or entered into a corresponding liability it evaluates if, and to what extent, it has retained the risks and rewards of ownership. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Any gain or loss arising on derecognition of assets at amortised cost is recognised directly in the income statement and presented in net realised and unrealised fair value gains together with foreign exchange gains and losses.

Realised and unrealised gains and losses

Financial assets at FVPL

Realised and unrealised gains and losses arising from changes in the value of financial assets at FVPL are included in the income statement in the period in which they arise. Interest and dividend income arising on financial assets are disclosed separately under investment income in the income statement.

Offsetting

Financial assets and liabilities were set off and the net balance reported in the statement of financial position where there was a legally enforceable right to set off, where it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability was the same, and where the financial asset and liability were denominated in the same currency.

Scrip lending

The equities or bonds on loan by the Group, and not the collateral security, are reflected in the statement of financial position of the Group at year end. Scrip lending fees received are included under fee income. The Group continues to recognise the related income on the equities and bonds on loan. Collateral held is not recognised in the financial statements unless the risks and rewards relating to the asset have passed to the Group.

48.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including DCF and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative, subject to the offsetting principles as described under the financial assets accounting policies above.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging), or is based on a valuation technique whose variables include only observable market data.

When unobservable market data has an impact on the valuation of derivatives, the entire initial change in fair value indicated by the valuation model is not recognised immediately in the income statement but over the life of the transaction on an appropriate basis, or when the input becomes observable, or when the derivative matures or is closed out.

The subsequent fair value of exchange-traded derivatives is based on a closing market price while the value of OTC derivatives is determined by using valuation techniques that incorporate all factors that market participants would consider in setting the price. Changes in the fair value of derivative instruments are recognised immediately in the income statement within net realised and unrealised fair value gains and losses.

Embedded derivative liabilities are separated and fair-valued through income when they are not closely related to their host contracts and meet the definition of a derivative, or where the host contract is not carried at fair value.

48.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost, which approximates fair value. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value. Bank balances held to meet short-term cash commitments are included in funds on deposit and other money market instruments with a maturity of three months or less. Operating bank balances are included in bank and other cash balances.

48.10 Long-term and non-life insurance and investment contracts

The contracts issued by the Group transfer insurance risk, financial risk or both. As a result of the different risks transferred by contracts, contracts are separated into investment and insurance contracts for the purposes of valuation and profit recognition. Insurance contracts are those contracts that transfer significant insurance risk to the Group, whereas investment contracts only transfer financial risk.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime. There is one exception to this principle:

- If the terms of an investment contract change significantly, the original contract is derecognised and a new contract is recognised with the new classification.

Classification of contracts

Investment contracts

Investment contracts are those where only financial risk is transferred.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

For *cell captive* business, contracts that transfer financial risk with no significant insurance risk are accounted for as financial instruments (investment contracts designated at FVPL) eg first-party cells. For these arrangements, only contract management fee income and investment income and net realised and unrealised fair value gains accruing to the promoter are included in the Group's income statement. On the statement of financial position, premium debtors and insurance liabilities relating to these arrangements are excluded.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Long-term and non-life insurance and investment contracts continued

Classification of contracts continued

Insurance contracts

Insurance contracts are those under which the Group accepts significant insurance risk from another party (contract holder) by agreeing to pay compensation if a specified uncertain future event (the insured event) adversely affects the contract holder.

Insurance risk is risk, other than financial risk, transferred from the holder of a contract to the issuer. Insurance risk is deemed significant if an insured event could cause an insurer to pay benefits (net of accumulated income and account balances) on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

For *cell captive* business, insurance policies are issued in third-party *cell captive* structures or contingency policies. The Group also accepts insurance and reinsurance inwards risks directly, eg where the promoter cell shares in the underwriting experience of selected cell arrangements. All items relating to these arrangements are included in the Group's income statement and statement of financial position, except for contract management fees.

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract.

Contracts with DPF

The Group issues long-term insurance and investment contracts containing DPF. These contracts are smoothed bonus and conventional with-profit business. All contracts with DPF are accounted for in the same manner as long-term insurance contracts. Where a contract has both investment with DPF and investment components, the policy is classified as investment with DPF.

Long-term insurance contracts and investment contracts with DPF

Measurement

The liabilities relating to long-term insurance contracts and investment contracts with DPF are measured in accordance with the FSV basis as set out in SAP 104 – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers. The FSV basis is based on best estimate assumptions regarding future experience plus *compulsory margins* and additional *discretionary margins* for prudence and deferral of profit emergence. Margins are set at product level.

Assumptions used in the valuation basis are reviewed on a regular basis, most commonly annually, and any non-economic changes in estimates are reflected in the income statement as they occur. Economic changes in estimate are stabilised as they occur, except for negative changes that exceed available stabilisation reserves in which case the excess is reflected in the income statement and future positive changes are reflected in the income statement to the extent of any prior losses incurred. Where stabilisation reserves are held, they are reflected in the income statement according to a specified release pattern.

The valuation bases used for the major classes of contract liabilities, before the addition of the margins described under the heading of *compulsory and discretionary margins* below, are as follows:

- For group smoothed bonus business, the liability is taken as the sum of the *fund accounts*, being the retrospective accumulation of premiums net of charges and benefit payments at the declared bonus rates.
- For individual smoothed bonus business, the liability is taken as the sum of the *fund accounts* less the present value of future charges not required for risk benefits and expenses.
- For with-profit annuity business, the liability is taken as the discounted value of projected future benefit payments and expenses. Future bonuses are provided for at bonus rates supported by the assumed future investment return.
- For the above three classes of business, BSAs are held in addition to the liabilities described above. In the case of smoothed bonus business, the BSA is equal to the difference between the market value of the underlying assets and the *fund accounts*. In the case of with-profit annuity business, the BSA is equal to the difference between the market value of the underlying assets and the discounted value of projected future benefit payments and expenses. BSAs are included in contract holder liabilities.
- For conventional with-profit business, the liability is the present value of benefits less premiums, where the level of benefits is set to that supportable by the asset share.
- For individual market-related business, the liability is taken as the fair value of the underlying assets less the present value of future charges not required for risk benefits and expenses.
- For conventional non-profit business, including non-profit annuities and Group PHI business, the liability is taken as the difference between the discounted value of future expenses and benefit payments and the discounted value of future premium receipts.
- Provision is made for the estimated cost of incurred but not yet reported (IBNR) claims for all relevant classes of business as at the reporting date. IBNR provisions are calculated using run-off triangle methods or percentages of premium based on historical experience or else implicit allowance is made where appropriate. Outstanding reported claims are disclosed in other payables.
- A number of contracts contain embedded derivatives in the form of financial options and investment guarantees. Liabilities in respect of these derivatives are fair-valued in accordance with the guidelines in APN 110 – Allowance for embedded investment derivatives. Stochastic models are used to determine a best estimate of the time value as well as the intrinsic value of these derivatives.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Long-term and non-life insurance and investment contracts continued

Long-term insurance contracts and investment contracts with DPF continued

Compulsory and discretionary margins

In the valuation of liabilities, provision is made for the explicit *compulsory margins* as required by SAP 104 – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers. *Discretionary margins* are held in addition to the *compulsory margins*. These *discretionary margins* are used to ensure that profit and risk margins in the premiums are not capitalised prematurely so that profits are recognised in line with product design, and in line with the risks borne by the Group.

The main *discretionary margins* utilised in the valuation are as follows:

- For certain books of business which are ring-fenced per historic merger or take-over arrangements, liabilities are held to ensure appropriate capitalisation of future profits in line with the terms of the related agreements.
- Additional prospective margins are held in respect of premium and decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the Group.
- For certain books of business, future charges arising from the surrender of smoothed bonus individual policies are not recognised until surrender occurs.
- Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market-related yield curve as at the reporting date. The yield curve is based on risk-free securities (either fixed or CPI-linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio. Implicit allowance is made for expected credit losses to avoid a reduction in liabilities caused by capitalisation of credit spreads.
- For *cell captive* business, the tax charged to each cell does not always equal the total tax liability of the company since certain cells have calculated tax losses. Instead of crediting the cells with the resulting tax asset, the tax assets are accumulated in a separate cell, and notionally allocated to their respective cells. The amount in this cell is raised as a discretionary margin. In the event that a cell with a tax asset is able to utilise that asset against a future tax liability, the tax asset will be reduced or eliminated accordingly.

Embedded derivatives

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract and the entire contract is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value, in accordance with APN 110, if they are not closely related to the host insurance contract but meet the definition of a derivative. Embedded derivatives that are separated from the host contract are carried at FVPL.

Liability adequacy test

The FSV methodology meets the requirements of the liability adequacy test in terms of IFRS 4 – *Insurance contracts*. However, at each reporting date the adequacy of the insurance liabilities is assessed to confirm that, in aggregate for each insurance portfolio, the carrying amount of the insurance liabilities, measured in accordance with the FSV basis, less any related intangible asset and present VOBA, is adequate in relation to the best-estimate future cash flow liabilities. Best-estimate liabilities are based on best-estimate assumptions in accordance with the FSV basis, but excluding *compulsory margins* as described in SAP 104 as well as all *discretionary margins*. If the liabilities prove to be inadequate, any VOBA or other related intangible asset is written off and any further deficiency is recognised in the income statement.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which the Group is entitled under reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified as receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each contract.

Reinsurance liabilities are amounts payable in terms of reinsurance agreements.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Long-term and non-life insurance and investment contracts continued

Long-term insurance contracts and investment contracts with DPF continued

Reinsurance contracts held continued

There are three types of reinsurance liabilities:

- The first consists of reinsurance liabilities which are payable to registered reinsurers, in terms of a reinsurance agreement and includes premiums payable for reinsurance contracts which are recognised as an expense when due. These premiums are included in other payables.
- The second type consists of reinsurance contracts which the Group has with third-party cell owners. The agreements in place with these cell owners are such that the cell owner acts as reinsurer to the Group for the business which the cell brings to the Group. The risks and rewards of insurance policies relating to these cells are passed on to the cell owner, and the Group retains no insurance risk relating to these policies on a net basis. The Group therefore has an obligation to pay the net results relating to the insurance business in the cell to the cell owner as a result of these agreements. This obligation is deemed to be a reinsurance arrangement and is disclosed as part of insurance contract liabilities.
- The third type consists of a financial reinsurance agreement with a registered reinsurer, whereby the reinsurer provides upfront funding to a cell within the Group, with the cell then repaying this funding over an agreed term. The liability associated with this repayment is disclosed as part of reinsurance contract liabilities and is valued consistently with the DCF approach used for insurance contract liabilities.

Impairment of reinsurance assets

If there is *objective evidence* that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The impairment loss is calculated using the same method as that adopted for financial assets at amortised cost.

Long-term insurance premiums

Insurance premiums and annuity considerations receivable from long-term insurance contracts and investment contracts with DPF are recognised as revenue in the income statement, gross of commission and reinsurance premiums and excluding taxes and levies. Where annual premiums are paid in instalments, the outstanding balance of these premiums is recognised when due. Receivables arising from insurance and investment contracts with DPF are recognised under insurance and other receivables.

Reinsurance premiums

Reinsurance premiums are recognised when due for payment.

Long-term insurance benefits and claims

Insurance benefits and claims relating to long-term insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in the income statement based on the estimated liability for compensation owed to the contract holder. Death, disability and surrender claims are recognised when incurred. These claims also include claim events that occurred before the reporting date but have not been fully processed. Claims in the process of settlement are recognised in other payables in the statement of financial position. Maturity and annuity claims are recognised when they are due for payment. Outstanding claims are recognised in other payables. Contingency policy bonuses are included in claims in the income statement.

Reinsurance recoveries

Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs, disclosed as sales remuneration, consist of commission payable on long-term insurance contracts and investment contracts with DPF and expenses directly related thereto (including bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds). These costs are expensed when incurred. The FSV basis makes implicit allowance for the recoupment of acquisition costs; therefore no explicit deferred acquisition cost asset is recognised in the statement of financial position for contracts valued on this basis.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Long-term and non-life insurance and investment contracts continued

Investment contracts

The Group designates investment contract liabilities at FVPL upon initial recognition as their fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment properties that are carried at FVPL. The Group follows this approach because it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Measurement

The Group issues investment contracts without fixed terms and contracts with fixed terms and guaranteed terms.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial asset portfolios that can include derivatives and are designated at inception as at FVPL.

For investment contracts without fixed terms, fair value is determined using the current unit values that reflect the fair value of the financial assets contained within the Group's unitised investment funds linked to the related financial liability, multiplied by the number of units attributed to the contract holders at the valuation date.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value.

The fair value of financial liabilities is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

For investment contracts with fixed and guaranteed terms (guaranteed endowments and term certain annuities), valuation techniques are used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. If liabilities calculated in this manner fall short of the single premium paid at inception of the policy, the liability is increased to the level of the single premium, to ensure that no profit is recognised at inception. This deferred profit liability is recognised in profit or loss over the life of the contract based on factors relevant to a market participant, including the passing of time.

For investment contracts where investment management services are rendered and the contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded option within the investment contract liability. The valuation methodology is the same as the methodology applied to investment guarantees on insurance contracts.

Deferred revenue liability (DRL)

A DRL is recognised in respect of fees paid at inception of the contract by the policyholder that are directly attributable to a contract. The DRL is then released to revenue as the investment management services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying amount of the DRL is recognised in revenue and falls within the scope of IFRS 15.

Deferred acquisition costs (DAC)

Refer to the intangible assets section of the accounting policies.

Amounts received and claims incurred

Premiums received under investment contracts are recorded as deposits to investment contract liabilities and claims incurred are recorded as deductions from investment contract liabilities.

Non-life insurance contracts

Premiums

Non-life insurance premiums are accounted for when received, net of a provision for unearned premiums relating to risk periods that have not yet expired.

Claims

Claims incurred consist of claims and (un)allocated claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Outstanding claims comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and include an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Long-term and non-life insurance and investment contracts continued

Non-life insurance contracts continued

Unearned premium provision

The provision for unearned premiums represents the proportion of the premiums written during the reporting period in question that relate to unexpired risk periods, computed separately for each insurance contract using the 365th method.

Liability adequacy test

A liability adequacy test is performed annually for the gross liability recognised for insurance contracts and an additional unexpired risk provision is recognised for any deficiencies arising when unearned premiums are insufficient to meet expected future claims and expenses over the unexpired risk period. The expected claims are calculated having regard to events that have occurred prior to the reporting date.

Deferred acquisition costs (DAC)

Acquisition costs comprise all costs arising from the inception of insurance contracts and these are expensed as and when incurred. Deferred acquisition costs represent the portion of direct acquisition costs (ie commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

Outstanding insurance contract claims

Provision is made using prescribed methods set out below:

- for claims notified but not settled at the reporting date, using case estimates determined on a claim-by-claim basis; and
- for claims IBNR claims at the reporting date, using generally accepted actuarial techniques.

Reinsurance recoveries

Reinsurance recoveries are accounted for in the same period as the related claim.

Cashback provisions

Certain insurance contracts offer cashback rewards to policyholders upon the fulfilment of predetermined criteria. A provision is made for such cashback rewards based on the premium accrued by each policyholder at the reporting date, taking into account the necessary decrements and, where applicable, the impact of future investment returns.

48.11 Financial liabilities

Recognition and measurement

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition.

- **Financial liabilities at FVPL**

  This category has two sub-categories: financial liabilities held for trading and those designated at FVPL at inception.

  A financial liability is classified as held for trading at inception if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading, unless they are designated as hedges. Derivatives held for trading are classified as mandatorily at FVPL.

  Financial liabilities are classified as at FVPL at inception if they are:

  - eliminating or significantly reducing an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases; or
  - managed, with their performance being evaluated on a fair value basis; or
  - a financial instrument that includes a significant embedded derivative that clearly requires bifurcation.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Issues and settlements of financial liabilities are recognised on trade date, being the date on which the Group commits to issuing or settling the financial liabilities.

The fair value of financial liabilities quoted in active markets is based on current market prices. Alternatively, where an active market does not exist, fair value is derived from cash flow models or other appropriate valuation models allowing for the Group's own credit risk. These include the use of arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market input and relying as little as possible on entity-specific input.

Financial liabilities are derecognised when they are extinguished, ie when the obligation specified in the contract is discharged, cancelled or expires.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.11 Financial liabilities continued

Recognition and measurement continued

Financial liabilities, such as callable notes which are listed on the JSE interest rate market, *carry positions* (refer below) and CIS liabilities (representing the units in CISs where the Group consolidates the CISs and is required to disclose the value of the units not held by the Group as liabilities) are managed, with their performance being evaluated on a fair value basis and designated at FVPL. These financial liabilities are recognised initially at fair value, with transaction costs being expensed in the income statement, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the value of financial liabilities at FVPL are included in the income statement in the period in which they arise. Changes in the fair value of the financial liability that relates to changes in own credit risk is recognised in other comprehensive income if it does not create an accounting mismatch. Interest on the callable notes and carry positions are disclosed separately as finance costs using the *effective interest rate method*.

Carry positions

Carry positions consist of sale and repurchase of assets agreements. These agreements contain the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at FVPL.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date. These financial assets are classified as financial instruments at FVPL.

Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the statement of financial position and is valued according to the Group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability *(carry positions)* carried at fair value where they are managed on a fair value basis.

Conversely, where the Group purchases financial instruments subject to a commitment to resell these at a future date and the risk of ownership does not pass to the Group, the consideration paid is included under financial assets carried at fair value where they are managed on a fair value basis.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the *effective interest rate method*.

- **Financial liabilities at amortised cost**

  Financial liabilities that are neither held for trading nor at fair value are measured at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value, net of transaction costs incurred. These financial liabilities are then subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability using the *effective interest rate method*.

  Convertible redeemable preference shares and convertible bonds

  Compound financial instruments issued by the Group comprise convertible preference shares that can be converted to ordinary share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. At initial recognition, the fair value of the liability component of the convertible redeemable preference shares is determined by discounting the net present value of future cash flows, net of transaction costs, at market rate at inception for a similar instrument without the conversion option. This amount is recorded as a liability on the amortised cost basis, using the *effective interest rate method*, until extinguished on conversion of the preference shares. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholder equity. The value of the equity component is not changed in subsequent periods. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. The dividends on these preference shares are recognised in the income statement in finance costs.

  Other payables

  Other payables are initially carried at fair value and subsequently at amortised cost using the *effective interest rate method*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement. Changes in own credit risk allocated to other comprehensive income is not recognised in the income statement when derecognised, but rather transferred within equity.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.12 Deferred income tax

Measurement

Deferred income tax is provided for in full, at current tax rates and in terms of laws substantively enacted at the reporting date in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using the liability method. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets, including tax on capital gains, are recognised for tax losses and unused tax credits and are carried forward only to the extent that realisation of the related future tax benefit is probable. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax is provided for in respect of temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate, as it is assumed that the carrying amount will be recovered through sale.

Offsetting

Deferred tax assets and liabilities are set off when the income tax relates to the same fiscal authority and where there is a legal right of offset at settlement in the same taxable entity.

48.13 Current taxation

Measurement

Current tax is provided for at the amount expected to be paid, using the tax rates and in respect of laws that have been substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Individual policyholder tax and corporate policyholder tax is included in tax on contract holder funds in the income statement.

Offsetting

Current tax assets and liabilities are set off when a legally enforceable right exists and it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividend withholding tax (DWT)

DWT is levied on the shareholders (or beneficial owners) receiving the dividend, unless they are exempt in terms of the amended tax law. DWT is levied at 20% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not by the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend, the DWT is recorded as an expense in the income statement when the dividend income is earned.

48.14 Indirect taxation

Indirect taxes include various other taxes paid to central and local governments, including value added tax (amount that cannot be claimed) and regional service levies. Indirect taxes are disclosed as part of operating expenses in the income statement.

48.15 Leases: accounting by lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.15 Leases: accounting by lessee continued

Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). The Group mainly has leases for office buildings, IT equipment and investment property. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Right-of-use assets that are classified as owner-occupied properties or property and equipment are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets that are classified as investment properties are measured at fair value (refer to Investment properties accounting policy). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets that are classified as owner-occupied properties and property and equipment are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Owner-occupied properties	50 years
Property and equipment	Five – 20 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (eg changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in financial liabilities at amortised cost.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.16 Leases: accounting by lessor

Operating leases

Investment property comprises a portfolio of retail, commercial and industrial properties that are leased to third parties. These leases are classified as operating leases, because they do not transfer substantially all the risks and rewards incidental to ownership of the assets. Each lease has a defined lease period and financial terms. Renewal negotiations with tenants commence prior to expiry of their current lease agreement. Lease periods vary and are dependent on the tenant and property type.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. Properties are comprehensively insured against fire, destruction and loss of income. Property income is secured by leases ranging from 3 to 10 years with comprehensive credit vetting and deposits held to minimise the risk of recoverability of rental income. Expenses are managed in line with the consumer price index with service level agreements negotiated over a 3 to 5 year period to minimise costs.

48.17 Provisions

Provisions are recognised when, as a result of past events, the Group has a present legal or constructive obligation of uncertain timing or amount, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

48.18 Contingent liabilities

Contingent liabilities are reflected when the Group has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or it is possible but not probable that an outflow of resources will be required to settle a present obligation, or the amount of the obligation cannot be measured with sufficient reliability.

48.19 Employee benefits

Pension and provident fund obligations

The Group provides defined benefit pension schemes as well as defined contribution pension and provident schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Group. The defined benefit obligation is calculated annually, using the projected unit credit method. The liability balances have largely been settled and the plans are in the process of being closed.

Post-retirement medical aid obligations

The Group provides a subsidy in respect of medical aid contributions on behalf of qualifying employees and retired personnel. An employee benefit obligation is recognised for these expected future medical aid contributions. This obligation is calculated using the projected unit credit method, actuarial methodologies for the discounted value of contributions and a best estimate of the expected long-term rate of investment return, as well as taking into account estimated contribution increases. The entitlement to these benefits is based on the employees remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. The actuarial gains and losses are recognised as they arise. The increase or decrease in the employee benefit obligation for these costs is charged to other comprehensive income.

Termination benefits

The Group recognises termination benefits as a liability in the statement of financial position and as an expense in the income statement when it has a present obligation relating to termination. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and other benefits such as medical aid contributions. These obligations are measured on an undiscounted basis and are expensed as the service is provided. A liability is recognised for the amount to be paid under bonus plans or accumulated leave if the Group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.19 Employee benefits continued

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. For share-based payment transactions that are settled in the equity of the parent or another group company or settled in cash where the amount is based on the equity of the parent or another group company, the Group measures the goods or services received as either equity or cash-settled share-based payment transactions by assessing the nature of the awards and its own rights and obligations. The Group measures the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments or the Group has no obligation to settle the share-based transaction in cash. In all other circumstances, the Group measures the goods or services received as a cash-settled share-based payment transaction.

Equity-settled compensation plans

The fair value of the employee services received in exchange for the grant of the holding company shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted at grant date, excluding the impact of any non-market-related vesting conditions. Market and non-vesting conditions are reflected in the fair value at grant date. Non-market-related vesting conditions, such as the resignation of employees and retrenchment of staff, are included in assumptions regarding the number of shares expected to vest, which are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to equity. The vesting of units are accelerated by the entity in the event that the employee dies, is retrenched or retires. Any remaining element of the fair value of the award is expensed immediately through profit or loss. Where an employee resigns any unvested units are forfeited by the employee.

The fair value of equity instruments granted is determined by using standard option pricing models. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instrument.

Cash-settled compensation plans

The Group recognises the value of the services received (expense), and the liability to pay for those services, as the employees render service. The liability is measured, initially, and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to the liability.

Compensation plans valued on the projected unit credit method

The Group has certain schemes in place whereby employees are rewarded based on something other than the shares and related share price of the holding company. In some instances the Group recognises a liability that has been measured with reference to a selling price formula in a contract, the share price of an external company or the applicable EV of a subsidiary company, and that will be used to settle the liability with the employees or to repurchase shares in a subsidiary from the employees. The liability in these cases is measured using the projected unit credit method. Any change in the liability is charged to the income statement over the vesting period of the shares.

48.20 Assets and liabilities relating to disposal groups held for sale

Assets, liabilities or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets, liabilities or disposal groups are available for immediate sale.

In light of the Group's primary business being the provision of insurance and investment products, non-current assets held as investments for the benefit of policyholders are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the assets and liabilities are recognised at the lower of the carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

The assets, liabilities or disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset, liability or disposal group at that date will be the lower of:

- its carrying amount before the asset, liability or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset, liability or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.21 Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Ordinary shares with discretionary dividends are classified as equity. Preference shares issued by the Group are classified as equity when there is no obligation to transfer cash or other assets to the preference shareholders. The dividends on these preference shares are recognised in the statement of changes in equity. For compound instruments, eg convertible redeemable preference shares, the component representing the value of the conversion option at the time of issue is included in equity.

Issue costs

Incremental external costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of tax, from the proceeds. All other share issue costs are expensed.

Treasury shares

Treasury shares are equity share capital of the holding company held by subsidiaries, consolidated CISs and share trusts, irrespective of whether they are held in shareholder or contract holder portfolios. The consideration paid, including any directly attributable costs, is eliminated from shareholder equity on consolidation until the shares are cancelled or reissued. If reissued, the difference between the carrying amount and the consideration received for the shares, net of attributable incremental transaction costs and the related income tax effects, is included in share premium.

48.22 Dividends declared

Dividends declared to shareholders of the Company are recognised on declaration date.

48.23 Puttable non-controlling interests

Puttable non-controlling interests represent put options granted to non-controlling interests of subsidiaries, entitling the non-controlling interests to dispose of their interest in the subsidiaries to the Group at contracted dates.

Recognition and measurement

A financial liability at FVPL is recognised, being the present value of the estimated purchase price value discounted from the expected option exercise date to the reporting date. In raising this liability, the non-controlling interest is derecognised and the excess of the liability is debited to retained earnings.

The estimated purchase price is reconsidered at each reporting date and any change in the value of the liability is recorded in net realised and unrealised fair value gains in the income statement. Interest in respect of this liability is calculated using the *effective interest rate method* and recorded within finance costs.

48.24 Income recognition

Income comprises the fair value of services, net of value added tax, after eliminating income from within the Group. Income is recognised as follows:

48.24.1 Fee income

IFRS 15 sets out the principles of the timing of revenue recognition. Revenue is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If none of the above criteria is met, revenue is recognised at a point in time.

Contract administration
Fees charged for investment management services provided in conjunction with an investment contract are recognised as income as the services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins; or as a constant percentage of assets under management; or as a fixed fee. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and released on a straight-line basis over the lives of the contracts.

Trust and fiduciary fees received
Fees received from asset management, retirement fund administration and other related administration services offered by the Group are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract, except for performance fees which are recognised at a point in time when the performance obligations are met. Where initial fees are received, these are deferred and recognised over the average period of the contract. This period is reassessed annually.

Health administration fee income

Fees received from the administration of health schemes are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.24 Income recognition continued

48.24.1 Fee income continued

Other fee income

Administration fees received and multiply fee income are recognised as the service is rendered. Services are rendered over the expected duration of the contract.

Cell captive fee income includes management fees, which relates to the managing of the cell. Management fees are negotiated with each cell shareholder and are generally calculated as a percentage of premiums received and/or as a percentage of assets. Income is brought to account on the effective commencement or renewal dates of the policies and is recognised over the duration of the contract. A portion of the income is deferred to cover the expected servicing costs, together with a reasonable profit thereon and is recognised as a liability. The deferred income is brought to account over the servicing period on a consistent basis reflecting the pattern of servicing activities.

Commission income in respect of insurance ceded to reinsurers is recognised on the commencement date of the policy. A portion of the income is deferred when further servicing is required to be rendered. Deferred commission income is spread evenly over the period of the policy. Profit commission negotiated with reinsurers is recognised on declaration by reinsurers.

Other fees received include scrip lending fees (which are based on rates determined per contract) and policy administration fees that are also recognised as the service is rendered. Scrip lending fees are recognised over the duration of the contract. Policy administration services are rendered either at a point in time or over the duration of the contract depending on when the performance obligations are met.

48.24.2 Investment income

Interest income

Interest income is recognised in the income statement, using the *effective interest rate method* and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method.*

Dividend income

Dividends received are recognised when the right to receive payment is established. Where it is declared out of retained earnings, dividend income includes scrip dividends received, irrespective of whether shares or cash is elected. Dividend income is not recognised when shares of the investee are received and the shareholders receive a pro rata number of shares, there is no change in economic interest of any investor and there is no economic benefit associated with the transaction.

Rental income

Rental income is recognised on the straight-line method over the term of the rental agreement.

48.25 Expense recognition

48.25.1 Expenses

Other expenses include auditors' remuneration, consulting fees, direct property expenses, information technology expenses, marketing costs, indirect taxes and other expenses not separately disclosed, and are expensed as incurred.

48.25.2 Finance costs

Finance costs incurred on qualifying property assets are capitalised until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use. Capitalisation is ceased when substantially all activities necessary to prepare the asset for intended use. All other finance costs are recognised in the income statement, using the *effective interest rate method*, and taking into account the expected timing and amount of cash flows.

Finance costs include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method.*

48.26 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group Executive Committee that makes strategic decisions. Refer to segmental report for more details.

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Statement of financial position

At 30 June 2022

	Notes	2022 Rm	2021 Rm
Assets			
Interest in subsidiary companies	2	**27 659**	27 233
Financial instruments		**886**	1 164
Financial assets at fair value through profit or loss	3	**339**	445
Financial assets at amortised cost	4	**547**	719
Non-financial assets		**4**	4
Cash and cash equivalents	5	**32**	285
Total assets		**28 581**	28 686
Equity attributable to owners of the Company			
Share capital and share premium	6	**17 601**	17 601
Other components of equity	7	**177**	103
Retained earnings		**9 753**	9 621
Total equity		**27 531**	27 325
Liabilities			
Financial instruments		**329**	358
Financial liabilities at amortised cost	8.1	**252**	246
Financial guarantee contracts	8.2	**77**	112
Other payables	9	**720**	1 002
Current income tax liability	10.1	**1**	1
Total liabilities		**1 050**	1 361
Total equity and liabilities		**28 581**	28 686

Income statement

For the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Investment income	11	**918**	1 528
Investment income – amortised cost		**37**	41
Investment income – other		**881**	1 487
Other income	13	**35**	37
Net realised and unrealised fair value (losses)/gains	12	**(144)**	7
Net income		**809**	1 572
Impairment (reversal)/charge on loans		**(112)**	(17)
Impairment (reversal)/charge on investment in subsidiaries		**(55)**	465
Other expenses	14	**43**	59
Expenses/(income)		**(124)**	507
Results of operations		**933**	1 065
Finance costs	15	**(37)**	(37)
Profit before tax		**896**	1 028
Income tax	10.2	**(16)**	(43)
Earnings for year attributable to owners of the Company		**880**	985

Statement of comprehensive income

For the year ended 30 June 2022

	2022 Rm	2021 Rm
Earnings for year	**880**	985
Total comprehensive income for year attributable to owners of the Company	**880**	985

Statement of changes in equity

For the year ended 30 June 2022

	Share capital Rm	Retained earnings Rm	Other components of equity Rm	Total attributable to owners of the Company Rm
Balance at 1 July 2020	17 601	9 010	78	26 689
Total comprehensive income	–	985	–	985
IFRS 2 extension charge	–	–	25	25
Dividends declared	–	(374)	–	(374)
Balance at 1 July 2021	**17 601**	**9 621**	**103**	**27 325**
Total comprehensive income	**–**	**880**	**–**	**880**
IFRS 2 extension charge	**–**	**–**	**11**	**11**
Dividends declared	**–**	**(748)**	**–**	**(748)**
Equity-settled share-based payments	**–**	**–**	**63**	**63**
Balance at 30 June 2022	**17 601**	**9 753**	**177**	**27 531**

Statement of cash flows

For the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Cash flow from operating activities			
Cash utilised in operations	16.1	**–**	(2)
Dividends received	11	**826**	659
Interest received	11	**34**	34
Income tax paid	16.2	**–**	–
Interest paid	16.3	**(37)**	(37)
Net cash inflow from operating activities		**823**	654
Cash flow from investing activities			
Investment in subsidiary companies		**(308)**	(547)
Investment in financial assets		**–**	(402)
Proceeds from disposal of subsidiary companies		**–**	47
Loans advanced to related parties		**(22)**	(12)
Loans repaid by related parties		**311**	345
Net cash outflow from investing activities		**(19)**	(569)
Cash flow from financing activities			
Loans advanced from related parties		**65**	363
Loans repaid to related parties		**(374)**	–
Dividends paid		**(748)**	(374)
Net cash outflow from financing activities		**(1 057)**	(11)
Net cash flow		**(253)**	74
Cash and cash equivalents at beginning		**285**	211
Cash and cash equivalents at end	5	**32**	285

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The basis of preparation and accounting policies of the Company are the same as that of the Group, as set out in the Group financial statements. These financial statements should be read in conjunction with the Group financial statements.

2 INTEREST IN SUBSIDIARY COMPANIES

	2022 Rm	2021 Rm
Cost less impairment	**27 656**	27 230
Loans to subsidiary companies (note 42)	**3**	3
	27 659	27 233
Opening balance	**27 233**	26 149
Cost of interest in subsidiaries acquired	**308**	1 902
Equity-settled share-based payments Investment	**63**	–
Less: disposals	**–**	(47)
Movements in loans to subsidiary companies	**–**	(321)
Less: Impairment reversal/(expense) of investment in subsidiaries	**55**	(450)
Closing balance	**27 659**	27 233

General

Details of interests in subsidiary companies are disclosed in note 42 of the Group financial statements.

Additions to the cost of subsidiaries and other movements

Momentum Metropolitan Strategic Investments Pty Ltd (MMSI): The Company acquired additional shares in MMSI for R308 million during the current year (2021:R1 743 million). The capital injection into MMSI in the current year was fully funded through cash.

MIH: The Company acquired additional shares in MIH for R151 million during the prior year.

The Company acquired R8 million additional shares in MET Collective Investments (RF) (Pty) Ltd in the prior year.

Equity-settled share-based payment

Momentum Metropolitan has made available an Employee Share Ownership Plan to its employees through the iSabelo Trust. iSabelo is structured to benefit all permanent employed South African based employees to promote inclusivity.

These units are allocated on a deferred delivery basis over a seven-year period. All units need to be held for an initial period of ten years (lock in period) before they can be redeemed for MMH shares. At the end of the lock in period, the iSabelo Trust will exchange the units for MMH shares.

The investment in subsidiaries is as a result of the iSabelo share-based transaction, for which the Company has the responsibility to provide its own shares to the employees of the respective subsidiaries.

Refer to note 17.6 of the MMH Group AFS for the Share-based payment disclosures.

Disposals

In the prior year Momentum Life International (Pty) Ltd (MLI) commenced its process for deregistration as a legal entity. MLI paid a final liquidation of R47 million to the Company as a return of capital to its parent.

There were no disposals in the current year.

Loans to subsidiary companies

The loans to subsidiary companies are not of a commercial nature and are therefore interest-free, with no fixed repayment terms. These loans are intended to provide the subsidiaries with a long-term source of additional capital and are disclosed as part of the investment in subsidiary. The Company can recall these loans when cash is required. The additional loans to subsidiaries that are of an operational nature are disclosed as loans to subsidiaries at amortised cost. Loans to subsidiaries are measured at amortised cost. Refer to note 4 for disclosure of loans to subsidiaries.

Impairment

Investments in subsidiaries are measured at cost less accumulated impairment and are assessed for impairment when there is an indication of impairment. Investments in subsidiaries are considered impaired where the recoverable amount is below its carrying amount. The recoverable amount of a subsidiary is the higher of its value in use, reflected in the directors' value for that entity, and its fair value less cost to sell.

Where the directors' valuations were used, the valuations used cash flow projections which are based on financial budgets approved by management and the Board covering a five-year period. In 2022, the expected cash flows were discounted at a risk discount rate of 17.75% (2021: 16.25%).

In the prior year, MHH commenced its process for deregistration and as a result its fair value was nil. The investment was subsequently impaired by R448 million in 2021. MET Collective Investments (RF) (Pty) Ltd (MetCI) and Momentum Trust (Pty) Ltd (Mom Trust) were impaired by R 214K (2021: R17 million) and R978K (2021: R7 million), respectively in the current year. These investments were impaired to their fair value based on their underlying net assets i.e. net asset value. The lower net asset value in MetCI was as a result of decreased earnings in the current year. Reduced asset balances contributed to a reduction in net assets in Mom Trust in the current year.

2 INTEREST IN SUBSIDIARY COMPANIES CONTINUED

Impairment continued

A provision for impairment of R14.6 million in Momentum Metropolitan Infrastructure & Operations (Pty) Ltd (MM I&O) was reversed in the current year (2021: R7 million) as well as a provision for impairment of R42 million in Momentum Metropolitan Finance Company (Pty) Ltd (2021: Rnil). Refer to note 42 of the Group financial statements for the recoverable amounts of the investments.

The impairment reversals were due to an increase in the net asset value. The net asset value of Momentum Metropolitan Finance Company (Pty) Ltd movement was due to profits generated from interest, commitment fees and a sale of loan to Momentum Metropolitan Strategic Investments (Pty) Ltd.

3 FINANCIAL ASSETS AT FVPL

	2022 Rm	2021 Rm
Equity securities	**16**	15
Preference shares[1]	**318**	417
Loans to related party		
Equity linked derivative – Empowerment partners[2]	**5**	13
	339	445
Current	**5**	13
Non-current	**334**	432
	339	445

[1] In the prior year, the Company subscribed to 402 313 redeemable preference shares for R1 per share in Momentum Metropolitan iSabelo (Pty) Ltd SPV (iSabelo) as part of a capital contribution into the Employee Share Option Program (ESOP) Trust. The preference shares accrue interest at 120% of prime, compounded semi-annually and mature on 28 January 2025. The preference shares are unsecured however full settlement of the receivable is dependent on the value of the shares held in the trust at the time of settlement. Refer to note 17.6 of the Group financial statements for details on the ESOP transaction.

[2] The Company subscribed to a participating, cumulative, redeemable A4 preference share from Kagiso Tiso Holdings Ltd (KTH) on 30 June 2019 with a nominal value of R100. The share is redeemable on 30 November 2022.

The A4 preference share earns a dividend of R1.32 per share less: MMH's ordinary dividend, a facilitation cost of R1 million per month and fund preference share dividend rate differential of 3% of prime. The preference share's returns are impacted by a number of variables, including the Company's ordinary dividend, and as such, the share is classified as an equity derivative held for trading.

The dividends on the A4 preference share align the A3 preference share dividend to the ordinary dividend.

A schedule of equity securities is available for inspection at the Company's registered office.

4 FINANCIAL ASSETS AT AMORTISED COST

	2022 Rm	2021 Rm
Loans to related parties	**547**	719
Loans to subsidiary companies (note 42)	**252**	539
Less: provision for impairment on loans to subsidiary companies	**(2)**	(114)
Loans to associates	**1**	1
Preference shares	**34**	31
Empowerment partners	**262**	262
Total financial assets at amortised cost	**547**	719
Current	**546**	718
Non-current	**1**	1
	547	719

Terms and conditions of material loans

- Loans to subsidiary companies are generally interest-free, unsecured and have no repayment terms. The loans are payable on demand. The carrying value therefore approximates fair value.
- Preference shares:
  - MMH holds class B preference shares in Eris Property Fund (Pty) Ltd (EPF). These preference shares are subject to dividends (at risk-free rate of 6.907% plus 5%) compounded semi-annually, disclosed as part of interest income. Interest for the period is R3 million (2021: R3 million). The preference shares were extended for a further year and will be redeemed in May 2023. The carrying value approximates fair value.
- Loans to empowerment partners:
  - The loans to empowerment partners is R262 million (2021: R262 million) at 30 June 2022, which relates to preference shares acquired on 2 December 2011 in Off the Shelf Investments (Pty) Ltd (a KTH subsidiary) for R316 million. Given the financial substance of the KTH subsidiary and the commercial terms attached to the funding arrangement, there is sufficient security in the Company that the Group does not carry and has not carried the risks and rewards of the shares that are funded by the loan. The loan is therefore not accounted for as an option under IFRS 2 - Share-based payments - and is recognised as a receivable carried at amortised cost. Interest is charged at 85% of the prime interest rate of South Africa and the preference shares have a repayment date of 30 November 2022 (after extending the terms for a further 5 months in the current year). The extension does not constitute a significant modification, the extinguishment of the instrument or result in the recognition of a new instrument and was therefore accounted for as a change in the expected future cash flows.

    The fair value of loans to empowerment partners at 30 June 2022 approximates the carrying value as the repayment date is within one year.

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

Impairment

The impairment for provision on loans to subsidiaries and accounts receivable was reduced by R112 million (2021: R17 million) in the current year. There has been a significant decrease in the expected credit loss allowances because the Momentum Metropolitan Strategic Investments (Pty) Ltd loan receivable of R310 million was settled and the Metropolitan Capital Ltd expected credit loss decreased significantly due to a decrease in the Probability of Default (PD) from prior year, the PD decreased from 100% to 1.93%. The PD was 100% in the prior period as the entity followed a very conservative approach of accounting for expected losses, in the current period the approach was updated to produce a PD that is aligned with whether the counterparty's NAV was positive or negative. Metropolitan Capital Ltd had a positive NAV which indicated its ability to settle the loan amount when it is due, hence the PD for the current period was 1.93%.

Impairment of loans to subsidiaries are impaired if the borrowing company does not have sufficient accessible highly liquid assets available at reporting date. The expected credit loss is calculated by considering the means of the loan recovery, the quality of the subsidiary's underlying investments, as well as profitability expectations.

To determine a significant increase in credit risk, the following factors are considered: changes in the net asset value of the borrower, changes in management and organisational structure during the year, stability of industry and resilience to volatility and regulatory changes, the type of funding provided to the entity and the repayment behaviour of the borrower.

Loans with repayment terms considers the net asset value, frequency in management changes, subordination of the loan and sufficiency of liquid assets of the borrower as well as the remaining repayment term to determine a probability of default.

Loans without repayment terms consider whether the borrower has sufficient accessible highly liquid assets available to determine a probability of default.

The probabilities of default is extracted from a report issued by Moody's. Loss given default rates applied are extracted from SAM Loss Given Default (LGD) tables prescribed for insurers and adjusted accordingly by management to incorporate forward-looking information.

4.1 Credit risk balances – expected credit loss

	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2022				
Assets				
Loans to related parties	**547**	**–**	**–**	**547**
Loans to subsidiary companies (note 42)	**252**	**–**	**–**	**252**
Less: provision for impairment on loans to subsidiary companies	**(2)**	**–**	**–**	**(2)**
Empowerment partners[1]	**262**	**–**	**–**	**262**
Preference shares	**34**	**–**	**–**	**34**
Loans to associates	**1**	**–**	**–**	**1**
Total financial assets at amortised cost	**547**	**–**	**–**	**547**
2021				
Assets				
Loans to related parties	719	–	–	719
Loans to subsidiary companies (note 42)	539	–	–	539
Less: provision for impairment on loans to subsidiary companies	(114)	–	–	(114)
Empowerment partners[1]	262	–	–	262
Preference shares	31	–	–	31
Loans to associates	1	–	–	1
Total financial assets at amortised cost	719	–	–	719

[1] The terms of the loan provide that dividends received from MMH on ordinary shares held by KTH will be used to settle the loan provided to empowerment partners. PD on the loan is thus considered unlikely and as such no expected credit loss has been raised on the receivable.

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

4.2 Credit risk balances – reconciliation of expected credit losses

	Accounts receivable Rm	Related party loans[1] Rm	Total Rm
2022			
Balance at beginning	–	(114)	(114)
Reversed	–	112	112
Balance at end	–	(2)	(2)
2021			
Balance at beginning	(7)	(124)	(131)
Reversed	7	10	17
Balance at end	–	(114)	(114)

[1] Expected credit losses on loans to related parties include loans disclosed in note 2 and note 4.1.

	12 month expected credit losses Stage 1 Rm	Lifetime expected credit losses Stage 3 Rm	Total Rm
2022			
Related party loans			
Opening balance	(114)	–	(114)
Movement recognised in the income statement	112	–	112
Closing balance	(2)	–	(2)
2021			
Accounts receivable			
Opening balance	–	(7)	(7)
Movement recognised in the income statement	–	7	7
Closing balance	–	–	–
Related party loans			
Opening balance	(117)	(7)	(124)
Movement recognised in the income statement	3	7	10
Closing balance	(114)	–	(114)

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

4.2 Credit risk balances – reconciliation of expected credit losses continued

Staging definitions		Staging definitions	Basis for recognition of expected credit loss provision
Stage	**Accounts receivable**	**Loans**	
Stage 1 (Performing)	• Low risk of default • Strong capability to meet contractual payments	• No significant decrease in NAV since initial recognition of loan • No management and organizational structure changes in the year • Loans are recoverable and at an entity level is specifically evidenced by: – Repayment of interest and capital (where applicable) in terms of agreements done on dates and amounts as agreed in legal agreement – No restructuring of the loan has occurred – No significant deterioration in credit quality • Strong/Adequate capability to meet commitments in terms of the loan agreement	12 months expected losses
Stage 2 (Under-performing)	• Significant increase in credit risk • Repayments are more than 30 days and less than 90 days past due	• Significant decrease in NAV initial recognition of loan • No objective evidence of impairment. • Some management and organizational structure changes but not a majority • Loans are recoverable and at an entity level is specifically evidenced by: – Positive Net Asset Value for company – Repayment of interest and capital is significantly in line with the terms of agreements i.e. not more than 30 days past due – Some loans may be restructured based on operational needs, but with no effect on interest and capital repayment ability i.e. credit quality has deteriorated based on the need for restructure, but adequate repayment plans in place – Deterioration of credit quality. • More vulnerable to changes in conditions that may result in reduction of capacity to meet commitments	Lifetime expected losses
Stage 3 (Non-performing)	• Significant increase in credit risk • Repayments are more than 90 days past due	• Significant decrease in NAV since initial recognition of loan • Objective evidence of impairment • Various management and organizational structure changes • Loans are partially recoverable and at an entity level is specifically evidenced by: – Significant deterioration in credit quality and impaired credit quality – Negative Net Asset Value for company – Loan is in default, i.e. repayment of interest and capital is not in compliance with the terms of the agreement and default does not occur later than 90 days past due. • Restructured Debt	Lifetime expected losses
Written off	Long outstanding amounts due are evaluated on a case by case basis and would generally be written off when there is no alternative for the debtor to return to solvency and/or legal action taken was unsuccessful.		

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

4.2 Credit risk balances – reconciliation of expected credit losses continued

Significant increase in credit risk	Criteria
Accounts receivable and loans	To determine a significant change in credit risk both historical data and forward looking information is taken into account. This includes existing or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, a breach of contract, significant changes in the value of any collateral supporting the obligation and reductions in financial support from a parent entity.

Financial asset	Impairment information
Accounts receivable	Impairment of accounts receivable is based on the recoverability of balances grouped together based on shared credit risk characteristics, e.g. instrument type. Balances generally relate to amounts where the timing of settlement is within one month. Historic payments as well as forward looking information is also taken into account.
Loans	For related party loans the solvency of the counterparty is taken into account as well as any collateral held.

Sensitivities	
Accounts receivable	No expected credit loss has been raised in the current year. Impairment expenses in stage 3 in the prior year were not considered to be sensitive to changes in the forward looking information.
Loans	Most of the loan balances outstanding are considered to have low credit risk as the borrower has a strong capacity to meet its obligations and has a low risk of default. The expected credit loss is therefore not considered to be sensitive to changes in forward looking information.

4.3 Credit risk balances – credit quality

	AAA Rm	AA Rm	Unrated Rm	Total Rm
2022				
Financial assets at FVPL				
Equity securities	**–**	**–**	**16**	**16**
Preference shares	**–**	**–**	**318**	**318**
Equity linked derivative – Empowerment Partners	**–**	**–**	**5**	**5**
Cash and cash equivalents	**32**	**–**	**–**	**32**
Financial assets at amortised cost				
Loans to subsidiary companies (note 42)	**–**	**–**	**252**	**252**
Empowerment partners	**–**	**–**	**262**	**262**
Preference shares	**–**	**–**	**34**	**34**
Loans to associates	**–**	**–**	**1**	**1**
	32	**–**	**888**	**920**
2021				
Financial assets at FVPL				
Equity securities	–	–	15	15
Preference shares	–	–	417	417
Equity linked derivative – Empowerment Partners	–	–	13	13
Cash and cash equivalents	285	–	–	285
Financial assets at amortised cost				
Loans to subsidiary companies (note 42)	–	–	539	539
Empowerment partners	–	–	262	262
Preference shares	–	–	31	31
Loans to associates	–	–	1	1
	285	–	1 278	1 563

	2022 Rm	2021 Rm
5 CASH AND CASH EQUIVALENTS		
Bank and other cash balances	**32**	285

Expected credit loss on cash and cash equivalents is immaterial.

The carrying value approximates fair value due to its short-term nature.

6 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital of MMH

2 billion ordinary shares of 0.0001 cents each.

129 million (76 million A1, 13 million A2 and 40 million A3) variable rate cumulative redeemable convertible preference shares of 0.0001 cents each.

Issued share capital of MMH

1.5 billion ordinary shares of 0.0001 cents each

28 million A3 variable rate cumulative redeemable convertible preference shares of 0.0001 cents each in issue

Number of shares in issue (million)	2022	2021
Opening balance	**1 498**	1 498
Closing balance	**1 498**	1 498

Share capital and share premium	2022 Rm	2021 Rm
Opening balance	**17 601**	17 601
Closing balance	**17 601**	17 601

Further details of the preference shares disclosed in note 16 respectively of the Group financial statements.

		2022 Rm	2021 Rm
7	**OTHER COMPONENTS OF EQUITY**		
7.1	**Preference shares (Equity settled share scheme)**	**114**	103
7.2	**Equity-settled share-based payment arrangements**	**63**	–
		177	103
7.1	**Preference shares (Equity settled share scheme)**		
	Balance at beginning	**103**	78
	IFRS 2 extension charge	**11**	25
	Balance at end	**114**	103
7.2	**Equity-settled share-based payment arrangements**		
	Balance at beginning	**–**	–
	Share schemes – value of services provided	**63**	–
	Balance at end	**63**	–
8	**FINANCIAL LIABILITIES**		
8.1	**Financial liabilities at amortised cost**		
	Cumulative redeemable convertible preference shares – Current	**252**	246
	Due at the beginning	**246**	254
	Accrued interest	**37**	37
	Interest paid	**(37)**	(37)
	Modification	**6**	(8)
	Due at the end	**252**	246

Details of the cumulative redeemable convertible preference shares are disclosed in note 12.2 of the Group financial statements.

The Company issued 28 million A3 preference shares to KTH in June 2010. The preference shares are convertible at the option of the holder into MMH ordinary shares at any time before the compulsory redemption date. The preference shares had an initial redemption date of December 2011, the terms of which have been extended previously, with the most recent extension in June 2022 (for a further 5 months). The preference shares accrue a dividend of R1.32 per share. The extension does not constitute a significant modification, the extinguishment of the liability or result in the recognition of a new liability and was therefore accounted for as a change in the expected future cash flows. The change in the expected cash flows resulted in an R6 million loss recognised in profit or loss in the current year (2021: R8 million gain). In addition, the change in the expected cash flows before and after the extension resulted in an IFRS 2 – Share-based payment B-BBEE expense of R11 million being recognised in the current year (2021: R25 million).

The estimated fair value of the A3 preference shares is R400 million (2021: R558 million) and is based on the market value of the listed ordinary shares, adjusted for the differences in the estimated dividend cash flows between the valuation and conversion dates. As the preference shares are already convertible, the market value is deemed to be the minimum value. In 2022, the expected cash flows were discounted at a current market rate of 14% (2021: 13%) (level 2). The conversion of the preference shares is at the option of the preference shareholder; the date of conversion was estimated based on the most beneficial dividend stream to the holder.

	2022 Rm	2021 Rm
8 FINANCIAL LIABILITIES CONTINUED		
8.2 Financial guarantee contracts	**77**	112
Due at the beginning	**112**	141
New guarantees entered into	**–**	–
Net amortisation	**(35)**	(29)
Due at the end	**77**	112
Current	**41**	35
Non-current	**36**	77
	77	112

Financial guarantees have been issued to RMB and Sanlam Alternative Income Fund on behalf MMSI. The agreements guarantee repayment of preference shares issued to them in the event that MMSI is unable to meet its commitment. On initial recognition, the financial guarantees are measured at fair value.

The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee. On initial recognition of the guarantee, the investment in subsidiary is debited with the fair value of the guarantee.

Subsequently at the end of each reporting period, the guarantees will be measured at the higher of the amount of the expected credit loss and the amount initially recognised less the cumulative amortisation, where appropriate.

	2022 Rm	2021 Rm
9 OTHER PAYABLES		
Other payables	**20**	20
Loans from subsidiary companies (note 42)	**700**	982
	720	1 002
Current	**720**	1 002

For accounts payable, the carrying value approximates fair value due to its short-term nature.

Loans from subsidiary companies are interest-free, unsecured and payable on demand. The carrying value therefore approximates fair value.

	2022 Rm	2021 Rm
10 INCOME TAX		
10.1 Current income tax liability		
Movement in liability		
Balance at beginning	**1**	1
Charged to income statement	**2**	1
Settled during year	**(2)**	(1)
Balance at end	**1**	1
Current tax is paid on behalf of the Company by its subsidiary through an intercompany loan account facility.		
No deferred tax is recognised as the Company receives passive income. Tax adjustments are permanent in nature and are not directly related to the generation of taxable income.		
10.2 Income tax expense		
Current taxation		
Current year		
South African normal tax	**2**	1
Foreign countries – withholding tax[1]	**14**	42
	16	43

[1] Foreign dividends withholding taxes in the current year were due to dividends received from Metropolitan Life of Botswana Ltd. Refer to note 17.3 for transactions with related parties.

	2022 %	2021 %
Tax rate reconciliation		
Tax calculated at standard rate of South African tax on earnings	**28.0**	28.0
Foreign tax	**2.0**	4.0
Non-taxable income[1]	**(30.0)**	(42.0)
Non-deductible expenses[2]	**2.0**	14.0
Effective rate	**2.0**	4.0

[1] The Company only receives exempt dividends and passive income in the form of interest; its expenses are therefore not in the production of income and therefore non-deductible.

[2] Non-deductible expenses comprise of operating expenses incurred in the ordinary course of business which include directors' fees, audit fees and interest paid on preference shares. The Company receives non-taxable income and as such, expenses that it incurs are non-deductible.

		2022 Rm	2021 Rm
11	**INVESTMENT INCOME**		
	Dividend income – subsidiary companies[1]	**842**	1 472
	Interest income – amortised cost using effective interest rate method	**37**	41
	Financial assets at amortised cost	**31**	37
	Cash and cash equivalents	**6**	4
	Other income		
	Financial assets at fair value through profit or loss[2]	**39**	15
		918	1 528

[1] Included in dividend income in the prior year is a dividend in-specie of R767 million received from Momentum Metropolitan Life Limited in the form of a loan repayment. All dividends in the current year were cash.

Dividend income from foreign subsidiaries is disclosed gross of foreign dividends withholding taxes of R14 million (2021: R42 million).

[2] Interest income on preference shares held in the iSabelo SPV. Refer to note 3.

		2022 Rm	2021 Rm
12	**NET REALISED AND UNREALISED FAIR VALUE GAINS**		
	Financial assets at fair value through profit or loss[1]	**(137)**	(1)
	Derivative financial instrument: held for trading	**(7)**	8
		(144)	7

[1] Fair value loss of R138 million on the iSabelo Preference Shares (2021: Rnil). Refer to note 3.

		2022 Rm	2021 Rm
13	**OTHER INCOME**		
	Amortisation on financial guarantee contracts	**35**	29
	Financial liabilities at amortised cost[1]	**–**	8
		35	37

[1] Modification gain of R8 million recognised on A3 preference shares due to an extension of the redemption date in the prior year. Refer to note 8.1.

		2022 Rm	2021 Rm
14	**OTHER EXPENSES**		
	Share-based payment expense[1]	**11**	25
	Directors' remuneration	**15**	15
	Loss on loans written off	**–**	8
	Auditors' remuneration	**6**	4
	Consulting fees	**3**	2
	Other indirect taxes	**2**	2
	Financial liabilities at amortised cost[2]	**6**	–
	Realised forex losses	**–**	3
		43	59

[1] IFRS 2 expense due to the extension of the A3 KTH preference shares. Refer to note 8.1.

[2] Modification loss of R6 million recognised on A3 preference shares due to an extension of the redemption date. Refer to note 8.1.

		2022 Rm	2021 Rm
15	**FINANCE COSTS**		
	Interest expense on liabilities at amortised cost		
	Redeemable preference shares	**37**	37
		37	37

	2022 Rm	2021 Rm
16 CASH FLOW FROM OPERATING ACTIVITIES		
16.1 Cash generated/(utilised) by operations		
Profit before tax	**896**	1 028
Adjusted for		
Items presented separately on the face of the statement of cash flow		
Dividends income	**(842)**	(1 472)
Interest income	**(76)**	(56)
Finance costs	**37**	37
Non-cash-flow items		
Impairment charges (reversals)	**(167)**	449
Share-based payments	**11**	25
Financial assets at FVPL	**144**	(4)
Changes in operating assets and liabilities		
Financial liabilities at amortised cost	**6**	(8)
Other operating liabilities	**(9)**	(1)
	–	(2)
16.2 Income tax paid		
Due at beginning	**1**	1
Charged to income statement	**2**	1
Paid by subsidiary on behalf of the Company	**(2)**	(1)
Due at end	**1**	1
16.3 Interest paid		
Redeemable preference shares		
Paid 30 September	**(19)**	(19)
Paid 31 March	**(18)**	(18)
	(37)	(37)

17 RELATED PARTY TRANSACTIONS

17.1 Holding company

Shares in MMH, the ultimate holding company in the Group, are widely held by public and non-public shareholders; refer to the shareholder profile on page 160 of the Integrated Report. Significant subsidiary companies are listed in note 42 of the Group financial statements. Other related parties include directors, key personnel and close members of their families. As a result of RMI unbundling its shareholding in the Company on 25 April 2022, RMI is no longer a related party of that date. Refer to note 31.1 in the Group financial statements for more details.

17.2 Transactions with directors

Remuneration is paid in the form of fees to non-executive directors and remuneration to executive directors and key personnel of the Company. The remuneration, shares held and transactions of the Group Executive Committee members are disclosed in note 45 of the Group financial statements.

17.3 Transactions with related parties

Loans are advanced between MMH and its subsidiaries and associates as funding. The loans to subsidiary companies included in loans in the statement of financial position are detailed in note 42 of the Group financial statements. The loans to associates are included in note 4.

Details of other transactions with related parties included in the financial statements are listed below.

	2022 Rm	2021 Rm
Dividends from subsidiaries – MML	**700**	1 030
Dividends from subsidiaries – Metropolitan Life of Botswana Ltd	**56**	76
Dividends from subsidiaries – Metropolitan Lesotho Ltd	**85**	360
Dividends from subsidiaries – Eris Property Group (Pty) Ltd	**1**	2
Dividends from subsidiaries – MLI	**–**	2
Dividends from subsidiaries – Momentum Metropolitan Finance Company (Pty) Ltd[1]	**–**	–
Dividends from subsidiaries – MHH	**–**	3
Interest received – EPF	**3**	3
Interest received – Off the Shelf Investments (Pty) Ltd	**28**	34
Finance costs – KTH	**37**	37

[1] Dividend of R79 164 declared in the current year (2021: R210 273).

Refer to notes 2, 3 and 4 for loans and receivables with related parties.

Refer to note 45 of the Group financial statements for further details on related party transactions with directors and key management personnel.

	Expected credit loss		Impairment expense(reversal)	
	2022 Rm	**2021 Rm**	**2022 Rm**	**2021 Rm**
17 RELATED PARTY TRANSACTIONS CONTINUED				
17.4 Expected credit loss on loans due from related parties				
Metropolitan Capital (Pty) Ltd	**2**	103	**(101)**	4
MMSI	**–**	11	**(11)**	1
MIH	**–**	–	**–**	(12)
MHH	**–**	–	**–**	(3)
EPF	**–**	–	**–**	–
MM I&O	**–**	–	**–**	–
Metropolitan International Support (Pty) Ltd	**–**	–	**–**	–
C Shell 448 (Pty) Ltd	**–**	–	**–**	–
	2	114	**(112)**	(10)

18 CONTINGENT LIABILITIES

Contingent liabilities are reflected when the Company has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or it is possible but not probable that an outflow of resources will be required to settle a present obligation, or the amount of the obligation cannot be measured with sufficient reliability. No contingent liabilities arose in both the current and prior years.

19 CAPITAL COMMITMENTS

The Company has given a guarantee in favour of RMB and Sanlam Alternative Income Fund that MMSI will repay its obligations due to them. The details of this guarantee have been disclosed in note 8.2.

20 RISK MANAGEMENT POLICIES

Details of financial instruments and risk management strategies are disclosed in note 7 and 35 of the Group financial statements. The more significant financial risks to which the Company is exposed are credit risk and interest rate risk.

The Company's capital is managed with that of the Group. The capital management of the Group is discussed in note 36 of the Group financial statements.

20.1 Classes of financial assets and liabilities

The following table reconciles the assets and liabilities in the statement of financial position to the classes and portfolios of assets managed in terms of mandates.

	2022 Rm	2021 Rm
Assets		
Carried at fair value through profit or loss	**339**	445
Debt securities	**318**	417
Equity linked derivative	**5**	13
Unlisted equity securities	**16**	15
Carried at amortised cost	**547**	719
Loans	**547**	719
Accounts receivable	**–**	–
Cash and cash equivalents	**32**	285
Investment in subsidiary companies[1]	**27 659**	27 233
Total assets	**28 577**	28 682
Liabilities		
Carried at amortised cost	**252**	246
Cumulative redeemable preference shares	**252**	246
Other payables	**720**	1 002
Loans from subsidiary companies	**700**	982
Other payables	**20**	20
Financial guarantee contracts	**77**	112
Other liabilities	**1**	1
Total liabilities	**1 050**	1 361

[1] Included in investments in subsidiaries are loans to subsidiaries of R3 million (2021: R3 million). These loans are measured at amortised cost.

The definitions of classes of financial assets and liabilities are disclosed in note 48 of the Group financial statements.

20 RISK MANAGEMENT POLICIES CONTINUED

20.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit risk of the Company is managed similarly to that of the Group as disclosed in note 40 in the Group financial statements.

The Company's maximum exposure to credit risk is through the following classes of assets:

	2022 Rm	Restated[1] 2021 Rm
Financial assets at fair value through profit or loss	**323**	430
Debt securities	**318**	417
Equity linked derivative	**5**	13
Financial assets at amortised cost	**547**	719
Loans	**547**	719
Accounts receivables	**–**	–
Cash and cash equivalents	**32**	285
Total assets bearing credit risk	**902**	1 434
Financial guarantee contracts	**2 025**	2 022
Financial liabilities at amortised cost		
Cumulative redeemable preference shares	**267**	283
Other payables	**721**	1 003
Loans from subsidiary companies	**700**	982
Other payables	**21**	21
Total liabilities bearing credit risk	**3 013**	3 308

[1] The financial guarantee contract as well as the cumulative redeemable preference shares values were restated to provide the maximum exposure. Financial assets measured at fair value were also included as they are exposed to credit risk.

Security and credit enhancements

- For cash and cash equivalents, the credit risk is managed through the Group's credit risk exposure policy described in the Group financial statements.
- Security held on loans is disclosed in note 4.

Using S&P ratings (or the equivalent thereof when S&P ratings are not available), cash and cash equivalents have a AAA (2021: AAA) credit rating. Financial assets at amortised cost consist mainly of loans to related parties. Apart from cash and cash equivalents, the financial assets and liabilities are unrated.

20.3 Financial assets hierarchy

The following table provides an analysis of the assets at fair value into the various levels:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022				
Equity securities	**–**	**7**	**9**	**16**
Preference shares	**–**	**318**	**–**	**318**
Derivatives financial instrument held for trading	**–**	**–**	**5**	**5**
	–	**325**	**14**	**339**
2021				
Equity securities	–	5	10	15
Preference shares	–	417	–	417
Derivatives financial instrument held for trading	–	–	13	13
	–	422	23	445

20 RISK MANAGEMENT POLICIES CONTINUED

20.3 Financial assets hierarchy continued

The following table provides a reconciliation of the fair value of the level 3 assets:

	Equity securities Rm	Derivative financial instrument Rm	Total Rm
2022			
Opening balance	**10**	**13**	**23**
Transfer from other asset classes	**–**	**–**	**–**
Total unrealised gains/(losses) in the income statement	**(1)**	**(8)**	**(9)**
Transfers into level 3	**–**	**–**	**–**
Closing balance	**9**	**5**	**14**
2021			
Opening balance	10	–	10
Transfer from other asset classes	–	5	5
Total unrealised gains/(losses) in the income statement	–	8	8
Transfers into level 3	–	–	–
Closing balance	10	13	23

20.4 Valuation techniques

The valuation of the Company's assets has been classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following are the methods and assumptions for determining the fair value when a valuation technique is used in respect of instruments classified as level 2.

Instrument	Valuation basis	Main assumptions
Equity instrument	External valuation	Net asset value (assets and liabilities are carried at fair value)
Preference shares	Option pricing based approach	Share price, MMH ordinary dividend, Nominal prime rate

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

Financial asset	Valuation technique	Observable input	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Derivative financial instrument held for trading	DCF	Prime	Risk- free rate, MMH ordinary dividend, facilitation cost, preference share dividend	Could vary due to range of ordinary dividend declared: 0 cents to 40 cents Facilitation costs : R1 million	The higher the MMH ordinary dividend, the lower the value of the derivative

20 RISK MANAGEMENT POLICIES CONTINUED

20.4 Valuation techniques continued

20.4.1 Valuation techniques – sensitivity analysis – level 3 instruments

The fair value of the derivative instrument is largely driven by the ordinary dividend declared by the Company. Dividends were declared in the current year and it has been assessed that this trend is likely to continue until redemption date.

The following table shows the impact of a change in the dividend declaration and prime rate on the fair value of the derivative.

	Prime –1%	Base	Prime +1%
Dividend + 10 cents	4 517 549	4 483 968	4 450 386
Base	4 544 438	4 510 656	4 476 874
Dividend - 10 cents	4 574 245	4 540 241	4 450 386

20.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, arising from the possibility that the Company could be required to pay its liabilities earlier than expected.

Liabilities at amortised cost

It is expected that the A3 preference shares will convert into ordinary shares and that there will therefore be no cash outflow on conversion; however, if the shares are not converted, an outflow at redemption value on the redemption date, 30 November 2022 (extended by 5 months in the current year), is assumed. The Company has a further obligation to pay preference share dividends. The cash flows for these dividends are those expected up to redemption date, even though the conversion of the preference shares is at the option of the preference shareholder.

Other payables

Other payables include loans from subsidiary companies which are payable on demand.

The following table indicates the maturity analysis of the liabilities:

		Undiscounted cash flows		
	Carrying value Rm	Total Rm	0 to 1 year Rm	1 to 5 years Rm
2022				
Amortised cost				
Cumulative redeemable preference shares	**252**	**267**	**267**	**–**
Other payables	**720**	**720**	**720**	**–**
Financial guarantee contracts[1]	**77**	**2 025**	**–**	**2 025**
Total liabilities	**1 049**	**3 012**	**987**	**2 025**
2021				
Amortised cost				
Cumulative redeemable preference shares	246	283	37	246
Other payables	1 002	1 002	1 002	–
Other liabilities	–	1	1	–
Financial guarantee contracts	112	2 022	–	2 022
Total liabilities	1 360	3 308	1 040	2 268

[1] The carrying value of the financial guarantee contracts is R77 million. The liquidity exposure related to this financial guarantee is R2,025 billion, which is the carrying value of the preference shares held by MMSI as at 30 June 2022. Refer to note 8.2.

20 RISK MANAGEMENT POLICIES CONTINUED

20.6 Market risk

Introduction

- Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market prices.
- The key component of market risk applicable to the Company is interest rate risk.

20.6.1 Interest rate risk

Interest rate risk is the risk that the value and/or future cash flows of financial instruments held will fluctuate as a result of changes in interest rates.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed maturity investments included in the Company's investment portfolios are subject to changes in prevailing market interest rates. Additionally, relative values of alternative investments and the liquidity of the instruments invested in could affect the fair value of interest rate market-related investments. The ongoing assessment by an investment research team of market expectations within the South African interest rate environment drives the process of asset allocation in this category.

The Company is exposed to floating interest rates that result in cash flow interest rate risk. Financial assets at amortised cost (empowerment loans) have a weighted average interest rate of 7.2% (2021: 7%). Cash and cash equivalents have a weighted average interest rate of 19% (2021: 3.1%).

20.6.2 Sensitivity to market risks

The Company's earnings and net asset value are exposed to market risks. The Company has identified that changes in interest rates have the most significant effect on earnings and equity.

The Company is exposed to floating interest rate changes only. Cash requirements fluctuate during the course of the year and are therefore of a short-term nature. Interest rate changes with respect to cash and cash equivalents will therefore not have a significant impact on earnings.

The Company has foreign currency exposure in so far as it relates to foreign dividends declared by its subsidiaries. The Company has no other foreign currency exposure.

21 FINANCIAL ASSETS MEASUREMENT

Financial assets summarised by measurement category in terms of IFRS 9	Fair value through profit or loss Mandatorily Rm	Amortised cost[1] Rm	Total Rm
2022			
Equity securities	**16**	**–**	**16**
Loans to associates	**–**	**1**	**1**
Preference shares	**318**	**34**	**352**
Empowerment partners	**–**	**262**	**262**
Equity linked derivative	**5**	**–**	**5**
Intercompany loans to subsidiaries[2]	**–**	**252**	**252**
Provision for impairment on loans to subsidiary companies	**–**	**(2)**	**(2)**
Cash and cash equivalents	**–**	**32**	**32**
Total financial assets	**339**	**579**	**918**
2021			
Equity securities	15	–	15
Loans to associates	–	1	1
Preference shares	417	31	448
Empowerment partners	–	262	262
Equity linked derivative	13	–	13
Intercompany loans to subsidiaries[2]	–	539	539
Provision for impairment on loans to subsidiary companies	–	(114)	(114)
Cash and cash equivalents	–	285	285
Total financial assets	445	1 004	1 449

1 The carrying amount of financial assets and liabilities carried at amortised cost approximates fair values.

2 Loans to subsidiaries included in note 2 are measured at amortised cost.

22 FINANCIAL LIABILITY MEASUREMENT

Financial liabilities summarised by measurement category in terms of IFRS 9	Fair value through profit or loss Mandatorily Rm	Amortised cost[1] Rm	Other measurement basis Rm	Total Rm
2022				
Cumulative redeemable preference shares	–	252	–	252
Financial guarantee contracts	–	–	77	77
Intercompany loans from subsidiaries	–	700	–	700
Other payables	–	20	–	20
Total financial liabilities	–	972	77	1 049
2021				
Cumulative redeemable preference shares	–	246	–	246
Financial guarantee contracts	–	–	112	112
Intercompany loans from subsidiaries	–	982	–	982
Other payables	–	20	–	20
Total financial liabilities	–	1 248	112	1 360

[1] The carrying amount of financial assets and liabilities carried at amortised cost approximates fair values, apart from the Cumulative redeemable preference shares as the FV is R400 million.

23 EVENTS AFTER THE REPORTING PERIOD

The redemption period of the class B preference shares in Eris Property Fund (Pty) Ltd (EPF) was extended to 15 May 2023 (refer to note 4). The resolutions were signed by a majority shareholding during September 2022.

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

Annexure A

Abbreviations and definitions

ABBREVIATIONS

A2X	A2X Markets
ABHIL	Aditya Birla Health Insurance Company Ltd
AFI	Alexander Forbes Insurance
AFIN	Alexander Forbes Insurance Company Namibia Ltd
AFS	Annual Financial Statements
ALBI	All Bond Index
Aluwani	Aluwani Capital Partners (Pty) Ltd
ANW	Adjusted net worth
APE	Annual premium equivalent
APN	Advisory practice note
ASISA	Association for Savings and Investment South Africa
ASSA	Actuarial Society of South Africa
aYo	aYo Holdings Ltd
B-BBEE	Broad-based black economic empowerment
BSA	Bonus stabilisation accounts
CAE	Chief Audit Executive
CFA	Chartered Financial Analyst
CFD	Contract for Differences
CGU	Cash-generating unit
CIC	Capital and Investment Committee
CIS	Collective investment scheme
CPI	Consumer Price Index
DAC	Deferred Acquisition Costs
DCF	Discounted cash flow
DPF	Discretionary participation features
DRL	Deferred revenue liability
DV	Director's valuation
DWT	Dividend withholding tax
ERM	Enterprise Risk Management
EV	Embedded value
FASSA	Fellow of the Actuarial Society
FCTR	Foreign Currency Translation Reserve
FIA	Fellow of the Institute of Actuaries
FSCA	Financial Sector Conduct Authority
FSV	Financial Soundness Valuation
FTSE	Financial Times Stock Exchange
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GCR	Global Credit Ratings
GIA	Group Internal Audit
GLTD	Group long-term disability table
HAFs	Heads of the Actuarial Function
IAS	International Accounting Standards
IBNR	Incurred but not yet reported
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IFS	Insurer Financial Strength
IMA	Investment management agreement
Inniu	Inniu Underwriting Services (Pty) Ltd
ISDA	International Swaps and Derivatives Agreements
ISRE	International Standard on Review Engagements
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KAM	Key audit matters
KTH	Kagiso Tiso Holdings (Pty) Ltd
LTIP	Long-term Incentive Plan
MAFR	Mandatory Audit Firm Rotation
MGIM	Momentum Global Investment Management Ltd
MHC	Metropolitan Health Corporate (Pty) Ltd
MHS	Momentum Health Solutions (Pty) Ltd
MHNA	Methealth Namibia Administrators (Pty) Ltd
MIH	Metropolitan International Holdings (Pty) Ltd
MMH/the Company	Momentum Metropolitan Holdings Ltd
MMI&O	Momentum Metropolitan Infrastructure and Operations (Pty) Ltd
MML	Momentum Metropolitan Life Ltd
MMSI	Momentum Metropolitan Strategic Investments (Pty) Ltd
Momentum Metropolitan/ the Group	MMH and its subsidiaries
MRKT	MRKT Energy Holdings (Pty) Ltd
MSPS	Momentum Sales Phantom Shares
MSTI	Momentum Short-term Insurance
NSX	Namibian Stock Exchange
OCR	Outstanding Claims Reserve
OTC	Over-the-counter
PA	Prudential Authority
PPFM	Principles and practices of financial management
PVP	Present value of future premiums
RDR	Risk discount rate
RMB	Rand Merchant Bank
RMI	Rand Merchant Investment Holdings Ltd
RMIA	RMI Investment Managers Affiliates 2 (Pty) Ltd
ROEV	Return on Embedded Value
S&P	Standard & Poor's
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SARB	South African Reserve Bank
SAR	Share Appreciation Right
SASAII	South African Student Accommodation Impact Investments (Pty) Ltd
SAVCA	South African Venture Capital and Private Equity Association
SCR	Solvency Capital Requirement
SENS	Stock Exchange News Service
UK	United Kingdom
VIF	Present value of in-force covered business
VOBA	Value of in-force business acquired
VNB	Value of new business
VWAP	Volume Weighted Average Price

DEFINITIONS

Adjusted net worth (ANW)

The ANW is the excess of assets over liabilities on the IFRS basis. Certain deductions for disregarded assets and impairments have been added back.

Advisory practice notes (APNs)

ASSA issues APNs applicable to various areas of financial reporting and practice that require actuarial input. The APNs are available on the ASSA website (www.actuarialsociety.org.za).

Annual premium equivalent (APE)

The APE is a common life industry measure of new business sales. It is calculated as annualised new recurring premiums plus 10% of single premiums.

Basis changes

Basis and other changes are the result of changes in actuarial assumptions and methodologies, reviewed at the reporting date and used in the reporting basis. These changes are reflected in the income statement as they occur.

Bonus stabilisation accounts (BSAs)

BSAs are the difference between the fund accounts of smoothed bonus business, or the discounted value of projected future benefit payments for with-profit annuity business, and the market values of the underlying assets. BSA is an actuarial term that constitutes either an asset or liability in accounting terms. The BSAs are included in contract holder liabilities.

Capitation contracts

Capitation contracts are those under which the Group accepts significant health benefit risk from medical schemes (the contract holder) by agreeing to indemnify the scheme against a defined set of the scheme benefits (the covered event) in return for a capitation fee.

Carry positions

Carry positions consist of sale and repurchase of assets agreements containing the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date.

Cash-generating units (CGUs)

A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows from other assets or groups of assets.

Cell captive

A cell captive is a contractual arrangement entered into between the insurer (referred to as the "cell provider" or "promoter") and the cell shareholder whereby the risks and rewards associated with certain insurance activities accruing to the cell shareholder, in relation to the insurer, are specified. Cell captives allow clients to purchase cell owner ordinary shares (or a "cell") in the registered insurance company which undertakes the professional insurance and financial management of the cell including underwriting, reinsurance, claims management, actuarial and statistical analyses, investment and accounting services. The terms and conditions of the cell are governed by the cell owner shareholders agreement.

Cell captive arrangements include:

- "First-party" cell arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies; and
- "Third-party" cell arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. For third-party arrangements the cell shareholders agreement meets the definition of a reinsurance contract and is accounted for as such.
- Contingency policy: An insurance contract to provide entry-level insurance cover for first-party risks. These policies provide for payment of a profit share to the insured based on claims experience and related expenses at the end of the policy period.
- "Promoter cell" includes assets and liabilities of the Group shareholders. Assets, liabilities, and equity of the first and third-party cell arrangements are excluded.

DEFINITIONS CONTINUED

Compulsory margins

Life insurance companies are required to hold compulsory margins in terms of the FSV basis prescribed in SAP 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers. These margins are explicitly prescribed and held as a buffer to cover uncertainties with regard to the best-estimate assumptions used in the FSV basis. These margins are held in the contract holder liabilities and released over time in the operating profit should experience be in line with these best-estimate assumptions.

Cost of required capital

The cost of required capital is the difference between the amount of required capital and the present value of future releases of this capital, allowing for future net of tax investment returns expected to be earned on this capital.

Covered business

Covered business is defined as long-term insurance business written by the life insurance subsidiaries (excluding Guardrisk); including individual smoothed bonus, linked and market-related business, reversionary bonus business, group smoothed bonus business, annuity business and other non-participating businesses.

Discretionary margins

In addition to compulsory margins, insurance companies may hold further discretionary margins where the HAFs believe that:

- the compulsory margins are insufficient for prudent reserving; or
- company practice or policy design justifies the deferral of profits.

Discretionary participation feature (DPF)

A DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - the realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

Effective exposure

The exposure of a derivative financial contract or instrument to the underlying asset by also taking delta (the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative) into account where applicable.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or liability.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

Embedded value (EV)

An EV represents the discounted value of expected after-tax future profits from the current business. The EV is defined as:

- the ANW of covered and non-covered business;
- plus the VIF less the opportunity cost of required capital; and
- plus the write-up to directors' value of non-covered business.

EV earnings

EV earnings is defined as the change in EV (after non-controlling interests) for the year, after adjustment for any capital movements such as dividends paid, capital injections and cost of treasury shares acquired or disposed of for the year.

Financial soundness valuation (FSV)

The FSV basis is prescribed by SAP 104 – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers – and uses best estimate assumptions regarding future experience together with compulsory and discretionary margins for prudence and deferral of profit emergence. For IFRS reporting purposes, this basis is used for the valuation of insurance contracts and investment contracts with DPF.

Fund account

The fund account is the retrospective accumulation of premiums, net of charges and benefit payments at the declared bonus rates or at the allocated rate of investment return.

Investment variances

Investment variances represent the impact of higher/lower than assumed investment returns on after tax profits.

New business profit margin

New business profit margin is defined as the VNB expressed as a percentage of the PVP. New business profit margin is also expressed as a percentage of APE.

Non-covered business

Non-covered business includes the directors' valuations of the investment management entities, South African health operations, non-life insurance operations, the Guardrisk entities, as well as other non-insurance entities. The Group EV is also adjusted to allow for future holding company and international support expenses.

Normalised headline earnings

Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations and B-BBEE costs. Additionally, the iSabelo special purpose vehicle, which houses preference shares issued as part of the employee share ownership scheme's funding arrangement is deemed to be external from the Group and the discount at which the iSabelo Trust acquired the MMH treasury shares is amortised over a period of 10 years and recognised as a reduction to normalised headline earnings.

Objective evidence of impairment

Objective evidence of impairment is related to the specific circumstances of each individual asset and can be the combined effect of several events. Objective evidence includes, but is not limited to:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract, such as a default or delinquency in payment.
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data that there is a measurable decrease in the estimated future cash flows from the asset since the initial recognition of the asset.

Open-ended instruments

The open-ended category includes financial instruments with no fixed maturity date as management is unable to provide a reliable estimate given the volatility of equity markets and policyholder behaviour.

Prescribed officers

Prescribed officers as referred to in the Companies Act, 71 of 2008, are defined as follows – despite not being a director of a particular company, a person is a prescribed officer of the company if that person:

- exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or
- regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company.

The Group does not consider any employee that is not a director to be a prescribed officer as the functions of general executive control over significant portions of the business are performed by the executive directors.

Present value of future premiums (PVP)

The PVP is the present value of future premiums in respect of new business discounted using the RDR. The future premiums are net of reinsurance and are based on best-estimate assumptions such as future premium growth, mortality and withdrawal experience.

Present value of in-force covered business (VIF)

The gross VIF is the discounted present value of expected future after-tax profits as determined on the IFRS basis, in respect of covered business in force at the valuation date. The net VIF is the gross VIF less the cost of required capital. No account is taken of dividend withholding tax.

Related party transactions – key management personnel

Key management personnel are those persons, including close members of their families, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

DEFINITIONS CONTINUED

Reporting basis

Reporting basis is the basis on which the financial statements are prepared.

Required capital

Required capital includes any assets attributed to covered business over and above the amount required to back covered business liabilities whose distribution to shareholders is restricted.

Return on EV

Return on EV is the EV earnings over the period expressed as a percentage of the EV at the beginning of the period, adjusted for capital movements during the year.

Risk discount rate (RDR)

The RDR is the rate at which future expected profits are discounted when calculating the value of in-force business or the VNB. The RDR is determined based on the weighted average cost of capital of the Company. This has taken into account the sources of capital used to fund the covered business, ie shareholder equity and subordinated debt finance. The required return on equity was derived through application of the capital asset pricing model. The cost of debt financing was based on current financing costs.

Significant influence

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Unit-linked investments

Unit-linked investments consist of investments in CISs, private equity fund investments and other investments where the value is determined based on the value of the underlying investments.

Unrated

The Group invests in unrated assets where investment mandates allow for this. These investments are, however, subject to internal credit assessments.

Useful life

Useful life is the period over which an asset is expected to be available for use by the Group.

Value of new business (VNB)

The VNB is the discounted present value of expected future after-tax profits from new business at point of sale less the cost of required capital at risk. No allowance is made for the impact of dividend withholding tax. Allowance is made for all expenses associated with underwriting, selling, marketing and administration incurred in the effort of obtaining new business.

CREDIT RISK DEFINITIONS

AAA

National scale ratings denote the highest rating that can be assigned. This rating is assigned to the best credit risk relative to all other issuers.

AA

National ratings denote a very strong credit risk relative to all other issuers.

A

National ratings denote a strong credit risk relative to all other issuers.

BBB

National ratings denote an adequate credit risk relative to all other issuers.

BB

National ratings denote a fairly weak credit risk relative to all other issuers.

B

National ratings denote a significantly weak credit risk relative to all other issuers.

CCC

National ratings denote an extremely weak credit risk relative to other issuers.

Annexure B

Additional information

Analysis of assets managed and/or administered[1]	2022 Rm	Restated 2021[2] Rm
Managed and/or administered by Investments		
Financial assets	**502 218**	477 068
Momentum Manager of Managers	**150 285**	90 087
Equilibrium Investment Management *(previously Momentum Investment Consultants)*	**13 607**	10 922
Momentum Collective Investments	**96 744**	92 454
Momentum Asset Management	**137 071**	165 627
Momentum Global Investments	**70 000**	77 071
Momentum Alternative Investments	**8 763**	7 682
Momentum Securities[3]	**25 748**	33 225
Properties – Eris Property Group	**16 509**	15 588
On-balance sheet[4]	**9 302**	9 410
Off-balance sheet[4]	**7 207**	6 178
Momentum Wealth linked product assets under administration	**206 630**	198 829
On-balance sheet[5,6]	**135 121**	129 387
Off-balance sheet	**71 509**	69 442
Managed internally or by other managers within the Group (on-balance sheet)	**86 440**	85 787
Managed by external managers (on-balance sheet)	**14 397**	16 993
Properties managed internally or by other managers within the Group or externally[4]	**2 761**	2 528
Non-life Insurance – cell captives on-balance sheet[7]	**30 377**	25 541
Total assets managed and/or administered	**859 332**	822 334
Managed and/or administered by Investments		
On-balance sheet	**258 141**	231 703
Off-balance sheet	**244 077**	245 365
	502 218	477 068
Admin and brokerage assets	**119 350**	135 882
Other assets	**382 868**	341 186
	502 218	477 068

1 Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.

2 Refer to note 47 for more information on the restatements other than footnotes 3, 4, 5, 6 and 7.

3 R346 million restatement relates to a market value movement that was not included in the June 2021 closing balance for Momentum Securities.

4 R1.5 billion was misallocated between on- and off-balance sheet assets. June 2021 has been restated accordingly.

5 Upon further investigation it was noted that R11 billion on-balance sheet assets were better suited to be disclosed as Momentum Wealth linked assets rather than Managed internally or by other managers within the Group. 30 June 2021 has been restated accordingly.

6 R7 billion in on-balance sheet assets were incorrectly calculated in Momentum Wealth linked assets. 30 June 2021 has been restated accordingly.

7 R5 billion restatement relates to a calculation error in the closing balance of cell captives on-balance sheet assets.

Annexure B continued

Additional information

Net funds received from clients[1]	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
12 mths to 30.06.2022					
Momentum Life	**497**	**9 392**	**9 889**	**(11 250)**	**(1 361)**
Momentum Investments	**29 863**	**869**	**30 732**	**(27 035)**	**3 697**
Metropolitan Life	**1 789**	**6 450**	**8 239**	**(6 485)**	**1 754**
Momentum Corporate	**4 711**	**12 798**	**17 509**	**(19 917)**	**(2 408)**
Momentum Metropolitan Health	**–**	**1 186**	**1 186**	**(724)**	**462**
Non-life Insurance	**3 128**	**10 907**	**14 035**	**(6 373)**	**7 662**
Momentum Metropolitan Africa	**1 605**	**4 015**	**5 620**	**(3 418)**	**2 202**
Long-term insurance business fund flows	**41 593**	**45 617**	**87 210**	**(75 202)**	**12 008**
Off-balance sheet fund flows					
Managed and/or administered by Investments			**97 003**	**(99 080)**	**(2 077)**
Properties – Eris Property Group			**1 119**	**(90)**	**1 029**
Momentum Wealth linked product assets under administration			**13 289**	**(10 702)**	**2 587**
Total net funds received from clients			**198 621**	**(185 074)**	**13 547**
Restated					
12 mths to 30.06.2021[2]					
Momentum Life	540	8 976	9 516	(10 718)	(1 202)
Momentum Investments	31 595	766	32 361	(29 551)	2 810
Metropolitan Life	1 424	6 233	7 657	(6 564)	1 093
Momentum Corporate	2 518	12 346	14 864	(18 102)	(3 238)
Momentum Metropolitan Health	1	931	932	(633)	299
Non-life Insurance	1 855	9 291	11 146	(6 840)	4 306
Momentum Metropolitan Africa	972	3 867	4 839	(2 701)	2 138
Long-term insurance business fund flows	38 905	42 410	81 315	(75 109)	6 206
Off-balance sheet fund flows					
Managed and/or administered by Investments			90 706	(85 073)	5 633
Properties – Eris Property Group			763	(2 917)	(2 154)
Momentum Wealth linked product assets under administration			12 853	(9 823)	3 030
Total net funds received from clients			185 637	(172 922)	12 715

[1] Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.

[2] Refer to note 47 for more information on the restatements.

Analysis of assets backing shareholder excess	2022 Rm	2022 %	2021 Rm	2021 %
Equity securities	**1 161**	**4.7**	1 659	7.7
Preference shares	**356**	**1.4**	859	4.0
CISs	**966**	**3.9**	1 059	4.9
Debt securities	**7 208**	**29.3**	7 030	32.6
Properties	**3 850**	**15.7**	3 761	17.4
Owner-occupied properties	**2 477**	**10.1**	2 454	11.4
Investment properties	**1 373**	**5.6**	1 307	6.1
Cash and cash equivalents and funds on deposit	**10 400**	**42.2**	5 172	24.0
Intangible assets	**4 617**	**18.8**	5 168	24.0
Other net assets	**2 690**	**10.9**	3 004	13.8
	31 248	**126.9**	27 712	128.4
Redeemable preference shares	**(252)**	**(1.0)**	(245)	(1.1)
Subordinated redeemable debt	**(5 327)**	**(21.6)**	(4 429)	(20.5)
Treasury shares held on behalf of employees	**(641)**	**(2.6)**	(876)	(4.1)
Treasury shares held on behalf of contract holders	**(407)**	**(1.7)**	(587)	(2.7)
Shareholder excess per reporting basis	**24 621**	**100.0**	21 575	100.0

Number of employees	2022	2021
Indoor staff	**9 940**	9 882
SA	**8 867**	8 841
International	**1 073**	1 041
Field staff	**6 618**	6 601
Momentum Life and Investments	**1 430**	1 105
Metropolitan Life	**4 002**	4 208
International	**1 186**	1 288
Total	**16 558**	16 483

Shareholder profile

Shareholder	Number of share-holders	% of issued share capital	Shares held (million)
Non-public			
Directors	6	0.1	2
Kagiso Tiso Holdings (Pty) Ltd	1	7.4	114
Government Employees Pension Fund	5	14.5	221
Public			
Private investors	29 732	5.8	89
Pension funds	355	5.6	85
CISs and mutual funds	2 468	61.7	940
Banks and insurance companies	95	4.9	75
Total	32 662	100.0	1 526

An estimated 249 million shares (2021: 153 million shares) representing 16.3% (2021: 10.0%) of total shares are held by foreign investors.

Size of shareholding	Number of share-holders	% of total share-holders	Shares held (million)	% of issued share capital
1 – 5 000	29 850	91.4	17	1.1
5 001 – 10 000	911	2.8	7	0.4
10 001 – 50 000	1 034	3.2	23	1.5
50 001 – 100 000	253	0.8	18	1.2
100 001– 1 000 000	482	1.5	147	9.7
1 000 001 and more	132	0.3	1 314	86.1
Total	32 662	100.0	1 526	100.0

Beneficial owners	Shares held (million)	% of issued share capital
Government Employees Pension Fund	221	14.5
Remgro Ltd	123	8.1
Kagiso Tiso Holdings (Pty) Ltd	114	7.4
Total	458	30.0

Pursuant to the provisions of section 56(7)(b) of the Companies Act, 71 of 2008, as amended, beneficial shareholdings exceeding 5% in aggregate, as at 30 June 2022, are disclosed.

Stock exchange performance

	2022	2021
12 months		
Value of listed shares traded (Rm)	**15 944**	18 628
Volume of listed shares traded (million)	**885**	1 156
Shares traded (% of average listed shares in issue)	**62**	81
Trade prices		
Highest (cents per share)	**2 270**	2 098
Lowest (cents per share)	**1 405**	1 282
Last sale of year (cents per share)	**1 426**	1 950
Percentage (%) change during year	**(27)**	11
Percentage (%) change – life insurance sector (J857)	**(8)**	9
Percentage (%) change – top 40 index (J200)	**–**	20
30 June		
Price normalised headline earnings (segmental) ratio	**5.0**	29.1
Dividend yield % (dividend on listed shares)	**7.0**	2.1
Dividend yield % – top 40 index (J200)	**3.8**	2.4
Total shares issued (million)		
Ordinary shares listed on JSE	**1 498**	1 498
Treasury shares held on behalf of employees	**(45)**	(45)
Treasury shares held on behalf of contract holders	**(29)**	(30)
Basic number of shares in issue	**1 424**	1 423
Adjustment to employee share scheme[1]	**7**	–
Convertible redeemable preference shares[2]	**28**	–
Diluted number of shares in issue	**1 459**	1 423
Adjustment to employee share scheme shares[1]	**(7)**	–
Convertible redeemable preference shares[2]	**–**	28
Treasury shares held on behalf of contract holders	**29**	30
Treasury shares held on behalf of employees	**45**	45
Diluted number of shares in issue for normalised headline earnings purposes[3]	**1 526**	1 526
Market capitalisation at end (Rbn)[4]	**22**	30

1 The diluted number of shares in issue includes the dilutive potential ordinary shares from the iSabelo employee scheme. The diluted number of shares in issue for normalised headline earnings does not include this adjustment as these shares are deemed to be issued.

2 On a diluted basis, the KTH preference shares were anti-dilutive in the prior year. For diluted earnings and headline earnings, these preference shares were therefore ignored in accordance with IAS 33 for that year. Normalised headline earnings treats the preference shares as if they were ordinary equity. This treatment is consistent with how the preference shares are treated when dilutive.

3 The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders as well as the treasury shares held on behalf of employees.

4 The market capitalisation is calculated on the fully diluted number of shares in issue.

Shareholder diary

Financial year end	30 June 2022	
Reporting	Interim results	9 March 2022
	Trading update for the 9 months to March 2022	30 May 2022
	Announcement of year-end results	14 September 2022
	Annual report published	14 September 2022
	Trading update for the 3 months to September 2022	22 November 2022
	Annual general meeting	24 November 2022

Administration

MOMENTUM METROPOLITAN HOLDINGS LTD

Group Company Secretary and registered office

Gcobisa Tyusha
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Centurion
Telephone: +27 12 673 1931
gcobisa.tyusha@mmltd.co.za

Investor relations

investorrelations@mmltd.co.za

Company registration

2000/031756/06

Internet address

http://www.momentummetropolitan.co.za

Auditors

Ernst & Young Inc.

Share codes

JSE – MTM
A2X – MTM
NSX – MMT

Sponsor – South Africa

Merrill Lynch South Africa (Pty) Ltd t/a BofA Securities

Transfer secretaries – South Africa

Link Market Services SA (Pty) Ltd
13th Floor
19 Ameshoff Street
Braamfontein
2001
PO Box 4844, Johannesburg 2000

Sponsor – Namibia

Simonis Storm Securities (Pty) Ltd

Transfer secretaries – Namibia

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue
Burg Street Entrance
Windhoek, Namibia
PO Box 2301, Windhoek, Namibia

Debt sponsor

Rand Merchant Bank

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