

MOMENTUM GROUP LIMITED

Company registration number 1904/002186/06

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

MOMENTUM GROUP LIMITED

Company registration number 1904/002186/06

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These financial statements have been prepared under the supervision of Leon Basson, Chartered Accountant (SA). PricewaterhouseCoopers Inc. have audited these annual financial statements in compliance with the requirements of the Companies Act of South Africa.

MOMENTUM GROUP LIMITED

Company registration number 1904/002186/06

DIRECTORS

LL Dippenaar (Chairman)
MJN Njeke (Deputy Chairman)
NAS Kruger (CEO)
FW van Zyl (Deputy CEO)
JP Burger
RB Gouws
PK Harris
F Jakoet
SC Jurisich
KL Matseke
PJ Moleketi

M Mthombeni
SA Muller
JE Newbury
SE Nxasana
KC Shubane
PE Speckmann
FJC Truter
BJ van der Ross
JC van Reenen
M Vilakazi

COMPANY SECRETARY

FD Jooste

REGISTERED OFFICE

Momentum
268 West Avenue
Centurion
0157

Postal address

PO Box 7400
Centurion
0046

Financial position of Momentum Group Limited

I hereby certify that:

- the valuation of Momentum Group Limited as at 30 June 2011, the results of which are summarised below, has been conducted in accordance with the Actuarial Society of South Africa's Professional Guidance Notes;
- the statutory actuary's report has been produced in accordance with the Actuarial Society of South Africa's Professional Guidance Note PGN103 and, read together with the annual financial statements, fairly presents the financial position of the company; and
- the company was financially sound as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.



J Dippenaar
BCom FIA FASSA
Statutory Actuary of Momentum Group Limited
Centurion
13 September 2011

**STATEMENT OF ACTUARIAL VALUES
OF ASSETS AND LIABILITIES OF
MOMENTUM GROUP LIMITED AS AT 30 JUNE 2011**

Published basis	Notes	30 June 2011	30 June 2010 (restated)*	30 June 2010
R million				
Total assets per company balance sheet	1	194 708	179 722	179 301
Total liabilities per company balance sheet	2	184 577	169 218	169 162
Liabilities under insurance contracts		42 428	40 994	40 853
Liabilities under investment contracts		122 925	111 223	111 223
Current and other liabilities		18 218	16 048	16 133
Unsecured subordinated debt	3	1 006	953	953
Excess of assets over liabilities		10 131	10 504	10 139

* See note 37 of the financial statements for a description of the 30 June 2010 restatements.

Statutory basis		30 June 2011	30 June 2010
R million			
Total assets		190 315	173 957
Total liabilities	2	181 318	165 886
Actuarial value of policy liabilities		163 598	150 463
Current and other liabilities		17 720	15 423
Excess of assets over liabilities		8 997	8 072
Capital adequacy requirement (CAR)		3 885	3 830
Ratio of excess of assets over liabilities to CAR		2,3	2,1
Dividends approved by Board after 30 June		1 050	345
Excess of assets over liabilities after approved dividends		7 948	7 727
Ratio of excess of assets over liabilities to CAR after approved dividends		2,0	2,0

**NOTES TO THE STATEMENT OF ACTUARIAL VALUES
OF ASSETS AND LIABILITIES OF
MOMENTUM GROUP LIMITED AS AT 30 JUNE 2011**

1. VALUE OF ASSETS

The value of the assets on the published reporting basis is determined according to the accounting policies as set out on pages 18 to 60. Equity investments in subsidiaries are included in the company statement of financial position at fair value.

2. VALUE OF LIABILITIES

The liability valuation methodology and assumptions under the published reporting basis are set out in section 5 of the accounting policies and in note 29 to the financial statements.

3. UNSECURED SUBORDINATED DEBT

The unsecured subordinated debt is not reflected as a liability when determining the excess of assets over liabilities on the statutory basis as it is regarded as capital for statutory purposes.

4. RECONCILIATION BETWEEN EXCESS OF ASSETS OVER LIABILITIES ON THE PUBLISHED REPORTING BASIS AND THE STATUTORY BASIS

R million	Notes	30 June 2011	30 June 2010 restated
Excess of assets over liabilities on the published reporting basis		10 131	10 504
Policy liabilities (net of deferred tax impact)		742	737
Deferred acquisition costs and deferred revenue liabilities (net of deferred tax impact)		(1 007)	(1 012)
Excess of fair value over net asset value of subsidiaries		(396)	(1 360)
Impairment of subsidiaries on the statutory basis (intangibles and capital requirements)		(715)	(625)
Change in accounting policy	1	-	(365)
Sage intangibles (net of deferred tax impact) and other inadmissible assets		(764)	(761)
Unsecured subordinated debt		1 006	953
Excess of assets over liabilities on the statutory basis	2	8 997	8 072

1. The statutory excess at 30 June 2010 has not been restated as a result of the restatement of the published financial statements described in note 37.
2. The reinsurance assets and liabilities netting off in reconciliation above amounted to R725m (June 2010: R895m).

5. ANALYSIS OF CHANGE IN EXCESS OF ASSETS OVER LIABILITIES ON THE PUBLISHED REPORTING BASIS

R million		30 June 2011	30 June 2010 Restated
Excess of assets over liabilities at end of the year		10 131	10 504
Excess of assets over liabilities at beginning of the year		10 504	9 556
Change in excess of assets over liabilities over the year		(373)	948

R million	Notes	30 June 2011	30 June 2010 Restated
Operating profit (excluding basis changes)		1 147	1 215
Basis changes included in operating profit	5.1	(44)	(30)
Investment return on excess	5.2	617	557
Attributable earnings		1 720	1 742
Revaluation of investments in subsidiaries and owner occupied buildings to fair value		(1 108)	(394)
Capital appreciation on financial instruments and foreign currency translation reserves		12	70
Change in accounting policy		-	365
Movement in reserve for equity settled share-based payments		-	5
Restructuring of share incentive scheme		(7)	-
Dividends paid		(992)	(840)
Change in excess of assets over liabilities		(373)	948

Notes:

5.1 The changes in the valuation basis consisted of the following items:

R million	30 June 2011	30 June 2010
Economic assumptions ¹	-	-
Maintenance expense assumptions ²	(121)	(140)
Mortality and morbidity assumptions ³	168	195
Termination assumptions ⁴	69	(16)
Discretionary margin ⁵	-	(108)
Methodology changes ⁶ and other items	(160)	39
Total	(44)	(30)

1. Economic assumption changes are included as part of investment experience variances and are transferred to the investment stabilisation account in accordance with the accounting policies.
2. Maintenance expense assumptions have been revised based on the budgeted expenses for the year ending 30 June 2012.
3. Assumed future mortality rates were decreased following recent experience investigations.
4. Assumed policy termination bases on risk contracts were weakened following recent experience investigations.
5. The revenue recognition policies regarding the discretionary margins on the Sage universal life business were aligned with those applied to the Momentum and Southern universal life business.
6. Methodology changes include an item relating to changes in the allowance of future premium reviews on the Capital Protector packages resulting in a strengthening of the reserves held for these contracts.

5.2 Investment income includes dividends of R314m (30 June 2010: R194m) received from strategic subsidiaries and an amount of R84m (30 June 2010: R83m) reflected as operating profit in earnings.

6. RECONCILIATION OF THE CHANGE IN EXCESS OF ASSETS OVER LIABILITIES ON THE PUBLISHED REPORTING BASIS AND GROUP ATTRIBUTABLE EARNINGS

R million	30 June 2011	30 June 2010
Attributable earnings (company)	1 721	1 742
Reversal of dividends from subsidiaries	(314)	(194)
Subsidiaries' attributable earnings	213	186
Consolidation adjustments	20	2
Write-off of intangible assets	(15)	(15)
Attributable earnings (group)	1 625	1 721

7. BONUS STABILISATION ACCOUNTS

The levels of the policyholder bonus stabilisation accounts in the main portfolios have increased since 30 June 2010, due to a combination of favourable investment market conditions and low bonus rates. In considering whether the existing negative bonus stabilisation accounts can be recovered through the under-declaration of bonuses, I have taken into account the asset managers' outlook for the portfolios, expected future cashflows, policyholders' reasonable expectations, as well as my view on the board of directors' expected willingness to declare bonuses below actual investment returns over the next three years.

8. ALLOWANCE FOR EMBEDDED INVESTMENT DERIVATIVES

The statutory liabilities include allowance for embedded investment derivatives, which emanate mainly from guaranteed minimum maturity values and vested bonuses. The liabilities were quantified using a market consistent stochastic model and Monte Carlo simulation techniques in accordance with Professional Guidance Note PGN110 of the Actuarial Society of South Africa.

The following table sets out the prices (% of nominal) and implied volatilities produced by the model on the following put options on the FTSE/JSE Top40 index.

Maturity (years)	Strike	Price (% of nominal) June 2011	Implied volatility (%) June 2011	Price (% of nominal) June 2010	Implied volatility (%) June 2010
1	Spot	7,6	24	8,6	28
1	80% x spot	1,5	24	2,1	27
1	Forward*	9,4	24	10,7	28
5	Spot	9,3	26	10,0	28
5	1.04 ⁵ x spot	16,7	26	17,6	28
5	Forward*	20,5	26	21,2	28
20	Spot	4,3	28	3,7	26
20	1.04 ²⁰ x spot	18	29	16,4	26
20	Forward*	30,5	29	27,1	26

* Forward = Spot x e^[(risk-free interest rate for maturity at time T less expected dividend yield) x term]

The put price (% of nominal) and implied volatility on an underlying index constructed as 60% FTSE/JSE Top40 and 40% ALBI, with annual rebalancing to these weights, is shown below.

Maturity (years)	Strike	Put Price (% of nominal) June 2011	Implied volatility (%) June 2011	Put Price (% of nominal) June 2010	Implied volatility (%) June 2010
5	1.04 ⁵ x spot	7,8	16,0	8,3	16,0

The price of a 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate, which pays if the 5-year forward rate at the time of maturity (in 20 years) is lower than this strike, is shown below.

Maturity (years)	Strike	Price (% of nominal) June 2011	Price (% of nominal) June 2010
20	5-year forward rate in 20 years	0,31	0,26

The zero coupon yield curve used to calibrate the market consistent asset model is shown below. The yield curve was derived from mid swap rates at 30 June 2011.

Years	Yield June 2011 (%)	Yield June 2010 (%)
1	6,0	6,6
2	6,7	7,0
3	7,3	7,4
4	7,7	7,7
5	8,0	8,0
10	8,6	8,6
15	8,5	8,5
20	8,2	8,2
25	7,9	8,0
30	7,7	7,7
35	7,5	7,6
40	7,4	7,5

9. CAPITAL ADEQUACY REQUIREMENT

The capital adequacy requirement is necessary to provide a cushion against the impact of possible adverse deviations in future experience from that assumed in the financial soundness valuation.

The capital adequacy requirement, determined in accordance with the professional guidance note PGN104 of the Actuarial Society of South Africa, was calculated as R3 885m (30 June 2010: R3 830m).

The excess of assets over liabilities on the statutory basis is sufficient to cover the capital adequacy requirement 2,3 times (30 June 2010: 2,1 times).

The ordinary capital adequacy requirement (OCAR) exceeded the termination capital adequacy requirement (TCAR) and thus the capital adequacy requirement has been based on the OCAR.

For purposes of grossing up the intermediate ordinary capital adequacy requirement (IOCAR) to determine the OCAR, it was assumed that the assets backing the capital adequacy requirement are invested in cash or near-cash.

In accordance with professional guidance note PGN110 of the Actuarial Society of South Africa, allowance has also been made in the capital adequacy requirement for the potential detrimental impact of minimum investment return guarantees.

In determining the investment resilience capital adequacy requirement, it was assumed that a decline of 30% in equity asset values, 15% in property asset values and a change in the market value of fixed-interest securities commensurate with a 25% decrease (30 June 2010: 25% decrease) in fixed-interest yields would occur immediately.

The following management actions were assumed:

- Bonuses on the universal smoothed bonus business will be reduced by 2% - 3% per year relative to expected investment return for three years.
- No investment CAR is held in respect of ring-fenced conventional with profit funds (ex-Southern and ex-Sage) where it is assumed that, following an adverse CAR event, terminal bonuses payable to policyholders will be reduced.
- No removal of non-vested bonuses will be necessary to support policyholder bonus stabilisation accounts following a CAR event.

The management actions described above include the management actions assumed in the calculation of the liabilities, i.e. the actions necessary to eliminate any current negative bonus stabilisation accounts, as well as the additional management actions assumed to be taken following the shock scenarios in the capital adequacy requirement calculation.

The impact of the additional management actions assumed in the capital adequacy requirement (CAR) is shown below:

R million	30 June 2011	30 June 2010*	30 June 2010
CAR before management actions	4 988	5 711	5 782
Value of management actions	(1 136)	(1 952)	(1 952)
Reduction in future bonuses	(720)	(1 540)	(1 540)
Management actions on ring-fenced portfolios	(416)	(412)	(412)
Diversification impact on management actions	33	71	
CAR after management actions	3 885	3 830	3 830

*Alternative presentation

Investment risk in respect of discretionary participation business declined as a result of the improvement in the funding levels of the smooth bonus business. This was offset by allowing for less assumed management action leaving the net investment risk fairly stable.

The Momentum Group Limited Board has approved the assumptions regarding management action in the CAR calculation, and I am satisfied that these actions are likely to be taken if the adverse scenarios were to materialise.

DIRECTORS' RESPONSIBILITY AND APPROVAL

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors take responsibility for ensuring that these financial statements accurately and fairly represent the state of affairs of the company at the end of the financial year and the profits and losses for the year. The directors are also responsible for the accuracy and consistency of other information included in the financial statements.

To enable the directors to meet these responsibilities:

- The company financial statements are prepared by management; opinions are obtained from the statutory actuary of the life insurance company and the external auditors of the company.
- The board is advised by the audit committee and the actuarial committee of Momentum Group Limited, comprising only non-executive directors. The committees meet regularly with the auditors, the statutory actuary and the management of the company to ensure that adequate internal controls are maintained, and that the financial information complies with International Financial Reporting Standards. The internal auditors, external auditors and the statutory actuary of the company have unrestricted access to these committees.

To the best of their knowledge and belief the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures occurred during the year under review. The annual financial statements have been prepared in accordance with the provisions of the South African Companies Act, 2008, as amended, and the Long-term Insurance Act, 1998 as amended and comply with International Financial Reporting Standards and guidelines issued by the Actuarial Society of South Africa. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

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 audit report is presented on page 15.

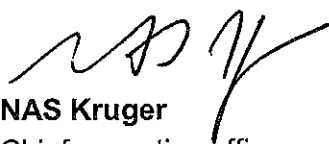
Momentum Group Limited is a wholly owned subsidiary of MMI Holdings Limited ("MMI"). The board of directors of Momentum Group Limited is the same as that of MMI.

As a consequence of the merger between Momentum Group Limited and Metropolitan Holdings Limited, MMI conducted an independent assessment of the application and implementation of King III, including current levels of compliance in respect of the guidance and oversight of risk, governance and compliance management across the group.

For details of this assessment and disclosure of the current levels of compliance by MMI with the King III Code, directors' shareholdings and group wide directors' emoluments, refer to the corporate governance report included in the MMI integrated report.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements, presented on pages 16 to 161, were approved by the board of directors on 13 September 2011 and are signed on its behalf by:

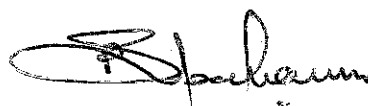


NAS Kruger

Chief executive officer

Centurion

13 September 2011



PE Speckmann

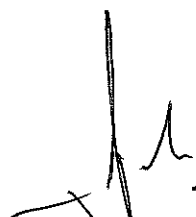
Finance director

Centurion

13 September 2011

CERTIFICATION BY THE COMPANY SECRETARY

In terms of Section 88 2(e) of the South African Companies Act, 2008, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.



FD Jooste

Company secretary

Centurion

13 September 2011

AUDIT COMMITTEE REPORT

The audit committee of MMI Holdings Limited ("MMI"), the company's holding company, acts also as audit committee for Momentum Group Limited.

The MMI audit committee has adopted new terms of reference which was approved by the MMI Board on 24 May 2011. The MMI audit committee has regulated its affairs in compliance with the terms of reference and has discharged all of the responsibilities set out therein.

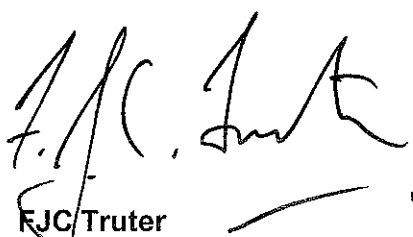
The terms of reference, including roles and responsibilities, was aligned with the requirements of King III and the new Companies' Act, 2008.

The audit committee considered the matters set out in section 94(8) of the Companies Act, 2008, and is satisfied with the independence and objectivity of the external auditors.

MMI Internal audit is an independent assurance function. The head of MMI Internal audit has a functional reporting line to the audit committee chairman and an operational reporting line to the MMI group financial director.

The audit committee is satisfied that there was no material breakdown in the internal financial controls of Momentum Group Limited during the financial year. This assessment is based on the results of a documented review performed at MMI Group level, information and explanations given by management and the MMI group internal audit function as well as discussions with the independent external auditors on the results of their audits.

The MMI audit committee considers that the annual financial statements comply, in all material respects, with the requirements of the Companies Act, 2008, and International Financial Reporting Standards.



FJC Truter

Chairman

Centurion

13 September 2011

REPORT OF THE INDEPENDENT AUDITORS

We have audited the annual financial statements of Momentum Group Limited, which comprise the directors' report, statement of financial position as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 16 to 161.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal controls as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the financial statements 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 30 June 2011, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc.

Director: Alsue du Preez

Registered Auditor

Johannesburg

13 September 2011

DIRECTORS' REPORT

The directors take pleasure in presenting their financial statements, which forms part of the audited financial statements of the company for the period ended 30 June 2011.

PRESENTATION OF FINANCIAL STATEMENTS

International Financial Reporting Standards (IFRS)

The annual financial statements of Momentum Group Limited, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these statements. The accounting policies of the company have been applied consistently to all periods presented unless otherwise stated. The impact of changes in accounting policies has been disclosed in note 37 of the financial statements, and comparative numbers have been restated accordingly. 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 company's accounting policies. Such judgements, assumptions and estimates are disclosed on pages 66 to 72.

Reclassifications in respect of the 2010 results

The company made reclassifications on the statement of financial position and the income statement which are set out in more detail in note 37 of the financial statements.

NATURE OF ACTIVITIES

Momentum Group Limited is a registered life insurance and financial services company that transact in life, group schemes, employee benefits, health insurance products and administration services, as well as medical aid scheme administration, asset management business and collective investment schemes. Some of these activities are conducted in subsidiary companies.

RESULTS OF OPERATIONS

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

Earnings attributable to equity holders for the period under review were R 1,721 million (2010: R 1,699 million) for the

SHARE CAPITAL

The company has not issued any shares during the year.

SHAREHOLDER DIVIDEND

Dividends declared and paid

Momentum Group Limited declared and paid R358 million in ordinary dividends and R33 million in preference dividends to FirstRand Limited during the current period (2010: R801 million in ordinary and R38 million in preference dividends). Momentum also declared and paid an ordinary dividend of R600 million during the year to MMI Holdings Limited (2010: Rnil).

Secondary tax on companies (STC)

The company is using the wholly owned subsidiary exemption in respect of secondary tax on companies (STC), and did not pay any STC in the year under review (2010: Rnil).

DIRECTORS' REPORT

(continued)

DIRECTORATE AND SECRETARY

Francois Derek Jooste has been authorised and appointed as Company Secretary for the full year under review. The list of directors is set out in note 43 of the annual financial statements.

DIRECTORS' SHAREHOLDING

The directors of the company held no shares, directly or indirectly, as at 30 June 2011. No changes occurred between the financial year-end and the approval of the financial statements.

DIRECTORS' EMOLUMENTS

The executive directors have standard employment contracts with the company or its subsidiaries, with notice periods of 1 to 3 months. There are no additional costs to the company. The aggregate remuneration of the directors is set out in note 43 of the financial statements.

HOLDING COMPANY

Momentum Group Limited is a wholly owned subsidiary of MMI Holdings Limited.

SPECIAL RESOLUTIONS

General meeting – 8 November 2010

At the general meeting of shareholders of the company held on 8 November 2010 a special resolution was approved in order to amend the Memorandum and Articles of Association, as required by the Johannesburg Stock Exchange prior to the merger between Momentum and Metropolitan.

EVENTS AFTER THE REPORTING PERIOD

No material events occurred between the reporting date and the date of approval of the annual financial statements.

COMPANY ACCOUNTING POLICIES

30 June 2011

Introduction

Momentum Group Limited ("Momentum") is a wholly owned subsidiary of MMI Holdings Limited, a company listed in the Republic of South Africa. The company provides long-term insurance and investment products to a variety of clients, and also provides employee benefits and property management services in the Republic of South Africa.

Momentum applied the following accounting policies in preparing its company financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

Momentum's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Early adoption of standards

The International Accounting Standards Board amended IAS12 - Income taxes in December 2010. The amendments introduce a rebuttable presumption that the carrying value of an investment property is recovered entirely through sale. The company chose to early adopt the amendments because this new accounting policy provides more reliable and relevant information for users as it represents more realistic tax consequences relating to investment property. The restatement resulted in an increase of policyholder liabilities under insurance contracts of R126 million (30 June 2010: R141 million) as at 1 July 2009 and an increase of the investments in subsidiaries of R126 million (30 June 2010: R141 million), representing the cumulative effect up to that date. The increase in the fair value income for the year ended 30 June 2010 was R15 million.

Changes in accounting policies

Momentum had the following accounting policy changes in order to align the historic accounting policies of Momentum and Metropolitan for consistency purposes:

- Owner-occupied properties were previously carried using the cost model. The policy for the company has now changed to the fair value model and as a result the value of owner-occupied properties at 1 July 2009 was increased by R364 million (30 June 2010: R421 million) and a deferred tax liability of R50 million (30 June 2010: R56 million) was raised. The owner occupied property revaluation reserve was increased by R314 million (30 June 2010: R365 million) and additional depreciation of R9 million was expensed for the year ended 30 June 2010.
- Actuarial gains and losses relating to employee benefit funds were previously recognised using the corridor method. The corridor method defers actuarial gains and losses and

recognises it over the service lives of employees. The policy of the company has now changed to recognising these actuarial gains and losses immediately in the income statement. This resulted in an increase in the employee benefit fund asset of R45 million (30 June 2010: Rnil), an increase in the deferred tax liability of R13 million (30 June 2010: Rnil) and an increase in retained earnings of R32 million (30 June 2010: Rnil) as at 1 July 2009. Fair value gains decreased by R45 million and the related deferred tax release in the income statement amounted to R13 million for the year ended 30 June 2010.

- Investment with discretionary participation features (DPF) contracts were previously accounted for as investment business with deposit accounting being applied. The policy for the company has changed to account for investment with DPF contracts as insurance business with premiums and claims being recorded in the income statement. This resulted in premiums and claims increasing by R1 895 million and R2 804 million respectively for the year ended 30 June 2010. Fair value adjustments on investment contract liabilities reduced by R110 million, fee income reduced by R177 million and the transfer from investment contract with DPF amounted to R977 million for the year ended 30 June 2010. The change had no impact on retained earnings and the carrying value of investment with DPF contract liabilities.

Published standards, amendments and interpretations effective for June 2011 financial year

The following published standards are mandatory for the company's accounting period beginning on or after 1 July 2010 and have been implemented in accordance with the transitional provisions of these standards:

- IFRS 2 – Share-based payment – Cash-settled share-based payment transactions. The amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The amendments incorporate IFRIC 8 - Scope of IFRS 2 and IFRIC 11 – Treasury share transactions. The entity receiving the goods and services will recognise the transaction as an equity-settled share-based payment transaction only if the awards granted are its own equity instruments or it has an obligation to settle the transaction. In all other circumstances, the entity will measure the transaction as a cash-settled share-based payment. These amendments had no impact on the company's financial statements.

Improvements project amendments

- IFRS 3 – Business combinations. This improvement clarifies the transition requirements for contingent consideration from a business combination that occurred before 1 July 2010; measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards.
- IFRS 5 – Non-current assets held for sale and discontinued operations. This improvement relates to the plan to sell the controlling interest in a subsidiary relating to non-current assets (or disposal groups) classified as held for sale or discontinued operations.

- IFRS 8 – Operating segments - Disclosure of information about segment assets. This improvement clarifies that the disclosure of segment assets is only required if such amounts are regularly provided to the chief operating decision-maker.
- IAS 1 – Presentation of financial statements - Current/non-current classification of convertible instruments. This improvement clarifies that the ability of the holder of convertible debt to force conversion does not automatically make the convertible debt current.
- IAS 7 – Statement of cash flows - Classification of expenditure on unrecognised assets. This improvement clarifies that only expenditures that result in the recognition of an asset can be classified as cash flows from investing activities.
- IAS 17 – Leases - Classification of leases of land and buildings. A lease that includes both land and buildings can be separated into two elements and each classified as appropriate i.e. land that was previously classified as an operating lease can now be classified as a finance lease.
- IAS 18 – Revenue recognition. Guidance has been provided to assess whether, in an agency relationship, an entity is acting as an agent or principal.
- IAS 27 – Consolidated and separate financial statements. This improvement provides the transition requirements for amendments arising as a result of IAS 27.
- IAS 36 – Impairment of assets - Unit of accounting for goodwill impairment test. This improvement clarifies that each unit or group of units to which goodwill is to be allocated for the purposes of impairment testing shall not be larger than an operating segment per IFRS 8, before any aggregation permitted by IFRS 8.
- IAS 39 – Financial instruments: Recognition and measurement amendments. The scope exemption for business combination contracts was narrowed and pre-payment penalties on loans are considered closely related to the host where it reimburses the lender for lost interest, therefore an embedded derivative should not be recognised separately.

These improvements did not have an impact on the company's financial statements.

Standards, amendments to and interpretations of published standards that are effective but not currently relevant to the company's operations

- IFRS 1 – First time adoption of International Financial Reporting Standards (Amendment) (effective from annual periods beginning on or after 1 January 2010 and 1 July 2010).
- IAS 32 – Financial instruments: Presentation – Classification of rights issues (effective from annual periods beginning on or after 1 February 2010).

- IFRIC 19 – Extinguishing financial liabilities with equity instruments (effective from annual periods beginning on or after 1 July 2010).

Standards, amendments to and interpretations of published standards that are not yet effective and have not been early adopted by the company

- IFRS 7 (Amendment) – Financial instruments: disclosures (effective from annual periods beginning on or after 1 July 2011)
- IFRS 9 – Financial Instruments (effective from annual periods beginning on or after 1 January 2013).
- IAS 24 (Amendment) – Related party disclosures (effective from annual periods beginning on or after 1 January 2011)
- IFRIC 14 (Amendment) – Prepayments of a minimum funding requirement (Amendment) (effective from annual periods beginning on or after 1 January 2011)
- AC 504 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment (effective from annual periods beginning on or after 1 January 2011)

Improvements project amendments

- IFRS 7 – Financial instruments: disclosures (effective from annual periods beginning on or after 1 January 2011)
- IAS 1 – Presentation of financial statements (effective from annual periods beginning on or after 1 January 2011)
- IAS 34 – Interim reporting (effective from annual periods beginning on or after 1 January 2011)
- IFRIC 13 – Customer loyalty programmes (effective from annual periods beginning on or after 1 January 2011)

Management is currently assessing the impact of these amendments and improvements but they are not expected to have a material impact on the company's financial statements.

Standards, amendments to and interpretations of published standards that are not yet effective and are not currently relevant to the company's operations

- IFRS 1 – First time adoption of IFRS – Severe hyperinflation and removal of fixed dates for first-time adopters (effective from annual periods beginning on or after 1 July 2011).

Improvements project amendments

- IFRS 1 – First time adoption of IFRS (effective from annual periods beginning on or after 1 January 2011)

Momentum adjusted comparative figures to conform to changes in presentation in the current year. For details refer to note 37 in the notes to the financial statements.

Momentum prepares its audited financial statements in accordance with the going concern principle using the historical cost basis, except for:

- Financial assets classified as available-for-sale and carried at fair value;
- Derivative financial instruments carried at fair value;
- Financial assets and liabilities held for trading purposes carried at fair value;
- Financial assets and liabilities designated to be carried at fair value through profit or loss;
- Investment properties carried at fair value;
- Financial liabilities under investment contracts carried at fair value;
- Policyholder liabilities under insurance contracts that are valued in terms of the Financial Soundness Valuation (FSV) basis as outlined under accounting policy 5 below;
- Investments in subsidiaries carried at fair value;
- Investments in associates carried at fair value;
- Employee benefit liabilities, which are valued using the projected unit credit method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Momentum's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in note 1.

All monetary information and figures presented in the financial statements are stated in millions of Rand (R million), unless otherwise indicated.

2. Investments in subsidiaries

2.1 Control

Subsidiaries are companies in which Momentum, directly or indirectly, has the power to exercise control over the operations for its own benefit. Momentum considers the existence and effect of potential voting rights that are presently exercisable or convertible in determining control. Momentum's holdings in collective investment schemes where Momentum has more than 50% of the economic interest and where Momentum has the power to exercise control over the operations for its own benefit, are accounted for as investments in subsidiaries. There is a certain amount of judgement required to determine whether Momentum exercises control or not.

2.2 Investments in subsidiaries designated at fair value through profit and loss

Investments in subsidiaries backing policyholder liabilities have been designated at fair value through profit and loss. The fair value movements are recorded in the "net fair value gains / (losses)" line in the income statement. Refer to accounting policy 4 below for the initial and subsequent measurement and the treatment of transactional costs of financial assets designated at fair value through profit and loss.

2.3 Investments in subsidiaries classified as available-for-sale

Investments in subsidiaries that do not back policyholder liabilities have been classified as available-for-sale. The fair value movements of these investments in subsidiaries are recorded directly against other comprehensive income. Refer to accounting policy 4 below for the initial and subsequent measurement and the treatment of transactional costs of financial assets classified as available-for-sale.

2.4 Investments in subsidiaries that will be disposed of in the near future

Investments in subsidiaries held exclusively with the view of disposal in the near future (12 months) are accounted for at the lower of fair value less the cost to sell and its carrying amount in terms of the requirements of IFRS 5. Refer to accounting policy 26.

2.5 Disposal of investments in subsidiaries

The disposal of investments in subsidiaries designated at fair value through profit and loss results in a zero profit or loss on disposal of subsidiary. When investments in subsidiaries classified as available-for-sale are sold, the cumulative amount that was accounted for against other comprehensive income is disclosed under realised gains in the income statement in the year the investment is sold.

3. Investments in associates

Associates are entities in which Momentum holds an equity interest of between 20% and 50%, or over which it has the ability to exercise significant influence, but does not control.

Momentum carries investments in associates at cost, except where the investments in associates back investment linked liabilities, in which case Momentum accounts for the investments in associates at fair value, and upon initial recognition designate these at fair value through profit and loss. Refer to accounting policy 4 below for the initial and subsequent measurement and the treatment of transactional costs of financial assets designated at fair value through profit and loss, and for the impairment of financial assets carried at amortised cost.

Investments held exclusively with the view of disposal in the near future (within 12 months) are not accounted for at cost or fair value, but are carried at the lower of fair value less cost

to sell and its carrying amount in terms of the requirements of IFRS 5. Refer to accounting policy 26.

Collective investment schemes in which Momentum has less than 50% of the economic interest, but significant influence through the management company, are accounted for as associates. Significant judgement is required to determine instances where Momentum exercises significant influence.

4. Financial instruments

4.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivative instruments, but exclude investments in associates, property and equipment, investment properties, policyholder liabilities under insurance contracts, deferred taxation, current income tax liabilities, intangible assets, provisions, reinsurance assets, deferred revenue liability and employee benefit liabilities.

Momentum recognises a financial asset or financial liability on its statement of financial position when, and only when, Momentum becomes a party to the contractual provisions of the instrument.

Momentum classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets; and
- available-for-sale financial assets

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. These gains or losses are separately disclosed as dividends, interest and fair value gains or losses. Unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised in the statement of comprehensive income, until the financial asset is derecognised or impaired, at

which time the cumulative gain or loss previously recognised in equity is recognised in the income statement as realised gains and losses from investment securities. However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established and are included in investment income.

Momentum recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received. Otherwise such transactions are treated as derivatives until settlement.

The fair value of financial assets quoted in active markets is based on current bid prices for listed securities and repurchase prices for collective investment schemes. The fair value of financial liabilities quoted in active markets are based on current ask/offer prices. Alternatively, it derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making maximum use of market inputs and relying as little as possible on entity specific inputs.

Financial instruments at fair value through profit or loss

This category has two sub categories: financial instruments held for trading, and those designated at fair value through profit or loss at inception.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial instruments are designated on initial recognition as at fair value through profit or loss to the extent that it produces more relevant information because it either:

- Results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- Is a company of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- Significant embedded derivatives that clearly require bifurcation.

The main financial assets and liabilities designated at fair value through profit and loss under the first bullet are:

- Policyholder assets and liabilities under investment contracts. The liabilities under linked investment contracts have cash flows that are contractually determined with reference to

the performance of the underlying assets. The changes in fair value of assets held in linked funds are recognised in the income statement.

Financial instruments designated under the second bullet include:

- Certain investment securities; and
- Financial assets held to meet liabilities under insurance contracts.

The amount of change in the fair value, during the period and cumulatively, of designated loans and receivables and designated financial liabilities that is attributable to changes in credit risk, is determined as the amount of change in fair value that is not attributable to changes in market conditions that gives rise to market risk, i.e. currency, interest rate and other price risk.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that Momentum intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that Momentum upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

These loans and receivables, including policy loans, are measured at amortised cost using the effective interest rate method. Receivables arising from insurance contracts are classified in this category and reviewed for impairment as part of this categories impairment.

Held-to-maturity financial assets

Held-to-maturity financial assets are non derivative financial assets with fixed or determinable payments, other than those that meet the loans and receivables definition, and fixed maturities that Momentum's management has the positive intention and ability to hold to maturity. When Momentum sells an insignificant amount of held-to-maturity financial assets , the entire category is tainted and reclassified as available-for-sale.

Momentum measures held-to-maturity financial assets at amortised cost using the effective interest rate method, less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Policyholder liabilities under investment contracts

Momentum accounts for policyholder liabilities under investment contracts at fair value through profit and loss. Refer to accounting policy 5 below for a detailed description of the valuation of policyholder liabilities under investment contracts.

Such liabilities are accounted for at fair value with the interest component and changes in fair value recognised in profit or loss under "Fair value adjustment to policyholder liabilities under investment contracts".

4.2 Embedded derivatives

Momentum treats derivatives embedded in financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in profit or loss.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

4.3 Derecognition of assets and liabilities

Momentum derecognises a financial asset when:

- the contractual rights to the asset expire,
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- Momentum 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.

Where Momentum retains substantially all the risks and rewards of ownership of the financial asset, Momentum continues to recognise the financial asset.

If a transfer does not result in derecognition because Momentum has retained substantially all the risks and rewards of ownership of the transferred asset, Momentum continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, Momentum recognises any income on the transferred asset and any expense incurred on the financial liability.

Where Momentum neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, Momentum determines whether it has retained control of the financial asset. In this case:

- if Momentum has not retained control, it derecognises the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if Momentum has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Momentum derecognises a liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

4.4 Impairment of assets

General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Assets carried at amortised cost

Momentum assesses at each statement of financial position date whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an adverse impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

Objective evidence that a financial asset or company of assets is impaired included observable data that comes to the attention of Momentum about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial assets because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a company of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the company including:
 - adverse changes in the payment status of issuers or debtors in the company; or
 - national or local economic conditions that correlate with defaults on the assets in the company.

Momentum first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If Momentum determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant

or not, it includes the asset in a company of financial assets with similar characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, Momentum may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e. asset type, industry, geographical location, and other relevant factors). Those characteristics are relevant to the estimation of future cash flows of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by Momentum to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

Available-for-sale financial assets

Momentum assesses at each statement of financial position date whether there is objective evidence that a financial asset or a company of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Non Financial Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are companyed at the lowest levels for which there are separately identifiable cash flows (cash generating units).

4.5 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include accounts payable, derivative financial instruments, other financial liabilities, policyholder liabilities under investment contracts and financial liabilities arising to third parties as a result of consolidating collective investment schemes.

Accounts payable

Accounts payable are initially carried at fair value and subsequently carried at amortised cost using the effective interest rate method. Payables in respect of insurance contracts are included in this category of financial liabilities.

4.6 Derivative financial instruments and hedging

Momentum initially recognises derivative financial instruments, including interest rate swaps, foreign exchange contracts and other derivative financial instruments, in the statement of financial position at fair value. Derivatives are subsequently re-measured at their fair value with all the movements in fair value recognised in profit or loss, except for cash flow hedges where fair value movement is recognised directly in equity. The ineffective portion of hedging instruments is also recognised in profit or loss.

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held.

The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models as appropriate. Momentum recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. 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 (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, Momentum recognises profits or losses on day one.

Where fair value is determined using valuation techniques whose variables include non observable market data, the difference between the fair value and the transaction price (the day one profit or loss) is deferred and released over the life of the instrument. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to income.

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. Momentum designates its derivatives as either:

- hedge of the fair value of recognised assets or liabilities or firm commitments (“fair value hedge”); or
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (“cash flow hedge”).

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

Momentum documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Momentum also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in net fair value losses or gains on assets. Any ineffectiveness is recorded in fair value losses or gains

on assets.

If the hedge, of an instrument carried at amortised cost, no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item is amortised to the income statement based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognised whereby it is released to the income statement.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value gains and losses in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where the forecasted transaction or a foreign currency firm commitment results in the recognition of a non financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non financial asset or liability. For financial assets and liabilities, Momentum transfers amounts deferred in equity to the income statement and classifies them as revenue or expense in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

4.7 Offsetting financial instruments

Momentum offsets financial assets and liabilities and reports the net balance in the statement of financial position where:

- there is a legally enforceable right to set off, and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

5. Insurance and investment contracts

Contracts issued by Momentum are governed by the South African Long Term Insurance Act 1998.

5.1 Classification of Contracts

The contracts issued by Momentum transfer insurance risk; financial risk or both. As a result of the differing risks transferred by contracts, for the purposes of valuation and profit recognition, contracts are divided into investment and insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk to Momentum, whereas investment contracts 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 unless the terms of the contract change to such an extent that it necessitates a change in classification.

Insurance Contracts

An insurance contract is one that transfers significant insurance risk to Momentum. Significant insurance risk exists when it is expected that the present value of benefit payable in terms of the policy on the occurrence of an insured event will be materially more than the amount payable, had the insured event not occurred. Financial penalties levied on early termination of policy contracts are not taken into account when classifying the contracts. If the difference between the benefit payable on an insured event and a non insured event arises solely from an early termination penalty, the contract is not classified as an insurance contract.

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.

Certain insurance contracts also contain discretionary participation features (DPF's).

A DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. These additional benefits have the following features:

- The benefits constitute a significant portion of the total contractual benefits payable under each policy;
- The timing and amount of the benefits are at the discretion of Momentum; and
- The benefits are contractually based on:
 - the investment performance of a specified pool of assets underlying a specified pool of contracts; or
 - a specified type of contract.

The following types of contracts issued by Momentum are classified as insurance contracts:

- Insurance policies providing lump sum benefits on death, disability or ill health of the policyholder. These contracts are issued for either a defined period or for the whole life of the policyholder;
- Life annuity policies where the policyholder transfers the risk of longevity to Momentum;
- Policies which provide for retrenchment or funeral cover; and
- Policies providing Permanent Health Insurance (PHI).

The terms of these contracts may also allow for embedded options. These include minimum guaranteed rates of investment return resulting in a minimum level of benefit payable at expiry of the contractual term, after allowing for the cost of risk cover. These embedded options are treated in terms of the company's policies in respect of embedded derivatives.

Insurance contracts and Insurance contract with DPF are within the scope of IFRS 4 and therefore accounted for in terms of the requirements of IFRS 4 Insurance Contracts.

Investment Contracts

These are contracts that transfer financial risk with no significant insurance risk. 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 prices or other variable.

For the purposes of valuation and profit recognition, investment contracts are further classified into the following sub categories:

Investment contracts with discretionary participation features (DPF)

An investment contract with DPF is an investment contract which contains a discretionary participation feature. The identification of a DPF in an insurance and investment contract is the same. The distinction between investment and insurance contracts hinges on the transfer of significant insurance risk as described in the "Classification of contracts".

These contracts fall within the scope of IFRS 4 and therefore are accounted for in terms of the requirements of IFRS 4.

The following types of contracts issued by Momentum are classified as investment contracts with DPF:

- Universal life smoothed bonus policies, where discretionary bonuses are added to the investment account annually.
- Reversionary bonus policies, where discretionary bonuses are added to a guaranteed sum assured, payable at the end of the contract term.

The carrying amount in respect of the DPF benefits is disclosed separately on the statement of financial position.

Investment contracts without DPF

These contracts fall within the scope of IAS 39: Financial Instruments: Recognition and measurement and are accounted for in terms of the requirements of IAS 39. Where the policyholder has an option to switch to an investment contract with DPF, the valuation and profit recognition of the contract is performed in line with other investment contracts without DPF. Investment contracts without DPF are further classified as:

- contracts with investment management service components; and
- contracts without investment management service components.

The following two sub sections further describe these two product companyings.

Contracts with Investment Management Services

These represent investment contracts with services provided to policyholders whereby Momentum undertakes to actively manage the investments of the policyholder over the lifetime of the policy contract.

The following types of contracts issued by Momentum are classified as investment contracts with investment management services:

- unit linked contracts, where lump sum benefits payable at the end of the contracts' terms are determined using unit values that reflect the fair value of the assets in the unitised fund underlying the company of policies, multiplied by the number of units attributed to the policyholder; and
- living annuities, where the number of units is payable to policyholders on a monthly basis. The monetary value of the monthly benefit payments is determined by the number of units paid to the policyholder, multiplied by a unit price determined by the fair value of underlying assets.

These contracts may incorporate embedded options, such as a minimum guaranteed rate of unit price increase credited to a policy over its lifetime. These embedded options are accounted for in terms of the company's accounting policy for embedded derivatives.

Contracts without Investment Management Services

These are investment contracts where Momentum does not actively manage the investments of the policyholder over the lifetime of each policy contract. Benefits are guaranteed at inception of the policy contract or linked to the performance of a specified index or pool of assets.

The following types of contracts issued by Momentum are classified as investment contracts where no investment management services are rendered:

- Guaranteed endowments, where a guaranteed benefit specified at the inception date of the policy is paid at the end of the contract term.
- Certain structured products, where the benefit payable at expiry of the contract is linked to a published market index.

5.2 Valuation and Recognition

Insurance contracts (with and without DPF) and investment contracts with DPF

The next section provides detail in respect of the general valuation and profit recognition principles in respect of insurance contracts (with and without DPF) and investment contracts with DPF. The sections following thereafter give more detail on how these valuation assumptions are applied to particular product lines falling within the category.

Principles of valuation and profit recognition

Under IFRS 4, liabilities in respect of insurance and investment (with DPF) contracts are valued according to the requirements of the South African Long Term Insurance Act (1998) and in accordance with professional guidance notes (PGN's) issued by the Actuarial Society of South Africa (ASSA). Of particular relevance to the liability calculations, are the following actuarial guidance notes:

PGN 104 (Jan 2005): Life Offices – Valuation of Long Term Insurers

PGN 110 (Dec 2007): Reserving for minimum investment return guarantees (Momentum early adopted the principles on the calculation and disclosure of minimum investment return guarantees)

PGN 102 (Mar 1995): Life Offices – HIV/AIDS

PGN 105 (March 2007): Recommended AIDS extra mortality bases

PGN 106 (Jul 2005): Actuaries and Long Term Insurance in South Africa

These guidance notes are available on the website of the Actuarial Society of South Africa (www.actuarialsociety.co.za).

Valuation

Liabilities are valued in terms of the financial soundness valuation (“FSV”) method as described in PGN 104, issued by the Actuarial Society of South Africa.

The FSV method measures the liability at the amount of the best estimate of the future cash flows relating to the insurance contracts plus certain compulsory and discretionary margins. This methodology is applied to each product type depending on the nature of the contract and the associated risks. The application of this methodology to each significant product type is described below.

The best estimate of the future cash flows takes into account current and expected future experience, as well as revised expectations of future income, claims and expenditure. The

assumptions are applied to the whole in force policy book. Differences between the assumptions used at the start and the end of the accounting period give rise to a revised liability quantification.

The effect of policyholder options that would result in a decrease in liabilities were excluded from the liabilities in order to prevent unnecessarily reducing the liabilities. Policyholder options that would result in an increase in the liabilities were incorporated into the valuation on a best estimate basis, as described above.

The expected level of early terminations is incorporated into the liabilities irrespective of whether this leads to an increase or a decrease in the liabilities.

If future experience under a policy contract is exactly in line with the assumptions employed at inception of the contract, the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins.

In addition to the profit recognised at the origination of a policy contract, and the unwinding of margins as Momentum is released from the risk, any differences between the best estimate valuation assumptions and actual experience over each accounting period also give rise to profits and losses. These profits and losses emerge over the lifetime of a policy contract. Other sources of profit or loss include the change in liabilities from basis changes (changes in long-term valuation assumptions), profits on company business that are recognised as earned and shareholders' share of the cost of bonus for certain segregated DPF pools. Whenever Momentum declares a bonus to policyholders on these funds, shareholders receive a portion of the bonus as earnings. A typical split is 90% of the distribution going to policyholders and 10% to shareholders.

Recognition

Premiums

Premiums receivable from insurance contracts and investment contracts with DPF are recognised as revenue in profit or loss, gross of commission and reinsurance premiums and excluding taxes and levies. Premiums and annuity considerations on insurance contracts and investment contracts with DPF are recognised when they are due in terms of the contract. Premium income received in advance is included in trade and other payables (including insurance payables).

Benefits and claims

Insurance benefits and claims incurred under insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in profit or loss gross of any related reinsurance recoveries. Death, disability and surrender claims are recognised when notified. Maturity and annuity claims are recognised when they are due for payment in terms of the contract. The estimate of the expected

settlement value of claims that are notified but not paid before the statement of financial position date is included in trade and other payables (including insurance payables).

Reinsurance premiums

Reinsurance premiums are recognised as an expense in profit or loss when they become due for payment, in terms of the contracts at the undiscounted amounts payable in terms of the contract.

Reinsurance recoveries

Reinsurance recoveries are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

Liability adequacy test for business for prospective liabilities

Where the liability is calculated based on the present value of the future cash flows in terms of the accounting policies described above, the valuation method projects future net income and discounts it back to the valuation date to arrive at the liability. The methodology ensures that the liability will by definition be adequate (provided that the assumptions employed are appropriate) and no additional liability adequacy test is required.

Liability adequacy test for retrospective liabilities

For liabilities measured retrospectively a liability adequacy test is performed in order to verify that the liability is sufficient to cover future claims and servicing expenses after the expected future income over the remaining contractual lifetime.

Acquisition costs

Acquisition costs, disclosed as sales remuneration, for insurance contracts and investment contracts with DPF include all commission and expenses directly related to acquiring new business and are expensed in profit and loss when incurred. The Financial Soundness Valuation methodology implicitly creates a DAC asset by reducing the liabilities to the extent of margins included in the premium which are intended to recover acquisition costs. Thus, no explicit deferred acquisition cost asset is recognised in the statement of financial position for contracts valued on this basis.

Application of the above valuation methodology to individual product lines

The preceding paragraphs highlighted the principles followed in valuation and profit recognition in respect of insurance and investment (with DPF) contracts. The next section outlines how these principles are applied to the main product lines within this category. The main product lines are:

- Universal life unit linked or smoothed bonus policies: These policies have unit accounts, similar to unit trust investments. The policies might offer additional life or disability cover. The benefit structure might be a DPF, or unit linked to the fair value of the assets supporting the liabilities. On expiry of the contracts, the fair value of units is paid to policyholders.
- Immediate annuities, which provide regular payments (usually monthly) to policyholders. 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.
- Employee Benefits insurance business: The main products on offer within this category are company Permanent Health Insurance (PHI) cover, which provides regular annuity benefits while an insured is disabled, Consumer Price Index (CPI) linked annuities, as well as lump sum death and disability benefits.
- Employee Benefits investment business: Two DPF unitised pooled funds are offered to policyholders.
- Conventional (reversionary bonus or non profit) policies: These policies do not have unit accounts like universal life products, but rather provide a guaranteed sum assured at death or maturity. The guaranteed payment is augmented by discretionary bonuses if the contract has DPF features. The difference between conventional and universal life DPF policy types is that, on universal life policies, annual bonus additions are made to the policy's investment account, whereas additions of bonuses on conventional policies are made to the lump sum payable on death or maturity.

Universal life unit linked or smoothed bonus policies

Liabilities for individual smoothed bonus and market related "unit linked" business are set equal to the fair value of assets held by the policyholder at the statement of financial position date. This is the so called unit liability. In addition, the present value of expected future cashflows (income less outgo) in respect of each policy is added or deducted from the unit liability to arrive at the total liability in respect of each universal life policy contract. This adjustment represents the so called Rand liability. If future income is expected to exceed future outgo under a universal life policy contract, the Rand liability is negative, whereas it is positive if future outgo is expected to exceed future income.

Projected future outgo includes claims payments and maintenance expenses, whereas projected future income includes deductions of risk premium and other charges. In performing the projections of future income and outgo, allowance is made for future growth in unit account values at a level consistent with the assumed future market related investment return, after allowing for contractual expense charges and taxation.

Future additions of bonuses to smoothed bonus policies are projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and taxation.

In respect of smoothed bonus universal life policies, bonus stabilisation accounts are also held. More detail about these provisions is given in the section below.

Policies with a DPF switching option

On some new generation investment contracts, policyholders have a choice of a wide range of investment funds, including a DPF fund. Policyholders also have the option to switch, without penalty, between smoothed bonus and unit linked funds within the same policy structure. The DPF portions of these policies are valued, using the FSV valuation methodology applicable to universal life DPF policies (as described above), but the capitalised value of discounted charges (net of expenses) on each policy is limited to the value of the DAC asset less deferred revenue liability (DRL) liability that would have been held, had the whole policy been classified as an investment without DPF investment contract. This is done so that switches between unit linked and smoothed bonus components do not give rise to discontinuities in liabilities held against these contracts.

The practical implication of this treatment is that liabilities and profit recognition on these products are the same as “investment without DPF contracts” although they are classified as investment with DPF contracts.

Immediate annuities

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 statement of financial position 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. Explicit liabilities are set aside for expected credit losses, to avoid a reduction in liabilities caused by capitalisation of credit spreads.

Conventional (reversionary bonus or non profit) policies

The liabilities for conventional policies are calculated as the difference between the present values of projected future benefits and expenses, and the present value of projected future premiums, using the best estimate rate of return, plus prescribed margins as per PGN 104. It is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

Profits arising on conventional policy contracts are recognised as described above.

Employee Benefits insurance business

The main liability types in respect of this class of business are:

- Discounted cashflow liabilities for Permanent Health Insurance (PHI) claims in payment and CPI linked annuities
- The liability related to the claims which relate to insurance events which have occurred before year end and thus have been incurred but have not been reported to Momentum, is known as the Incurred but not reported (IBNR) liability claims on company risk benefits
- Unearned premium provisions in respect of risk exposure remaining after the statement of financial position date (where premiums relating to the risk have been received before the statement of financial position date), included in accounts payable.
- CPI linked annuities

The liabilities for PHI and other annuity claimants and funeral paid up benefits are calculated using a prospective cash flow method, discounted at a discount rate consistent with the average term of the liabilities and market yields on the assets supporting the liabilities.

Liabilities in respect of IBNR claims are determined, using a basic triangulation or chain ladder method to derive, from past claims run-off patterns, an estimate of the amount of claims that have been incurred but not yet reported. The liability is undiscounted.

An unearned premium provision is also held in respect of the portion of premiums received that relate to future risk exposure, which is assumed to be constant over the premium term. This liability is released to profit as Momentum is released from the risk associated with the contracts. These liabilities are measured at the undiscounted value because of the short-term nature of the liabilities.

Group CPI linked annuities are valued in the same way as CPI linked annuities on individual life business.

Profits arising on company risk contracts are recognised as premiums received less claims and expenses paid, plus or minus the move in the IBNR and unearned premium provisions over the relevant accounting period.

Employee benefits investment business (with DPF)

The liability in respect of company investment (with DPF) business is set equal to the fair value of the assets supporting the liabilities. The liability comprises the face value of policyholders' balances, plus a bonus stabilisation account. No discounting of future cashflows (such as premiums, claims and expenses) is performed in respect of this class of business.

Policyholder bonus stabilisation accounts

DPF liabilities (insurance and investment) are adjusted by policyholder bonus stabilisation accounts. Bonus stabilisation accounts have been introduced under the general description of policy contracts issued by Momentum in the section preceding the accounting policies.

If the fair value of the assets underlying a smoothed bonus or conventional with profit portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation account is created which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation account is created. A negative bonus stabilisation account will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long term assumptions. Negative bonus stabilisation accounts in excess of 7.5% of the investment accounts are disclosed.

The purpose with bonus stabilisation accounts is therefore to allocate all investment surpluses or deficits to policyholders after deduction of all related contractual charges.

The policyholder bonus stabilisation accounts in respect of the closed Lifegro portfolio and Southern Pre 84 segregated portfolio are set equal to the policyholders' full future entitlement to the assets in these portfolios (which includes not only investment surpluses, but other sources of surplus as well), as per the respective profit share agreements between policyholders and shareholders.

Bonus stabilisation accounts are included in policyholder liabilities under insurance contracts and investment with DPF contracts.

Guaranteed maturity value liabilities

A number of contracts contain embedded derivatives in the form of guaranteed maturity values. The liability in respect of these guarantees is calculated using stochastic modelling techniques, whereby assets and liabilities are projected into the future under a range of possible future investment return scenarios. The expected present value of the cost of the guarantee over and above base liabilities is taken as the liability in respect of the guarantee.

The modelling approach is governed by professional guidance note PGN 110 (R), which sets minimum criteria that the stochastic model should adhere to, being minimum numbers of simulations to be performed and minimum variability characteristics of the stochastic input parameters. The model uses assumptions that are market consistent.

Other options and guarantees

The best estimates used to determine the value of the liabilities include estimates that take into account maturity, mortality and disability guarantees, as well as expected lapses and surrenders.

Discretionary margins

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 company.

The main discretionary margins utilised in the valuation are as follows:

- Additional bonus stabilisation accounts are held to provide an additional layer of protection for policyholders against the risk of removal of non vested bonuses caused by fluctuations in the values of assets backing smoothed bonus liabilities. This account is in addition to the policyholder bonus stabilisation account described elsewhere, and is not distributed as bonuses to policyholders under normal market conditions. The size of this account is monitored according to the results of stochastic modelling of the investment risk. Excess assets over the size indicated by the results of the stochastic modelling are released as profit.
- For the closed Lifegro portfolio and segregated portion of the Southern Life book, appropriate liabilities are held to reverse the capitalisation of future profits to ensure that the Lifegro profits are recognised in line with the terms of the Lifegro take over agreement and the statute of the Old Southern Segregated Fund.
- An additional margin is held to reduce the risk of future losses, caused by the impact of market fluctuations on capitalised fees and on the assets backing guaranteed liabilities. This liability is built up retrospectively and released if adverse market conditions cause a reduction in the capitalised value of fees or in the value of assets backing guaranteed liabilities.
- Additional prospective margins are held in respect of 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 company.
- An additional margin is held in respect of the investment return assumption used to value annuity benefit payments (both company and individual business). These liabilities are discounted at the risk free rate and the additional margin is held to reflect the potential for credit spreads widening and parameter risk associated with the long end of the yield curve and are related to the extent of corporate debt backing liabilities and the uncertainties relating to long dated liabilities.

Investment contracts without DPF, with provision of investment management services

Momentum classifies investment contracts without DPF, with provision of investment management services as designated at fair value through profit or loss. Under this category,

Momentum issues unit linked contracts, where benefits payable are determined using unit values that reflect the fair value of the assets in the unitised fund underlying the company of policies, multiplied by the number of units attributed to the policyholder. Policyholder liabilities for this class of business are set equal to the fair value of the assets in the unitised fund underlying the company of policies, as reflected in the value of units held by each policyholder at the valuation date. The minimum value of the policyholder liability is the fair value of the units that reflect the fair value of the assets in the unitised fund, multiplied to the number of units that the policyholder is entitled to.

Amounts received and benefits paid

Amounts received under investment contracts, being additional investments by the policyholders, are recorded as deposits to investment contract liabilities, whereas benefits incurred are recorded as deductions from investment contract liabilities.

Service fee income on investment management contracts is recognised as and when the services are rendered. Service fee income includes policy administration fees, surrender charges and bid offer spreads on premium allocations. The surrender charges are applied based on regulation 5 issued by the Financial Services Board.

Deferred revenue liability (DRL)

A DRL is recognised in respect of fees paid at the inception of the contract by the policyholder which 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 value of the DRL is recognised in revenue.

Deferred acquisition cost asset (DAC asset)

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life 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 value of the DAC is recognised as an expense in profit or loss. Amortisation of the DAC is done separately for each policy contract. An impairment test is conducted annually at the 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.

Onerous contracts

Momentum recognises a provision for an onerous contract, when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

Profit recognition

Profits or losses that accrue to shareholders in respect of investment contracts where investment management services are rendered are equal to fees received during the period concerned plus the movement in the DAC asset and DRL liability, less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision was made for the fair value of the embedded option. The valuation methodology is the same as the methodology applied to investment guarantees on insurance contracts.

Investment contracts without DPF, without provision of investment management services

Momentum issues single premium investment contracts with fixed and guaranteed terms under this category (guaranteed endowments and term certain annuities)

Valuation

The liabilities of endowments with guaranteed maturity values are fair valued using a valuation model, as the policies are not traded in an active market. The 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 that a market participant would consider, including the passing of time.

Embedded derivatives in insurance contracts

Momentum does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through profit or loss.

Reinsurance contracts

Contracts entered into by Momentum with reinsurers under which it is compensated for losses on one or more contracts issued by Momentum 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 Momentum is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified as loans and receivables), as well as long 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 reinsurance contract.

Reinsurance liabilities consist of premiums payable for reinsurance contracts and are recognised as an expense when due.

Momentum assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, Momentum reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the period. Momentum gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, Momentum reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. Momentum gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated following the same method used for these financial assets.

6. Foreign currency translation

Initially, transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Thereafter, assets and liabilities are translated at the closing exchange rate at each reporting date, with the resulting foreign exchange gain or loss included in the fair value gains and losses in the income statement.

7. Borrowing costs

Momentum capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

8. Direct and indirect taxes

Direct taxes include South African corporate tax payable, as well as secondary tax on companies (STC) and capital gains tax. Momentum is a wholly owned subsidiary of MMI Holdings Limited, and utilises the wholly-owned subsidiary exemption in respect of dividends paid to MMI Holdings Limited for which it does not have STC credits (dividends received). Therefore, no liability for the payment of STC arises in Momentum.

Indirect taxes include various other taxes paid to central and local governments, including value added tax and regional services levies.

Indirect taxes are disclosed as part of operating expenditure in the income statement.

The charge for current tax is based on the results for the year as adjusted for items that are non taxable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the statement of financial position date.

Taxation in respect of the South African life insurance operations is determined using the four fund method applicable to life insurance companies.

9. Recognition of assets

9.1 Assets

Momentum recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

9.2 Contingent assets

Momentum discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it but this will only be confirmed by the occurrence or non occurrence of one or more uncertain future events which are not wholly within Momentum's control.

10. Liabilities, provisions and contingent liabilities

10.1 Liabilities and provisions

Momentum recognises liabilities, including provisions when:

- It has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- A reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

10.2 Contingent liabilities

Momentum discloses a contingent liability when:

- It 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 Momentum; or
- It has a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability

11. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise:

- Cash on hand;
- Money at call and short notice;
- Balances with banks.

Cash and cash equivalents have a maturity date of less than 3 months from the date of acquisition. They are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

12. Property and equipment

Momentum carries property and equipment at historical cost less depreciation and impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Momentum and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property and equipment are depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

The periods of depreciation used are as follows:

Computer equipment	3 years
Furniture and fittings	3 years
Motor vehicles	5 years
Office equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss on disposal.

13. 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 (more than 10%) of the property, it is classified as an owner-occupied property.

Owner-occupied properties are stated at revalued amounts, being fair value reflective of market conditions at the reporting date less accumulated depreciation.

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. Properties are valued annually externally by an independent valuator.

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 company 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.

Owner-occupied properties are depreciated on a straight-line basis, to allocate their revalued amounts less their residual values over their estimated useful lives. Land is not depreciated. The residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

The periods of depreciation used are as follows:

Owner occupied properties	
Building and structures	50 years
Mechanical & electrical	20 years
Sundries	20 years

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. Any difference between the depreciation charge on the revalued amount and the amount which would have been charged under historic cost is transferred, net of any related deferred tax, between the revaluation reserve and retained earnings as the property is utilised.

14. Investment properties

Momentum classifies investment properties as properties held to earn rental income and/or for capital appreciation that are not occupied by the company.

Investment properties comprise freehold land and buildings and are carried at fair value. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available the company uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by a combination of independent and internal valuation experts. Investment property that is being redeveloped for continuing use as investment property, or for which that market has become less active, continues to be measured at fair value.

Property located on land that is held under operating lease is classified as investment property as long as it is held for long term rental yields and is not occupied by the company. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. Subsequent to initial recognition the property is measured at fair value.

When investment properties become owner occupied, Momentum reclassifies it to property and equipment, using the fair value at the date of reclassification as the cost, and depreciates it on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Fair value adjustments on investment properties are included in profit or loss as net fair value gains on assets. These fair value gains or 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.

15. Leases

15.1 Momentum is the lessee

Finance leases

Momentum classifies leases of property, plant and equipment where it assumes substantially all the benefits and risks of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. Momentum allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is recognised in profit or loss over the lease period. The property and equipment acquired are depreciated over the useful life of the asset, unless it is not probable that Momentum will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

Operating leases

Momentum classifies leases as operating leases where the lessor effectively retains the risks and benefits of ownership. It charges operating lease payments in profit or loss on a straight line basis over the period of the lease. Minimum rentals due after year end are reflected under commitments.

Momentum recognises as an expense any penalty payment to the lessor for early termination of an operating lease before the lease period has expired, in the period in which termination takes place.

15.2 Momentum is the lessor

Operating leases

Momentum includes properties leased out under operating leases under investment properties in the statement of financial position. It does not depreciate these investment properties. Rental income is recognised on a straight line basis over the period of the lease.

16. Intangible assets

16.1 Computer software development costs

Acquired computer software costs are capitalised. These costs include the acquisition costs and the costs to bring the specific software to use. These costs are amortised on the basis of the expected useful life of between three to a maximum of twenty years.

Momentum generally expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for Momentum exceeding the costs incurred for more than one financial period, Momentum capitalises such costs and recognises it as an intangible asset.

Momentum carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years.

Management reviews the carrying value wherever objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in profit or loss when incurred.

16.2 Value of in force business

As a result of certain acquisitions of insurance contracts, Momentum carries an intangible asset representing the present value of in force business acquired, gross of tax, with a separate deferred tax liability being carried on the statement of financial position. Momentum amortises the value of in force business intangible asset over the expected life of the contracts acquired. The estimated life is evaluated annually. This intangible asset is carried in the statement of financial position at fair value less any accumulated amortisation. The value of the in force business is not subject to impairment but is subject to the annual liability adequacy test that is performed on the insurance liabilities.

17. Deferred taxation

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the

financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Momentum recognises deferred tax assets if Momentum considers it probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from the difference between statutory and published policyholder liabilities, the zeroisation of negative rand reserves, the tax treatment of the deferred acquisition cost asset and the deferred revenue liability, the depreciation of property and equipment, revaluation of certain financial assets and liabilities, provisions and tax losses carried forward.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by Momentum and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value remeasurement of available-for-sale financial assets and cash flow hedges, which are included in the statement of comprehensive income, is also included in the statement of comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the use rate if the property is considered to be a long term strategic investment or at the capital gains effective rate if recovery is anticipated to be mainly through disposal.

18. Employee benefits

18.1 Post retirement benefits

Momentum operates defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds. Defined contribution plans are those plans where each member's fund value is directly linked to his/her contributions and the investment return on these contributions. This direct link does not exist for defined benefit plans. The pension plans are generally funded by payments from employees and Momentum, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the liability is assessed using the projected unit credit method. Assets in both the defined benefit plans and defined contribution plans are carried at fair value.

The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high-quality corporate bonds (where there is no deep corporate bond market, the interest rate of government bonds is used) that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as and when they arise. Actuarial gains and losses can occur as a result of changes in the value of liabilities (caused by changes in the discount rate used, expected salaries or number of employees, life expectancy of employees and expected inflation rates) and changes in the fair value of plan assets (caused as a result of the difference between the actual and expected return on plan assets).

Past-service costs are recognised immediately in the income statement, unless the changes to the pension fund are conditional on the employees remaining in service for a specified period of time, known as the vesting period. In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

An accounting surplus may arise when the present value of the defined benefit obligation less the fair value of plan assets plus/minus any unrecognised amounts permitted by IAS 19 – Employee Benefits yields a debit balance. In such circumstances, the debit balance recognised as an asset in the company's statement of financial position cannot exceed the sum of (i) unrecognised net costs and (ii) the present value of any economic benefits available to the company in the form of refunds or reductions in future contributions. In determining the extent to which economic benefits are available to the company the following is applied:

- Where the rules of the fund are silent regarding statutory surplus allocations (i.e. statutory surplus allocations are made at the discretion of the trustees) the asset recognised is the balance of any employer surplus account at the reporting date (limited to the accounting surplus) less any costs that would be incurred upon realisation.
- Where the rules of the fund indicate that all statutory surpluses are to be allocated to the employer, the asset recognised is the accounting surplus at the reporting date less any costs that would be incurred upon realisation.
- Where the rules of the fund indicate that all statutory surpluses are to be allocated to the members of the fund, the asset recognised is the balance of any employer surplus account at the reporting date (limited to the accounting surplus) less any costs that would be incurred upon realisation.
- Where the rules of the fund indicate that all statutory surpluses are to be allocated in a specified proportion between the employer and members of the fund, the asset recognised is the accounting surplus at the reporting date less any costs that would be incurred upon realisation.

18.2 Post retirement medical benefits

In terms of certain employment contracts, Momentum provides for post retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. IAS19 (Employee benefits) requires that the assets and liabilities in respect thereof be reflected on the statement of financial position.

The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completing a minimum service period. Qualified actuaries perform annual valuations.

18.3 Termination benefits

Momentum recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. Momentum has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

18.4 Leave pay liability

Momentum recognises in full employees' rights to annual leave entitlement in respect of past service.

18.5 Recognition of actuarial gains and losses

Recognition of actuarial gains or losses occurs as a result of:

- increases or decreases in the present value of defined benefit plan liabilities;
- increases or decreases in the fair value of plan assets; or
- a combination of the above.

Increases or decreases in the fair value of liabilities can be caused by changes in the discount rate used, expected salaries or number of employees, life expectancy of employees and expected inflation rates.

Increases or decreases in the fair value of plan assets occur as a result of the difference between the actual and expected return on the plan assets.

18.6 Management and staff bonuses

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

19. Share capital

19.1 Share issue costs

Shares are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options on equity instruments are shown as a deduction from equity. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are deducted from equity.

19.2 Dividends paid

Dividends on ordinary shares are recognised against equity in the period approved by the company's shareholder. Dividends declared after the statement of financial position date are not recognised but disclosed as a post statement of financial position event.

19.3 Preference shares

Shares are classified as equity when there is no obligation to transfer cash or other assets. The dividends on these preference shares are recognised in the statement of changes in equity.

20. Other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings (with the exception of the callable notes, which are listed on the Bonds Exchange of South Africa and carried at fair value) are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Momentum separately measures and recognises the fair value of the debt component of a convertible bond under liabilities, with the residual value separately allocated to equity. It calculates interest on the debt portion of the instrument based on the market rate for a non convertible instrument at the inception thereof.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

21. Fiduciary activities

Momentum excludes assets and the income thereon, together with related undertakings to return such assets to customers, from this financial statements where it acts in a fiduciary capacity such as nominee, trustee or agent for which a fee is earned.

22. Securities lending arrangements

The financial statements reflects securities sold subject to a linked repurchase agreement ("repos") as investment securities. These instruments are recognised at fair value through profit or loss.

Because any scrip out on loan is subject to a repurchase agreement, the loan agreement is recorded at the same value as the underlying scrip and no sale of scrip is recorded.

23. Revenue recognition

23.1 Fee income

Fee income is recognised in the income statement 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.

23.2 Investment income

Investment income comprises interest, dividends and rental income. Momentum recognises dividends when the right to receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

Momentum recognises interest income when the right to receive payment is established. Interest income and expense for instruments measured at amortised cost are recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

Rental income is recognised in accordance with Momentum's accounting policy in respect of operating leases where Momentum is the lessor as described on accounting policy 14.2.

24. Expenses for marketing and administration

Administration expenses include head office and branch administration expenditure, marketing and development expenditure as well as all other non commission related expenditure, and are expensed as incurred.

25. Share based payment transactions

Share based payment transactions

Momentum operates equity settled and cash settled share based compensation plans for employees and historically disadvantaged individuals and organisations. All compensation plans are recognised in accordance with the accounting policy depending on whether it meets the equity-settled or cash-settled definition.

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, Momentum measures the goods or services received as either an equity settled or cash settled share based payment transaction by assessing the nature of the awards and its own rights and obligations.

Momentum 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 entity has no obligation to settle the share based payment transaction.

In all other circumstances, Momentum measures the goods or services received as a cash settled share based payment transaction.

Where group transactions involve repayment arrangements that require Momentum to pay another group entity for the provision of a share based payment, the intragroup repayment arrangements do not affect the classification of the share based payment transaction as cash or equity settled.

Equity-settled share based compensation plans

Momentum expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to distributable reserves in the statement of changes in equity, as a contribution from the parent as Momentum's holding company grants the benefits to Momentum employees. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each statement of financial position date, Momentum revises its estimate of the number of

options expected to vest. Momentum recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to distributable reserves.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled share based payment compensation plans

Momentum measures the services received and liability incurred in respect of cash settled share based payment plans at the current fair value of the liability. Momentum remeasures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

26. Non current assets held for sale

Non current assets 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 or disposal groups are available for immediate sale.

In light of the company's primary business being the provision of insurance and investment products, non current assets held as investments 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 company is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the non current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in profit or loss.

The non current assets and disposal group held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal company at that date, will be the lower of:

- its carrying amount before the asset or disposal company was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal company not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

27. Segment reporting

Momentum defines a segment as a distinguishable component or business that provides either:

- unique products or services (“business segments”); or
- products or services within a particular economic environment (“geographical segments”), subject to risk and rewards that are different from those of other segments.

Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The company accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices. Tax is allocated to a particular segment on a pro-rata basis.

Funding is provided to business units and segments based on internally derived transfer pricing rates taking into account the funding structures of the company.

28. Dividends in specie

Dividends declared in specie are valued at the agreed upon transaction price with the holding company. It is recorded on the date that the rights and obligations of the assets are transferred to the holding company.

MOMENTUM GROUP LIMITED

INCOME STATEMENT

for the year ended 30 June

R million	Notes	2011	Restated 2010
Insurance premium revenue	2	9,996	9,838
Insurance premium ceded to reinsurers	2	(1,480)	(714)
Net insurance premium revenue		8,516	9,124
Fee income	3	1,654	1,501
Investment income	4	8,482	8,178
Net fair value gains on assets	4	12,117	10,105
Net income from operations		30,769	28,908
Insurance benefits	5	(11,121)	(9,936)
Insurance benefits recovered from reinsurers	5	1,167	703
Transfer to policyholder liabilities under insurance contracts	29	(1,434)	(1,828)
Transfer from policyholder liabilities under investment contracts with DPF	30	49	977
Net insurance benefits and claims		(11,339)	(10,084)
Fair value adjustment to policyholder liabilities under investment contracts	30	(11,568)	(11,650)
Expenses for the acquisition of insurance and investment contracts	6	(2,054)	(1,556)
Expenses for marketing and administration	7	(2,358)	(2,095)
Net insurance benefits, claims and expenses		(27,319)	(25,385)
Results of operating activities		3,450	3,523
Finance costs	8	(1,062)	(1,114)
Profit before tax		2,388	2,409
Taxation	9	(667)	(710)
Profit for the year		1,721	1,699
Profit for the year		1,721	1,699
Attributable to ordinary shareholders		1,688	1,661
Attributable to preference shareholders		33	38

MOMENTUM GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million

	Notes	2011	Restated 2010
Profit for the year		1,721	1,699
Other comprehensive income			
Revaluation of available-for-sale financial assets to fair value	10	12	70
Revaluation of investment in subsidiaries to fair value	10	(1 106)	(394)
Revaluation of owner occupied properties	10	39	68
Other comprehensive income for the year before tax		(1 055)	(256)
Income tax relating to components of other comprehensive income	10	(41)	(6)
Other comprehensive income for the year after tax		(1 096)	(262)
Total comprehensive income for the year		625	1,437
Total comprehensive income for the year attributable to:			
- Ordinary shareholders		592	1,399
- Preference shareholders		33	38
Total comprehensive income for the year		625	1,437

MOMENTUM GROUP LIMITED
STATEMENT OF FINANCIAL POSITION

as at

R million		30 June 2011	Restated 30 June 2010	Restated 1 July 2009
	Notes			
ASSETS				
Cash and cash equivalents				
Derivative financial instruments	12	10,290	10,645	19,850
Loans and receivables (including insurance receivables)	13	1,542	1,173	1,289
Investment securities - Financial instruments	14	4,551	4,688	4,939
- available-for-sale				
- designated fair value through profit or loss	15	4,696	2,866	1,988
Investments in associates	15	137,450	118,134	95,462
- designated fair value through profit or loss				
- at cost	17	3,659	6,528	7,473
Investments in subsidiaries	17	239	276	163
Property and equipment	18	26,946	30,491	28,817
Owner occupied properties	19	58	50	43
Intangible assets	20	623	947	872
Investment properties	21	2,598	2,753	2,680
Policy loans	22	379	29	73
Reinsurance assets		652	643	604
Tax asset	23	734	599	8,120
Employee benefits asset	24	125	-	-
		166	113	83
Total assets		194,708	179,935	172,456
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable (including insurance payables)	25	9,196	7,524	6,243
Derivative financial instruments	13	638	896	880
Provisions	26	68	61	177
Tax liability		-	40	40
Employee benefits liabilities	24	351	244	124
Deferred taxation liability	27	872	571	417
Other financial liabilities	28	7,898	7,522	5,719
Policyholder liabilities under insurance contracts	29	42,428	40,994	39,166
Policyholder liabilities under investment contracts				
- With discretionary participation features	30	12,156	11,543	12,520
- Without discretionary participation features	30	110,769	99,680	96,956
Deferred revenue liability	31	201	356	312
Total liabilities		184,577	169,431	162,554
EQUITY				
Share capital and share premium				
Non-distributable reserves	32	1,541	1,541	1,541
Distributable reserves	33	1,145	2,247	2,520
	33	7,445	6,716	5,841
Total equity		10,131	10,504	9,902
Total liabilities and equity		194,708	179,935	172,456

MOMENTUM GROUP LIMITED

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2011	Restated 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised by operations	40	(6,452)	(16,668)
Dividends received		2,161	1,421
Interest received		6,275	6,708
Interest paid		(1,062)	(1,114)
Taxation paid	41	(572)	(562)
Dividends paid	42	(991)	(839)
Net cash outflow from operating activities		(641)	(11,054)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in subsidiaries		-	(27)
Investments in associated companies		-	(86)
Property and equipment acquired		(37)	(38)
Owner occupied properties acquired		-	(36)
Net cash outflow from investing activities		(37)	(187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other financial liabilities		323	2,036
Net cash inflow from financing activities		323	2,036
Net decrease in cash and cash equivalents		(355)	(9,205)
Cash and cash equivalents at the beginning of the year	12	10,645	19,850
Cash and cash equivalents at the end of the year	12	10,290	10,645

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital	Share premium	Preference share capital	Distributable reserves	Revaluation reserve	Other non distributable reserves	Total shareholders' funds
R million	(Note 32)	(Note 32)	(Note 32)	(Note 33)	(Note 33)	(Note 33)	
Balance as at 1 July 2009							
As originally stated							
Change in accounting policy - Employee benefit assets	9	1,032	500	5,809	2,195	11	9,556
Change in accounting policy - Owner occupied properties	-	-	-	32	-	-	32
	-	-	-	-	314	-	314
Restated balance as at 1 July 2009	9	1,032	500	5,841	2,509	11	9,902
Total comprehensive income for the year	-	-	38	1,661	(262)	-	1,437
Contribution from parent in respect of share based payments	-	-	-	4	-	-	4
Ordinary dividends paid	-	-	-	(801)	-	-	(801)
Preference dividends paid	-	-	(38)	-	-	-	(38)
Transfer to retained earnings	-	-	-	11	(11)	-	-
Balance at 30 June 2010	9	1,032	500	6,716	2,236	11	10,504
Balance as at 1 July 2010							
Total comprehensive income for the year	9	1,032	500	6,716	2,236	11	10,504
Final dividend - Cash	-	-	33	1,688	(1,096)	-	625
Preference dividends	-	-	-	(958)	-	-	(958)
Contribution from parent in respect of share based payments	-	-	(33)	-	-	-	(33)
Transfer of share based payment reserve to employee benefit liability	-	-	-	5	-	-	5
Transfer to retained earnings	-	-	-	(12)	-	-	(12)
	-	-	-	6	(6)	-	-
Balance at 30 June 2011	9	1,032	500	7,445	1,134	11	10,131

1 Critical accounting assumptions and judgments

The company, Momentum Group Limited, ("Momentum") makes estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenses for the year. Estimates and judgements are continually evaluated and are based on management's best knowledge, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.1 Fair value of derivative financial instruments

The fair values of financial instruments that are not listed in active markets are determined by using valuation techniques, for example models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Appropriate yield curves are used for the valuation of unlisted bonds.

Further details relating to estimates and assumptions in respect of fair value are contained in note 38.

1.2 Impairment of available-for-sale equity instruments

Momentum determines that available-for-sale equity instruments are impaired and recognised as such in the income statement, when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, Momentum evaluates among other factors, the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at 30 June 2011 (and 30 June 2010), Momentum had no declines of financial instruments with fair values below cost that had been considered significant or prolonged.

1.3 Impairment of available-for-sale debt instruments

An available-for-sale debt instrument is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flow and all amounts which are due in terms of the contractual terms of the instrument are not considered collectible. Typically this is due to a change in the creditworthiness of the counterparty. A decline in fair value as a result of changes in the risk free interest rate is not objective evidence of impairment.

1.4 Income taxes

Momentum is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. Momentum 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 the income taxation and deferred taxation provisions in the period in which such determination is made. The corporate tax rate applicable in South Africa is 28%. Momentum has four separate tax funds. These fund are the individual policyholders' fund (taxed at 30%), corporate policyholders' fund (taxed at 28%), untaxed policyholders' fund and the corporate fund (taxed at 28%).

1.5 Financial and insurance risk management

Momentum's risk management policies are disclosed in note 39 of the annual report.

1.6 Employee benefits liabilities

The cost of the benefits and the present value of the defined benefit pension funds and post-retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to the income statement arising from these obligations include the expected long-term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to the income statement and may affect planned funding of the pension plans.

The assumptions relating to the expected return on plan assets are determined in a uniform basis, considering long-term historical returns, assets allocation and future estimates of long-term investment returns. Momentum determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the pension and post-retirement medical obligations. In determining the appropriate discount rate, Momentum considers the interest rate on high-quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

Additional information is provided in note 24 in these financial statements.

1.7 Provisions

Provisions are, by definition, liabilities of uncertain timing or amounts. In order to establish a provision, management makes assessments of the expected amount of any future cash outflows and the estimated timing thereof. Where the effect of discounting is material, provisions payable longer than one year are discounted using pre-tax discount rates that reflect the current market assessment of the time value of money and where appropriate, the risk specific to the liability. Refer to note 26 for more detail.

1.8 Provision for impairment of trade receivables

Provisions for impairment of a trade receivable are established when there is objective evidence that Momentum will not be able to collect all amounts due according to the original terms of the receivable.

1.9 Share based payments

Share-based payment costs arise from the issue of share options to employees. These share options are classified as equity-settled share-based payments and as such, the fair value cost is determined on date of grant on an actuarial basis using a number of assumptions. These assumptions used in determining the fair value cost include expected volatility, expected dividend yield, the discount rate and the expected forfeit or lapse rate. In accordance with the principles of valuing equity-settled share based payments, only a change in the actual experience of forfeits compared to the estimated forfeit rate assumption, will impact on the charge in the income statement. All other assumptions are determined at grant date and are not amended.

The expected volatility assumption is determined based on a rolling historical volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on zero-coupon government bonds and has terms to maturity consistent with the assumed life of the share option. The expected forfeit rate has been based on historical experience and management estimates.

Additional information is provided in note 33 in these financial statements.

1.10 Investment properties

Investment properties are valued using a discounted cash flow approach which involves projecting income, taking into account contractual arrangements, and expenditure for a 5 year period, and discounting at a long term investment rate to arrive at a net present value. Added to this is the reversionary value which is based on the expected normalised net income for the sixth year capitalised at an appropriate exit rate into perpetuity and discounted back to present day. Allowance is made for full leasing commissions or renewal commissions where appropriate.

1.11 Investments in subsidiaries and associates

It is Momentum's accounting policy to measure investments in subsidiaries and associates at fair value in the stand alone financial statements.

If there is a quoted price in an active market for an investment in a subsidiary or associate the quoted price is considered to be fair value.

Where no quoted price is available a valuation technique is used to determine the fair value of the associate or subsidiary.

If a subsidiary or associate is a start up or growth venture the net asset value is considered to be fair value.

The embedded value is considered to be the fair value of subsidiaries and associates whose main business is insurance.

The subsidiaries and associates whose main business is the provision of asset management services are valued using market related price earnings variables based on historic earnings. Where historic earnings are not expected to be representative of future earnings because of a significant change in the customer base the appropriate adjustments are made to the earnings numbers.

Subsidiaries and associates which undertake the provision of medical scheme administration are valued at the estimated net cash inflow per principal member multiplied by the number of principal members at the reporting date.

Subsidiary or associate and description of the main business	Valuation method	Sources of information for key estimates and assumptions	Fair value
RMB Asset Management (Pty) Limited.	Price to earnings (PE) multiple approach, checked against a percentage of assets under management	Forward PE ratio of 8,0 times applied to the 2011 financial year's budgeted after-tax earnings (2010: 8.0 times PE applied to the 2010 financial year's budgeted after-tax earnings).	2011: R 474 million 2010: R 997 million
RMB Unit Trusts (Pty) Limited (Institutional and retail asset management), including Momentum Collective Investments (Pty) Limited.	Price to earnings (PE) multiple approach, checked against a percentage of assets under management	Forward PE ratio of 9,0 times applied to the 2011 financial year's budgeted after-tax earnings (2010: 9.0 times PE applied to the 2010 financial year's budgeted after-tax earnings).	2011: R 315 million 2010: R653 million
FirstRand Alternative Investment Management ("FRAIM")	Net asset value as an approximate for fair value, plus the value of the loan.	Since FRAIM is still in a start-up phase, the directors' valuation of FRAIM is set equal to its carrying value (i.e. the market value of the R50 million seed capital). Management believes that this value approximates fair value.	2011: R97 million 2010: R81 million
Advantage Asset Managers (Pty) Limited (Multi-management services)	Discounted cash flow valuation	Given that Advantage is currently in a transition phase, it is difficult to capture the economic value of the business using a price-to-earnings multiple. Therefore a DCF valuation was used and the three-year budgets (F2011 to F2013), that were prepared by management; form the basis of the earnings projections.	2011 R40 million 2010: R45 million
Momentum Medical Scheme Administrators (Medical scheme administration)	Amount per member under administration, checked by a discounted cash flow approach	For the 30 June 2011 financial statements, it was decided to value the healthcare administration subsidiaries using DCF techniques based on EV methodology (i.e. similar methodology that is used to place a value on the in-force life insurance	2011: R 215 million 2010: R356 million

		business). For 30 June 2010 the valuation of the Momentum Medical Scheme Administrators group of companies was based on a value of R1,700 per principal member plus the value of the assessed tax loss.	
Advice At Work (previously called Lekana Employee Benefit Solutions (Pty) Limited) (Employee benefits administration and consulting services)	Net asset value as an approximate for fair value, plus the value of the loan	AdviceAtWork is valued at NAV.	2011: 31 million 2010: N/A
Investments in collective investment schemes	Quoted price	The units in the collective investment schemes where Momentum exercises control are traded in an active market, and the quoted repurchase price is used to determine the fair value. This approach is identical to the approach followed in the previous financial year.	2011: R24 163 million 2010: R26 338 million
Momentum Africa (African healthcare administration business)	Net asset value as an approximate for fair value, plus the value of the loan	The African healthcare administration businesses (i.e. outside of South Africa) are valued at NAV plus the value of the loan, because these businesses are in a start-up phase.	2011: R97 million 2010: R75 million
Emira	Market value	Emira is no longer accounted for as an associate of Momentum. In prior years a quoted market price was available for the participatory interests.	2011: N/A 2010: R1 261 million

1.12 Valuation of policyholder liabilities under insurance contracts

The actuarial value of policyholder liabilities arising from long-term insurance contracts is determined using the Financial Soundness Valuation method as described in the actuarial guidance note PGN 104 of the Actuarial Society of South Africa. The method requires the following assumptions:

- The best estimate for a particular assumption is determined;
- Prescribed margins are then applied, as required by the Long-term Insurance Act of South Africa and Board Notice 72 issued in terms of the Act; and
- Discretionary margins may be applied, as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

Best estimate assumptions as to mortality and morbidity, expenses, investment income and tax are used that may vary at each reporting date. A margin for adverse deviations is included in the assumptions. Improvements in estimates have a positive impact on the value of the liabilities and related assets, while deteriorations in estimates have a negative impact.

The process for determining the assumptions used are as follows:

Mortality and morbidity

For group life insurance contracts, the rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for Momentum's own experience. For individual life insurance contracts, demographic assumptions were set with reference to reinsurer rates and industry experience.

Persistency

Lapse and surrender assumptions are based on past experience. When appropriate, account is also taken of expected future trends.

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal rates are analysed by product type and policy duration.

Expense

Expense assumptions are based on an expense analysis, using a functional cost approach. This analysis allocates expense between policy and overhead expenses and within policy expenses, between new business, maintenance and claims.

Investment income

Estimates are made as to future investment income and are tested against market conditions as at the valuation date taking into account the terms of the liabilities. Inflation assumptions are tested against market conditions and with regard to consistency, with interest rate assumptions.

Tax

Allowance is made for future taxation and taxation relief.

Refer to note 29 for a more detail on the assumptions used in valuating the policyholder liabilities under insurance contracts.

1.13 Intangible assets

As part of the purchase price allocation of the Sage transaction, Momentum identified the following intangible assets:

- Present value of in-force-business (PVIF). The PVIF was calculated using the embedded value methodology and basis, without deducting the opportunity cost of required statutory capital. Because PVIF for embedded value purposes is usually calculated assuming emergence of future profits on a statutory liability valuation basis, the PVIF was modified to conform with the emergence of profits on the IFRS basis.

Assumptions for mortality, morbidity and terminations were consistent with the most recent experience investigations, and future renewal expenses were based on the continuation of the company as a going concern combined with Momentum.

Economic assumptions (future investment returns and inflation) were based on market rates at the applicable date. The rate of discount used was 11%. The useful life has been assumed to be the full expected future duration of the policies in force, allowing for expected attrition through mortality, morbidity, maturities and terminations.

Momentum also performs a liability adequacy test annually. The outcome of this test will serve as an indicator for the potential impairment of the PVIF intangible asset. However, for the current financial year there was no indication that this intangible asset should be impaired.

No value was placed on the Sage technology as all of Sage's systems and processes were transferred to Momentum's platform. An assessment was performed on the Sage brand, based on a discounted cash flow valuation. The results of the assessment indicated that no intangible asset had to be recognised.

2 Net insurance premium revenue**Individual life**

	6,299	6,061
Single premiums		
Recurring premiums	30	97
Annuities	5,753	5,337
	516	627

Employee benefits

	3,697	3,777
Single premiums and investment lump sums		
Recurring premiums	1,176	1,704
	2,521	2,073

Insurance premium revenue

	9,996	9,838
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Insurance premium ceded to reinsurers

Individual life	(1,394)	(637)
Employee benefits	(86)	(77)

Insurance premium ceded to reinsurers

	(1,480)	(714)
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Net insurance premium revenue

	8,516	9,124
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3 Fee income

Fees for asset manager services rendered	1,002	1,083
Amortisation of deferred revenue liability	209	100
Other fees	443	318
	1,654	1,501

4 Income and expenditure arising from assets and liabilities

The table below is an analysis of income and expenditure arising from assets and liabilities:

	2011				Total
	Fair value	Amortised cost	Hedging Instruments	Non financial assets and liabilities	
Fee income (refer to note 3)	1,445	-	-	209	1,654
Dividend Income	2,161	-	-	-	2,161
Dividends on listed shares	1,381	-	-	-	1,381
Dividends on unlisted shares	780	-	-	-	780
Interest Income	4,272	1,990	-	13	6,275
Listed	2,729	-	-	-	2,729
Unlisted	1,543	1,990	-	13	3,546
Rental income from investment properties	-	-	-	46	46
Total Investment Income	6,433	1,990	-	59	8,482
Net fair value (losses)/gains on assets	12,148	-	(33)	2	12,117
Investment securities	12,148	-	-	-	12,148
Revaluation of fair value hedges (i)	-	-	(33)	-	(33)
Investment properties	-	-	-	2	2
Fair value adjustment to policyholder liabilities under investment contracts	11,568	-	-	-	11,568
Finance costs (refer to note 9)	(1,032)	(30)	-	-	(1,062)
Total Income and expenditure arising from assets and liabilities	30,562	1,960	(33)	270	32,759

(i) The R33 million (2010 R35 million) is the net of the fair value movement of the hedge and the hedged instrument, i.e. it represents the ineffective portion of the hedge, plus the impact of the change in the credit spread on the fair value of the hedge and hedged instrument.

	2010				Total
	Fair value	Amortised cost	Hedging Instruments	Non financial assets and liabilities	
Fee income (refer to note 3)	1,678	-	-	-	1,678
Dividend Income	1,421	-	-	-	1,421
Dividends on listed shares	727	-	-	-	727
Dividends on unlisted shares	694	-	-	-	694
Interest Income	4,653	2,055	-	-	6,708
Listed	1,951	-	-	-	1,951
Unlisted	2,702	2,055	-	-	4,757
Rental income from investment properties	-	-	-	49	49
Total Investment Income	6,074	2,055	-	49	8,178
Net fair value (losses)/gains on assets	10,067	-	35	3	10,105
Investment securities	10,067	-	-	-	10,067
Revaluation of fair value hedges (i)	-	-	35	-	35
Investment properties	-	-	-	3	3
Fair value adjustment to policyholder liabilities under investment contracts	11,760	-	-	-	11,760
Finance costs (refer to note 9)	(1,081)	(33)	-	-	(1,114)
Total Income and expenditure arising from assets and liabilities	28,498	2,022	35	52	30,607

(i) The R35 million (2009 R73 million) is the net of the fair value movement of the hedge and the hedged instrument, i.e. it represents the ineffective portion of the hedge, plus the impact of the change in the credit spread on the fair value of the hedge and hedged instrument.

5 Insurance benefits

	2011	2010
Individual life	5,626	5,502
Death	1,829	1,556
Disability	523	406
Maturities	2,311	1,940
Surrenders	963	1,600
Lump sum annuities	1,417	1,590
Annuities paid	1,325	1,273
Commutations	92	317
Total benefits in respect of individual life business	7,043	7,092
Employee benefits		
Death	755	693
Disability	402	420
Scheme terminations and member withdrawals	2,615	1,511
Annuities	306	220
Total benefits in respect of employee benefits business	4,078	2,844
Total insurance benefits on long-term insurance contracts	11,121	9,936
Insurance benefits recovered from reinsurers		
Individual life	(1,099)	(667)
Employee benefits	(68)	(36)
Total insurance benefits recovered from reinsurers	(1,167)	(703)
Total net insurance benefits	9,954	9,233

The following table outlines the bonus declaration in respect of Momentum's main smoothed bonus funds.

	Annual bonuses for the year ended 30 June	
	Declared annual bonus	Declared annual bonus
	F2011	F2010
Momentum and Southern smoothed bonus funds (closed to new business)	5.5%	4.5%
Lifegro smoothed bonus fund (closed to new business)	9.0%	6.0%
Sage smoothed bonus fund (closed to new business)	14.5%	7.5%
Investo smoothed bonus (open to new business)	6.0%	2.0%
Investo Performance Guarantee Fund (open to new business)	5.5%	2.0%

Terminal bonus rates are reviewed on an ongoing basis and may be changed at any time, depending on prevailing market conditions and funding levels within the relevant smoothed bonus funds.

The table shows bonuses on taxed business. On untaxed portfolios, bonus rates are generally about 0.5% higher.

The table excludes bonus declarations in respect of Employee Benefits business, which follows a different bonus structure to individual life smoothed bonus funds and are normally reviewed more frequently than once a year.

The table does not show bonuses on reversionary bonus policies, which follows a different bonus structure and are also small in relation to the smoothed bonus funds listed above.

6 Expenses for the acquisition of insurance and investment contracts

Commission incurred for the acquisition of insurance contracts	1,074	968
Commission incurred for the acquisition of investment contracts	638	317
Amortisation of deferred acquisition cost asset	342	271
Expenses for the acquisition of insurance and investment contracts	2,054	1,556

7 Expenses for marketing and administration

Net income after tax is stated after charging the following:

Auditors' remuneration

Audit fees		
- Current year	4	20
- Underprovision prior year	-	-
Total auditors' remuneration	4	20

Professional fees

Legal		
Actuarial	9	12
Merger costs	1	1
Managerial	41	-
Other	90	61
	3	-
Total professional fees	144	74

Impairment of assets

Agency force		14
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Refer to note 21 for more information regarding the impairment of assets.

Amortisation of intangible assets

Value of in-force	39	40
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Depreciation**Own assets**

Owner occupied buildings		
Computer equipment	19	29
Furniture and fittings	21	25
Office equipment	3	3
	5	3
Total depreciation	48	60

Operating lease charges

Land and buildings		
Equipment	108	80
Motor vehicles	4	3
	-	1
Total operating lease charges	112	84

Total of minimum lease payments under non-cancellable operating leases

Payable within:

One year		
Between one and five years	16	18
	-	8
	16	26

Momentum Group Limited has not entered into any sub leasing agreements. The operating leases are subject to a fixed annual escalation of 11%. The operating lease agreements do not contain any provisions for contingent rentals, nor do they contain any restrictions on the operating, financing or dividend decisions of Momentum Group Limited.

7 Expenses for marketing and administration (continued)**Staff costs**

Salaries, wages and allowances		
Defined contribution pension fund contributions	1,004	950
Contributions to medical aid funds	89	81
Staff and management bonuses	62	60
Share based expenses - employees	101	79
Leave pay	77	73
Training	6	48
Recruitment fees	79	55
Temporary staff	12	15
Contractors	66	28
Retrenchment costs	19	17
	11	2
Total staff costs	1,526	1,408

Directors' remuneration

Services as directors paid by the company		
- Fees to non-executive directors	24	23
- Salaries, bonuses, share based expenses, pension and medical contributions of executive directors	3	5
	21	18

Other expenses for marketing and administration

Bank charges		
Communications	26	20
Computer expenses	51	55
- Licensing fees	105	119
- Software development costs	43	45
- Other	5	6
Motor vehicle expenses	57	68
Office expenses	2	6
Short-term insurance	24	50
Printing and stationary	12	4
Public relations	31	11
Furniture and equipment	111	68
Travel	54	44
- Local	29	22
- International	28	19
Entertainment	1	3
Donations	19	19
Policy services	10	12
Advertising	33	30
Value added tax, provisions and expense recoveries	20	25
	(66)	(113)
Total other expenses for marketing and administration	461	372
Total expenses for marketing and administration	2,358	2,095

8 Finance costs

Interest expense		
Unsecured, subordinated call notes	71	84
Banks and other financial institutions	991	1,030
Total finance costs	1,062	1,114

9 Taxation**Direct taxation**

South African normal taxation	450	483
Current taxation	402	458
Current year	563	458
Adjustment for prior years	(161)	-
Deferred taxation	48	25
Current year	48	24
Adjustment for prior years	-	1
South African capital gains taxation	210	216
Current taxation	(2)	93
Deferred taxation	212	123
Financial Services Levy	7	11
Total direct taxation	667	710

Total direct taxation can be analysed as follows:

Charged directly to other comprehensive income	(41)	(6)
Income statement	667	710

The direct taxation can be further split as follows according to the four funds tax dispensation for long-term insurers:

Total direct taxation on the shareholders' portfolio	297	511
Total direct taxation on the 3 policyholders' portfolios	370	199
Total direct taxation	667	710

Taxation rate reconciliation

Effective rate of taxation (Total direct taxation/earnings before taxation)	%	%
	27.8	29.3
Non-taxable income		
Disallowable expenses	5.5	5.6
Prior year adjustments	-	(0.4)
Special transfers and other taxes	6.8	(0.1)
Effect of tax on policyholder funds	(1.0)	(0.6)
	(11.1)	(5.8)
Standard rate of taxation	28.0	28.0

Current taxation is determined by applying the Four Fund method of taxation applicable to life insurers.

In addition to the total direct taxation as set out above, the company incurred the following indirect taxes, which were included under expenses for the acquisition of insurance and investment contracts (note 6) and expenses for marketing and administration (note 7) in the financial statements:

Value added taxation	232	214
Total indirect taxation	232	214

R million

2011

2010

10 Components and tax effects of other comprehensive income

Revaluation of available-for-sale financial assets to fair value	9	70
Gains arising during the year	12	70
Deferred tax	(3)	-
Revaluation of investment in subsidiaries to fair value	(1,106)	(394)
Revaluation of owner occupied properties	1	62
Revaluation during the year	39	68
Deferred tax	(38)	(6)
Other comprehensive income	(1,096)	(262)

11 Analysis of assets and liabilities per category

The table below provides an analysis of the assets and liabilities of Momentum Group Limited per category.

2011								
Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non financial assets and liabilities	Total
Assets								
Cash and cash equivalents	-	-	10,290	-	-	-	-	10,290
Derivative financial instruments	1,540	-	-	-	-	-	-	1,540
Loans and receivables (incl insurance receivables)	-	-	4,551	-	-	2	-	4,551
Investment securities	-	137,450	-	4,696	-	-	-	142,146
Investments in associates (1)	-	3,669	-	-	-	-	-	3,898
Investments in subsidiaries	-	25,173	-	-	-	-	239	28,946
Property and equipment (2)	-	-	-	1,773	-	-	-	58
Owner occupied buildings (2)	-	-	-	-	-	-	59	623
Intangible assets (3)	-	-	-	-	-	-	623	2,598
Investment properties (4)	-	-	-	-	-	-	379	379
Policy loans	-	-	652	-	-	-	-	652
Reinsurance assets (5)	-	-	-	-	-	-	734	734
Employee benefits asset (6)	-	-	-	-	-	-	166	166
Tax asset (5)	-	-	-	-	-	-	125	125
Total assets	1,540	166,282	15,493	6,469	-	2	4,922	194,708
Liabilities								
Accounts payable (incl insurance payables)	-	-	-	-	9,196	-	-	9,196
Derivative financial instruments	638	-	-	-	-	-	-	638
Provisions (7)	-	-	-	-	-	-	68	68
Employee benefit liabilities (6) and (7)	-	-	-	-	-	-	351	351
Deferred taxation liability (5)	-	-	-	-	-	-	872	872
Other financial liabilities	-	7,821	-	-	77	-	-	7,898
Policyholder liabilities under insurance contracts (8)	-	-	-	-	-	-	42,428	42,428
Policyholder liabilities under investment contracts with DPF (8)	-	-	-	-	-	-	12,156	12,156
Policyholder liabilities under investment contracts without DPF	-	110,769	-	-	-	-	-	110,769
Deferred revenue liability (2)	-	-	-	-	-	-	201	201
Total liabilities	638	118,590	-	-	9,273	-	56,076	184,577

2010								
Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non financial assets and liabilities	Total
Assets								
Cash and cash equivalents	-	-	10,645	-	-	-	-	10,645
Derivative financial instruments	1,173	-	-	-	-	-	-	1,173
Loans and receivables (incl insurance receivables)	-	-	4,688	-	-	-	-	4,688
Investment securities	-	119,134	-	2,866	-	-	-	121,000
Investments in associates (1)	-	6,528	-	-	-	-	-	6,804
Investments in subsidiaries	-	27,485	-	-	-	-	276	30,491
Property and equipment (2)	-	-	-	3,006	-	-	-	50
Owner occupied buildings (2)	-	-	-	-	-	-	947	947
Intangible assets (3)	-	-	-	-	-	-	2,753	2,753
Investment properties (4)	-	-	-	-	-	-	29	29
Policy loans	-	-	643	-	-	-	-	643
Reinsurance assets (5)	-	-	-	-	-	-	599	599
Employee benefits asset (6)	-	-	-	-	-	-	113	113
Total assets	1,173	152,147	15,976	5,872	-	-	4,767	178,935
Liabilities								
Accounts payable (incl insurance payables)	-	-	-	-	7,524	-	-	7,524
Derivative financial instruments	878	-	-	-	-	18	-	896
Provisions (7)	-	-	-	-	-	-	61	61
Tax liability (5)	-	-	-	-	-	-	40	40
Employee benefit liabilities (6) and (7)	-	-	-	-	-	-	244	244
Deferred taxation liability (5)	-	-	-	-	-	-	571	571
Other financial liabilities	-	7,375	-	-	147	-	-	7,522
Policyholder liabilities under insurance contracts (8)	-	-	-	-	-	-	40,894	40,894
Policyholder liabilities under investment contracts with DPF (8)	-	-	-	-	-	-	11,543	11,543
Policyholder liabilities under investment contracts without DPF	-	99,690	-	-	-	-	-	99,690
Deferred revenue liability (2)	-	-	-	-	-	-	356	356
Total liabilities	878	107,055	-	-	7,671	18	53,809	169,431

The valuation methodologies for the non financial assets and liabilities are set out below:

- (1) Associates backing investment linked liabilities at fair value. All other investments in associates are carried at cost.
- (2) Amortised cost
- (3) Amortised cost less impairments
- (4) Fair value
- (5) Cost
- (6) Projected unit credit method
- (7) Best estimate cost
- (8) Financial soundness valuation method

12 Cash and cash equivalents

Money on call and short notice

2011 2010

10,290 10,645

10,290 10,645

The carrying value of cash and cash equivalents approximates the fair value. Money at short notice constitutes amounts withdrawable in 3 months or less.

13 Derivative financial instruments

Momentum makes use of derivative instruments in order to achieve the following:

- exposure to a desired asset spread where liquidity constraints limit the purchase of sufficient physical assets; and
- in order to provide a hedge against a known liability.

Under no circumstances are derivative contracts entered into purely for speculative purposes. Where derivative financial instruments do not meet the hedge accounting criteria in IAS 39, they are classified and accounted for as instruments held for trading in accordance with the requirements of IAS 39.

Momentum's asset managers have been mandated to enter into derivative contracts on an agency basis, with agreed upon internal controls being instituted to ensure that exposure limits are adhered to. These controls include the regular monitoring of sensitivity analyses designed to measure the behaviour and exposure to derivative instruments under conditions of market stress.

Other derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness.

Non-qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value through profit or loss.

Interest rate derivatives comprising mainly interest rate swaps, rand overnight deposit swaps ("RODS") and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and reduce the risk that the group faces due to volatile interest rates. Momentum accepts deposits at variable rates and uses pay fixed interest rate derivatives as cash flow hedges of future interest payments, effectively converting borrowings from floating to fixed rates. The Group also has assets at variable rates and uses fixed interest rate derivatives as cash flow hedges of future interest receipts.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present Momentum's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly over time.

Further information pertaining to the risk management of Momentum Group Limited is set out in note 39.

Fair value hedges

The Momentum Group has one fair value hedge in place.

The hedged item are the callable notes as disclosed in note 28.

The risk being hedged is the risk of earning variable interest in the shareholders' portfolio, but paying fixed interest of the callable notes.

The risk has been hedged with a swap agreement with FirstRand Bank whereby Momentum earns fixed interest but pays variable interest. This matches the variable nature of the investment income earned on the shareholders portfolio.

R million	2011	2010
Carrying amount of swap	2	18
Gains or losses for the period arising from the change in fair value of fair value hedges:		
- on hedging instrument	20	62
- on hedged items attributable to the hedged risk	(53)	(27)
Ineffective portion (including change in credit spread)	(33)	35

Momentum utilises the following derivatives for hedging and trading purposes:

Qualifying for hedge accounting**Fair value hedges****Interest rate derivatives**

- Swaps

Total fair value hedges**Total qualifying for hedge accounting**

2011			
Assets		Liabilities	
Notional	Fair value	Notional	Fair value
1,000	2	-	-
1,000	2	-	-
1,000	2	-	-

Held for trading**Interest rate derivatives**

- Swaps
- Forward rate agreements
- Credit derivatives

Bond derivatives

- Swaps
- Options
- Futures

Equity derivatives

- Futures
- Options

Currency derivatives - swaps**Total held for trading****Total derivatives**

2011			
Assets		Liabilities	
Notional	Fair value	Notional	Fair value
13,184	1,224	891	444
12,842	1,222	745	444
50	-	-	-
292	2	146	-
85,663	189	997	126
1,172	186	893	125
416	-	104	1
84,075	3	-	-
223	55	154	68
273	41	-	-
-50	14	154	68
628	72	-	-
99,698	1,540	2,042	638
100,698	1,542	2,042	638

13 Derivative financial instruments (continued)

Qualifying for hedge accounting**Fair value hedges**

Interest rate derivatives

Held for trading

Interest rate derivatives

Bond derivatives

Equity derivatives

Currency derivatives

Credit derivatives

Total

2011					
Assets: Derivative instruments					
Exchange traded		Over the counter		Total	
Notional	Fair value	Notional	Fair value	Notional	Fair value
-	-	1 000	2	1 000	2
-	-	1 000	2	1 000	2
84 138	44	15 560	1 496	99 698	1 540
-	-	13 184	1 224	13 184	1 224
84 075	3	1 588	186	85 663	189
69	41	154	14	223	55
(6)	-	634	72	628	72
-	-	-	-	-	-
84 138	44	16 560	1 498	100 698	1 542

Held for trading

Interest rate derivatives

Bond derivatives

Currency derivatives

Equity derivatives

Total

Liabilities: Derivative instruments					
Exchange traded		Over the counter		Total	
Notional	Fair value	Notional	Fair value	Notional	Fair value
-	-	2 042	638	2 042	638
-	-	892	444	892	444
-	-	997	128	997	126
-	-	-	-	-	-
-	-	153	68	153	68
-	-	2 042	638	2 042	638

Momentum utilises the following derivatives for hedging and trading purposes:

Qualifying for hedge accounting**Fair value hedges**

Interest rate derivatives

- Swaps

Total fair value hedges

Total qualifying for hedge accounting

2010			
Assets		Liabilities	
Notional	Fair value	Notional	Fair value
-	-	1,000	18
-	-	1,000	18
-	-	1,000	18

Held for trading

Interest rate derivatives

- Swaps

- Futures

Bond derivatives

- Swaps

- Options

- Futures

Equity derivatives

- Futures

- Options

Currency derivatives - swaps

Credit derivatives - options

Total held for trading

Total derivatives

2010			
Assets		Liabilities	
Notional	Fair value	Notional	Fair value
4,822	989	5,182	608
4,822	1,036	5,192	608
-	(47)	-	-
586	4	820	68
369	4	817	65
-	-	3	3
197	-	-	-
1	167	74	182
(60)	52	-	-
51	115	74	182
185	13	345	20
-	-	-	-
5 594	1 173	6 431	878
5 594	1 173	7 431	896

13 Derivative financial instruments (continued)

2010					
Assets: Derivative instruments					
Exchange traded		Over the counter		Total	
Notional	Fair value	Notional	Fair value	Notional	Fair value
148	5	5 446	1 168	5 594	1 173
-	(47)	4 822	1 036	4 822	989
198	-	388	4	586	4
(50)	52	51	115	1	167
-	-	185	13	185	13
-	-	-	-	-	-
Total	148	5	5 446	1 168	5 594

Liabilities: Derivative instruments					
Exchange traded		Over the counter		Total	
Notional	Fair value	Notional	Fair value	Notional	Fair value
-	-	1 000	18	1 000	18
-	-	1 000	18	1 000	18
-	-	6 431	878	6 431	878
-	-	5 192	608	5 192	608
-	-	820	68	820	68
-	-	345	20	345	20
-	-	74	182	74	182
-	-	7 431	896	7 431	896

Momentum utilises the following derivatives for hedging and trading purposes:

Qualifying for hedge accounting**Fair value hedges**

Interest rate derivatives
- Swaps

Total fair value hedges

Total qualifying for hedge accounting

2009			
Assets		Liabilities	
Notional	Fair value	Notional	Fair value
-	-	1,000	80
-	-	1,000	80
-	-	1,000	80

Held for trading

Interest rate derivatives
- Swaps
- Forward rate agreements

Bond derivatives
- Swaps
- Futures

Equity derivatives
- Swaps
- Futures
- Options

Currency derivatives - swaps

Credit derivatives

Total held for trading

Total derivatives

2009			
Assets		Liabilities	
Notional	Fair value	Notional	Fair value
4,375	1,051	1,807	689
4,475	947	1,706	585
-100	104	101	104
218	4	315	4
218	4	128	1
-	-	187	3
-525	223	183	107
14	-	-	-
-	448	-	-
-539	-225	183	107
165	9	-	-
250	2	-	-
4 483	1 289	2 305	800
4 483	1 289	3 305	880

Held for trading

Interest rate derivatives
Bond derivatives
Equity derivatives
Currency derivatives
Credit derivatives

Total

Qualifying for hedge accounting**Fair value hedges**

Interest rate derivatives

Held for trading

Interest rate derivatives
Bond derivatives
Equity derivatives

Total

2009					
Assets: Derivative instruments					
Exchange traded		Over the counter		Total	
Notional	Fair value	Notional	Fair value	Notional	Fair value
1	5	4 482	1 284	4 483	1 289
-	-	4 375	1 051	4 375	1 051
-	-	218	4	218	4
1	5	(528)	218	(525)	223
-	-	165	9	165	9
-	-	250	2	250	2
1	5	4 482	1 284	4 483	1 289

Liabilities: Derivative instruments					
Exchange traded		Over the counter		Total	
Notional	Fair value	Notional	Fair value	Notional	Fair value
-	-	1 000	80	1 000	80
-	-	1 000	80	1 000	80
187	7	2 118	793	2 305	800
2	4	1 806	685	1 808	689
165	3	130	1	315	4
-	-	182	107	182	107
187	7	3 118	873	3 305	880

Refer to note 38 for information relating to the fair value of derivatives.

Refer to note 44 for an analysis of the current and non-current portions of derivatives.

R million

2011

2010

14 Loans and receivables (including insurance receivables)

Amounts owing by subsidiaries	3,476	3,671
Premium debtors	390	341
Insurance contracts	190	124
Investment contracts with discretionary participation features	42	52
Investment contracts without discretionary participation features	158	165
Other debtors	316	260
Reinsurance debtors - insurance contracts	245	313
Commission debtors	124	102
Prepayments	-	1
	<u>4,551</u>	<u>4,688</u>

2011

	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			1-30 days	31-60 days	>60 days	
Amounts owing by subsidiaries	3,476	3,476	-	-	-	-
Premium debtors - insurance contracts and investment with DPF	232	159	49	4	20	-
Premium debtors - investment contracts without DPF	158	2	149	5	2	-
Other debtors	316	141	126	11	38	-
Reinsurance debtors - insurance contracts	245	167	28	2	48	-
Commission debtors	124	36	-	-	-	88
Prepayments	-	-	-	-	-	-
	<u>4,551</u>	<u>3,981</u>	<u>352</u>	<u>22</u>	<u>108</u>	<u>88</u>

2010

	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			1-30 days	31-60 days	>60 days	
Amounts owing by subsidiaries	3,671	3,671	-	-	-	-
Premium debtors - insurance contracts	130	108	2	9	11	-
Premium debtors - investment contracts	211	-	183	19	8	1
Other debtors	260	253	1	-	4	2
Reinsurance debtors - insurance contracts	313	178	45	34	44	12
Commission debtors	102	43	-	-	-	59
Prepayments	1	-	-	-	1	-
	<u>4,688</u>	<u>4,253</u>	<u>231</u>	<u>62</u>	<u>68</u>	<u>74</u>

Due to the short-term nature of the loans and receivables, the fair value of the loans and receivables is equal to the carrying amount.

Refer to note 44 for an analysis of the current and non-current portions of loans and receivables.

15 Financial assets and liabilities

The table below provides an analysis of the financial assets and liabilities of Momentum per category:

2011

	2011							Total
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	At amortised cost	Derivatives designated as fair value hedging instruments	
Financial Assets								
Shareholder assets								
Cash and cash equivalents	-	411	-	3,283	6,469	-	-	10,163
Listed Investments	-	-	-	1,585	-	-	-	1,585
- Listed equities	-	-	-	-	1,353	-	-	1,353
- Listed dated securities	-	-	-	-	37	-	-	37
Unlisted Investments	-	-	-	-	1,316	-	-	1,316
- Dated securities	-	411	-	-	3,343	-	-	3,754
- Unlisted equities	-	-	-	-	1,003	-	-	1,003
Investments in subsidiaries	-	411	-	-	2,340	-	-	2,751
- investments	-	-	-	-	1,773	-	-	1,773
- loans to subsidiaries	-	-	-	1,688	-	-	-	1,688
Policyholder assets	1,540	165,871	-	12,210	-	-	2	179,623
Cash and cash equivalents	-	-	-	8,705	-	-	-	8,705
Loans and receivables	-	-	-	1,075	-	-	-	1,075
Listed Investments	-	62,968	-	-	-	-	-	62,968
- Government and government guaranteed	-	12,764	-	-	-	-	-	12,764
- Dated securities	-	19,197	-	-	-	-	-	19,197
- Undated securities	-	387	-	-	-	-	-	387
- Listed equities	-	30,640	-	-	-	-	-	30,640
Unlisted Investments	1,540	74,071	-	-	-	-	2	75,613
- Government and government guaranteed	-	3,433	-	-	-	-	2	3,433
- Negotiable certificates of deposits	-	566	-	-	-	-	-	566
- Derivative instruments	1,540	-	-	-	-	-	-	1,540
- Money Market	-	6,324	-	-	-	-	2	6,324
- Dated securities	-	10,160	-	-	-	-	-	10,160
- Undated securities	-	1,329	-	-	-	-	-	1,329
- Unlisted equities	-	52,259	-	-	-	-	-	52,259
Investments in associates	-	3,659	-	-	-	-	-	3,659
Investments in subsidiaries	-	25,173	-	-	-	-	-	25,173
- investments	-	-	-	1,778	-	-	-	1,778
- loans to subsidiaries	-	-	-	-	-	-	-	-
Policy loans	-	-	-	652	-	-	-	652
Financial assets	1,540	186,282	-	15,493	6,469	-	2	189,786
Financial Liabilities								
Accounts payable (including insurance payable)	-	-	-	-	-	9,196	-	9,196
Derivative financial instruments	638	-	-	-	-	-	-	638
Other financial liabilities	-	7,821	-	-	-	77	-	7,898
Policyholder liabilities under investment contracts without DPf	-	110,769	-	-	-	-	-	110,769
	638	118,590	-	-	-	9,273	-	128,501

16 Financial assets and liabilities (continued)

2010

	2010							
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	At amortised cost	Derivatives designated as fair value hedging instruments	Total
Financial Assets								
Shareholder assets								
Cash and cash equivalents	-	1,020	-	3,551	5,872	-	-	10,443
Listed equities	-	-	-	1,627	-	-	-	1,627
Unlisted investments	-	-	-	-	37	-	-	37
- Dated securities	-	1,020	-	-	2,829	-	-	3,849
- Money Market	-	-	-	-	185	-	-	185
- Unlisted equities	-	1,020	-	-	-	-	-	1,020
Investments in subsidiaries	-	-	-	-	2,644	-	-	2,644
- investments	-	-	-	-	3,006	-	-	3,006
- loans to subsidiaries	-	-	-	1,924	-	-	-	1,924
Policyholder assets								
Cash and cash equivalents	1,173	151,127	-	12,425	-	-	-	164,725
Loans and receivables	-	-	-	9,018	-	-	-	9,018
Listed investments	-	-	-	1,017	-	-	-	1,017
- Government and government guaranteed	-	54,914	-	-	-	-	-	54,914
- Dated securities	-	14,948	-	-	-	-	-	14,948
- Undated securities	-	16,160	-	-	-	-	-	16,160
- Listed equities	-	23	-	-	-	-	-	23
Unlisted Investments	-	23,783	-	-	-	-	-	23,783
- Government and government guaranteed	1,173	62,200	-	-	-	-	-	63,373
- Derivative instruments	-	3,219	-	-	-	-	-	3,219
- Money Market	1,173	-	-	-	-	-	-	1,173
- Dated securities	-	8,096	-	-	-	-	-	8,096
- Undated securities	-	10,938	-	-	-	-	-	10,938
- Unlisted equities	-	897	-	-	-	-	-	897
Investments in associates	-	39,050	-	-	-	-	-	39,050
Investments in subsidiaries	-	6,528	-	-	-	-	-	6,528
- investments	-	27,485	-	-	-	-	-	27,485
- loans to subsidiaries	-	-	-	1,747	-	-	-	1,747
Policy loans	-	-	-	643	-	-	-	643
Financial assets	1,173	152,147	-	15,976	5,972	-	-	175,168
Financial Liabilities								
Accounts payable (including insurance payable)	-	-	-	-	-	7,524	-	7,524
Derivative financial instruments	878	-	-	-	-	-	-	878
Other financial liabilities	-	7,375	-	-	-	-	18	7,522
Policyholder liabilities under investment contracts	-	99,680	-	-	-	-	-	99,680
	878	107,055	-	-	-	7,571	18	115,622

2009

	2009							Total
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	At amortised cost	Derivatives designated as fair value hedging instruments	
Financial Assets								
Shareholder assets								
Loans and receivables	-	-	-	3,167	4,126	-	-	7,293
Listed equities	-	-	-	786	-	-	-	786
Unlisted investments	-	-	-	-	3	-	-	3
- Dated securities	-	-	-	-	1,985	-	-	1,985
- Unlisted equities	-	-	-	-	302	-	-	302
Investments in subsidiaries	-	-	-	-	1,683	-	-	1,683
- investments	-	-	-	-	-	-	-	-
- loans to subsidiaries	-	-	-	2,381	2,138	-	-	2,138
								2,381
Policyholder assets	1,289	137,182	-	22,226	-	-	-	160,697
Cash and cash equivalents	-	-	-	19,850	-	-	-	19,850
Loans and receivables	-	-	-	36	-	-	-	36
Listed Investments	-	39,010	-	-	-	-	-	39,010
- Government and Government guaranteed	-	11,099	-	-	-	-	-	11,099
- Dated securities	-	8,460	-	-	-	-	-	8,460
- Undated securities	-	94	-	-	-	-	-	94
- Listed equities	-	19,357	-	-	-	-	-	19,357
Unlisted Investments	1,289	56,452	-	-	-	-	-	57,741
- Government and Government guaranteed	-	1,745	-	-	-	-	-	1,745
- Derivative instruments	1,289	-	-	-	-	-	-	1,289
- Money Market	-	5,176	-	-	-	-	-	5,176
- Dated securities	-	20,123	-	-	-	-	-	20,123
- Undated securities	-	78	-	-	-	-	-	78
- Unlisted equities	-	29,330	-	-	-	-	-	29,330
Investments in associates	-	7,473	-	-	-	-	-	7,473
Investments in subsidiaries	-	26,679	-	-	-	-	-	26,679
- investments	-	-	-	1,736	-	-	-	1,736
- loans to subsidiaries	-	-	-	-	-	-	-	-
Policy loans	-	-	-	604	-	-	-	604
Reinsurance assets	-	7,568	-	-	-	-	-	7,568
Financial assets	1,289	137,182	-	25,393	4,126	-	-	167,990
Financial Liabilities								
Accounts payable (including insurance payable)	-	-	-	-	-	6,243	-	6,243
Derivative financial instruments	800	-	-	-	-	-	80	880
Other financial liabilities	-	4,942	-	-	-	-	-	4,942
Policyholder liabilities under investment contracts	-	96,956	-	-	-	777	-	97,733
	800	101,898	-	-	-	7,020	80	109,798

Policyholder assets are those assets which are held by Momentum in order to meet the obligations towards policyholders. These assets are managed in such a way as to earn appropriate returns for policyholders within the risk reward profile of Momentum. Refer to note 39 for more detail.

Shareholder assets are managed in such a way as to provide the maximum return to the shareholders within the risk reward profile of Momentum as determined by management.

Financial assets which are held in the shareholder portfolio are designated as available-for-sale.

15 Financial assets and liabilities (continued)

R million

The following financial assets are held for investment purposes by Momentum Group Limited:

	2011	2010
Listed		
Debt	64,321	54,951
Equities	33,644	31,131
	30,677	23,820
Unlisted		
Debt	77,825	66,049
Equities	22,815	24,355
	65,010	41,694
Total investment securities	142,146	121,000

Directors valuation of unlisted investments is considered to be equivalent of fair value for the investments

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2008, is kept at the Company's registered office. This information is open for inspection in terms of the provisions of Section 113 of the Companies Act, 2008.

The ten largest equity holdings of Momentum Group Limited comprise the following (in alphabetical order):

Anglo American plc, BHP Billiton plc, FirstRand Limited, MTN Group Limited, Naspers Limited, Old Mutual plc, Renet Investments SCA, Sasol Limited, South African Breweries plc, Standard Bank Group Limited.

Spread of investments in equities listed on the JSE by sector:

	R million	%	R million	%
Oil and Gas	1,577	5	1,364	6
Basic materials	6,849	22	5,076	21
Industrials	3,065	10	3,159	13
Consumer goods	2,936	10	1,799	8
Health care	862	3	713	3
Consumer services	2,424	8	1,414	6
Telecommunications	1,958	6	1,574	7
Financials	9,688	31	7,708	32
Technology	144	0	216	1
Specialist securities	748	2	188	1
FTSE/JSE indices	586	2	609	3
	30,677	100	23,820	100

Refer to note 39 for information relating to the fair value of financial instruments.

Refer to note 44 for an analysis of the current and non-current portions of financial instruments.

16 Loans and receivables designated at fair value through profit or loss

Certain instruments in Momentum's statement of financial position, that would have otherwise been classified as loans and receivables under IAS 39 have been designated at fair value through profit or loss to ensure matching with related policyholder liabilities in line with how operations are managed. Information relating to the change in fair value and credit risk related to these items is shown in the table below:

For 2011 and 2010 there were no credit derivatives or similar instruments mitigating the maximum exposure to credit risk as shown in the table below. The current year and cumulative fair value movement in these instruments for all 3 years under review were due to market movements, with no fair value movement attributable to credit risk. Momentum Group impairs financial instruments where there is deterioration in credit risk of counterparties.

Government and government guaranteed
Dated securities

	2011		2010	
	Carrying value	Maximum exposure to credit risk	Carrying value	Maximum exposure to credit risk
	3,433	3,433	3,219	3,219
	11,163	11,163	11,123	11,123
	14,596	14,596	14,342	14,342

R million

	2011	2010	2009
17 Investments in associates			
At fair value			
Collective investment schemes	3,659	5,267	5,730
Emira Property Fund	-	1,261	1,743
	3,659	6,528	7,473
At cost			
Momentum Short-term Insurance Company Limited	62	53	40
Momentum Life Assurance Namibia (Pty) Ltd	177	223	123
	239	276	163

Emira Property Fund is a property unit trust. Momentum Group Limited holds 14% (2010: 20.8%) of the issued participatory interests of Emira Property Fund and it is no longer accounted for as an investment in associate.

Momentum Short-term Insurance was launched in October 2005. Its focuses on the distribution of short-term insurance through independent brokers with whom Momentum already has relationships, as well as Momentum's own agency force.

Momentum Life Assurance Namibia is a long-term insurance company in Namibia. Momentum Group holds 49% (2010: 49%) interest in this entity and FNB the remaining interest.

The collective investment schemes treated as investments in associates are those collective investment schemes where Momentum Group exercise significant influence through the ownership of units and the control of the management company.

2011

R million

	Total	Emira Property Fund	Momentum Short-term Insurance Company (Pty) Limited	Collective investment schemes	Momentum Life Assurance Namibia Limited
Balance at the beginning of the year	6,804	1,261	53	5,267	223
Additional investment / fair value movement	(2,906)	(1,261)	9	(1,608)	(46)
Investment at fair value / cost less amounts written off	3,898	-	62	3,659	177
Valuation					
Listed investments at market value	3,659	-	-	3,659	-
Unlisted investments at fair value	405	-	82	-	323
Total valuation	4,064	-	82	3,659	323
Percentage holding as at 30 June 2011					
100% of profit	998	-	50%	Refer below	49%
			17	909	72

17 Investments in associates (continued)

The investment in collective investment schemes treated as investments in associates as at 30 June 2011 can be further broken down as follows:

	Balance at 1 July 2010	Additional investment / fair value movement	Balance at 30 June 2011	Percentage holding	100% of profit	Total revenue
RMB Global Fund	43	(5)	38	29%	1	5
RMB Bond Fund	129	18	147	43%	25	28
RMB Conservative Fund of Funds	255	22	277	43%	23	33
RMB Equity Fund	513	90	603	24%	75	110
RMB High Tide Fund	113	13	126	39%	7	12
RMB Income Plus Fund	335	132	467	23%	109	123
RMB International Balanced Fund of Funds	36	(2)	34	21%	1	1
RMB International Bond Fund	-	5	5	24%	-	-
RMB International Income Fund	12	1	13	41%	-	-
RMB Money Market Unit Trust Fund	2,558	(2,558)	-	0%	-	-
RMB Strategic Opportunities Fund	75	21	96	28%	10	15
RMB USD Income Fund	-	15	15	23%	-	-
RMB Private Bank Global Flexible Fund of Funds	39	13	52	47%	-	-
Momentum Accumulator Fund of Funds	1	-	1	28%	-	-
Momentum Cash Management Fund	627	(627)	-	0%	-	-
RMB Private Bank Defensive Fund of Funds	207	48	255	42%	8	19
Momentum Moderate Equity Fund of Funds	52	5	57	22%	3	5
Stewart Macro Equity Fund of Funds	-	35	35	22%	1	3
SICAV Funds	206	235	441	Various	170	177
Portfolio Bonds	66	409	475	Various	58	62
Advantage Money Market Fund	-	326	326	21%	342	343
RMB Maximum Income Fund	-	196	196	21%	76	84
	5,267	(1,608)	3,659	-	909	1,021

The assets and liabilities of Momentum Group's investments in associated companies are summarised below:

2011

R million

Assets	Momentum Short-term Insurance (Pty) Limited	Collective investment schemes	Momentum Life Assurance Namibia Limited
Investment securities	173	13,400	1,283
Loans and receivables	2	377	79
Deferred taxation	13	-	-
Intangible assets	-	-	16
Property and equipment	-	-	3
Total assets	188	13,777	1,381
Liabilities and shareholders' funds			
Accounts payable	9	423	43
Other financial liabilities	58	-	-
Policyholder liabilities under investment contracts	-	-	94
Policyholder liabilities under insurance contracts	-	-	937
Financial liabilities	-	13,354	-
Total equity	121	-	306
Total liabilities and equity	188	13,777	1,381
Total revenue	260	1,021	376
Net profit after tax	17	909	72

17 Investments in associates (continued)

The assets and liabilities of Momentum Group's investments in collective investment schemes are summarised below:

	Investment securities	Loans and receivables	Accounts payable	Financial liabilities
RMB Global Fund	130	1	-	131
RMB Bond Fund	432	10	103	339
RMB Conservative Fund of Funds	636	4	2	637
RMB Equity Fund	2,414	136	83	2,467
RMB High Tide Fund	324	1	2	323
RMB Income Plus Fund	1,942	18	2	1,958
RMB International Balanced Fund of Funds	162	-	-	162
RMB International Bond Fund	22	-	-	22
RMB International Income Fund	31	1	-	32
RMB Strategic Opportunities Fund	355	1	-	356
RMB USD Income Fund	66	-	-	66
RMB Private Bank Global Flexible Fund of Funds	113	-	-	113
Momentum Accumulator Fund of Funds	3	-	-	3
RMB Private Bank Defensive Fund of Funds	607	-	1	606
Momentum Moderate Equity Fund of Funds	257	-	-	257
Stewart Macro Equity Fund of Funds	161	-	-	161
SICAV Funds	1,892	6	9	1,899
Portfolio Bonds	1,322	174	184	1,313
Advantage Money Market Fund	1,582	7	9	1,580
RMB Maximum Income Fund	949	18	28	939
	13,400	377	423	13,354

2010

R million

	Total	Emira Property Fund	Momentum Short-term Insurance Company (Pty) Limited	Collective investment schemes	Momentum Life Assurance Namibia Limited
- Balance at the beginning of the year	7,636	1,743	40	5,730	123
- Additional investment / fair value movement	(832)	(482)	13	(463)	100
Investment at fair value / cost less amounts written off	6,804	1,261	53	5,267	223
Valuation					
Listed investments at market value	6,528	1,261	-	5,267	-
Unlisted investments at fair value	394	-	71	-	323
Total valuation	6,922	1,261	71	5,267	323
Percentage holding as at 30 June 2010					
100% of profit	1,939	21% 512	50% 8	Refer below 1,363	49% 56

17 Investments in associates (continued)

The investment in collective investment schemes treated as investments in associates as at 30 June 2010 can be further broken down as follows:

	Balance at 1 July 2009	Additional investment / fair value movement	Balance at 30 June 2010	Percentage holding	100% of profit	Total revenue
RMB Global Fund	45	(2)	43	30%	(1)	6
RMB Bond Fund	132	(3)	129	41%	29	32
RMB Conservative Fund of Funds	330	(75)	255	43%	29	3
RMB Equity Fund	-	513	513	45%	18	49
RMB High Tide Fund	101	12	113	38%	7	12
RMB Income Plus Fund	380	(45)	335	28%	147	165
RMB International Balanced Fund of Funds	48	(12)	36	35%	-	-
RMB International Income Fund	-	12	12	47%	(1)	-
RMB Money Market Unit Trust Fund	3,215	(657)	2,558	20%	987	1,056
RMB Strategic Opportunities Fund	65	10	75	29%	4	7
RMB Private Bank Global Flexible Fund of Funds	24	15	39	45%	(3)	-
Momentum Accumulator Fund of Funds	-	1	1	27%	-	-
Momentum Cash Management Fund	-	627	627	21%	188	200
RMB Private Bank Defensive Fund of Funds	-	207	207	49%	15	24
Momentum Moderate Equity Fund of Funds	46	6	52	22%	3	4
SICAV Funds	-	206	206	Various	(69)	(66)
Portfolio Bonds	-	66	66	Various	10	15
Momentum Builder Fund of Funds	1	(1)	-	0%	-	-
RMB Euro Income Fund	5	(5)	-	0%	-	-
RMB Flexible Maturity Fund	36	(36)	-	0%	-	-
RMB Financial Services Fund	210	(210)	-	0%	-	-
Momentum Global Consolidator Fund of Funds	1	(1)	-	0%	-	-
Momentum Aggressive Equity Fund of Funds	68	(68)	-	0%	-	-
RMB Structured Equity Fund	32	(32)	-	0%	-	-
RMB Institutional Strategic Income Fund	450	(450)	-	0%	-	-
RMB Moderate Fund of Funds	104	(104)	-	0%	-	-
RMB Resources Fund	42	(42)	-	0%	-	-
Momentum Dynamic Asset Allocator Fund of Funds	37	(37)	-	0%	-	-
Momentum Global Builder Fund of Funds	1	(1)	-	0%	-	-
RMB Emerging Companies Fund	91	(91)	-	0%	-	-
RMB Value Fund	124	(124)	-	0%	-	-
Advantage Macro Growth Fund	63	(63)	-	0%	-	-
Advantage Small Cap Growth Fund	78	(78)	-	0%	-	-
	5,729	(462)	5,267	-	1,363	1,507

The assets and liabilities of Momentum Group's investments in associated companies are summarised below:

2010

R million

	Emira Property Fund	Momentum Short-term Insurance (Pty) Limited	Collective investment schemes	Momentum Life Assurance Namibia Limited
Assets				
Investment securities	160	148	25,769	1,294
Loans and receivables	410	1	346	100
Investment properties	7,536	-	-	-
Deferred taxation	-	20	-	-
Intangible assets	-	-	-	25
Property and equipment	-	-	-	2
Total assets	8,106	169	26,115	1,421
Liabilities and shareholders' funds				
Accounts payable	547	-	471	30
Other financial liabilities	-	65	-	-
Policyholder liabilities under investment contracts	-	-	-	44
Policyholder liabilities under insurance contracts	-	-	-	964
Deferred taxation	244	-	-	-
Financial liabilities	1,792	-	25,644	-
Total equity	5,523	103	-	384
Total liabilities and equity	8,106	169	26,115	1,421
Total revenue	1,162	229	1,507	288
Net profit after tax	512	8	1,363	56

17 Investments in associates (continued)

The assets and liabilities of Momentum Group's investments in collective investment schemes are summarised below:

	Investment securities	Loans and receivables	Accounts payable	Financial liabilities
RMB Global Fund	142	-	-	142
RMB Bond Fund	445	111	246	310
RMB Conservative Fund of Funds	626	5	2	629
RMB Equity Fund	2,300	2	2	2,300
RMB High Tide Fund	329	1	-	330
RMB Income Plus Fund	1,195	10	1	1,204
RMB International Balanced Fund of Funds	146	-	1	145
RMB International Income Fund	40	2	1	41
RMB Money Market Unit Trust Fund	14,328	131	5	14,454
RMB Strategic Opportunities Fund	310	-	12	298
RMB Private Bank Global Flexible Fund of Funds	85	3	-	88
Momentum Accumulator Fund of Funds	3	-	-	3
RMB Private Bank Defensive Fund of Funds	416	-	1	415
Momentum Moderate Equity Fund of Funds	227	-	-	227
SICAV Funds	1,753	49	187	1,615
Portfolio Bonds	357	1	1	357
Momentum Cash Management Fund	2,978	31	4	3,005
RMB Industrial Fund	89	-	8	81
	25,769	346	471	25,644

19 Property and equipment

Leased assets	2011			2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Computer equipment	37	(37)	-	37	(37)	-
Total leased assets	37	(37)	-	37	(37)	-
Owned assets						
Computer equipment	378	(326)	52	343	(305)	38
Office equipment	20	(18)	2	19	(13)	6
Furniture and fittings	60	(57)	3	59	(54)	5
Motor vehicles	8	(7)	1	8	(7)	1
Total own assets	466	(408)	58	429	(379)	50
Total assets	503	(445)	58	466	(416)	50

Leased assets

Movement in property and equipment - Cost

	Total	Computer equipment
Cost at 1 July 2009	37	37
Movements for the year	-	-
Cost at 1 July 2010	37	37
Additions	-	-
Cost at 30 June 2011	37	37

Movement in property and equipment - Accumulated depreciation

R million	Total	Computer equipment
Balance at 1 July 2009	37	37
Depreciation charge for the year	-	-
Balance at 1 July 2010	37	37
Depreciation charge for the year	-	-
Balance at 30 June 2011	37	37

Owned assets

Movement in property and equipment - Cost

R million	Total	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles
Cost at 1 July 2009	389	303	19	59	8
Additions	40	40	-	-	-
Cost at 30 June 2010	429	343	19	59	8
Additions	37	35	1	1	-
Cost at 30 June 2011	466	378	20	60	8

Movement in property and equipment - Accumulated depreciation

	Total	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles
Balance at 1 July 2009	346	278	10	51	7
Depreciation charge for the year	31	25	3	3	-
Other	2	2	-	-	-
Balance at 30 June 2010	379	305	13	54	7
Depreciation charge for the year	29	21	5	3	-
Balance at 30 June 2011	408	326	18	57	7

R million

20 Owner occupied properties

	2011	2010	2009
Owner occupied properties at fair value	623	947	872
Owner occupied properties at cost less accumulated depreciation	321	526	508

Own assets

Fair value at the beginning of the year	947	872
Additions	-	36
Revaluations	30	68
Depreciation	(19)	(29)
Transfer to investment properties	(335)	-
Fair value at the end of the year	623	947
Land	36	77
Buildings	562	822
Mechanical equipment	5	11
Electrical equipment	5	8
Sundries	15	29
Fair value at the end of the year	623	947

The most recent revaluation of owner occupied properties was performed as at 30 June 2011 by independent, professional property valuers, using the income capitalisation method. This method assumes that the entire property is fully let in the open market at market-related gross rentals, with market-related expenses being incurred. The rent is determined based on rentals achieved in similar A-grade buildings in similar locations. The net normalised annual income is then capitalised into perpetuity by an appropriate capitalisation rate to derive the market value of the properties.

The following significant assumptions were applied in the valuation of the owner occupied properties:

Capitalisation rate	9%	9%
Rent per square metre	135	132
Vacancy percentage	2%	2%

Information regarding owner occupied properties as required in terms of Schedule 4 of the Companies Act, 2008, is kept at the Company's registered office. This information is open for inspection in terms of the provisions of Section 113 of the Companies Act, 2008.

Refer to note 44 for an analysis of the current and non-current portions of owner occupied properties.

21 Intangible assets

Value of in-force business		
Deferred acquisition cost asset	859	898
Agency force	1,739	1,855
	-	-
	<u>2,598</u>	<u>2,753</u>
Value of in-force business (insurance intangible asset)		
Cost	1,040	1,040
Less: Accumulated amortisation and impairment	(181)	(142)
	<u>859</u>	<u>898</u>
Accumulated amortisation and impairment at the beginning of the year	142	102
Amortisation for the year	39	40
	<u>181</u>	<u>142</u>
Accumulated amortisation and impairment at the end of the year	181	142

As a result of certain acquisitions of insurance contracts, Momentum carries an intangible asset representing the present value of in-force business acquired. The value of this intangible asset is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. Momentum amortises the value of in-force business intangible asset over the expected life of the contracts acquired. The estimated life is evaluated annually. This intangible asset is carried in the statement of financial position at fair value less any accumulated amortisation and impairment losses as a result of liability adequacy tests. It will be fully amortised by 2046.

Deferred acquisition cost asset

Opening balance	1,855	1,728
Deferred acquisition costs on new business	226	398
Amortisation charged to the income statement	(342)	(271)
	<u>1,739</u>	<u>1,855</u>
Net carrying value at the end of the year	1,739	1,855

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life 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 value of the DAC is recognised as an expense in profit or loss. Amortisation of the DAC is done separately for each policy contract. An impairment test is conducted annually at the 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.

21 Intangible assets (continued)**Agency force**

Cost	20	20
Less: Accumulated amortisation and impairment	(20)	(20)
Carrying amount at the end of the year	-	-
Accumulated amortisation and impairment at the beginning of the year	-	6
Amortisation for the year	-	-
Impairment for the year	-	14
Accumulated amortisation and impairment at the end of the year	-	20

During the 2010 financial year, management has assessed the value of the agency force and has decided the agency force is no longer of any value and it has been impaired.

Computer software

Cost	3	3
Less: Accumulated amortisation and impairment	(3)	(3)
Carrying amount at the end of the year	-	-
Accumulated amortisation and impairment at the beginning of the year	-	-
Amortisation for the year	-	-
Accumulated amortisation and impairment at the end of the year	-	-

Acquired computer software costs are capitalised. These costs include the acquisition costs and the costs to bring the specific software to use. These costs are amortised on the basis of the expected useful life of between three to a maximum of 20 years.

Refer to note 44 for an analysis of the current and non-current portions of intangible assets.

22 Investment properties**Completed investment properties**

Market value at the beginning of the year		
Additions	29	73
Acquisitions		
Transfer from owner occupied buildings	5	15
Revaluation	335	-
Disposals	8	-
Net gain from fair value adjustments	-	(62)
	2	3
	<hr/>	<hr/>
Market value at the end of the year	379	29
	<hr/>	<hr/>
Total investment properties	379	29
	<hr/>	<hr/>

Investment properties can be split as follows:

Office buildings	364	19
Industrial buildings	14	9
Other	1	1
	<hr/>	<hr/>
	379	29
	<hr/>	<hr/>

Investment properties are acquired for letting to external tenants with the intention to generate future rental income.

Investment properties are valued annually by Eris's registered valuers. The latest date of valuation was 30 June 2011.

The valuation calculations are based on the aggregate of the net annual rents receivable and associated costs, using the discounted cash flow method. The discounted cash flow method takes projected cash flows and discounts them at a rate which is consistent with the comparable market transactions. The discount rates used vary depending on the risks associated with the respective properties, with an average discount rate of 16%.

Any gains or losses arising from changes in fair value are included in the net income or loss for the year.

Schedules of freehold property and equity investments are open for inspection at the company's office in terms of the provisions of the Companies' Act, 2008.

The following amounts have been included in the income statement

	2011	2010
Rental income	56	54
Direct operating expenses arising from investment properties that generate rental income	(34)	(5)

The minimum future lease payment under non-cancellable operating leases on these investment properties are set out below:

Not later than 1 year	12	14
Later than 1 year and not later than 5 years	-	8

Nothing has been received as contingent rental in the financial period.

The lease agreements are subject to an annual escalation clause of between 8% and 11%.

Refer to note 44 for an analysis of the current and non-current portions of investment properties.

23 Reinsurance Assets

Balance at the beginning of the year		
Movement in reinsurer's share of insurance liabilities	599	8,120
Reinsurance agreement entered into with Old Mutual	135	47
	-	(7,568)
	<hr/>	<hr/>
	734	599
	<hr/>	<hr/>

Maturity profile of reinsurance assets

Due within 1 year		
Due within 1 to 5 years	447	319
Due within 5 to 10 years	66	98
Due after 10 years	105	65
	116	117
	<hr/>	<hr/>
	734	599
	<hr/>	<hr/>

Refer to note 44 for an analysis of the current and non-current portions of reinsurance assets.

24 Employee benefits asset and liabilities

Employee benefits asset	166	113	83
Employee benefits liability			
Post-retirement medical aid liability			
Provision for leave pay	75	65	79
Provision for staff bonuses	84	79	31
Share based payment liability	32	32	14
	160	68	-
	<hr/>	<hr/>	<hr/>
	351	244	124
	<hr/>	<hr/>	<hr/>
Employee benefits asset			

The reconciliation from opening to closing balance of the employee benefits asset is presented below:

Employee benefits asset at the beginning of the year		
Interest cost	113	83
Expected return on plan assets	(58)	(79)
Net actuarial profit for the year	69	96
Payments in respect of outsourced pensioners	47	13
	(5)	-
	<hr/>	<hr/>
Employee benefits asset at the end of the year	166	113
	<hr/>	<hr/>

The principal actuarial assumptions are:

Discount rate		
Expected return on plan assets	9.00%	9.00%
Future salary increases	8.00%	9.00%
Net interest rate used to value pensions, allowing for pension increases	8.00%	5.80%
Number of employees who selected early retirement	6.00%	6.00%
	None	None

The actual return on plan assets was 14.3% (2010: 14.4%), which amounted to R180 million (2010: R145 million).

The employee benefit asset can be further broken down as follows:

Present value of funded liability		
Fair value of plan assets	(408)	(995)
	575	1,110
	<hr/>	<hr/>
Paragraph 59 limit	167	115
	(1)	(2)
	<hr/>	<hr/>
Defined benefit pension fund asset recognised in the statement of financial position *	166	113
	<hr/>	<hr/>

* The Financial Services Board has approved the recognition of the surplus.

The reconciliation from opening to closing balance of the plan assets is presented below:

Opening balance of plan assets		
Benefit payments	1,110	1,014
Expected return on plan assets	(715)	(49)
Actuarial gain	69	96
	111	49
	<hr/>	<hr/>
Closing balance of plan assets	575	1,110
	<hr/>	<hr/>

Staff pension funds

All full time employees in the Momentum Group are members of either defined benefit pension funds or defined contribution schemes that are governed by the Pension Funds Act. The Momentum Life Pension Fund, Southern Staff Pension Fund and Sage Group Pension Fund are final salary defined benefit plans and are valued by independent actuaries every three years. The latest actuarial valuations of the Momentum Life Pension Fund, Southern Staff Pension Fund and Sage Group Pension Fund were as at 30 June 2011, and all three funds were found to be in a sound financial position. The recommended employer contribution rate to the Momentum Life Pension Fund is 10% of pensionable salaries in order to meet the ongoing accrual of benefits.

Contributions to the pension funds are charged against expenditure when incurred. Any deficits advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the funds.

24 Employee benefits asset and liabilities (continued)

The assets of these schemes are held in administered trust funds separated from the Momentum Group's assets. The asset breakdown of the three funds is set out below:

	Momentum Life Pension Fund	Southern Staff Pension Fund	Sage Group Pension Fund
Bonds	4%	0%	0%
Equities	0%	0%	1%
Cash	96%	100%	99%
Total	100%	100%	100%

Post-retirement medical aid liability

The company provides for medical aid contributions beyond the date of normal retirement for all employees qualifying for this benefit. The present value of expected future medical aid contributions relating to existing pensioners has been determined and the liability provided. The present value of expected future medical aid contributions relating to current employees is charged against expenditure over the service period of such employees.

The post retirement medical aid liability is valued once a year. The latest valuation was done as at 30 June 2011.

Present value of unfunded liability at the beginning of the year		
Interest cost	65	79
Actuarial gain	6	(9)
Benefits paid	4	-
	-	(5)
Present value of unfunded liability at the end of the year	75	65

The principal actuarial assumptions are:

Discount rate		
Long-term increase in health costs	9.00%	9.00%
Consumer price inflation	8.00%	7.50%
Retirement age	6.25%	6.25%
Number of employees who selected early retirement	62 years None	62 years None

Sensitivity analysis

1% increase in health care cost inflation	R12 million (16% increase in the liability)
1% decrease in health care cost inflation	R9 million (12% decrease in the liability)
Mortality assumption change from PA (90) with a 2 year adjustment to PA (90)	R6 million (8% decrease in the liability)
A 10% increase or decrease in the withdrawal assumption	0.4% impact on the liability

Liability for leave pay

Balance at the beginning of the year		
Additional provision	79	31
Utilisation of provision	6	48
	(1)	-
Balance at the end of the year	84	79

The company raises a liability for 100% of the accumulated leave of staff. In terms of the company policy, employees are entitled to accumulate a maximum of 50 days' leave. Compulsory leave has to be taken within 12 months of earning it. This liability is settled as and when staff leave the employment of the company, or when employees request for their accumulated leave to be paid out.

Provision for staff bonuses

Balance at the beginning of the year		
Additional provision	32	14
Utilisation of provision	23	38
Reversal of provision	(15)	(20)
	(8)	-
Balance at the end of the year	32	32

Momentum has established a company wide bonus scheme for all its employees. This bonus will be payable to staff on achievement of certain financial and non-financial targets.

Share based payment liability

Balance at the beginning of the year		
Share based expenses (liability)	68	68
Share based payment settlements (cash)	79	-
	13	-
Balance at the end of the year	160	68

The Momentum Group is part of the MMI share scheme whereby the cash settled schemes result in a share based payment liability.

Refer to note 33 for more information on the share schemes and the share options.

Refer to note 44 for an analysis of the current and non-current portions of employee benefit liabilities.

25 Accounts payable (including insurance payables)

Accrued benefit payments		
Insurance contracts	2,165	1,520
Investment contracts with discretionary participation features	874	699
Investment contracts without discretionary participation features	365	299
Creditors	926	522
Amounts payable to subsidiaries	6,688	5,573
	343	431
Total accounts payable	9,196	7,524

Due to the short-term nature of the accounts payable, the fair value of the accounts payable is equal to the carrying amount.

Refer to note 44 for an analysis of the current and non-current portions of accounts payable.

26 Provisions

Provision for auditors' remuneration		
Other	-	16
	68	45
	68	61

Provision for auditors' remuneration

Balance at the beginning of the year		
Additional provision	16	7
Utilisation of provision	-	20
Reversal of provision	(15)	(11)
	(1)	-
	-	16

The company used to raise a liability for auditors' remuneration when there is a present obligation that will probably lead to the outflow of resources embodying economic benefits and where the amount can be estimated reliably. In all probability this liability will be settled within 3 months after the financial year end. During the current year the company has adopted the cash flow method and no further auditors' provisions will be provided for.

Other

Balance at the beginning of the year		
Additional provision	45	170
Unutilised amounts reversed	27	5
	(4)	(130)
	68	45

The company raises provisions in all circumstances where there is a present obligation that will probably lead to the outflow of resources embodying economic benefits and where the amount can be estimated reliably. In all probability this liability will be settled within one year after reporting date.

Refer to note 44 for an analysis of the current and non-current portions of provisions.

27 Deferred taxation

Deferred taxation asset	825	876	912
Deferred taxation liability	(1,697)	(1,447)	(1,329)
	(872)	(571)	(417)

Balance at the beginning of the year	571	417
Charge for the year	260	148
Revaluation of available for sale portfolio	3	-
Revaluation of owner occupied properties	38	6
Balance at end of the year	872	571

30 June 2011

Deferred taxation comprises:

	Opening balance	Debit/ (credit) to the income statement (refer note 9)	Credit to other comprehensive income	Closing balance
Capital gains tax on unrealised investment surpluses	251	211	3	465
Deferred tax on revaluation of owner occupied and investment properties	56	-	38	94
Provisions and accruals	(82)	35	-	(47)
Deferred acquisition cost asset	519	(32)	-	487
Deferred revenue liability	(126)	30	-	(96)
Difference between published and statutory policyholder liabilities	(631)	(21)	-	(652)
Negative Rand reserves	345	18	-	363
Deferred tax on intangible assets	252	(11)	-	241
Other	(13)	30	-	17
	571	260	41	872

30 June 2010

Deferred taxation comprises:

	Opening balance	Debit/ (credit) to the income statement (refer note 9)	Credit to other comprehensive income	Closing balance
Capital gains tax on unrealised investment surpluses	131	120	-	251
Deferred tax on revaluation of owner occupied and investment properties	50	-	6	56
Provisions and accruals	(87)	5	-	(82)
Deferred acquisition cost asset	484	35	-	519
Deferred revenue liability	(99)	(27)	-	(126)
Difference between published and statutory policyholder liabilities	(630)	(1)	-	(631)
Negative Rand reserves	333	12	-	345
Deferred tax on intangible assets	266	(14)	-	252
Other	(31)	18	-	(13)
	417	148	6	571

Deferred tax has not been recognised in respect of temporary differences relating to the difference between the fair value and cost price of subsidiaries of Momentum Group Limited as Momentum controls the timing of the reversal of the temporary differences and the differences are not expected to reverse in the foreseeable future.

Refer to note 44 for an analysis of the current and non-current portions of deferred taxation liabilities.

28 Other financial liabilities

	2011	2010	2009
Secured financial liabilities	6,815	6,346	4,332
Unsecured financial liabilities	1,083	1,176	1,387
Total other financial liabilities	7,898	7,522	5,719

Secured financial liabilities

FirstRand Bank Limited	6,815	6,346
	6,815	6,346

Other than the above, the Momentum Group has not pledged any other assets as security for its liabilities or contingent liabilities.

FirstRand Bank Limited

Balance at the beginning of the year		
Capital repaid	6,346	4,332
New liabilities entered into	(6,346)	(4,332)
	6,815	6,346
	6,815	6,346

Included in the liability of R6 815 million is a carry position with FirstRand Bank amounting to R5 574 million (2010: R5 503 million). This transaction represents a sale and repurchase of assets in Momentum's annuity portfolio. Other than this arrangement, Momentum has not pledged any other assets as security for its liabilities or contingent liabilities.

Unsecured long-term liabilities

Subordinated call notes	1,006	953
Other loans	77	223
	1,083	1,176

Subordinated call notes

Balance at the beginning of the year	953	926
Fair value movement for the year	53	27
	1,006	953

Payable within:

One year	25	25
Between five and ten years	981	928
	1,006	953

On 25 April 2006, Momentum Group Limited issued R1 040 million of subordinated, unsecured callable notes, with a legal maturity date of 15 September 2020. These notes are callable by Momentum Group Limited from 15 September 2015. The notes were issued at a spread of 70 basis points over the current R157 government bond yield. Fitch ratings assigned a National Scale rating of AA-(zaf) to these notes.

The coupon rate is fixed at 8.5% per annum, payable bi-annually on 15 March and 15 September, until the first call date (15 September 2015). At the first call date, a step-up of 80% of the initial credit spread will apply and interest will convert from fixed to floating, payable quarterly on 15 March, 15 June, 15 September and 15 December.

Momentum has hedged the fixed coupon rate on this liability by entering into a swap agreement with FirstRand Bank whereby Momentum earns interest at the same fixed coupon rate and pay interest at a floating rate. Both the interest rate swap (as disclosed under derivative financial instruments as "qualifying for hedge accounting" in note 13) and the principal instrument have been fair valued as at 30 June 2011.

Other loans

Balance at the beginning of the year		
New liabilities entered into	223	201
Capital repaid	(146)	(54)
	77	223
Payable within:		
One year	77	72
Between one and five years	-	151
	77	223

The outstanding liability as at 30 June 2011 represents the present value of the outstanding promissory notes on the owner occupied properties. The effective interest rate on this liability is 13.2%. These loans are repayable in monthly instalments until March 2012.

Financial liabilities designated at fair value through profit or loss

Certain items in Momentum's statement of financial position that would otherwise be categorised as financial liabilities at amortised cost under IAS 39 have been designated as fair value through profit or loss. Information relating to the change in fair value of these items

2011				
Fair value	Contractually payable at maturity	Change in fair value Due to credit risk		
		Current period	Cumulative	
Policyholder liabilities under investment contracts	110,769	110,769	-	-
Other financial liabilities	7,821	7,821	-	-
	118,590	118,590	-	-
2010				
Fair value	Contractually payable at maturity	Change in fair value Due to credit risk		
		Current period	Cumulative	
Policyholder liabilities under investment contracts	99,680	99,680	-	-
Other financial liabilities	7,373	7,444	-	-
	107,053	107,124	-	-

The current and cumulative change in fair value attributable to a change in credit risk is determined as the difference between the fair value based on Momentum's original credit rating and the fair value determined based on any adjusted credit rating for Momentum as observed in the market.

Refer to note 38 for information relating to the fair value of other financial liabilities.

Refer to note 44 for an analysis of the current and non-current portions of deferred taxation liabilities.

29 Policyholder liabilities under insurance contracts

Insurance contracts with discretionary participation features	16,042	7,847	8,228
Insurance contracts without discretionary participation features	26,386	33,147	30,938
	42,428	40,994	39,166
Balance at beginning of year	40,994	39,166	
Transfer to policyholder liabilities under insurance contracts	1,434	1,828	
- Increase in retrospective liabilities	2,717	4,267	
- Unwind of discount rate	941	1,064	
- New business	790	1,378	
- Change in economic assumptions (i)	786	(109)	
- Change in non-economic assumptions	55	(184)	
- Expected cash flow	(3,438)	(3,288)	
- Expected release of margins	(991)	(918)	
- Experience variances	574	(382)	
Balance at the end of the year	42,428	40,994	
Insurance contracts with discretionary participation features	16,042	7,988	
Insurance contracts without discretionary participation features	26,386	33,006	
	42,428	40,994	

Actuarial liabilities under unmaturing policies comprise the following:

	%	%
Linked (market related) business		
Individual life		
Employee benefits	32.5	33.4
Smoothed bonus business	-	-
Individual life		
With-profits reversionary bonus business	11.7	11.9
Non-profit business	7.0	7.3
Individual life		
Employee benefits	44.2	0.2
Annuity business	1.8	4.3
	2.8	42.9
	100.0	100.0

The amounts above are based on the actuarial valuations of Momentum Group Limited as at 30 June 2011.

- (i) The change in economic assumptions changes arose mainly from whole life risk policies and guaranteed or structured products such as annuities, guaranteed endowments and PHI claims in payment. Liabilities on these product lines are very sensitive to movements in long term interest rates. However, it should be noted that Momentum matches liabilities on most of these product lines with assets that tend to react to changes in interest rates in the same manner as the liabilities do. Hence the net asset value is much less variable on account of interest rate changes (as opposed to the liabilities viewed in isolation).

29 Policyholder liabilities under insurance contracts (continued)

Below are the main assumptions that were used in determining the liabilities in respect of insurance contracts as at 30 June 2011:

Best estimate valuation assumptions

Economic assumptions

Risk-free return

The ten-year zero-coupon risk-free yield, derived from S.A. government bonds, is used as the starting point to determine the gross valuation interest rate for South African Rand (ZAR) denominated business. Similarly, the corresponding ten-year yield, derived from U.S. Treasury Bills, is used to determine the gross valuation interest rate for United States Dollar (US\$) denominated business.

ZAR ten-year zero-coupon risk-free yield: 8.83% per annum (30 June 2010: 9.31% per annum)
USD ten-year zero-coupon risk-free yield: 3.16% per annum (30 June 2010: 2.91% per annum)

Valuation interest rate

The gross valuation interest rate of 11% per annum for ZAR denominated business (30 June 2010: 11.5% per annum) was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities, properties, gilt-edged stocks, corporate bonds and cash.

Notional portfolio used as at 30 June 2011:

Equities:	60%
Properties:	10%
Government bonds:	10%
Corporate bonds:	10%
Cash:	10%

Assumed performance of other asset classes relative to government bonds:	
equities (including overseas equities):	+3.5% per annum
properties:	+1.0% per annum
corporate bonds:	+0.5% per annum
cash:	-1.0% per annum

Rounding to the nearest 0.25% was performed.

Using the same methodology, the gross valuation rate of 5.3% per annum (30 June 2010: 5.1% per annum) was determined for US\$ denominated business.

Liabilities in the annuity portfolio were valued at the risk-free zero-coupon yield curve, adjusted for credit and liquidity spreads. CPI linked annuities were valued at a risk free real yield curve.

Inflation

An expense inflation rate of 7.2% per annum for ZAR denominated business was used to project future renewal expenses (2010: 7.3%). The ZAR inflation rate was derived by deducting the 10-year real return on CPI-linked government bonds of 2.59% (30 June 2010: 2.97%) from the risk-free rate and adding an allowance for salary inflation and increases in unit costs of 1.0% per annum. Rounding to the nearest 0.25% was performed. US\$ inflation was assumed to be 1.5% per annum (30 June 2010: 0.9% per annum), thus maintaining the 3.8% margin relative to the valuation rate of return as with ZAR expense inflation.

Tax

To provide for tax, the gross valuation interest rate expected to be earned in future was reduced appropriately for taxable business and retirement annuity business. These reductions in the investment return represent the expected tax payable on the assumed investment return on the notional policyholders' portfolio, based on the four-fund tax dispensation. It was assumed that Momentum will remain in an "Excess Investment Income" position (as opposed to "Excess Expense") for the purposes of projecting tax on income and relief on expenses.

Mortality, morbidity and terminations

Demographic assumptions, such as those in respect of future mortality, disability and persistency rates are set based by calibrating standard tables to internal experience investigations. The investigations are performed and assumptions set for individual product lines, but ensuring that assumptions are consistent where experience is not expected to deviate between product lines.

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in June 2011. The investigations covered a period of five years, from 2006 to 2011. The experience on policies and annuities were analysed.

Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Allowance for AIDS was made according to professional guidance note PGN 102 (Mar 1995): Life Offices – HIV/AIDS and PGN 105 (Nov 2002): Recommended AIDS extra mortality bases, issued by the Actuarial Society of South Africa.

PHI termination of claim rates

Disability claim recovery probabilities are modeled, using the Group Long Term Disability Table (GLTD), developed in the United States of America. The table details recovery rates for given:

- Ages
- Waiting periods
- And duration since disability

Momentum adjusts the recovery rates for South African circumstances by taking the following proportions of the GLTD rates:

Year 1:	+45%
Year 2:	+85%
Year 3 :	+135%

where the years represent duration of disability.

Expenses

The sustainable annual renewal expense per policy was based on an analysis of budgeted expenses for the year ending 30 June 2012. The analysis distinguished between renewal and acquisition costs.

Expenses expected to be once-off in nature or not relating to long-term insurance business were excluded from the analysis.

Asset management expenses were expressed as an annual percentage of assets under management.

Policyholder bonuses

Future additions of discretionary bonuses to smoothed bonus (universal life) policies have been projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and taxation.

On conventional policies, it was assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

Compulsory margins

The compulsory margins to best-estimate assumptions are detailed in actuarial professional guidance note PGN104 and are intended to provide a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely. The following prescribed margins were applied to the best-estimate assumptions applying in respect of individual life business:

Assumption	Margin
Mortality	7.5% - increase to assumption for assurance - decrease to assumption for annuities
Morbidity	10% - increase to best-estimate assumption
Medical	15% - increase to best-estimate assumption
Lapses	25% (e.g. if best estimate is 10%, the margin is 2.5%) - increase or decrease, depending on which alternative increases liabilities
Surrenders	10% - increase or decrease, depending on which alternative increases liabilities
Terminations for disability Income benefits in payment	10% - decrease to best-estimate assumption
Expenses	10% - increase to best-estimate assumption
Expense inflation	10% (of estimated escalation rate) - increase to best-estimate assumption
Charge against investment return	25 basis points reduction in the management fee or an equivalent asset-based or investment performance-based margin; 25 basis points reduction in the assumed rate of future investment return on contracts that do not have an asset-based or investment performance-based fee

Discretionary margins

As described in the accounting policies, discretionary margins are used to prevent the premature

- Cost-of-capital charges levied against smoothed-bonus portfolios are not capitalised against current liabilities, but are recognised as and when they are earned. This avoids the premature recognition of income that is required to mitigate the additional cost of capital required to support smoothed-bonus liabilities.
- An asset charge, equal to 10% of investment return, is levied on some universal-life linked and smoothed-bonus policies. This asset-based charge is not discounted against the liability, but is recognised as and when it is earned.
- Additional margins are held in respect of mortality and disability claims assumptions, as well as termination assumptions, on certain individual life product lines. This allows risk profits to be recognised in the period in which the risks are borne by the company.
- A margin of 15% is added to expected group PHI claims termination rates, to reduce the risk of premature recognition of profits from uncertain claim termination experience.
- Other discretionary margins, not described above, have been outlined under the accounting policies.

Refer to note 44 for an analysis of the current and non-current portions of policy holder liabilities under insurance contracts.

30 Policyholder liabilities under investment contracts**Policyholder liabilities under investment contracts with discretionary participation features**

Balance at beginning of year	11,543	12,520
Reclassification between DPF and without DPF investment contracts	662	-
Transfer from policyholder liabilities under investment contracts with DPF	(49)	(977)
- Increase in retrospective liabilities	507	(617)
- Unwind of discount rate	(9)	11
- New business	10	47
- Change in economic assumptions	8	-
- Change in non-economic assumptions	(17)	127
- Expected cash flow	(491)	720
- Expected release of margins	(4)	(29)
- Experience variances	(53)	(1,236)
Balance at the end of the year	12,156	11,543

Actuarial liabilities under unmaturing policies comprise the following:

Linked (market related) business	%	%
Employee benefits	0.1	0.2
Smoothed bonus business		
Individual life	59.7	55.7
Employee benefits	40.2	44.1
	100.0	100.0

Policyholder liabilities under investment contracts without discretionary participation features

Balance at the beginning of the year	99,680	96,956
Reclassification between DPF and without DPF investment contracts	(662)	-
Movement for the year	11,751	2,724
Deposits received	22,329	26,671
- Individual	20,408	11,189
- Single premiums	17,558	8,399
- Recurring premiums	2,850	2,790
- Employee benefits	1,921	15,482
- Single premiums	1,084	14,471
- Recurring premiums	837	1,011
Policyholder benefits on investment contracts	(21,087)	(34,363)
- Individual	(18,734)	(8,841)
- Employee benefits	(2,353)	(25,522)
Fees on investment contracts	(1,059)	(1,234)
Fair value adjustment to policyholder liabilities under investment contracts	11,568	11,650
Balance at the end of the year	110,769	99,680
Investment contracts without discretionary participation features	110,769	99,680
- With investment management service components	105,018	95,914
- Without investment management service components	5,751	3,766

The undiscounted maturity profile of policyholder liabilities under investment contracts without DPF is set out below

30 June 2011 R million	Total	Open ended	Shorter than 1 year	Between 1 to 5 years	Between 5 to 10 years	Longer than 10 years
Linked (market related) business						
Individual	69,764	69,764	-	-	-	-
Employee benefits	34,946	34,946	-	-	-	-
Smoothed bonus business						
Individual	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Non-profit business						
Individual	4,454	-	396	4,058	-	-
Employee benefits	-	-	-	-	-	-
Annuity business	1,107	-	277	583	186	61
Total policyholder liabilities under investment contracts	110,271	104,710	673	4,641	186	61

30 June 2010 R million	Total	Open ended	Shorter than 1 year	Between 1 to 5 years	Between 5 to 10 years	Longer than 10 years
Linked (market related) business						
Individual	72,249	19,254	5,713	14,309	6,575	26,398
Employee benefits	33,585	32,838	747	-	-	-
Smoothed bonus business						
Individual	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Non-profit business						
Individual	3,074	250	82	2,741	1	-
Employee benefits	-	-	-	-	-	-
Annuity business	1,085	305	191	411	134	44
Total policyholder liabilities under investment contracts	109,993	52,647	6,733	17,461	6,710	26,442

Refer to note 38 for information relating to the fair value of policyholder liabilities under investment contracts.

Refer to note 44 for an analysis of the current and non-current portions of policyholder liabilities under investment contracts.

31 Deferred revenue liability

Balance as at the beginning of the year	356	312
Amount recognised in the income statement during the year	(209)	(100)
Deferred income relating to new business	54	144
	<hr/>	<hr/>
Balance as at the end of the year	201	356
	<hr/>	<hr/>

Refer to note 44 for an analysis of the current and non-current portions of deferred revenue liability.

32 Share capital and share premium

The company's authorised and issued share capital and share premium are made up as follows:

Share capital**Authorised**

225 000 000 ordinary shares of 5 cents each	11	11
50 000 non-redeemable, non-cumulative, non-participating preference shares of 5 cents each	-	-
4 104 000 convertible, participating, non-voting preference shares of 5 cents each	-	-

Issued

189 695 508 Ordinary shares of 5 cents each	9	9
50 000 non-redeemable, non-cumulative, non-participating preference shares of 5 cents each	-	-

Preference dividends are calculated at a rate equal to 68% of the prime interest rate.

The unissued shares are under the control of the directors until the conclusion of the next annual general meeting.

Share premium	1,532	1,532
Ordinary shares	1,032	1,032
Non-redeemable, non-cumulative, non-participating preference shares	500	500
	<hr/>	<hr/>

Share capital and share premium

1,541	1,541
<hr/>	<hr/>

33 Reserves**Distributable reserves**

Distributable reserves at the beginning of the year	6,716	5,809
Earnings attributable to ordinary shareholders	1,721	1,742
Current year movement on equity settled share based payments	-	4
Dividend for the year	(992)	(839)
	<hr/>	<hr/>
Distributable reserves at the end of the year	7,445	6,716
	<hr/>	<hr/>

Non-distributable reserves

Revaluation of investment assets	774	1,871
Revaluation of Owner Occupied Buildings and Investment Properties	360	365
Other	11	11
	<hr/>	<hr/>
Total non-distributable reserves	1,145	2,247
	<hr/>	<hr/>

Total reserves

8,590	8,963
<hr/>	<hr/>

The revaluation of investment assets reserve represents the cumulative revaluation of financial assets and investments in subsidiaries classified as available-for-sale. When these assets are sold, the proportion of the revaluation reserve that relates to the sold assets are included in the income statement under the "net realised gains on assets" line.

33 Reserves (continued)

Momentum share schemes

Momentum had several share schemes in place before the merger. The merger resulted in some of the schemes being modified and the classification changed as noted below:

Previously equity settled schemes

The FirstRand Share Incentive Scheme (FRSIS)

The FirstRand Black Employee Trust (FRBET)

FirstRand Black Non-Executive Directors' trust (FRBNDT)

As from December 2010, when the merger became effective, the shares offered to the employees under The FRSIS, FRBET and the FRBNDT were no longer the shares of the holding company or a subsidiary of the new MMI group and therefore, as the scheme was not amended, these schemes are accounted for as employee benefit obligations.

Previously cash settled schemes

FirstRand Share Appreciation Right Scheme - replaced with the new Momentum Conditional Share Plan (cash settled)

Forfeitable Share Plan - similar to the FRSIS, FRBET and FRBNDT the terms were not amended therefore transferred to employee benefits

Conditional Share Plan - replaced with the new Momentum Conditional Share Plan (cash settled)

Momentum Sales Scheme - terms modified - remained cash settled

FirstRand Share Appreciation Right Scheme (FRSARS)

The purpose of this scheme was to provide identified Momentum group employees, including executive directors, with the opportunity of receiving incentive remuneration payments based on the increase in the market value of ordinary shares in FirstRand Ltd. Entitlement to incentive remuneration payments was predicated on the achievement of certain key performance objectives which were set by the remuneration committee prior to each grant of appreciation rights to participating employees. Appreciation rights may only be exercised as to one third of the total number of rights issued after the third, two-thirds after the fourth and all of the shares by the fifth anniversary of the date of grant, provided that the performance objectives set for the grant have been achieved. This scheme was replaced with the new Momentum Conditional Share Plan on 1 December 2010.

Conditional Share Plan (CSP)

The conditional award comprises a number of FirstRand shares that will vest conditionally over a period of three years. The employee makes no payment for these shares upon vesting. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non financial performance, which will be set annually by the remuneration committee. This scheme was replaced with the new Momentum Conditional Share Plan on 1 December 2010.

33 Reserves (continued)

Momentum Sales Scheme (MSS)

The Momentum sales scheme was set up specifically for the benefit of the sales staff. Allocations are made twice a year to financial planners reaching a certain minimum production level. The qualification criteria are reviewed annually. This scheme was previously linked to the value of FirstRand Ltd shares. In December 2010, the scheme was modified to make reference to the MMI Holdings Ltd shares instead. When the shares vest, Momentum Group Ltd makes a cash payment to a third party who will purchase MMI Holdings Ltd shares on behalf of the employee. No shares are issued by the MMI group and therefore the scheme remains cash-settled.

Momentum Conditional Share Plan (MomCSP)

The purpose of the MomCSP is to serve as a substitution scheme for (i) the FirstRand Limited Conditional Share Plan 2009, (ii) the FirstRand Limited Share Appreciation Rights Scheme 2008, (iii) the FirstRand Limited Share Appreciation Rights Scheme 2007 and (iv) the FirstRand Limited Share Appreciation Rights Scheme 2006 (the FirstRand appreciation right scheme and Conditional Share Plan above) in respect of the Momentum employees who participated in the aforementioned schemes prior to the merger between Momentum and Metropolitan.

The terms of this scheme are essentially the same as the FRSARS and CSP but the references to FirstRand Ltd shares are now MMI Holdings Ltd shares.

On vesting of the MMI shares, Momentum Group Ltd will make a cash contribution to a third party equal in value to the number of vested shares. The third party will acquire the required number of shares in the market as agent for and on behalf of the employee concerned, for the purpose of discharging Momentum's obligation to deliver the vested shares to the employee. MMI Holdings Ltd will not issue shares in settlement of the vested shares under the MomCSP and therefore the scheme is considered cash settled for the MMI group.

MMI Long-term Retention Award Scheme (MMI LTRAS)

The purpose of this scheme is to attract, retain, motivate and reward eligible employees who are able to influence the performance of the MMI group and to give such employees the incentive to advance the company's interests for the ultimate benefit of all its stakeholders.

The MMI LTRAS is a phantom scheme in that a participant is not entitled to MMI shares but rather to a cash sum from the employer calculated the number of participation units which vest at the fair market price of an MMI share (average of 20 trading days before the vesting date).

The award date is 1 January 2011 and the vesting date is 1 December 2013.

The cash sum is only paid out if the employee remains in the employment of the MMI group for the full vesting period and if certain performance criteria (as determined by the board from time to time) have been met.

33 Reserves (continued)

Listed below is a reconciliation in the movement of the options in force for the year ended 30 June 2011:

	FirstRand Share Appreciation Right Scheme (FSR shares)	FirstRand Black non executive directors' trust	FirstRand Black Employee Trust	FirstRand Black non executive directors' trust	Conditional share plan	Forfeitable share plan	Momentum Sales Scheme FSR	Momentum Sales Scheme MMI	Momentum Conditional Share plan (Morn CSP)	MMI Long-term retention award scheme (MMI LTRA)
Number of options/awards in force at the beginning of the year (millions)	4.9	3.5	13.8	3.5	4.7	1.9	2.3	-	-	-
Granted at prices ranging between (cents)	1 533 - 1 787	1 228	1 228 - 2 234	1 228	-	-	1 648	-	-	-
Weighted average (cents)	1 533	1 609	1 579	1 228	-	-	-	-	-	-
Number of options/awards granted during the year (millions)	-	-	-	-	-	-	-	-	-	-
Granted at prices ranging between (cents)	-	-	-	-	-	-	2.1	6.0	10.4	4.0
Weighted average (cents)	-	-	-	-	-	-	2 103	1 306 - 1 666	-	-
Number of options/awards exercised / released during the year (millions)	(4.8)	(3.5)	-	(3.5)	-	-	-	-	-	-
Market value range at date of exercise / release (cents)	1 860 - 2 139	1 401 - 2 053	-	1 228	-	-	-	-	-	-
Weighted average (cents)	1 992	1 547	-	1 228	-	-	-	-	-	-
Number of options/awards cancelled / lapsed during the year (millions)	(0.1)	(25.2)	-	-	(4.7)	-	(4.4)	(0.3)	(0.3)	(0.1)
Granted at prices ranging between (cents)	1 533	1 138 - 2 053	-	-	-	-	1 648 - 2 103	1 306 - 1 666	-	-
Weighted average (cents)	1 533	1 609	-	-	-	-	-	-	-	-
Number of options/awards in force at the end of the year (millions)	-	-	13.8	-	-	1.9	-	5.7	10.1	3.9
Granted at prices ranging between (cents)	-	-	1 228 - 2 234	-	-	-	-	1 306 - 1 666	-	-
Weighted average (cents)	-	-	1 579	-	-	-	-	-	-	-
Options/awards are exercisable over the following periods (first date able to release)										
Financial year 2010/2011 (millions)	-	-	-	-	-	-	-	-	-	-
Financial year 2011/2012 (millions)	-	-	-	-	-	-	-	-	-	-
Financial year 2012/2013 (millions)	-	-	-	-	-	1.9	-	-	1.6	-
Financial year 2013/2014 (millions)	-	-	-	-	-	-	-	-	7.3	-
Financial year 2014/2015 (millions)	-	-	-	-	-	-	-	-	1.9	3.9
Financial year 2015/2016 (millions)	-	-	13.8	-	-	-	-	2.0	1.2	-
Total	-	-	13.8	-	-	1.9	-	1.1	-	-
	-	-	13.8	-	-	1.9	-	5.7	10.1	3.9
	-	-	7.3	-	-	1.9	-	5.7	10.1	3.9
	-	-	6.5	-	-	-	-	-	-	-
Total (millions)	-	-	13.8	-	-	1.9	-	5.7	10.1	3.9
Total options/awards outstanding - in the money (millions)	-	-	-	-	-	-	-	-	-	-
Total options outstanding - out of the money (millions)	-	-	-	-	-	-	-	-	-	-
Total (millions)	-	-	-	-	-	-	-	-	-	-
Value of company loans to the share option trust at the beginning of the year (R million)	193	-	-	-	-	-	-	-	-	-
Value of company loans to the share option trust at the end of the year (R million)	-	-	-	-	-	-	-	-	-	-
Number of participants	-	-	967	-	-	18	-	311	318	33

* Adjusted for Discovery unbundling

Options/awards outstanding (by expiry date)

Financial year 2010/2011 (millions)	-
Financial year 2011/2012 (millions)	-
Financial year 2012/2013 (millions)	-
Financial year 2013/2014 (millions)	-
Financial year 2014/2015 (millions)	-
Financial year 2015/2016 (millions)	-
Total	-

Total options/awards outstanding - in the money (millions)

Total options outstanding - out of the money (millions)

Total (millions)

Value of company loans to the share option trust at the beginning of the year (R million)

Value of company loans to the share option trust at the end of the year (R million)

Number of participants

34 Scrip lending arrangements

The company has mandated its asset managers to enter into scrip lending arrangements on its behalf. The market value of scrip out on loan is monitored on a daily basis. No significant exposure to credit risk, liquidity risk or cash flow risk has resulted from the scrip lending activities of the company.

Because any scrip out on loan is subject to a repurchase agreement, the loan agreement is recorded at the same value as the underlying scrip and no sale of scrip is recorded.

Fees earned from scrip lending and dividends received on scrip out on loan are accounted for under investment income.

Momentum Group Limited remains exposed to market risk in respect of securities lending agreements.

The terms of these agreements are customary for securities lending arrangements.

R million

	2011	2010
Market value		
Value of collateral	4,821	3,998
- cash	5,118	4,201
	5,118	4,201
Collateral cover %	106%	105%

The fair value of the collateral provided is determined in the same way as the fair value for similar instruments held by Momentum. All the collateral is not recognised on the statement of financial position, i.e. Momentum does not have the right to sell in the absence of default.

35 Contingencies and commitments

No material capital commitments existed at 30 June 2011 other than disclosed in the notes above and no material claims had been instituted against Momentum Group Limited.

Commitments under derivative instruments

Option contracts, financial futures contracts and interest rate swap agreements have been entered into in the normal course of business in order to achieve the required hedging of policyholder liabilities. In terms of the company's accounting policies, these instruments are stated at fair value. The fair value movement on these derivative instruments are included in the income statement.

36 Post reporting date events**Declaration of final dividend**

On 13 September 2011, Momentum declared a final dividend of R1,050 million on ordinary shares (R4.67 per ordinary share) for the year ended 30 June 2011 (2010: R345 million or R1.53 per share), which was not provided for in the financial statements. On 1 August 2011, Momentum declared a dividend of R15 million on preference shares (R305 per preference share) (2010: R18 million or R355 per preference share) which was also not provided for in the financial statements. MMI Holdings Limited owns 100% of the issued ordinary shares of Momentum Group Limited. Momentum claims the full subsidiary exemption on the portion of the dividends for which it does not have credits for the purpose of calculating the amount of STC payable. Therefore, no liability arises in Momentum Group Limited for STC.

As a result of the merger between Momentum and Metropolitan, the MMI Group had adopted a number of accounting policy changes in order to align the historic accounting policies of Momentum and Metropolitan for consistency purposes. The change in accounting policies resulted in the following restatements:

Statement of financial position

R million	30 June	30 June	Restatement	1 July	1 July	Restatement	Note
	2010	2010		2009	2009		
	As restated	As originally stated		As restated	As originally stated		
ASSETS							
Cash and cash equivalents	10,645	10,598	47	-	-	-	(1)
Derivative financial instruments	1,173	6,467	(5,294)	1,289	8,709	(7,420)	(2)
Investment securities - Financial Instruments - designated fair value through profit or loss	118,134	111,742	6,392	95,462	87,600	7,862	(1) / (2) / (3)
Investments in associates - designated fair value through profit or loss	6,528	7,673	(1,145)	7,473	7,915	(442)	(3)
Investments in subsidiaries	30,491	30,350	141	28,817	28,691	126	(4)
Owner occupied properties	947	528	421	872	508	364	(5)
Employee benefit asset	113	113	-	83	38	45	(6)
LIABILITIES							
Deferred taxation liability	571	515	58	417	354	63	(5) / (6)
Policyholder liabilities under insurance contracts	40,994	40,853	141	39,166	39,040	126	(4)
EQUITY							
Non-distributable reserves	2,247	1,862	365	2,520	2,206	314	(5)
Distributable reserves	6,718	6716	-	5,841	5,809	32	(6)

Income statement

R million	30 June	30 June	Restatement	Note
	2010	2010		
	As restated	As originally stated		
Insurance premium revenue	9,838	7,943	1,895	(7)
Insurance premium ceded to reinsurers	(714)	(714)	-	
Net insurance premium revenue	9,124	7,229	-	
Fee income	-	-	-	
Investment income	1,501	1,678	(177)	(7)
Net fair value gains on assets	8,178	8,178	-	
	10,105	10,135	(30)	(4) / (6)
Net income from operations	28,908	27,220		
Insurance benefits				
Insurance benefits recovered from reinsurers	(9,936)	(7,060)	(2,876)	(7) / (8)
Transfer to policyholder liabilities under insurance contracts	703	631	72	(8)
Transfer from policyholder liabilities under investment contracts with DPF	(1,828)	(1,813)	(15)	(4)
	977	-	977	(7)
Net insurance benefits and claims	(10,084)	(8,242)		
Fair value adjustment to policyholder liabilities under investment contracts	(11,856)	(11,760)	110	(7)
Expenses for the acquisition of insurance and investment contracts	(1,556)	(1,556)	-	
Expenses for marketing and administration	(2,095)	(2,083)	(12)	(5)
Expenses	(25,385)	(23,641)		
Results of operating activities	3,523	3,579	-	
Finance costs	(1,114)	(1,114)	-	
Profit before tax	2,409	2,465		
Taxation	(710)	(723)	13	(6)
Profit for the year	1,699	1,742		

- (1) The alignment of asset classification between Momentum and Metropolitan resulted in a reclassification of R47 million from assets designated at fair value through profit or loss to cash and cash equivalents as at 30 June 2010.
- (2) The classification of certain equity, credit, index and commodity linked notes was aligned, resulting in a reclassification from derivative financial instruments to assets designated at fair value through profit or loss of R7 420 million (30 June 2010: R5 294 million) as at 1 July 2009.
- (3) All holdings below 50% in collective investment schemes where the group controlled the management company were previously disclosed under investments in associates. This treatment was aligned in the MMI group, with holdings in collective investments schemes between 20% and 50% being disclosed as investments in associates, and holdings below 20% being disclosed as assets designated at fair value through profit or loss. This resulted in a reclassification of R442 million (30 June 2010: R1 145 million) from investments in associates to assets designated at fair value through profit or loss as at 1 July 2009.
- (4) The International Accounting Standards Board (IASB) amended IAS12 - Income taxes in December 2010. The amendments introduce a presumption that the value of an investment property is recovered entirely through sale. Momentum chose to early adopt the amendments because this new accounting policy provides reliable and more relevant information for users as it represents more realistic tax consequences relating to investment properties. The restatement resulted in an increase of policyholder liabilities under insurance contracts of R126 million (30 June 2010: R141 million) as at 1 July 2009 and a increase in investments in subsidiaries of R126 million (30 June 2010: R141 million), representing the cumulative effect up to that date.
- (5) Owner-occupied properties were previously carried using the cost model. The policy for the group has now changed to the fair value model and as a result the value of owner-occupied properties at 1 July 2009 was increased by R364 million (30 June 2010: R421 million) and a deferred tax liability of R50 million (30 June 2010: R56 million) was raised. The owner occupied property revaluation reserve was increased by R314 million (30 June 2010: R365 million) and additional depreciation of R12 million was expensed for the year ended 30 June 2010.
- (6) Actuarial gains and losses relating to employee benefit funds were previously recognised using the corridor method. The corridor method defers actuarial gains and losses and recognises it over the service lives of employees. The policy of the group has now changed to recognising these actuarial gains and losses immediately in the income statement. This resulted in an increase in the employee benefit fund asset of R45 million (30 June 2010: Rnil), an increase in the deferred tax liability of R13 million (30 June 2010: Rnil) and an increase in retained earnings of R32 million (30 June 2010: Rnil) as at 1 July 2009. Fair value gains decreased by R45 million and the related deferred tax release in the income statement amounted to R13 million for the year ended 30 June 2010.
- (7) Investment with discretionary participation features (DPF) contracts were previously accounted for as investment business with deposit accounting being applied. The policy for the group has changed to account for investment with DPF contracts as insurance business with premiums and claims being recorded in the income statement. This resulted in premiums and claims increasing by R1 895 million and R2 804 million respectively for the year ended 30 June 2010. Fair value adjustments on investment contract liabilities reduced by R110 million, fee income reduced by R177 million and the transfer from investment contract with DPF amounted to R977 million for the year ended 30 June 2010. The change had no impact on retained earnings and the carrying value of investment with DPF contract liabilities.
- (8) The alignment of the accounting treatment for claims paid and reinsurance recoveries resulted in an increase of R72 million in the claims paid and reinsurance recoveries.

38 Fair value information

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a market transaction between knowledgeable willing parties. When determining fair value it is presumed that the entity is a going concern and is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

When determining the fair value of a financial instrument, preference is given to prices quoted in an active market. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

If a particular instrument is not traded in an active market the Company uses a valuation technique to determine the fair value of the financial instrument. The valuation techniques employed by the Company include, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

The objective of using a valuation technique is to determine what the transaction price would have been at the measurement date. Therefore maximum use is made of inputs that are observable in the market and entity-specific inputs are only used when there is no market information available. All valuation techniques take into account the relevant factors that other market participants would have considered in setting a price for the financial instrument and are consistent with accepted methodologies for pricing financial instruments.

The Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements, this is done for instruments recognised at fair value. The Company's fair value hierarchy has the following levels:

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and

Level 3 - fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following principle methods and assumptions are used to determine the fair value of financial instruments:

Investments securities

Unlisted equities

The fair value of unlisted equities is determined using a price earnings (P/E) model.

The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.

The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions which have taken place.

Negotiable certificates of deposit

Where market prices are not available for a negotiable certificate of deposit, fair value is determined using discounted cash flow techniques. Inputs to these models include as far as possible information which is consistent with similar market quoted instruments.

Treasury bills

Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using the closing BESA mark to market bond yield.

Government, public and utility stocks

Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

Other dated securities

Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

Derivatives

Contracts for difference are valued by using the differential between the market price and the traded price multiplied by the notional amount.

Market prices are obtained from applicable trading exchanges.

Credit derivatives are valued using the discounted cash flow model. Where prices are obtained from the market, individual credit spreads are added.

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swaption is determined in terms of legal documents pertaining to the swap.

Commodity linked instruments are measured by taking into account the price, the location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.

Investments in associates

Investment in associates are carried at fair value since it is backing the investment linked liability.

Long term liabilities

Fair value of debentures and unsecured debt securities are determined by discounting the future cash flows at market related interest rates.

The fair value of subordinated notes and fixed and floating rate bonds are determined by discounting the future cash flows at market related interest rates.

Policyholder liabilities under investment contracts

Refer to the accounting policies for a description of the valuation of investment contracts.

The following table presents the financial instruments recognised at fair value in the statement of financial position.

R million	2011			
	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Derivative financial instruments	41	1,501	-	1,542
Investment in securities and other investments	91,527	36,465	14,164	142,146
Investment in associates	3,659	-	-	3,659
Total financial assets recognised at fair value	95,227	37,956	14,164	147,347
Liabilities				
Derivative financial instruments	-	638	-	638
Other financial liabilities	6,580	1,241	-	7,821
Policyholder liabilities under investment contracts without DPF	-	110,769	-	110,769
Total financial liabilities at fair value	6,580	112,648	-	119,228

There were no transfers between level 1 and level 2 during the year.

R million	2010			
	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Derivative financial instruments	5	738	430	1,173
Investment in securities and other investments	79,364	23,551	18,085	121,000
Investment in associates	6,528	-	-	6,528
Total financial assets recognised at fair value	85,897	24,289	18,515	128,701
Liabilities				
Derivative financial instruments	-	840	256	896
Other financial liabilities	929	878	-	1,807
Policyholder liabilities under investment contracts without PDF	-	984	98,696	99,680
Total financial liabilities at fair value	929	2,502	98,952	102,383

Changes in level 3 fair value instruments

The group classifies financial instruments in level 3 of the fair value hierarchy when there is at least one significant unobservable input to the valuation model. In addition to these unobservable inputs to the valuation model, level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The following table shows a reconciliation of the beginning and ending balances for financial instruments classified as level 3 in terms of the fair value hierarchy.

R million	2011					
	Fair value on June 2010	Gains or losses recognised in the income statement	Purchases, sales, issues and settlements	Transfers into Level 3	Transfer out of Level 3	Fair value on June 2011
Assets						
Derivative financial instrument	430	(75)	143	-	(498)	0
Investment in securities and other investments	18,086	1,053	(2,234)	4,258	(6,898)	14,164
Total financial assets recognised at fair value	18,516	978	(2,091)	4,258	(7,496)	14,164
Liabilities						
Derivative financial instruments	256	(76)	562	-	(742)	0
Policyholder liabilities under investment contracts without PDF	98,696	-	-	-	(98,696)	0
Total financial liabilities at fair value	98,952	-76	562	0	(99,438)	0

The significant amounts included in the transfer out of level 3 column relates to the alignment between Momentum's and Metropolitan's approaches to classify between the 3 levels following the merger effective 1 December 2010.

The table below presents the total gains (losses) relating to financial instruments classified in level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest income.

R million	Gains or losses recognised in the income statement
Assets	
Derivative financial instrument	-
Investment in securities and other investments	1,053
Investment in associates	-
Total	1,053
Liabilities	
Derivative financial instruments	-
Policyholder liabilities under investment contracts	-
Total	-

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position. For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

R million	2011	
	Carrying value	Fair Value
Assets		
Financial assets	15,493	15,340
Liabilities		
Financial liabilities	9,273	9,336
R million	2010	
Assets		
Financial assets	15,857	15,950
Liabilities		
Financial liabilities	7,671	7,673

39. Risk management

The Momentum board embraces the principles of good corporate governance. Momentum Group's ("Momentum") risk philosophy recognises that managing risk is an integral part of generating sustainable shareholder value and enhancing stakeholder interests. It also recognises that an appropriate balance should be struck between entrepreneurial endeavour and sound risk management practice.

Solvency II

Solvency II is a European principles-based and risk focussed regulatory regime for European insurance organisations (long term and short term) that is intended to be fully implemented in Europe by October 2012. Solvency II requires a clear and definitive link between the strategy and operations of insurance organisations as well as the risk management elements thereof.

In line with international standards, the Financial Services Board ("FSB") has begun a process to develop a new solvency regime, namely the Solvency Assessment Management ("SAM"), for the South African long-term and short-term insurance industries. This process is guided by principles around insurance regulation produced by the International Association of Insurance Supervisors ("IAIS") and developments in Europe. The basis of the SAM regime will be the principles of the Solvency II directive, as adopted by the European Parliament, which will be adapted for South African specific circumstances where required. As an overarching principle, the recommendations arising from the SAM Project should meet the requirements of a third country equivalence assessment under Solvency II. The FSB is currently intending to implement both the standardised and internal model approaches under the SAM regime by January 2014 for long-term insurers, with proposed implementation of certain Solvency II Pillar II requirements in terms of governance, internal controls and risk management being targeted for 2012.

In response to the requirements of Solvency II/SAM, Momentum initiated a project that will revisit capital management and risk management and implement the management, reporting and disclosure requirements as required by the FSB under the SAM regime. Momentum is also represented on the SAM committee, sub-committees and task groups that have been formed to influence and give guidance to new legislation arising from the SAM project.

Solvency II will not only have a significant influence on the regulation of South African insurers in the future, but may also become a global benchmark for insurance regulation.

Risk Management objectives

Momentum's key risk management objectives are to:

- enhance shareholder value by generating a long-term sustainable return on capital;
- ensure the protection of policyholder and investor interests by maintaining adequate solvency levels;
- meet the statutory requirements of the FSB, and other regulators;
- ensure that capital and resources are strategically focused on activities that generate the greatest value on a risk adjusted basis; and
- create a competitive long-term advantage in the management of the business with greater demonstrated responsibility to all stakeholders.

Approach to Risk Management

Risk management framework

The Business Success and Enterprise Risk Management Framework ("Risk Management Framework") of Momentum, governs the risk management process with reference to a matrix of risks inherent to the business of Momentum, being:

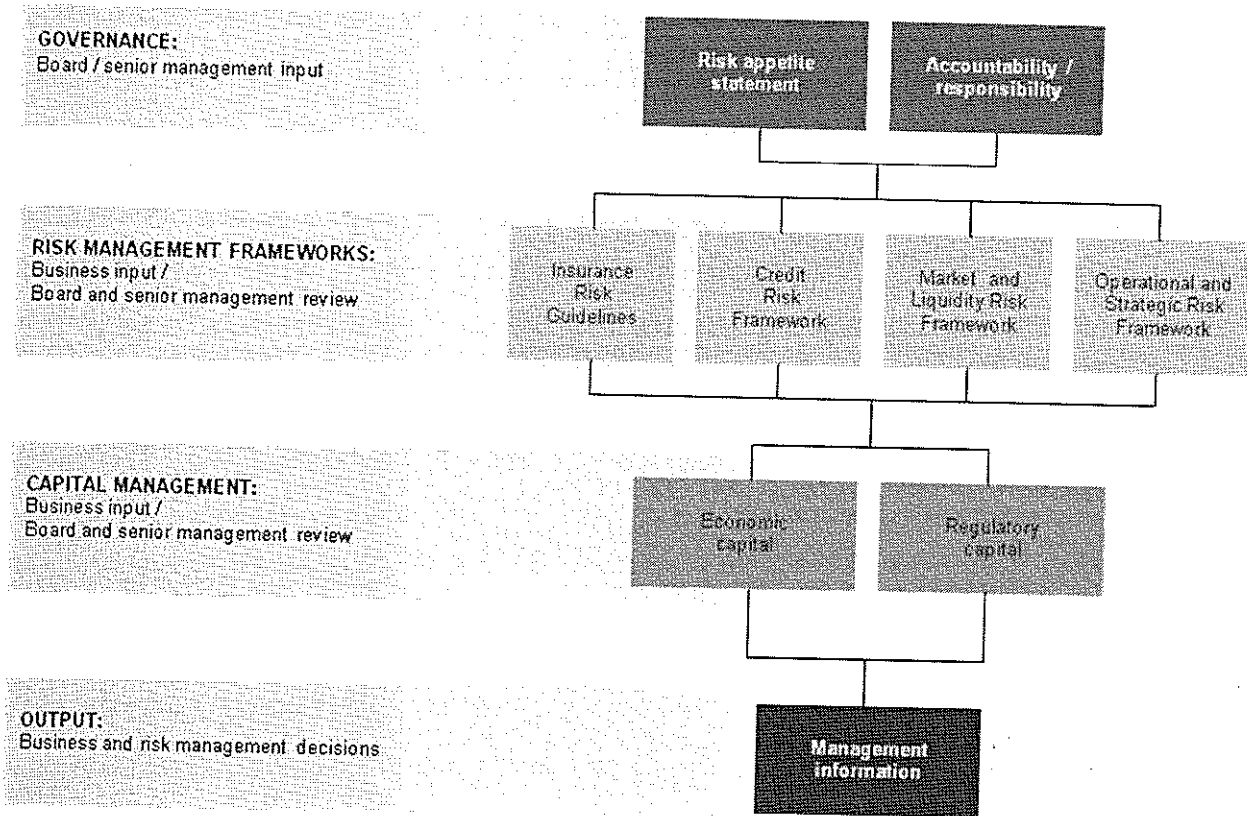
- insurance risk;
- credit risk;
- market and liquidity risk; and
- strategic and operational risk.

The purpose of the Risk Management Framework for Momentum is to establish:

- a risk governance structure that clearly allocates roles and responsibilities;
- well defined risk objectives that articulate the company's risk appetite;
- guidance around risk identification, risk assessment, risk monitoring, risk reporting and risk mitigation for all major risk categories affecting the business;
- the role of Economic and Regulatory Capital in the context of Risk Management; and
- the use of risk related information to further enhance management decisions.

The diagram below describes the link between these elements.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



The principles described in the Risk Management Framework and all of the supporting risk management frameworks apply to all of the divisions, business units and subsidiaries of Momentum.

Risk governance

Subsequent to the merger between Momentum and Metropolitan, risk governance for MMI Holdings Limited, the holding company of Momentum Group Limited, also became applicable to Momentum. MMI recognises that clear accountability is fundamental to the management of risk. The "three lines of defence" governance model therefore distinguishes between:

- functions owning and managing risks as part of their day to day activities (first line of defence);
- functions overseeing risks and providing robust challenge to the management teams (second line of defence); and
- functions providing independent assurance (third line of defence).

MMI operates within a decentralised business model environment. In terms of the decentralised philosophy, risk management policies and frameworks are set by the MMI Enterprise Risk Management (ERM) function and approved by the MMI Board sub-committees, with the individual businesses taking responsibility for the implementation of these policies and frameworks, as well the management of all risk related matters.

Risk ownership and management

MMI's CEO is accountable to the Board for the management of risks facing MMI and is supported in the management of these risks by business unit executives and line management. Risk taking is inherent in the business unit activities, and as such, business management assumes the primary responsibility for the risks in its business.

In particular, business management and staff within each business unit are responsible for the identification, assessment, management, monitoring and reporting of risks arising within their respective areas. Business unit management are

further responsible for appointing business unit risk management functions to support them in the delegation of this responsibility.

Risk control and oversight

The Statutory Actuary has a duty under the Long-term Insurance Act to ensure that the legal entity remains financially sound at all times. The Statutory Actuary reports on these matters to the Board, independent auditors and the Financial Services Board ("FSB"). An actuarial committee was appointed by the Board to ensure that the technical actuarial aspects specific to insurance companies are debated and reviewed independently.

The Chief Risk Officer ("CRO") and the MMI Enterprise Risk Management ("ERM") function provide objective oversight and coordinate the enterprise risk management process. The MMI Executive Risk Committee and the MMI Executive Balance Sheet Management (BSM) Committee have also been established. The committees have been appointed by the MMI Executive Committee to approve risk management policies as well as to monitor group risk assessments and the effectiveness of risk management and the resolution of high priority corrective actions.

Independent assurance

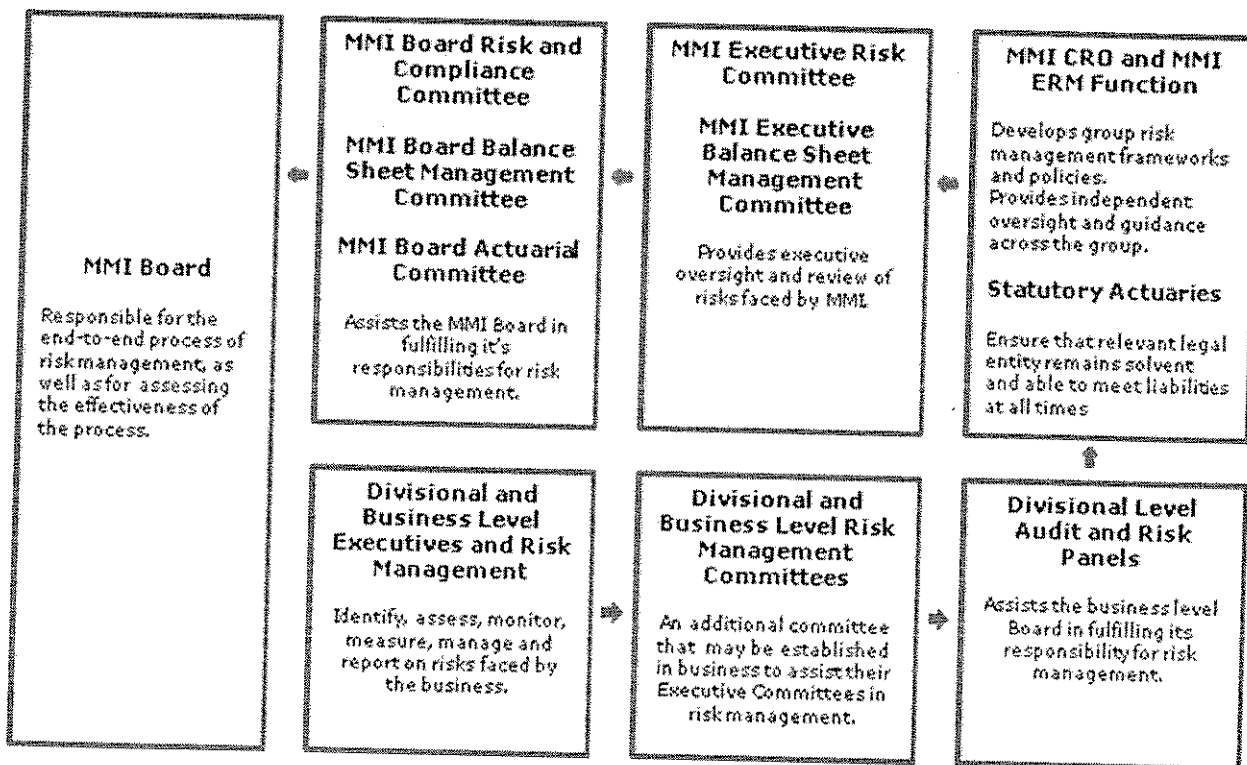
Independent, objective assurance on the effectiveness of the management of risks across MMI is provided to MMI's Board through the MMI Internal Audit function, the external auditors and MMI's Audit committee.

Committee structure

Subsequent to the merger between Momentum and Metropolitan, the committee structure for MMI Holdings Limited, the holding company of Momentum Group Limited, also became applicable to Momentum. The MMI Board retains ultimate responsibility for ensuring that risks are adequately identified, measured, managed and monitored across the Group. The Board discharges its duty through relevant policies and frameworks as well as Board Committees and their respective sub-committees. The primary Board Committee overseeing risk matters is the MMI Risk and Compliance Committee.

Information flowing from the Risk and Compliance Committee to the MMI Audit Committee enables the MMI Audit Committee to effectively discharge its risk management duties in terms of the Companies Act.

The diagram below depicts how information flows from the business units to the MMI Risk and Compliance Committee and ultimately the MMI Board:



Risk appetite

Momentum's business as a financial services provider is based on the identification, measurement, pricing, underwriting and management of risk. Momentum does not aim to eliminate risk entirely but to assume and manage it deliberately in a measured, calculated and controlled fashion pursuant to its business objectives.

The level of risk Momentum is willing to assume – its risk appetite – is formulated by the board, which also assumes responsibility for ensuring that risks are adequately managed and controlled through the Risk committee and its sub-committees, as described in the governance section.

Momentum's risk appetite finds its primary quantitative expression in the level of capital it seeks to hold as described in the capital management section.

Risk Appetite is calibrated against broader financial targets such as the level of dividend coverage, embedded value and earnings. As a function of the business environment and stakeholders' expectations and together with the primary risk appetite metrics this provides firm boundaries for the organisation's chosen path of growth.

Capital management

Allocating resources, including capital and risk capacity in terms of Momentum's risk appetite effectively and in a manner that maximises value for shareholders is a core competence and a key focus area for Momentum and, as such, sound capital management practices form an important component of its overall business strategy.

Key objectives

The main objectives with Momentum's capital management are to maintain the optimal level of capital in the most cost efficient way, given Momentum's risk profile and risk appetite. The optimal capital level is achieved through balancing the needs of regulators, rating agencies, policyholders and shareholders. The intention is to hold a capital buffer to give confidence to debt-holders, policyholders, regulators and rating agencies. The capital management team strives to achieve the highest possible credit rating in South Africa.

Targeted capital level

Momentum targets an economic capitalisation level range of 1.4 – 1.6 times CAR, which is deemed sufficient to satisfy Momentum's risk appetite towards capital adequacy. Momentum applies stochastic modelling techniques to determine the targeted economic capital level. The targeted economic capital level is set to satisfy Momentum's risk appetite (as approved by the Momentum board of directors). The risk appetite is defined as the level of capital that will ensure, with a 95% confidence level, that Momentum's will at all times cover the minimum CAR at least 1.0 times over the following 5 years. The stochastic model includes an allowance for capital required in respect of future new business.

Capital developments

The Financial Services Board ("FSB") is in the process of formulating a new solvency regime for the South African long-term and short-term insurance industries to be in line with international standards. The FSB launched its Solvency Assessment and Management "(SAM)" project during 2010 to achieve this aim. The basis of the SAM regime will be the principles of the Solvency II Directive, as adopted by the European Parliament, but adapted to South African specific circumstances where necessary. Momentum participates actively in the development and formulation of the new South African solvency standards and is also reviewing its internal economic capital models in light of local and international developments.

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory Capital Adequacy Requirement ("CAR") with cash or near-cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest bearing assets. RMB Asset Management manages the discretionary cash, held by the shareholders' portfolio, according to a conservative investment mandate.

Capital position

The minimum capital adequacy requirement ("CAR") is determined in accordance with the requirements of the Financial Services Board ("FSB") and PGN104. Momentum targets an economic capitalisation level range of 1.4 – 1.6 times CAR. At 30 June 2011, Momentum's CAR was covered 2.3 times by the excess of assets over liabilities (on the statutory valuation basis).

(unaudited)

R million	At 30 June	At 30 Jun
	2011	2010
Statutory excess over liabilities	8 997	8 072
CAR	3 886	3 830
CAR cover rate (times)	2.3	2.1

Over the year under review, Momentum paid total dividends amounting to R991 million. These dividend payments comprised:

Final dividend for F2010, paid in September 2010	R358 million
Interim dividend for F2011, paid in March 2011	R600 million
Preference share dividends, paid in Aug 2010 and Feb 2011	R33 million
Total dividends paid during F2011	<u>R991 million</u>

Momentum's capital position improved over the twelve months ended 30 June 2011, as a result of the statutory surplus increasing proportionally more than CAR.

The increase in the surplus was mainly the result of the positive contribution from Momentum's operating profits. These beneficial developments were partly offset by the dividends that Momentum paid to MMI during the year under review.

The small increase in CAR is mainly attributed to a combination of the following (offsetting) factors: an improvement in the funding levels of the smoothed-bonus portfolios and a reduction in the assumed management actions.

The actual capital level at 30 June 2011 is above the upper-end of the targeted range. Momentum's board deems it prudent to maintain a buffer above the upper-end of the range in recognition of the uncertainty regarding the sustainability of the recent recovery in equity markets. A buffer above the targeted capital range is therefore considered appropriate at this stage.

Composition of regulatory capital

Given that the Long-Term Insurance Act does not allow borrowing, the Financial Services Board (FSB) has not formally limited the extent to which South African life insurance companies can incur debt on their balance sheets. In line with MMI's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 30 June 2011.

(unaudited)

Regulatory capital (R million)	At 30 June		At 30 June	
	2011	%	2010	%
Tier 1	7 992	89	7 101	88
- Core Tier 1 (i.e. equity capital)	7 512	84	6 626	82
- Non redeemable preference shares	480	5	475	6
Subordinated qualifying bond 1	1 006	11	971	12
Qualifying statutory capital	8 998	100	8 072	100

1 This debt level is within the limit of 30%

Momentum's credit rating

On 12 November 2010, Fitch aligned the credit ratings of Momentum Group Limited and Metropolitan Life Limited. This followed the merger between the Momentum Group Limited and Metropolitan Holdings Limited. The National Insurer Financial Strength ("IFS") ratings of both life-insurance companies were set to 'AA(zaf)'. Both companies were assigned a Stable Outlook.

The equalisation of the ratings reflects Fitch's view that the anticipated merged entity's profile immediately following the merger will be weaker than Momentum's pre-merger profile but stronger than that of pre-merger Metropolitan Life. Fitch considers the strength and diversity of the anticipated merged entity's distribution network, strong domestic franchise, strong capital position and the strategic relationship (bancassurance channel) with the FirstRand group as key positive rating drivers. Offsetting these are the uncertainties surrounding the integration of the merger.

Strategic and business risk

Introduction

Strategic risk is defined as the risk that the current or prospective earnings will be negatively impacted by adverse business decisions or the improper implementation of such decisions. The risk of pursuing an inappropriate strategy or failing to execute the chosen strategy appropriately is a risk inherent in all business endeavours. Momentum's objective is to minimise this risk in the normal course of business.

Business risk is defined as the risk that the earnings and capital will be negatively affected by potential changes in the business environment, client behaviour and technological progress. Business risk, i.e. the risk that volumes and margins may be insufficient to cover Momentum's cost base due to factors unrelated to and not captured in other risk types is considered as a potential outcome in the strategic planning process carried out across the businesses. It is Momentum's objective to develop and maintain a portfolio profile that delivers sustainable earnings.

Environmental, social and governance risk is the risk that environmental, social and governance issues impacts on Momentum's ability to successfully and sustainably implement business strategy.

Strategic risk governance

The development and execution of business level strategy is the responsibility of the individual business areas subject to approval by the board, which sets Momentum's overall strategy and ensures that strategic objectives set at a business level are consistent with overall strategy. This includes the approval of any subsequent material changes to strategic plans, approval of acquisitions, significant equity investments and new strategic alliances.

Strategic risk management

Business unit and executive management as well as the central ERM function review the external environment, industry trends, potential emerging risk factors, competitors' actions and regulatory changes as part of the strategic planning process. Through this review Momentum assesses the risk to its earnings and thus the level of potential business risk it faces. Reports on the results of such exercises are discussed at various business, risk and board committees and are ultimately taken into account in the setting of risk appetite and in potential revisions to existing strategic plans.

Insurance risk

Introduction

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks.

Insurance risk governance

The Statutory Actuary has a duty under the Long-term Insurance Act to ensure that the legal entity remains solvent and able to meet liabilities at all times. The Statutory Actuary reports on these matters to the board, independent auditors and the FSB. The Momentum Actuarial committee supports the Statutory Actuary in his responsibility for the oversight of insurance risk. The committee has been appointed by the board to ensure that the highly technical actuarial aspects specific to insurance companies are debated and reviewed independently.

Insurance risk management

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination 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, and, in the extreme, that the actual claims and benefits exceed the liabilities. The risk is mitigated to an extent through the addition of margins, specifically where there is evidence of moderate or extreme variation in experience.

Insurance events are by nature random and the actual number and amount of claims and benefits could be different from the number and amount of claims and benefits estimated. The larger the portfolio of contracts, the smaller the expected variation between actual and expected experience becomes. In addition, the more diversified a portfolio of risks, the smaller the impact of deviation of actual experience in a particular risk factor, compared to the assumption. The lack of diversification in respect of type and amount of risk can increase insurance risk.

The following table shows the statement of financial position of the insurance operations per type of contract.

(audited)

R million	Linked/ market related business	Reversionary and smoothed bonus business	Annuities and non participating business
At 30 June 2011			
Assets			
Assets less non-policyholder liabilities	124 424	25 708	25 353
Liabilities	119 816	20 192	25 346
- Policyholder liabilities under insurance contracts	13 783	7 937	20 708
- Policyholder liabilities under investment contracts	106 033	12 255	4 638
Excess assets	4 608	5 516	7

R million	Linked/ market related business	Reversionary and smoothed bonus business	Annuities and non participating business
At 30 June 2010			
Assets			
Assets less non-policyholder liabilities	116 348	20 791	25 582
Liabilities	108 816	20 274	23 127
- Policyholder liabilities under insurance contracts	13 777	7 851	19 366
- Policyholder liabilities under investment contracts	95 039	12 423	3 761
Excess assets	7 532	517	2 455

Momentum is exposed to the following types of risks as a result of the insurance contracts it issues:

- mortality, longevity and morbidity risk;
- persistency risk;
- expense risk; and
- business volume risk

The main insurance risks are set out below, as well as Momentum's approach to the management of these risks.

Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may be higher than that assumed in pricing and valuation varies, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

i. Individual insurance business

Products are sold directly to individuals providing benefits on death and disability, including impairment, or in the event of suffering a critical illness. The main insurance risk relates to the possibility that rates of death or disability may be higher than expected. This may be due to:

- normal statistical variation due to the random nature of insurance events;
- incorrect assumptions regarding future experience;
- natural catastrophes such as floods or earthquakes, and unnatural catastrophes such as acts of terrorism;
- the impact of HIV/AIDS or epidemics such as avian bird flu;
- 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 withdrawal which means policyholders are less likely to withdraw voluntarily if the cover is more likely to be needed in the foreseeable future;
- economic conditions resulting in more disability claims; and
- concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms that reduce the risk accepted by Momentum. Momentum therefore employs the following underwriting controls to ensure that only acceptable risks are accepted:

- underwriting, which is the assessment of health risk, hazardous pursuits or financial risk, including the requirement of a negative HIV test as a condition for accepting risk, charging extra premiums or declining cover where applicable based on the outcome of the underwriting, and differentiating premiums for risk factors such as age and smoker status;
- appropriate pricing including allowing for known risks based on actual claims experience, and making use of profit-testing techniques;
- regular review of premium rates and approval of the approach to setting premium rates by the Statutory Actuary;
- a guarantee period shorter than the policy term applies to risk business, and enables Momentum to review premium rates on in-force contracts during the life of contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years; and
- appropriate policy conditions, including setting appropriate maximum income replacement ratios in the case of products providing disability benefits, and approval of policy conditions by the Statutory Actuary.

The following additional controls and measures are in place in order to ensure that Momentum manages its exposure to mortality and morbidity risk:

- claims assessment processes to ensure only valid claims are paid
- reserving for AIDS risk in accordance with the guidelines issued by the Actuarial Society of South Africa as set out in Professional Guidance Note ("PGN") 105
- reinsurance to limit Momentum's liability on large claims or substandard risks. On individual lives that are medically underwritten and that are not members of employee benefit schemes, Momentum retains 85% of the risk on amounts of cover not exceeding R5 million. Amounts of cover in excess of R5 million are fully reinsured. On

employee benefits business, the maximum retention is R4 million per life, with 100% of the excess being reinsured.

- concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance, as well as by taking out catastrophe reinsurance. Momentum's catastrophe reinsurance cover for the current financial year is R485 million in excess of R15 million of the total retained sum assured for any single event involving three or more lives.

The following table shows the concentration of amounts at risk per life and in total, both gross and net of reinsurance as at 30 June 2010. Benefits include those payable on death, as well as both stand alone and accelerated dread disease and disability benefits.

(audited)

30 June 2011

Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R million)	Total amount at risk net of reinsurance (R million)
0 - 50 000	204 649	2 450	1 430
50 001 - 100 000	41 747	1 985	1 846
100 001 - 200 000	164 988	4 526	4 035
200 001 - 500 000	54 647	13 872	11 915
500 001 - 1 000 000	210 800	20 598	17 240
More than 1 000 000	297 155	494 145	455 459
Total	973 986	537 576	491 925

30 June 2010

Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R million)	Total amount at risk net of reinsurance (R million)
0 - 50 000	219 333	1 617	1 534
50 001 - 100 000	41 114	2 193	1 982
100 001 - 200 000	164 413	5 017	4 370
200 001 - 500 000	58 350	15 752	13 327
500 001 - 1 000 000	204 066	23 526	19 626
More than 1 000 000	264 845	501 586	447 406
Total	918 482	549 691	488 245

Before reinsurance 92% (2010: 92%) of the total amount at risk is for sums at risk exceeding R1 million per benefit at 30 June 2011. This increases to 93% (2010: 92%) if reinsurance is taken into account.

ii. Group risk business

Employee benefit products provide life and disability cover to members of a group, such as employees of companies or members of trade unions. Typical benefits are:

- life insurance (mostly lump sum, but some children and spouse's annuities);
- disability insurance (lump sum and income protection);
- dread disease cover; and
- continuation of insurance option,

The products are, as a rule, quite simple and mostly basic products 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 Momentum'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 combat anti-selection.

Groups are priced using standard mortality and morbidity tables plus an explicit AIDS loading. The price for an individual scheme is adjusted for the following risk factors:

- region;
- salary structure;
- gender structure; and
- industry.

For large schemes (typically 200 or more members), a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience.

Rates are guaranteed for one year. Rates may be guaranteed for up to three years on request but will be subject to an additional loading. Momentum does not pay claims resulting from active participation in war or from atomic, biological or chemical weapon risks.

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 is waived if Momentum takes over a scheme from another insurer for all existing members. In addition, a pre-existing clause applies, 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.

Lump sum benefits in excess of R4 million and disability income benefits above R30 000 per month are reinsured.

There are some facultative arrangements in place on some schemes where a special structure is required, for example a very high free cover limit or high benefit levels.

In addition, there is a Catastrophe Treaty in place for both group business and individual business. Such a treaty is particularly important for Momentum's "group risk" business as there are considerably more concentrations of risks compared to individual business. Momentum's catastrophe reinsurance cover for the current financial year is R485 million in excess of R15 million of the total retained sum assured for any single event involving three or more lives.

An indication of the concentration risk in respect of group business can be obtained by noting that the five largest group schemes contribute 13% to the total risk exposure under group life cover in force at 30 June 2011 (2010:15%).

iii. Individual 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. The mortality risk in this case is that the annuitants may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

Momentum manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. Momentum measures deviations of experience from assumptions bi-annually. Momentum also performs more detailed actuarial experience investigations (the last detailed investigation was performed in June 2011) and adjusts assumptions in pricing for new contracts and valuation of existing contracts when necessary. The next detailed investigation will be performed in June 2012.

The following table shows the distribution of number of annuities by total amount per annum.

(audited)

Income category p.a.	30 June 2011		30 June 2010	
	Number of annuitants	Amount per annum (R million)	Number of annuitants	Amount per annum (R million)
0 to 10 000	53 882	223	56 081	229
10 001 to 50 000	29 379	613	29 110	604
50 001 to 100 000	4 578	316	4 440	306
100 001 to 200 000	1 832	247	1 761	237
200 001+	563	175	507	151
Grand Total	90 234	1 574	91 899	1 527

The largest concentration in terms of the number of annuitants is for small amounts of income per annum. 89% (2010:90%) of the total amount of income payable per year relates to income per annuity of R200 000 or less.

iv. Permanent health insurance business

Momentum also pays Permanent Health Insurance ("PHI") income to disabled employees, the bulk of which are 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 in payment are reviewed annually to ensure claimants still qualify and rehabilitation is managed and encouraged.

Persistency risk

Persistency risk relates to the risk that policyholders may cease or reduce their contributions or withdraw their benefits and terminate their contracts prior to the contractual maturity date of a contract. Expenses such as commission and acquisition expenses 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 from 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, the amount payable on withdrawal normally makes provision for recouping any outstanding expenses from intermediaries. Losses may, however, still occur if the expenses incurred exceed the value of a policy, which normally happens early on in the term of recurring premium policies or where the withdrawal amount does not fully allow for the recovery of all unrecovered expenses. This may either be due to a regulatory minimum applying, or because of product design.

The recovery of expenses is in line with the regulatory limitations introduced in 2006. Therefore, in addition to setting realistic assumptions with regards to termination rates (rates of withdrawal and lapse) based on Momentum's actual experience specific amounts are set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts. In addition, efforts are in place to actively retain customers at risk of departure due to lapse, surrender or maturity.

Effective 1 January 2009, industry commission regulations have been reformed such that the commission paid on many products with investment contracts is more closely aligned to premium collection and terms of the contract. This reduces the risk of non-recovery of commission on new policies subsequently cancelled or paid up.

Expense risk

There is a risk that Momentum 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.

Momentum performs expense investigations annually and sets pricing and valuation assumptions to be in line with actual experience, 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 books closed to new business arising from past acquisitions.

Business volume risk

There is a risk that Momentum 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 are variable and relate directly to sales volumes. The fixed cost component can be scaled down if there is an indication of a permanent decline in business volumes. A further mitigating factor is that the distribution channels used to generate new insurance and investment business are also used to distribute other product lines within Momentum, such as health insurance and short-term insurance.

Sensitivities

The following table sets out the impact on liabilities of changes in the key valuation assumptions relating to insurance risk. The numbers in the table demonstrate the impact on liabilities if experience deviates from "best estimate" assumptions in all future years – not only in one given time period.

Liability sensitivities at 30 June 2011.

(audited)

R million	Liability	Renewal expenses decrease by 10%	Expense inflation decreases by 1%	Dis-continuance rates decrease by 10%	Mortality and morbidity decrease by 10%	Investment returns reduce by 1%
Insurance business (as defined under IFRS4)						
Retail insurance business (excluding annuities)	21 770	21 544	21 655	21 842	21 066	21 797
Annuities (retail and employee benefits)	16 738	16 705	16 712	16 738	16 938	18 155
Employee benefits business	3 920	3 912	3 917	3 920	3 956	3 977
Investment business (as defined under IFRS 4)	122 925	122 956	122 960	122 972	122 964	123 155
Total	165 353	165 117	165 244	165 472	164 924	167 084

Liability sensitivities at 30 June 2010.

R-million	Liability	Renewal expenses decrease by 10%	Expense inflation decreases by 1%	Dis-continuance rates decrease by 10%	Mortality and morbidity decrease by 10%	Investment returns reduce by 1%
Insurance business (as defined under IFRS4)						
Retail insurance business (excluding annuities)	21 902	21 715	21 817	21 948	21 307	21 971
Annuities (retail and employee benefits)	15 497	15 463	15 468	15 497	15 681	16 815
Employee benefits business	3 595	3 591	3 593	3 595	3 627	3 407
Investment business (as defined under IFRS 4)	111 223	111 250	111 255	111 292	111 258	111 446
Total	152 217	152 019	152 133	152 332	151 873	153 639

The above sensitivities were chosen, because they represent the main assumptions regarding future experience that Momentum employs in determining its insurance liabilities. The magnitudes of the variances were chosen to be consistent with the sensitivities shown in Momentum's embedded value 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 above 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 benefit 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 on this class of business can be obtained by noting that a 10% (2010: 10%) increase in mortality and morbidity lump sum benefits paid on employee benefits in any given year will result in a reduction of R79.5 million (2010: R79.4 million) in the before-tax earnings of Momentum.

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 to Momentum'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.

Credit risk

Introduction

Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty. It could also arise from the decrease in value of an asset subsequent to the downgrading of a counterparty.

Credit risk arises from the investment in corporate debt in the shareholders' and guaranteed portfolios as well as linked portfolios.

Credit risk can offset Momentum's financial position (adversely or positively) if the actual experience (on the total portfolio of exposures) is different from the margins allowed for in the asset and liability valuations.

Credit risk governance

Credit risk is managed in terms of the Credit Risk Management Framework, which is an ancillary framework of the Risk Management Framework. The governance of credit risk is comprehensively set out in the Credit Risk Charter. The overall responsibility for the effectiveness of credit risk management processes vests with the board. The operational responsibility has been delegated to Momentum's Risk committee, the Balance Sheet Management committee, executive management and the credit risk management function. The Balance Sheet Management committee is also responsible for setting and monitoring the credit risk sections of mandates for linked policyholder portfolios.

The Balance Sheet Management committee is a subcommittee of Momentum Risk committee and is comprised of executive and non-executive members and is chaired by a non-executive member. This committee reports to Momentum's Risk committee on the effectiveness of credit risk management and provides an overview of the credit portfolio of Momentum. The Momentum Balance Sheet Management committee and its sub committees are responsible for the approval of relevant credit policies and the ongoing review of the credit exposure of Momentum. This includes the monitoring of the following:

- quality of the credit portfolio;
- stress quantification;
- credit defaults against expected losses;
- credit concentration risk;
- return on risk; and
- appropriateness of loss provisions and reserves.

Credit risk management

Management recognises and accepts that losses may arise through the inability of corporate debt issuers to service their debt obligations to a larger extent that was assumed in the pricing and valuation models. In order to limit this risk, the Balance Sheet Management committee has formulated guidelines regarding the investment in corporate debt instruments, including a framework of limits based on Momentum's credit risk appetite, the nature of the exposure, a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry classification and other qualitative factors.

To achieve the above, an internal credit risk management function performs ongoing management of the credit portfolio. Stochastic portfolio credit risk models are used to gauge the level of portfolio credit risk, consider levels of required capital and identify sources of concentration risk and the implications thereof.

Regular risk management reporting to the Balance Sheet Management committee includes credit risk exposure reporting, which contains relevant data on the counterparty, credit limits and ratings (Internal and external). Counterparty exposures in excess of set credit limits are monitored and corrective action is taken where required.

Credit mitigation instruments are used where appropriate. These include collateral, netting agreements and guarantees or credit derivatives.

Concentration risk

Concentration risk is managed at the credit portfolio level. The nature thereof differs according to segment. Concentration risk management in the credit portfolio is based on individual name limits and exposures (which are reported to and approved by the Balance Sheet Management committee) and the monitoring of industry concentrations. A sophisticated credit portfolio model has been developed to quantify concentration risk and its potential impact on the credit portfolio.

Portfolio overview

The following represents Momentum's total exposure to credit risk (before taking into account any security held).

(audited)

R million	2011
Maximum exposure to credit risk before taking into account any collateral held:	
Shareholders' assets	5 602
Cash and cash equivalents	1 585
Debt investment securities	2 319
Loans to subsidiaries	1 698
Policyholders' assets	73 447
Cash and cash equivalents	8 705
Money market investments	6 324
Loans and receivables (including insurance receivables)	1 075
- Premium debtors	390
- Reinsurance debtors	245
- Other debtors	440
Loans to subsidiaries	1 778
Derivative financial instruments	1 542
Scrip lending	4 821
Debt investment securities	47 816
Policy loans	652
Reinsurance assets	734
Total	79 049

R million	2010
Maximum exposure to credit risk before taking into account any collateral held:	
Shareholders' assets	4 756
Cash and cash equivalents	1 627
Money market investments	1 020
Debt investment securities	185
Loans to subsidiaries	1 924
Policyholders' assets	72 476
Cash and cash equivalents	9 018
Money market investments	8 096
Loans and receivables (including insurance receivables)	1 017
- Premium debtors	341
- Reinsurance debtors	313
- Other debtors	363
Loans to subsidiaries	1 747
Derivative financial instruments	1 173
Scrip lending	3 998
Debt investment securities	46 185
Policy loans	643
Reinsurance assets	599
Total	77 232

Corporate and government debt

Momentum adopts a portfolio management approach to credit exposures. In order to achieve appropriate diversification, limits are applied to individual counterparties and at industry sectors, the number of single obligor exposures within rating categories, and the targeted weighted average rating of the portfolio.

Momentum's guaranteed and linked credit exposure to corporate and government debt amounted to R67.9 billion at 30 June 2011 (2010: R58.3 billion).

(audited)

R million	Banks	RSA Government	Utilities	Mining	Other Sectors	Total
2011	12 000	16 197	2 430	212	19 296	50 135
2010	5 071	18 167	2 077	-	16 579	41 894

The exposure to banks represents debt, cash on deposit, derivative and other exposures. The largest counterparty exposure is to the RSA Government with R16.2 billion in exposure at 30 June 2011 (2010: R18.2 billion).

The total debt portfolio is spread as follows across the various ZAR rating categories (based on Standard and Poor's rating scale) at 30 June 2011.

AUDITED

R million	2011					
	Cash and short term funds	Reinsurance assets	Investment securities	Scrip lending	Derivatives	Total
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	10 191	734	46 436	4 821	1 542	63 724
BB+ to B- (B+ to B-)	58	-	103	-	-	161
Below B- (CCC)	-	-	-	-	-	-
Unrated	41	-	3 596	-	-	3 637
Total	10 290	734	50 135	4 821	1 542	67 522

AUDITED

R million	2010					
	Cash and short term funds	Reinsurance assets	Investment securities	Scrip lending	Derivatives	Total
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	10 395	599	27 591	3 998	1 173	43 756
BB+ to B- (B+ to B-)	-	-	8 073	-	-	8 073
Below B- (CCC)	-	-	-	-	-	-
Unrated	250	-	6 230	-	-	6 480
Total	10 645	599	41 894	3 998	1 173	58 309

Investment grade

AAA to BBB-: These are obligations which are judged to be of a high credit quality and are subject to low credit risk.
 BB+ to B-: These are obligations which are of a medium quality and are subject to moderate credit risk.
 Below B-: These are obligations which have a low credit quality. They are considered to be riskier than the other classes.

Commission debtors

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 Momentum's new business arises from brokerages that are subsidiaries of A-rated South African banks, the risk of default is low and relates mainly to independent intermediaries.

An impairment of commission debits is made to the extent that these are not considered to be recoverable and a legal recovery process commences.

The total provision for commission debtors amounted to R88 million at 30 June 2011 (2010: R59 million), compared with total commission payments of R1 712 million for the year (2010: R1 285 million).

Reinsurance

Momentum only enters into reinsurance treaties with reinsurers registered with the FSB. The reinsurers contracted represent subsidiaries of large international reinsurance companies, and no instances of default have yet been encountered.

Regular monthly reconciliations are performed regarding claims against reinsurers, and the payment of premiums to reinsurers.

(audited)

Reinsurer	Reinsured proportion	2011 International credit rating of reinsurer (Standard & Poor's)	Reinsured proportion	2010 International credit rating of reinsurer (Standard & Poor's)
Swiss Re	16%	A+	12%	A+
General Cologne Re	50%	AA+	60%	AA+
Hannover Re	32%	A	25%	A
RGA Re	1%	AA-	1%	A-
Munich Re	0%	A	0%	A+
Other	1%	-	1%	-

Policy loan debt

Momentum's policy is to automatically lapse a policy where the policy loan debt exceeds the fund value. There is therefore little risk that policy loan debt will remain irrecoverable. 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 as determined in accordance with the accounting policies.

In terms of the regulations applicable to Momentum, the value of the policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which Momentum owns. The value of the collateral is the value of the policy which is determined as set out in Momentum accounting policies.

Scrip lending

Momentum lends out selected listed equity holdings. At 30 June 2011 a total of R4 821 million (2010: R3 998 million), or 6% (2010: 5%) of the total equity holding, was out on loan. Fees received for scrip lending are included in fee income.

Collateral, in the form of either cash or fixed interest government bonds, at least equal to the value of scrip on loan is retained on an ongoing basis in order to mitigate the risk of default.

Derivative contracts

Momentum 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.

Included in investment securities are amounts relating to corporate debt for which Momentum holds collateral. The fair value of the collateral is determined from time to time using valuation techniques generally accepted for the underlying assets.

Market risk

Introduction

Market risk is the risk that Momentum is unable to meet its obligations due to changes in the market value of the assets matching the liabilities, as well as the risk that Momentum's earnings and/or solvency levels are affected adversely by developments in investment markets.

Market risk comprises the risk of changes in the market values of its assets and liabilities due to changes in rates of exchange of currency, interest rates, property prices and equity prices.

Market risk exists in all trading, banking and investment portfolios. For the purpose of these financial statements market risk is considered to be fully contained within the trading portfolios. Primarily market risk within Momentum is managed through the Balance Sheet Management (BSM) committee.

Market risk governance

The Balance Sheet Management committee which is a subcommittee of Momentum Risk committee provides oversight for interest rate risk, funding and liquidity risk assumed on Momentum's statement of financial position.

Momentum, manages the exposure to financial risks by matching with appropriate assets (as far as this is practically possible). In addition, the Investment committee monitors investment performance achieved on behalf of policyholders, compares performance against benchmarks and evaluates the appropriateness of investment mandates and benchmarks.

Market risk management

For each of the major components of market risk, described in more detail below, Momentum is in the process of improving policies and procedures to manage and monitor each of the major market risk components in terms of its overall risk appetite.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The majority of currency exposure within Momentum results from the offshore assets held by policyholders' portfolios to provide the desired international exposure, subject to the limitations imposed by the SARB. The bulk of these assets support linked policyholders' liabilities. This results in the bulk of the currency risk being assumed by policyholders in terms of the policy contracts.

The following assets and liabilities, denominated in foreign currencies, where the currency risk resides with Momentum, are included in Momentum's statement of financial position.

Assets backing policyholder liabilities as at 30 June 2011

(audited)

R million	GBP	US\$	Euro	Other	Total
Assets					
Money market investments	675	-	-	-	675
Investment securities	6 059	3 198	8 019	242	17 518
Investments in associates	-	-	-	-	-
Total assets	6 734	3 198	8 019	242	18 193

Foreign exchange rates as at 30 June 2011

	GBP	US \$	Euro	Pula
Closing rate	10.8380	6.7731	9.7993	1.0363
Average rate	11.0767	6.9603	9.5632	1.0507

Assets backing policyholder liabilities as at 30 June 2010

(audited)

R million	GBP	US\$	Euro	Other	Total
Assets					
Money market investments	520	-	-	-	520
Investment securities	11 333	-	-	-	11 333
Investments in associates	752	-	-	-	752
Total assets	12 605	-	-	-	12 605

Foreign exchange rates as at 30 June 2010

	GBP	US \$	Euro	Pula
Closing rate	11.4753	7.6576	9.3889	1.0831
Average rate	11.9557	7.5869	10.5087	1.1163

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates, which may result in mismatches between Momentum's assets and liabilities.

The following sections set out the areas where Momentum is exposed to interest rate risk, as well as how this is managed.

i. 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, increase at a fixed rate or in line with inflation.

Momentum guarantees this income 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, Momentum invests in an actively managed portfolio of government and corporate bonds, promissory notes from banks and swaps with approximately the same duration as the liabilities. The mismatch risk is measured in terms of duration and convexity risk. The portfolio aims to minimise both of these risks. Index-linked annuities, which provide increases in line with inflation, are matched with index-linked bonds. Where perfect cash flow matching is not possible, interest rate risk is minimised by ensuring the values of assets and liabilities respond similarly to small changes in interest rates and a mismatching liability is raised as a component of the investment stabilisation account. The matching position of the portfolio is considered monthly. The asset managers are motivated, by way of performance fees, to minimise any mismatching risk.

As an indication of the robustness of the asset-liability management, it is worth noting that a 100 bps (2010: 25%) horizontal shift in the risk-free yield curve as at 30 June 2011 would have resulted in a 0.6% (2010:0.2%) move in the interest rate sensitive liability relative to assets. Similar to the annuity portfolio, the liability for PHI payments to disabled employees of insured group schemes is matched by fixed and index-linked bonds to protect Momentum against interest rate movements.

ii. Guaranteed endowments and structured products

Momentum 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. Momentum hedges the obligation by investing in assets that will provide the required yield at the relevant date and term.

A variation on guaranteed endowment policies are contracts where the capital guarantee is combined with a guaranteed return linked to the returns on local and offshore market indices. Momentum manages the risk associated with the guarantee on these contracts through the purchase of appropriate assets and the risk of the offshore indices is hedged through equity-linked notes issued by banks. In addition to these hedging strategies, a portion of the guaranteed endowment policies is reinsured with reputable reinsurers in terms of Momentum reinsurance policies.

To demonstrate the interest rate hedging on guaranteed and structured endowments, it was calculated that, at 30 June 2011, a 100 bps(2010:25%) horizontal shift in the yield curve would have resulted in a 0.2% (2010: 0.25%) move in liabilities relative to assets.

iii. *Individual life risk products*

These policies mainly represent whole life and term assurance contracts, which provide lump sum benefits on death and disability. The present value of the future fees (included in the premium rates) expected to be earned on this business is capitalized and offset against the liabilities. A long-term interest rate is used to calculate the present value of the future fees. Any changes in long-term interest rates would therefore result in a change in the value of the negative rand reserves.

iv. *Other non-profit business*

In addition to mortality risk, morbidity risk, expense risk and persistency risk, there is also the risk that investment return experienced may be lower than that assumed when the price of insurance business was determined. Momentum reduces this risk by investing in assets comparable to the nature of these liabilities, such as fixed interest investments.

v. *Impact of changes in interest rates*

The tables below provide 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.

(audited)

30 June 2011

R million	Cash flow		Fair value	
	Total	interest rate risk	interest rate risk	No interest rate risk
Cash and short term funds	10 290	10 290	-	-
Money market investments	6 324	4 444	508	1 372
Investment securities	50 135	20 061	29 631	443
Total	66 749	34 795	30 139	1 815

30 June 2010

R million	Cash flow		Fair value	
	Total	interest rate risk	interest rate risk	No interest rate risk
Cash and short term funds	10 645	8 188	2 295	162
Money market investments	9 116	7 247	1 864	5
Investment securities	46 313	13 638	32 101	573
Total	66 074	29 073	36 260	740

Refer to the section on liquidity risk for maturity profiles of interest bearing liabilities.

Property risk

Property risk is the risk that the value of investment properties will fluctuate as a result of changes in the rental market 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 ability of Momentum to let investment property as well as the future fair value of investment properties may be affected by the impact of the global financial crisis and the current downturn in the property market. Momentum has limited its exposure to direct investment properties through the diversification of assets and ownership of participatory interests in property unit trusts rather than direct ownership of the properties.

Equity risk

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market price.

Equity exposure arises from equity investments made on behalf of shareholders and policyholders, including equities backing guaranteed liabilities, minimum investment return guarantees in some universal life products and as a result of fees charged as a percentage of policyholder assets that are invested in equities.

Equities are reflected at market values, which are susceptible to fluctuations. The risks from these fluctuations can be separated into systematic risk (affecting all equity instruments) and specific risk (affecting individual securities). In general, specific risk can be reduced through diversification but systematic risk cannot.

Momentum manages its equity risk by employing the following procedures:

- mandating specialist equity fund managers to invest only in listed equities, where there is an active market and where access is gained to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce specific risk. Diversification is guided by the concentration rules imposed on admissible assets by the Long-Term Insurance Act;
- requiring these fund managers to maintain the overall equity exposure within the prudential investment guidelines set by the FSB; and
- considering the risk-reward profile of holding equities and assuming appropriate risk in order to obtain higher expected returns on assets.

i. Individual insurance and investment contracts with discretionary participation features

Momentum offers various product lines in this category. Some of these products have been closed to new business.

Assets are invested in a balanced mix of local and offshore equities, fixed interest assets, property and cash, according to the asset manager's best investment view. The Investment committee regularly monitors the asset mix and performance to ensure that the expected returns are in line with policyholders' expectations. Separate investment portfolios are managed for smoothed bonus products.

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, policyholders' reasonable 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 bonus stabilisation account ("BSA"), for future distribution to policyholders.

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, Momentum has the following options:

- to assume lower bonuses will be declared in future in valuing the liabilities;
- to actually declare lower bonuses;
- a portion of bonuses declared is not guaranteed and in the event of a fall in the market value of assets, Momentum has the right to remove previously declared non-guaranteed bonuses. This will only be done if 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 to ensure that withdrawal benefits do not exceed the market values. This is to protect remaining policyholders.
- the use of short-term derivative hedging strategies to protect the funding level against further deterioration due to poor investment performance;
- using funds in the additional BSA to temporarily or permanently top up the BSA on recommendation of the Actuarial Committee and approval from the board. This is a general BSA set aside as a buffer to support all smoothed bonus business. This account is not attributable to any specific class of smoothed bonus business and is not intended for distribution under normal market conditions; and
- in very extreme circumstances, funds may be transferred from the shareholder portfolio into the BSA on a temporary or permanent basis.

ii. Individual contracts offering investment guarantees

Momentum has a book of universal life business that is closed to new business, which offers minimum maturity values based on a specified rate of investment return. This guaranteed rate is around 4.5% p.a. for the bulk of business. This applies to smoothed bonus portfolios as well as certain market-linked portfolios. On some smoothed-bonus portfolios, there is also a guarantee to policyholders that the annual bonus rate will not be less than a contractual minimum (also around 4.5% p.a.).

Momentum no longer automatically offers these guarantees on new business. Policyholders do, however, have the option to purchase a minimum guaranteed return of up to 3% per annum. The guarantee charge 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 for specific terms.

Momentum manages the risk of being unable to meet guarantees by holding a specific liability for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns in accordance with local actuarial guidance. A stochastic model is used to quantify the reserve required to finance possible shortfalls in respect of minimum maturity values and other guaranteed benefits. The model is calibrated to market data and the liability is calculated every six months. Momentum also holds statutory capital in respect of the guarantee risk. The amount of capital is calculated to be sufficient to cover the cost of guarantees in the event of a 30% fall in market value of equities and an adverse move of 25% in interest rates.

iii. Group contracts with discretionary participation features ("DPF")

The Momentum Secure Bonus ("MSB"), Momentum Structured Growth ("MSG") and Momentum Capital Plus ("MCP") portfolios are offered to institutional investors and 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 allowance is made for the payment of benefits over a period of up to 12 months if large collective outflows may prejudice remaining investors. Extensive use is made of derivative instruments to minimise downside market risk in the group DPF portfolios. Because of this strategy, BSAs in respect of group DPF business are small, relative to the bonus stabilisation accounts on individual (retail) business.

Under adverse circumstances the BSA may become negative. To protect equity between different generations of policyholders, the additional BSA may be utilised to temporarily or permanently top up the BSA on recommendation of the Actuarial committee and approval from the board.

iv. 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, Momentum 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 policyholders' expectations. These risks are managed through the rigorous investment research process applied by Momentum's investment managers, which is supported by technical as well as fundamental analysis.

Sensitivity to market risk

Momentum's profit and net asset value is sensitive to market risk as a result of the following:

- insurance contracts issued;
- investment contract business; and
- investments made using the shareholder free reserves.

The following table represents the effect on net profit and equity as a result of plausible changes in market factors which give rise to market risk for each of the categories identified above.

The sensitivities were chosen to be in line with industry practice and sensitivities already performed for other purposes

(audited)

	2011			
	Equity prices		Interest rates	
	Increase by 10 %	Decrease by 10 %	Increase by 100 bps	Decrease by 100 bps
Net change in profit for the year before stabilisation	313	(326)	16	(43)
Impact of stabilisation	(196)	208	(11)	38
Net change in profit for the year after stabilisation	117	(118)	5	(4)
Net change in equity	442	(490)	(156)	119

(audited)

	2010			
	Equity prices		Interest rates	
	Increase by 10 %	Decrease by 10 %	Increase by 100 bps	Decrease by 100 bps
Net change in profit for the year before stabilisation	258	(259)	42	(108)
Impact of stabilisation	(146)	145	(3)	68
Net change in profit for the year after stabilisation	112	(114)	39	(40)
Net change in equity	67	(68)	23	(24)

1. Equity prices decrease by 10% and interest rates increase by 100bps

The sensitivity ranges represent estimates of a range of plausible (although not equally likely) changes within a twelve month period from the reporting date are prescribed by actuarial professional guidance. It is current market practice in South Africa to disclose these sensitivities.

Using the same sensitivities for the IFRS7 disclosure requirements facilitates comparison with other industry participants.

Market risk sensitivities have been applied as an event on the balance sheet date, 30 June 2011. The change factors were applied to:

- assets at the balance sheet date;
- policyholder liabilities at the balance sheet date; and
- income and expenditure over a 12 month period.

Assets at the balance sheet date were impacted as follows:

- equities and property were revalued, using the relevant market price sensitivities;
- bonds were revalued, using the relevant interest rate sensitivities (parallel shift in the yield curve);
- all offshore asset classes were revalued, using the relevant exchange rate sensitivities; and
- strategic subsidiaries, which are shown at fair value in the company accounts, have been revalued to reflect the relevant equity and interest rate sensitivities.

The impact of the sensitivities on policyholder liabilities was quantified as follows:

- Investment accounts were adjusted;
- Changes were made to the expected future investment returns and the rate at which cash flows are discounted in the liability calculation. and
- policyholder options and guarantees (including investment guarantees) as described in actuarial professional guidance note PGN110 were revalued.

In determining the impact of the sensitivities on income and expenses over twelve months, the following items were considered:

- fee income that is a function of investment returns;
- asset management fee income that is a function of the amount of assets under management;
- asset management expenditure that is a function of the amount of assets under management;
- interest income; and
- revaluation of shareholder assets (fair value adjustment).

In line with current Momentum practices, the profits from insurance contracts were stabilised. This is particularly relevant for asset price movements away from the long-term average, provided that the investment stabilisation accounts have a positive balance.

The calculations were performed in isolation for the separate categories of business and aggregated to indicate the overall effect on Momentum.

The following assumptions are specific to the scenarios presented above:

Equity market value sensitivity:

- the change in equity prices was assumed to be a once-off change;
- future dividend yields were assumed to remain unchanged; and
- no change was assumed in expected future returns and discount rates used in valuing liabilities as a result of changes to equity prices.

Interest rate sensitivity:

- the expected future real rates of return were assumed to remain unchanged; and
- future inflation rates were assumed to change in line with interest rates.

Exchange rate sensitivity:

- the value of foreign currency denominated assets were assumed to change as a result of changes in the exchange rates; and
- no changes were assumed in respect of expected future returns and discount rates used in valuing liabilities as a result of changes in the exchange rates.

Liquidity risk

Introduction

Liquidity risk is the risk that Momentum will encounter difficulty in raising liquid funds to meet commitments to policyholders under policy contracts and in respect of other obligations as and when these fall due.

Liquidity risk governance

The Balance sheet management committee which is a subcommittee of the Risk committee provides market risk oversight for interest rate risk, funding and liquidity risk assumed on Momentum's statement of financial position.

Liquidity risk management

Guaranteed policyholder benefits

Where possible, the expected liability outflow is matched by assets that provide the required cash flows as and when they become payable. Examples of guaranteed benefits that are matched by suitable assets include annuities and guaranteed endowments.

Unitised and smoothed-bonus policyholder benefits

These benefits are determined mainly by reference to the market value of underlying assets. On maturity of policy contracts, 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 counters, government securities or funds on deposit.

Maturity dates are normally known in advance and 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 (i.e. a benefit payment before the contractual maturity date), such value is not normally guaranteed but is determined at the company'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 contract normally allows 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 contracting (i.e. 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.

Other policyholder benefits

Policyholder contracts that provide mostly lump sum risk benefits do not normally give rise to significant liabilities (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 takes 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 payment of benefits.

Shareholder funds

The only significant shareholders' liability is the callable bond issued during 2005. Momentum shareholders' funds include sufficient cash resources to fund the coupon payments under this bond, and the nominal amount, which is callable in 2014, will be funded from cash resources at that time.

Liquidity risk - policyholders

The following tables indicate the liquidity needs in respect of obligations arising under long-term insurance and investment contracts (as defined under IFRS4). The amounts in the table represent the excess of claims and expenses over premium income, expressed in present value terms (i.e. adjusted for the time value of money). Only contractual expected cash flows from the current in-force book have been modelled. Future new business has been ignored. Non-contractual cash flows (e.g. those arising from early terminations of policy contracts) have also been ignored.

Cash flows relating to specific policy contract types have been apportioned between future time periods in the following manners:

i. Annuities, guaranteed endowments and PHI claims in payment

These contracts have clearly defined future payment dates. The present values of expected future payments, taking into account expected future life expectancy and guarantee terms, have been apportioned according to when payment falls due.

ii. Unitised and smoothed-bonus savings contracts

These contracts provide mainly savings benefits, but may contain elements of death or disability cover. The savings benefits mostly have clearly defined maturity dates and make up the bulk of the liability in respect of this class of business. Policyholder liabilities at the reporting date have therefore been apportioned according to contractual maturity dates of the savings benefits. For policies without defined maturity dates, the liability has been apportioned according to the earliest possible date when benefits can be paid without regulatory restrictions.

Early termination payments and lump sum risk benefits have not been treated as contractual obligations.

On this class of business, death or disability before the contractual maturity will cause acceleration of the maturity payment. Such contingent benefit payments have been ignored, as their timing is uncertain and the payments comprise only a small portion of the total liability on this class of business.

iii. Employee Benefits investment business

Liabilities have been classified as being payable in less than one year.

iv. Employee Benefits risk business

These are mostly short-term contracts. It has been assumed that all future liabilities will be extinguished between one and five years from the reporting date.

v. Individual risk policies

The bulk of this class of business comprises whole life policies, providing lump sum death or disability benefits. The liabilities in respect of this class of business have been assumed to fall due between five and ten years after the reporting date.

vi. Credit life and funeral policies

Claims on these classes of business are mostly met from future premium inflows. Liabilities are small, relative to risk exposure, and have been assumed to fall due within one year.

The following maturity profiles have been presented as discounted and estimated analysis in accordance with the management of these financial instruments:

The maturity profile of policyholder liabilities under insurance contracts is set out below.

(audited)

**Period when cash flow becomes due
(insurance contracts)**

30 June 2011		Open ended	Shorter than	Between 1	Between 5	Longer than
R million	Total		1 year	and 5 years	and 10 years	10 years
Linked (market related) business						
Individual	13 783	851	1 447	4 429	3 121	3 935
Employee benefits	1	1	-	-	-	-
Smoothed bonus business						
Individual	4 947	-	524	1 389	1 267	1 767
Employee benefits	1 195	-	146	421	302	326
With profit reversionary bonus business	2 989	-	750	70	35	2 134
Non profit business						
Individual	705	207	423	31	277	(233)
Employee benefits		-	-	-	-	-
Annuity business	18 808	205	2 274	6 556	4 702	5 071
Total policyholder liabilities under insurance contracts	42 428	1 264	5 564	12 896	9 704	13 000

30 June 2010		Open ended	Shorter than	Between 1	Between 5	Longer than
R million	Total		1 year	and 5 years	and 10 years	10 years
Linked (market related) business						
Individual	14 020	860	1 031	5 294	3 379	3 456
Employee benefits	-	-	-	-	-	-
Smoothed bonus business						
Individual	4 836	-	413	1 219	1 281	1 923
Employee benefits	954	-	117	343	242	252
With profit reversionary bonus business	3 016	-	378	317	177	2 144
Non profit business						
Individual	546	216	515	53	177	(415)
Employee benefits		-	-	-	-	-
Annuity business	17 622	212	2 132	6 257	4 414	4 607
Total policyholder liabilities under insurance contracts	40 994	1 288	4 586	13 483	9 670	11 967

The maturity profile of policyholder liabilities under investment contracts is set out below:

(audited)

Period when cash flow becomes due (investment contracts with DPF)

30 June 2011 R million	Open ended	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	-	-	-	-	-
Employee benefits	-	-	-	-	-
Smoothed bonus business					
Individual	7 256	505	692	2 453	1 582
Employee benefits	4 900	3 418	1 436	19	13
Non profit business					
Individual	-	-	-	-	-
Employee benefits	-	-	-	-	-
Annuity business	-	-	-	-	-
Total policyholder liabilities under investment contracts with DPF	12 156	3 923	2 128	2 472	1 595

Period when cash flow becomes due (investment contracts with DPF)

30 June 2010 R million	Open ended	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	-	-	-	-	-
Employee benefits	-	-	-	-	-
Smoothed bonus business					
Individual	6 581	509	571	2 156	1 202
Employee benefits	4 962	3 053	1 873	15	10
Non profit business					
Individual	-	-	-	-	-
Employee benefits	-	-	-	-	-
Annuity business	-	-	-	-	-
Total policyholder liabilities under investment contracts with DPF	11 543	3 562	2 444	2 171	1 212

Period when cash flow becomes due (investment contracts without DPF) (undiscounted)

30 June 2011 R million	Total	Open ended	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business						
Individual	69 764	69 764	-	-	-	-
Employee benefits	34 946	34 946	-	-	-	-
Smoothed bonus business						
Individual	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Non profit business						
Individual	4 454	-	396	4 058	-	-
Employee benefits	-	-	-	-	-	-
Annuity business	1 107	-	277	583	186	61
Total policyholder liabilities under investment contracts	110 271	104 710	673	4 641	186	61

Period when cash flow becomes due (investment contracts without DPF) (undiscounted)

30 June 2010 R million	Total	Open ended	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business						
Individual	72 249	19 254	5 713	14 309	6 575	26 398
Employee benefits	33 585	32 838	747	-	-	-
Smoothed bonus business						
Individual	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Non profit business						
Individual	3 074	250	82	2 741	1	-
Employee benefits	-	-	-	-	-	-
Annuity business	1 085	305	191	411	134	44
Total policyholder liabilities under investment contracts	109 993	52 647	6 733	17 461	6 710	26 442

The following is the expected maturity analysis of the assets.

(audited)

30 June 2011

Assets:

R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Cash and cash equivalents	10 290	10 290	-	-	-
Money market investments	6 324	6 324	-	-	-
Derivative financial instruments	1 542	(782)	1 920	195	209
Loans and receivables	4 551	4 551	-	-	-
Investment securities	135 822	94 315	19 326	8 071	14 110
Investments in associates	3 898	-	-	-	3 898
Investments in subsidiaries	26 946	-	-	-	26 946
Property and equipment	58	-	-	-	58
Owner occupied buildings	623	-	-	-	623
Intangible assets	2 598	-	-	2 598	-
Investment properties	379	-	-	-	379
Policy loans	652	130	522	-	-
Reinsurance assets	734	447	66	105	116
Tax asset	125	125	-	-	-
Employee benefits asset	166	-	-	-	166
Total	194 708	115 400	21 834	10 969	46 505

30 June 2010

Assets:

R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Cash and cash equivalents	10 645	10 645	-	-	-
Money market investments	9 116	9 116	-	-	-
Derivative financial instruments	1 173	202	181	430	360
Loans and receivables	4 688	4 688	-	-	-
Investment securities	111 884	35 314	17 849	11 581	47 140
Investments in associates	6 804	-	-	-	6 804
Investments in subsidiaries	30 491	-	-	-	30 491
Property and equipment	50	-	-	-	50
Owner occupied buildings	947	-	-	-	947
Intangible assets	2 753	-	-	2 753	-
Investment properties	29	-	-	-	29
Policy loans	643	129	514	-	-
Reinsurance assets	599	319	99	65	116
Employee benefits asset	113	-	-	-	113
Total	179 935	60 413	18 643	14 829	86 050

Liquidity risk - shareholders

The following table represents the expected cash flows to be made on shareholder liabilities.

(audited)

30 June 2011	2011			
R million	Period when Cash Flow Becomes Due			
	Shorter than	Between	Between	
	1 year	1 and 5 years	5 and 10 years	
	Total			
Accounts payable (including insurance payables)	9 196	8 464	732	-
Derivative financial instruments	638	(514)	1 028	124
Other financial liabilities	7 898	5 751	1 166	981
Provisions	68	68	-	-
Employee benefit liabilities	351	32	84	235
Deferred revenue liability	201	1	35	165
Total	18 352	13 802	3 045	1 505

30 June 2010	2010			
R million	Period when Cash Flow Becomes Due			
	Shorter than	Between	Between	
	1 year	1 and 5 years	5 and 10 years	
	Total			
Accounts payable (including insurance payables)	7 524	6 689	835	-
Derivative financial instruments	896	239	218	439
Other financial liabilities	7 522	5 637	176	1 709
Provisions	61	61	-	-
Employee benefit liabilities	244	32	79	133
Deferred revenue liability	356	2	158	196
Total	16 603	12 628	1 387	2 588

Undiscounted maturity analysis

The following table represents the contractual undiscounted amounts payable in respect of liabilities at the earliest date on which those liabilities are payable for all liabilities, except policyholder liabilities under insurance and investment contracts which have been included the section on liquidity risk for policyholders.

(audited)

R million	2011			
	Period when Cash Flow Becomes Due			
	Shorter than	Between	Between	
	1 year	1-5 years	5-10 years	
	Total			
LIABILITIES				
Accounts Payable (including insurance payable)	9 249	8 473	776	-
Derivative financial instruments	638	(514)	1 028	124
Other financial liabilities	8 300	6 917	1 383	-
Total	18 187	14 876	3 187	124

(audited)

R million	2010			
	Total	Shorter than 1 year	Between 1-5 years	Between 5-10 years
LIABILITIES				
Accounts Payable (including insurance payable)	7 524	6 689	835	-
Derivative financial instruments	981	261	242	478
Other financial liabilities	8 058	5 503	275	2 280
Total	16 563	12 453	1 352	2 758

The balances in the table above will not agree directly with the balances on the balance sheet for the following reasons:

- the amounts included in the table above are contractual undiscounted amounts whereas the statement of financial position is prepared using the discounted amounts;
- the table includes contractual cash flows with respect to off-balance sheet items which have not been recorded on the statement of financial position;
- all instruments held for economic trading purposes are included in the "call to 3 months" bucket and are not by contractual maturity because trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on a undiscounted basis.

Operational risk

Introduction

Momentum defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Operational risk governance

Ownership of and accountability for operational risk management is of primary importance. Management and staff at every level of the business are accountable for the day-to-day identification, management and monitoring of operational risks.

ERM provides oversight of the effectiveness of Momentum's operational risk management processes and assists business unit managers by facilitating the identification and assessment of risks within the business units and subsidiaries.

Independent assurance is provided on the management of operational risks by the Internal Audit function which follows a risk-based audit approach.

Operational risk is managed in terms of the Operational Risk Management Framework ("ORMF"), which is an ancillary framework of the Risk Management Framework.

The Risk forums in the business units are established to oversee the operational risk management process. Monitoring of operational risk occurs through a number of functions.

Operational risk management

Given the ever-changing and complex nature of its business and its processes, the Group employs a dynamic approach to managing operational risk and this approach results in almost continuous change or renewal. It is common practice, when implementing change of this nature, to pro-actively address less than optimal operational procedures with meaningful adjustments to risk management. The Board and management are not satisfied with the current level of operational losses, and has therefore embarked on a consistent and disciplined approach of linking business processes to the operational risk and control environment.

A number of operational risk management methodologies have been developed to deal with the practical implementation of operational risk management challenges. These methodologies are supplemented by a number of risk tools. These include:

- risk self assessments – self assessment to identify and assess risks within the business processes in the business units and subsidiaries;
- internal operational loss data and incident reporting – a process to record and analyse the root cause of losses and incidents;

- key risk indicators (“KRI’s”) – a process whereby measurable, quantifiable metrics are tracked to assess the level of operational risk and provide early warning indications of potential breakdowns; and
- audit findings – a process whereby internal and external audit findings that have been issued, but not resolved before the due date, are tracked, monitored and reported on through the risk management structures.

Operational risk quantification and capital calculation

The Actuarial Society of South Africa issued revised professional guidance, applicable from 31 December 2008, which addresses the shortcomings in the old statutory CAR formulae. The revised CAR formulae explicitly allow for credit and operational risks.

The profession guidance note requires the statutory actuary to use professional judgement in the quantification of the operational risk capital requirements. The amount of capital required for operational risks is determined using the formulae suggested in the first Quantitative Impact Study conducted in South Africa.

Momentum is currently busy with the development of an internal model for quantifying operational risk based on a combination of statistical distribution models (for frequency and severity) applied to internal data and statistical models derived from extreme risk scenarios. The requirements of the Solvency II draft directive are also being taken into account during the development of this model.

As indicated in a preceding section, the ERM function also oversees a number of areas closely related to or integrated with the operational risk management processes. These are described in the following sections.

Business continuity management

Business continuity management in Momentum focuses on improving the resilience of business operations in order to withstand unexpected disruptions and disasters. Business continuity management is an ongoing process of assessing needs, identifying weaknesses and single points of failure, developing strategies and keeping plans current and tested. The approach involves following a well-established annual cycle of actions, designed to ensure plans and associated measures are kept relevant and tested.

These risks are monitored by risk forums within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

Information risk

Momentum defines information risk as the possibility of harm being caused to a business as a result of a loss of confidentiality, integrity or availability of information.

Information risk management establishes appropriate good practice and control measures to protect the information assets of Momentum and to ensure confidentiality, integrity and availability of Momentum’s information. Information risk management assists and drives business entities of Momentum to establish appropriate good practice and control measures to protect the information assets of Momentum.

The Information Technology Governance and Information Security Framework (“IT Framework”) is a customisation of ISACA’s *Control Objectives for Information and related Technology* (COBIT®) framework and the Information Security Forum’s *Standard of Good Practice*.

Due to the changing nature of information risk and information security, Momentum constantly faces new threats and challenges. The risk management structure for information risk is specifically structured to enable and support the measurement of status and the resolution of issues.

These risks are currently monitored by risk forums within the business units and subsidiaries and are escalated to the Risk committee as appropriate.

In line with the requirements of King III, Momentum will, during the next financial year, establish an appropriate forum to oversee information technology governance.

Fraud and security risks

Momentum is committed to creating an environment that safeguards its people, customers and assets through policies and actions.

Momentum operates in an environment where a “zero tolerance” stance to criminal activities is adopted. Momentum enhances this environment with robust control structures and policies to safeguard the employees, clients and assets.

In this regard Momentum relies on line management and formal structures that include risk management as well as forensic services to enforce the “zero tolerance” attitude. This attitude is further completely underwritten by the Momentum senior

management and board. An independently and externally managed best practice fraud hotline (0800 737678) is also in place to provide the means to ensure that actual and/or suspected fraud or irregularities are confidentially and promptly reported.

To reach these goals, Momentum not only has a code of expected conduct that applies to all staff, but also various mechanisms to create anti-crime awareness, as well as mechanisms that assist in the detection of and formal prosecution of offenders.

Legal risk

Momentum defines legal risk as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed (implemented changes are dealt with as part of compliance risk).

Legal risk is managed in terms of the Legal Risk Management Framework and through activities such as monitoring of new legislation, awareness initiatives, identifying significant legal risks and by managing and monitoring the impact of these risks through appropriate processes and procedures.

Regulatory risk

Introduction

Momentum defines regulatory risk as the risk of legal or regulatory sanctions, financial loss, or loss to reputation that it may suffer as a result of its failure to comply with applicable laws.

Regulatory risk governance

Regulatory Risk Management ("RRM") is an integral part of managing the risks inherent in Momentum. Regulatory risk is managed in terms of Momentum's Regulatory Risk Management Framework.

Oversight of regulatory risk is provided and managed by a number of committees such as the Regulatory Risk Committee, the Risk committee and the Audit committee which receives reports from RRM on a regular basis. Momentum has also established a Fair practices committee, and where appropriate, compliance matters are escalated to this forum in addition to the above structures.

RRM retains an independent reporting line to the Board through the designated subcommittees.

In addition to the centralised RRM function, each of the business units have appointed compliance officers responsible for assisting with the implementation and monitoring of statutory and regulatory requirements related to their respective business units.

Regulatory risk management

Regulatory risk management is the process of preventing or mitigating the risk of regulatory sanction and financial losses occurring due to fines and penalties incurred or reputational damage because of non-adherence to statutes, regulations and industry codes. This includes:

- risk identification through assessing which laws, regulations and supervisory requirements are applicable to Momentum;
- risk mitigation through the development of compliance risk management plans;
- risk monitoring and review of remedial actions; and
- risk reporting.

In support of the Regulatory Risk Management Framework, a compliance manual has been drafted which also fulfils the function of assisting the businesses in addressing material regulatory risks.

RRM works closely with the Internal Audit, ERM, ORM, Internal and external legal advisors, Momentum's Group Tax department, Forensics department, Company secretariat, Group Finance and Actuarial to ensure the effective functioning of the regulatory risk management processes.

Risk insurance

Risk insurance is defined as the risk that material unexpected operational losses, arising from non-trading risks, are not identified and/or adequately covered by appropriate insurance risk financing structures.

For the year under review, Momentum formed part of MMI's global insurance risk financing programme with cover limits that are commensurate with the size and stature of Momentum. The risks written into the programme are bankers blanket bond, computer crime, professional indemnity, directors and officers liability, assets and various liabilities.

Momentum will continue to monitor developments and ensure that the insurance financing programme is adapted accordingly where appropriate.

Risks arising from fiduciary activities

Momentum provides investment management and advisory services to third parties. These services result in Momentum making allocation, purchase and sale decisions in respect of a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in the financial statements. These arrangements expose Momentum to the risk that it may be accused of misadministration or under performance.

The asset management subsidiaries of Momentum are required to comply with the risk management framework of Momentum. These subsidiaries employ risk management techniques which are considered best practice in the industry and constantly monitor actual performance against benchmarks and investigate differences.

40 Cash generated by operations

Profit attributable to equity holders	1,721	1,699
Adjustments:		
Net fair value gains on assets through profit or loss	(12,115)	(10,102)
Dividends received	(2,161)	(1,421)
Interest received	(6,275)	(6,708)
Interest paid	1,062	1,114
Transfer to policyholder liabilities under insurance contracts	1,434	1,828
Transfer from policyholder liabilities under investment contracts with DPF	(49)	(977)
Fair value adjustment to policyholder liabilities under investment contracts without DPF	11,568	11,650
Other movement in policyholder liabilities under investment contracts without DPF	183	(8,926)
Depreciation	48	60
Amortisation of intangible assets	39	40
Impairment of intangible assets	-	14
Other non-cash movements	(32)	(155)
Direct taxation	667	710
Changes in operating assets and liabilities	1,809	1,532
- Net decrease / (increase) in loans and receivables	137	251
- Net increase / (decrease) in current liabilities	1,672	1,281
Investment in investment securities and derivative instruments	(4,351)	(7,026)
Cash generated by operations	(6,452)	(16,668)

41 Taxation paid

Balance at beginning of the year	(40)	(40)
Taxation for the current year	(407)	(562)
Taxation charged in the income statement	(667)	(710)
Deferred tax in the income statement	260	148
Balance at end of the year	(125)	40
Taxation paid	(572)	(562)

42 Dividends paid

Final dividend declared on:

- 29 September 2010 in respect of the year ended 30 June 2010	(358)	-
- 2 September 2009 in respect of the year ended 30 June 2009	-	(337)

Interim dividend declared on:

- 4 March 2011 in respect of the period ended 31 December 2010	(600)	-
- 24 February 2010 in respect of the period ended 31 December 2009	-	(464)

Preference dividend declared on:

- 20 August 2010	(18)	-
- 31 August 2009	-	(21)
- 2 February 2011	(15)	-
- 4 February 2010	-	(17)

Dividends paid**(991)** (839)

Impact of the merger between Momentum and Metropolitan

Prior to the merger between Momentum and Metropolitan effective on 1 December 2010, FirstRand Limited, the holding company of Momentum Group Limited and the subsidiaries of FirstRand were defined as related parties of Momentum. Subsequent to the merger between Momentum and Metropolitan effective on 1 December 2010, MMI Holdings Limited, the holding company of Momentum Group Limited and the subsidiaries of MMI Holdings are defined as related parties of Momentum.

Holding company

The holding company of Momentum Group Limited is MMI Holdings Limited, and the major shareholder in MMI Holdings Limited is Rand Merchant Insurance Holdings Limited (RMIH). The most significant related parties of Momentum Group Limited are the Metropolitan Group of companies, RMB Asset Management (Pty) Limited, Momentum International MultiManagers (Pty) Limited, Momentum Administration Services (Pty) Limited, Momentum Property Investments (Pty) Limited, AdviceAtWork (Pty) Limited, Momentum Ability Limited, Momentum Medical Schemes Administrators (Pty) Limited, Advantage Asset Managers (Pty) Limited, RMB Asset Management International, Momentum Short-term Insurance Limited, Momentum Life Assurance Namibia (Pty) Limited and RMB International Investment Services. Subsidiaries and associated companies of these companies are also related parties.

Assets under management

RMB Asset Management (Pty) Limited, a subsidiary of Momentum Group Limited, has been mandated to manage assets on behalf of certain related parties of the group. The total assets under management on behalf of related parties amounted to R72,921 million at 30 June 2011 (2010: R71 097 million). Advantage Asset Managers (Pty) Limited, a subsidiary of Momentum Group Limited, managed assets on behalf of related parties amounting to R25,685 million as at 30 June 2011 (2010: R18 755 million).

Fair value hedge with FirstRand Bank

As disclosed in notes 13 and 29 in these financial statements, Momentum entered into a swap agreement with FirstRand Bank whereby Momentum earns fixed interest and pay variable interest. Momentum therefore effectively converted the fixed interest nature of the unsecured call notes issued into a floating interest nature in order to match the variable nature of the investment income earned on the shareholders' portfolio.

Carry with FirstRand Bank

Momentum Group has a carry position with FirstRand Bank amounting to R5 574 million (2010: R5 503 million). This transaction represents a sale and repurchase of assets in Momentum Group's annuity portfolio.

Dividends paid to FirstRand Limited

During the financial year, Momentum declared and paid a total amount of R358 million in ordinary dividends (R1.56 per ordinary share) and R33 million in preference dividends (R630 per preference share), to FirstRand Limited, its holding company at dividend declaration date, compared to R801 million in ordinary dividends (R3.56 per ordinary share) and R38 million in preference dividends (R760 per preference share) in the previous financial year.

Dividends paid to MMI Holdings Limited

During the financial year, Momentum also declared and paid a total amount of R600 million in ordinary dividends (R2.67 per ordinary share) to MMI Holdings Limited, its holding company.

Momentum declared a final ordinary dividend of R1,050 million (R4.67 per ordinary share) for the year ended 30 June 2011 (2010: R345 million or R1.53 per ordinary share), and a preference dividend of R15 million (R305 per preference share) for the year ended 30 June 2011 (2010: R18 million or R355 per preference share), which was not provided for in the financial statements. The dividends indicated as comparatives for 2010 were paid to FirstRand Limited.

Momentum Ability Limited and the FNB Cell

Momentum Ability Limited underwrites insurance business primarily as a cell captive and alternative risk transfer insurer. Momentum Ability Limited is responsible for the administration of the FNB cells and receives a fee from each cell. Some of the cells also have a reinsurance agreement with Momentum Group Limited. The total amount of transactions between Momentum Ability Limited and the FNB Cells amounted to R37 million in 2010.

During the 2011 financial year Momentum entered into a reinsurance arrangement with Momentum Ability in respect of the FNB Life business. Reinsurance premiums paid to Momentum Ability amounted to R657 million and reinsurance recoveries amounted to R119 million for the year ended 30 June 2011.

Outsource agreement with Momentum Life Assurance Namibia (Pty) Ltd

Momentum Group has entered into an outsource agreement with Momentum Life Assurance Namibia (Pty) Ltd whereby Momentum Group administers some of their policies and receive a fee per policy. Momentum Group received R3 million of fees during the 2011 year (2010: R3 million).

Bancassurance relationship between FNB Life, a division of Momentum and FNB Bank

A bancassurance relationship exists between FNB Life and FNB Bank where the bank is the distribution channel and FNB Life is the underwriter. FNB Bank is paid commission for every sale made through the branch in respect of the Funeral and Law On Call products. Commission of R16 million was paid to FNB Bank during 2010.

Reinsurance agreement between FNB Life and Momentum Life Assurance Namibia (Pty) Limited

FNB Life acts as a re-insurer for certain insurance books that Momentum Life Assurance Namibia (Pty) Ltd administers and sell in Namibia via various distribution channels. FNB Life made a R1 million profit on the reinsurance agreement for the 9 months ended 1 April 2011 when the reinsurance agreement was terminated compared to a R3 million loss for the prior year ended 30 June 2010.

43 Related parties (continued)

Other transactions with FirstRand Bank

Momentum invests in interest bearing instruments as part of the normal course of business in order to match policyholder liabilities with assets that provide the appropriate returns required. As the FirstRand Banking Group is one of the four largest banks in South Africa, a proportion of these assets are held with the FirstRand Banking Group. FirstRand Bank Holdings Limited is a 100% owned subsidiary of FirstRand Limited, and is therefore a related party of the Momentum Group (until the merger with Metropolitan on 1 December 2010).

Listed below is a summary of the assets and liabilities on Momentum's statement of financial position with the FirstRand Banking Group:

Assets	2011	2010
<i>Intergroup assets</i>		
Balance at the beginning of the year	8,538	11,844
Net movement for the year	-	(3,306)
Impact of merger	(8,538)	-
	-	8,538
<i>Intergroup liabilities</i>		
Balance at the beginning of the year	7,298	3,430
Net movement for the year	-	3,868
Impact of merger	(7,298)	-
	-	7,298

Loans between Momentum and MMI Holdings Limited

Momentum had an intercompany loan balance of R2.5 million as at 30 June 2011 (2010: Rnil), owing by MMI Holdings Limited to Momentum.

Key management information

For the period 1 July 2010 to 30 November 2010, key management personnel have been defined as follows:

All directors and executive committee members of FirstRand Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

All directors and executive committee members of Momentum Group Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

Directors of FirstRand Limited

LL Dippenaar
VW Bartlett
JP Burger
JJH Bester
L Crouse
PM Goss
NN Gwagwa
PK Harris
WR Jardine
EG Matenge-Sebesho

AP Nkuna
SE Nxasana
AT Nzimande
D Premnarayan
KB Schoeman
RK Store
BJ van der Ross
JH van Greuning
MH Visser

Executive committee of FirstRand Limited

S Balsdon
JP Burger
DN Carstens
AJ du Toit
AW Hedding
M Jordaan
E Maepa
S Moss

Y Narsai
SE Nxasana
A Pullinger
B Riley
W Ross
DA Scott
G Swats

Directors of Momentum Group Limited

LL Dippenaar
DJ Botes
JP Burger
RB Gouws
PK Harris
RJ Hutchison
JD Krige
NAS Kruger
NB Langa-Royds

HM Madima
SE Nxasana
P Nzimande
JJ Sieberhagen
S Sithole
FJC Truter
BJ van der Ross
T van Wyk

Executive committee of Momentum Group Limited

NAS Kruger
DJ Botes
NJ Dunkley
J le Roux
H du Preez
D Moyane

M Mthombeni
AP Naidu
JP Burger
D Gouws
D Cooper
JC Kruger

For the period 1 December 2010 to 30 June 2011, key management personnel have been defined as follows:

All directors and executive committee members of MMI Holdings Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

All directors and executive committee members of Momentum Group Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

Directors of both MMI Holdings Limited and Momentum Group Limited

LL Dippenaar (Chairman)
MJN Njeke (Deputy chairman)
NAS Kruger (CEO)
FW van Zyl (Deputy CEO)
JP Burger
RB Gouws
PK Harris
F Jakoet
SC Jurisich
KL Matseke
PJ Moleketi

M Mthombeni
SA Muller
JE Newbury
SE Nxasana
KC Shubane
PE Speckmann
FJC Truter
BJ van der Ross
JC van Reenen
M Vilikazi

Executive committee of both MMI Holdings Limited and Momentum Group Limited

NAS Kruger (CEO)
FW van Zyl (Deputy CEO)
DJ Botes
M Cookson
E de Waal
NJ Dunkley

B Khan
J le Roux
P Matlakala
D Moyane
M Mthombeni
PE Speckmann

Directors emoluments

Directors emoluments for the directors paid by Momentum Group Limited for the period 1 July 2010 to 30 June 2011:

	2011					Total
	Services as directors of Momentum Group subsidiaries	Salaries and performance payments	Company contributions to pension and medical aid funds	Retirement and/or loss of office	Share based payment	
Executive directors	-	13	1	-	7	21
Non executive directors	3	-	-	-	-	3
Total	3	13	1	-	7	24

	2010					Total
	Services as directors of Momentum Group subsidiaries	Salaries and performance payments	Company contributions to pension and medical aid funds	Retirement and/or loss of office	Share based payment	
Executive directors	-	10	1	-	6	17
Non executive directors	5	-	-	-	1	6
Total	5	10	1	-	7	23

All the directors have a notice period of 1 to 3 months, or with the permission of the other directors a shorter period, after he has given notice in writing of his intention to resign. Directors have to retire from their positions at the age of 70 years.

Other information in respect of key management personnel

The aggregate compensation of the Momentum Group Limited directors and executive committee members paid by the company or on behalf of the company is set out below:

	2011 R'000	2010 R'000
Salaries and performance payments	25,638	25,643
Company contributions to pension and medical aid funds	2,111	2,133
Directors' fees, salaries, performance payments and contributions	-	15,070
Share-based payments	6,615	7,876
Total compensation	34,364	50,722

Aggregate details of insurance and investment transactions between Momentum Group Limited, any of its subsidiaries, associates or joint ventures, and key management personnel, their families (as defined in IAS24) and entities significantly influenced or controlled by key management personnel:

The 2011 figures are for split the period 1 July 2010 to 30 November 2010 and 1 December 2010 to 30 June 2011 (pre- and post merger):

	Fund value	Aggregate life and disability cover		Deposits/premiums		Withdrawals/claims		
		2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000	
Insurance (1 July 2009 to 30 June 2010)			N/A		89,322		1,086	
Insurance (1 July 2010 to 30 November 2010)	N/A		83,008		1,321		-	
Insurance (1 December 2010 to 30 June 2011)	N/A		77,548		387		-	
Investment (1 July 2009 to 30 June 2010)		606,039			N/A		72,013	34,076
Investment (1 July 2010 to 30 November 2010)		747,975			N/A		161,699	19,762
Investment (1 December 2010 to 30 June 2011)		763,375			N/A		162,730	147,331

In aggregate, Momentum Group Limited and its subsidiaries earned fees and charges totalling R29 million (2010: R6 million) on the insurance and investment products set out above.

44 Current / non current split of amounts recognised on the statement of financial position

R million	2011		
	Carrying amount	Current	Non current
ASSETS			
Cash and cash equivalents	10,290	10,290	-
Derivative financial instruments	1,542	(782)	2,324
Loans and receivables (including insurance receivables)	4,551	4,551	-
Investment securities	142,146	100,639	41,507
Investments in associates			
- designated fair value through profit or loss	3,659	-	3,659
- at cost	239	-	239
Investments in subsidiaries	26,946	-	26,946
Property and equipment	58	-	58
Owner occupied properties	623	-	623
Intangible assets	2,598	-	2,598
Investment properties	379	-	379
Policy loans	652	130	522
Reinsurance assets	734	447	287
Tax asset	125	125	-
Employee benefits asset	166	-	166
Total assets	194,708	115,400	79,308
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable (including insurance payables)	9,196	8,464	732
Derivative financial instruments	638	(514)	1,152
Provisions	68	68	-
Tax liability	-	-	-
Employee benefits liabilities	351	32	319
Deferred taxation liability	872	(8)	880
Other financial liabilities	7,898	5,751	2,147
Policyholder liabilities under insurance contracts	42,428	7,332	35,096
Policyholder liabilities under investment contracts with DPF	12,156	6,064	6,092
Policyholder liabilities investment contracts without DPF	110,769	106,503	4,266
Deferred revenue liability	201	1	200
Total liabilities	184,577	133,693	50,884
EQUITY			
Share capital and share premium	1,541	-	1,541
Non-distributable reserves	1,145	-	1,145
Distributable reserves	7,445	-	7,445
Total equity	10,131	-	10,131
Total liabilities and equity	194,708	133,693	61,015

Momentum has identified seven reportable segments within the business, these include Momentum Retail, Metropolitan Retail, Momentum Employee Benefits, Metropolitan International, Momentum Investments, Metropolitan Health and Shareholder capital. A description of the types of products and services provided by these segments is provided below.

Momentum Retail

The activities of this segment are to perform all of the distribution and administration activities for the existing policy book and new individual life policies in the upper income client segment. In addition to these services this segment provides the broker distribution and agency sales channels for all of the other segments. The main subsidiaries included under this segment are Momentum Administration Services, RMB Investment Services, Momentum International Insurance PCC and Momentum Interactive.

Metropolitan Retail

The activities of this segment are to perform all of the administration activities for the existing policy book and new individual life policies in the lower and middle income client segments. It also includes administration of credit life, funeral, personal accident and law-on-call products.

Momentum Employee Benefits

This segment performs all of the activities in relation to employee benefits business. The primary focus of this segment is to provide products and services that have a focus on groups of employees. The results of Momentum Ability and AdvicaAtWork are included in this segment.

Metropolitan International

All Momentum's initiatives in the rest of Africa are included in this segment, and includes Momentum Africa, Momentum Life Assurance Namibia and Momentum Life Botswana.

Momentum Investments

This segment comprises all the businesses that provide asset management services for fees. Subsidiaries which are included in this segment include RMB Asset Management, RMB Unit Trusts, RMB Asset Management International, FirstRand Alternative Investment Management and Advantage Asset Management.

Metropolitan Health

Metropolitan Health performs the administration for the healthcare business. Included in this segment is Momentum Medical Scheme Administrators and Momentum Healthcare Distributors.

Shareholder capital

This segment responsible for the management of Momentum's capital and includes Group Finance and Balance Sheet Management.

In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. Momentum has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

IFRS 8 describes the chief operating decision maker as the function in the organisation whose responsibility it is to allocate resources to and assess the performance of the operating segments of an entity. The standard specifically states that the chief executive officer is often the chief operating decision maker of a group. Based on the description of a chief operating decision maker provided by IFRS 8 and the reporting lines within Momentum, Momentum has selected as its chief operating decision maker, the chief executive officer, Nicolaas Kruger.

45 Segmental reporting (continued)

30 June 2011	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Total Rm	Adjustments Rm	IFRS total Rm
Revenue										
Net insurance premiums	15,696	283	5,215	318	8,846	-	36	30,394	(21,876)	8,516
Recurring premiums	6,441	283	3,311	249	-	-	-	10,284	(3,490)	6,794
Single premiums	9,255	-	1,904	69	8,846	-	36	20,110	(18,386)	1,722
Fee income	1,326	6	533	15	671	483	447	3,481	(1,827)	1,654
External fee income	1,326	6	533	15	671	483	447	3,481	(1,827)	1,654
Inter-segment fee income	-	-	-	-	-	-	-	-	-	-
Expenses										
Net payments to contract holders	14,028	121	5,525	155	8,267	-	214	28,310	(18,356)	9,954
Other expenses	3,312	177	609	219	646	511	260	5,734	(1,322)	4,412
Sales remuneration	1,708	53	128	45	-	-	-	1,930	124	2,054
Administration expenses	1,608	124	483	174	646	511	209	3,753	(1,446)	2,307
Holding company expenses	-	-	-	-	-	-	51	51	-	51
Inter-segment expenses	-	-	-	-	-	-	-	-	-	-
Income tax	522	(7)	72	-	74	-	75	736	(69)	667
Core headline earnings	708	21	33	(32)	78	-	690	1,496	-	1,498
Operating profit	1,010	28	52	(34)	100	1	399	1,526	-	1,526
Tax on operating profit	(302)	(7)	(19)	2	(22)	(1)	57	(292)	-	(292)
Investment income	-	-	-	-	-	-	315	315	-	315
Tax on investment income	-	-	-	-	-	-	(51)	(51)	-	(51)

The adjustments relate to investment without DPF inflows and outflows included in the segmental split, as well as all the flows, fees, expenses and tax of subsidiary companies included in the segmental split.

Reconciliation of core headline earnings to earnings attributable to ordinary shareholders:

Core headline earnings as stated above	1,498
Basis changes and investment variances	51
Merger expenses	(29)
Amortisation of intangible assets as a result of business combinations	(54)
FNB Life (90%)	174
Fair value (losses) / gains on excess	(45)
Group headline earnings	1,593
Impairment of goodwill	(29)
Impairment of intangibles	(1)
Profit on sale of MAP	24
Group earnings attributable to ordinary shareholders	1,583
Subsidiary earnings	(213)
Dividends received	314
Consolidation adjustments	(20)
Amortisation at group level	20
Deferred tax on amortisation at group level	(6)
Company earnings attributable to ordinary shareholders	1,688

45 Segmental reporting (continued)

30 June 2010	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Total Rm	Adjustments Rm	IFRS total Rm
Revenue										
Net insurance premiums	15,583	205	5,200	276	10,032	-	-	31,296	(22,172)	9,124
Recurring premiums	6,137	205	3,042	235	-	-	-	9,619	(2,923)	6,696
Single premiums	9,446	-	2,158	41	10,032	-	-	21,677	(19,249)	2,428
Fee income	1,041	4	587	9	1,060	512	172	3,385	(1,884)	1,501
External fee income	1,041	4	587	9	1,060	512	172	3,385	(1,884)	1,501
Inter-segment fee income	-	-	-	-	-	-	-	-	-	-
Expenses										
Net payments to contract holders	13,612	83	3,659	104	19,842	-	1,410	38,710	(29,477)	9,233
Other expenses	2,745	134	646	167	749	548	266	5,255	(1,604)	3,651
Sales remuneration	1,377	11	103	31	-	-	-	1,522	34	1,556
Administration expenses	1,368	123	543	136	749	548	266	3,733	(1,638)	2,095
Holding company expenses	-	-	-	-	-	-	-	-	-	-
Inter-segment expenses	-	-	-	-	-	-	-	-	-	-
Income tax	445	14	24	(1)	30	(2)	174	684	26	710
Core headline earnings										
Operating profit	567	12	45	(6)	111	(17)	564	1,276	-	1,276
Tax on operating profit	765	16	68	(8)	166	(15)	424	1,414	-	1,414
Tax on investment profit	(198)	(4)	(21)	2	(55)	(2)	(104)	(382)	-	(382)
Investment income	-	-	-	-	-	-	265	265	-	265
Tax on investment income	-	-	-	-	-	-	(21)	(21)	-	(21)

The adjustments relate to investment without DPF inflows and outflows included in the segmental split, as well as all the flows, fees, expenses and tax of subsidiary companies included in the segmental split.

Reconciliation of core headline earnings to earnings attributable to ordinary shareholders:

Core headline earnings as stated above	1,276
Basis changes and investment variances	61
Amortisation of intangible assets as a result of business combinations	(55)
FNB Life (80%)	418
Fair value (losses) / gains on excess	25
Group headline earnings	1,723
Impairment of goodwill	(71)
Impairment of intangibles	(12)
Group earnings attributable to ordinary shareholders	1,640
Subsidiary earnings	(185)
Dividends received	194
Consolidation adjustments	(2)
Amortisation at group level	20
Deferred tax on amortisation at group level	(6)
Company earnings attributable to ordinary shareholders	1,661