Momentum Metropolitan

GROUP ANNUAL FINANCIAL STATEMENTS

Audited results for the year ended
30 June 2021

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MOMENTUM METROPOLITAN HOLDINGS LTD
GROUP ANNUAL FINANCIAL STATEMENTS 2021

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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 2021

Our Annual Financial Statements form part of our reporting suite which includes our Integrated Report and other supplementary reports.

Our Integrated Report for the 2021 financial year is available online at

www.momentummetropolitan.co.za/en/investor-relations/financial-results

Our Annual Financial Statements for the 2021 financial year is available online at

www.momentummetropolitan.co.za/en/investor-relations/financial-results

Our financial results announcement is available online at

www.momentummetropolitan.co.za/en/investor-relations/financial-results

King IV™ Application Summary is available online at

www.momentummetropolitan.co.za/en/investor-relations/financial-results

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.
- 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, 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. In light of the Covid-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it, the Board has paid particular attention to the estimates, judgements and assumptions used in the preparation of these financial statements. Refer to the Critical estimates and judgements note on page 40 for more details.

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 25 to 221, were approved by the Board of directors on 6 September 2021 and are signed on its behalf by:

Sello Moloko
Chairman

Centurion, 6 September 2021

Hillie Meyer
Group Chief Executive Officer

Centurion, 6 September 2021

CEO AND FINANCIAL DIRECTOR CONFIRMATION OF FINANCIAL CONTROLS

The directors hereby confirm that:

- the annual financial statements set out on pages 25 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);
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- 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; and
- 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 within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Hillie Meyer
Group Chief Executive Officer

Centurion, 6 September 2021

Risto Ketola
Group Finance Director

Centurion, 6 September 2021

CERTIFICATE BY THE GROUP COMPANY SECRETARY

In accordance with the provisions of section 88(2)(e) of the South African Companies Act, 71 of 2008 (the Act), I certify that for the year ended 30 June 2021 the companies have lodged with the registrar of companies all such returns as are required of a company in terms of the Act, and that all such returns are true, correct and up to date.

Gcobisa Tyusha
Group Company Secretary

Centurion, 6 September 2021

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 2021, and the consolidated and separate statements of profit or loss and other 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 2021, 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 equally to the audit of the consolidated and separate 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; 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 is an event which is unprecedented, rapidly evolving and has highly uncertain outcomes. In the absence of credible experience data, management has continued to set aside an explicit provision in addition to the base actuarial assumptions and liability to allow for this additional uncertainty – with a particular focus on mortality based on the latest available information (including in the post balance period) regarding excess deaths which was not available in the prior period. This therefore required specific additional audit effort.	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 on a sample basis via tests of a subset of policies across key product types; • 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. During the current financial year, a significant data migration took place between policy administration systems which required specific consideration around the completeness and accuracy of data transferred as well as the involvement of our internal IT and actuarial specialists.	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; • 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; and • We considered the completeness and the accuracy of data transferred by understanding the processes and testing the controls applied by management during the data migration, utilising specialist IT data skills in our team. Furthermore, our actuarial specialists considered the valuations performed by management pre and post the data migration as a key control and considered the reasonability of reconciling differences. In addition, the audit team performed analytical review procedures on premiums raised and inspected control accounts for potential indicators that the data transfer was not complete or accurate.

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 financial 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 857 million of owner-occupied properties as disclosed in note 4; R8 918 million of investment properties as disclosed in note 5; and R5 167 million of financial assets as disclosed in note 7. Judgement is required to be applied by management in the current period due to uncertainty arising as a result of Covid-19 due to less liquidity and volatility in financial markets continuing in the current year. Determining an appropriate valuation in these circumstances requires expert judgement to be applied and therefore requires focus by the audit team, supported by our valuation specialists. 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 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.

Key Audit Matter continued	**How the matter was addressed in the audit** continued
3. Valuation of unlisted investments in subsidiaries *This key audit matter applies to the audit of the company only financial statements.*	
The Company holds investments in subsidiaries of R27 233 million at cost less impairment as disclosed in note 2 to the company annual financial statements. These investments in subsidiaries are assessed for indicators of impairment at each valuation date. If any such indicators exist, an estimate is made of the recoverable amount using the valuation models developed by management with reference to the embedded value or directors' valuations for covered and non-covered business, respectively. The assessment of whether an impairment is required at each reporting date is subject to significant management judgement which required the involvement of our internal valuation specialists. We consider the impairment assessment of these investments in subsidiaries to be significant to the audit, because of the materiality of these investments in the financial statements of the company and in particular in light of the ongoing macro-economic conditions arising as a result of the Covid-19 pandemic we were required to focus on whether the current performance of investments was sustainable and indicative of future performance.	Our audit included the following procedures with the assistance of our internal valuation specialists: • We obtained an understanding and evaluated the design effectiveness of controls implemented by management to assess the existence of indicators of impairment and value these investments; • We obtained an understanding of the methodology used by management to assess indicators of impairment, including the sources of information considered by management to this end; • We obtained an understanding of the models and methodologies applied to determine the recoverable amount; • For a sample of the investments in subsidiaries, we tested that the models and methodologies had been applied by management in line with the accounting policy; • With the support of internal actuarial specialists, we tested the veracity of the embedded value applied for a sample of the investments to determine the recoverable amount of covered business; and • With the support of our valuation experts, we assessed and tested the appropriateness of the directors' valuations applied for a sample of investments to determine the recoverable amount of non-covered business through a combination of independent calculation, benchmarking against comparable market information and sensitivity analysis.

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 Holdings Ltd Annual Financial Statements for the year ended 30 June 2021", 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
- Report on Group embedded value
- Annexure A
- Annexure B
- Shareholder profile
- Stock exchange
- Shareholder diary
- Administration
- Momentum Metropolitan Holdings Ltd Integrated Report 2021
- King IV application summary.

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 Momentum Metropolitan Holding Ltd for 2 years.

Ernst & Young Inc.

Director: JC de Villiers CA(SA)
Registered Auditor

102 Rivonia Road
Sandton

8 September 2021

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 2021, 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 2021 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

102 Rivonia Road
Sandton

8 September 2021

REPORT ON GROUP EMBEDDED VALUE

At 30 June 2021

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.

Embedded value results	2021 Rm	2020 Rm
Covered business		
Equity attributable to owners of the parent	**21 575**	22 537
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	**(2 014)**	(2 739)
Net assets – non-covered business within life insurance companies	**(3 982)**	(4 073)
Net assets – non-covered business outside life insurance companies	**(6 387)**	(4 797)
Diluted adjusted net worth – covered business	**9 192**	10 928
Net value of in-force business	**20 706**	19 601
Diluted embedded value – covered business	**29 898**	30 529
Non-covered business		
Net assets – non-covered business within life insurance companies	**3 982**	4 073
Net assets – non-covered business outside life insurance companies	**6 387**	4 797
Consolidation adjustments[1]	**(2 550)**	(2 429)
Adjustments for dilution[2]	**1 510**	650
Diluted adjusted net worth – non-covered business	**9 329**	7 091
Write-up to directors' value	**2 101**	904
Non-covered business	**5 475**	3 425
Holding company expenses[3]	**(2 204)**	(1 398)
International holding company expenses[3]	**(1 170)**	(1 123)
Diluted embedded value – non-covered business	**11 430**	7 995
Diluted adjusted net worth	**18 521**	18 019
Net value of in-force business	**20 706**	19 601
Write-up to directors' value	**2 101**	904
Diluted embedded value	**41 328**	38 524
Required capital – covered business (adjusted for qualifying debt)[4]	**6 451**	3 995
Free surplus – covered business	**2 741**	6 933
Diluted embedded value per share (cents)	**2 708**	2 570
Diluted adjusted net worth per share (cents)	**1 214**	1 202
Diluted number of shares in issue (million)[5]	**1 526**	1 499

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: R587 million (30.06.2020: R396 million);
- Liabilities related to iSabelo transaction: R678 million (30.06.2020: Rnil million); and
- Liability – MMH convertible preference shares issued to KTH: R245 million (30.06.2020: R254 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 life assurance and health businesses.

4 The required capital for in-force covered business amounts to R10 881 million (30.06.2020: R8 427 million) and is adjusted for qualifying debt of R4 430 million (30.06.2020: R4 432 million). This reflects changes made to the required capital framework as well as the mix of assets allocated to back required capital. Although the changes have increased the amount of required capital, they have also increased the assumed investment return on the assets backing the required capital, which has limited the impact on the cost of required capital.

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	2021 Rm	2020 Rm
Momentum Life	**9 501**	8 424
Gross value of in-force business	**10 330**	9 297
Less cost of required capital	**(829)**	(873)
Momentum Investments[1]	**1 389**	1 587
Gross value of in-force business	**1 707**	1 805
Less cost of required capital	**(318)**	(218)
Metropolitan Life	**4 190**	4 098
Gross value of in-force business	**4 593**	4 474
Less cost of required capital	**(403)**	(376)
Momentum Corporate	**3 136**	3 150
Gross value of in-force business	**4 092**	4 225
Less cost of required capital	**(956)**	(1 075)
Momentum Metropolitan Africa	**2 490**	2 342
Gross value of in-force business	**2 856**	2 684
Less cost of required capital	**(366)**	(342)
Net value of in-force business	**20 706**	19 601

1 Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R51 million (30.06.2020: R286 million).

Embedded value detail	Adjusted net worth[2] Rm	Net value of in-force Rm	2021 Rm	2020 Rm
Covered business				
Momentum Life	3 500	9 501	**13 001**	10 083
Momentum Investments[1]	1 323	1 389	**2 712**	2 613
Metropolitan Life	1 800	4 190	**5 990**	5 665
Momentum Corporate	3 452	3 136	**6 588**	6 529
Momentum Metropolitan Africa	1 906	2 490	**4 396**	4 891
Shareholders	(2 789)	–	**(2 789)**	748
Other	(7 219)	–	**(7 219)**	(3 684)
Assets backing qualifying debt	4 430	–	**4 430**	4 432
Total covered business	9 192	20 706	**29 898**	30 529

1 Included in covered business is Wealth business not deemed to be long-term insurance business with an adjusted net worth of R532 million (30.06.2020: R527 million) and value of in-force of R51 million (30.06.2020: R286 million).

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

At 30 June 2021

Embedded value detail	Adjusted net worth[4] Rm	Write-up to directors' value Rm	2021 Rm	2020 Rm
Non-covered business				
Momentum Life	287	(850)	**(563)**	(515)
Momentum Multiply	284	(850)	**(566)**	(525)
Other	3	–	**3**	10
Momentum Investments	1 189	1 370	**2 559**	1 639
Investment and savings[1]	1 009	1 325	**2 334**	1 440
Other	180	45	**225**	199
Metropolitan Life	7	–	**7**	–
Other	7	–	**7**	–
Momentum Corporate	80	–	**80**	35
Other	80	–	**80**	35
Momentum Metropolitan Health	472	762	**1 234**	866
Health[2]	472	762	**1 234**	866
Non-life Insurance	3 703	3 073	**6 776**	5 928
Non-life insurance	1 363	1 303	**2 666**	2 392
Cell captives	2 340	1 770	**4 110**	3 536
Momentum Metropolitan Africa	773	(1 122)	**(349)**	(204)
Life insurance	229	(182)	**47**	22
Health	365	176	**541**	549
Non-life insurance	75	(2)	**73**	66
Other	104	56	**160**	282
International holding company expenses[3]	–	(1 170)	**(1 170)**	(1 123)
New Initiatives	804	1 072	**1 876**	1 462
New initiatives India	690	857	**1 547**	1 154
New initiatives aYo	5	215	**220**	220
Other	109	–	**109**	88
Shareholders	2 014	(2 204)	**(190)**	(1 216)
Other	2 014	–	**2 014**	182
Holding company expenses[3]	–	(2 204)	**(2 204)**	(1 398)
Total non-covered business	9 329	2 101	**11 430**	7 995
Total embedded value	18 521	22 807	**41 328**	38 524

1 The directors' value increased, mostly on the back of a strong recovery in assets under management with a beneficial impact on the revenue outlook as well as the acquisition of Seneca and new fee agreements with the covered Momentum Corporate business.

2 Included is the first-time introduction of a directors' value on the Health4Me business, a medical insurance product underwritten by Momentum Metropolitan Life Limited and administered by Momentum Metropolitan Health.

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

4 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 30.06.2021 Total EV Rm	12 mths to 30.06.2020 Total EV Rm
Profit from new business		(729)	1 722	(210)	**783**	328
Embedded value from new business	A	(729)	1 664	(210)	**725**	280
Expected return to end of period	B	–	58	–	**58**	48
Profit from existing business		514	(2 126)	284	**(1 328)**	1 745
Expected return – unwinding of RDR	B	–	1 771	(276)	**1 495**	2 166
Release from the cost of required capital	C	–	–	570	**570**	477
Expected (or actual) net of tax profit transfer to net worth	D	3 169	(3 169)	–	**–**	–
Operating experience variances	E	(222)	(306)	–	**(528)**	(74)
Development expenses	F	(37)	–	–	**(37)**	(43)
Operating assumption changes	G	(2 396)	(422)	(10)	**(2 828)**	(781)
Embedded value (loss)/profit from operations		(215)	(404)	74	**(545)**	2 073
Investment return on adjusted net worth	H	124	–	–	**124**	257
Investment variances	I	239	935	(44)	**1 130**	(2 520)
Economic assumption changes	J	(48)	612	(29)	**535**	(759)
Exchange rate movements	K	(52)	(50)	11	**(91)**	77
Exceptional items	L	–	–	–	**–**	(19)
Embedded value profit/(loss) – covered business		48	1 093	12	**1 153**	(891)
Transfer of business to non-covered business	M	(10)	–	–	**(10)**	(48)
Other capital transfers	N	118	–	–	**118**	987
Dividend paid		(1 892)	–	–	**(1 892)**	(3 053)
Change in embedded value – covered business		(1 736)	1 093	12	**(631)**	(3 005)
Non-covered business						
Change in directors' valuation and other items					**2 519**	(368)
Change in holding company expenses					**(853)**	(278)
Embedded value profit/(loss) – non-covered business					**1 666**	(646)
Transfer of business from covered business	M				**10**	48
Other capital transfers	N				**(118)**	(987)
Dividend received					**1 527**	1 961
Allowance for shareholder flows related to iSabelo transaction					**387**	–
Finance costs – preference shares					**(37)**	(40)
Change in embedded value – non-covered business					**3 435**	336
Total change in Group embedded value					**2 804**	(2 669)
Total embedded value profit/(loss)					**2 819**	(1 537)
Return on embedded value (%) – internal rate of return					**7.3**	(3.7)
Return on embedded value excluding Exceptional items (%) – internal rate of return					**7.3**	(3.7)

At 30 June 2021

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 30.06.2021 Rm	Restated 12 mths to 30.06.2020[1] Rm
Momentum Life					
Embedded value from new business	(248)	394	(74)	**72**	22
Expected return – unwinding of RDR	–	579	(56)	**523**	885
Release from the cost of required capital	–	–	271	**271**	205
Expected (or actual) net of tax profit transfer to net worth	1 103	(1 103)	–	**–**	–
Operating experience variances	(299)	140	–	**(159)**	(208)
Development expenses	(9)	–	–	**(9)**	(13)
Operating assumption changes	(969)	34	19	**(916)**	(406)
Embedded value (loss)/profit from operations	(422)	44	160	**(218)**	485
Investment return on adjusted net worth	106	–	–	**106**	164
Investment variances	(516)	255	(31)	**(292)**	(608)
Economic assumption changes	–	729	(73)	**656**	(520)
Embedded value (loss)/profit – covered business	(832)	1 028	56	**252**	(479)
Momentum Investments					
Embedded value from new business	(20)	434	(22)	**392**	134
Expected return – unwinding of RDR	–	112	(14)	**98**	131
Release from the cost of required capital	–	–	54	**54**	54
Expected (or actual) net of tax profit transfer to net worth	356	(356)	–	**–**	–
Operating experience variances	251	(73)	–	**178**	178
Development expenses	(6)	–	–	**(6)**	(9)
Operating assumption changes	–	(229)	(19)	**(248)**	171
Embedded value profit/(loss) from operations	581	(112)	(1)	**468**	659
Investment return on adjusted net worth	(49)	–	–	**(49)**	80
Investment variances	327	244	(84)	**487**	(344)
Economic assumption changes	–	(223)	(16)	**(239)**	1
Embedded value profit/(loss) – covered business	859	(91)	(101)	**667**	396
Metropolitan Life					
Embedded value from new business	(130)	450	(67)	**253**	110
Expected return – unwinding of RDR	–	297	(24)	**273**	443
Release from the cost of required capital	–	–	77	**77**	53
Expected (or actual) net of tax profit transfer to net worth	794	(794)	–	**–**	–
Operating experience variances	(4)	7	–	**3**	108
Development expenses	(9)	–	–	**(9)**	(5)
Operating assumption changes	(344)	(64)	(45)	**(453)**	(129)
Embedded value profit/(loss) from operations	307	(104)	(59)	**144**	580
Investment return on adjusted net worth	59	–	–	**59**	90
Investment variances	66	267	(8)	**325**	(745)
Economic assumption changes	–	(44)	29	**(15)**	(45)
Embedded value profit/(loss) – covered business	432	119	(38)	**513**	(120)

[1] Investment return on ANW was reallocated between segments to align external and internal reporting.

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 30.06.2021 Rm	Restated 12 mths to 30.06.2020[1] Rm
Momentum Corporate					
Embedded value from new business	(135)	169	(23)	**11**	(4)
Expected return – unwinding of RDR	–	560	(140)	**420**	487
Release from the cost of required capital	–	–	168	**168**	165
Expected (or actual) net of tax profit transfer to net worth	535	(535)	–	**–**	–
Operating experience variances	(212)	(340)	–	**(552)**	(88)
Development expenses	(13)	–	–	**(13)**	(16)
Operating assumption changes	(980)	(240)	35	**(1 185)**	(549)
Embedded value (loss)/profit from operations	(805)	(386)	40	**(1 151)**	(5)
Investment return on adjusted net worth	48	–	–	**48**	72
Investment variances	207	134	79	**420**	(604)
Economic assumption changes	(1)	118	–	**117**	(181)
Embedded value (loss)/profit – covered business	(551)	(134)	119	**(566)**	(718)
Momentum Metropolitan Africa					
Embedded value from new business	(196)	217	(24)	**(3)**	18
Expected return – unwinding of RDR	–	281	(42)	**239**	268
Expected (or actual) net of tax profit transfer to net worth	381	(381)	–	**–**	–
Operating experience variances	1	(40)	–	**(39)**	46
Operating assumption changes	(103)	77	–	**(26)**	132
Embedded value profit/(loss) from operations	83	154	(66)	**171**	464
Investment return on adjusted net worth	118	–	–	**118**	121
Investment variances	124	35	–	**159**	(219)
Economic assumption changes	(47)	32	31	**16**	(14)
Exchange rate movements	(52)	(50)	11	**(91)**	77
Embedded value profit/(loss) – covered business	226	171	(24)	**373**	429
Shareholders					
Operating experience variances	41	–	–	**41**	(110)
Embedded value profit/(loss) from operations	41	–	–	**41**	(110)
Investment return on adjusted net worth	(158)	–	–	**(158)**	(270)
Investment variances	31	–	–	**31**	–
Exceptional items	–	–	–	**–**	(19)
Embedded value loss – covered business	(86)	–	–	**(86)**	(399)

[1] Investment return on ANW was reallocated between segments to align external and internal reporting.

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 30.06.2021 Rm**	**12 mths to 30.06.2020 Rm**
Total lump sum inflows	**38 905**	32 532
Inflows not included in value of new business	**(6 618)**	(9 640)
Wealth off-balance sheet business	**13 637**	8 803
Term extensions on maturing policies	**321**	276
Automatically Continued Policies	**1 255**	1 233
Non-controlling interests and other adjustments	**(3)**	(15)
Single premiums included in value of new business	**47 497**	33 189

A. Value of new business (VNB) continued

Value of new business[1, 2]	Momentum Life Rm	Momentum Investments[3] Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Africa Rm	Total Rm
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
New business premiums (PVP)	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 PVP	1.0	0.9	4.3	0.1	(0.1)	1.1
12 mths to 30.06.2020						
Value of new business	22	134	110	(4)	18	280
Gross	103	143	144	38	38	466
Less cost of required capital	(81)	(9)	(34)	(42)	(20)	(186)
New business premiums	2 992	26 466	2 256	3 775	1 117	36 606
Recurring premiums	928	121	1 156	796	416	3 417
Protection	430	–	713	347	128	1 618
Long-term savings	498	115	439	446	288	1 786
Annuities and structured products	–	6	4	3	–	13
Single premiums	2 064	26 345	1 100	2 979	701	33 189
Protection	–	–	–	108	129	237
Long-term savings	2 064	23 850	454	2 832	214	29 414
Annuities and structured products	–	2 495	646	39	358	3 538
New business premiums (APE)	1 134	2 756	1 266	1 094	486	6 736
Protection	430	–	713	358	141	1 642
Long-term savings	704	2 500	484	729	309	4 726
Annuities and structured products	–	256	69	7	36	368
New business premiums (PVP)	7 072	26 812	4 701	9 206	2 656	50 447
Profitability of new business as a percentage of APE	1.9	4.9	8.7	(0.4)	3.7	4.2
Profitability of new business as a percentage of PVP	0.3	0.5	2.3	(0.0)	0.7	0.6

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 point of sale demographic and 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 Included in covered business is Wealth business not deemed to be long-term insurance business with value of new business of R75 million (30.06.2020: R43 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]	30.06.2021 %	30.06.2020 %
Pre-tax investment return		
Equities	**13.9**	14.0
Properties	**11.4**	11.5
Government stock	**10.4**	10.5
Other fixed-interest stocks	**10.9**	11.0
Cash	**9.4**	9.5
Risk-free return[3]	**10.4**	10.5
Risk discount rate (RDR)[4]	**12.8**	12.9
Investment return (before tax) – balanced portfolio[3]	**12.6**	12.7
Renewal expense inflation rate[5]	**6.5**	5.7

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

2 The 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 2020.

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 6.5% 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 30.06.2021 ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	12 mths to 30.06.2020 EV Rm
Momentum Life		**(299)**	**140**	**–**	**(159)**	(208)
Mortality and morbidity	1, 2	(315)	(1)	–	(316)	(23)
Terminations, premium cessations and policy alterations	3	64	164	–	228	(94)
Expense variance		82	–	–	82	60
Other	4	(130)	(23)	–	(153)	(151)
Momentum Investments		**251**	**(73)**	**–**	**178**	178
Mortality and morbidity	5	85	(4)	–	81	21
Terminations, premium cessations and policy alterations	6	3	(71)	–	(68)	37
Expense variance		84	–	–	84	48
Credit risk variance		29	–	–	29	43
Other	7	50	2	–	52	29
Metropolitan Life		**(4)**	**7**	**–**	**3**	108
Mortality and morbidity	1	(77)	(30)	–	(107)	128
Terminations, premium cessations and policy alterations	8	–	40	–	40	(18)
Expense variance		18	–	–	18	(25)
Credit risk variance		34	–	–	34	32
Other		21	(3)	–	18	(9)
Momentum Corporate		**(212)**	**(340)**	**–**	**(552)**	(88)
Mortality and morbidity	1, 2	(263)	(3)	–	(266)	(22)
Terminations, premium cessations and policy alterations	9	(13)	(285)	–	(298)	(265)
Expense variance		64	–	–	64	35
Credit risk variance		(6)	–	–	(6)	11
Other	10	6	(52)	–	(46)	153
Momentum Metropolitan Africa		**1**	**(40)**	**–**	**(39)**	46
Mortality and morbidity	11	57	4	–	61	98
Terminations, premium cessations and policy alterations	12	(56)	(44)	–	(100)	(33)
Expense variance		(11)	–	–	(11)	(3)
Other		11	–	–	11	(16)
Shareholders		**41**	**–**	**–**	**41**	(110)
Total operating experience variances		**(222)**	**(306)**	**–**	**(528)**	(74)

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 a release from the Covid-19 provisions.
2. Includes some offset from improved morbidity experience.
3. Persistency experience was negatively impacted by the pandemic (through premium holidays offered) but overall observed better than expected persistency. This includes the release of Covid-19 provisions. Net alterations experience, in particular with regards voluntary premium growth, also contributed positively.
4. The premium variance due to Multiply discounts contributed negatively for the 12 months. The variance would be impacted by new discounts offered, net changes on policies with current discounts, extension of the transition guarantee as well as changes in Activity Levels (a rating factor on the Multiply Grid).
5. The annuity book of business experienced higher than expected mortality due to the Covid-19 pandemic.
6. Reprice of contracts, fee changes and drawdowns on living annuities.
7. Mostly profits arising from the delayed implementation of pricing changes.
8. The improvement in reported experience is primarily as a result of improved accounting processes and significant new business volumes written, supported by better advisor retention and flexible premium payment options introduced by the business. Included in this is a release from the Covid-19 provisions.
9. Negative experience variance due to the shrinking book, mainly because of some large client terminations as well as employee workforce reducing on the FundsAtWork book.
10. Impact due to new fee agreements with the non-covered Momentum Investments business that manages the assets.
11. Mortality and morbidity experience for the 12 months were lower compared to what was allowed for in the valuation basis. Also includes a release of Covid-19 provisions.
12. ANW impact is mainly due to the premium debt write-off in Lesotho due to the pandemic and adverse lapse experience in Lesotho and Botswana. VIF impact is mainly due to adverse experience in Namibia.

F. Development expenses

Business development expenses within segments.

G. Operating assumption changes

		12 mths to 30.06.2021				12 mths to 30.06.2020
Operating assumption changes	Notes	**ANW Rm**	**Gross VIF Rm**	**Cost of required capital Rm**	**EV Rm**	**EV Rm**
Momentum Life		**(969)**	**34**	**19**	**(916)**	(406)
Mortality and morbidity assumptions	1, 2	**(872)**	**(4)**	**–**	**(876)**	(192)
Termination assumptions	3	**(296)**	**51**	**–**	**(245)**	(320)
Renewal expense assumptions	4	**98**	**90**	**–**	**188**	91
Modelling, methodology and other changes	5	**101**	**(103)**	**19**	**17**	15
Momentum Investments		**–**	**(229)**	**(19)**	**(248)**	171
Mortality and morbidity assumptions	1	**20**	**–**	**–**	**20**	–
Termination assumptions		**–**	**39**	**–**	**39**	(1)
Renewal expense assumptions	6	**(19)**	**(319)**	**–**	**(338)**	48
Modelling, methodology and other changes		**(1)**	**51**	**(19)**	**31**	124
Metropolitan Life		**(344)**	**(64)**	**(45)**	**(453)**	(129)
Mortality and morbidity assumptions	1	**(382)**	**(5)**	**–**	**(387)**	(98)
Termination assumptions		**–**	**–**	**–**	**–**	(71)
Renewal expense assumptions	4	**60**	**(21)**	**–**	**39**	6
Modelling, methodology and other changes	7	**(22)**	**(38)**	**(45)**	**(105)**	34
Momentum Corporate		**(980)**	**(240)**	**35**	**(1 185)**	(549)
Mortality and morbidity assumptions	1	**(1 001)**	**(175)**	**–**	**(1 176)**	(287)
Termination assumptions	8	**–**	**(130)**	**–**	**(130)**	(105)
Renewal expense assumptions	4	**(35)**	**213**	**–**	**178**	17
Modelling, methodology and other changes	9	**56**	**(148)**	**35**	**(57)**	(174)
Momentum Metropolitan Africa		**(103)**	**77**	**–**	**(26)**	132
Mortality and morbidity assumptions	1, 10	**(58)**	**(20)**	**–**	**(78)**	42
Termination assumptions	11	**(39)**	**27**	**–**	**(12)**	(30)
Renewal expense assumptions	12	**(60)**	**10**	**–**	**(50)**	44
Modelling, methodology and other changes	13	**54**	**60**	**–**	**114**	76
Total operating assumption changes		**(2 396)**	**(422)**	**(10)**	**(2 828)**	(781)

Notes

1. Set up of additional Covid-19 provisions.
2. The mortality basis for the Traditional business was strengthened as well as the assumed mortality rates at older ages for the Protection business.
3. The termination rates for Protection business was reduced at longer durations.
4. Given good expense management, the expenses basis was weakened.
5. A number of outstanding projects was concluded ahead of the IFRS 17 implementation resulting in modelling refinements and releases of some out-of-model reserves. The net impact of these was neutral on the embedded value basis.
6. The Wealth renewal expense assumption was increased due to a reallocation of expenses.
7. Includes the work completed during the Legacy Funeral book migration to the PDS administration system as well as the impact on cost of capital from adopting the revised methodology for allocating the required capital to segments.
8. Updated termination assumptions of FundsAtWork and LC Investments.
9. ANW impact is largely due to opening methodology changes on CPI Annuities and Group Risk. VIF impact mainly due to the updated salary inflation assumption.
10. The VIF impact is due to the revision of profit margins.
11. Mainly due to the update of lapse rates in Namibia on the Swabou business.
12. Mainly driven by the increase in budgeted expenses. This was partially offset by an update on the policy charges on savings business.
13. Mainly driven by the release of profit share reserves in Lesotho and a tax correction.

H. Investment return on adjusted net worth

Investment return on adjusted net worth	12 mths to 30.06.2021 Rm	12 mths to 30.06.2020 Rm
Investment income	**420**	500
Capital appreciation and other[1]	**(296)**	(209)
Preference share dividends paid	**–**	(34)
Investment return on adjusted net worth	**124**	257

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. Exceptional items

Prior period item relates to the implementation and adoption of IFRS 16 in the previous financial year.

M. Transfer of business from/to non-covered business

Transfer of business between covered and non-covered business.

N. 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).

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 – 30.06.2021	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	9 192	20 706	23 578	(2 872)	725	935	(210)
1% increase in risk discount rate		19 010	22 277	(3 267)	606	841	(235)
% change		(8)	(6)	14	(16)	(10)	12
1% reduction in risk discount rate		22 590	25 027	(2 437)	864	1 048	(184)
% change		9	6	(15)	19	12	(12)
10% decrease in future expenses		22 460	25 331	(2 871)	878	1 088	(210)
% change[1]		8	7	–	21	16	–
10% decrease in lapse, paid-up and surrender rates		21 230	24 101	(2 871)	900	1 110	(210)
% change		3	2	–	24	19	–
5% decrease in mortality and morbidity for assurance business		23 254	26 125	(2 871)	870	1 080	(210)
% change		12	11	–	20	16	–
5% decrease in mortality for annuity business		20 326	23 197	(2 871)	702	912	(210)
% change		(2)	(2)	–	(3)	(2)	–
1% reduction in gross investment return, inflation rate and risk discount rate	9 192	21 387	24 258	(2 871)	798	1 008	(210)
% change[2]	–	3	3	–	10	8	–
1% reduction in inflation rate		21 620	24 491	(2 871)	804	1 014	(210)
% change		4	4	–	11	8	–
10% fall in market value of equities and properties	9 113	19 726	22 597	(2 871)			
% change[2]	(1)	(5)	(4)	–			
10% reduction in premium indexation take-up rate		20 202	23 073	(2 871)	685	895	(210)
% change		(2)	(2)	–	(6)	(4)	–
10% decrease in non-commission-related acquisition expenses					850	1 060	(210)
% change					17	13	–
1% increase in equity/property risk premium		21 188	24 059	(2 871)	763	973	(210)
% change		2	2	–	5	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.

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 2021. The Board is of the opinion that the Group is in compliance with the South African Companies Act, 71 of 2008 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 in print and 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 20 November 2020, the Group established Amandla Renewable Energy Fund (Pty) Ltd (the Fund) with TBI Investment Managers to facilitate investments in the renewable energy sector. The Group has a 50% shareholding of the ordinary shares within the Fund. It was determined that the Group exercises control over the Fund and the associated special purpose vehicle, Amandla Ilanga (RF) (Pty) Ltd. Upon the establishment of the Fund, the Group contributed R100 in ordinary share capital.

On 30 November 2020, the Group, through its wholly owned subsidiary, Momentum Global Investment Management Ltd (MGIM), acquired 100% of the shares in Seneca Investment Managers Ltd (Seneca) for £8.22 million in cash and £5 million contingent consideration.

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) for N$40 million in cash and N$10 million contingent consideration. AFIN has since been renamed to Momentum Insurance (Namibia). The initial accounting for the AFIN acquisition has been provisionally determined at reporting date. At the date of finalisation of the AFS, the necessary valuations of certain assets had not been finalised and are therefore presented as preliminary.

On 1 June 2021, the Group, through its wholly owned subsidiary, Guardrisk Group (Pty) Ltd, acquired 100% of the shares in Inniu Underwriting Services (Pty) Ltd (Inniu) for R41 million in cash and R19 million contingent consideration.

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

Disposals and dilution

On 9 December 2020, MMH, through its subsidiary, Momentum Metropolitan Namibia Ltd, sold a 2% stake in Methealth Namibia Administrators (Pty) Ltd (MHNA) for N$4.5 million. As a result, the classification of MHNA has changed from an investment in subsidiary to an investment in associate.

MMH through its wholly owned subsidiary, Momentum Metropolitan Life Ltd (MML) owned 100% (100 Class A shares) of the issued capital of South African Student Accommodation Impact Investments (Pty) Ltd (SASAII). On 30 June 2021, SASAII issued a further 400 Class A shares, 50 were purchased by MML and the other 350 were purchased by Eskom Pension and Provident Fund, a non-related party to the Group. As a result of this issuance, the classification of SASAII has changed from an investment in subsidiary to an investment in associate.

On 30 June 2021, the Group reduced its shareholding in aYo Holdings Ltd (aYo) from 50% to 25%. As a result, the classification of aYo has changed from an investment in joint venture to an investment in associate.

Held for sale

As part of our plan to exit a number of African countries, the Group classified entities in three of these African countries, as held for sale at 30 June 2020. Two of the three countries have since been exited. The Momentum Mozambique LDA business is no longer classified as held for sale, following the cancellation of its sale due to conditions precedent not being met by the agreed deadline. The prior year has been restated accordingly. Refer to note 47 for more details.

Following a strategic review, the Group has made the decision to dispose of its remaining 25% shareholding in aYo. The investment, as well as the related intellectual property that will be sold as part of the disposal, has therefore been classified as held for sale. Refer to note 46 for more details.

Sales agreements have been entered into for the sale of three properties. These properties have therefore been classified as held for sale.

Listed debt

On 15 February 2021, MML listed two new subordinated debt instruments to the combined value of R750 million on the JSE. The proceeds of the issuance was used to refinance the subordinated debt instrument, MMIG02, which became callable on 17 March 2021.

iSabelo – Employee share ownership programme

As announced in the AFS for the year ended 30 June 2020, the Group proposed to establish a broad-based employee share ownership scheme which was subject to obtaining approval from existing shareholders. All necessary approval has since been received. The scheme has been set up and units have been granted during the current year. Refer to note 17.6 for more details.

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
- South African Companies Act, 71 of 2008, as amended.

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

During the current year, South Africa experienced a severe impact from Covid-19, with three waves of Covid-19 infections and deaths impacting Momentum Metropolitan. At report date the third wave is still ongoing. In line with the steep increase in national experience, the Group's mortality experience was worse than initially expected and the Group's South African life insurance businesses paid R10.7 billion in mortality claims (gross of reinsurance and tax) during F2021, compared to an average of R5.6 billion p.a. over the three years preceding the pandemic. On 30 June 2020 the Group established a provision for possible future Covid-19-related mortality claims, increases in terminations, reduced return-to-work experience on disability income claims in payment, and business interruption claims, amounting to R983 million (net of tax). During the current year, the Group increased its additional provision against Covid-19-related mortality and disability claims experience by a further R2.2 billion (net of tax). The Group utilised R1.2 billion of the provision during F2021, and thus on 30 June 2021, the remaining Covid-19 provision for future negative experience is R2.0 billion. A significant level of uncertainty remains over long-term impacts that Covid-19 may have on the Group. Most notably, the Group's future mortality experience remains highly uncertain and is sensitive to the pace at which the vaccination programme is rolled out. However, 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.

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. The Group is not aware of capital commitments at 30 June 2021 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 R451 million (Restated 2020: R188 million) and R445 million (2020: R1 036 million) respectively. Group normalised headline earnings were R1 007 million (2020: R1 521 million) and normalised headline earnings per share 67.1 cents (2020: 101.5 cents). Refer to note 1 for a reconciliation of basic earnings to 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 broad-based black economic empowerment (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:

	2021		Restated 2020[1]	
Analysis of normalised headline earnings	**Rm**	**% of total**	**Rm**	**% of total**
Momentum Life	**(859)**	**(85)**	578	38
Momentum Investments	**1 095**	**109**	340	22
Metropolitan Life	**435**	**43**	393	26
Momentum Corporate	**(552)**	**(55)**	177	11
Momentum Metropolitan Health[2]	**213**	**21**	156	10
Non-life Insurance	**544**	**55**	405	27
Momentum Metropolitan Africa	**256**	**25**	317	21
New Initiatives	**(358)**	**(36)**	(509)	(33)
Shareholders	**233**	**23**	(336)	(22)
Total	**1 007**	**100**	1 521	100

[1] In light of changes to internal performance metrics (and to retain alignment between internal and external reporting), a decision was taken to allocate investment returns to operating segments in proportion to regulatory capital requirements for the main life licence. This allows for a consistent measurement of return on equity (also proportionally allocated to regulatory capital requirements) at a segmental level. June 2020 has been restated accordingly.

[2] Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 has been restated accordingly.

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. As part of the employee share ownership programme, 17 987 573 number of shares were repurchased during the current year. There were no share issues in the current 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. Units will also be allocated on a semi-annual basis to new South African employees who joined after the commencement date. Vesting will occur as follows: 10% to vest in year one and 15% thereafter for years two to seven. The shares will be allocated 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 25 cents per share were declared in March 2021 and a final ordinary dividend of 15 cents per share was declared on 6 September 2021 by the Board, resulting in a total ordinary dividend of 40 cents per share. In the prior year, an interim ordinary dividend of 40 cents per share was declared in March 2020. No final ordinary dividend was declared in September 2020.

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, 1 October 2021, and will be paid on Monday, 4 October 2021. 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 12 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, 28 September 2021. The shares will trade ex dividend from the start of business on Wednesday, 29 September 2021. Share certificates may not be dematerialised or rematerialised between Wednesday, 29 September 2021 and Friday, 1 October 2021, 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 (2020: 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 June 2022 (after extending it by 18 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 2021:

MS Moloko (Chairman)	Independent non-executive
HP Meyer (Group Chief Executive)	Executive
JC Cilliers (Marais) (Deputy Chief Executive)	Executive
RS Ketola (Group Finance Director)	Executive
LM Chiume	Non-executive
P Cooper	Independent non-executive
F Daniels (Jakoet)	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-executive
S McPherson	Independent non-executive
V Nkonyeni	Independent non-executive
DJ Park	Independent non-executive
FJC Truter	Independent non-executive

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

	Appointments	Resignations
PJ Makosholo	1 July 2020	
MJN Njeke – Chairman *(retired)*		26 November 2020
MS Moloko – Chairman	26 November 2020	
KC Shubane *(retired)*		26 November 2020
JC van Reenen *(retired)*		26 November 2020
NJ Dunkley	1 June 2021	
T Gobalsamy	1 June 2021	

Detailed information regarding the directors and Group Company Secretary of MMH is provided in the Integrated Report which is available in print and 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 South African Companies Act, 71 of 2008, as amended.

Directors' interest

Rand Merchant Investment Holdings Ltd (RMI), of which Mr P Cooper is a non-executive director, and Ms L Chiume is a senior investment executive, has a direct holding of 26.3% in the Group.

KTH, of which Mr P Makosholo is an executive director, has a direct holding of 7.4% interest in the Group (28 million MMH preference shares and 86 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 2021 are set out below:

	Direct Beneficial '000	Indirect Beneficial '000	Total 2021 '000	Total 2020 '000
Listed				
Executive directors	437	390	827	827
Non-executive directors	409	583	992	1 148
	846	973	1 819	1 975

The above directors' effective MMH shareholding amounts to 0.07% (2020: 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 RMI shares at 30 June 2021 are set out below:

	Direct Beneficial '000	Indirect Beneficial '000	Total 2021 '000	Total 2020 '000
Listed				
Executive directors	26	18	44	44
Non-executive directors	825	3 229	4 054	4 064
	851	3 247	4 098	4 108

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 2021 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 2021 R'000	Total 2020 R'000
Executive	–	15 785	5 000	3	454	185	5 282	26 709	25 181
Non-executive	17 896	–	–	–	–	–	–	17 896	18 701
Total	17 896	15 785	5 000	3	454	185	5 282	44 605	43 882

[1] Bonus payments relate to the 2020 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 South African Companies Act, 71 of 2008, as amended); 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

The Covid-19 pandemic continues to impact the Group's operating environment beyond the reporting date. At the time of publishing this report the third wave in South Africa is still ongoing. The Group will continue to monitor the progression of the pandemic and its impact on the Group and will consider these on significant estimates and judgements going forward.

During July 2021 political unrest that resulted in widespread rioting and looting broke out in Gauteng and KwaZulu-Natal which affected some of the Group's branches.

During September 2021 both aYo as well as the related intellectual property, which were classified as held for sale at 30 June 2021, has been sold.

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.

The Audit Committee (the Committee) of Momentum Metropolitan Group (the Group) herewith presents its report for the financial year ended 30 June 2021. The Group consists of Momentum Metropolitan Holdings (the Company) and its subsidiaries, which includes the Momentum Metropolitan Life Group.

The Committee had discharged its responsibilities as mandated by the Board of Momentum Metropolitan Holdings Ltd (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™.

Function of the Committee

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 request from the office of the Group Company Secretary, 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 2022 objectives are included on page 48 of the Group's 2021 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, focus on the more pertinent matters and required assessments, sign offs and attestations by the Committee.

Committee composition, attendees and meetings

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

During the year, we added two new members to the audit committee in order to ensure a smooth skills transition when Fatima Daniels and Frans Truter retire from the Group board and hence the Committee at the upcoming AGM. To this effect we have appointed Nigel Dunkley and Seelan Gobalsamy to the Committee from 1 June 2021. Both Nigel and Seelan have significant insurance and financial services experience and we are fortunate to have individuals of this caliber being added to our Committee.

The Committee currently comprise of the following members:
Linda de Beer (Chair)
Fatima Daniels
Frans Truter
Nigel Dunkley
Seelan Gobalsamy

Lisa Chiume, who is a director on the Group board, attends all Committee meetings as a permanent invitee, but not being classified as an independent director, she is not a member of the Committee. However, her deep industry knowledge adds valuable insights to our debates.

A brief profile of each of the members can be viewed on pages 33 to 35 of the 2021 Integrated Report and the Group's website at www.momentummetropolitan.co.za.

The Committee met on nine occasions during the year, of which four were special meetings. The additional meetings were to consider information for purposes of trading updates, in-depth discussions on Covid-related matters as well as to consider the regulatory landscape and its demands on audit committees. Member attendance is reflected on pages 33 to 35 of the 2021 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 related provisioning and valuations as well as the underlying methodology and assumptions applied in doing this.
- Embedding the learnings from the 2020 audit firm rotation to EY and further maturing the engagement between the external auditor, management and the Committee.
- Focus on the reviews and findings by Internal Audit, with particular reference to the various businesses outside South Africa as well as findings and corrective action relating to the ever-increasing regulatory requirements on the Group.
- Ongoing monitoring of the Group's readiness for the implementation of IFRS 17, Insurance Contracts.
- Continuous enhancement of combined assurance, including the new requirement in terms of the JSE Listings Requirements in respect of CEO and FD sign off on the controls that underpin the reliability of financial information.

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 considers the appropriateness of financial reporting procedures and whether those 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 considers all related guidance and requirements issued by the JSE, including its 2020 Pro-active 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 the finance function has established appropriate financial reporting procedures, which are operating effectively.

Integrated Report

The Committee reviewed the Group's 2021 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 113 within note 26 to the AFS. All the non-audit services (disclosed on page 113, 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, provide access to subject matter assurance expertise and 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.

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 Internal 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 and the chair of the Risk, Capital and Compliance Committee is a member of this Committee. 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 2021 is provided on page 19 to 20 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 and even more so in light of the impact of the Covid-19 pandemic on some aspects of our business. 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 additional provisions against potential adverse claims experience and policyholder behaviour as a result of the Covid-19 pandemic throughout the financial reporting process. Other basis changes were also assessed. The Committee is satisfied that the valuation of insurance contract liabilities were adequately considered. The Committee is also satisfied that the disclosure of these provisions, especially in respect to the 'Covid provisioning' has been done in a comprehensive and transparent manner.

In respect of data migration, as referenced in the key audit matter by EY, the Committee considered the work done by Internal Audit in respect of the process and was satisfied with the conclusions reached.

Valuation of complex and illiquid financial instruments

Complex and illiquid financial instruments comprise investment in non-listed entities, the Group's property portfolio, investment and credit exposure in respect of lending activities. As these assets are not traded in an open market the determination of fair values require a greater degree of judgment. 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 these assets, and where appropriate the expected credit loss provisioning, especially on below investment grade credit exposures. 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 the Committee was comfortable with these valuations and that the related judgements in this regard are adequately considered and disclosed.

Valuation of investments in subsidiaries held by Momentum Metropolitan Holdings

The Committee has reviewed the directors' valuations of all subsidiaries, with a specific focus on those where impairment indicators existed as a result of under-performance or other matters. The Committee received feedback from both the Actuarial Committee and the in-house actuarial specialist who assesses the valuations, on the consistency of the methodology employed. In discussion with the actuarial specialist and whilst considering the performance of the various subsidiaries, management's assumptions and judgement were considered. The Committee is comfortable with the impairment tests performed, resulting in the directors' valuations recognised and disclosure in respect of these investments.

Planned key focus areas of the Committee for 2022

The key items of focus for the 2022 financial year are currently considered as follows:

- Ongoing assessment of the impact of Covid-19 on the business in respect of performance and provisioning.
- Ensuring that the Group is ready to comply with IFRS 17.
- Ensuring the Group is ready to implement joint audit requirements, should these 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 ensure controls and processes are in place to ensure compliance.

In conclusion

On behalf of the Committee I would like to extend our deep gratitude to Fatima Daniels and Frans Truter, who are retiring from the Board and the Committee in the near future. They have both contributed immensely to our oversight role with their deep experience of the industry, dedication, hard work and generous sharing of their insights. This has left a lasting positive imprint on the work of the Committee and the governance and oversight structures that were created.

Linda de Beer
Chair: Audit Committee

6 September 2021

STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	2021 Rm	Restated 2020[1] Rm	Restated 1 July 2019[1] Rm
Assets				
Intangible assets	3	**9 888**	10 339	9 633
Owner-occupied properties	4	**3 033**	3 598	4 011
Fixed assets		**404**	391	390
Investment properties	5	**8 938**	9 042	9 054
Properties under development		**163**	118	192
Investments in associates and joint ventures	6	**1 156**	905	792
Employee benefit assets		**697**	652	469
Financial assets at fair value through profit and loss (FVPL)	7.1	**466 280**	427 917	428 155
Financial assets at amortised cost	7.2	**9 598**	8 244	10 266
Reinsurance contract assets	8	**6 717**	6 142	5 912
Deferred income tax	14	**756**	862	599
Insurance and other receivables	7.3	**6 406**	5 371	5 286
Current income tax assets		**456**	371	184
Assets relating to disposal groups held for sale	46	**171**	154	919
Cash and cash equivalents	7.4	**38 121**	31 596	26 129
Total assets		**552 784**	505 702	501 991
Equity				
Equity attributable to owners of the parent		**21 575**	22 593	23 047
Share capital	16	**12 737**	13 170	13 340
Other components of equity	17	**1 469**	2 315	1 760
Retained earnings		**7 369**	7 108	7 947
Non-controlling interests		**348**	410	526
Total equity		**21 923**	23 003	23 573
Liabilities				
Insurance contract liabilities				
Long-term insurance contracts	9.1	**128 882**	114 545	120 252
Non-life insurance contracts	9.2	**13 349**	11 287	9 603
Capitation contracts		**7**	9	14
Investment contracts		**311 785**	279 947	270 383
– with discretionary participation features (DPF)	10.1	**19 222**	18 320	20 573
– designated at FVPL	10.2	**292 563**	261 627	249 810
Financial liabilities at FVPL	12.1	**47 420**	47 645	48 771
Financial liabilities at amortised cost	12.2	**4 164**	4 610	3 368
Reinsurance contract liabilities	13	**2 347**	2 277	1 912
Deferred income tax	14	**2 722**	2 926	3 219
Employee benefit obligations	15.1	**1 148**	1 228	1 339
Other payables	12.3	**18 829**	17 790	18 270
Provisions		**38**	76	112
Current income tax liabilities		**170**	238	459
Liabilities relating to disposal groups held for sale	46	**–**	121	716
Total liabilities		**530 861**	482 699	478 418
Total equity and liabilities		**552 784**	505 702	501 991

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

INCOME STATEMENT

For the year ended 30 June 2021

	Notes	2021 Rm	Restated 2020[1] Rm
Insurance premiums		**55 661**	49 294
Insurance premiums ceded to reinsurers		**(18 829)**	(16 722)
Net insurance premiums	18	**36 832**	32 572
Fee income	19	**8 911**	8 573
Contract administration		**3 116**	3 113
Health administration		**2 107**	2 028
Trust and fiduciary services		**1 041**	1 250
Cell captive commission		**1 323**	1 190
Other fee income		**1 324**	992
Investment income	20	**21 102**	22 442
Amortised cost		**1 240**	1 593
Other investment income		**19 862**	20 849
Net realised and unrealised fair value gains/(losses)	21	**40 233**	(12 705)
Net income		**107 078**	50 882
Insurance benefits and claims		**43 334**	35 357
Insurance claims recovered from reinsurers		**(12 193)**	(8 357)
Net insurance benefits and claims	22	**31 141**	27 000
Change in actuarial liabilities and related reinsurance		**12 770**	(10 037)
Change in long-term insurance contract liabilities		**12 808**	(7 501)
Change in non-life insurance contract liabilities		**(77)**	(28)
Change in investment contracts with DPF liabilities		**763**	(2 187)
Change in reinsurance assets	8	**(140)**	(165)
Change in reinsurance liabilities	13	**(584)**	(156)
Fair value adjustments on investment contract liabilities	10,2	**34 188**	6 622
Fair value adjustments on collective investment scheme (CIS) liabilities		**2 816**	1 613
Depreciation, amortisation and impairment expenses	23	**1 273**	2 115
Employee benefit expenses	24	**6 511**	6 354
Sales remuneration	25	**6 989**	6 634
Other expenses	26	**7 402**	6 641
Expenses		**103 090**	46 942
Results of operations		**3 988**	3 940
Share of loss of associates and joint ventures	6	**(237)**	(282)
Finance costs	27	**(909)**	(1 085)
Profit before tax		**2 842**	2 573
Income tax expense	28	**(2 298)**	(2 277)
Earnings for the year		**544**	296
Attributable to:			
Owners of the parent	1	**451**	188
Non-controlling interests		**93**	108
		544	296
Basic earnings per ordinary share (cents)	1	**31.3**	12.9
Diluted earnings per ordinary share (cents)	1	**31.3**	12.9

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 Rm	Restated 2020[1] Rm
Earnings for the year		544	296
Other comprehensive (loss)/income, net of tax[2]		(738)	665
Items that may subsequently be reclassified to income		(469)	411
Exchange differences on translating foreign operations[3, 4]	17	(381)	375
Share of other comprehensive (loss)/income of associates	17	(88)	36
Items that will not be reclassified to income		(269)	254
Own credit (losses)/gains on financial liabilities designated at FVPL	12	(90)	69
Land and building revaluation	17	22	31
Remeasurements of post-employee benefit funds	17	(179)	163
Income tax relating to items that will not be reclassified	17	(22)	(9)
Total comprehensive (loss)/income for the year		(194)	961
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(275)	846
Non-controlling interests		81	115
		(194)	961

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

2 Included within other comprehensive income is nil (Restated 2020: positive R9 million) relating to disposal groups held for sale at the end of the respective period.

3 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. In the prior year, positive R43 million represented the FCTR reversal on the sale of UBA Metropolitan Life Insurance Ltd (Nigeria) and Financial Partners Ltd, giving rise to a loss of the same extent in the income statement. These entities were classified as held for sale in the prior year.

4 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

For the year ended 30 June 2021

	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 2019	9	13 331	1 721	7 959	23 020	526	23 546
Opening adjustment[1]	–	–	–	(19)	(19)	–	(19)
Held for sale restatement[2]	–	–	–	46	46	–	46
Change in accounting policy[2]	–	–	39	(39)	–	–	–
Restated opening balance	9	13 331	1 760	7 947	23 047	526	23 573
Total comprehensive income	–	–	589	257	846	115	961
Income statement	–	–	–	188	188	108	296
Other comprehensive income	–	–	589	69	658	7	665
Dividend declared/paid	–	–	–	(1 092)	(1 092)	(178)	(1 270)
Net increase in treasury shares held on behalf of contract holders	–	(170)	–	–	(170)	–	(170)
Transfer to retained earnings from other reserves	–	–	(15)	15	–	–	–
Transactions with non-controlling interests[3]	–	–	–	(19)	(19)	(33)	(52)
Sale of subsidiary	–	–	–	–	–	(20)	(20)
Change in non-distributable reserves	–	–	(19)	–	(19)	–	(19)
Restated 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	**–**	**–**	**46**	**–**	**46**	**–**	**46**
Net increase in treasury shares held on behalf of contract holders	**–**	**(142)**	**–**	**–**	**(142)**	**–**	**(142)**
Increase in treasury shares held by subsidiary for employees	**–**	**(291)**	**–**	**–**	**(291)**	**–**	**(291)**
Transfer to retained earnings from other reserves	**–**	**–**	**(256)**	**256**	**–**	**–**	**–**
Transactions with non-controlling interests[3]	**–**	**–**	**–**	**9**	**9**	**7**	**16**
Sale of subsidiary	**–**	**–**	**–**	**–**	**–**	**(41)**	**(41)**
Balance at 30 June 2021	**9**	**12 728**	**1 469**	**7 369**	**21 575**	**348**	**21 923**

1 This relates to the implementation and adoption of IFRS 16 in the prior financial year.

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

3 The current year mainly relates to the purchase of AFIN, which was purchased through the Group's 70% held subsidiary Momentum Short-term Insurance (Namibia). The non-controlling interests provided 30% of this funding. Also in the current year, as part of the sales agreement for Metropolitan Tanzania Life Assurance Company Ltd, the non-controlling interests were required to provide funding to the entity. This did not result in a change in shareholding and the entity has subsequently been sold. The prior year mainly relates to the Momentum Metropolitan Namibia group change in percentage holding from 90.14% to 99.28%.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 Rm	Restated 2020[1] Rm
Cash flow from operating activities			
Cash utilised in operations	29.1	**(6 998)**	(11 070)
Interest received		**15 442**	15 825
Dividends received		**4 241**	5 289
Income tax paid	29.2	**(2 588)**	(3 370)
Interest paid	29.3	**(897)**	(1 013)
Net cash inflow from operating activities		**9 200**	5 661
Cash flow from investing activities			
Investment in subsidiaries	30	**(214)**	(1 437)
Proceeds from disposal of subsidiaries	29.5	**(79)**	113
Investment in associates and joint ventures		**(457)**	(379)
Loans advanced to related parties		**(37)**	(49)
Loans repaid by related parties		**8**	70
Purchase of owner-occupied properties		**(242)**	(211)
Proceeds from disposal of owner-occupied properties		**20**	7
Purchase of fixed assets		**(233)**	(248)
Proceeds from disposal of fixed assets		**11**	63
Purchase of computer software		**(77)**	(63)
Proceeds from disposal of computer software		**5**	4
Dividends from associates		**16**	12
Net cash outflow from investing activities		**(1 279)**	(2 118)
Cash flow from financing activities			
Proceeds from borrowings	29.4	**8 716**	8 737
Repayment of borrowings	29.4	**(8 140)**	(6 747)
Dividends paid to equity holders		**(365)**	(1 092)
Dividends paid to non-controlling interest shareholders		**(109)**	(178)
Purchase of treasury shares held on behalf of contract holders		**(619)**	(531)
Proceeds from disposal of treasury shares held on behalf of contract holders		**477**	361
Purchase of treasury shares held by subsidiary for employees		**(291)**	–
Shares purchased from non-controlling interest shareholders		**–**	(90)
Shares issued to non-controlling interest shareholders		**21**	38
Subordinated call notes issued	29.4	**750**	750
Subordinated call notes repaid	29.4	**(750)**	(750)
Net cash (outflow)/inflow from financing activities		**(310)**	498
Net cash flow		**7 611**	4 041
Cash resources and funds on deposit at beginning		**31 621**	26 325
Foreign currency translation		**(1 111)**	1 255
Cash resources and funds on deposit at end		**38 121**	31 621
Made up as follows:			
Cash and cash equivalents	7.4	**38 121**	31 596
Assets relating to disposal groups held for sale	46	**–**	25
		38 121	31 621

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

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, 71 of 2008, as amended. 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 use of judgement is especially more complex due to the Covid-19 pandemic and the resultant current economic environment the Group is currently operating in. 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 South African Companies Act, 71 of 2008, as amended.

Published standards, amendments and interpretations effective for June 2021 financial period

The following published standards are mandatory for the Group's accounting period beginning on or after 1 July 2020 and have been implemented in accordance with the transitional provisions of these standards:

- International Accounting Standards Board revision of the Conceptual Framework for Financial Reporting;
- IFRS 3 (Amendments);
- IFRS 9, IAS 39 and IFRS 7 (Amendments);
- IAS 1 and IAS 8 (Amendments); and
- IFRS 16 (Amendments).

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

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. The Covid-19 pandemic and resultant significant volatility of markets have created uncertainty in the Group's current and expected future operating environment. This uncertainty has an impact on the judgements and estimates used in preparation of the financial statements. 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 – acquisition of Alexander Forbes Short-term Insurance – 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

Group earnings per ordinary share attributable to owners of the parent	Basic earnings[1] 2021	Basic earnings[1] Restated 2020[3]	Diluted earnings[2] 2021	Diluted earnings[2] Restated 2020[3]
Earnings (cents per share)	31.3	12.9	31.3	12.9
Headline earnings (cents per share)	30.9	71.3	30.9	71.3
Normalised headline earnings (cents per share)			67.1	101.5

	Basic earnings 2021	Basic earnings 2020	Diluted earnings 2021	Diluted earnings 2020
Weighted average number of ordinary shares in issue (million)	1 439	1 452	1 439	1 452
Adjustments for				
Assumed conversion of 28 million (2020: 28 million) preference shares (weighted)[2]			–	–
Weighted average – earnings and headline earnings (million)			1 439	1 452
Assumed conversion of 28 million (2020: 28 million) preference shares (weighted)[2]			28	28
Treasury shares held on behalf of contract holders			23	19
Treasury shares held on behalf of employees			10	–
Weighted average – normalised headline earnings (million)[4]			1 500	1 499

Reconciliation of headline earnings attributable to owners of the parent	Basic earnings 2021 Rm	Basic earnings Restated 2020[3] Rm	Diluted earnings 2021 Rm	Diluted earnings Restated 2020[3] Rm
Earnings – equity holders of the Group	451	188	451	188
Finance costs – convertible preference shares[5]			–	–
Diluted earnings			451	188
Adjustments within equity-accounted earnings	28	–	28	–
Loss on dilution of joint venture	5	–	5	–
Loss on step-up of joint venture	–	8	–	8
Intangible asset impairments[6]	117	349	117	349
Tax on intangible asset impairments	(40)	(34)	(40)	(34)
Gain on sale of subsidiary[7]	(150)	(118)	(150)	(118)
Impairments relating to held for sale entities	–	42	–	42
FCTR reversal on sale of foreign subsidiary	(17)	43	(17)	43
Investment in associates impairments[8]	38	–	38	–
Impairment of owner-occupied property below cost[9]	116	568	116	568
Tax on impairment of owner-occupied property below cost	(103)	(10)	(103)	(10)
Headline earnings[10]	445	1 036	445	1 036
B-BBEE cost			25	–
Adjustments for iSabelo			40	–
Adjustments for MMH shares held by policyholder funds			54	(18)
Amortisation of intangible assets relating to business combinations			406	466
Finance costs – convertible preference shares[5]			37	37
Normalised headline earnings[11]			1 007	1 521

1 Normalised headline earnings continued

[1] Basic earnings per share – In calculating the basic earnings per share, the exclusion from the income statement of the income in respect of treasury shares requires that these shares similarly be excluded from the weighted average number of ordinary shares in issue.

[2] Diluted earnings per share – This is calculated using the weighted average number of ordinary shares in issue, assuming conversion of all issued shares with dilutive potential. The convertible redeemable preference shares do not have dilutive potential in both the current and prior year. For diluted headline earnings and earnings, these preference shares have therefore been ignored in accordance with IAS 33. Normalised headline earnings treats the preference shares as if they were ordinary equity. This treatment is consistent with how the preference shares were treated when dilutive. The preference shares are assumed to have been converted into ordinary shares and normalised headline earnings adjusted to eliminate the interest expense.

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

[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. For 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.

[5] The finance costs relating to the KTH preference shares are anti-dilutive in both the current and prior year and it accordingly is only taken into account in the calculation of normalised headline earnings.

[6] The current year impairments relate mainly to:

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

The prior year impairments related mainly to:

- Goodwill, customer relationships, brands, and broker network in Non-life Insurance due to a lower recoverable amount.
- Computer software in Shareholders, Momentum Life, and Momentum Metropolitan Health due to the software no longer being in use.
- VOBA in Shareholders due to a decrease in the asset values that back these liabilities.

[7] The current year relates mainly to the sale of the controlling interest of 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. The prior year related to the sale of UBA Metropolitan Life Insurance Ltd (Nigeria) and Metropolitan Life Swaziland Ltd in the Momentum Metropolitan Africa segment and Financial Partners Ltd in the Momentum Investments segment.

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

[9] The impairment in the current and prior year mainly relates to the impairment of the Marc, Tower 2. The value of the property, prior to June 2020, was the cost of development as it was still under construction. 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.

[10] 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.

[11] 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.

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.

2 Segmental report continued

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm
12 mths to 30.06.2021					
Revenue					
Net insurance premiums	2.4	9 516	32 361	7 657	14 864
Recurring premiums		8 976	766	6 233	12 346
Single premiums		540	31 595	1 424	2 518
Fee income		1 226	3 427	106	1 011
Fee income	2.3, 2.4	1 182	2 785	106	1 010
Intergroup fee income		44	642	–	1
Expenses					
Net payments to contract holders					
External payments		10 718	29 551	6 564	18 102
Other expenses[3]		3 451	3 072	2 808	1 497
Sales remuneration		1 357	858	1 265	88
Administration expenses		1 917	1 704	1 489	1 184
Asset management, direct property and other fee expenses		67	258	–	–
Intergroup expenses		110	252	54	225
Income tax		–	79	1	–
Normalised headline earnings	2.1	(859)	1 095	435	(552)
Operating (loss)/profit[4]		(1 346)	1 490	513	(827)
Tax on operating (loss)/profit		355	(387)	(146)	220
Investment return		151	(14)	79	64
Tax on investment return		(19)	6	(11)	(9)
Covered	2.2	(822)	885	433	(547)
Non-covered	2.2	(37)	210	2	(5)
		(859)	1 095	435	(552)
Basis changes and investment variances[5]		(1 486)	327	(278)	(774)
Actuarial liabilities		76 738	185 447	36 608	106 351

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 (R506 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 447 million, and the total of such non-current assets located in other countries is R306 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 (loss)/profit 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.

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
932	11 509	4 839	–	–	81 678	(44 846)	36 832
931	9 654	3 867	–	–	42 773	(13 241)	29 532
1	1 855	972	–	–	38 905	(31 605)	7 300
2 123	1 993	224	90	112	10 312	(1 401)	8 911
2 120	1 995	224	69	–	9 491	(580)	8 911
3	(2)	–	21	112	821	(821)	–
633	6 843	2 701	–	–	75 112	(43 971)	31 141
2 014	4 248	1 536	239	506	19 371	2 804	22 175
45	2 686	658	32	–	6 989	–	6 989
1 625	1 362	656	174	1 100	11 211	2 650	13 861
6	–	2	4	14	351	974	1 325
338	200	220	29	(608)	820	(820)	–
74	1 194	80	–	80	1 508	790	2 298
213	544	256	(358)	233	1 007	–	1 007
282	699	122	(360)	(219)	354	–	354
(68)	(191)	(60)	–	(4)	(281)	–	(281)
(1)	50	248	2	597	1 176	–	1 176
–	(14)	(54)	–	(141)	(242)	–	(242)
–	–	225	–	90	264	–	264
213	544	31	(358)	143	743	–	743
213	544	256	(358)	233	1 007	–	1 007
–	–	(26)	–	31	(2 206)	–	(2 206)
35	33 047	15 797	–	–	454 023	–	454 023

2 Segmental report continued

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm
Restated 12 mths to 30.06.2020[5]					
Revenue					
Net insurance premiums	2.4	9 466	24 067	7 085	15 340
Recurring premiums		8 896	734	6 025	12 327
Single premiums		570	23 333	1 060	3 013
Fee income		1 290	3 303	116	952
Fee income	2.3, 2.4	1 246	2 717	116	951
Intergroup fee income		44	586	–	1
Expenses					
Net payments to contract holders					
External payments		9 093	22 658	5 435	15 278
Other expenses[6]		3 223	2 985	2 540	1 503
Sales remuneration		1 277	829	1 075	90
Administration expenses		1 754	1 722	1 419	1 235
Asset management, direct property and other fee expenses		73	290	–	–
Intergroup expenses		119	144	46	178
Income tax		–	91	–	–
Normalised headline earnings[7, 8]	2.1	578	340	393	177
Operating profit/(loss)[9]		590	420	422	152
Tax on operating profit/(loss)		(190)	(107)	(120)	(48)
Investment return		199	33	100	80
Tax on investment return		(21)	(6)	(9)	(7)
Covered	2.2	631	209	393	188
Non-covered	2.2	(53)	131	–	(11)
		578	340	393	177
Basis changes and investment variances[10]		(271)	(272)	(412)	(470)
Actuarial liabilities		69 917	165 404	33 800	93 765

1 Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 has been restated accordingly.

2 The 'Momentum Metropolitan Africa' column includes amounts received/incurred by companies the Group has decided to exit as at the end of the respective period: Net insurance premiums R276 million; external payments R177 million and administration expenses R179 million.

3 The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R478 million) and asset management fees for all entities (R459 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 (R1 678 million); the amortisation of intangible assets relating to business combinations (R662 million); expenses relating to consolidated CISs and other minor adjustments to expenses and fee income.

4 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 R24 150 million, and the total of such non-current assets located in other countries is R397 million.

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

6 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.

7 The split used to analyse normalised headline earnings has been redefined into operating profit and investment return. Operating profit is generated from trading or operating activities whereas investment return is generated from investment activities on shareholder funds or assets. June 2020 has been restated accordingly.

8 In light of changes to internal performance metrics (and to retain alignment between internal and external reporting), a decision was taken to allocate investment returns to operating segments in proportion to regulatory capital requirements for the main life licence. This allows for a consistent measurement of return on equity (also proportionally allocated to regulatory capital requirements) at a segmental level. June 2020 has been restated accordingly.

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

10 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.

Momentum Metropolitan Health[1] Rm	Non-life Insurance Rm	Momentum Metropolitan Africa[2] Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[3] Rm	Total[4] Rm
857	12 818	4 698	–	–	74 331	(41 759)	32 572
855	9 036	3 926	–	–	41 799	(13 220)	28 579
2	3 782	772	–	–	32 532	(28 539)	3 993
2 038	1 594	314	29	41	9 677	(1 104)	8 573
2 036	1 594	314	25	–	8 999	(426)	8 573
2	–	–	4	41	678	(678)	–
407	4 984	2 518	–	–	60 373	(33 373)	27 000
1 912	4 106	1 851	254	740	19 114	2 630	21 744
40	2 611	703	9	–	6 634	–	6 634
1 530	1 368	912	240	1 224	11 404	2 371	13 775
8	–	3	–	24	398	937	1 335
334	127	233	5	(508)	678	(678)	–
67	1 217	65	–	47	1 487	790	2 277
156	405	317	(509)	(336)	1 521	–	1 521
210	494	88	(518)	25	1 883	–	1 883
(52)	(146)	(18)	7	(208)	(882)	–	(882)
(2)	69	229	2	(136)	574	–	574
–	(12)	18	–	(17)	(54)	–	(54)
–	–	353	–	(176)	1 598	–	1 598
156	405	(36)	(509)	(160)	(77)	–	(77)
156	405	317	(509)	(336)	1 521	–	1 521
–	–	(135)	–	–	(1 560)	–	(1 560)
30	29 226	13 646	–	–	405 788	–	405 788

2 Segmental report continued

2.1 Change in normalised headline earnings

	Notes	Change %	12 mths to 30.06.2021 Rm	Restated 12 mths to 30.06.2020[1] Rm
Momentum Life		< (100)	(859)	578
Momentum Investments		> 100	1 095	340
Metropolitan Life		11	435	393
Momentum Corporate		< (100)	(552)	177
Momentum Metropolitan Health[2]		37	213	156
Non-life Insurance		34	544	405
Momentum Metropolitan Africa		(19)	256	317
Normalised headline earnings from operating segments		(52)	1 132	2 366
New Initiatives		30	(358)	(509)
Shareholders		> 100	233	(336)
Total normalised headline earnings	2	(34)	1 007	1 521

1 In light of changes to internal performance metrics (and to retain alignment between internal and external reporting), a decision was taken to allocate investment returns to operating segments in proportion to regulatory capital requirements for the main life licence. This allows for a consistent measurement of return on equity (also proportionally allocated to regulatory capital requirements) at a segmental level. June 2020 has been restated accordingly.

2 Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 has been restated accordingly.

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 30.06.2021											
Covered											
Protection		(1 110)	–	72	(997)	–	–	(2)	–	–	(2 037)
Long-term savings		236	107	(3)	257	–	–	114	–	–	711
Annuities and structured products		–	779	234	175	–	–	26	–	–	1 214
Traditional		(216)	–	78	–	–	–	6	–	–	(132)
Other[1]		146	18	(16)	(36)	–	–	3	–	58	173
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[2]		(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] 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 Rm	Momentum Corporate Rm	Momentum Metropolitan Health[1] Rm	Non-life Insurance Rm	Momentum Metropolitan Africa[2] Rm	New Initiatives Rm	Share-holders Rm	Total Rm
Restated 12 mths to 30.06.2020[3, 4]											
Covered											
Protection		338	–	260	(34)	–	–	75	–	–	639
Long-term savings		142	102	153	(24)	–	–	4	–	–	377
Annuities and structured products		–	75	(124)	180	–	–	33	–	–	164
Traditional		(2)	–	57	–	–	–	26	–	–	81
Other[5]		(10)	1	(44)	(7)	–	–	45	–	(66)	(81)
Investment return		163	31	91	73	–	–	170	–	(110)	418
Total	2	631	209	393	188	–	–	353	–	(176)	1 598
Non-covered											
Investment and savings	2.2.1	–	135	–	–	–	–	–	–	–	135
Life insurance		–	–	–	–	–	–	(19)	–	–	(19)
Health	2.2.2	–	–	–	–	158	–	50	–	–	208
Momentum Multiply		(61)	–	–	–	–	–	–	–	–	(61)
Non-life insurance	2.2.3	–	–	–	–	–	20	(17)	–	–	3
Cell captives	2.2.3	–	–	–	–	–	328	–	–	–	328
Holding company expenses		–	–	–	–	–	–	(114)	–	(143)	(257)
New initiatives India	2.2.4	–	–	–	–	–	–	–	(290)	–	(290)
New initiatives aYo		–	–	–	–	–	–	–	(108)	–	(108)
Other[6]		(7)	–	–	(11)	–	–	(13)	(113)	26	(118)
Investment return		15	(4)	–	–	(2)	57	77	2	(43)	102
Total	2	(53)	131	–	(11)	156	405	(36)	(509)	(160)	(77)
Normalised headline earnings		578	340	393	177	156	405	317	(509)	(336)	1 521

1 Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 has been restated accordingly.

2 Momentum Metropolitan Africa has paired the releases of distinct discretionary margins with the most relevant product to more accurately reflect the net impact of the releases with the performance of the products. June 2020 has been restated accordingly.

3 The split used to analyse normalised headline earnings has been redefined into operating profit and investment return. Operating profit is generated from trading or operating activities whereas investment return is generated from investment activities on shareholder funds or assets. June 2020 has been restated accordingly.

4 In light of changes to internal performance metrics (and to retain alignment between internal and external reporting), a decision was taken to allocate investment returns to operating segments in proportion to regulatory capital requirements for the main life licence. This allows for a consistent measurement of return on equity (also proportionally allocated to regulatory capital requirements) at a segmental level. June 2020 has been restated accordingly.

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

6 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 30.06.2021 Rm	Restated 12 mths to 30.06.2020[1,2] Rm
Revenue		**1 701**	1 687
Fee income		**1 647**	1 644
Performance fees		**–**	1
Investment income		**32**	47
Fair value gains/(losses)		**22**	(5)
Expenses and finance costs		**(1 431)**	(1 496)
Other expenses		**(1 401)**	(1 454)
Finance costs		**(30)**	(42)
Share of profit of associates		**17**	3
Profit before tax		**287**	194
Income tax expense		**(73)**	(64)
Non-controlling interest		**(4)**	1
Normalised headline earnings		**210**	131
Operating profit before tax	2.2	**271**	194
Tax on operating profit	2.2	**(72)**	(59)
Investment return		**12**	(5)
Tax on investment return		**(1)**	1
Normalised headline earnings		**210**	131
Assets under management at year-end		**493 002**	436 283

1 The split used to analyse normalised headline earnings has been redefined into operating profit and investment return. Operating profit is generated from trading or operating activities whereas investment return is generated from investment activities on shareholder funds or assets. June 2020 has been restated accordingly.

2 Refer to note 47 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 30.06.2021				
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

2.2.2 Health – non-covered business continued

	Notes	Momentum Metropolitan Health Rm	Momentum Metropolitan Africa Rm	Total Rm
Restated				
12 mths to 30.06.2020[1]				
Revenue		2 930	834	3 764
Net insurance premiums		857	585	1 442
Fee income		2 036	213	2 249
Investment income		35	36	71
Intergroup fees		2	–	2
Expenses and finance costs		(2 616)	(682)	(3 298)
Net payments to contract holders		(602)	(389)	(991)
Change in actuarial liabilities		(8)	–	(8)
Other expenses		(2 000)	(290)	(2 290)
Finance costs		(6)	(3)	(9)
Share of profit of associates		4	–	4
Profit before tax		318	152	470
Income tax expense		(79)	(51)	(130)
Non-controlling interest		(83)	(32)	(115)
Normalised headline earnings		156	69	225
Operating profit before tax	2.2	210	80	290
Tax on operating profit	2.2	(52)	(30)	(82)
Investment return		(3)	24	21
Tax on investment return		1	(5)	(4)
Normalised headline earnings		156	69	225
Closed schemes		73	69	142
Open scheme		60	–	60
Other		23	–	23
		156	69	225

	Principal members	Lives
Momentum Metropolitan Health principal members	1 108 442	
Momentum Metropolitan Africa lives		427 531

[1] The split used to analyse normalised headline earnings has been redefined into operating profit and investment return. Operating profit is generated from trading or operating activities whereas investment return is generated from investment activities on shareholder funds or assets. June 2020 has been restated accordingly.

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 30.06.2021					
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[1]		(157)	–	(52)	(209)
Other expenses		(778)	(572)	(152)	(1 502)
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] The acquisition costs relating to the cell captive business are included in underwriting profit.

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 30.06.2020[1, 2]					
Net insurance premiums		1 124	–	218	1 342
Fee income		204	774	34	1 012
Management fees		–	407	–	407
Investment fees		–	111	–	111
Underwriting fees		–	247	–	247
Other fee income		204	9	34	247
Investment income		86	179	40	305
Total income		1 414	953	292	2 659
Expenses and finance costs		(1 304)	(500)	(273)	(2 077)
Net payments to contract holders		(660)	–	(114)	(774)
Acquisition costs[3]		(137)	–	(42)	(179)
Other expenses		(507)	(481)	(117)	(1 105)
Finance costs		–	(19)	–	(19)
Profit before tax		110	453	19	582
Income tax expense		(40)	(118)	(1)	(159)
Non-controlling interest		–	–	(2)	(2)
Normalised headline earnings		70	335	16	421
Operating profit/(loss) before tax	2.2	47	446	(17)	476
Tax on operating profit/(loss)	2.2	(27)	(118)	–	(145)
Investment return		63	6	33	102
Tax on investment return		(13)	1	–	(12)
Normalised headline earnings		70	335	16	421
Momentum Short-term Insurance (including Admin)		(18)	–	–	(18)
Momentum Insurance		88	–	–	88
Guardrisk Group		–	335	–	335
Swaziland		–	–	2	2
Tanzania		–	–	4	4
Momentum Short-term Insurance (Namibia)		–	–	–	–
Cannon Short-term		–	–	10	10
		70	335	16	421

1 The split used to analyse normalised headline earnings has been redefined into operating profit and investment return. Operating profit is generated from trading or operating activities whereas investment return is generated from investment activities on shareholder funds or assets. June 2020 has been restated accordingly.

2 Refer to note 47 for more information on the restatements other than footnote 1.

3 The acquisition costs relating to the cell captive business are included in underwriting profit.

2 Segmental report continued

2.2 Segmental analysis continued

2.2.4 India – non-covered business[1]

	Notes	12 mths to 30.06.2021 Rm	12 mths to 30.06.2020 Rm
Gross written premiums		**2 710**	1 900
Net earned premiums		**1 765**	1 275
Fee income		**26**	19
Net incurred claims		**(883)**	(625)
Total management expenses		**(1 393)**	(1 205)
Net commission expenses		**(103)**	(101)
Underwriting loss		**(588)**	(637)
Investment income		**130**	91
Operating loss		**(458)**	(546)
Investment income on excess		**46**	15
Loss before and after tax		**(412)**	(531)
MMH share of results (49%)		**(202)**	(260)
Group support costs		**(28)**	(30)
Normalised headline earnings	2.2	**(230)**	(290)
Number of lives		**13 414 469**	8 348 644

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 30.06.2021							
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		**96**	**–**	**–**	**1 320**	**579**	**1 995**
Momentum Metropolitan Africa		**24**	**22**	**5**	**3**	**170**	**224**
New Initiatives		**–**	**–**	**–**	**–**	**69**	**69**
Segmental total		**3 116**	**1 624**	**2 107**	**1 323**	**1 321**	**9 491**
Reconciling items		**–**	**(583)**	**–**	**–**	**3**	**(580)**
Total	2	**3 116**	**1 041**	**2 107**	**1 323**	**1 324**	**8 911**
Restated 12 mths to 30.06.2020[1, 2]							
Momentum Life		1 005	11	–	–	230	1 246
Momentum Investments		1 431	1 182	–	–	104	2 717
Metropolitan Life		54	–	–	–	62	116
Momentum Corporate		433	463	–	–	55	951
Momentum Metropolitan Health		3	–	2 018	–	15	2 036
Non-life Insurance		154	–	–	1 190	250	1 594
Momentum Metropolitan Africa		33	25	10	–	246	314
New Initiatives		–	–	–	–	25	25
Segmental total		3 113	1 681	2 028	1 190	987	8 999
Reconciling items		–	(431)	–	–	5	(426)
Total	2	3 113	1 250	2 028	1 190	992	8 573

1 Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 has been restated accordingly.

2 Refer to note 47 for more information on the restatements other than footnote 1.

2 Segmental report continued

2.4 Segment revenue per geographical basis

	Notes	SA Rm	Non-SA Rm	Total revenue Rm
12 mths to 30.06.2021				
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		**11 873**	**1 631**	**13 504**
Momentum Metropolitan Africa		**–**	**5 063**	**5 063**
New Initiatives		**62**	**7**	**69**
Segmental total		**83 748**	**7 421**	**91 169**
Reconciling items		**(43 071)**	**(2 355)**	**(45 426)**
Total	2	**40 677**	**5 066**	**45 743**
Restated				
12 mths to 30.06.2020[1, 2]				
Momentum Life		10 712	–	10 712
Momentum Investments		26 187	597	26 784
Metropolitan Life		7 201	–	7 201
Momentum Corporate		16 291	–	16 291
Momentum Metropolitan Health		2 893	–	2 893
Non-life Insurance		13 009	1 403	14 412
Momentum Metropolitan Africa		–	5 012	5 012
New Initiatives		25	–	25
Segmental total		76 318	7 012	83 330
Reconciling items		(40 238)	(1 947)	(42 185)
Total	2	36 080	5 065	41 145

1 Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 has been restated accordingly.

2 Refer to note 47 for more information on the restatements other than footnote 1.

3 Intangible assets

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

		2021 Rm	2020 Rm
3.1	**Goodwill**	**2 481**	2 288
3.2	**VOBA**	**3 261**	3 663
3.3	**Customer relationships**	**697**	791
3.4	**Brands**	**609**	673
3.5	**Broker network**	**362**	376
3.7	**Deferred acquisition costs (DAC) on long-term investment business**	**2 002**	2 042
3.8	**Computer software**	**303**	334
3.9	**DAC on short-term insurance business**	**173**	172
		9 888	10 339
3.1	**Goodwill**		
	Cost	**2 957**	2 764
	Accumulated impairment	**(476)**	(476)
	Carrying amount	**2 481**	2 288
	Carrying amount at beginning	**2 288**	1 105
	Business combinations (refer to note 30)	**193**	1 392
	Impairment charges	**–**	(209)
	Carrying amount at end	**2 481**	2 288
	Cash-generating units (CGUs)		
	Momentum Insure *(previously Momentum Insurance)* – Non-life Insurance	**1 185**	1 185
	Guardrisk – Non-life Insurance	**660**	604
	Eris Property Group – Momentum Investments	**191**	191
	Ex-Metropolitan Group – Metropolitan Life (Metropolitan/Momentum merger)	**170**	170
	Momentum Global Investment Management – Momentum Investments	**139**	–
	Momentum Medical Scheme Administrators – Momentum Metropolitan Health	**125**	125
	Other	**11**	13
		2 481	2 288

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. Appropriate allowance is also made for terminations risk where a CGU has concentrated exposure to large clients. Due to the uncertainty in the current economic environment as a result of the Covid-19 pandemic, management have assessed and adjusted the cash flows to account for this. This assessment has included reviewing the revenue, claim experience, expenses, lapse rates and all other variances which in the current environment are difficult to predict. Additional sensitivities have also been performed (refer to note 3.6).

The other assumption which is subject to significant judgement is the determination of an appropriate discount rate. The approach to setting the discount rate uses a central rate per geographical area and is then adjusted on account of management's assessment of the risk and uncertainty in the financial projection of each entity (classified according to a few broad risk categories). The assessment of the risk discount rate (RDR) takes into account the risk adjustments already made in the cash flow projection, as explained in the previous paragraph.

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

	2021	2020
Risk-free rate (long-term)	**10.5%**	10.5%
Equity risk premium	**3.5%**	3.5%
Risk premium applied to unlisted equity investments	**2.3%**	2.0%
Total (central rate)	**16.3%**	16.0%

The long-term 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

	2021 RDR %	2021 Growth rate %	2020 RDR %	2020 Growth rate %
Assumptions				
Momentum Insure *(previously Momentum Insurance)*	**18**	**6**	18	6
Guardrisk	**16**	**6**	16	6
Eris Property Group	**16**	**6**	16	6
Ex-Metropolitan Group	**13**	**6**	13	6
Momentum Global Investment Management	**13**	**2**	–	–
Momentum Medical Scheme Administrators	**16**	**6**	16	6

During the prior year, the Group acquired the Alexander Forbes Short-term Insurance (AFI) business which has since been renamed to Momentum Insurance (refer to note 30). As such, a higher degree of uncertainty around their cash flows existed and its discount rate was higher than the central rate. Through the acquisition of Momentum Insurance, the Group recognised R1.39 billion of goodwill and other intangible assets in the prior year. The Group is in the process of integrating Momentum Insurance and Momentum Short-term Insurance (MSTI), which will become effective on 1 July 2021. As at 30 June 2021 these entities are combined into one CGU, compared to separate CGUs in the prior year. Both entities are expected to benefit from the intangible assets recognised, and the intangible assets were proportionately allocated to both these businesses in the prior year.

In the prior year the projected cash flows for MSTI deteriorated including lower growth than anticipated as a result of the Covid-19 pandemic. The valuation of MSTI was lower than the associated net asset value, resulting in the need to write-off the full R244 million of intangible assets that were allocated to MSTI. The MSTI CGU had a recoverable amount of R760 million as at 30 June 2020. Momentum Insurance is currently expected to perform in line with expectations and none of the intangibles assets allocated to Momentum Insurance require impairment.

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

	To be fully amortised by year.	2021 Rm	2020 Rm
Acquisition of insurance and investment contracts with DPF			
Cost		**6 683**	6 731
Accumulated amortisation		**(3 253)**	(3 043)
Accumulated impairment		**(169)**	(25)
Carrying amount		**3 261**	3 663
Carrying amount at beginning		**3 663**	3 961
Amortisation charges		**(258)**	(269)
Impairment charges		**(144)**	(25)
Transfer to assets relating to disposal groups held for sale		**–**	(4)
Carrying amount at end		**3 261**	3 663
The carrying amount is made up as follows:			
Metropolitan/Momentum merger			
Metropolitan Life	2037	**2 237**	2 382
Momentum Corporate	2037	**459**	488
Momentum Metropolitan Africa	2026	**63**	86
Sage – Shareholders	2032	**303**	487
Momentum Namibia – Momentum Metropolitan Africa	2037	**163**	176
Guardrisk – Non-life Insurance	2029	**36**	44
		3 261	3 663

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. Particular focus was placed on the extent to which Covid-19 may affect assumptions on future mortality, morbidity and persistency. To review the potential impact of the uncertainty which the Covid-19 pandemic introduces, the Group performed additional sensitivity analysis on all its intangibles which are disclosed in note 3.6.

VOBA relating to the Sage acquisition (Shareholders) was impaired by R144 million (2020: R25 million) by comparing the carrying amount with the recoverable amount. 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 12.8% (2020: 12.8%). Refer to note 11 for additional information regarding contract holder liabilities – assumptions and estimates. In the current year a management decision was made to adjust the fee structure on Sage Legacy business which resulted in the decrease of the carrying amount of the liability and an offsetting decrease in the VIF. The extent to which this resulted in a decrease to future profits meant that the VOBA had to be impaired. 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.

3 Intangible assets continued

		2021 Rm	2020 Rm
3.3 Customer relationships			
Cost		**3 883**	3 784
Accumulated amortisation		**(3 136)**	(2 952)
Accumulated impairment		**(50)**	(41)
Carrying amount		**697**	791
Carrying amount at beginning		**791**	942
Business combinations (refer to note 30)		**99**	151
Amortisation charges		**(184)**	(277)
Impairment charges		**(9)**	(26)
Exchange differences		**–**	1
Carrying amount at end		**697**	791
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Metropolitan/Momentum merger			
Investment contracts – Momentum Corporate	2030	**367**	412
Employee benefits business – Momentum Corporate	2021	**–**	62
Guardrisk – Non-life Insurance	2024	**106**	156
Momentum Insure *(previously Momentum Insurance)* – Non-life Insurance	2030	**110**	123
Momentum Global Investment Management – Momentum Investments	2031	**93**	–
Other		**21**	38
		697	791

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 MSTI (Non-life Insurance segment) were impaired by R21 million during the prior year due to a lower recoverable amount, as discussed in note 3.1.

To review the potential impact of the uncertainty which the Covid-19 pandemic introduces, the Group performed additional sensitivity analysis on all its intangibles which are disclosed in note 3.6.

		2021 Rm	2020 Rm
3.4 Brands			
Cost		**1 238**	1 238
Accumulated amortisation		**(621)**	(557)
Accumulated impairment		**(8)**	(8)
Carrying amount		**609**	673
Carrying amount at beginning		**673**	688
Business combinations (refer to note 30)		**–**	54
Amortisation charges		**(64)**	(61)
Impairment charges		**–**	(8)
Carrying amount at end		**609**	673
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Metropolitan brand – Metropolitan Life (Metropolitan/Momentum merger)	2031	**507**	561
Guardrisk brand – Non-life Insurance	2034	**50**	54
Momentum Insure *(previously Momentum Insurance)* brand – Non-life Insurance	2035	**41**	45
Momentum Namibia brand – Momentum Metropolitan Africa	2027	**11**	13
		609	673

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.

To review the potential impact of the uncertainty which the Covid-19 pandemic introduces, the Group performed additional sensitivity analysis on all its intangibles which are disclosed in note 3.6.

3 Intangible assets continued

		2021 Rm	2020 Rm
3.5 Broker network			
Cost		**765**	726
Accumulated amortisation		**(378)**	(325)
Accumulated impairment		**(25)**	(25)
Carrying amount		**362**	376
Carrying amount at beginning		**376**	281
Business combinations (refer to note 30)		**39**	163
Amortisation charges		**(53)**	(45)
Impairment charges		**–**	(23)
Carrying amount at end		**362**	376
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Guardrisk (non-life) – Non-life Insurance	2029	**139**	158
Momentum Insure *(previously Momentum Insurance)* – Non-life Insurance	2030	**119**	133
Guardrisk (life) – Non-life Insurance	2029	**47**	53
Momentum Global Investment Management – Momentum Investments	2041	**39**	–
Momentum Short-term Insurance (Namibia) – Momentum Metropolitan Africa	2023	**18**	32
		362	376

Broker network represent 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.

To review the potential impact of the uncertainty which the Covid-19 pandemic introduces, the Group performed additional sensitivity analysis on all its intangibles which are disclosed in note 3.6.

Broker network relating to MSTI (Non-life Insurance segment) was impaired by R23 million during the prior year due to a decline in the recoverable amount.

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 is R2 118 million (2020 : R1 782 million) higher than the carrying value and has 36% (2020: 30%) 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 Momentum Insurance is currently close to the recoverable amount with nil (2020: 7%) headroom available. The goodwill balance of R1 186 million is thus subject to risk as there is currently significant uncertainty inherent in determining the cash flows and consequently the valuation. Management is comfortable that this uncertainty will diminish as the business integration into the Group is finalised over the next few months and the business is currently performing in line with expectations.

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 372 million (2020: R1 026 million) higher than the carrying value and has 34% (2020: 30%) headroom available before the Group would need to consider impairing any of the associated goodwill.

The acquisition of Seneca during the current year included the recognition of goodwill, customer relationships and broker networks by the Group. The recoverable amount of R769 million creates a 3% headroom when compared to the carrying value.

During the current year, the VOBA relating to Sage was impaired to its recoverable amount of R303 million (2020: R488 million). Any further reduction in the recoverable amount will result in an additional impairment.

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 R319 million (2020: R110 million). Should the recoverable amounts decrease by 20%, an impairment of R749 million (2020: R375 million) will be required, with R528 million (2020: R260 million) of this relating to the Momentum Insure goodwill, R129 million (2020: N/A) relating to Momentum Global Investment Management goodwill and R61 million (2020: R97 million) relating to the VOBA from Sage.

3 Intangible assets continued

		2021 Rm	2020 Rm
3.7	**DAC on long-term insurance business**		
	Carrying amount at beginning	**2 042**	2 078
	Additions	**394**	364
	Amortisation charges	**(422)**	(401)
	Transfer to assets relating to disposal groups held for sale	**–**	(4)
	Impairment charges	**(9)**	–
	Exchange differences	**(3)**	5
	Carrying amount at end	**2 002**	2 042

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.

		2021 Rm	2020 Rm
3.8	**Computer software**		
	Cost	**845**	1 186
	Accumulated amortisation	**(409)**	(468)
	Accumulated impairment	**(133)**	(384)
	Carrying amount	**303**	334
	Carrying amount at beginning	**334**	430
	Additions	**77**	63
	Disposals	**(2)**	–
	Business combinations (refer to note 30)	**–**	12
	Amortisation charges	**(104)**	(111)
	Reversal of impairment/(impairment charges)	**36**	(58)
	Transfer to assets relating to disposal groups held for sale	**(36)**	(2)
	Exchange differences	**(2)**	–
	Carrying amount at end	**303**	334

In the current year the reversal of impairment relates to computer software held by Metropolitan International Support (Momentum Metropolitan Africa segment). A sales agreement has been entered into for this software which caused the recoverable amount, which is based on the purchase price, to increase to R36 million. As a consequence of the pending sale, the software has been classified as held for sale. In the prior year, the following computer software were impaired: software used by Metropolitan Health Corporate (Momentum Metropolitan Health segment) was impaired by R22 million due to constant technology changes which made the software obsolete; software used by Momentum Multiply (Momentum Life segment) was impaired by R12 million due to a system rebuild as well as a system migration; and software used by MML (Shareholders segment) was impaired by R12 million due to a write off relating to residual computer software costs.

Internally developed software

Included in computer software is a carrying amount of R90 million (2020: R118 million) representing Internally developed software. The decrease in Internally developed software mainly relates to R33 million (2020: R55 million) amortisation charges.

Material computer software

The Non-life Insurance segment has computer software of R141 million (2020: R117 million) relating to MSTI's line of business system which will be fully amortised by 2027. For impairment testing purposes, an RDR of 13% (2020: 13%) and a growth rate of 16% (2020: 14%) 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 R51 million (2020: R62 million) relating to the wellness and rewards platform which will be fully amortised by 2026. No impairment was required.

Guardrisk (Non-life Insurance segment) has computer software of R28 million (2020: R30 million) relating to cell captive and product administration systems which will be fully amortised by 2024. For valuation purposes a RDR of 16% (2020: 16%) and a growth rate of 6% (2020: 6%) was used. No impairment was required.

		2021 Rm	2020 Rm
3.9	**DAC on short-term insurance business**		
	Carrying amount at beginning	**172**	148
	Net movement in deferred acquisition costs	**1**	24
	Acquisition costs paid	**1 557**	1 473
	Acquisition costs incurred (expensed to income statement)	**(1 556)**	(1 449)
	Carrying amount at end	**173**	172

4 Owner-occupied properties

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

		2021 Rm	2020 Rm
4.1	**Owned owner-occupied properties**	**2 857**	3 360
	Right-of-use assets	**176**	238
		3 033	3 598
4.1	**Owned owner-occupied properties**		
	Owner-occupied properties – at fair value	**2 857**	3 360
	Historical carrying amount – cost model	**2 509**	2 937
	Fair value at beginning	**3 360**	3 698
	Additions	**242**	211
	Disposals	**(20)**	(7)
	Business combinations (refer to note 30)	**–**	12
	Revaluations	**(9)**	5
	Depreciation charges	**(62)**	(44)
	Impairment charges charged to income statement	**(116)**	(568)
	Transfer (to)/from investment properties	**(532)**	52
	Transfer to assets relating to disposal groups held for sale	**–**	(1)
	Exchange differences	**(6)**	2
	Fair value at end	**2 857**	3 360

Borrowing costs of R18 million (2020: R147 million) were capitalised in the current year. The borrowing costs relate 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 was used.

The impairment in the current and prior year mainly related to the impairment of the Marc, Tower 2 of R77 million (2020: R550 million) (Shareholders segment). The value of the property was previously recorded at the cost of development as it was still under construction. 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 which 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. 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 external valuers at the end of the current year. At the end of the prior year, the properties were valued internally by Eris. Valuations are performed semi-annually.

			Change in fair value	
Assumptions	**Base assumption**	**Change in assumption**	**Decrease in assumption Rm**	**Increase in assumption Rm**
2021				
Capitalisation rate	**9.0% – 11.0%**	**100bps**	**184**	**(148)**
Discount rate	**14.0%**	**100bps**	**5**	**(5)**
Restated				
2020[1]				
Capitalisation rate	9.0% – 10.0%	100bps	144	(119)
Discount rate	14.0% – 15.0%	100bps	6	(7)

1 The sensitivity analysis relating to the capitalisation rate and discount rate was restated, to better align with how the sensitivities were compiled in the current year.

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. The current response to the Covid-19 pandemic means an unprecedented set of circumstances are faced on which to base a judgement. For valuation purposes, existing lease agreements and subsequent expected rentals are used to determine the fair value of each building and any rental deferments agreed with tenants as a result of the Covid-19 pandemic were included in the calculations. Furthermore, the external valuers performed a sensitivity analysis by adjusting the capitalisation rate, discount rate and vacancy rate up and down by 100bps.

In determining the property values regard was had for the fact that, due to the current Covid-19 pandemic, market activity is 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 3-4%. Refer to note 5 for more information on the Covid-19 pandemic impact on the valuations of these properties.

Given the unknown future impact that the Covid-19 pandemic might have on the real estate market and the difficulty in differentiating between short-term impacts and long-term structural changes, the Group will keep the valuations under frequent review.

5 Investment properties

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

		2021 Rm	2020 Rm
5.1	**Owned investment properties**	**8 918**	9 009
	Right-of-use assets	**20**	33
		8 938	9 042
5.1	**Owned investment properties**		
	At 30 June, investment properties comprised the following property types:		
	Shopping malls	**3 125**	3 978
	Office buildings	**5 141**	4 181
	Industrial	**532**	548
	Hotels	**257**	262
	Vacant land	**133**	123
	Other	**95**	257
	Property at valuation	**9 283**	9 349
	Accelerated rental income (refer to note 7.3)	**(365)**	(340)
		8 918	9 009
	Investment properties under development		
	Fair value at beginning	**270**	192
	Capitalised development expenditure	**38**	219
	Transfer to completed properties[1]	**(308)**	(141)
	Fair value at end	**–**	270
	Completed properties		
	Fair value at beginning	**8 739**	8 842
	Capitalised subsequent expenditure	**207**	151
	Additions	**–**	154
	Disposals	**(159)**	(126)
	Revaluations charged to income statement	**(330)**	(350)
	Change in accelerated rental income	**(21)**	(45)
	Transfer from/(to) owner-occupied properties[2]	**532**	(52)
	Transfer from investment properties under development[1]	**308**	141
	Transfer to assets relating to disposal groups held for sale	**(129)**	–
	Sale of business	**(178)**	–
	Exchange differences	**(51)**	24
	Fair value at end	**8 918**	8 739

1 The current year relates to Chuma Mall and Umgeni. The prior year relates to Units on Park Street.

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

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

Investment properties are classified as level 3.

5 Investment properties continued

5.1 Owned investment properties continued

Critical accounting estimates and judgements

In the current year all properties were externally valued using an income approach or DCF method based on contractual or market-related rent receivable. In the prior year 53% of the portfolio of the Group were internally valued using a DCF method. Majority of these internal valuations were performed by Eris. The external valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The valuation input is focused on "headline" assumptions including capital and discount rates however the underlying cash flow is based on contractual arrangements where applicable and appropriate market norms. Each valuation is carried out in isolation, the potential effect of the current Covid-19 pandemic was considered 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 their professional peers.

			Change in fair value	
Assumptions	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2021				
Capitalisation rate			**584**	**(464)**
Shopping malls	**7.25% – 11.00%**	**100bps**	**274**	**(215)**
Office buildings	**8.00% – 10.50%**	**100bps**	**258**	**(207)**
Industrial	**9.50% – 11.50%**	**100bps**	**36**	**(29)**
Hotels	**8.50% – 9.00%**	**100bps**	**16**	**(13)**
Discount rate			**381**	**(354)**
Shopping malls	**12.00% – 14.75%**	**100bps**	**175**	**(162)**
Office buildings	**12.25% – 15.25%**	**100bps**	**155**	**(145)**
Industrial	**13.00% – 14.50%**	**100bps**	**34**	**(31)**
Hotels	**12.50% – 13.75%**	**100bps**	**17**	**(16)**
2020				
Capitalisation rate	7.00% – 11.00%	100bps	780	(366)
Discount rate	9.00% – 15.00%	100bps	260	(78)

Given the impact of Covid-19 on the judgements around property valuations, the current year sensitivities have been expanded to provide more granular detail.

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 lead to downwards asking (and achieved) rentals which inevitably lead 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. 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.

	2021 Rm	2020 Rm
Carrying amount at beginning	905	792
Additions[1]	641	379
Loss on dilution of joint venture	(5)	–
Loss on step-up of joint venture	–	(8)
Share of loss[2]	(237)	(282)
Dividends paid	(16)	(12)
Impairment charges[3]	(38)	–
Transfer to assets relating to disposal groups held for sale	(6)	–
Exchange differences	(88)	36
Carrying amount at end – non-current	1 156	905

1 The current year includes R184 million non-cash flow additions due to loss of control.

2 Included is R47 million losses from aYo which has been classified as held for sale due to the pending disposal of this investment.

3 The impairment relates to RMI Investment Managers Affiliates 2 (Pty) Ltd (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 is equal to the carrying value.

Equity-accounted associates and joint ventures*	%**	Carrying amount Rm	Assets# Rm	Liabilities# Rm	Revenue# Rm	Earnings** Rm
2021						
Associates						
Aditya Birla Health Insurance Ltd (ABHIL)	49%	694	2 917	(2 119)	1 792	(202)
MHNA	49%	171	84	(40)	205	15
RMI Investment Managers Affiliates 2 (Pty) Ltd (RMIA)	49%	77	329	(89)	19	(32)
Aluwani Capital Partners (Pty) Ltd (Aluwani)	40%	76	76	(40)	142	10
Other		133	***	***	***	19
		1 151				(190)
Joint ventures						
MRKT Energy Holdings (Pty) Ltd	50%	5	52	(41)	7	–
2020						
Associates						
ABHIL	49%	589	2 444	(1 768)	1 296	(260)
RMIA	49%	146	403	(101)	6	(4)
Aluwani	40%	66	49	(35)	129	4
Other		45	***	***	***	4
		846				(256)
Joint ventures						
aYo	50%	59	269	(67)	102	(26)

* 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 and revenue of the associate or joint venture at the end of the financial year.

6 Investments in associates and joint ventures continued

- ABHIL is a health insurance business and was formed by Momentum Metropolitan Strategic Investments (Pty) Ltd (MMSI), which holds 49% of ordinary shares, and Aditya Birla Financial Services Ltd (incorporated in India), which holds 51% of ordinary shares. Voting rights are proportional to ordinary shareholding, with Aditya Birla Financial Services 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 R338 million current assets and R2 579 million non-current assets. The total liabilities consist of R1 097 million current liabilities and R1 022 million non-current liabilities. The principal place of business is in India.
- MHNA is an entity engaged in the administration of medical aid schemes and operates principally in Namibia. During the current year Momentum Metropolitan Namibia Ltd sold its controlling interest in MHNA. The entity is thus classified as an investment in associate.
- 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.
- aYo is a joint venture between MMSI and MTN (Dubai). aYo is a micro insurer for the African market. On 30 June 2021 the shareholding in aYo was reduced from 50% to 25% via a dilution. As a result, the classification changed from an investment in joint venture to an investment in associate. The remaining 25% will be disposed of in the 2022 financial year and as such the carrying amount has been classified as held for sale.

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.

		2021 Rm	Restated 2020[1] Rm
	The Group's financial assets are summarised below:		
7.1	**Financial assets at FVPL**	**466 280**	427 917
7.2	**Financial assets at amortised cost**	**9 598**	8 244
7.3	**Insurance and other receivables (excluding accelerated rental income and prepayments)**	**5 779**	4 783
7.4	**Cash and cash equivalents**	**38 121**	31 596
	Total financial assets	**519 778**	472 540
7.1	**Financial assets at FVPL**		
	Unit-linked investments	**178 147**	159 953
	Debt securities	**156 477**	143 948
	Equity securities	**103 987**	91 498
	Carry positions	**2 232**	1 550
	Funds on deposit and other money market instruments	**23 291**	27 585
	Derivative financial assets	**2 146**	3 383
		466 280	427 917
	Open-ended	**277 673**	247 070
	Current	**51 552**	53 978
	Non-current	**137 055**	126 869
	1 to 5 years	**56 977**	55 868
	5 to 10 years	**18 658**	18 815
	> 10 years	**61 420**	52 186
		466 280	427 917

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

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.

	2021		Restated 2020[1]	
Derivative financial instruments	**Assets Rm**	**Liabilities Rm**	**Assets Rm**	**Liabilities Rm**
Held for trading	**2 146**	**3 374**	3 383	5 547

[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

	2021			Restated 2020[1]		
	Effective exposure Rm	**Assets Rm**	**Liabilities Rm**	**Effective exposure Rm**	**Assets Rm**	**Liabilities Rm**
Derivatives held for trading						
Equity derivatives		**535**	**348**		390	1 728
Options, OTC	**9**	**340**	**327**	(8 411)	89	1 692
Options, exchange traded	**70**	**184**	**6**	(128)	21	–
Futures, OTC	**211**	**6**	**1**	–	2	35
Futures, exchange traded	**831**	**1**	**1**	26 243	1	1
Swaps, OTC	**(9)**	**4**	**13**	110	277	–
Interest rate derivatives		**1 230**	**2 135**		2 773	2 641
Options, OTC	**–**	**–**	**–**	–	3	–
Options, exchange traded	**–**	**–**	**–**			
Futures, OTC	**–**	**–**	**–**			
Futures, exchange traded	**–**	**–**	**–**			
Swaps, OTC	**(970)**	**1 229**	**2 135**	122	2 741	2 609
Forward rate agreement, OTC	**1**	**1**	**–**	(3)	29	32
Bonds		**51**	**10**		61	79
Options, OTC	**–**	**–**	**–**	–	–	–
Options, exchange traded	**44**	**–**	**–**	44	–	–
Futures, OTC	**2 696**	**50**	**10**	(20)	60	79
Futures, exchange traded	**(13 954)**	**1**	**–**	599	1	–
Swaps, OTC	**–**	**–**	**–**	–	–	–
Swaps, exchange traded	**–**	**–**	**–**	–	–	–
Credit derivatives		**26**	**–**		33	–
Options, OTC	**–**	**–**	**–**	–	–	–
Swaps, OTC	**26**	**26**	**–**	33	33	–
Currency derivatives		**304**	**881**		126	1 099
Options, OTC	**6**	**300**	**300**	174	116	188
Futures, OTC	**(159)**	**4**	**8**	454	10	1
Futures, exchange traded	**19**	**–**	**1**	29	–	–
Swaps, OTC	**534**	**–**	**572**	(859)	–	910
Commodity derivatives						
Futures, exchange traded	**72**	**–**	**–**	–	–	–
Total derivative financial instruments		**2 146**	**3 374**		3 383	5 547

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.

Offsetting

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

	2021 Rm	Restated 2020[1] Rm
Derivative financial assets		
Gross amounts of recognised financial assets[2]	**2 146**	3 383
Related amounts not set off in the statement of financial position		
Financial instruments	**(1 655)**	(2 255)
Net amount	**491**	1 128
Derivative financial liabilities		
Gross amounts of recognised financial liabilities[2]	**3 374**	5 547
Related amounts not set off in the statement of financial position		
Financial instruments	**(1 655)**	(2 087)
Net amount	**1 719**	3 460

1 Refer to note 47 for more information on the restatements.
2 No offsetting in current and prior year.

7 Financial assets continued

7.2 Financial assets at amortised cost

	2021 Rm	Restated 2020[1] Rm
Unsettled trades	**3 292**	2 632
Accounts receivable	**3 122**	2 730
Less: provision for impairment	**(127)**	(184)
Debt securities	**512**	479
Funds on deposit and other money market instruments	**342**	162
Less: provision for impairment	**(31)**	–
Loans	**2 488**	2 425
Related party loans		
Empowerment partners	**262**	262
Loans due from associates	**74**	65
Preference shares	**81**	78
Staff loans	**53**	51
Other related party loans	**213**	213
Less: provision for impairment	**(42)**	(6)
Other loans		
Policy loans	**1 057**	1 125
Due from agents, brokers and intermediaries	**392**	365
Less: provision for impairment	**(73)**	(75)
Other[2]	**471**	347
Total financial assets at amortised cost	**9 598**	8 244
Open-ended	**190**	18
Current	**8 345**	6 921
Non-current	**1 063**	1 305
	9 598	8 244

1 Refer to note 47 for more information on the restatements.
2 Includes loans advanced of R239 million (2020: R191 million) in respect of a credit fund classified as a CIS as well as R118 million (2020: R86 million) relating 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. Where applicable, the offsetting criteria in IAS 32 has been applied.

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
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)**
Restated 2020[3]					
Balance at beginning	(122)	(14)	(108)	–	(244)
Additional provision	(94)	(1)	–	–	(95)
Reversed to the income statement	21	9	33	–	63
Other[2]	11	–	–	–	11
Balance at end	(184)	(6)	(75)	–	(265)

1 An impairment has been raised in the current year in respect of promissory notes held, determined based on 14% of the gross carrying amount. 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 20% of the gross carrying amount will result in an additional impairment of R14 million (2020: nil).
2 Includes FCTR movements, foreign exchange gains/losses, and amounts written off as bad debt.
3 Refer to note 47 for more information on the restatements.

7 Financial assets continued

7.2 Financial assets at amortised cost continued

Terms and conditions of material loans

- The loans to empowerment partners is R262 million (2020: R262 million) at 30 June 2021, 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 June 2022 (after extending the terms for a further 18 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 8% (2020: 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.

		2021 Rm	2020 Rm
7.3	**Insurance and other receivables**		
	Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	5 673	4 727
	Insurance contract holders	2 409	2 320
	Cell captives	1 438	1 312
	Due from reinsurers	1 889	1 156
	Investment contract holders with DPF	58	41
	Less: provision for impairment	(121)	(102)
	Other	106	56
	Total included in financial assets	5 779	4 783
	Accelerated rental income	365	340
	Prepayments	262	248
	Total insurance and other receivables	6 406	5 371
	Current	5 797	4 972
	Non-current	609	399
		6 406	5 371

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.

		2021 Rm	Restated 2020[1] Rm
7.4	**Cash and cash equivalents**		
	Bank and other cash balances	14 941	14 919
	Funds on deposit and other money market instruments – maturity < 90 days	23 180	16 677
		38 121	31 596

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

Expected credit loss on cash and cash equivalents is immaterial.

7 Financial assets continued

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
2021						
Unit-linked investments	**178 147**	**–**	**178 147**	**–**	**–**	**178 147**
Debt securities	**44 027**	**112 450**	**156 477**	**512**	**–**	**156 989**
Equity securities[2]	**103 987**	**–**	**103 987**	**–**	**–**	**103 987**
Carry positions	**–**	**2 232**	**2 232**	**–**	**–**	**2 232**
Funds on deposit and other money market instruments	**10 591**	**12 700**	**23 291**	**311**	**–**	**23 602**
Derivative financial assets	**2 146**	**–**	**2 146**	**–**	**–**	**2 146**
Financial assets at amortised cost	**–**	**–**	**–**	**8 775**	**–**	**8 775**
Insurance and other receivables (excluding accelerated rental and prepayments)	**–**	**–**	**–**	**–**	**5 779**	**5 779**
Cash and cash equivalents	**–**	**–**	**–**	**38 121**	**–**	**38 121**
Total financial assets	**338 898**	**127 382**	**466 280**	**47 719**	**5 779**	**519 778**
Restated 2020[3]						
Unit-linked investments	159 953	–	159 953	–	–	159 953
Debt securities	39 868	104 080	143 948	479	–	144 427
Equity securities[2]	91 498	–	91 498	–	–	91 498
Carry positions	–	1 550	1 550	–	–	1 550
Funds on deposit and other money market instruments	11 851	15 734	27 585	162	–	27 747
Derivative financial assets	3 383	–	3 383	–	–	3 383
Financial assets at amortised cost	–	–	–	7 603	–	7 603
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	4 783	4 783
Cash and cash equivalents	–	–	–	31 596	–	31 596
Total financial assets	306 553	121 364	427 917	39 840	4 783	472 540

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.

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.

7 Financial assets continued

7.5 Financial assets measurement continued

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:

	2021 Rm	Restated 2020[1] Rm
Financial assets at FVPL		
Debt securities	**156 477**	143 948
Stock and loans to government and other public bodies	**82 633**	67 157
Other debt instruments[2]	**73 844**	76 791
Funds on deposit and other money market instruments	**23 291**	27 585
Unit-linked investments (categorised as interest-bearing and money market – refer to note 43)	**30 316**	28 495
CISs	**28 097**	27 066
Other unit-linked investments	**2 219**	1 429
Derivative financial assets – Held for trading	**2 146**	3 383
Carry positions	**2 232**	1 550
Financial assets at amortised cost	**9 598**	8 244
Unsettled trades	**3 292**	2 632
Accounts receivable	**2 995**	2 546
Debt securities	**512**	479
Funds on deposit and other money market instruments	**311**	162
Loans	**2 488**	2 425
Insurance and other receivables		
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 673**	4 727
Cash and cash equivalents	**38 121**	31 596
Assets relating to disposal groups held for sale	**–**	131
Total assets bearing credit risk	**267 854**	249 659

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

2 The Group holds collateral in respect of preference shares held by the Amandla Renewable Energy Fund (Pty) Ltd, specifically 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 R591 million.

Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2021				
Financial assets at amortised cost				
Unsettled trades	**3 292**	**–**	**–**	**3 292**
Accounts receivable	**2 878**	**110**	**134**	**3 122**
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)**
	8 994	**122**	**482**	**9 598**
Restated 2020[1]				
Financial assets at amortised cost				
Unsettled trades	2 632	–	–	2 632
Accounts receivable	2 287	238	205	2 730
Provision for impairment	(4)	(61)	(119)	(184)
Debt securities	479	–	–	479
Funds on deposit and other money market instruments	162	–	–	162
Policy loans	1 125	–	–	1 125
Due from agents, brokers and intermediaries	139	33	193	365
Provision for impairment	–	(4)	(71)	(75)
Other	931	1	84	1 016
Provision for impairment	–	–	(6)	(6)
	7 751	207	286	8 244

1 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 R776 million (2020: R618 million) and associated impairment of R31 million (2020: nil), issued by a B-rated counterparty; and
- Debt securities and Funds on deposits totaling R23 million (2020: nil), 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
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)**
Restated				
2020[1]				
Accounts receivable				
Opening balance	(6)	(2)	(114)	(122)
Movement recognised in the income statement	2	(59)	(16)	(73)
Bad debts written off	–	–	11	11
Closing balance	(4)	(61)	(119)	(184)
Related party loans				
Opening balance	–	–	(14)	(14)
Movement recognised in the income statement	–	–	8	8
Closing balance	–	–	(6)	(6)
Due from agents, brokers and intermediaries				
Opening balance	–	(28)	(80)	(108)
Movement recognised in the income statement	–	24	9	33
Closing balance	–	(4)	(71)	(75)

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

There were no significant changes to the gross carrying amounts of the financial assets during the current and prior years 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

	Staging definitions				
Stage	**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 • Restructuring of loans due to interest and capital repayment ability, ie credit quality has deteriorated based on the need for restructure, but adequate repayment plans in place. • Significant 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 two	• Loans are partially recoverable • Repayment of interest and capital payments not in line with terms of agreement • Significant deterioration in credit quality • Loans restructured due to default	• 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	CCC Rm	Unrated Rm	Total Rm
2021									
Financial assets at FVPL									
Debt securities									
Stock and loans to government and other public bodies	**69 048**	**7 075**	**4 322**	**235**	**434**	**1 116**	**176**	**227**	**82 633**
Other debt instruments	**9 793**	**44 952**	**8 404**	**2 023**	**499**	**146**	**218**	**7 809**	**73 844**
Derivative financial assets	**201**	**1 612**	**6**	**2**	**–**	**–**	**–**	**325**	**2 146**
Carry positions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2 232**	**2 232**
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	**16 379**	**35 590**	**6 202**	**1 047**	**192**	**248**	**–**	**1 754**	**61 412**
Assets relating to disposal groups held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other unrated instruments									
Other financial assets at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8 775**	**8 775**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5 673**	**5 673**
Unit-linked investments[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30 316**	**30 316**
	95 421	**89 229**	**18 934**	**3 330**	**1 125**	**2 286**	**394**	**57 135**	**267 854**
Restated 2020[2]									
Financial assets at FVPL									
Debt securities									
Stock and loans to government and other public bodies[3]	54 592	6 985	3 083	1 877	119	232	–	269	67 157
Other debt instruments[3]	15 030	47 163	9 696	1 514	707	340	1	2 340	76 791
Derivative financial assets	1 314	1 727	10	–	–	–	–	332	3 383
Carry positions	–	–	–	–	–	–	–	1 550	1 550
Debt securities and funds on deposit and money market instruments at amortised cost	–	–	–	–	–	618	–	23	641
Cash and cash equivalents and funds on deposit and money market instruments	10 083	39 074	5 346	1 496	1 231	54	–	1 897	59 181
Assets relating to disposal groups held for sale	19	1	–	–	–	–	–	111	131
Other unrated instruments									
Other financial assets at amortised cost	–	–	–	–	–	–	–	7 603	7 603
Insurance and other receivables	–	–	–	–	–	–	–	4 727	4 727
Unit-linked investments[1]	–	–	–	–	–	–	–	28 495	28 495
	81 038	94 950	18 135	4 887	2 057	1 244	1	47 347	249 659

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

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

3 Upon further investigation it was deemed more appropriate that AAA other debt instruments of R314 million should instead be classified as AAA stock and loans to government and other public bodies.

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 R1 889 million (2020: R1 156 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:

	2021		2020	
Reinsurer	Reinsured portion – %	Credit rating	Reinsured portion – %	Credit rating
Swiss Re	29%	AA-	28%	AA-
General Cologne Re	20%	AA+	22%	AA+
Hannover Re	4%	AA-	4%	AA-
RGA Re	15%	AA-	15%	AA-
Munich Re	26%	AA-	26%	AA-
SCOR Re	5%	AA-	4%	AA-
Other	1%	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
2021					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	826	371	50	51	1 298
2020					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	1 042	77	103	10	1 232

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
2021				
Securities at FVPL	331 011	130 102	5 167	466 280
Unit-linked investments				
CISs[1]				
Local unlisted or listed quoted	111 750	902	–	112 652
Local unlisted unquoted	–	17	–	17
Foreign unlisted or listed quoted	49 114	159	58	49 331
Foreign unlisted unquoted	–	2 093	263	2 356
Other unit-linked investments				
Local unlisted or listed quoted	3 330	19	–	3 349
Local unlisted unquoted	–	7 542	2 460	10 002
Foreign unlisted or listed quoted	180	–	54	234
Foreign unlisted unquoted	–	16	190	206
Debt securities				
Stock and loans to government and other public bodies				
Local listed	61 608	11 111	820	73 539
Foreign listed	1 775	3 220	2	4 997
Unlisted	–	3 578	519	4 097
Other debt instruments				
Local listed	–	40 195	9	40 204
Foreign listed	–	2 484	64	2 548
Unlisted	–	30 781	311	31 092
Equity securities				
Local listed	68 478	3	1	68 482
Foreign listed	34 738	517	128	35 383
Unlisted	–	17	105	122
Funds on deposit and other money market instruments	–	23 286	5	23 291
Carry positions	–	2 232	–	2 232
Derivative financial assets – Held for trading	38	1 930	178	2 146
	331 011	130 102	5 167	466 280

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 2020[1]				
Securities at FVPL	284 860	139 055	4 002	427 917
Unit-linked investments				
CISs[2]				
Local unlisted or listed quoted	101 356	633	–	101 989
Local unlisted unquoted[3]	–	15	–	15
Foreign unlisted or listed quoted	43 832	208	231	44 271
Foreign unlisted unquoted	–	1 179	425	1 604
Other unit-linked investments				
Local unlisted or listed quoted[3]	1 892	63	–	1 955
Local unlisted unquoted	–	8 010	1 766	9 776
Foreign unlisted or listed quoted	20	8	29	57
Foreign unlisted unquoted	–	70	216	286
Debt securities				
Stock and loans to government and other public bodies				
Local listed	46 575	12 596	–	59 171
Foreign listed[4]	369	3 134	3	3 506
Unlisted	–	3 927	553	4 480
Other debt instruments				
Local listed[5]	–	38 451	22	38 473
Foreign listed[4]	–	2 707	–	2 707
Unlisted	–	35 155	456	35 611
Equity securities				
Local listed	59 000	4	1	59 005
Foreign listed	31 626	568	172	32 366
Unlisted	–	4	123	127
Funds on deposit and other money market instruments	–	27 580	5	27 585
Carry positions	–	1 550	–	1 550
Derivative financial assets – Held for trading	190	3 193	–	3 383
	284 860	139 055	4 002	427 917

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

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 R15 million level 2 local unlisted or listed quoted CISs were reclassified to level 2 local unlisted unquoted CISs as through further interrogation it was deemed more appropriate.

4 Upon further investigation it was deemed more appropriate that level 1 foreign listed other debt instruments of R314 million should instead be classified as level 1 foreign listed stock and loans to government and other public bodies.

5 Upon further investigation it was deemed more appropriate that local listed other debt instruments of R208 million included in level 1 should instead be included in level 2.

There were no 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**
2021						
Opening balance	**2 667**	**1 034**	**296**	**5**	**–**	**4 002**
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**	**(192)**	**(74)**	**–**	**181**	**24**
Foreign exchange adjustments	**(4)**	**–**	**(19)**	**–**	**(7)**	**(30)**
Accrued interest in investment income in the income statement	**–**	**38**	**–**	**–**	**–**	**38**
Purchases	**626**	**1 130**	**42**	**–**	**–**	**1 798**
Sales	**(343)**	**(862)**	**(1)**	**–**	**–**	**(1 206)**
Settlements	**(10)**	**(254)**	**–**	**–**	**–**	**(264)**
Transfers into level 3 from level 1[1]	**–**	**–**	**1**	**–**	**–**	**1**
Transfers into level 3 from level 2[1]	**25**	**825**	**33**	**–**	**–**	**883**
Transfers out to level 2[2]	**–**	**–**	**(38)**	**–**	**–**	**(38)**
Closing balance	**3 025**	**1 725**	**234**	**5**	**178**	**5 167**
Restated **2020**						
Opening balance	2 258	1 216	321	48	–	3 843
Transfer to assets relating to disposal groups held for sale	(7)	–	–	–	–	(7)
Transfer to other asset classes	–	(21)	–	–	–	(21)
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	3 044	60	(63)	–	–	3 041
Unrealised (losses)/gains	(401)	(35)	50	(2)	–	(388)
Foreign exchange adjustments[3]	–	–	19	–	–	19
Accrued interest in investment income in the income statement	–	4	–	–	–	4
Purchases	4 489	681	7	–	–	5 177
Sales	(6 745)	(863)	(44)	–	–	(7 652)
Settlements	–	(37)	–	–	–	(37)
Transfers into level 3 from level 1[1]	–	19	30	–	–	49
Transfers into level 3 from level 2[1]	29	70	69	–	–	168
Transfers out to level 2[2]	–	(60)	(93)	(41)	–	(194)
Closing balance	2 667	1 034	296	5	–	4 002

1 Transfers into level 3 equity securities and unit-linked investments relates mainly to assets with stale prices in the current and prior year. Debt securities of R759 million were transferred from level 2 to level 3 in the current year as a result of fair value adjustments processed due to recoverability and credit risk. The remaining debt securities which were transferred in the current year relates to instruments with stale prices. In the prior year, debt securities transferred related mainly to a change in observability of inputs.

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

3 Foreign exchange adjustments related to the consolidation of foreign subsidiaries were incorrectly included within the unrealised (losses)/gains line item. June 2020 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 R24 million (2020: R388 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 fair value through profit and loss	
	Unit-linked investments Rm	Debt securities Rm
2021		
Carrying amount	**3 025**	**1 725**
Assumption change	**10% increase (decrease) in unit price**	**1% increase (decrease) in discount rates**
Effect of increase in assumption	**303**	**41**
Effect of decrease in assumption	**(303)**	**(52)**
2020		
Carrying amount	2 667	1 034
Assumption change	10% increase/ (decrease) in unit price	1% increase/ (decrease) in discount rates
Effect of increase in assumption	267	466
Effect of decrease in assumption	(267)	498

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

	2021		Restated 2020[1]	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets at amortised cost	**9 598**	**9 598**	8 244	8 244
Unsettled trades	**3 292**	**3 292**	2 632	2 632
Accounts receivable	**2 995**	**2 995**	2 546	2 546
Debt securities	**512**	**512**	479	479
Funds on deposit and other money market instruments	**311**	**311**	162	162
Loans	**2 488**	**2 488**	2 425	2 425
Insurance and other receivables (excluding accelerated rental income and prepayments)	**5 779**	**5 779**	4 783	4 783
Cash and cash equivalents	**38 121**	**38 121**	31 596	31 596
	53 498	**53 498**	44 623	44 623

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

Calculation of fair value

- For unsettled trades, accounts receivables, 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 R1 023 million (2020: R1 103 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 10.5% (2020: 10.6%).
- The fair values in the above table are level 2.

8 Reinsurance contract assets

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

	2021 Rm	2020 Rm
Reinsurance asset relating to cell captive business	**3 340**	2 990
Reinsurance asset relating to long-term insurance	**2 399**	2 251
Prepaid reinsurance	**978**	901
	6 717	6 142
Balance at beginning	**6 142**	5 912
Movement charged to income statement	**140**	165
Attributable to non-cell captive business	**279**	47
Attributable to cell captive business	**(139)**	118
Business combinations (refer to note 30)	**6**	–
Cell captive premiums	**35**	(12)
First-party cell captives	**139**	384
Third-party cell captives	**215**	(391)
Transfer to assets relating to disposal groups held for sale	**–**	(18)
Other	**93**	60
Exchange differences	**(53)**	42
Balance at end	**6 717**	6 142
Current	**5 506**	4 931
Non-current	**1 211**	1 211
	6 717	6 142

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.

		2021 Rm	2020 Rm
9.1	**Long-term insurance contracts**		
9.1.1	***Long-term insurance contract liabilities***	**125 863**	112 697
9.1.2	***Liabilities to third-party cell captive owners***	**3 019**	1 848
		128 882	114 545
	Current	**42 329**	35 556
	Non-current	**86 553**	78 989
		128 882	114 545
	Movement in long-term insurance contracts		
9.1.1	***Long-term insurance contract liabilities***		
	Balance at beginning	**112 697**	118 851
	Transfer to policyholder liabilities under insurance contracts	**13 512**	(6 466)
	Increase in retrospective liabilities	**4 696**	(2 274)
	Unwind of discount rate	**2 552**	3 883
	Expected release of margins	**(3 548)**	(3 822)
	Expected cash flows	**(4 990)**	(4 559)
	Change in economic assumptions	**2 188**	(1 183)
	Change in non-economic assumptions	**1 003**	802
	New business	**5 919**	3 257
	Experience variances	**5 694**	(2 555)
	Other	**(2)**	(15)
	Revaluation liability	**58**	17
	Transfer to liabilities relating to disposal groups held for sale	**–**	(30)
	Other	**21**	(2)
	Exchange differences	**(425)**	327
	Balance at end	**125 863**	112 697
9.1.2	***Liabilities to third-party cell captive owners***		
	Balance at beginning	**1 848**	1 401
	Charge to the income statement	**(707)**	(983)
	Net cash flows	**4 859**	5 357
	Dividends paid to cell owners	**(1 129)**	(1 980)
	Changes in share capital and other items relating to cell captives[1]	**(1 852)**	(1 947)
	Balance at end	**3 019**	1 848

[1] Relates mainly to cell captive expenses including binder fees, administration fees and commission and includes net proceeds in share issues of R41 million (2020: R97 million).

9 Insurance contracts continued

		2021 Rm	2020 Rm
9.2	Non-life insurance contracts		
9.2.1	*Unearned premium provision*	**6 606**	5 236
9.2.2	*Outstanding claims*	**3 970**	3 495
9.2.3	*Liabilities to third-party cell captive owners*	**2 773**	2 556
	Total	**13 349**	11 287
	Current	**10 420**	8 814
	Non-current	**2 929**	2 473
		13 349	11 287
	Movement in non-life insurance contracts		
9.2.1	*Unearned premium provision*		
	Balance at beginning	**5 236**	4 261
	Business combinations (refer to note 30)	**577**	32
	Movement in unearned premium provision		
	Premium income received	**6 965**	4 800
	Recognition of premium income	**(6 142)**	(3 875)
	Transfer to liabilities relating to disposal groups held for sale	**–**	(2)
	Other	**(3)**	(9)
	Exchange differences	**(27)**	29
	Balance at end	**6 606**	5 236
9.2.2	*Outstanding claims*		
	Balance at beginning	**3 495**	2 777
	Business combinations (refer to note 30)	**27**	302
	Increase in outstanding claims	**467**	437
	Transfer to liabilities relating to disposal groups held for sale	**–**	(33)
	Other	**43**	(44)
	Exchange differences	**(62)**	56
	Balance at end	**3 970**	3 495
9.2.3	*Liabilities to third-party cell captive owners*		
	Balance at beginning	**2 556**	2 565
	Business combinations (refer to note 30)	**22**	–
	Charge to the income statement	**(108)**	(28)
	Cell tax	**(268)**	(357)
	Net fair value gains on assets at FVPL	**160**	329
	Cell captive income	**1 054**	975
	Net cash flows	**(108)**	80
	Dividends paid	**(603)**	(1 082)
	Exchange differences	**(40)**	46
	Balance at end	**2 773**	2 556

Refer to note 11 for the assumptions and estimates used.

10 Investment contracts

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

		2021 Rm	2020 Rm
10.1	Investment contracts with DPF	19 222	18 320
10.2	Investment contracts designated at FVPL	292 563	261 627
10.2.1	*Investment contract liabilities designated at FVPL*	283 259	251 756
10.2.2	*Liabilities to first-party cell captive owners*	9 304	9 871
	Total investment contract liability	**311 785**	279 947

		2021 Rm	2020 Rm
	Movement in investment contracts with DPF		
10.1	Investment contracts with DPF		
	Balance at beginning	18 320	20 573
	Transfer to policyholder liabilities under investment contracts with DPF	763	(2 260)
	Increase/(decrease) in retrospective liabilities	790	(2 345)
	Unwind of discount rate	5	11
	Expected release of margins	(31)	(41)
	Expected cash flows	37	43
	Change in non-economic assumptions	(17)	128
	New business	3	7
	Experience variances	(24)	(63)
	Other	144	2
	Exchange differences	(5)	5
	Balance at end	19 222	18 320
	Current	17 648	16 892
	Non-current	1 574	1 428
		19 222	18 320

		2021 Rm	2020 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	251 756	240 268
	Contract holder movements	31 864	11 160
	Deposits received	42 897	39 798
	Contract benefit payments	(41 584)	(32 004)
	Fees on investment contracts	(2 916)	(2 910)
	Fair value adjustment to policyholder liabilities under investment contracts	33 625	6 470
	Other	(158)	(194)
	Exchange differences	(361)	328
	Balance at end	283 259	251 756

10 Investment contracts continued

10.2 Investment contracts designated at FVPL continued

10.2.2 Liabilities to first-party cell captive owners

	2021 Rm	2020 Rm
Balance at beginning	**9 871**	9 542
Contract holder movements	**(175)**	(323)
Deposits received	**1 906**	1 897
Contract benefit payments	**(2 402)**	(1 413)
Fees on investment contracts	**(85)**	(97)
Fair value adjustment to policyholder liabilities under investment contracts	**563**	152
Cell captive income	**(55)**	(329)
Changes in share capital, dividends and other items relating to cell captives[1]	**(102)**	(533)
Exchange differences	**(392)**	652
Balance at end	**9 304**	9 871
Current	**151 248**	141 868
Non-current	**141 315**	119 759
	292 563	261 627

[1] Includes net proceeds in share issues of R45 million (2020: R1 million) and dividend distributions of R288 million (2020: R220 million).

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 2021 would have been R8 901 million (2020: R8 567 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, with the most recent investigation being in respect of the period ended October 2020 for Metropolitan Life and June 2020 for Momentum Life and Investment business. More recent experience that includes the impact of Covid 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 most recent investigation was completed for the period ending 31 December 2018. 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. The most recent investigation was in respect of the period to June 2020. 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.
- Where appropriate allowance for changes in future mortality as a result of AIDS for Individual life business has been made using models compliant with ASSA APN 105.

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 November 2020 for Metropolitan Life business and June 2020 for Momentum Life and Investments business.
- Surrender investigations are performed at least annually for MML retail business, the most recent being in respect of the period ended March 2021 for Metropolitan Life business and June 2020 for Momentum Life and Investments 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 2022 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% (2020: +3.5%)
  - Property rate: gilt rate +1.0% (2020: +1.0%)
  - Corporate bonds: gilt rate +0.5% (2020: +0.5%)
  - Cash rate: gilt rate -1.0% (2020: -1.0%)
- An inflation rate of 5% p.a. for ZAR-denominated retail 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 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:

	2021	2020
RDR	**12.8%**	12.9%
Gilt rate – risk-free investment return	**10.4%**	10.5%
Assumed investment return for individual smoothed bonus business	**12.6%**	12.7%
Renewal expense inflation rate	**6.5%**	5.7%

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 2021. 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
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**
2020	3.8	4.6	5.5	6.3	7.2	10.7	13.2	14.6	15.4	15.9	16.2	16.2

11 Contract holder liabilities – assumptions and estimates continued

Investment guarantees (APN 110) continued

The following instruments have been valued by the model:

Instrument	2021 Price (% of nominal)	2021 Volatility	2020 Price (% of nominal)	2020 Volatility
A 1-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**7.1%**	**21.3%**	8.9%	23.6%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a 0.8 of spot	**1.8%**	**25.0%**	2.9%	28.3%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.024 (2020: 1.0025)	**8.1%**	**20.9%**	9.1%	23.5%
A 5-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**7.0%**	**21.7%**	8.5%	22.4%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^5$ of spot	**12.9%**	**20.2%**	15.4%	21.2%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.2991 (2020: 1.2437)	**15.7%**	**19.7%**	16.4%	21.1%
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**0.4%**	**25.0%**	0.3%	26.7%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^{20}$ of spot	**2.6%**	**23.8%**	1.6%	26.4%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 6.7896 (2020: 9.3413)	**25.4%**	**23.1%**	27.3%	26.5%
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	**6.1%**	**12.7%**	7.5%	13.1%
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	**0.2%**	**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, publicly available infection and excess death data for various provinces in line with the exposure of each segment. The modelling used to determine provisions suggests that the bulk of the remaining impact of the Covid-19 pandemic will be observed in F2022 and provisions are expected to be released accordingly.

The expected impact of these items has led to changes in the applicable mortality and disability assumptions for F2022 that are used in the valuation basis of the life insurance operations of the Group. The impact of claims on non-life insurance business in Guardrisk has also been considered.

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 R2 305 million (2020: R1 381 million), while existing provisions of R1 193 million (2020: nil) were utilised. The overall net impact is a reduction in the Group's normalised headline earnings for the year of R1 046 million (2020: R983 million). This, together with the impact in the current year from the release of the full R398 million adjustment to the value of in-force business raised in the prior year, led to the total embedded value reducing by R648 million (2020: R1 381 million).

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	Terminations Rm	Total Rm	Value of in-force business Terminations Rm	Embedded value Total Rm
Provision at 30 June 2020	751	72	38	122	983	398	1 381
Release of provision during F2021	(1 026)	(36)	(37)	(94)	(1 193)	(398)	(1 591)
Momentum Life	(296)	–	–	(50)	(346)	(114)	(460)
Metropolitan Life	(146)	–	–	(23)	(169)	–	(169)
Momentum Corporate	(532)	(36)	–	–	(568)	(284)	(852)
Momentum Metropolitan Africa	(52)	–	–	(21)	(73)	–	(73)
Non-life Insurance	–	–	(37)	–	(37)	–	(37)
Additional provision during F2021	2 195	35	53	22	2 305	–	2 305
Momentum Life	712	35	–	–	747	–	747
Metropolitan Life	386	–	–	–	386	–	386
Momentum Corporate	1 026	–	–	–	1 026	–	1 026
Momentum Metropolitan Africa	71	–	–	22	93	–	93
Non-life Insurance	–	–	53	–	53	–	53
Reduction in annuity and income disability claims in payment technical reserves	(66)	–	–	–	(66)	–	(66)
Total change in provision	1 103	(1)	16	(72)	1 046	(398)	648
Provision at 30 June 2021	1 854	71	54	50	2 029	–	2 029

The assumptions applied in the establishment of the Covid-19 provisions were determined taking various modelled scenarios into account. The actual claims experience in the first two Covid-19 waves as well as the provincial exposure of each product category were considered in the modelling of the third and subsequent waves. The resultant assumptions thus differ between segments. As trends in Covid-19 related claims experience and policyholder behaviour continue to evolve, the Group will continue to evaluate and assess the assumptions used in the valuation basis.

The valuation basis was determined as follows for each factor:

Mortality

As at 30 June 2020, South Africa reported 151 290 confirmed Covid-19 cases and recorded 2 657 deaths. By 6 September, confirmed cases in South Africa has increased to 639 362 and recorded 15 004 deaths. Excess deaths are significantly higher than the confirmed Covid-19 number of deaths.

As a result of the increase in excess deaths, the Group anticipates a rise in mortality claims in the near term, linked to the spread of Covid-19. The mortality provision was determined by referencing several international studies on attack rates, infection and case fatality rates and applying these assumed age-based infection and fatality rates to the sums at risk of the various books of business. The infection and mortality rates were further adjusted to allow for the assumed differences in experiences of the different socio-economic classes as well as actual claims experience up to the end of July 2020. The final modelling assumed ultimate attack rates ranging from 40% to 60% of the population.

An allowance has been made for the expected additional mortality claims as a result of Covid-19. The mortality provision was determined by modeling expected claims by segment using provincial exposure profiles, national infection and excess death statistics and actual claims experience in the first two waves. Reinsurance recoveries have been allowed for in line with conditions of the relevant agreements.

Momentum Metropolitan Africa also included an allowance for adverse experience.

Longevity

The Group anticipates that increased mortality of annuitants as well as income protection claimants will result in a higher than expected release of reserves held for these benefits.

11 Contract holder liabilities – assumptions and estimates continued

Provisions for Covid-19 continued

Morbidity

The Group expects an increase in income protection claimants that are unable to return to work due to the economic environment. In Momentum Corporate, a 20% reduction in return-to-work rates for a 12-month period was allowed for. In addition, some allowance has been made in Momentum Life for the anticipated disability income and critical illness claims as a result of Covid-19.

Terminations

Metropolitan Life already offered a premium skip facility before the pandemic and the valuation assumptions therefore already had an allowance for policies in a 'premium skip' state. No additional allowance was therefore made. Metropolitan Life's earnings are more exposed to terminations on its funeral book than is the case for Momentum Life on its protection business, and a termination provision equal to 10% of negative rand reserves has been allowed for to reflect the potential short-term deterioration in lapses on Metropolitan Life's funeral book due to the economic outlook.

Retrenchment risk

MML has limited exposure to retrenchment risk as it has generally been averse to this risk type in the past. Consequently, no explicit liability was deemed necessary.

Guardrisk does have exposure to retrenchment risk in several of its cells, but these cells are still sufficiently profitable and well capitalised to avoid the need to hold any additional shareholder provisions related to these cells. The reserving in the cells has been strengthened initially and the actual experience are better than originally anticipated.

Non-life insurance claims

Guardrisk has made an adjustment to its outstanding claims reserves for a potential increase in claims related to business interruption cover that is offered as an extension on some of its policies at the end of the previous financial year. The outbreak of the Covid-19 pandemic has sparked public debate between policyholders, insurers, reinsurers, and regulators on the interpretation of policy wordings that offer business interruption cover, and specifically in relation to any extensions for infectious or contagious diseases. Various court rulings have given a high level of certainty as to how the claims should be treated and assessed.

Guardrisk provided relief to policyholders in the hospitality industry by offering a settlement in terms of the policy to affected policyholders. The assessment and settlement of claims continue. Both quota share and non-proportional (excess-of-loss) reinsurance has responded on the reinsurance policies. It is estimated that Guardrisk's total exposure to business interruption cover is approximately R600 million. After taking reinsurance recoveries into account, a net of tax provision of R38 million has been provided at the end of 2020. During 2021 an additional reserve of R26 million was provided and R36 million released for claims payments resulting in a remaining provision of R28 million.

During the 2020 financial year Momentum Insurance reviewed its Business Interruption wording to assess whether there would be cover for the related interruption businesses would suffer. After assessment, management took a position that the wording does not cover the losses caused by the Covid-19 pandemic related lock down and proceeded to treat any approaches and claims in this regard on this basis, also an industry practice at that time. In the current year under review, a court judgement was passed to recognise claims relating to the Covid-19 pandemic if certain terms and conditions were met. In this judgement the court concluded that the general exclusion does not exclude claims arising out of Covid-19. As a result the Momentum Insurance had a change in estimate on the carrying amount of existing IBNR liability and alteration of subsequent accounting for recognition of future liabilities. The change in estimate resulted in an increase of R38 million in the IBNR specifically addressing exposure for Covid-19 business interruption losses.

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 2021 by R2 470 million (2020: R807 million) for the Group. The major contributors to this change were as follows:
  - Actuarial methodology changes and corrections (other changes) – positive R185 million (2020: positive R69 million).
  - Experience basis changes – negative R2 609 million (2020: negative R809 million). The experience basis changes are in respect of withdrawal, expense and mortality assumptions. The significant portion of the current year changes relates to the Covid-19 provision of R1 046 million (2020: R983 million).
  - Economic assumption changes – negative R46 million (2020: negative R67 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
2021						
Insurance business						
Retail insurance business (excluding annuities)	**66 657**	**65 031**	**65 522**	**67 169**	**63 129**	**68 014**
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	**419 235**	**417 387**	**417 932**	**419 757**	**416 296**	**425 871**
Cell captive and non-life business	**34 788**					
Total	**454 023**	**417 387**	**417 932**	**419 757**	**416 296**	**425 871**
Restated 2020[1]						
Insurance business						
Retail insurance business (excluding annuities)	60 935	59 375	59 845	61 258	57 851	61 645
Annuities (retail and employee benefits)	49 484	49 314	49 350	49 484	49 952	51 553
Employee benefits business (excluding annuities)	2 605	2 602	2 602	2 610	2 610	2 684
Investment with DPF business	18 320	18 301	18 311	18 319	18 320	18 529
Investment business	244 109	244 314	244 327	244 343	244 340	245 287
Subtotal	375 453	373 906	374 435	376 014	373 073	379 698
Cell captive and non-life business	30 335					
Total	405 788	373 906	374 435	376 014	373 073	379 698

[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% (2020: 5%) increase in mortality and morbidity lump sum benefits paid on employee benefits business in any given year will result in a reduction of R198 million (2020: R127 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 48.22 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.

		2021 Rm	Restated 2020[1] Rm
	The Group's financial liabilities are summarised below:		
12.1	**Financial liabilities at FVPL**	**47 420**	47 645
12.2	**Financial liabilities at amortised cost**	**4 164**	4 610
12.3	**Other payables (excluding premiums paid in advance and deferred revenue liability (DRL))**	**17 101**	16 077
		68 685	68 332
12.1	**Financial liabilities at FVPL**		
	CIS liabilities	**29 372**	28 467
	Subordinated call notes	**4 429**	4 431
	Carry positions	**9 657**	9 059
	Derivative financial liabilities (refer to note 7.1)	**3 374**	5 547
	Preference shares	**357**	25
	Other borrowings	**231**	116
		47 420	47 645
	Current	**40 034**	40 298
	Non-current	**7 386**	7 347
		47 420	47 645

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

12 Financial liabilities continued

- The change in the fair value of financial liabilities designated at FVPL due to own credit risk amounted to a loss of R90 million (2020: a gain of R69 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 R179 million (2020: R181 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 Financial Sector Conduct Authority (FSCA) granted approval for MML to raise debt issuances. MML has sufficient cash to cover the debt. During the current year, R90 million fair value gains was recognised on the subordinated call notes which has been accounted for in other comprehensive income. These fair value gains 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 R9 492 million (2020: R8 579 million). Offsetting has not been applied. *(fair value interest rate risk)*
- The preference shares relates to senior variable rate cumulative redeemable preference shares issued to external parties in respect of Amandla Renewable Energy Fund (Pty) Ltd. These shares are measured at fair value in order to eliminate an accounting mismatch.
- The Group holds collateral in respect of preference shares held by Amandla Renewable Energy Fund (Pty) Ltd, specifically 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 R591 million.
- Other borrowings – non-controlling interests of 25% of Metropolitan Life Kenya and Cannon 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 R100 million (2020: R108 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 R128 million (2020: nil) relating to the acquisition of subsidiaries in the current year. The majority of the balance relates to the Seneca acquisition. (no interest rate risk)
- These instruments, excluding 'Other borrowings' and 'Derivative financial liabilites', 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

	2021 Rm	2020 Rm
Property development loans	**425**	1 326
Cumulative redeemable preference shares	**2 022**	2 025
Lease liabilities	**220**	318
Cumulative redeemable convertible preference shares	**245**	254
Other	**1 252**	687
	4 164	4 610
Current	**700**	738
Non-current	**3 464**	3 872
	4 164	4 610

12.2.1 *Property development loans*

Included in property development loans are:

- A R882 million loan, in the prior year, from Standard Bank Ltd in order to develop property held by a subsidiary, 129 Rivonia Road (Pty) Ltd. Interest on the loan is levied at three-month Johannesburg Interbank Average Rate (JIBAR) plus 2.10%. The loan is secured by the underlying property. On 2 November 2020 the property development loan was converted into a term loan. On the same date R490 million of the loan was taken over by a fellow subsidiary, MML and the remaining balance remained with Standard Bank. Interest on the Standard Bank loan is levied at three-month JIBAR plus 1.85%. In the current period the loan balance is included in the Other line in note 12.2 above *(cash flow interest rate risk)*.
- A R247 million (2020: R257 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 11%. The loan is secured by the underlying property *(no interest rate risk).*
- A R178 million (2020: R185 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 *(cash flow 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 the prior year 300 redeemable preference shares were redeemed, the remaining 700 redeemable preference shares has a redemption date of 30 June 2023 (after extending it under the same terms by 36 months in the prior year). 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)*

12 Financial liabilities continued

12.2 Financial liabilities at amortised cost continued

12.2.2 *Cumulative redeemable preference shares continued*

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. Dividends are payable semi-annually in arrears on 31 March and 30 September each year.

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 A3 preference shares are convertible, at the option of the holder, into ordinary shares on a one-for-one basis at any time before the compulsory redemption date of 30 June 2022 (after extending it by 18 months in the current year). As a result of the extension, an IFRS 2 – Share-based payment B-BBEE expense of R25 million was recognised. The modification did not constitute a significant modification and therefore this was accounted for as a change in the expected future cash flows. The change in the liability to the present value of the additional cash flow resulting from the extension was recognised immediately in the income statement. The shares were originally issued at a price of R10.18 per share. Dividends are payable on the remaining preference shares at 132 cents per annum. *(no interest rate risk)*

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

12.3 Other payables

	2021 Rm	Restated 2020[1] Rm
Payables arising from insurance contracts and investment contracts with DPF	**6 872**	5 645
Claims in process of settlement		
Insurance contracts	**4 615**	3 529
Investment contracts with DPF	**1 169**	1 111
Due to reinsurers	**1 088**	1 005
Payables arising from investment contracts	**1 742**	1 125
Financial instruments	**8 487**	9 307
Unsettled trades	**2 680**	2 858
Commission creditors	**966**	930
Health saver liability	**272**	288
Other payables	**4 569**	5 231
Total included in financial liabilities	**17 101**	16 077
Premiums paid in advance	**1 177**	1 130
Deferred revenue liability	**551**	583
Total other payables	**18 829**	17 790
Current	**17 850**	16 641
Non-current	**979**	1 149
	18 829	17 790

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

12 Financial liabilities continued

12.3 Other payables continued

	2021 Rm	2020 Rm
Reconciliation of deferred revenue liability		
Balance at beginning of year	583	529
Deferred income relating to new business	106	113
Amount recognised in income statement[1]	(138)	(59)
Balance at end of year	551	583
Current	330	314
Non-current	221	269
1 to 5 years	70	116
5 to 10 years	120	118
> 10 years	31	35
	551	583

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

Refer to note 48.23.1 for the accounting policies relating to deferred revenue liability.

12.4 Financial liabilities measurement

	Fair value through profit and loss					
Financial liabilities summarised by measurement category in terms of IFRS 9	**Mandatorily Rm**	**Designated Rm**	**Total fair value Rm**	**Amortised cost Rm**	**Not in scope of IFRS 9 Rm**	**Total Rm**
2021						
Investment contracts with DPF	–	–	–	–	19 222	19 222
Investment contracts designated at FVPL	–	292 563	292 563	–	–	292 563
CIS liabilities	–	29 372	29 372	–	–	29 372
Subordinated call notes	–	4 429	4 429	–	–	4 429
Carry positions	–	9 657	9 657	–	–	9 657
Preference shares	–	357	357	–	–	357
Derivative financial liabilities	3 374	–	3 374	–	–	3 374
Other borrowings	231	–	231	–	–	231
Financial liabilities at amortised cost	–	–	–	3 944	220	4 164
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	10 229	6 872	17 101
Total financial liabilities	3 605	336 378	339 983	14 173	26 314	380 470
Restated 2020[1]						
Investment contracts with DPF	–	–	–	–	18 320	18 320
Investment contracts designated at FVPL	–	261 627	261 627	–	–	261 627
CIS liabilities	–	28 467	28 467	–	–	28 467
Subordinated call notes	–	4 431	4 431	–	–	4 431
Carry positions	–	9 059	9 059	–	–	9 059
Preference shares	–	25	25	–	–	25
Derivative financial liabilities	5 547	–	5 547	–	–	5 547
Other borrowings	115	1	116	–	–	116
Financial liabilities at amortised cost	–	–	–	4 292	318	4 610
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	10 432	5 645	16 077
Total financial liabilities	5 662	303 610	309 272	14 724	24 283	348 279

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

12 Financial liabilities continued

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
2021				
Investment contracts designated at FVPL	–	292 540	23	292 563
Financial liabilities at FVPL	29 355	17 533	532	47 420
CIS liabilities	29 354	–	18	29 372
Subordinated call notes	–	4 429	–	4 429
Carry positions	–	9 657	–	9 657
Preference shares	–	44	313	357
Derivative financial liabilities – held for trading	1	3 373	–	3 374
Other borrowings	–	30	201	231
	29 355	310 073	555	339 983
Restated 2020[1]				
Investment contracts designated at FVPL	–	261 601	26	261 627
Financial liabilities at FVPL	28 445	19 068	132	47 645
CIS liabilities[2]	28 445	–	22	28 467
Subordinated call notes	–	4 431	–	4 431
Carry positions	–	9 059	–	9 059
Preference shares	–	25	–	25
Derivative financial liabilities – held for trading	–	5 547	–	5 547
Other borrowings	–	6	110	116
	28 445	280 669	158	309 272

[1] Refer to note 47 for more information on the restatements other than footnote 2.

[2] Upon further investigation it was deemed more appropriate that CIS liabilities of R2 426 million included in level 2 should instead be included in level 1.

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
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**
2020					
Opening balance	29	63	–	108	200
Total losses/(gains) in net realised and unrealised fair value gains in the income statement					
Realised losses/(gains)	1	(4)	–	(5)	(8)
Unrealised (gains)/losses	–	(16)	–	22	6
Total gains in other comprehensive income	–	(5)	–	(3)	(8)
Sales	–	(4)	–	–	(4)
Settlements	–	(12)	–	(5)	(17)
Contract holder movements					
Benefits paid	(5)	–	–	(7)	(12)
Investment return	1	–	–	–	1
Closing balance	26	22	–	110	158

Sensitivity: Increasing/decreasing the net asset value of the underlying entity by 10% would decrease/increase the carrying amount of level 3 other borrowings by nil and nil (30.06.2020: R4 million and R4 million), respectively. 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 million and nil (30.06.2020: 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:

	2021		Restated 2020[1]	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Investment contracts with DPF	**19 222**	**19 222**	18 320	18 320
Financial liabilities at amortised cost	**4 164**	**4 477**	4 610	4 976
Cumulative redeemable preference shares	**2 022**	**2 022**	2 025	2 025
Cumulative redeemable convertible preference shares	**245**	**558**	254	620
Lease liabilities	**220**	**220**	318	318
Other	**1 677**	**1 677**	2 013	2 013
Other payables (excluding premiums in advance and deferred revenue liability)	**17 101**	**17 101**	16 077	16 077
Payables arising from investment contracts	**1 742**	**1 742**	1 125	1 125
Other	**15 359**	**15 359**	14 952	14 952
	40 487	**40 800**	39 007	39 373

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

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 convertable 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 2021, the expected cash flows were discounted at a current market rate of 13% (2020: 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 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.

	2021 Rm	Restated 2020[1] Rm
Balance at beginning	**2 277**	1 912
Business combinations (refer to note 30)	**–**	24
Change in liabilities under reinsurance agreements	**(584)**	(156)
New financial reinsurance agreements	**475**	514
Repayments	**(294)**	(157)
Change in liabilities due to release of rebate	**(660)**	(513)
Change in estimates	**(105)**	–
Reinsurance premium rebate received	**660**	513
Reinsurance ceded	**(6)**	(5)
Transfer to liabilities relating to disposal groups held for sale	**–**	(11)
Balance at end	**2 347**	2 277
Current	**296**	278
Non-current	**2 051**	1 999
	2 347	2 277

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

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.

	2021 Rm	2020 Rm
Deferred tax asset	**756**	862
Deferred tax liability	**(2 722)**	(2 926)
	(1 966)	(2 064)
Deferred tax is made up as follows:		
Accruals and provisions	**98**	105
Accelerated wear and tear	**(149)**	(133)
Revaluations	**(1 085)**	(676)
Deferred tax on intangible assets as a result of past business combinations	**(1 385)**	(1 536)
Deferred revenue liability	**7**	20
Difference between published and statutory policyholder liabilities	**2**	2
Tax losses	**1 003**	749
Negative rand reserves	**(395)**	(527)
DAC	**(17)**	(21)
Other	**(45)**	(47)
	(1 966)	(2 064)
Movement in deferred tax		
Balance at beginning	**(2 064)**	(2 623)
Recognised on 1 July 2019 on adoption of IFRS 16	**–**	3
Business combinations	**(32)**	(86)
Charge to the income statement	**143**	659
Accruals and provisions	**(7)**	(27)
Accelerated wear and tear	**(16)**	(16)
Revaluations	**(391)**	52
Deferred tax movement on intangible assets as a result of past business combinations	**179**	211
Deferred revenue liability	**(13)**	7
Difference between published and statutory policyholder liabilities	**–**	(1)
Tax losses	**258**	375
Negative rand reserves	**132**	131
DAC	**4**	2
Other	**(3)**	(75)
Charge to other comprehensive income (refer to note 17)	**(22)**	(9)
Sale of business	**6**	–
Transfer to assets relating to disposal groups held for sale	**–**	(9)
Exchange differences	**3**	1
Balance at end	**(1 966)**	(2 064)
Unused tax losses for which no deferred tax has been recognised	**3 172**	3 213
Potential tax benefit	**889**	900

Creation of deferred tax assets and recognition of deferred tax liabilities

Tax losses have been provided for as deferred tax assets where at year-end their recoverability was probable. 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 R1 003 million (2020: R749 million) raised due to tax losses, is a deferred tax asset of R21 million (2020: R157 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 tax credit with the South African Revenue Services. 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. Included in the potential tax benefit is R34 million which is expected to expire by F2022.

No deferred tax liability is recognised on temporary differences of R1 486 million (2020: R1 195 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.

14 Deferred income tax continued

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 impact of 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 48.18 for the accounting policies relating to this note.

		2021 Rm	2020 Rm
15.1	Employee benefit obligations		
15.1.1	***Post-retirement medical benefits***	**108**	124
15.1.2	***Cash-settled arrangements***	**288**	404
	Other employee benefit obligations[1]	**752**	700
	Total employee benefit obligations	**1 148**	1 228
	Current	**842**	932
	Non-current	**306**	296
		1 148	1 228

[1] Other employee benefit obligations relate to leave pay provision of R362 million (2020: R362 million) and staff and management bonuses of R390 million (2020: R338 million)

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

		2021 Rm	2020 Rm
15.1.1	***Post-retirement medical benefits***		
	Balance at beginning – unfunded	**124**	164
	Business combinations (refer to note 30)	**–**	4
	Current service costs	**1**	6
	Past service cost	**(1)**	2
	Interest expense	**13**	10
	Actuarial gains – other comprehensive income	**5**	(34)
	Settlements	**(27)**	(21)
	Benefits paid and transferred	**(7)**	(7)
	Balance at end – unfunded	**108**	124
	Current	**12**	11
	Non-current	**96**	113
		108	124

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.

15 Employee benefit obligations continued

15.1 Employee benefit obligations continued

15.1.1 *Post-retirement medical benefits continued*

The key valuation assumptions are:

Assumptions	Base assumption	Change in significant assumption	Change in value of liability: Decrease in significant assumption Rm	Change in value of liability: Increase in significant assumption Rm
Healthcare cost inflation rate				
Defined benefit fund	**8% (2020: 7%)**	**2%**	**(12)**	**14**
Valuation rate of interest/discount rate	**10% (2020: 10%)**			
Administration fee inflation	**6% (2020: 6%)**			
Normal retirement age	**60 years**			
Mortality				
Pre-retirement	**SA 72-77 ultimate, with female rates equal to 70% of male rates**			
Post-retirement	**PA(90) minus 2, with ill-health (disability) retirements rated up to 10 years**			

The weighted average duration of the post-retirement medical benefits obligation is 10.0 years (2020: 9.6 years).

	2021 Rm	2020 Rm
15.1.2 *Cash-settled arrangements*		
Retention and remuneration schemes		
Balance at beginning	**404**	358
Additional provisions	**168**	224
Benefits paid	**(284)**	(180)
Exchange differences	**–**	2
Balance at end	**288**	404
Current	**140**	284
Non-current	**148**	120
	288	404

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 an MMH share (average of 20 trading days before the settlement date).

Momentum Sales Phantom Shares (MSPS)

In November 2013, Momentum Sales issued 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 Outperformance Plan (MMH OP)

The purpose of the plan is to motivate, reward and retain a small group of senior executives on a basis which aligns their interests with the Group's targeted Return on Embedded Value (ROEV) of Nominal GDP +6%. Participants are primarily awarded performance units (vesting subject to certain group and individual performance criteria being met), while participants that are responsible for risk management functions are awarded retention units (vesting subject to the individual's performance criteria being met).

The plan is a phantom incentive plan in that a participant shall not be entitled to MMH shares but rather to a cash sum from the employer calculated on the basis of the number of units which vest at the fair value market price of a MMH share (weighted average of 20 trading days before vesting date). Vesting of the performance units is dependent on the achievement of a minimum ROEV of Nominal GDP +3% per annum over the vesting period, with 100% vesting achieved if the ROEV meets or exceeds Nominal GDP +6% per annum. The scheme matured in 2019. The units which matured in October 2019 were forfeited as the threshold vesting criterion was not met.

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.

15 Employee benefit obligations continued

15.1 Employee benefit obligations continued

15.1.2 *Cash-settled arrangements* continued

	MMH LTIP				MMH OP		
	Retention units '000	Performance units '000	Deferred bonus units '000	MSPS '000	Retention units '000	Performance units '000	MMH SAR '000
Units in force at 1 July 2019	17 993	21 071	9 003	4 396	230	1 636	22 974
Units granted during year	669	12 606	8 467	661	4	–	–
Units exercised/released during year	(6 699)	–	(3 159)	(1 769)	(234)	–	–
Units cancelled/lapsed during year	(980)	(8 804)	(748)	(387)	–	(1 636)	(817)
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 30 June 2021	**204**	**24 754**	**13 520**	**2 645**	**–**	**–**	**21 807**

Market value of range at date of exercise/release	2021 Cents	2020 Cents
MMH LTIP		
Retention units	**1 519 – 1 826**	1 604 – 2 160
Performance units	**1 519 – 1 819**	N/A
Deferred bonus units	**1 412 – 1 994**	1 604 – 2 093
MSPS	**1 427 – 1 822**	1 822 – 1 991

Units outstanding (by expiry date) for the MMH LTIP, MSPS, and MMH SAR at 30 June 2021 are as follows:

	MMH LTIP				
	Retention units '000	Performance units '000	Deferred bonus units '000	MSPS '000	MMH SAR '000
2021					
Financial year 2021/2022	**204**	**657**	**7 223**	**771**	**–**
Financial year 2022/2023	**–**	**4 171**	**4 435**	**661**	**7 269**
Financial year 2023/2024	**–**	**8 182**	**1 862**	**601**	**7 269**
Financial year 2024/2025	**–**	**7 733**	**–**	**404**	**7 269**
Financial year 2025/2026	**–**	**4 011**	**–**	**208**	**–**
Total outstanding shares	**204**	**24 754**	**13 520**	**2 645**	**21 807**

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

16 Share capital and share premium

Refer to note 48.20 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 Momentum Metropolitan Life Ltd (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.

	2021 Rm	2020 Rm
Balance at beginning	**13 170**	13 340
Net increase in treasury shares held on behalf of contract holders	**(142)**	(170)
Increase in treasury shares held by subsidiary for employees	**(291)**	–
	12 737	13 170
Share capital	**9**	9
Share premium	**12 728**	13 161
	12 737	13 170

MMH ordinary shares	2021 Million	2020 Million
Total ordinary shares in issue	**1 498**	1 498
Treasury shares held on behalf of contract holders	**(30)**	(23)
Treasury shares held on behalf of shareholders	**–**	(27)
Treasury shares held on behalf of employees	**(45)**	–
Basic number of shares in issue	**1 423**	1 448
Convertible redeemable preference shares	**–**	–
Diluted number of shares in issue	**1 423**	1 448
Convertible redeemable preference shares	**28**	28
Treasury shares held on behalf of contract holders	**30**	23
Treasury shares held on behalf of employees	**45**	–
Diluted number of shares in issue for normalised headline earnings purposes	**1 526**	1 499

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

MML had 190 million ordinary shares in issue at 30 June 2021 (2020: 190 million).

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.

		2021 Rm	Restated 2020[1] Rm
17	**Other components of equity**		
17.1	Land and building revaluation reserve	**409**	677
17.2	FCTR	**(106)**	337
17.3	Non-distributable reserve	**66**	68
17.4	Employee benefit revaluation reserve	**84**	263
17.5	Fair value adjustment for preference shares issued by MMH	**940**	940
17.6	Equity-settled share-based payment arrangements	**76**	30
		1 469	2 315
	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	**677**	658
	Earnings directly attributable to other components of equity	**–**	22
	Revaluation	**22**	31
	Deferred tax on revaluation	**(22)**	(9)
	Transfer to retained earnings	**(268)**	(3)
	Balance at end	**409**	677

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

		2021 Rm	2020 Rm
17.2	**FCTR**		
	Refer to note 48.3 for the accounting policies relating to this note.		
	Balance at beginning	**337**	(67)
	Currency translation differences	**(457)**	404
	Transfer to retained earnings	**14**	–
	Balance at end	**(106)**	337
17.3	**Non-distributable reserve**		
	Balance at beginning	**68**	76
	Transfer from retained earnings	**(2)**	11
	Other[1]	**–**	(19)
	Balance at end	**66**	68

[1] These balances relate to statutory reserves relating to certain African subsidiaries.

		2021 Rm	2020 Rm
17.4	**Employee benefit revaluation reserve**		
	Refer to note 48.18 for the accounting policies relating to this note.		
	Balance at beginning	**263**	100
	Remeasurement of post-employment benefit obligations	**(179)**	163
	Balance at end	**84**	263
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	**30**	53
	Transfer to retained earnings	**–**	(23)
	Share schemes – value of services provided	**46**	–
	Balance at end	**76**	30

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 18 months to 30 June 2022 in the current year. As a result of this, an IFRS 2 – Share-based payment B-BBEE expense of 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 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.

Employees will retain the proportional vesting of units for the portion of the seven years they were employed by Momentum Metropolitan, 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 28 February 2026, under the same terms as above. No further units will be allocated to any new employees after February 2026.

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 R23 million (refer to note 24) has been included in the income statement. As at 30 June 2021, the total value of the units was R400 million. There were no modifications to the scheme in the current period.

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:

	Date units awarded[1]	Redemption date	Weighted average remaining contractual life	Grant price cents	Number of units '000
Units awarded F2021	**12-Apr-21**	**12-Apr-31**	**9.8 years**	**89**	**359 479**

[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.

	Average price cents	Number of units '000
Movements during the year		
As at 1 July 2020	**–**	**–**
Units awarded[1]	**89**	**359 479**
Awarded units lapsed due to resignation	**89**	**(14 529)**
As at 30 June 2021		**344 950**

[1] Represents units awarded to employees during the year. Units for which vesting has been accelerated either due to the employee's retrenchment, retirement or death are also included.

	2021 Rm	Restated 2020[1] Rm
18 Net insurance premiums		
Refer to note 48.10 for the accounting policies relating to this note.		
Premiums received	**55 661**	49 294
Long-term insurance contracts	**37 478**	32 906
Non-life insurance contracts	**15 334**	13 117
Investment contracts with DPF	**1 832**	2 120
Health premiums	**1 017**	1 151
Premiums received ceded to reinsurers	**(18 829)**	(16 722)
	36 832	32 572
Included in the above is the following relating to cell captives:		
Premiums received	**20 634**	18 972
Non-life insurance contracts	**12 030**	11 053
Long-term insurance contracts	**8 604**	7 919
Premiums received ceded to reinsurers	**(14 300)**	(13 005)
	6 334	5 967
19 Fee income		
Refer to note 48.23 for the accounting policies relating to this note.		
Contract administration	**3 116**	3 113
Investment contract administration	**3 001**	3 008
Release of deferred front-end fees	**115**	105
Health administration	**2 107**	2 028
Trust and fiduciary services	**1 041**	1 250
Asset management	**391**	745
Retirement fund administration	**437**	477
Asset administration	**213**	28
Cell captive commission	**1 323**	1 190
Other fee income	**1 324**	992
Momentum Multiply fee income	**175**	184
Reinsurance commission	**528**	196
Administration fees received	**83**	182
Other	**538**	430
	8 911	8 573

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

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.

		2021 Rm	2020 Rm
20	**Investment income**		
	Refer to note 48.23 for the accounting policies relating to this note.		
	Interest income	**15 529**	15 882
	At FVPL	**14 289**	14 289
	At amortised cost using the effective interest rate method		
	Cash and cash equivalents	**935**	1 356
	Financial assets at amortised cost	**191**	229
	Funds on deposit and other money market instruments	**27**	6
	Debt securities	**87**	2
	Dividend income – at FVPL	**4 268**	5 242
	Listed	**2 173**	2 725
	Unlisted	**2 095**	2 517
	Rental income	**1 274**	1 278
	Investment properties	**1 264**	1 265
	Owner-occupied properties	**10**	13
	Other income	**31**	40
		21 102	22 442

		2021 Rm	Restated 2020[1] Rm
21	**Net realised and unrealised fair value gains**		
	Refer to note 48.6, 48.7 and 48.11 for the accounting policies relating to this note.		
	Financial assets	**40 397**	(12 319)
	Designated at FVPL	**37 854**	(9 488)
	Mandatorily at FVPL	**1 229**	828
	Derivative financial instruments – income/(losses)	**1 418**	(3 724)
	Net realised and unrealised foreign exchange differences on financial instruments not at FVPL	**(104)**	65
	Investment property	**(389)**	(397)
	Valuation losses	**(358)**	(350)
	Change in accelerated rental income	**(31)**	(47)
	Financial liabilities	**83**	(87)
	Designated at FVPL	**83**	(87)
	Other investments[1,2]	**142**	98
		40 233	(12 705)

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

2 Includes profit on sale of subsidiaries in the current and prior year as well as the loss on step up of joint venture in the prior year. Also included is the loss on dilution of aYo in the current year.

22 Net insurance benefits and claims

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

	2021 Rm	2020 Rm
Long-term insurance contracts	**30 593**	24 171
Death and disability claims	**17 844**	11 839
Maturity claims	**4 203**	4 480
Annuities	**4 963**	4 675
Surrenders	**2 421**	2 400
Terminations, disinvestments and withdrawal benefits	**1 162**	777
Non-life insurance benefits incurred	**8 053**	6 382
Investment contracts with DPF	**3 394**	3 492
Terminations, disinvestments and withdrawal benefits	**1 541**	1 669
Maturity claims	**710**	510
Surrenders	**971**	1 118
Annuities	**94**	89
Death and disability claims	**78**	106
Health and capitation benefits incurred	**828**	897
Non-life insurance change in provision for outstanding claims	**466**	415
	43 334	35 357
Amounts recovered from reinsurers	**(12 193)**	(8 357)
	31 141	27 000

23 Depreciation, amortisation and impairment expenses

Refer to note 48.4, 48.5 and 48.7 for the accounting policies relating to this note.

	2021 Rm	Restated 2020[1] Rm
Depreciation	**367**	328
Owner-occupied properties (refer to note 4.1)	**62**	44
Equipment	**196**	185
Right-of-use assets	**109**	99
Amortisation (refer to note 3)	**663**	763
VOBA	**258**	269
Customer relationships	**184**	277
Brands	**64**	61
Broker network	**53**	45
Computer software	**104**	111
Impairment of intangible assets (refer to note 3)	**117**	349
Goodwill	**–**	209
Customer relationships	**9**	26
Computer software	**(36)**	58
VOBA	**144**	25
Brands	**–**	8
Broker network	**–**	23
Impairment of owner-occupied properties (refer note 4.1)	**116**	568
Impairment of investment in associates (refer to note 6)	**38**	–
Impairment of financial assets (refer to note 7.2)	**(28)**	65
Financial assets at amortised cost	**(28)**	65
Impairment of assets relating to disposal groups held for sale (refer to note 46)	**–**	42
	1 273	2 115

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

	2021 Rm	2020 Rm
24 Employee benefit expenses		
Refer to note 48.18 for the accounting policies relating to this note.		
Salaries	**5 575**	5 416
Defined contribution retirement fund	**385**	363
Contributions to medical aid funds	**223**	218
Share-based payment expenses – Cash-settled arrangements (refer to note 15.1.2)	**168**	224
Training costs	**93**	97
Retirement fund assets	**(56)**	(54)
Share-based payment expenses – Equity-settled arrangements (refer to note 17.6)	**23**	–
Post-retirement medical benefits	**13**	18
Defined benefit retirement fund	**1**	1
Other	**86**	71
	6 511	6 354

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

	2021 Rm	2020 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	**5 507**	5 324
Commission incurred for the acquisition of investment contracts	**1 053**	919
DAC long-term – Acquisition costs incurred	**434**	400
Net movement in DAC (long-term)	**40**	36
Additions (refer to note 3.7)	**394**	364
DAC short-term – Expense	**1**	24
Acquisition costs paid	**1 557**	1 473
Acquisition costs incurred	**(1 556)**	(1 449)
Impairment of amounts due from agents, brokers and intermediaries (refer to note 7.2)	**(6)**	(33)
	6 989	6 634

	2021 Rm	2020 Rm
26 Other expenses		
Refer to note 48.24 for the accounting policies relating to this note.		
Asset management fees	**2 849**	2 472
Consulting fees	**787**	723
Information technology expenses	**817**	659
Direct property operating expenses on investment property	**552**	540
Office costs	**433**	467
Marketing costs	**436**	415
Other indirect taxes	**360**	311
Momentum Multiply benefit payments	**66**	73
Travel expenses	**74**	167
Auditors' remuneration	**117**	106
Audit fees	**109**	99
Fees for other services	**8**	7
Bank charges	**109**	98
Bad debts written off[1]	**130**	21
Lease charges[2]	**65**	85
Policy services	**67**	54
Other expenses	**540**	450
	7 402	6 641

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

2 Included in Lease charges are R49 million (2020: R65 million) relating to short-term leases, R2 million (2020: R8 million) relating to leases of low-value assets, and R14 million (2020: R12 million) relating to variable lease payments.

		2021 Rm	2020 Rm
27	**Finance costs**		
	Refer to note 48.24 for the accounting policies relating to this note.		
	Interest expense on financial liabilities		
	Unsecured subordinated call notes	**353**	440
	Cost of carry positions	**198**	288
	Redeemable preference shares	**133**	130
	Lease liabilities	**19**	31
	Other[1]	**206**	196
		909	1 085
	Designated at FVPL	**551**	728
	Amortised cost	**358**	357
		909	1 085

1 Included are the following items: interest on term loans R94 million (2020: R45 million); and interest on late payment of claims R40 million (2020: R45 million).

		2021 Rm	2020 Rm
28	**Income tax expense**		
	Refer to note 48.13 for the accounting policies relating to this note.		
	Income tax expenses/(credits)		
	Current taxation	**2 441**	2 936
	Shareholder tax		
	South African normal tax – current year	**923**	916
	South African normal tax – prior year	**18**	3
	Foreign countries – normal tax	**111**	147
	Foreign withholding tax	**143**	61
	Contract holder tax		
	Tax on contract holder funds – current year	**276**	473
	Tax attributable to cell captive owners	**970**	1 336
	Deferred tax	**(143)**	(659)
	Shareholder tax		
	South African normal tax – current year	**(777)**	(514)
	Foreign countries – normal tax	**8**	(2)
	Foreign withholding tax	**9**	3
	Contract holder tax		
	Tax on contract holder funds – current year	**599**	(163)
	Tax attributable to cell captive owners	**18**	17
		2 298	2 277

Tax rate reconciliation	2021 %	2020 %
	28.0	28.0
Capital gains tax	**(1.6)**	(0.3)
Prior year adjustments	**2.0**	0.4
Taxation on contract holder funds	**45.3**	13.5
Foreign taxes differential due to different statutory rates	**(3.4)**	(3.5)
Non-taxable income[1]	**(26.3)**	(5.1)
Non-deductible expenses[2]	**20.1**	15.6
Tax losses for which no deferred tax asset was recognised	**5.6**	9.6
Cell captive tax – to be recovered from cell owners	**13.4**	30.6
Recognition of deferred tax assets relating to prior year losses	**(2.2)**	–
Effective rate	**80.9**	88.8

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.

		2021 Rm	Restated 2020[1] Rm
29	**Cash flow from operating activities**		
29.1	**Cash utilised in operations**		
	Profit before tax	**2 842**	2 573
	Adjusted for		
	Items separately disclosed		
	Dividend income	**(4 268)**	(5 242)
	Interest income	**(15 529)**	(15 882)
	Finance costs	**909**	1 085
	Adjustments to reconcile profit before tax to net cash flows		
	Share of losses of associates and joint ventures	**237**	282
	Depreciation and amortisation expenses	**1 030**	1 091
	Impairment charges and bad debt written off	**233**	1 055
	Profit on sale of subsidiary	**(150)**	(118)
	Fair value and foreign exchange loss	**1 070**	87
	Share-based payments and other employee benefit expenses	**46**	–
	Impairment of investment in joint ventures/associates	**38**	–
	Cash flow from operating assets and liabilities		
	Movements in financial assets and liabilities	**(40 754)**	3 974
	Properties under development	**(45)**	74
	Insurance and other receivables	**(998)**	(66)
	Employee benefit assets and obligations	**(151)**	(160)
	Net insurance and investment contract liabilities	**47 602**	3 861
	Intangible assets related to insurance and investment contracts	**39**	14
	Investment properties	**258**	30
	Reinsurance assets and liabilities	**(562)**	547
	Other operating liabilities	**1 155**	(4 276)
	Cash utilised in operations	**(6 998)**	(11 070)

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

		2021 Rm	2020 Rm
29.2	**Income tax paid**		
	Due at beginning	**133**	(275)
	Charged to income statement	**(2 441)**	(2 936)
	Business combinations (refer to note 30)	**3**	(26)
	Exchange differences	**3**	–
	Due at end	**(286)**	(133)
		(2 588)	(3 370)
29.3	**Interest paid**		
	Redeemable preference shares	**(133)**	(130)
	Unsecured subordinated call notes	**(353)**	(440)
	Cost of carry positions	**(198)**	(288)
	Other[1]	**(213)**	(155)
		(897)	(1 013)

[1] Other is mainly made up of the following items: interest on lease liabilities R22 million (2020: R31 million); interest on term loans R94 million (2020: R45 million); and interest on late payment of claims R40 million (2020: R45 million).

		2021 Rm	Restated 2020[1] Rm
29.4	**Liabilities arising from financing activities**		
	Due at beginning	**18 241**	15 772
	Lease liabilities recognised on 1 July 2019 on adoption of IFRS 16	**–**	361
	Repayment of borrowings	**(8 140)**	(6 747)
	Proceeds from borrowings	**8 716**	8 737
	Subordinated call notes issued	**750**	750
	Subordinated call notes repaid	**(750)**	(750)
	Accrued interest	**909**	1 085
	Interest paid	**(897)**	(1 013)
	Sale of subsidiary	**(175)**	–
	Fair value movement	**2**	18
	Purchase of subsidiary[2]	**150**	16
	Other	**39**	15
	Exchange differences	**(7)**	(3)
	Due at end	**18 838**	18 241

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

[2] Includes contingent liability payments of R136 million (2020: nil). Refer to note 30 for additional information.

This balance consists of the financial liabilities at fair value included in note 12.1, except for CIS liabilities, derivative financial liabilities, and financial liabilities at amortised cost included in note 12.2.

	2021 Rm	2020 Rm
29 Cash flow from operating activities continued		
29.5 Disposal of subsidiary recon		
Assets/(liabilities) disposed of:		
Financial assets at FVPL	10	744
Financial assets at amortised cost	98	–
Investment properties	178	–
Cash and cash equivalents	84	177
Other assets	75	94
Long-term insurance contracts	(30)	(219)
Investment contracts with DPF	–	(244)
Investment contracts designated at FVPL	–	(227)
Financial liabilities at amortised cost	(175)	–
Other liabilities	(122)	(133)
Net assets sold	118	192
Non-controlling interests disposed of	(41)	(20)
Investment in associate recognised	(184)	–
Loan to associate	(38)	–
Profit on sale of subsidiary (refer to note 21)	150	118
Cash flow from sale of subsidiary	5	290
Cash outflow recon		
Cash inflow from sale of subsidiary	5	290
Cash disposed of included in net assets of subsidiary	(84)	(177)
Net cash (outflow)/inflow from sale of subsidiary	(79)	113

In the current 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.

Included in the profit on sale of subsidiary amount above is a profit of R153 million relating to the sale of MHNA.

In the prior year, the Group disposed of its entire holding in Financial Partners Ltd, UBA Metropolitan Life Insurance Ltd (Nigeria), and Metropolitan Life Swaziland Ltd.

30 Business combinations

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 dependent 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.

On 9 December 2020, the Group, through its 70% owned subsidiary, Momentum Short-term Insurance (Namibia) Ltd, acquired 100% in AFIN for N$40 million in cash and N$10 million contingent consideration. AFIN has since been renamed to Momentum Insurance (Namibia). The initial accounting for the AFIN acquisition has been provisionally determined at reporting date. At the date of finalisation of the AFS, the necessary valuations of certain assets had not been finalised and are therefore presented as preliminary.

On 1 June 2021, the Group, through its wholly owned subsidiary, Guardrisk Group (Pty) Ltd, acquired 100% of the shares in Inniu for R41 million in cash and R19 million contingent consideration.

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

June 2020

Alexander Forbes Short-term Insurance

On 31 January 2020, MMH, through its wholly owned subsidiary, Momentum Metropolitan Strategic Investments (Pty) Ltd, acquired the Alexander Forbes Short-term Insurance (AFI) business for R2.04 billion in cash. AFI has since been renamed to Momentum Insurance.

The assets purchased include:

- 100% of the shares in Alexander Forbes Administration Services (Pty) Ltd, Alexander Forbes Direct (Pty) Ltd and Alexander Forbes Insurance Company Ltd;
- The information technology software which supports AFI; and
- The trademarks specific to AFI.

The strategic acquisition is in line with Momentum Metropolitan's overall Reset and Grow strategy and specifically aims to fast track growth of the non-life insurance interests of the Group.

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:

	Seneca Rm	Other Rm	2021 Rm	2020 Rm
Purchase consideration in total	283	110	393	2 038
Fair value of net assets				
Intangible assets	138	–	138	380
Tangible assets	1	15	16	18
Financial instrument assets	10	595	605	8
Insurance and other receivables	–	67	67	289
Cash and cash equivalents[1]	26	17	43	611
Other assets	–	–	–	11
Insurance contract liabilities	–	(626)	(626)	(358)
Financial instrument liabilities	–	–	–	(16)
Other liabilities	(31)	(12)	(43)	(297)
Net identifiable assets acquired	144	56	200	646
Goodwill recognised	139	54	193	1 392
Contingent liability payments	(107)	(29)	(136)	–
Purchase consideration in cash[1]	176	81	257	2 038
Revenue since acquisition	26	78	104	384
Earnings since acquisition	4	2	6	88

[1] Net cash outflow of R214 million relating to the purchase of subsidiaries is made up of negative R257 million relating to the purchase consideration in cash and positive R43 million relating to cash and cash equivalents recognised as part of the net assets acquired.

The above acquisitions resulted in a total of R1.59 billion goodwill being recognised attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes. If the acquisitions were made on 1 July 2020, additional revenue of R58 million and loss after tax of R5 million would have been recognised.

Critical accounting estimates and judgements

As part of and as a result of the AFI acquisition in the prior year, 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 current 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 is expected to become effective 1 July 2021 and as a result, management has concluded that having one CGU is deemed more appropriate.

The identification of CGUs is based on which CGUs in the Group's short-term business are 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 is recognised due to the expected future benefits of the acquisition, an allocation proportional to directors' valuations was deemed appropriate. This is because directors' valuations represent 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 will only be used by Momentum Insurance.

All the intangible assets allocated to MSTI were written off in the prior year. 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. By virtue of its shareholding of 26.3% in MMH, RMI has significant influence over the Group. The remaining shares are widely held by public and non-public shareholders; refer to the shareholder profile.

KTH is also 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:

	2021 Rm	2020 Rm
Salaries and other short-term employee benefits	**26**	25
Share-based payments	**5**	3
Directors' fees	**18**	19
	49	47

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:

	2021		2020	
	Insurance Rm	Investment Rm	Insurance Rm	Investment Rm
Fund value	**–**	**246**	1	149
Aggregate life and disability cover	**33**	**N/A**	44	N/A
Deposits/premiums for the year	**1**	**10**	2	9
Withdrawals/claims for the year	**(4)**	**(4)**	(4)	(7)

In aggregate, the Group earned fees and charges totalling R1.3 million (2020: R3.8 million) on the insurance and investment products set out above.

31.3 B-BBEE partner

The Group's B-BBEE partner, KTH, has an interest of 7.4% (2020: 5.4%) 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 12.2.4.
- KTH has certain strategic empowerment holdings in the Group. Refer to the directors' report for more details.
- Dividends of R38 million (2020: R38 million) were paid to KTH on the A3 MMH preference shares.

31 Related party transactions continued

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:

R140 million of the ordinary dividends declared by MMH in September 2019 and R100 million of the ordinary dividends declared in March 2021 (R160 million of the ordinary dividends declared in March 2020) were attributable to RMI. Another R60 million will be provided for during the 2022 financial year (as part of the dividends declared in September 2021).

31.7 Post-employment benefit plans

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

	2021 Rm	2020 Rm
32 Capital and lease commitments		
Capital commitments		
Authorised but not contracted	**602**	544
Authorised and contracted	**64**	366
	666	910
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 R233 million for 2022 for the India, aYo and other new initiatives, R142 million for Momentum Investments and R92 million for Momentum Insurance to maintain its desired solvency coverage at 1.6x SCR.		
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**	14
	4	14
The minimum future lease payments receivable under non-cancellable operating leases on investment properties:		
Less than 1 year	**492**	357
Between 1 to 2 years	**363**	300
Between 2 to 3 years	**316**	204
Between 3 to 4 years	**218**	158
Between 4 to 5 years	**145**	138
More than 5 years	**867**	1 000
	2 401	2 157

33 Contingent liabilities

Refer to note 48.17 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.

34 Events after the reporting period

During July 2021 political unrest that resulted in widespread rioting and looting broke out in Gauteng and KwaZulu-Natal. Some of the Group's Metropolitan Life and Momentum Metropolitan Health branches in the affected areas were looted, suffering significant damage. The Group's Non-life Insurance businesses are working together with South African Special Risks Insurance Association to attend to all valid claims related to these events.

The Covid-19 pandemic continues to impact the Group's operating environment beyond the reporting date. At the time of publishing this report the third wave in South Africa is still ongoing. The Group continues to experience high mortality claims and in July 2021 it received mortality claims significantly higher than was experienced prior to the pandemic. At 30 June 2021, the Group has additional Covid-19 provisions for future negative mortality, disability, termination and business interruption claims experience of R2 029 million, of which R1 854 million relates to mortality. The mortality provision will largely be released in F2022 against the mortality experience observed, taking into account the high claims reported in the months subsequent to the reporting date. A significant level of uncertainty remains over long-term impacts that Covid-19 may have on the Group. Most notably, future mortality experience remains highly uncertain and is sensitive to the pace at which the vaccination programme is rolled out. It is encouraging that the pace of vaccinations has increased in recent months in South Africa. The Group took these effects into consideration in its forecasts and in making estimates and judgements as at 30 June 2021 as disclosed in the Critical judgements and accounting estimates note. The Group will continue to monitor the progression of the pandemic and its impact on the Group and will consider these on significant estimates and judgements going forward. The development of new variants as well as enduring changes to mortality remains a risk that is being monitored.

During September 2021 all of the conditions precedent in the sales agreement of the Group's 25% shareholding in aYo, as well as the related intellectual property, were fulfilled. The sale has therefore been effected. The total consideration amounted to $20 million.

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

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 in print and 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 of 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 committee.

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.

The Prudential Authority (PA) has designated the Group as an insurance group. The licencing of MMH as the controlling company of the insurance group was received in August 2021.

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 an 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 Twin Peaks model established the PA, hosted within the South African Reserve Bank (SARB), and the Financial Sector Conduct Authority (FSCA). The new regulatory bodies effectively replaced the functions previously performed by the Financial Services Board (FSB). The prudential supervision of insurers was therefore effective from 1 April 2018, performed within the PA.

The Insurance Act 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, 18 of 2017. The capital management information in this report now reflects the requirements of the new Prudential Standards.

36.3.2 *Changes in capital structure*

Subordinated debt raising

On 10 February 2021, MML successfully auctioned two new subordinated debt instruments, MML03 and MML04, to the combined value of R750 million. The proceeds of the issuance were used to refinance the subordinated debt instrument MMIG02 which became callable on 17 March 2021.

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 2021:

Instrument code	Amount issued (Rm)	Coupon rate	Tenor	Date issued	Interest rate
MMIG04	270	11.30%	10.0	Aug 15	Fixed
MMIG05	980	10.86%	7.0	Aug 15	Fixed
MMIG06	750	JIB03 + 220 bps	6.0	Oct 17	Floating
MMIG07	750	JIB03 + 175 bps	5.5	Mar 19	Floating
MML01	290	JIB03 + 175 bps	7.0	Dec 19	Floating
MML02	460	9.29%	7.0	Dec 19	Fixed
MML03	300	JIB03 + 194 bps	7.0	Feb 21	Floating
MML04	450	7.89%	7.0	Feb 21	Fixed

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 2021:

Bond code	Bond Issue Amount (Rm)	Date Issued	Outstanding Tenor	Year of maturity
MMIG04	270	12-Aug-2015	4.1 years	2025
MMIG05	980	12-Aug-2015	1.1 years	2022
MMIG06	750	19-Oct-2017	2.3 years	2023
MMIG07	750	18-Mar-2019	3.2 years	2024
MML01 and MML02	750	10-Dec-2019	5.4 years	2026
MML03 and MML04	750	10-Feb-2021	6.7 years	2028

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 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 solvency position of the Group at 30 June 2021 has therefore continued to be reported in line with the provisions of the Comprehensive Parallel Run. In particular, certain methodology approvals are assumed in the Group calculation that have not yet been formally obtained since the approval process can only commence subsequent to the licensing approval recently received.

36 Capital management continued

36.4 Capital coverage continued

The Group's solvency position is determined by aggregating the results under the regulatory framework of all the underlying entities, after elimination of intra-group arrangements. The Group targets an SCR cover range of 1.4 to 1.7 times SCR.

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.

On 25 November 2020, Moody's amended MML and Guardrisk's credit ratings, maintaining a negative outlook on the ratings. The change in the credit ratings follows the downgrade of the sovereign credit rating from Ba1 (BB+) to Ba2 (BB) on 20 November 2020. The table below shows a comparison of the relevant Momentum Metropolitan entity credit ratings as at 30 June 2021 and 30 June 2020.

		National scale		Global scale		
Entity	**Type**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**Outlook**
MML						
MML	Insurer Financial Strength	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba1 (BB+)**	Baa3 (BBB-)	**Negative**
MML	Issuer rating	**Aa1.za (AAA)**	Aa1.za (AA+)	**Ba2 (BB)**	Ba1 (BB+)	**Negative**
Subordinated debt	N/A	**Aa3.za (AA)**	Aa3.za (AA-)	**Ba3 (BB-)**	Ba2 (BB)	**Negative**
Guardrisk						
Guardrisk Insurance Company	Insurer Financial Strength	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba2 (BB)**	Ba1 (BB+)	**Negative**
Guardrisk Life Insurance Company	Insurer Financial Strength	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba2 (BB)**	Ba1 (BB+)	**Negative**
Guardrisk International PCC	Insurer Financial Strength	**N/a**	N/a	**Ba2 (BB)**	Ba1 (BB+)	**Negative**

The above amendments reflect the changes to the Global scale Insurer Financial Strength (IFS) ratings of both MML and Guardrisk Group entities in line with the sovereign rating downgrade. The above also reflects the resulting impact on the Issuer and subordinated debt ratings for MML for the same reason. The standalone credit profile and strength of the above entities remains strong and is in line with previous rating reviews.

On MML, on the June 2021 report, Moody's commented that "Momentum Metropolitan Life Limited's Ba1 global scale, and Aaa.za national scale, Insurance Financial Strength (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. MML's solvency cover ratio declined to 1.81x at 31 March 2021 from 1.95x at 31 December 2020 largely due to reduction in the yield curve at long durations, higher than expected coronavirus-related mortality claims and the dividend paid over the quarter. However, the Group remains well-capitalised and within its stated solvency target ranges. 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 significantly impacted FY 2020 earnings via additional life insurance provisions and market losses. As a result, the Group has said that it will most likely not achieve its "Reset and Grow" profitability target."

On Guardrisk, on the December 2020 report, Moody's commented that "The Ba2 global scale Insurer Financial Strength (IFS) ratings, with negative 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 (i) its good market position as the largest cell captive insurer in the South African market, (ii) low underwriting risk due to its predominantly fee based model, (iii) diverse product mix across life insurance and short-tailed non-life insurance lines, and (iv) strong profitability. These strengths are partially offset by (i) its investment portfolio's concentrated exposure to the South African economy and banking system with a significant majority of Guardrisks group's invested assets comprising South African bank deposits, government debt and investments in money market funds (ii) Also, Guardrisk group has a lower regulatory capital buffer above the new Solvency Assessment and Management (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. Deterioration in the local economy, exacerbated by the economic effects of coronavirus, will lead to rising corporate credit risk."

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
2021				
Individual contracts with market exposure	**55 358**	**2 732**	**181 785**	**239 875**
Market-related business	**17 105**	**1 023**	**179 301**	**197 429**
Smoothed bonus business	**28 358**	**811**	**800**	**29 969**
Smoothed bonus – fully vesting	**–**	**898**	**1 684**	**2 582**
Conventional with-profit business	**9 895**	**–**	**–**	**9 895**
Group contracts with market exposure	**12 648**	**16 342**	**85 415**	**114 405**
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	**12 703**	**30**	**44**	**12 777**
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	**126 236**	**19 222**	**273 777**	**419 235**
Liabilities in cell captive and non-life business	**16 002**	**–**	**18 786**	**34 788**
Total contract holder liabilities	**142 238**	**19 222**	**292 563**	**454 023**
Restated 2020[1]				
Individual contracts with market exposure	53 429	2 658	158 653	214 740
Market-related business	17 297	959	156 200	174 456
Smoothed bonus business	26 692	769	813	28 274
Smoothed bonus – fully vesting	–	930	1 640	2 570
Conventional with-profit business	9 440	–	–	9 440
Group contracts with market exposure	12 618	15 478	75 065	103 161
Market-related business	(28)	–	75 017	74 989
Smoothed bonus business	(46)	14 866	–	14 820
Smoothed bonus – fully vesting	–	584	–	584
Conventional with-profit business	12 692	28	48	12 768
Other business	46 977	184	10 391	57 552
Non-profit annuity business	36 791	–	1 827	38 618
Guaranteed endowments	12	–	8 564	8 576
Other non-profit business	10 174	184	–	10 358
Subtotal	113 024	18 320	244 109	375 453
Liabilities in cell captive and non-life business	12 817	–	17 518	30 335
Total contract holder liabilities	125 841	18 320	261 627	405 788

[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 sub-committee 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 Investor 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, Audit 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 R750 million (2020: 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 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 and a quota share structure with 60% retention. Reinsurance is in place on existing and new business for fully underwritten and some limited underwriting products. 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:

	2021			2020		
Sums insured per benefit (Rands)	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**
0 – 20 000	**3 772 542**	**33 350**	**31 469**	3 069 099	25 144	23 203
20 001 – 50 000	**984 562**	**50 484**	**49 427**	945 945	37 923	36 821
50 001 – 100 000	**378 936**	**40 348**	**37 307**	361 899	31 539	28 582
100 001 – 200 000	**126 322**	**21 559**	**15 909**	126 392	20 814	15 120
200 001 – 500 000	**203 357**	**77 565**	**47 720**	209 395	78 584	48 659
500 001 – 1 000 000	**223 731**	**119 832**	**88 882**	225 125	118 905	87 983
> 1 000 000	**500 889**	**1 083 490**	**607 954**	494 400	1 028 457	576 382
Subtotal	**6 190 339**	**1 426 628**	**878 668**	5 432 255	1 341 366	816 750
Cell captive business	**7 799 028**	**622 763**	**263 540**	7 629 253	547 794	207 466
Total	**13 989 367**	**2 049 391**	**1 142 208**	13 061 508	1 889 160	1 024 216

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.
  - Rate reviews take into account known trends such as worsening experience due to the Covid-19 pandemic. The expected negative impact of the Covid-19 epidemic is being allowed for by loading group life and disability income premium rates. The appropriateness of the loadings in the light of ongoing developments, such as the emergence of new Covid-19 variants and the provision of vaccinations, is being continuously monitored. 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. In addition, for the majority of the smaller FundsAtWork schemes, 80% of the group life lump sum benefit exposure that is under R5 million is reinsured via a separate quota share arrangement. There are also some facultative arrangements in place on some schemes that are particularly large or where a special structure is required, eg a very high free cover limit or high benefit levels. 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	2021	2020
0 – 1 000	**7 769**	7 973
1 001 – 5 000	**248**	264
> 5 000	**146**	150
Subtotal	**8 163**	8 387
Cell captive business	**103**	96
Total	**8 266**	8 483

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:

	2021		2020	
Annuity amount per annum (Rands)	**Number of annuitants**	**Total amount per annum Rm**	**Number of annuitants**	**Total amount per annum Rm**
0 – 10 000	**66 002**	**290**	65 036	285
10 001 – 50 000	**45 117**	**1 067**	44 259	1 051
50 001 – 100 000	**11 570**	**816**	11 604	818
100 001 – 200 000	**6 810**	**945**	6 846	947
> 200 000	**4 705**	**1 860**	4 454	1 708
Subtotal	**134 204**		132 199	
Cell captive business	**1 494**	**103**	1 520	106
Total	**135 698**		133 719	

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:

- In addition to setting realistic assumptions with regard to termination rates (rates of lapse, surrender and paid up experience) based on the Group's actual experience, capital is set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts. In addition, customer retention programmes 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 some 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 note 42.
- 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 fair value through profit or loss – 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 retains a portion of a cell's risk and therefore acts as reinsurer for certain cells. 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 sub-committees 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 relating to non-life insurance for the Group are as follows:

	2021 Rm	2020 Rm
Premiums	**15 334**	13 117
Claims	**8 519**	6 797

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 the Gauteng province of 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 this 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 Enterprise Risk Management 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% (2020: 84%) 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 Momentum Metropolitan Strategic Investments (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:

	2021		Restated 2020[1]	
Financial asset liquidity	**%**	**Rm**	**%**	**Rm**
High[2]	**71**	**392 879**	68	344 412
Medium[3]	**24**	**134 334**	27	134 889
Low/illiquid[4]	**4**	**23 582**	5	24 393
Other assets not included above				
– employee benefit assets		**697**		652
– accelerated rental income		**365**		340
– deferred income tax		**756**		862
– assets relating to disposal groups held for sale		**171**		154
Total assets		**552 784**		505 702

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:

2021 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]	142 238	142 238	29 629	23 128	34 262	22 813	32 406
Linked (market-related) business							
Individual	17 105	17 105	2 555	1 418	4 047	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	16 002	16 002	5 912	7 161	2 922	7	–
Investment contracts with DPF (DCFs)[2]	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)	292 563	293 093	148 414	2 834	7 313	26 736	107 796
Linked (market-related) business							
Individual	179 301	179 301	43 715	512	2 323	26 538	106 213
Employee benefits	85 371	85 371	83 661	19	89	151	1 451
Smoothed bonus business							
Individual	800	800	787	–	–	3	10
Smoothed bonus – fully vesting							
Individual	1 684	1 684	1 455	1	3	44	181
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	18 786	18 786	18 786	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	454 023	454 553	195 461	26 192	42 311	49 905	140 684

38 Liquidity risk continued

Maturity profile of liabilities continued

2021 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	454 023	454 553	195 461	26 192	42 311	49 905	140 684
Financial liabilities at fair value through profit and loss	47 420	45 385	29 372	10 298	3 740	1 778	197
Collective investment scheme liabilities	29 372	29 372	29 372	–	–	–	–
Subordinated call notes	4 429	5 641	–	344	3 636	1 661	–
Carry positions	9 657	9 657	–	9 657	–	–	–
Derivative financial liabilities[3]	3 374						
Preference shares	357	484	–	80	90	117	197
Other borrowings	231	231	–	217	14	–	–
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	1 252	1 517	–	38	1 170	309	–
Property development loans	425	593	–	78	515	–	–
Other payables[4]	17 101	17 101	33	16 588	480	–	–
Reinsurance contract liabilities	2 347	2 347	–	309	1 074	738	226
Other liabilities[5]	5 806						
Total liabilities	530 861	524 330	224 866	53 864	51 692	52 746	141 162

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.

3 Cash flows for derivative financial instruments have been disclosed on a net basis below.

4 Other payables exclude premiums paid in advance and deferred revenue liabilities.

5 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 fair value through profit and loss.
- 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 fair value through profit and loss:

- 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 (extended by 18 months in the current year), is assumed. 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 R247 million (2020: R257 million) with interest levied at 11% (2020: 11%). The interest is repaid monthly with the capital balance payable in December 2025.

  Also included is a loan from Standard Bank Ltd of R882 million (2020: R882 million) with interest levied at three-month JIBAR plus 2.1% (2020: JIBAR plus 2.10%). 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 R178 million (2020: R185 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 1.90%.

  All loans are secured by underlying property.

38 Liquidity risk continued

Maturity profile of liabilities continued

Restated 2020[1] Rm	Carrying amount	Total	Open-ended	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)	125 841	125 841	24 850	19 508	31 979	21 502	28 002
Linked (market-related) business							
Individual	17 297	17 297	2 154	1 354	4 182	4 270	5 337
Employee benefits	(28)	(28)	(4)	(2)	(9)	(13)	–
Smoothed bonus business							
Individual	26 721	26 721	858	3 476	9 021	5 948	7 418
Employee benefits	(46)	(46)	(46)	–	–	–	–
Conventional with-profit business	9 440	9 440	5 776	303	483	181	2 697
Guaranteed endowments	11	11	–	9	2	–	–
Non-profit business							
Individual	7 454	7 454	2 510	1 201	1 227	616	1 900
Employee benefits	2 692	2 692	244	1 816	237	130	265
Annuity business	49 484	49 484	8 737	5 649	14 343	10 370	10 385
Cell captive and non-life business	12 816	12 816	4 621	5 702	2 493	–	–
Investment contracts with DPF (DCFs)	18 320	18 320	16 602	290	693	316	419
Linked (market-related) business							
Individual	958	958	5	185	337	188	243
Smoothed bonus business							
Individual	765	765	–	105	356	128	176
Employee benefits	14 871	14 871	14 871	–	–	–	–
Smoothed bonus – fully vesting							
Individual	930	930	930	–	–	–	–
Employee benefits	584	584	584	–	–	–	–
Non-profit business							
Individual	1	1	1	–	–	–	–
Employee benefits	183	183	183	–	–	–	–
Annuity business	28	28	28	–	–	–	–
Investment contracts (undiscounted cash flows)	261 627	262 458	133 205	8 663	12 233	16 986	91 371
Linked (market-related) business							
Individual	156 200	156 200	39 667	4 737	4 937	16 848	90 011
Employee benefits	75 017	75 017	73 577	16	75	127	1 222
Smoothed bonus business							
Individual	813	813	800	–	1	2	10
Smoothed bonus – fully vesting							
Individual	1 640	1 640	1 378	9	10	38	205
Guaranteed endowments	8 564	9 256	200	3 224	5 832	–	–
Annuity business	1 875	2 014	65	677	1 378	(29)	(77)
Cell captive and non-life business	17 518	17 518	17 518	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	405 788	406 619	174 657	28 461	44 905	38 804	119 792
Financial liabilities at fair value through profit and loss	47 645	43 229	28 467	10 275	3 345	1 142	–
Collective investment scheme liabilities	28 467	28 467	28 467	–	–	–	–
Subordinated call notes	4 431	5 563	–	1 106	3 315	1 142	–
Carry positions	9 059	9 059	–	9 059	–	–	–
Derivative financial liabilities	5 547						
Other borrowings	141	140	–	110	30	–	–
Financial liabilities at amortised cost	4 610	5 825	–	949	3 489	1 223	164
Cumulative redeemable preference shares	2 025	2 107	–	53	2 025	12	17
Cumulative redeemable convertible preference shares	254	254	–	254	–	–	–
Lease liabilities	318	497	–	138	195	17	147
Other	687	695	–	357	188	150	–
Property development loans	1 326	2 272	–	147	1 081	1 044	–
Other payables	16 077	16 077	97	15 566	414	–	–
Reinsurance contract liabilities	2 277	2 277	–	300	1 064	817	96
Other liabilities	6 302						
Total liabilities	482 699	474 027	203 221	55 551	53 217	41 986	120 052

[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.

2021 Rm	Carrying amount	Total	0 to 1 year	1 to 5 years	> 5 years
Derivatives held for trading					
Equity derivatives	187	188	23	–	165
Interest rate derivatives	(905)	(1 597)	14	(466)	(1 145)
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	(1 228)	(1 674)	(85)	(152)	(1 437)
Derivative financial instruments					
Assets	2 146				
Liabilities	(3 374)				
	(1 228)				
Restated **2020**[1] **Rm**					
Derivatives held for trading					
Equity derivatives	(1 338)	(822)	(749)	(73)	–
Interest rate derivatives	131	(544)	1 095	(708)	(931)
Bond derivatives	(18)	(105)	(105)	–	–
Credit derivatives	33	33	11	28	(6)
Currency derivatives	(973)	(663)	(97)	21	(587)
Total net undiscounted cash flow projections	(2 164)	(2 101)	155	(732)	(1 524)
Derivative financial instruments					
Assets	3 383				
Liabilities	(5 547)				
	(2 164)				

[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				
	2021 Rm	**Restated 2020[1] Rm**	**Market price risk**	**Interest rate risk**	**Currency risk**
Assets					
Carried at fair value through profit and loss					
Unit-linked investments	**178 147**	159 953	✓✓	✓	✓
Debt securities	**156 477**	143 948	✓	✓✓	✓
Equity securities	**103 987**	91 498	✓✓		✓
Carry positions	**2 232**	1 550	✓	✓✓	
Funds on deposit and other money market instruments	**23 291**	27 585	✓	✓✓	✓
Derivative financial assets	**2 146**	3 383	✓✓	✓✓	✓
Carried at amortised cost					
Unsettled trades	**3 292**	2 632			✓
Accounts receivable	**2 995**	2 546		✓	✓
Debt securities	**512**	479		✓✓	✓✓
Funds on deposit and other money market instruments	**311**	162		✓✓	✓✓
Loans	**2 488**	2 425		✓✓	✓
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 673**	4 727		✓	✓
Cash and cash equivalents	**38 121**	31 596		✓✓	✓
Other non-financial assets	**33 112**	33 218	N/A	N/A	N/A
Total assets	**552 784**	505 702			
Liabilities					
Carried at fair value through profit and loss					
Investment contracts					
Designated at fair value through profit and loss	**292 563**	261 627	✓✓	✓✓	✓
Collective investment scheme liabilities	**29 372**	28 467	✓✓	✓	✓
Subordinated call notes	**4 429**	4 431	✓	✓✓	
Carry positions	**9 657**	9 059	✓	✓✓	
Derivative financial liabilities	**3 374**	5 547	✓✓	✓✓	✓
Preference shares	**357**	25	✓	✓✓	
Other borrowings	**231**	116		✓	✓
Carried at amortised cost					
Cumulative redeemable preference shares	**2 022**	2 025		✓✓	
Cumulative redeemable convertible preference shares	**245**	254		✓✓	
Lease liabilities	**220**	318		✓✓	✓
Other	**1 677**	2 013		✓	
Other payables (excluding premiums received in advance and deferred revenue liabilities)					
Payables arising from insurance contracts and investment contracts with DPF	**6 872**	5 645			✓
Payables arising from investment contracts	**1 742**	1 125			✓
Unsettled trades	**2 680**	2 858			✓
Commission creditors	**966**	930		✓	✓
Other	**4 841**	5 519		✓	✓
Insurance contract liabilities	**142 238**	125 841	*	*	*
Investment contracts with DPF liabilities	**19 222**	18 320	✓✓	✓✓	✓✓
Other non-financial liabilities	**8 153**	8 579	N/A	N/A	N/A
Total liabilities	**530 861**	482 699			

[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 R14 million (2020: R24 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 10.3% (2020: 12.3%).

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. Due to practical considerations, interest rate risk details contained in investments in non-subsidiary unit-linked investments are not provided.

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 %
2021					
At fair value through profit and loss					
Debt securities	**156 478**	**58 331**	**95 980**	**2 167**	**7.0**
Funds on deposit and other money market instruments	**23 291**	**14 234**	**9 018**	**39**	**3.9**
Derivative financial assets	**2 146**	**–**	**2 146**	**–**	**N/A**
Derivative financial liabilities	**(3 374)**	**–**	**(3 374)**	**–**	**N/A**
Carry positions	**2 232**	**–**	**1 372**	**860**	**–**
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	**8 743**	**1 897**	**–**	**6 846**	**6.3**
Cash and cash equivalents	**38 121**	**34 399**	**–**	**3 722**	**2.5**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 673**	**5**	**209**	**5 459**	**–**
	234 133	**109 355**	**105 351**	**19 427**	
Restated					
2020[1]					
At fair value through profit and loss					
Debt securities	143 949	57 709	84 295	1 945	7.0
Funds on deposit and other money market instruments	27 585	16 239	11 344	2	5.7
Derivative financial assets	3 383	–	3 383	–	N/A
Derivative financial liabilities	(5 547)	–	(5 547)	–	N/A
At amortised cost					
Debt securities	479	22	–	457	13.4
Funds on deposit and other money market instruments	162	–	–	162	4.3
Loans and receivables at amortised cost	7 603	1 574	–	6 029	6.9
Cash and cash equivalents	31 596	27 720	–	3 876	3.3
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	4 727	–	298	4 429	–
	213 937	103 264	93 773	16 900	

[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:

2021	Africa Rm	UK £ Rm	US $ Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
Closing exchange rate		*19.7158*	*14.2723*	*16.9264*			
Investment securities							
At fair value through profit and loss							
Unit-linked investments	4	5 412	29 070	1 893	99	80	36 558
Equity securities	306	1 843	20 462	3 687	5 433	2 917	34 648
Debt securities	761	307	2 765	913	229	341	5 316
Funds on deposit and other money market instruments	345	–	6	–	–	–	351
Derivative financial assets	–	173	6	1	3	1	184
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	378	5 603	766	48	111	7 319
Insurance and other receivables	1	–	204	–	–	48	253
	2 475	8 161	58 638	7 275	5 836	3 542	85 927
Restated 2020[1]							
Closing exchange rate		*21.4519*	*17.3610*	*19.5045*			
Investment securities							
At fair value through profit and loss							
Unit-linked investments	–	5 499	31 620	828	129	52	38 128
Equity securities	364	1 906	18 735	3 433	4 780	2 418	31 636
Debt securities	744	200	2 365	931	11	380	4 631
Funds on deposit and other money market instruments	672	–	22	–	–	–	694
Derivative financial assets	–	9	19	2	–	–	30
At amortised cost							
Debt securities	455	–	–	–	–	2	457
Funds on deposit and other money market instruments	139	–	–	–	–	23	162
Loans and accounts receivable	(9)	90	139	36	14	24	294
Cash and cash equivalents	290	359	5 880	764	163	199	7 655
Insurance and other receivables	15	–	243	–	–	38	296
	2 670	8 063	59 023	5 994	5 097	3 136	83 983

[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
2021	**1.3088**	**2.4334**	**0.1322**	**0.0348**
2020	1.4687	2.9843	0.1629	0.0419

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:

	2021 Rm	2020 Rm
Investment properties	**8 938**	9 042
Owner-occupied properties	**3 033**	3 598
Properties under development	**163**	118
Collective investment schemes > 55% property exposure (refer to note 43)	**5 264**	4 584
	17 398	17 342
Percentage of total assets	**3.1%**	3.4%

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

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 2021. The carrying amount of unlet and vacant investment property as at 30 June 2021 was R1 568 million (2020: R835 million). The year-on-year increase is predominantly as a result of new vacancies in 102 Rivonia, Taung Square and Tsumeb mall.

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, using March 2021 data, 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
2021				
Increase/(decrease) in earnings and equity	**446**	**(445)**	**7**	**(66)**
2020				
Increase/(decrease) in earnings and equity	360	(531)	(209)	(156)

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 changes in equity prices and interest rates have been applied to the assets and liabilities at the reporting date and to net income for the year just ended.
- The assets are impacted by the sensitivity at the reporting date. The new asset levels are applied to the measurement of contract holder liabilities, where applicable.
- In line with the Group's current practice and accounting policy, the investment variances from insurance contracts were stabilised. As at 30 June 2021, the Group's investment stabilisation reserve had a balance of R187 million, there was no balance in prior year.
- 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 sub-committee 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 sub-committees 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.

Impact of the Covid-19 pandemic

The high quality credit investment portfolio continues to perform well. In the Group's shareholder portfolio it has minimal exposure to those sectors hardest hit by Covid-19 like airlines, hospitality, tourism and consumer finance. In 2021, the Group had no defaults due to Covid-19. The Group continues to update and re-assess the risk of Covid-19 on its portfolio and for each counterparty as new information becomes available.

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.

Financial liabilities designated at fair value through profit and loss

The current fair value movements, on financial liabilities that would have otherwise been classified as at amortised cost or fair value through other comprehensive income under IFRS 9, but which have been designated at fair value through profit and loss, include R90 million (2020: R69 million) loss attributable to change in own credit risk.

On 25 November 2020, Moody's changed MML's insurer financial strength ratings from Baa2 to Ba1 on an international scale and maintained a national scale rating of Aaa.za. In addition, Moody's changed Guardrisk's insurer financial strength ratings from Baa3 to Ba2 on an international scale and maintained a national scale rating of Aaa.za. Moody's maintained a negative outlook on the ratings. The changes in the credit ratings follows the downgrade of the sovereign credit rating from Ba1 (BB+) to Ba2 (BB) on the 20 November 2020.

40 Credit risk continued

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 fair value through profit and loss was R535 million at 30 June 2021 (2020: R375 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 R2 254 million (2020: R2 610 million) and consisted of local listed equity securities. There is collateral of R2 609 million (2020: R3 135 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 057 million (2020: R1 125 million) are limited to and secured by the underlying value of the unpaid policy benefits. For further details refer to note 7.2. 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 fair value through profit and loss.

42 Significant subsidiary companies

42.1 Interest in significant subsidiary companies

42.1.1 *Significant companies*

Companies	Country of incorporation, where not South Africa	Interest held 2021 %	Interest held 2020 %	Cost 2021 Rm	Cost 2020 Rm	Loans to subsidiaries[1] 2021 Rm	Loans to subsidiaries[1] 2020 Rm
Momentum Metropolitan Life Ltd		**100**	100	**17 741**	17 741		
Subsidiary companies							
Momentum Finance Company (Pty) Ltd		**100**	100				
Momentum Alternative Insurance Ltd		**100**	100				
Momentum Ability Ltd		**100**	100				
Momentum Health Solutions (Pty) Ltd		**100**	100				
Momentum Consult (Pty) Ltd		**100**	100				
Momentum Life Botswana Ltd	Botswana	**100**	100				
Momentum Asset Management (Pty) Ltd		**100**	100				
Momentum Global Investment Management Ltd	United Kingdom	**100**	100				
Seneca Investment Managers Ltd	United Kingdom	**100**					
Momentum Collective Investments (RF) (Pty) Ltd		**100**	100				
Momentum Alternative Investments (Pty) Ltd		**100**	100				
Momentum Wealth (Pty) Ltd		**100**	100				
Momentum Wealth International Ltd	Guernsey	**100**	100				
102 Rivonia Road (Pty) Ltd		**80**	80				
Momentum Short Term Insurance Company Ltd		**100**	100				
MMI Short Term Insurance Administration (Pty) Ltd		**100**	100				
Momentum Multiply (Pty) Ltd		**100**	100				
Metropolitan International Holdings (Pty) Ltd		**100**	100	**2 358**	2 207	**–**	289
Subsidiary companies							
Momentum Metropolitan Namibia Ltd	Namibia	**99.2**	99.3				
Cold Trade (Pty) Ltd	Namibia	**100**	100				
Momentum Insurance Ltd *(previously Alexander Forbes Insurance Namibia Ltd)*	Namibia	**100**					
Metropolitan Life Zambia Ltd	Zambia	**–**	100				
Metropolitan Life Insurance Kenya Ltd	Kenya	**96**	96				
Cannon Assurance Ltd	Kenya	**96**	96				
Metropolitan Life Insurance Ghana Ltd	Ghana	**100**	100				
Metropolitan International Support (Pty) Ltd		**100**	100				
Metropolitan Tanzania Life Assurance Company Ltd	Tanzania	**–**	66.7				
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**	100	**–**	47		
Metropolitan Life of Botswana Ltd	Botswana	**100**	100	**73**	73		
Metropolitan Lesotho Ltd	Lesotho	**100**	100	**120**	120		
Momentum Metropolitan Strategic Investments (Pty) Ltd		**100**	100	**6 138**	4 395		
Subsidiary companies							
Momentum SP Reid Securities (Pty) Ltd		**100**	100				
Momentum Outcome-Based Solutions (Pty) Ltd		**100**	100				
Guardrisk Life Ltd		**100**	100				
Guardrisk Life International Ltd	Mauritius	**100**	100				
Guardrisk Allied Products & Services (Pty) Ltd		**100**	100				
Guardrisk Insurance Company Ltd		**100**	100				
Guardrisk International Ltd PCC	Mauritius	**100**	100				
Momentum Insurance Company Ltd *(previously Alexander Forbes Insurance Company Ltd)*		**100**	–				
Momentum Metropolitan Holdings (UK) Ltd	United Kingdom	**100**	100				
Subsidiary companies							
Exponential Ventures LLP	United Kingdom	**100**	100				
Euroguard Insurance Company PCC Ltd	Gibraltar	**100**	100				
Financial Partners Ltd	Hong Kong	**–**	100				
Subtotal				**27 030**	25 183	**3**	292

[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 2021 %	Interest held 2020 %	Cost 2021 Rm	Cost 2020 Rm	Loans to subsidiaries[1] 2021 Rm	Loans to subsidiaries[1] 2020 Rm
Subtotal carried forward				**27 030**	25 183	**3**	292
MET Collective Investments (RF) (Pty) Ltd		**100**	100	**34**	26		
Eris Property Group (Pty) Ltd		**76.3**	76.3	**407**	407		
Metropolitan Health (Pty) Ltd		**100**	100	**448**	448	**–**	29
Subsidiary companies							
Metropolitan Health Corporate (Pty) Ltd		**51**	51				
Momentum Metropolitan Infrastructure and Operations (Pty) Ltd		**100**	100	**352**	352		
Momentum Trust Ltd		**100**	100	**76**	76		
Less: impairments (refer to footnote below)				**(1 117)**	(652)		
Total interest in subsidiary companies				**27 230**	25 840	**3**	321

[1] These loans have been provided as a long-term source of additional capital for the subsidiary.

42.1.2 *Subsidiary cumulative impairments*

	2021 Rm	2020 Rm
Metropolitan International Holdings (Pty) Ltd	**25**	25
Momentum Metropolitan Finance Company (Pty) Ltd	**437**	437
MET Collective Investments (RF) (Pty) Ltd	**27**	10
Momentum Metropolitan Infrastructure and Operations (Pty) Ltd	**105**	112
Momentum Trust Ltd	**75**	68
Metropolitan Health (Pty) Ltd	**448**	–
	1 117	652

42.1.3 *Other loans to/(from) significant subsidiaries*

	2021 Rm	2020 Rm
Momentum Metropolitan Strategic Investments (Pty) Ltd	**311**	311
Momentum Health Solutions (Pty) Ltd	**–**	20
Metropolitan Capital (Pty) Ltd	**228**	217
	539	548
Less: impairments	**(114)**	(109)
Loans to subsidiary companies	**425**	439
Momentum Metropolitan Life Ltd	**(982)**	(3)
Loans from subsidiary companies	**(982)**	(3)

42 Significant subsidiary companies continued

42.2 Interest in CIS subsidiaries

42.2.1 *Significant CIS subsidiaries*

At 30 June, the following collective investment schemes (CIS) were significant subsidiaries of the Group:

	Interest held		Carrying amount	
	2021 %	2020 %	**2021 Rm**	2020 Rm
Momentum GF Global Equity Fund	**92.6**	78.3	**21 517**	16 990
Momentum Money Market Fund	**56.7**	60.5	**6 911**	6 173
Momentum Bond Fund	**95.7**	95.1	**6 644**	5 512
Momentum GF Global Enhanced Index Fund	**98.4**	99.0	**6 402**	5 688
Momentum SA Flexible Fixed Interest Fund	**92.3**	90.8	**5 954**	3 861
Momentum Income Plus Fund	**47.8**	47.6	**5 291**	4 544
Momentum Focus 6 Fund of Funds	**86.7**	85.4	**4 733**	4 321
Momentum Enhanced Yield Fund	**52.5**	54.2	**3 806**	3 054
Momentum IF Global Emerging Markets Fund	**98.6**	99.0	**3 655**	2 742
Momentum Global Growth Fund IC Ltd	**96.1**	95.1	**3 237**	3 297
Momentum MoM Ultra Long-Term Value Fund	**90.0**	91.7	**3 176**	2 509
Momentum Trending Equity Fund	**99.5**	99.7	**2 745**	2 864
Momentum MoM Opportunistic Equity Fund	**100.0**	100.0	**2 668**	1 661
Momentum MoM High Growth Fund	**99.6**	100.0	**2 660**	2 324
Momentum MoM Macro Value Fund	**100.0**	100.0	**2 499**	2 089
Momentum Core Equity Fund	**81.7**	82.3	**2 213**	1 428
Momentum Capped SWIX Index Fund	**99.8**	100.0	**2 145**	1 957
Momentum Global Managed Fund IC Ltd	**90.9**	78.3	**1 757**	677
Momentum Value Equity Fund	**99.3**	99.7	**1 708**	607
Momentum Diversified Income Fund *(previously Momentum Best Blend Flexible Income Fund)*	**69.5**	66.1	**1 610**	1 333
Momentum Focus 7 Fund of Funds	**80.9**	79.1	**1 570**	1 381
Momentum MoM Emerging Manager Growth Fund	**99.5**	100.0	**1 365**	1 430
Momentum Equity Fund	**35.7**	37.3	**1 256**	1 160
Momentum IF Global Fixed Income Fund	**100.0**	100.0	**1 192**	2 012
Momentum Focus 5 Fund of Funds	**74.8**	69.3	**900**	827
Momentum MoM Property Equity Fund	**92.4**	95.4	**892**	1 185
Momentum Macro Growth Fund	**100.0**	100.0	**874**	778
Momentum Real Growth Property Fund *(previously Momentum Property Fund)*	**82.9**	83.9	**773**	690
Momentum RCIS Multi Managed ZAR Capi Alpha QI Hedge Fund	**100.0**	99.4	**753**	555
Momentum Rubix QI	**99.1**	100.0	**736**	718
Momentum Inflation Linked Bond Portfolio	**91.7**	99.9	**721**	881
Momentum SA Real Growth Property Fund	**99.9**	100.0	**577**	942
Momentum RCIS Multi-Managed ZAR Equity Hedge QI Hedge Fund	**99.5**	99.6	**577**	649
Momentum MF Global Aggressive Fund	*	100.0	*	5 833
Momentum SA Defensive Growth Fund	*	100.0	*	3 924
Momentum MF Global Balanced Fund	*	100.0	*	3 762
Momentum MoM Specialist Equity Fund	*	100.0	*	1 989
Total			**103 517**	102 347

* The funds are no longer subsidiaries due to the liquidation of these funds.

42.2.2 *Domicile*

Fund name	Domicile
Momentum GF Global Equity Fund	Luxembourg
Momentum GF Global Enhanced Index Fund	Luxembourg
Momentum IF Global Emerging Markets 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 Collective investment schemes 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 or interest-bearing instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event of no one category meeting this threshold, it is classified as a mixed asset class. Money market collective investment schemes are categorised as such.

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. Where the Group is the contract holder of investment contracts at another institution, but does not have title to the underlying investment assets, it is allocated to a mixed asset class.

	2021 Rm	2020 Rm
Collective investment schemes		
Local and foreign	**164 356**	147 880
Equity	**105 452**	92 455
Interest-bearing	**25 631**	24 561
Property	**5 264**	4 584
Mixed	**25 498**	23 444
Money market	**2 466**	2 505
Commodity	**45**	331
Other unit-linked investments		
Local and foreign	**13 791**	12 073
Equity	**9 198**	7 908
Interest-bearing	**2 219**	1 429
Mixed	**2 162**	2 507
Commodity	**212**	229
At fair value through profit and loss: unit-linked investments	**178 147**	159 953

43 Unconsolidated structured entities continued

43.2 Investments in associates at fair value through profit and loss

The Group holds a significant investment in the following associates at fair value through profit and loss:

	Carrying amount Rm	% interest held	Nature of relationship	Principal place of business
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**
2020				
Momentum Harmony Portfolios Sterling Growth Fund	264	12.5%	Standard investment	Luxembourg
Momentum Africa Real Estate Fund	198	32.5%	Standard investment	London

Summarised financial information relating to the associates above:

	Momentum Harmony Portfolios Asian Growth Fund[1] Rm	Momentum Africa Real Estate Fund Rm	Momentum Harmony Portfolios Sterling Growth Fund Rm
2021			
Current assets	**34**	**313**	**194**
Non-current assets	**835**	**216**	**1 729**
Current liabilities	**3**	**16**	**16**
Non-current liabilities	**866**	**513**	**1 907**
Revenue	**212**	**12**	**387**
Profit/loss	**197**	**(24)**	**351**
2020			
Current assets	–	369	18
Non-current assets	–	255	2 104
Current liabilities	–	11	10
Non-current liabilities	–	613	2 112
Revenue	–	12	30
Loss	–	(198)	(203)

1 This associate was not considered to be significant in the prior 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] 2021 Rm	Carrying amount[1] 2020 Rm	Income received[2] 2021 Rm	Income received[2] 2020 Rm
Superdrive Investments (RF) Ltd	Floating rate note	Asset-backed securitisation set up by Standard Bank Group and BMW Financial Services	Funding received from local institutional investors	**	649	**	42
Thekwini Fund 14 (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	**	533	**	34
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	**483**	*	**15**	*
Thekwini Warehousing Conduit (RF) Ltd	Fixed rate notes	Asset Backed Commercial Paper set up by South African Home Loans (Pty) Ltd to fund pools of home loans pursuant to a securitisation scheme.	The issuance of fixed and/or floating rate, asset-based commercial paper	**	454	**	–
				483	1 636	**15**	76

* This listed securitisation was not considered to be significant in the prior year.

** This listed securitisation was not considered to be significant in the current year.

1 Included in securities at fair value through profit and loss 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).

3 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
– 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, currency rates
– 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%	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 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	8.00% to 11.00% (2020: 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	8.32% to 9.69% (2020: 8.28% to 9.85%); 5.00% to 11.19% (2020: 5.41% to 11.41%); 7.75% to 12.58%; 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 (2020: 78c)	The higher the price per unit, the higher the fair value

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				
Collective investment schemes				
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	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Financial liabilities at FVPL				
Other borrowings	DCF	Assets under management (AUM) growth rate	2.75% to 3.25% (2020: not applicable)	The higher the rate, the higher the fair value
Preference shares	DCF	Discount rate	12.22% (2020: not applicable)	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[1]									
	Retention units	Performance units							Deferred bonus units	
2021	19th tranche[2]	19th tranche[2]	20th tranche[2]	21st tranche[3]	22nd tranche[3]	23rd tranche[3]	24th tranche[3]	25th tranche[3]	3rd tranche[2]	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	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

	Units granted during the prior year									
	Retention units			Performance units						
2020	17th tranche[2]	18th tranche[2]	19th tranche[2]	17th tranche[2]	18th tranche	19th tranche[2]	20th tranche[2]	21st tranche[2]	22nd tranche[2]	23rd tranche[2]
Award date	01-Oct-17	01-Apr-18	01-Oct-18	01-Oct-17	01-Apr-18	09-Apr-18	01-Oct-18	01-Oct-19	01-Apr-20	06-Apr-20
Vesting date	01-Oct-20	01-Apr-21	01-Oct-21	01-Oct-20	01-Apr-21	31-Oct-21	01-Oct-21	01-Oct-22	01-Oct-22	06-Apr-23
Units granted (thousands)	443	8	9	470	35	56	9	10 956	251	69
Valuation assumptions include:										
Outstanding tranche period in years	0.25	0.75	1.25	0.25	0.75	1.34	1.25	2.25	2.25	2.76
Take-up rate on units outstanding	94%	94%	88%	94%	94%	88%	88%	82%	82%	82%
Current vesting probability excluding attrition	100%	100%	100%	15%	15%	33%	33%	67%	67%	67%
Share price at year-end	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61

1 Timelines disclosed within this note only relate to the performance measurement metric of all share schemes.

2 This relates to dividend offers made during the year.

3 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.

Vesting rate assumptions regarding performance units in the table above

As stated on page 105, the performance units in the MMH LTIP are subject to performance criteria.

There are currently two generations of LTIPs in issue, the old LTIPs awarded up to October 2018 and the latest LTIP tranche awarded in October 2019 and October 2020.

The performance criterion under the old LTIP compares MMH's Return on Embedded Value (ROEV) against the average risk-free rate of return over the vesting period. The ROEV target is "risk-free + 3%", with out performance considered to be "risk-free + 6%". "Risk-free" in this context refers to the 10-year yield to maturity on RSA government bonds, averaged over the vesting period of three years. The assumed vesting of units issued in 2018 (vesting in 2021 with settlement dates in 2021, 2022 and 2023) is estimated to have a 0% vesting probability.

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 growth (NHE) 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 2021 was calculated assuming 53% of units issued in 2019 (vesting in 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[1]											
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

Units granted during the prior year							
Deferred bonus units							
2nd tranche	3rd tranche	4th tranche	5th tranche	6th tranche	7th tranche	8th tranche	9th tranche
01-Oct-18 01-Oct-20	01-Oct-18 01-Oct-21	01-Oct-19 01-Oct-20	01-Oct-19 01-Oct-21	01-Oct-19 01-Oct-22	01-Apr-20 01-Apr-21	01-Apr-20 01-Apr-22	01-Apr-20 01-Apr-23
121	122	2 559	2 559	2 559	29	29	29
0.25	1.25	0.25	1.25	2.25	0.75	1.75	2.75
94%	88%	94%	88%	82%	94%	88%	82%
100%	100%	100%	100%	100%	100%	100%	100%
R17.61	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61	R17.61

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 linked 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 2021 was calculated assuming 49% of units issued in 2020 (vesting in 2023 with settlement dates in 2023, 2024 and 2025) will vest.

Compared to the ROEV assumptions used in the LTIP liability calculation, an additional two percentage point increase in the future ROEV is not expected to result in any change in the LTIP cost, for LTIP tranches in force at 30 June 2021. This is because the ROEV performance impacting the 2018 LTIP (only LTIP affected by ROEV) currently falls below the threshold and the vesting probability is currently assumed to be 0%. As a result, taking into account historic performance to date (30 June 2021), the 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:*

	Units granted during the current year[1]		
2021	**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)	**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%**

2020	**28th tranche**	**29th tranche**	**30th tranche**
Award date	01-Nov-19	01-Nov-19	01-Nov-19
Vesting date	01-Nov-22	01-Nov-23	01-Nov-24
Units granted (thousands)	191	197	197
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 Timelines disclosed within this note only relate to the performance measurement metric of all share schemes.

45.1.3 *Valuation assumptions relating to outstanding MMH SAR units at 30 June*

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 2022 (as opposed to 2021) with settlement dates in 2022, 2023 and 2024. The approved performance criteria are:

- Normalised headline earnings 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 SAR liability as at 30 June 2021 was calculated on an assumption that 50% of units issued in 2018 will vest. Actual vesting percentages in 2022 may deviate from this assumption.

Compared to the ROEV assumptions used in the SAR liability calculation, an additional increase in future ROEV performance of two percent would result in a higher vesting assumption of 53% and a resulting IFRS 2 cost of R2 million.

Tranches vested during the current or prior year

MMH LTIP: The 17th; 4th and 2nd tranches were settled in October 2020 at R15.19 per share totalling R268 million.

MMH LTIP: The 18th and 7th tranches were settled in April 2021 at R17.75 per share totalling R7.4 million.

MMH LTIP: *Ad hoc* payments totalling R5.5 million (2020: R6.0 million).

Share-based payment expense

The share-based payment expense relating to cash-settled schemes is R168 million (2020: R224 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 ESOP units at 30 June*

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 strike price is the applicable value of the scheme debt per unit at the date of vesting (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% was used. This attrition rate is based on actual attrition experienced by the pool of employees that received units in the share scheme.

Key inputs

For the valuation the following key parameters were used:

Key model parameters		
Market based parameters		
Share price	18.89	Share price as at 22 April 2021
Volatility	30.20%	Based on market rates
Risk-free rate	11.40%	10-year point on GOVI Zero NACS
Contractual parameters		
Dividend cover	3x	for the first 5 years
	2.5x	thereafter
Funding charges	72% of prime	A preference share
	120% of prime	B preference share
Employee attrition	14.00%	Based on historic experience

The volatility used in the valuation was based on market rates and is consistent with the valuation of the other option-based share schemes in the Group (ie the Share Appreciation Rights (SAR) scheme).

45 Cash and equity-settled arrangements valuation assumptions and directors' remuneration continued

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 Lead 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.

	Salary		Short-term incentive payments		Long-term incentive payments		Medical aid contribution		Retirement fund contribution	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
HP Meyer	7 613	6 756	2 000	3 025	1 144	345	–	–	–	–
J Marais	4 243	4 042	1 600	2 050	1 524	209	58	55	231	224
R Ketola	3 929	3 772	1 400	2 138	2 614	2 208	127	122	223	235
Executive directors	**15 785**	14 570	**5 000**	7 213	**5 282**	2 762	**185**	177	**454**	459

	Total fees	
	2021 R'000	2020 R'000
F Daniels[1]	1 066	981
FJC Truter	2 438	2 321
PJ Moleketi[2]	–	338
JJ Njeke[3]	869	2 126
JC van Reenen[3]	389	926
KC Shubane[3]	416	991
JD Krige[2]	–	285
V Nkonyeni	1 058	1 024
P Cooper	1 199	1 160
SC Jurisich	1 736	1 570
L de Beer	1 589	1 330
LM Chiume	1 580	1 492
MS Moloko	2 344	1 692
SL McPherson	1 185	854
KG Legoabe-Kgomari[4]	–	806
DJ Park	1 156	805
PJ Makosholo[5]	871	–
Non-executive directors	**17 896**	18 701

[1] Name changed from F Jakoet to F Daniels

[2] Resigned November 2019.

[3] Resigned November 2020.

[4] Resigned June 2020.

[5] Resigned July 2020.

Expense allowance		Total remuneration		Value of shares granted		Value of total units outstanding at year-end	
2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
–	–	10 757	10 126	15 239	21 010	28 256	30 769
–	–	7 656	6 580	9 894	11 425	20 712	14 127
3	–	8 296	8 475	8 609	11 597	17 040	16 047
3	–	26 709	25 181	33 742	44 032	66 008	60 943

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 2021 '000	Total 2020 '000
Executive directors				
HP Meyer	248	390	638	638
J Marais	189	–	189	189
Non-executive directors				
FJC Truter	44	433	477	477
JC van Reenen[1]	–	–	–	144
KC Shubane[1]	–	–	–	85
P Cooper	292	150	442	442
SC Jurisich[2]	0	–	0	0
N Dunkley	73	–	73	–
	846	973	1 819	1 975

1 Resigned in November 2020.

2 169 shares held in MMH in both the current and prior year.

Shareholding of directors who stepped down/retired in F2021

Listed shares	Direct Beneficial '000	Indirect Beneficial '000	Total '000
JC van Reenen	–	144	144
KC Shubane	78	7	85
	78	151	229

46 Disposal groups held for sale

Assets and liabilities held for sale

At 30 June 2021	2021 Rm	Restated 2020[1] Rm
Assets		
Intangible assets (refer to note 3.2 and 3.8)	**36**	6
Owner-occupied properties (refer to note 4.1)	**–**	1
Property and equipment	**–**	3
Investment properties	**129**	–
Investments in associates and joint ventures (refer to note 6)	**6**	–
Financial assets at fair value through profit and loss	**–**	67
Financial assets at amortised cost	**–**	1
Reinsurance contract assets (refer to note 8)	**–**	3
Deferred income tax (refer to note 14)	**–**	8
Insurance and other receivables	**–**	38
Current income tax assets	**–**	2
Cash and cash equivalents	**–**	25
Total assets	**171**	154
Liabilities		
Insurance contract liabilities		
Long-term insurance contracts (refer to note 9.1.1)	**–**	30
Non-life insurance contracts (refer to note 9.2.1 and 9.2.2)	**–**	35
Financial liabilities at amortised cost	**–**	3
Reinsurance contract liabilities (refer to note 13)	**–**	11
Employee benefit obligations	**–**	1
Other payables	**–**	40
Current income tax liabilities	**–**	1
Total liabilities	**–**	121

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

Following a strategic review, the Group has made the decision to dispose of its remaining 25% shareholding in aYo (New Initiatives segment). The investment, as well as the related intellectual property that will be sold as part of the disposal (Momentum Metropolitan Africa segment), has therefore been classified as held for sale.

Sales agreements have been entered into for the sale of three properties (Shareholders segment). These assets have therefore been classified as held for sale. The properties are classified as level 3.

As part of its plan to exit a number of African countries, the Group classified entities in three of these African countries, as held for sale in the prior year. Two of the three countries have since been exited. Although all efforts were made to finalise the sale of Momentum Mozambique LDA, the conditions could not be met by the agreed deadline. The sale and purchase agreement has therefore expired and the sale will not proceed. This business is therefore no longer classified as held for sale.

The Group's interest in the assets and liabilities 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 and liabilities should be classified as held for sale. The Group is satisfied that it meets all the criteria required in order to classify these assets and liabilities as held for sale. The sales for the assets held for sale in the current year will take effect via cash sales and is expected to occur within the next 12 months.

In order to recognise the entities as held for sale in the prior year, the respective entities were written down to the lower of fair value less costs to sell and the Group's share of the net asset value of the entity. As a result, an impairment R42 million was recognised which has been included as part of depreciation, amortisation and impairment expenses in the income statement. Refer to note 23. No impairment was required in the current year as the carrying value of these assets are less than the fair value less costs to sell.

47 Restatements

The following restatements were made to the consolidated statement of financial position and income statement for the following periods:

Statement of financial position as at 30 June 2020	Before restatement Rm	Held for sale[1] Rm	Investment contract correction[2] Rm	Reinsurance commission[3] Rm	Contract administration fees[4] Rm	IFRS 15[5] Rm	Fees correction[6] Rm	Interest rate swaps[7] Rm	Unsettled trades[8] Rm	Cash reallocation[9] Rm	Change in accounting policy[10] Rm	Financial reinsurance contracts[11] Rm	After restatement Rm
Fixed assets	387	4	–	–	–	–	–	–	–	–	–	–	391
Financial assets at amortised cost	9 743	51	–	–	–	–	–	–	(1 550)	–	–	–	8 244
Financial assets at FVPL	426 887	–	–	–	–	–	–	(520)	1 550	–	–	–	427 917
Assets relating to disposal groups held for sale	229	(75)	–	–	–	–	–	–	–	–	–	–	154
Cash and cash equivalents	31 747	76	(227)	–	–	–	–	–	–	–	–	–	31 596
Equity attributable to owners of the parent													
Other components of equity	(2 257)	–	–	–	–	–	–	–	–	–	(58)	–	(2 315)
Retained earnings	(7 110)	(56)	–	–	–	–	–	–	–	–	58	–	(7 108)
Investment contracts designated at FVPL	(261 854)	–	227	–	–	–	–	–	–	–	–	–	(261 627)
Financial liabilities at FVPL	(45 946)	–	–	–	–	–	–	(84)	(1 615)	–	–	–	(47 645)
Other payables	(19 979)	(30)	–	–	–	–	–	604	1 615	–	–	–	(17 790)
Liabilities relating to disposal groups held for sale	(151)	30	–	–	–	–	–	–	–	–	–	–	(121)
as at 1 July 2019													
Fixed assets	387	3	–	–	–	–	–	–	–	–	–	–	390
Financial assets at amortised cost	17 073	45	–	–	–	–	–	–	(6 852)	–	–	–	10 266
Financial assets at FVPL	421 302	–	–	–	–	–	–	1	6 852	–	–	–	428 155
Assets relating to disposal groups held for sale	989	(70)	–	–	–	–	–	–	–	–	–	–	919
Cash and cash equivalents	27 061	68	(227)	–	–	–	–	–	–	(773)	–	–	26 129
Equity attributable to owners of the parent													
Other components of equity	(1 721)	–	–	–	–	–	–	–	–	–	(39)	–	(1 760)
Retained earnings	(7 940)	(46)	–	–	–	–	–	–	–	–	39	–	(7 947)
Investment contracts designated at FVPL	(250 037)	–	227	–	–	–	–	–	–	–	–	–	(249 810)
Financial liabilities at FVPL	(42 806)	–	–	–	–	–	–	(1)	(5 964)	–	–	–	(48 771)
Other payables	(24 976)	(31)	–	–	–	–	–	–	5 964	773	–	–	(18 270)
Liabilities relating to disposal groups held for sale	(747)	31	–	–	–	–	–	–	–	–	–	–	(716)

1 The Momentum Mozambique LDA business is no longer classified as held for sale, following the cancellation of its sale due to conditions precedent not being met by the agreed deadline. The impact of this has resulted in the statement of financial position, income statement and statement of cash flows being restated as if the entity was never classified as held for sale in accordance with the requirements of IFRS 5. 30 June 2020 and 1 July 2019 have been restated accordingly.

2 During F2019, assets in a pure linked investment contract portfolio were transferred between administration platforms. Due to an administrative error, a portion of the transferred assets' cash was double counted and resulted in an increase in investment contract liabilities. There was no earnings impact and only the gross assets and gross liabilities were overstated on the statement of financial position. 30 June 2020 and 1 July 2019 have been restated accordingly.

3 Amounts received relating to non-life insurance reinsurance commission received by Momentum Insurance were incorrectly netted off against reinsurance premiums paid. 30 June 2020 has been restated accordingly.

4 The method of calculating the fees earned on term-certain annuities, guaranteed endowments and APN110 liabilities has changed in the current year to take mismatches between the asset and liability values to the fair value adjustments on contract holder liabilities line instead. 30 June 2020 has been restated accordingly.

5 A reassessment of the principles with regards to agent/principal was done on certain fees. It was determined that the Group was acting as an agent instead of a principal. 30 June 2020 has been restated accordingly.

6 There was a fees correction with regards to the incorrect classification between performance fees, management fees and net realised and unrealised fair gains/(losses). 30 June 2020 has been restated accordingly.

7 The receivable and payable position of derivative financial assets and liabilities and interest rate swaps were not netted off on a per instrument basis in prior periods. Each interest rate swap position has subsequently been restated to correctly net off resulting in a reallocation between debt securities and unsettled trades to derivative financial assets and liabilities. 30 June 2020 and 1 July 2019 have been restated accordingly.

8 Carry position assets and liabilities were inappropriately reported as unsettled trade assets and liabilities. This resulted in reclassifications between financial assets and liabilities measured at amortised cost to financial assets and liabilities measured at FVPL. 30 June 2020 and 1 July 2019 have been restated accordingly.

9 Cash and cash equivalents were incorrectly classified as other payables – unsettled trades. The balance has been correctly reclassified as cash and cash equivalents. 1 July 2019 has been restated accordingly.

10 During the current year, the Group's accounting policy related to owner-occupied properties was changed. The previous policy stated that any difference between the depreciation charge on the revalued amount of owner-occupied property and the amount which would have been charged under historic cost, would be transferred between the revaluation reserve and retained earnings annually as the property is utilised. The new accounting policy requires that the entire revaluation reserve balance only be transferred to retained earnings upon disposal of the owner-occupied property or when the property is no longer classified as owner-occupied. With this change the financial statements will provide more relevant and reliable information, as it reduces the number of transactions for this reserve recognised through the Statement of changes in equity. The change in accounting policy resulted in a transfer of R58 million from retained earnings to the land and buildings revaluation reserve, of which R19 million relates to the 2020 financial year and R39 million relates to the financial periods prior to 2020.

11 Reclassification correction of insurance premiums ceded to reinsurers and change in reinsurance liabilities in relation to the financial reinsurance contracts in Guardrisk Life and Momentum Ability. 30 June 2020 has been restated accordingly.

47 Restatements

The following restatements were made to the consolidated statement of financial position and income statement for the following periods:

Income statement for the year ended 30 June 2020	Before restatement Rm	Held for sale[1] Rm	Investment contract correction[2] Rm	Reinsurance commission[3] Rm	Contract administration fees[4] Rm	IFRS 15[5] Rm	Fees correction[6] Rm	Interest rate swaps[7] Rm	Unsettled trades[8] Rm	Cash reallocation[9] Rm	Change in accounting policy[10] Rm	Financial re-insurance contracts[11] Rm	After re-statement Rm
Insurance premiums ceded to reinsurers	(16 013)	–	–	(196)	–	–	–	–	–	–	–	(513)	(16 722)
Fee income													
Contract administration	2 933	–	–	–	180	–	–	–	–	–	–	–	3 113
Trust and fiduciary services	1 326	–	–	–	–	(46)	(30)	–	–	–	–	–	1 250
Other fee income	941	–	–	196	–	(145)	–	–	–	–	–	–	992
Net realised and unrealised fair value gains/(losses)	(12 711)	–	–	–	–	–	6	–	–	–	–	–	(12 705)
Change in actuarial liabilities and related reinsurance													
Change in reinsurance liabilities	(357)	–	–	–	–	–	–	–	–	–	–	513	156
Fair value adjustments on investment contract liabilities	(6 442)	–	–	–	(180)	–	–	–	–	–	–	–	(6 622)
Depreciation, amortisation and impairment expenses	(2 125)	10	–	–	–	–	–	–	–	–	–	–	(2 115)
Other expenses	(6 856)	–	–	–	–	191	24	–	–	–	–	–	(6 641)
Earnings for year	286	10	–	–	–	–	–	–	–	–	–	–	296
Attributable to:													
Owners of the parent	178	10	–	–	–	–	–	–	–	–	–	–	188
Non-controlling interests	108	–	–	–	–	–	–	–	–	–	–	–	108
Earnings for the year	286	10	–	–	–	–	–	–	–	–	–	–	296
Basic earnings per ordinary share (cents)	12.3	0.6	–	–	–	–	–	–	–	–	–	–	12.9
Diluted earnings per ordinary share (cents)	12.3	0.6	–	–	–	–	–	–	–	–	–	–	12.9
Statement of cash flows for the year ended 30 June 2020													
Cash utilised in operations	(11 846)	3	–	–	–	–	–	–	–	773	–	–	(11 070)
Cash resources and funds on deposit at beginning	27 325	–	(227)	–	–	–	–	–	–	(773)	–	–	26 325
Cash resources and funds on deposit at end	31 845	3	(227)	–	–	–	–	–	–	–	–	–	31 621

1 The Momentum Mozambique LDA business is no longer classified as held for sale, following the cancellation of its sale due to conditions precedent not being met by the agreed deadline. The impact of this has resulted in the statement of financial position, income statement and statement of cash flows being restated as if the entity was never classified as held for sale in accordance with the requirements of IFRS 5. 30 June 2020 and 1 July 2019 have been restated accordingly.

2 During F2019, assets in a pure linked investment contract portfolio were transferred between administration platforms. Due to an administrative error, a portion of the transferred assets' cash was double counted and resulted in an increase in investment contract liabilities. There was no earnings impact and only the gross assets and gross liabilities were overstated on the statement of financial position. 30 June 2020 and 1 July 2019 have been restated accordingly.

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11 Reclassification correction of insurance premiums ceded to reinsurers and change in reinsurance liabilities in relation to the financial reinsurance contracts in Guardrisk Life and Momentum Ability. 30 June 2020 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) – Interest rate benchmark reform – phase 2 (effective from annual periods beginning on or after 1 January 2021).
- IFRS 16 (Amendments) – Covid-19-related rent concessions (effective from annual periods beginning on or after 1 April 2021).
- 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 to a large extent coordinated by the Group, although some subsidiaries have also been driving their own implementation projects.

Developments across the main SA life license have progressed and significant areas of uncertainty have been addressed. While the Group's initial efforts were focused on model development to accommodate the requirements of the standard, efforts have shifted to enable the production of product level income statements for a large group of products. The Group progressed with the development of the chart of accounts, identification of transition methods, the calculation of the risk adjustment and fair values of groups of insurance contracts, while the treatment of insurance cell captives, identification of fulfilment cash flows and cash-back benefits received attention.

The Group is actively participating in several 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. Preliminary assessments indicate, that post the implementation of IFRS 17, the Group will experience lower new business strain on profits during the first year of business being written.

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 intra-group 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 fair value through profit and loss and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – *Investments in associates 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 fair value through profit and loss, 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

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 an 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 properties as long as they are held for long-term rental yields and not occupied by the Group. The initial cost of these properties is the lower of the fair value of the property and the present value of the minimum lease payments. 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 fair value through profit and loss, 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 fair value through profit and loss, 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 fair value through profit and loss 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 macro-economic 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 fair value through profit and loss

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 Significant Group accounting policies continued

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 options 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 on the previous page.

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 fair value through profit and loss) 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

Measurement 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 fair value through profit and loss.

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 fair value through profit and loss 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 fair value through profit and loss. 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 fair value through profit and loss.

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 receivable, net of a provision for unearned premiums relating to risk periods that extend to the following year.

Claims

Claims incurred consist of claims and 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 current year's premiums written that relate to risk periods extending into the following year, 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 unexpired risk provision is recognised for any deficiencies arising when unearned premiums are insufficient to meet expected future claims and expenses after taking into account future investment returns on the investments supporting the unearned premium provision. 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 conclusion 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 year-end, using case estimates determined on a claim-by-claim basis; and
- for IBNR claims at year-end, using the percentages specified by class of business and development period as set out in the Short-term Insurance Act, 53 of 1998.

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 fair value through profit and loss**
  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 fair value through profit and loss.

  Financial liabilities are classified as at fair value through profit and loss 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 fair value through profit and loss 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 of 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 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.

48.18 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

48.18 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.

48.19 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

48.20 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.

48.21 Dividends declared

Dividends declared to shareholders of the Company are recognised on declaration date.

48.22 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 fair value through profit and loss 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.

48.23 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:

48.23.1 *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

48.23 Income recognition continued

48.23.1 *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.

48.23.2 *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.

48.24 Expense recognition

48.24.1 *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.

48.24.2 *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.

48.25 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.

MOMENTUM METROPOLITAN HOLDINGS LTD
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STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	2021 Rm	2020 Rm
Assets			
Interest in subsidiary companies	2	**27 233**	26 149
Financial instruments		**1 164**	753
Financial assets at fair value through profit or loss	3	**445**	20
Financial assets at amortised cost	4	**719**	733
Non-financial assets		**4**	–
Cash and cash equivalents	5	**285**	211
Total assets		**28 686**	27 113
Equity attributable to owners of the Company			
Share capital and share premium	6	**17 601**	17 601
Other components of equity		**103**	78
Retained earnings		**9 621**	9 010
Total equity		**27 325**	26 689
Liabilities			
Financial instruments		**358**	395
Financial liabilities at amortised cost	7.1	**246**	254
Financial guarantee contracts	7.2	**112**	141
Other payables	8	**1 002**	28
Current income tax liability	9.1	**1**	1
Total liabilities		**1 361**	424
Total equity and liabilities		**28 686**	27 113

INCOME STATEMENT

For the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Investment income	10	**1 528**	3 087
Investment income – amortised cost		**41**	70
Investment income – other		**1 487**	3 017
Other income	12	**37**	1
Net realised and unrealised fair value gains	11	**7**	1
Net income		**1 572**	3 089
Reversal of impairment on loans		**(17)**	(193)
Impairment expense of investment in subsidiaries		**465**	17
Other expenses	13	**59**	22
Expenses/(income)		**507**	(154)
Results of operations		**1 065**	3 243
Finance costs	14	**(37)**	(40)
Profit before tax		**1 028**	3 203
Income tax	9.2	**(43)**	(9)
Earnings for year attributable to owners of the Company		**985**	3 194

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	2021 Rm	2020 Rm
Earnings for year	**985**	3 194
Total comprehensive income for year attributable to owners of the Company	**985**	3 194

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Share capital Rm	Retained earnings Rm	Other components of equity Rm	Total attributable to owners of the Company Rm
Balance at 1 July 2019	17 601	6 938	78	24 617
Total comprehensive income	–	3 194	–	3 194
Dividend paid	–	(1 122)	–	(1 122)
Balance at 1 July 2020	**17 601**	**9 010**	**78**	**26 689**
Total comprehensive income	**–**	**985**	**–**	**985**
IFRS 2 extension charge	**–**	**–**	**25**	**25**
Dividend paid	**–**	**(374)**	**–**	**(374)**
Balance at 30 June 2021	**17 601**	**9 621**	**103**	**27 325**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Cash flow from operating activities			
Cash (utilised)/generated by operations	15.1	**(2)**	23
Dividends received	10	**659**	2 395
Interest received	10	**34**	70
Income tax paid	15.2	**–**	–
Interest paid	15.3	**(37)**	(40)
Net cash inflow from operating activities		**654**	2 448
Cash flow from investing activities			
Investment in subsidiary companies		**(547)**	(1 931)
Investment in financial assets		**(402)**	(14)
Proceeds from disposal of subsidiary companies		**47**	–
Loans advanced to related parties		**(12)**	–
Loans repaid by related parties		**345**	927
Net cash outflow from investing activities		**(569)**	(1 018)
Cash flow from financing activities			
Loans advanced from related parties[1]		**363**	257
Loans repaid to related parties[1]		**–**	(399)
Dividends paid		**(374)**	(1 122)
Net cash outflow from financing activities		**(11)**	(1 264)
Net cash flow		**74**	166
Cash and cash equivalents at beginning		**211**	45
Cash and cash equivalents at end	5	**285**	211

[1] Prior period receipts from and payments to related parties were erroneously classified as operating activities. This has been corrected and disclosed as financing activities in the current year.

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

	2021 Rm	2020 Rm
Cost less impairment	**27 230**	25 840
Loans to subsidiary companies (note 42)	**3**	324
Less: provision for impairment on loans to subsidiaries	**–**	(15)
	27 233	26 149
Opening balance	**26 149**	24 792
Cost of interest in subsidiaries acquired	**1 902**	2 066
Less: disposals	**(47)**	(381)
Movements in loans to subsidiary companies	**(321)**	(296)
Less: impairment charge	**(450)**	(32)
Closing balance	**27 233**	26 149

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

MMSI: The Company acquired additional shares in MMSI for R1 743 million during the current year (2020:R1 948 million). R1 356 million of the capital injection into MMSI in the current year was funded through an intercompany loan facility between the Company and MML and was considered a non-cash transaction.

Metropolitan International Holdings (Pty) Ltd (MIH): The Company acquired additional shares in MIH for R151 million during the current year (2020: R117 million).

The Company acquired R8 million additional shares in MET Collective Investments (RF) (Pty) Ltd in the current year and R1 million in Metropolitan Health Holdings (Pty) Ltd (MHH) in the prior year.

Disposals

In the current 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.

In the prior year Momentum Metropolitan Life Limited (MML) bought back its own preference shares held by Momentum Metropolitan Holdings Limited (MMH). The purchase was completed through an intercompany loan between MML and MMH and was therefore a non-cash transaction. MMH originally purchased the preference shares from FirstRand Limited for R388 million and considered these to be part of the investment in subsidiary. At the time of repurchase by MML, the shares had a fair value of R381 million, leading to an impairment in investment in MML of R7 million prior to disposal.

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.

In the prior year the Company impaired intercompany loans with Metropolitan International Holdings Limited by R12 million and Metropolitan Health Holdings Limited by R3 million. These provisions were subsequently reversed in the current year as these loans were settled. Refer to note 4 for disclosure of loans to subsidiaries.

Impairment

Investment in subsidiaries are measured at cost less accumulated impairment and are assessed for impairment on an annual basis or when there is an indication of impairment. Investment 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, reflected in the subsidiary's net assets. 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 2021, the expected cash flows were discounted at a risk discount rate of 16.25% (2020: 16.25%).

MHH commenced its process for deregistration and as a result its fair value was nil. The investment was subsequently impaired by R448 million. MET Collective Investments (RF) (Pty) Ltd (MetCI) and Momentum Trust (Pty) Ltd (Mom Trust) were impaired by R17 million (2020: R2 million) and R7 million (2020: R8 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.

A provision for impairment of R7 million in Momentum Metropolitan Infrastructure & Operations (Pty) Ltd (MM I&O) was reversed in the current year.

3 Financial assets at fair value through profit and loss

	2021 Rm	2020 Rm
Equity securities	15	20
Preference shares[1]	417	–
Loans to related party		
Equity linked derivative – Empowerment partners[2]	13	–
	445	20

[1] In the current 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 1 July 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

	2021 Rm	2020 Rm
Accounts receivable	–	9
Less: provision for impairment	–	(7)
Loans to related parties	719	730
Loans to subsidiary companies (note 42)	539	548
Less: provision for impairment on loans to subsidiary companies	(114)	(109)
Loans to associates	1	1
Preference shares	31	27
Empowerment partners	262	263
Strategic unsecured loans	–	1
Total financial assets at amortised cost	719	733
Current	718	443
Non-current	1	290
	719	733

Terms and conditions of material loans

- Loans to subsidiary companies are generally interest-free, unsecured and have no repayment terms. When the subsidiary is in a position to repay the loan, it will be 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 (2020: R3 million). The preference shares mature in May 2022 (extended from 2020 in the prior year). The carrying value approximates fair value.
- Loans to empowerment partners:
  - The loans to empowerment partners is R262 million (2020: R263 million) at 30 June 2021, 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 June 2022 (after extending the terms for a further 18 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 2021 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 R17 million (2020: R193 million) in the current year.

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 Standard & Poor's. Loss given default rates applied are extracted from SAM 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
2021				
Assets				
Accounts receivable	**–**	**–**	**–**	**–**
Less: provision for impairment	**–**	**–**	**–**	**–**
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[2]	**31**	**–**	**–**	**31**
Loans to associates	**1**	**–**	**–**	**1**
Strategic unsecured loans	**–**	**–**	**–**	**–**
Total financial assets at amortised cost	**719**	**–**	**–**	**719**
2020				
Assets				
Accounts receivable	–	–	9	9
Less: provision for impairment	–	–	(7)	(7)
Loans to related parties	730	–	–	730
Loans to subsidiary companies (note 42)	548	–	–	548
Less: provision for impairment on loans to subsidiary companies	(109)	–	–	(109)
Empowerment partners[1]	263	–	–	263
Preference shares	27	–	–	27
Loans to associates	1	–	–	1
Strategic unsecured loans	1	–	–	1
Total financial assets at amortised cost	731	–	2	733

[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. Probability of default on the loan is thus considered unlikely and as such no expected credit loss has been raised on the receivable.

[2] Expected credit loss of R50 889 raised in the current year.

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
2021			
Balance at beginning	**(7)**	**(124)**	**(131)**
Reversed	**7**	**10**	**17**
Balance at end	**–**	**(114)**	**(114)**
2020			
Balance at beginning	(7)	(317)	(324)
Reversed	–	193	193
Balance at end	(7)	(124)	(131)

[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
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)**
2020			
Accounts receivable			
Opening balance	–	(7)	(7)
Movement recognised in the income statement	–	–	–
Closing balance	–	(7)	(7)
Related party loans			
Opening balance	(310)	(7)	(317)
Movement recognised in the income statement	193	–	193
Closing balance	(117)	(7)	(124)

4 FINANCIAL ASSETS AT AMORTISED COST continued

4.2 Credit risk balances – reconciliation of expected credit losses continued

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

Staging definitions	Staging definitions		Basis for recognition of expected credit loss provision
Stage	**Accounts receivable**	**Loans**	
Stage 1	• 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	12 months expected losses
Stage 2	• Significant increase in credit risk • Repayments are more than 30 days and less than 90 days past due	• Loans are recoverable • Repayment of interest and capital 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 ie credit quality has deteriorated based on the need for restructure, but adequate repayment plans in place • Significant deterioration of credit quality	Lifetime expected losses
Stage 3	• Significant increase in credit risk • Repayments are more than 90 days past due	• Loans are partially recoverable • Repayment of interest and capital payments not in line with terms of agreement • Significant deterioration in credit quality • Loans restructured	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.		

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, 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.
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 FINANCIAL ASSETS AT AMORTISED COST continued

4.3 Credit risk balances – credit quality

	AAA Rm	AA Rm	Unrated Rm	Total Rm
2021				
Financial assets at fair value through profit and loss				
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**
2020				
Financial assets at fair value through profit and loss				
Equity securities	–	–	20	20
Cash and cash equivalents	–	211	–	211
Financial assets at amortised cost				
Loans to subsidiary companies (note 42)	–	–	548	548
Empowerment partners	–	–	263	263
Preference shares	–	–	27	27
Loans to associates	–	–	1	1
Accounts receivable	–	–	9	9
	–	211	868	1 079

	2021 Rm	2020 Rm
5 Cash and cash equivalents		
Bank and other cash balances	**285**	211

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)	2021	2020
Opening balance	**1 498**	1 498
Closing balance	**1 498**	1 498

Share capital and share premium	2021 Rm	2020 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.

	2021 Rm	2020 Rm
7 Financial liabilities		
7.1 Financial liabilities at amortised cost		
Cumulative redeemable convertible preference shares – current	**246**	254
Due at the beginning	**254**	254
Accrued interest	**37**	37
Interest paid	**(37)**	(37)
Modification	**(8)**	–
Due at the end	**246**	254

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 December 2020 (for a further 18 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 R8 million gain recognised in profit or loss in the current year. 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 R25 million being recognised in the current year.

The estimated fair value of the A3 preference shares is R558 million (2020: R509 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 2021, the expected cash flows were discounted at a current market rate of 13% (2020: 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.

		2021 Rm	2020 Rm
7	**Financial liabilities** continued		
7.2	Financial guarantee contracts	**112**	141
	Due at the beginning	**141**	–
	New guarantees entered into	**–**	142
	Net amortisation	**(29)**	(1)
	Due at the end	**112**	141

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.

		2021 Rm	2020 Rm
8	**Other payables**		
	Other payables	**20**	25
	Loans from subsidiary companies (note 42)	**982**	3
		1 002	28
	Current	**1 002**	28

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.

		2021 Rm	2020 Rm
9	**Income tax**		
9.1	Current income tax liability		
	Movement in liability		
	Balance at beginning	**1**	1
	Charged to income statement	**1**	3
	Settled during year	**(1)**	(3)
	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. No significant cumulative unrealised gains or losses were recognised in both the current and prior year.

		2021 Rm	2020 Rm
9.2	Income tax expense		
	Current taxation		
	Current year		
	South African normal tax	**1**	3
	Foreign countries – withholding tax[1]	**42**	6
		43	9

[1] Foreign dividends withholding taxes increased in the current year due to an increase in dividends received by the Company from its foreign subsidiaries. Refer to note 16.3 for transactions with related parties.

	2021 %	2020 %
Tax rate reconciliation		
Tax calculated at standard rate of South African tax on earnings	**28.0**	28.0
Foreign tax	**4.0**	0.2
Non-taxable income[1]	**(42.0)**	(28.5)
Non-deductible expenses[2]	**14.0**	0.5
Effective rate	**4.0**	0.2

[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.

		2021 Rm	2020 Rm
10	**Investment income**		
	Dividend income – subsidiary companies[1]	**1 472**	3 017
	Interest income – amortised cost using effective interest rate method	**41**	70
	Financial assets at amortised cost	**37**	61
	Cash and cash equivalents	**4**	9
	Other income		
	Financial assets at fair value through profit or loss[2]	**15**	–
		1 528	3 087

[1] Included in dividend income in the current year is a dividend in-specie of R767 million (2020: R616 million) received from Momentum Metropolitan Life Ltd in the form of a loan repayment.

Dividend income from foreign subsidiaries is disclosed gross of foreign dividends withholding taxes of R42 million (2020: R6 million).

[2] Interest income on preference shares held in the iSabelo SPV. Refer to note 3.

		2021 Rm	2020 Rm
11	**Net realised and unrealised fair value gains**		
	Financial assets at fair value through profit or loss	**(1)**	1
	Derivative financial instrument: held for trading	**8**	–
		7	1
12	**Other income**		
	Amortisation on financial guarantee contracts	**29**	1
	Financial liabilities at amortised cost[1]	**8**	–
		37	1

[1] Modification gain recognised on A3 preference shares due to extension of redemption date. Refer to note 7.

		2021 Rm	2020 Rm
13	**Other expenses**		
	Share-based payment expense[1]	**25**	–
	Directors' remuneration	**15**	16
	Loss on loans written off	**8**	–
	Auditors' remuneration	**4**	3
	Consulting fees	**2**	1
	Other indirect taxes	**2**	2
	Realised forex losses	**3**	–
		59	22

[1] IFRS 2 expense due to the extension of the A3 KTH preference shares. Refer to note 7.1.

		2021 Rm	2020 Rm
14	**Finance costs**		
	Interest expense on liabilities at amortised cost		
	Redeemable preference shares	**37**	37
	Interest on bank overdraft	**–**	3
		37	40

	2021 Rm	2020 Rm
15 Cash flow from operating activities		
15.1 Cash (utilised)/generated by operations		
Profit before tax	**1 028**	3 203
Adjusted for		
Items presented separately on the face of the statement of cash flow		
Dividends income	**(1 472)**	(3 017)
Interest income	**(56)**	(70)
Finance costs	**37**	40
Non-cash-flow items		
Impairment charges (reversals)	**449**	(176)
Share-based payments	**25**	–
Financial assets at FVPL	**(4)**	(2)
Changes in operating assets and liabilities		
Financial liabilities at amortised cost	**(8)**	(1)
Other operating liabilities[1]	**(1)**	46
	(2)	23

1 Prior period receipts from and payments to related parties were erroneously classified as operating activities. This has been corrected and disclosed as financing activities in the current year.

	2021 Rm	2020 Rm
15.2 Income tax paid		
Due at beginning	**1**	1
Charged to income statement	**1**	3
Paid by subsidiary on behalf of the Company	**(1)**	(3)
Due at end	**1**	1
15.3 Interest paid		
Redeemable preference shares		
Paid 30 September	**(19)**	(19)
Paid 31 March	**(18)**	(19)
Bank overdraft interest	**–**	(2)
	(37)	(40)

16 Related party transactions

16.1 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 RMI (by virtue of its shareholding of 26.3% in MMH), directors, key personnel and close members of their families. Refer to note 31.1 in the Group financial statements for more details.

16.2 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.

16.3 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.

	2021 Rm	2020 Rm
Dividends from subsidiaries – MML	**1 030**	2 908
Dividends from subsidiaries – Metropolitan Life of Botswana Ltd	**76**	39
Dividends from subsidiaries – Metropolitan Lesotho Ltd	**360**	50
Dividends from subsidiaries – Eris Property Group (Pty) Ltd	**2**	18
Dividends from subsidiaries – MLI	**2**	–
Dividends from subsidiaries – Momentum Metropolitan Finance Company (Pty) Ltd[1]	**–**	2
Dividends from subsidiaries – MHH	**3**	–
Interest received – MML	**–**	34
Interest received – EPF	**3**	3
Interest received – Off the Shelf Investments (Pty) Ltd	**34**	23
Finance costs – KTH	**37**	37

1 Dividend of R210 273 declared in the current year.

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)	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
16 Related party transactions continued				
16.4 Expected credit loss on loans due from related parties				
Metropolitan Capital (Pty) Ltd	**103**	99	**4**	36
MMSI	**11**	10	**1**	10
MIH	**–**	12	**(12)**	12
MHH	**–**	3	**(3)**	3
EPF[1]	**–**	–	**–**	–
MM I&O	**–**	–	**–**	(135)
Metropolitan International Support (Pty) Ltd	**–**	–	**–**	(116)
C Shell 448 (Pty) Ltd	**–**	–	**–**	(3)
	114	124	**(10)**	(193)

[1] Expected credit loss of R50 889 raised in the current year.

17 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.

18 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 7.2.

19 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.

19.1 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.

	2021 Rm	2020 Rm
Assets		
Carried at fair value through profit or loss	**445**	20
Debt securities	**417**	–
Equity linked derivative	**13**	–
Unlisted equity securities	**15**	20
Carried at amortised cost	**719**	733
Loans	**719**	731
Accounts receivable	**–**	2
Cash and cash equivalents	**285**	211
Investment in subsidiary companies[1]	**27 233**	26 149
Total assets	**28 682**	27 113
Liabilities		
Carried at amortised cost	**246**	254
Cumulative redeemable preference shares	**246**	254
Other payables	**1 002**	28
Loans from subsidiary companies	**982**	3
Other payables	**20**	25
Financial guarantee contracts	**112**	141
Other liabilities	**1**	1
Total liabilities	**1 361**	424

[1] Included in investments in subsidiaries are loans to subsidiaries of R3 million (2020: R324 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.

19 Risk management policies continued

19.2 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:

	2021 Rm	2020 Rm
Financial assets at amortised cost	**719**	733
Loans	**719**	731
Accounts receivables	**–**	2
Cash and cash equivalents	**285**	211
Total assets bearing credit risk	**1 004**	944
Financial guarantee contracts	**112**	141
Financial liabilities at amortised cost		
Cumulative redeemable preference shares	**246**	254
Other payables	**1 003**	29
Loans from subsidiary companies	**982**	3
Other payables	**21**	26
Total liabilities bearing credit risk	**1 361**	424

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 (2020: AA) credit rating. Financial assets at amortised cost consist mainly of loans to related parties and are unrated.

19.3 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
2021				
Equity securities	**–**	**5**	**10**	**15**
Preference shares	**–**	**417**	**–**	**417**
Derivatives financial instrument held for trading	**–**	**–**	**13**	**13**
	–	**422**	**23**	**445**
2020				
Equity securities	–	10	10	20
	–	10	10	20

19 Risk management policies continued

19.3 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
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**
2020			
Opening balance	4	–	4
Transfer from other asset classes	–	–	–
Total unrealised gains/(losses) in the income statement	–	–	–
Purchases	6	–	6
Transfers into level 3	–	–	–
Closing balance	10	–	10

19.4 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 *(level1)*
- 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) *(level3)*

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	DCF	Nominal prime rate, cash flow forecasts

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

19 Risk management policies continued

19.4 Valuation techniques continued

19.4.1 Valuation techniques – sensitivity analysis – level 3 instruments continued

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	7 309 395	7 216 947	7 124 499
Base	12 995 123	12 523 761	12 804 674
Dividend - 10 cents	17 923 022	17 830 574	17 738 126

19.5 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 June 2022 (extended by 18 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
2021				
Amortised cost				
Cumulative redeemable preference shares	**246**	**283**	**37**	**246**
Other payables	**1 002**	**1 002**	**1 002**	**–**
Financial guarantee contracts[1]	**112**	**2 022**	**–**	**2 022**
Total liabilities	**1 360**	**3 307**	**1 039**	**2 268**
2020				
Amortised cost				
Cumulative redeemable preference shares	254	254	254	–
Other payables	28	28	28	–
Other liabilities	1	1	1	–
Financial guarantee contracts	141	2 025	–	2 025
Total liabilities	424	2 308	283	2 025

[1] The carrying value of the financial guarantee contracts is R112 million. The liquidity exposure related to this financial guarantee is R2,022 billion, which is the carrying value of the preference shares held by MMSI as at 30 June 2021. Refer to note 7.2.

19 Risk management policies continued

19.6 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.

19.6.1 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% (2020: 8.2%). Cash and cash equivalents have a weighted average interest rate of 3.1% (2020: 5.4%).

19.6.2 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.

20 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
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**
2020			
Equity securities	20	–	20
Accounts receivable	–	2	2
Loans to associates	–	1	1
Preference shares	–	27	27
Empowerment partners	–	263	263
Strategic unsecured loans	–	1	1
Intercompany loans to subsidiaries[2]	–	548	548
Provision for impairment on loans to subsidiary companies	–	(109)	(109)
Cash and cash equivalents	–	211	211
Total financial assets	20	944	964

[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.

21 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
2021				
Cumulative redeemable preference shares	**–**	**246**	**–**	**246**
Financial guarantee contracts	**–**	**–**	**112**	**112**
Intercompany loans from subsidiaries[2]	**–**	**982**	**–**	**982**
Other payables	**–**	**20**	**–**	**20**
Total financial liabilities	**–**	**1 248**	**112**	**1 360**
2020				
Cumulative redeemable preference shares	–	254	–	254
Financial guarantee contracts	–	–	141	141
Intercompany loans from subsidiaries[2]	–	3	–	3
Other payables	–	25	–	25
Total financial liabilities	–	282	141	423

[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.

Abbreviations

A2X	A2X markets
ABHIL	Aditya Birla Health Insurance 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
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
CGU	Cash-generating unit
CIC	Capital and Investment Committee
CIS	Collective investment scheme
DAC	Deferred Acquisition Costs
DCF	Discounted cash flow
DPF	Discretionary participation features
DRL	Deferred revenue liability
DWT	Dividend withholding tax
EPF CV	Eris Property Fund Carry Vehicle (Pty) Ltd
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
IASB	International Accounting Standards Board
IBNR	Incurred but not yet reported
IBR	Incremental Borrowing Rate
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
MHNA	Methealth Namibia Administrators (Pty) Ltd
MIH	Metropolitan International Holdings (Pty) Ltd
MMH/the Company	Momentum Metropolitan Holdings Ltd
MMH OP	MMH Outperformance Plan
MMI&O	Momentum Metropolitan Infrastructure and Operations (Pty) Limited
MML	Momentum Metropolitan Life Ltd
MMSI	Momentum Metropolitan Strategic Investments (Pty) Ltd
Momentum Metropolitan/ the Group	MMH and its subsidiaries
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 Insurance 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
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.

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

Embedded value earnings are 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.

Definitions continued

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 comprise operating profit and investment income on shareholder assets. It excludes adjustments for MMH shares held by policyholder funds, the amortisation of intangible assets relating to business combinations as well as B-BBEE costs. It includes basis changes and investment variances.

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.

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.

Additional information

Analysis of assets managed and/or administered[1]	2021 Rm	2020 Rm
Managed and/or administered by Investments		
Financial assets	477 414	418 560
Momentum Manager of Managers	90 087	69 999
Momentum Investment Consultants	10 922	7 971
Momentum Collective Investments	92 454	83 767
Momentum Asset Management	165 627	154 980
Momentum Global Investments	77 071	62 143
Momentum Alternative Investments	7 682	7 027
Momentum Securities	33 571	32 673
Properties – Eris Property Group	15 588	17 723
On-balance sheet	7 901	7 883
Off-balance sheet	7 687	9 840
Momentum Wealth linked product assets under administration	194 460	169 551
On-balance sheet	125 018	110 132
Off-balance sheet	69 442	59 419
Managed internally or by other managers within the Group (on-balance sheet)	96 994	94 348
Managed by external managers (on-balance sheet)	16 472	14 459
Properties managed internally or by other managers within the Group or externally	4 037	4 604
Non-life Insurance – cell captives on-balance sheet	30 680	23 078
Total assets managed and/or administered	835 645	742 323
Managed and/or administered by Investments		
On-balance sheet	232 170	208 095
Off-balance sheet	245 244	210 465
	477 414	418 560
Admin and brokerage assets	135 882	100 402
Other assets	341 532	318 158
	477 414	418 560

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.

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 30.06.2021					
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**	**9 654**	**11 509**	**(6 843)**	**4 666**
Momentum Metropolitan Africa	**972**	**3 867**	**4 839**	**(2 701)**	**2 138**
Long-term insurance business fund flows	**38 905**	**42 773**	**81 678**	**(75 112)**	**6 566**
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			**186 000**	**(172 925)**	**13 075**
Restated					
12 mths to 30.06.2020[2, 3]					
Momentum Life	570	8 896	9 466	(9 093)	373
Momentum Investments	23 333	734	24 067	(22 658)	1 409
Metropolitan Life	1 060	6 025	7 085	(5 435)	1 650
Momentum Corporate	3 013	12 327	15 340	(15 278)	62
Momentum Metropolitan Health	2	855	857	(407)	450
Non-life Insurance	3 782	9 036	12 818	(4 984)	7 834
Momentum Metropolitan Africa	772	3 926	4 698	(2 518)	2 180
Long-term insurance business fund flows	32 532	41 799	74 331	(60 373)	13 958
Off-balance sheet fund flows					
Managed and/or administered by Investments			94 430	(91 642)	2 788
Properties – Eris Property Group			432	(5 380)	(4 948)
Momentum Wealth linked product assets under administration			7 871	(9 131)	(1 260)
Total net funds received from clients			177 064	(166 526)	10 538

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 Following a revision to its internal operating structure, Momentum Metropolitan has split the health business, previously included in the Momentum Corporate segment, into its own segment. June 2020 have been restated accordingly.

3 Refer to note 47 for more information on the restatements other than footnote 2.

Analysis of assets backing shareholder excess	2021 Rm	%	Restated 2020[1] Rm	%
Equity securities	1 659	7.7	462	2.0
Preference shares	859	4.0	825	3.7
CISs	1 059	4.9	1 036	4.6
Debt securities	7 030	32.6	6 366	28.2
Properties	3 761	17.4	3 843	17.0
Owner-occupied properties	2 454	11.4	1 766	7.8
Investment properties	1 307	6.1	2 077	9.2
Cash and cash equivalents and funds on deposit	5 172	24.0	7 457	33.0
Intangible assets	5 168	24.0	6 055	26.8
Other net assets	3 004	13.8	1 631	7.2
	27 712	128.4	27 675	122.5
Redeemable preference shares	(245)	(1.1)	(254)	(1.1)
Subordinated redeemable debt	(4 429)	(20.5)	(4 431)	(19.6)
Treasury shares held on behalf of employees	(876)	(4.1)	–	–
Treasury shares held on behalf of contract holders	(587)	(2.7)	(397)	(1.8)
Shareholder excess per reporting basis	21 575	100.0	22 593	100.0

1 Refer to note 47 of the Group financial statements for more information on the restatements.

Number of employees	2021	2020
Indoor staff	9 882	9 915
SA	8 841	8 829
International	1 041	1 086
Field staff	6 601	6 352
Momentum Life and Investments	1 105	1 127
Metropolitan Life	4 208	3 865
International	1 288	1 360
Total	16 483	16 267

Shareholder	Number of share-holders	% of issued share capital	Shares held (million)
Non-public			
Directors	7	0.1	2
Kagiso Tiso Holdings (Pty) Ltd	1	7.5	114
RMI Holdings Ltd	1	26.3	401
Government Employees Pension Fund	6	7.6	115
Public			
Private investors	14 624	1.8	28
Pension funds	242	6.4	97
Collective investment schemes and mutual funds	1 656	47.9	731
Banks and insurance companies	42	2.4	37
Total	16 579	100.0	1 525

An estimated 153 million shares (2020: 409 million shares) representing 10.0% (2020: 27.3%) 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	14 623	88.2	9	0.6
5 001 – 10 000	581	3.5	4	0.3
10 001 – 50 000	693	4.2	15	1.0
50 001 – 100 000	191	1.2	14	0.9
100 001 – 1 000 000	365	2.2	123	8.1
1 000 001 and more	126	0.7	1 360	89.1
Total	16 579	100.0	1 525	100.0

Beneficial owners	Shares held (million)	% of issued share capital
RMI Holdings Ltd	401	26.3
Government Employees Pension Fund	115	7.5
Off The Shelf Investments 108 (Pty) Ltd	114	7.4
Total	630	41.2

Pursuant to the provisions of section 56(7)(b) of the South African Companies Act, 71 of 2008, as amended, beneficial shareholdings exceeding 5% in aggregate, as at 30 June 2021, are disclosed.

STOCK EXCHANGE PERFORMANCE

	2021	2020
12 months		
Value of listed shares traded (Rand million)	**18 628**	13 442
Volume of listed shares traded (million)	**1 156**	722
Shares traded (% of average listed shares in issue)	**81**	50
Trade prices		
Highest (cents per share)	**2 098**	2 278
Lowest (cents per share)	**1 282**	1 326
Last sale of year (cents per share)	**1 950**	1 761
Percentage (%) change during year	**11**	(7)
Percentage (%) change – life insurance sector (J857)	**9**	(31)
Percentage (%) change – top 40 index (J200)	**20**	(4)
30 June		
Price normalised headline earnings (segmental) ratio	**29.1**	17.3
Dividend yield % (dividend on listed shares)	**2.1**	2.3
Dividend yield % – top 40 index (J200)	**2.4**	3.5
Total shares issued (million)		
Ordinary shares listed on JSE	**1 498**	1 498
Treasury shares held by subsidiary for shareholders	**–**	(27)
Treasury shares held on behalf of employees	**(45)**	–
Treasury shares held on behalf of contract holders	**(30)**	(23)
Basic number of shares in issue	**1 423**	1 448
Convertible redeemable preference shares[1]	**–**	–
Diluted number of shares in issue	**1 423**	1 448
Convertible redeemable preference shares[1]	**28**	28
Treasury shares held on behalf of contract holders	**30**	23
Treasury shares held on behalf of employees	**45**	–
Diluted number of shares in issue for normalised headline earnings purposes[2]	**1 526**	1 499
Market capitalisation at end (Rbn)[3]	**30**	26

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

2 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.

3 The market capitalisation is calculated on the fully diluted number of shares in issue.

SHAREHOLDER DIARY

Financial year-end	30 June 2021	
Reporting	Interim results	4 March 2021
	Trading update for the 9 months to March 2021	24 May 2021
	Announcement of year-end results	8 September 2021
	F2021 Integrated Report published	8 September 2021
	Trading update for the 3 months to September 2021	23 November 2021
	Annual general meeting	25 November 2021

ADMINISTRATION

MOMENTUM METROPOLITAN HOLDINGS LTD

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Investor relations
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Company registration
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Internet address
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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
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PO Box 4844, Johannesburg 2000

Sponsor – Namibia
Simonis Storm Securities (Pty) Ltd

Transfer secretaries – Namibia
Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue
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Debt sponsor
Rand Merchant Bank