momentum METROPOLITAN

MOMENTUM METROPOLITAN LIFE LTD GROUP ANNUAL FINANCIAL STATEMENTS

Audited results for the year ended
30 June 2021

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MOMENTUM METROPOLITAN LIFE LTD
GROUP ANNUAL FINANCIAL STATEMENTS 2021

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200 SHAREHOLDER DIARY AND ADMINISTRATION

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

Responsibility for financial statements

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

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

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

The Board is satisfied that the Group is a going concern and remains so for the foreseeable future, based on cash forecasts, liquidity, solvency and capital assessments. In light of the Covid-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it, the Board has paid particular attention to the estimates, judgements and assumptions used in the preparation of these financial statements. Refer to the Critical estimates and judgements note on page 26 for more details.

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

Approval of annual financial statements

The annual financial statements, presented on pages 9 to 199, were approved by the Board of directors on 6 September 2021 and are signed on its behalf by:

Sello Moloko
Group Chairman

Centurion, 6 September 2021

Hillie Meyer
Group Chief Executive Officer

Centurion, 6 September 2021

CEO AND FINANCIAL DIRECTOR CONFIRMATION OF FINANCIAL CONTROLS

The directors hereby confirm that:

a) the annual financial statements set out on pages 9 to 199, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Hillie Meyer
Group Chief Executive Officer

Centurion, 6 September 2021

Risto Ketola
Group Finance Director

Centurion, 6 September 2021

CERTIFICATE BY THE GROUP COMPANY SECRETARY

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

Gcobisa Tyusha
Group Company Secretary

Centurion, 6 September 2021

TO THE SHAREHOLDERS OF MOMENTUM METROPOLITAN LIFE LTD

Report on the audit of the consolidated and separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Momentum Metropolitan Life Ltd and its subsidiaries ('the group') and company set out on pages 20 to 194, which comprise of the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

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

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

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of life insurance contract liabilities *This key audit matter applies to the audit of the group consolidated and company separate financial statements.*	
We considered the valuation of insurance contract liabilities to be a significant risk for the Group. Specifically, we considered the actuarial assumptions and models applied, as these involve complex and significant judgements about future events, both internal and external to the business for which small changes can result in a material impact to the resultant valuation. Additionally, the valuation process is conditional upon the accuracy and completeness of the data. The disclosures around the key assumptions and methodologies applied in valuing the insurance contract liabilities are included in note 11; the valuation and movements in the liability are disclosed in note 9.1.1. We have split the risks relating to the valuation of insurance contract liabilities into the following components: • actuarial assumptions; • actuarial modelling; and • data.	The specific audit procedures performed to address the various aspects of significant risk are set out in the sections below. In addition to the procedures below, we also evaluated management's analysis of movements in insurance contract liabilities and corroborated large or unexpected movements.
1.1 Actuarial assumptions Key actuarial assumptions in the valuation of the insurance contract liabilities include both economic and non-economic assumptions as described below. • Economic assumptions are set by management taking into account market conditions as at the valuation date. The economic assumptions applied in determining the valuation rate of interest used to discount insurance contract liabilities is a key assumption within the valuation of insurance contract liabilities. • Non-economic assumptions such as future expenses, mortality, morbidity and persistency are set based on the Group's past experience, market experience, market practice, regulations and expectations about future trends, with specific focus on persistency, mortality and morbidity that we consider to have the most significant impact. These actuarial assumptions require significant focus annually with the use of internal actuarial specialists to assess the reasonability of assumptions set by management using expert judgement. In addition, the Covid-19 pandemic is an event which is unprecedented, rapidly evolving and has highly uncertain outcomes. In the absence of credible experience data, management has continued to set aside an explicit provision in addition to the base actuarial assumptions and liability to allow for this additional uncertainty – with a particular focus on mortality based on the latest available information (including in the post balance period) regarding excess deaths which was not available in the prior period. This therefore required specific additional audit effort.	Our audit included the following procedures with the assistance of our internal actuarial specialists: • We assessed the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions – performing additional substantive testing where necessary (for example, in respect of data inputs to the experience analysis); • We assessed the appropriateness of the methodology and assumptions applied based on our knowledge of the Group, industry standards and regulatory and financial reporting requirements; • We reviewed the results of management's experience analysis (where available), including base mortality, morbidity and persistency, to assess whether this analysis supports the adopted assumptions; • We evaluated the information applied by management in determining key economic assumptions such as the valuation rate of interest, to assess whether these were reflective of the assets backing insurance contract liabilities; • We evaluated and performed procedures over management's modelling of investment guarantee reserves; • We assessed the expense assumptions adopted by management with reference to the Group's underlying expense base and the relevant functional cost analysis; • We evaluated the use of the chosen longevity improvement model and the parameters used to ensure that it was appropriate relative to the industry; • We agreed the assumptions used in the year end valuation to the approved basis; and • We considered the expert judgement applied by management in determining the Covid-19 explicit provision based on currently available information and the treatments applied by other market participants.

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

Key Audit Matter continued

How the matter was addressed in the audit continued

2. Valuation of complex and illiquid assets

This key audit matter applies to the audit of the group consolidated and company separate financial statements.

The extent of judgement applied by management in valuing the Group's financial investments varies with the nature of securities held, the markets in which they are traded, and the valuation methodology applied.

Observable inputs are not readily available for some of the Group's invested assets and a mark-to-model valuation is applied as a result.

The Level 3 assets amount to: owner-occupied properties of R1 690 million for group and R793 million for company as disclosed in note 3; investment properties of R8 885 million for group and R5 656 million for company as disclosed in note 4; and financial assets of R4 233 million for group and R4 289 million for company as disclosed in note 6.

Judgement is required to be applied by management in the current period due to uncertainty arising as a result of Covid-19 due to less liquidity and volatility in financial markets continuing in the current year. Determining an appropriate valuation in these circumstances requires expert judgement to be applied and therefore requires focus by the audit team, supported by our valuation specialists.

We consider the valuation of the diverse portfolio of Level 3 assets to be a key auditing matter given:

i) that the assumptions determined by management are largely based on non-observable inputs, are highly judgemental and consider a diverse range of sector information, which required the involvement of our internal valuation experts; and
ii) the extent of effort required assessing the completeness and accuracy of data utilised in the valuation models due to the diverse and large portfolio.

Our audit included the following procedures with the assistance of our internal valuation specialists:

- We obtained an understanding of management's process for determining fair value on Level 3 assets and we evaluated the design effectiveness of key controls (including IT general controls) relevant to the valuation of Level 3 assets;
- We assessed the appropriateness of the valuation methodologies applied by management with reference to relevant accounting standards and industry guidance;
- We tested the completeness and accuracy of data inputs used in the valuation model by agreeing them on a sample basis to source (including the underlying contracts) or comparing them to available market benchmarks;
- We evaluated the key assumptions applied in determining fair value by making a comparison to our own understanding of the market, comparable evidence relied upon by management and to industry benchmarks;
- We involved our internal valuation specialist to perform independent valuations on a sample basis and we compare the output to the modelled valuations produced by management or third parties, as applicable;
- We considered the completeness and accuracy of valuation adjustments applied by management to exposures of leveraged entities that may be adversely affected by the Covid-19 pandemic in terms of their ability to service interest and capital; and
- With the assistance of our internal valuation specialists, we corroborated key inputs to models and validated significant assumptions on a sample basis with reference to relevant industry market valuation considerations, with a particular focus on discount rates and credit risk.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 200-page document titled "Momentum Metropolitan Life Ltd Annual Financial Statements" for the year ended 30 June 2021, which includes the Directors' Report, the Audit Committee Report and the Certificate by the Company Secretary as required by the Companies Act of South Africa, and the following:

- Directors' responsibility and approval
- Annexure A
- Shareholder diary and administration
- Momentum Metropolitan Holdings Ltd Integrated Report 2021
- King IV application summary
- Statement of actuarial values of assets and liabilities

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst and Young Inc has been the auditor of Momentum Metropolitan Life Ltd for 2 years.

Ernst & Young Inc.

Director: JC de Villiers CA(SA)
Registered Auditor

102 Rivonia Road
Sandton

8 September 2021

The Board is pleased to present the audited financial statements of Momentum Metropolitan Life Ltd (MML or the Company) and its subsidiaries (collectively Momentum Metropolitan Life Group or the Group) for the year ended 30 June 2021. The Board is of the opinion that the Group is in compliance with the South African Companies Act, 71 of 2008 (the Companies Act) as well as the Company's Memorandum of Incorporation.

Nature of activities

Momentum Metropolitan Life Ltd is a South African based financial services company that offers a comprehensive range of products and administration services, including life insurance, employee benefits and health insurance products.

Corporate events

Acquisitions

On 20 November 2020, the Group established Amandla Renewable Energy Fund (Pty) Ltd (the Fund) with TBI Investment Managers to facilitate investments in the renewable energy sector. The Group has a 50% shareholding of the ordinary shares within the Fund. It was determined that the Group exercises control over the Fund and the associated special purpose vehicle, Amandla Ilanga (RF) (Pty) Ltd.

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

Disposals

On 1 January 2021, MML transferred the ownership of the dormant Momentum Structured Insurance Ltd to Guardrisk Group (Pty) Ltd for R16 million.

On 31 March 2021, MML sold 100% of Momentum Short-Term Insurance and MMI Short Term Insurance Administration (Pty) Ltd to Momentum Metropolitan Strategic Investments (Pty) Ltd, by means of a loan. The purchase price for the Sale Shares and Sale Claims is an amount equivalent to the NAV of the Company as at the effective date.

On 30 June 2021, a subsidiary of MML, South African Student Accommodation Impact Fund (Pty) Ltd (previously Momentum Student Accommodation Impact Fund), issued additional shares which resulted in MML owning 30% of the share capital and subsequently losing control of the company. At 30 June 2021, the investment is recognised as an investment in associate. A loss of R4 million was recognised as loss of control of subsidiary.

Listed debt

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

Presentation of financial statements

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

- IFRS;
- Interpretations by the IFRS Interpretations Committee (IFRIC) issued and effective at the time of preparing these statements;
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides (as issued by the Accounting Practices Committee);
- Financial Pronouncements (as issued by the Financial Reporting Standards Council);
- the JSE Debt Listings Requirements; and
- South African Companies Act, 71 of 2008, as amended.

The accounting policies of the Group have been applied consistently to all years presented. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the Group's accounting policies. Such judgement, assumptions and estimates are disclosed in the Critical judgements and accounting estimates note on page 26 of the AFS, including changes in estimates that are an integral part of the insurance business.

Solvency assessment and going concern

The Covid-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it, has created uncertainty in the operating environment of the Group. The Board and its committees received regular reports on the operational, financial, solvency and liquidity related impacts on the Group. An in-depth analysis of these impacts were presented to and discussed by the Board. The Board was presented with an action plan and proposed allowance for the Covid-19 pandemic in the F2021 valuation basis. The Board, through its committees is satisfied of the Group's solvency and its ability to continue as a going concern. Refer to the Critical judgements and accounting estimates note on page 26 for more details.

Corporate governance

MML is a wholly-owned subsidiary of Momentum Metropolitan Holdings Limited (MMH) and is included in MMH's application of the King Code. The Board has satisfied itself that MMH and its subsidiaries has applied the principles of corporate governance as detailed in the King Report on Corporate Governance™ for South Africa, 2016 (King IV™)* throughout the year under review. Refer to the MMH Integrated Report and the King IV™ Application Summary available on MMH's website (https://www.momentummetropolitan.co.za/en/about/governance) for details of the governance framework and assessment of its application throughout the year.

* Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

Board evaluation

The Board has executed its responsibilities under the evaluation policy.

Contingent liabilities and capital commitments

The Group is party to legal proceedings and appropriate provisions are made when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The Group is not aware of capital commitments at 30 June 2021 that were not in the ordinary course of business other than what is disclosed in note 33.

Results of operations

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

Losses attributable to equity holders for the year under review were R209 million (2020: earnings of R461 million). Loss per share for the year were 110 cents per share (2020: earnings of 243 cents per share). Normalised headline earnings were R10 million (2020: earnings of R680 million) and normalised headline earnings per share 5 cents (2020: 358 cents earnings). Refer to note 1 for a reconciliation of earnings to normalised headline earnings.

Normalised headline earnings are reported by segment and disclosed in the segmental report. For the current year and prior year it is as follows:

	2021	2020
Analysis of normalised headline earnings	**Rm**	**Rm**
Momentum Life	**(852)**	585
Momentum Investments	**1 025**	332
Metropolitan Life	**433**	393
Momentum Corporate	**(547)**	188
Momentum Metropolitan Health[1]	**78**	30
Non-life Insurance	**(1)**	(17)
Momentum Metropolitan Africa	**(1)**	(4)
New Initiatives	**(98)**	(85)
Shareholders	**(27)**	(742)
Total	**10**	680

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

Subsidiaries and associates

Details of significant subsidiary companies are contained in note 43. Details of associates are contained in note 44.

Share capital

Share issue and repurchase

There were no changes in the authorised or issued share capital of Momentum Metropolitan Life Ltd during the financial year.

Share options

The Group has not issued any options on MML shares. The Group awards units to employees as part of cash-settled share-based schemes. Refer to note 15.1.2 for more details.

The iSabelo Trust (the Trust) has been set up to hold and administer 3% of total issued MMH shares until such time as the shares are allocated to employees. At commencement of the programme, units in the Trust were allocated to all current South African employees. Units will also be allocated on a semi-annual basis to new South African employees who joined after the commencement date. Vesting will occur as follows: 10% to vest in year one and 15% thereafter for years two to seven. The shares will be allocated to employees at the end of the 10th anniversary of their initial allocation. Refer to note 17.7 for more details.

MML preference shares

In 2019, MML had 50 000 non-redeemable, non-cumulative preference shares in issue. These shares were held by MMH. In the prior year, MML repurchased these shares. Refer to note 18 for more details.

Shareholder dividend

Ordinary share dividend

The following dividends were declared during the current year:

	2021 cents per share	2020 cents per share
Interim – March	**139**	374
Dividend *in specie*	**404**	325
	543	699

Shareholders

Momentum Metropolitan Life Ltd Group is a wholly owned subsidiary of Momentum Metropolitan Holdings Ltd.

Directorate, secretary and auditor

The Company had the following directors as at 30 June 2021:

MS Moloko (chairman with effect from 27 November 2020)	Independent non-executive
HP Meyer (chief executive officer)	Executive
JC Cilliers (Marais) (deputy chief executive officer)	Executive
RS Ketola	Executive
L de Beer	Independent non-executive
FJC Truter#	Independent non-executive
SC Jurisich	Independent non-executive
F Daniels (Jakoet)#	Independent non-executive
NJ Dunkley	Independent non-executive
T Gobalsamy	Independent non-executive
LM Chiume	Non-independent non-executive
V Nkonyeni	Independent non-executive
S Mc Pherson	Independent non-executive
PJ Makosholo	Non-independent non-executive
D Park	Independent non-executive
P Cooper	Independent non-executive

Ms Daniels and Mr Truter will formally retire from the board at the MMH annual general meeting on 25 November 2021. Ms Daniels will also retire as member of the MMH Audit as well as the Risk, Capital and Compliance ("RCC") committees on that date and Mr Truter will also retire as the Chair of the MMH RCC and as a member of the MMH Audit, Nominations and Remuneration committees on that date.

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

	Appointments	Resignations
P Cooper	1 July 2020	
V Nkonyeni	1 July 2020	
PJ Makosholo	1 July 2020	
MJN Njeke *(retired)*		26 November 2020
NJ Dunkley*	1 June 2021	
T Gobalsamy*	1 June 2021	

* Mr Dunkley and Mr Gobalsamy were appointed as members of the Board and as members of the Audit Committee as a result of the planned rotation of board members, and to ensure the appropriate skills set of the Board's and Group's Audit Committee is maintained.

Ms Jeanette Cilliers (Marais) has been appointed as a member of the group's RCC Committee, effective 1 September 2021; Mr Seelan Gobalsamy has been appointed as a member of the group's Nominations Committee, effective 1 October 2021; Mr Nigel Dunkley has been appointed as a member of the group's Remuneration and RCC committees, effective 1 October 2021; and Mr David Park will become the Chair of the group's RCC Committee on 25 November 2021.

Detailed information regarding the directors and Group Company Secretary is provided in the Integrated Report of Momentum Metropolitan Holdings Ltd which is available in print and online in PDF format at https://www.momentummetropolitan.co.za/en/investor-relations/financial-results.

Ernst & Young Inc. will continue in office as auditor in accordance with section 90(6) of the South African Companies Act, 71 of 2008, as amended.

Directors' shareholding

The aggregate direct and indirect holdings in MMH of the directors of the Company at 30 June 2021 are set out below:

	Direct Beneficial '000	Indirect Beneficial '000	Total 2021 '000	Total 2020 '000
Listed				
Executive directors	437	390	827	827
Non-executive directors	409	583	992	477
	846	973	1 819	1 304

No changes occurred between the reporting date and the date of approval of the financial statements.

Directors' remuneration

The executive directors have standard employment contracts with the Company or its subsidiaries with a minimum of a one month notice period. The aggregate remuneration of the MML directors for the period ended 30 June 2021 is set out below.

	Fees R'000	Expense allowance R'000	Salary R'000	Short-term incentive payments[1] R'000	Retirement fund R'000	Medical aid R'000	Long-term incentive payment R'000	Total 2021 R'000	Total 2020 R'000
Executive	–	3	15 785	5 000	454	185	5 282	26 709	25 181
Non-executive	17 091	–	–	–	–	–	–	17 091	13 948
Total	17 091	3	15 785	5 000	454	185	5 282	43 800	39 129

[1] Bonus payments relate to the 2020 financial year's bonus.

Debt officer

The board has, with effect from 1 November 2020, appointed Mr C Rothman as the debt officer pursuant to paragraph 7.3(g) of the JSE Debt Listings Requirements. The board has considered and is satisfied with the competence, qualifications and experience of the appointed debt officer.

Special resolutions

MML annual general meeting – 26 November 2020

At the annual general meeting of shareholders of the Company held on 26 November 2020 the following special resolutions were approved:

- The fees for the members of the board of directors and other committee members were approved.
- The board of directors was authorised to repurchase shares issued by the Company, subject to the provisions of the Memorandum of Incorporation of the Company, the Companies Act and conditions as may be imposed by any other relevant authority.
- The board of directors was authorised, by way of a general approval, to authorise the Company to provide direct or indirect financial assistance to persons who are related or inter-related to the Company as contemplated in section 45 of the Companies Act, on such terms and conditions and for such amounts as the board may determine. This approval is valid for two years from the date of approval of this resolution.
- The board of directors was authorised to provide direct or indirect financial assistance for subscription or purchase of securities in related or inter-related entities as contemplated in section 44 of the Companies Act. This approval is valid for two years from the date of approval of this resolution, subject to compliance with the requirements of the Memorandum of Incorporation and the Companies Act, on such terms and conditions and for as much as the board may determine.

Borrowing powers

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

Events after the reporting period

The Covid-19 pandemic has brought many challenges to the Group's operating environment. The Group will continue to monitor the progression of the pandemic and its impact on the Group. The Group was also affected by civil unrest in July 2021. Refer to note 35 for more details.

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

This report is provided by the Audit Committee (the Committee) of the Momentum Metropolitan Group (the Holdings Group) which, through the Group governance arrangements, also serves as the Audit Committee for the Momentum Metropolitan Life Group (the Group). This report is in respect of the consolidated annual financial statements of Momentum Metropolitan Life Ltd Group for the financial year ended 30 June 2021.

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

Function of the Committee

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

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

The Committee's terms of reference, which are regularly reviewed and are available on request from the office of the Group Company Secretary, are aligned with the above legislation, regulations and practices.

An overview of the Committee's terms of reference, focus areas for the current year and 2022 objectives are included on page 48 of the Holdings Group's 2021 Integrated Report. This report does not elaborate on the complete list of responsibilities of the Committee, as set out in its terms of reference, but instead, focus on the more pertinent matters and required assessments, sign offs and attestations by the Committee.

Committee composition, attendees and meetings

The Committee comprises of five independent non-executive directors. The Chair of the Board of Momentum Metropolitan Life Ltd is not a member of the Committee.

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

The Committee currently comprise of the following members:

- Linda de Beer (Chair)
- Fatima Daniels
- Frans Truter
- Nigel Dunkley
- Seelan Gobalsamy

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

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

The Committee met on nine occasions during the year, of which four were special meetings. The additional meetings were to consider information for purposes of trading updates, in-depth discussions on Covid-related matters as well as to consider the regulatory landscape and its demands on audit committees. Member attendance is reflected on pages 33 to 35 of the 2021 Integrated Report of Momentum Metropolitan Holdings Ltd, which is available on the Group's website.

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

Key focus areas of the Committee for the year

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

- Continuously assessing the adequacy of Covid related provisioning and valuations as well as the underlying methodology and assumptions applied in doing this.
- Embedding the learnings from the 2020 audit firm rotation to EY and further maturing the engagement between the external auditor, management and the Committee.
- Focus on the reviews and findings by Internal Audit, with particular reference to the various businesses outside South Africa as well as findings and corrective action relating to the ever-increasing regulatory requirements on the Group.

- Ongoing monitoring of the Group's readiness for the implementation of *IFRS 17 Insurance Contracts*.
- Continuous enhancement of combined assurance, including the new requirement in terms of the JSE Listings Requirements in respect of CEO and FD sign off on the controls that underpin the reliability of financial information.

Annual confirmations by the Committee

On an annual basis the Committee assesses the following:

Group financial reporting practice processes and annual financial statements

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

Furthermore, the Committee considers all related guidance and requirements issued by the JSE, including its 2020 Pro-active Monitoring Report and the impact thereof on the Group.

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

Going concern

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

Group finance director and finance function

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

Integrated report

The Committee reviewed the 2021 Integrated Report to satisfy itself as to the integrity thereof, including an appropriate and consistent view of the Holdings Group's position and performance relative to operational and financial information known to the Committee. The Integrated Report was recommended to the board of the Holdings Group for approval.

External audit quality and independence

The Committee assessed and is satisfied with the suitability of EY and the designated auditor, Cornea de Villiers, following inspection of the required reports, in line with the JSE Listings Requirements and Debt Listings Requirements. Furthermore, in accordance with section 94(8) of the Companies Act, the Committee was satisfied with the independence and objectivity of EY in carrying out their duties as external auditors. The Audit Committee has tabled the appointment of EY at the annual general meeting held on 26 November 2020.

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

External audit fees are disclosed on page 109 within note 27 to the AFS. All the non-audit services (disclosed on page 109, note 27 of the AFS) provided by the external auditors were approved by the Committee in accordance with the policy for the provision of non-audit services.

Internal audit

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

Combined assurance and Internal Financial Control assessment

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

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

As Chair of this Committee, I am a member of the Board's Risk, Capital and Compliance Committee and the chair of the Risk, Capital and Compliance Committee is a member of this Committee. The dual membership ensures that the Committee is appropriately made aware of material matters that may impact the Group's financial reporting procedures.

Details of the Group's combined assurance framework and the results of the assurance work in 2021 is provided on page 19 to 20 of the Integrated Report.

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

The Committee's response to key audit matters reported by the external auditor

Key audit matters (KAMs) are matters that, in the external auditor's professional judgement, were of most significance in the audit of the AFS for the current financial year. The Committee considers these matters as follows:

Valuation of insurance contract liabilities

The valuation of insurance liabilities is a critical focus area for the Committee and even more so in light of the impact of the Covid-19 pandemic on some aspects of our business. The Committee reviews the key assumptions used and reasons for basis changes and other adjustments to understand the impact it would have on the calculations. As in the past, the Committee relied on the Board Actuarial Committee to interrogate the consistency and appropriateness of the methodology and calculations applied in determining the appropriate level of provisioning. Feedback from the Chair of the Actuarial Committee was given to the Committee. The Committee paid particular attention to the assumptions and judgements applied to determine the additional provisions against potential adverse claims experience and policyholder behaviour as a result of the Covid-19 pandemic throughout the financial reporting process. Other basis changes were also assessed. The Committee is satisfied that the valuation of insurance contract liabilities were adequately considered. The Committee is also satisfied that the disclosure of these provisions, especially in respect to the 'Covid provisioning' has been done in a comprehensive and transparent manner.

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

Valuation of complex and illiquid financial instruments

Complex and illiquid financial instruments comprise investment in non-listed entities, the Group's property portfolio, investment and credit exposure in respect of lending activities. As these assets are not traded in an open market the determination of fair values require a greater degree of judgment. The Committee has considered the appropriateness and consistency of the methodology applied, as well as the assumptions and judgments made by management in order to determine the fair value of these assets, and where appropriate the expected credit loss provisioning, especially on below investment grade credit exposures.. The Committee gave specific consideration to the judgements applied to take account of the economic impact of the Covid-19 pandemic on the property portfolio and credit exposure in respect of lending activities. To this end the Committee was comfortable with these valuations and that the related judgements in this regard are adequately considered and disclosed.

Planned key focus areas of the Committee for 2022

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

- Ongoing assessment of the impact of Covid-19 on the business in respect of performance and provisioning.
- Ensuring that the Group is ready to comply with IFRS 17.
- Ensuring the Group is ready to implement joint audit requirements, should these become mandatory - which will inadvertently impact the construct of other assurance providers and services for which the Committee is responsible.
- Continued focus on developments in the regulatory environment to ensure controls and processes are in place to ensure compliance.

In conclusion

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

Linda de Beer
Chair: Audit Committee

6 September 2021

Company

Published basis	Notes	2021 Rm	Restated 2020 Rm
Total assets per balance sheet	1	**442 811**	403 548
Total liabilities per balance sheet	2	**431 327**	390 740
Liabilities under insurance contracts		**115 639**	103 499
Liabilities under investment contracts		**287 786**	257 994
Current and other liabilities		**23 473**	24 816
Unsecured subordinated debt	3	**4 429**	4 431
Excess of assets over liabilities		**11 484**	12 808

Statutory basis	Notes	2021 Rm	Restated 2020 Rm
Total assets		**428 465**	386 023
Total liabilities		**399 763**	356 330
Basic own funds		**28 702**	29 693
Own funds eligible to meet SCR	6	**28 031**	29 067
Solvency capital requirement (SCR)		**16 169**	15 737
Excess own funds (SCR)		**11 862**	13 330
SCR cover pre-foreseeable dividend		**1.7 x**	1.9 x
SCR cover post-foreseeable dividend		**1.7 x**	1.9 x

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF MOMENTUM METROPOLITAN LIFE LTD AS AT 30 JUNE 2021

1 Value of assets

The value of the assets on the published reporting basis is determined according to the accounting policies as set out in note 47. Equity investments in subsidiaries are included in the balance sheet at fair value.

2 Value of liabilities

The liability valuation methodology and assumptions under the published reporting basis are set out in the accounting policies and in note 11 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 Analysis of change in excess of assets over liabilities on the published reporting basis

	Notes	2021 Rm	Restated 2020 Rm
Excess of assets over liabilities at end of the year		**11 484**	12 808
Excess of assets over liabilities at beginning of the year		**12 808**	15 311
Change in excess of assets over liabilities over the year		**(1 324)**	(2 503)
Operating profit (excluding basis changes)	4.1	**1 728**	801
Basis changes	4.2	**(2 295)**	(768)
Investment return on excess	4.3	**854**	485
Attributable earnings		**287**	518
Retained earnings adjustments		**–**	(55)
Revaluation of investments in subsidiaries		**(479)**	108
Revaluation of owner occupied buildings to fair value		**46**	25
Adjustments to defined benefit pension funds		**(179)**	162
Income tax relating to items that will not be reclassified		**106**	(7)
Dividends paid		**(1 030)**	(2 942)
Own credit gains on financial liabilities designated at fair value through profit or loss		**(90)**	69
Equity-settled share-based payment arrangements		**15**	–
Repurchase of preference shares		**–**	(381)
Change in excess of assets over liabilities		**(1 324)**	(2 503)

4.1 Operating profit includes expected returns and capital releases on explicit discretionary margins. Momentum Metropolitan Life Ltd holds explicit discretionary margins (in addition to discretionary margins implicit in policy liabilities) that serve as a buffer against the impact of market fluctuations on the assets backing those fixed liabilities that cannot be perfectly matched. Expected investment returns and a portion of the capital amount on these margins have been released to earnings in the 12 months ended 30 June 2021 in conjunction with management's regular review of the adequacy of these margins in line with the accounting policy.

4.2 The basis changes consist of the following items:

	2021 Rm	Restated 2020 Rm
Economic assumptions[1]	**(1)**	(38)
Maintenance expense assumptions[2]	**104**	147
Mortality and morbidity assumptions[3]	**(2 235)**	(598)
Termination assumptions[4]	**(296)**	(256)
Methodology changes and other items[5]	**133**	(23)
Total	**(2 295)**	(768)

1 Economic assumption changes are transferred to the investment stabilisation account in accordance with accounting policies. The balance relates to residual changes that were not absorbed by the investment stabilisation account.

2 Maintenance expense assumptions have been revised based on the budgeted expenses for the year ending 30 June 2022, expected business in-force over the 2022 financial year and inflation expectations.

3 Assumed mortality and morbidity rates were reviewed consistent with recent experience investigations. In addition, provisions were also made for the expected impact of the Covid-19 pandemic which comprise most of the change.

4 Termination assumption changes largely reflect a reduction in later duration assumed termination rates of retail risk business.

5 Various minor modelling and methodology changes were made.

4.3 Investment income of R854 million (2020: R485 million) includes dividends of R151 million (2020: R124 million) received from strategic subsidiaries.

5 Reconciliation between excess of assets over liabilities on the published reporting basis and the statutory basis

	Notes	2021 Rm	Restated 2020 Rm
Excess of assets over liabilities on the published reporting basis		**11 484**	12 808
Remove deferred acquisition costs, goodwill and intangibles	5.1	**(2 214)**	(2 413)
Unsecured subordinated debt	5.2	**4 429**	4 431
Liability valuation differences	5.3	**21 537**	20 933
Increase in net deferred tax liabilities	5.4	**(5 434)**	(5 202)
Participations	5.5	**(1 144)**	(882)
Reinsurance assets	5.6	**(360)**	(389)
Other	5.7	**404**	407
Basic Own Funds		**28 702**	29 693
Restricted own funds	5.8	**(671)**	(626)
Foreseeable dividend	5.9	**–**	–
Own funds eligible to meet SCR		**28 031**	29 067

5.1 Deferred acquisition costs (DAC), goodwill and intangible assets are excluded for statutory purposes in accordance with the prudential standards.

5.2 The subordinated debt issued by the Company is regarded as a liability for IFRS purposes but as Own Funds for statutory purposes.

5.3 The IFRS liabilities are calculated as best estimate cash flows plus planned and discretionary margins, whereas the statutory liabilities are calculated as best estimate cash flows plus risk margin.

5.4 A deferred tax liability is raised on the difference between IFRS liabilities and statutory technical provisions.

5.5 For IFRS purposes, participations are mainly valued using Directors' Valuations. For statutory purposes, the prudential standards require the participation to be valued at net asset value less any goodwill or intangibles. Where the participation is an insurer, it is valued for statutory purposes at the value of Basic Own Funds.

5.6 The IFRS reinsurance asset is removed for statutory purposes and the reinsurance value calculated as part of the technical provisions is included as a reinsurance asset.

5.7 Other includes current assets and other liabilities. Deferred Revenue Liabilities and prospective commission liabilities are removed because they form part of statutory technical provisions.

5.8 Restricted Own Funds are surplus funds held within ring-fenced funds that are not available to cover any risks outside of that fund.

5.9 As per the prudential standards, foreseeable dividends must be excluded from Own Funds.

6 Classification of own funds

	2021 Rm	Restated 2020 Rm
Tier 1	**23 602**	24 636
Tier 2	**4 429**	4 431
Own funds eligible to meet SCR	**28 031**	29 067

7 Loss absorbing capacity of technical provisions (LACOTP)

The standardised formula SCR is calculated using a modular approach, whereby the capital requirement for each risk module is quantified as the effect on the basic own funds of a pre-defined shock scenario. The loss absorbing capacity of technical provisions refers to the ability of an insurer to apply management actions in response to the shock being tested, thereby reducing the impact on basic own funds. Categories of management actions used are briefly discussed below.

Discretionary participation business

Positive Bonus Stabilisation Accounts (BSAs): to the extent to which they are available, they absorb part of the impact of a stress event before any further management actions are considered. This is not considered a management action, but does form part of the LACOTP.

Assumed under-declaration of bonuses on discretionary participation business: it is assumed that future bonus declarations will be less than assumed future investment returns to improve funding levels. The assumed under-declarations are in line with the principles and practices of financial management.

Removal of non-vesting bonuses (including undeclared terminal bonuses): the assumed non-vested bonus removals are in line with the principles and practices of financial management.

Other management actions

Repricing: the contractual ability to re-price certain risk products was used as a management action in demographic and market risk stresses.

Policy fees: In the expense stress event an increase in policy fees is modelled on some products after allowing for an implementation delay of one year.

Discounts: in mortality and morbidity stress scenarios the removal of discounts is assumed on certain risk products.

STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Group			Company			
	2021 Rm	Restated 2020 Rm	Restated 2019 Rm	2021 Rm	Restated 2020 Rm	Restated 2019 Rm	Notes
Assets							
Intangible assets	**2 622**	2 740	2 873	**2 214**	2 413	2 538	2
Owner-occupied properties	**1 792**	2 039	2 017	**995**	1 056	750	3
Property and equipment	**250**	212	168	**216**	183	131	
Investment properties	**8 896**	9 030	9 515	**5 656**	6 797	7 163	4
Interest in subsidiaries	**–**	–	–	**92 040**	76 871	73 128	5
Investments in associates	**18**	–	–	**–**	–	–	
Investment in joint ventures	**5**	–	–	**5**	–	–	
Employee benefit assets	**695**	648	467	**695**	649	466	
Financial assets at fair value through profit and loss (FVPL)	**429 500**	396 244	402 345	**309 871**	288 896	295 200	6
Financial assets at amortised cost	**9 140**	7 951	11 000	**5 500**	6 223	6 774	6
Insurance and other receivables	**3 628**	2 948	2 864	**3 445**	2 786	2 627	6
Reinsurance contract assets	**2 312**	2 157	2 132	**2 312**	2 156	2 131	7
Deferred income tax	**131**	286	313	**–**	–	–	14
Current income tax assets	**341**	–	16	**336**	–	–	
Cash and cash equivalents	**28 323**	22 098	18 056	**18 590**	14 885	12 251	6
Assets relating to disposal groups held for sale	**129**	–	–	**936**	633	622	8
Total assets	**487 782**	446 353	451 766	**442 811**	403 548	403 781	
Equity							
Equity attributable to owners of the parent	**10 726**	12 311	14 317	**11 484**	12 808	14 811	
Share capital	**1 041**	1 041	1 041	**1 041**	1 041	1 041	16
Other components of equity	**5 254**	5 618	5 323	**5 339**	5 481	5 156	17
Retained earnings	**4 431**	5 652	7 953	**5 104**	6 286	8 614	
Preference shares	**–**	–	500	**–**	–	500	
Non-controlling interests	**95**	102	95	**–**	–	–	
Total equity	**10 821**	12 413	14 912	**11 484**	12 808	15 311	
Liabilities							
Insurance contract liabilities							
Long-term insurance contracts	**115 171**	102 859	109 550	**115 639**	103 499	110 233	9
Non-life insurance contracts	**–**	253	199	**–**	–	–	9
Investment contracts	**291 144**	260 758	255 885	**287 786**	257 994	253 353	
– with discretionary participation features (DPF)	**17 228**	16 563	18 632	**17 228**	16 563	18 632	10
– designated at fair value through profit and loss	**273 916**	244 195	237 253	**270 558**	241 431	234 721	10
Financial liabilities at fair value through profit and loss	**52 540**	51 882	52 009	**14 090**	15 754	12 226	12
Financial liabilities at amortised cost	**1 214**	1 687	1 343	**355**	378	–	12
Reinsurance contract liabilities	**414**	562	576	**–**	–	–	13
Deferred income tax	**1 267**	1 254	1 655	**999**	981	1 399	14
Employee benefit obligations	**780**	871	924	**693**	758	818	15
Other payables	**14 399**	13 754	14 416	**11 765**	11 335	10 165	12
Provisions	**10**	13	16	**–**	–	–	
Current income tax liabilities	**22**	47	281	**–**	41	276	
Total liabilities	**476 961**	433 940	436 854	**431 327**	390 740	388 470	
Total equity and liabilities	**487 782**	446 353	451 766	**442 811**	403 548	403 781	

STATEMENT OF PROFIT AND LOSS

For the year ended 30 June 2021

	Group 2021 Rm	Group Restated 2020 Rm	Company 2021 Rm	Company Restated 2020 Rm	Notes
Insurance premiums	28 507	25 115	27 328	23 811	
Insurance premiums ceded to reinsurers	(3 084)	(2 815)	(2 800)	(2 615)	
Net insurance premiums	25 423	22 300	24 528	21 196	19
Fee income	4 505	4 520	3 519	3 515	20
Contract administration	2 997	2 925	2 991	2 920	
Trust and fiduciary services	861	1 028	418	463	
Other fee income	647	567	110	132	
Investment income	18 697	19 968	16 195	17 502	21
Amortised cost	762	1 109	523	758	
Other investment income	17 935	18 859	15 672	16 744	
Net realised and unrealised fair value gains/(losses)	38 958	(12 805)	37 053	(12 775)	22
Net income	87 583	33 983	81 295	29 438	
Insurance benefits and claims	29 170	24 323	28 586	23 657	
Insurance claims recovered from reinsurers	(4 011)	(2 523)	(3 920)	(2 433)	
Net insurance benefits and claims	25 159	21 800	24 666	21 224	23
Change in actuarial liabilities and related reinsurance	12 436	(8 826)	12 482	(8 828)	
Change in long-term insurance contract liabilities	12 268	(6 719)	12 118	(6 734)	9.1
Change in investment contracts with DPF liabilities	521	(2 069)	521	(2 069)	10.1
Change in reinsurance assets	(157)	(25)	(157)	(25)	7
Change in reinsurance liabilities	(196)	(13)	–	–	13
Fair value adjustments on investment contract liabilities	33 130	5 785	32 475	5 796	10.2
Fair value adjustments on collective investment scheme (CIS) liabilities	3 450	1 415	–	–	
Depreciation, amortisation and impairment expenses	536	492	469	341	24
Impairment expenses due to expected credit losses	50	51	128	32	24
Employee benefit expenses	4 061	4 053	3 380	3 383	25
Sales remuneration	3 736	3 441	3 470	3 156	26
Other expenses	3 638	3 351	2 533	2 100	27
Expenses	86 196	31 562	79 603	27 204	
Results of operations	1 387	2 421	1 692	2 234	
Share of profit/(loss) of joint ventures	1	–	–	–	
Finance costs	(734)	(899)	(622)	(813)	28
Profit before tax	654	1 522	1 070	1 421	
Income tax expense	(870)	(1 026)	(783)	(903)	29
Earnings for year	(216)	496	287	518	
Attributable to:					
Owners of the parent	(209)	461	287	484	
Non-controlling interests	(7)	1	–	–	
Momentum Metropolitan Life Ltd preference shares	–	34	–	34	
	(216)	496	287	518	
(Loss)/earnings per ordinary share (cents)	(110)	242.6	151.1	255.0	1

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Group		Company		
	2021 Rm	**2020 Rm**	**2021 Rm**	**2020 Rm**	Notes
Earnings for year	**(216)**	496	**287**	518	
Other comprehensive (loss)/income, net of tax	**(358)**	343	**(596)**	357	
Items that may subsequently be reclassified to income	**(53)**	93	**–**	–	
Exchange differences on translating foreign operations	**(53)**	93	**–**	–	17
Items that will not be reclassified to income	**(305)**	250	**(596)**	357	
Land and building revaluation	**(15)**	25	**46**	25	17
Revaluation of subsidiaries	**–**	–	**(479)**	108	17
Remeasurements of post-employee benefit funds	**(179)**	163	**(179)**	162	17
Other	**–**	1	**–**	–	
Own credit gains on financial liabilities designated at fair value through profit or loss	**(90)**	69	**(90)**	69	12.1
Income tax relating to items that will not be reclassified	**(21)**	(8)	**106**	(7)	17
Total comprehensive income for year	**(574)**	839	**(309)**	875	
Total comprehensive income attributable to:					
Owners of the parent	**(567)**	804	**(309)**	841	
Non-controlling interests	**(7)**	1	**–**	–	
Momentum Metropolitan Life Ltd preference shares	**–**	34	**–**	34	
	(574)	839	**(309)**	875	

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

Group

	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to owners of the parent Rm	Preference shares Rm	Non-controlling interests Rm	Total equity Rm	Notes
Balance at 1 July 2019[1] (Unaudited)	9	1 032	5 323	7 953	14 317	500	95	14 912	
IFRS 16 opening adjustment[2]	–	–	–	(20)	(20)	–	–	(20)	
Change in accounting policy[3]	–	–	37	(37)	–	–	–	–	
Restated opening balance	9	1 032	5 360	7 896	14 297	500	95	14 892	
Total comprehensive (loss)/income	–	–	274	530	804	34	1	839	
Profit or (loss) for the period	–	–	–	461	461	34	1	496	
Other comprehensive (loss)/income	–	–	274	69	343	–	–	343	
Dividend declared	–	–	–	(2 909)	(2 909)	(34)	–	(2 943)	
Transfer to retained earnings from other reserves	–	–	(16)	16	–	–	–	–	
Acquisition of subsidiary	–	–	–	–	–	–	6	6	
Repurchase of preference shares	–	–	–	119	119	(500)	–	(381)	
Restated balance at 1 July 2020	**9**	**1 032**	**5 618**	**5 652**	**12 311**	**–**	**102**	**12 413**	
Total comprehensive (loss)/income	**–**	**–**	**(268)**	**(299)**	**(567)**	**–**	**(7)**	**(574)**	
Profit or (loss) for the period	**–**	**–**	**–**	**(209)**	**(209)**	**–**	**(7)**	**(216)**	
Other comprehensive (loss)/income	**–**	**–**	**(268)**	**(90)**	**(358)**		**–**	**(358)**	
Dividend declared	**–**	**–**	**–**	**(1 033)**	**(1 033)**	**–**	**–**	**(1 033)**	
Transfer to retained earnings from other reserves	**–**	**–**	**(111)**	**111**	**–**	**–**	**–**	**–**	17
Equity-settled share-based payment arrangements	**–**	**–**	**15**	**–**	**15**	**–**	**–**	**15**	
Balance at 30 June 2021	**9**	**1 032**	**5 254**	**4 431**	**10 726**	**–**	**95**	**10 821**	

Company

	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to owners of the parent Rm	Preference shares Rm	Total equity Rm
Balance at 1 July 2019	9	1 032	5 156	8 614	14 811	500	15 311
IFRS 16 opening adjustment[2]	–	–	–	(55)	(55)	–	(55)
Change in accounting policy[3]	–	–	37	(37)	–	–	–
Restated opening balance	9	1 032	5 193	8 522	14 756	500	15 256
Total comprehensive (loss)/income	–	–	288	553	841	34	875
Profit or (loss) for the period	–	–	–	484	484	34	518
Other comprehensive (loss)/income	–	–	288	69	357	–	357
Dividend declared	–	–	–	(2 908)	(2 908)	(34)	(2 942)
Transfer to retained earnings	–	–	–	–	–	–	–
Repurchase of preference shares	–	–	–	119	119	(500)	(381)
Restated balance at 1 July 2020	**9**	**1 032**	**5 481**	**6 286**	**12 808**	**–**	**12 808**
Total comprehensive (loss)/income	**–**	**–**	**(506)**	**197**	**(309)**	**–**	**(309)**
Profit or (loss) for the period	**–**	**–**	**–**	**287**	**287**	**–**	**287**
Other comprehensive (loss)/income	**–**	**–**	**(506)**	**(90)**	**(596)**	**–**	**(596)**
Dividend declared	**–**	**–**	**–**	**(1 030)**	**(1 030)**	**–**	**(1 030)**
Transfer to retained earnings	**–**	**–**	**349**	**(349)**	**–**	**–**	**–**
Equity-settled share-based payment arrangements	**–**	**–**	**15**	**–**	**15**	**–**	**15**
Balance at 30 June 2021	**9**	**1 032**	**5 339**	**5 104**	**11 484**	**–**	**11 484**

1 Consolidated financial statements were not prepared in the financial year ended 30 June 2019. Corresponding information is therefore unaudited.
2 The Group adopted IFRS 16 in the prior year.
3 Refer to note 48 for more information on the restatement.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Group		Company		
	2021 Rm	Restated 2020 Rm	2021 Rm	Restated 2020 Rm	Notes
Cash flow from operating activities					
Cash utilised in operations	**(8 352)**	(10 657)	**(9 336)**	(9 607)	30.1
Interest received	**13 283**	13 495	**11 739**	11 704	
Dividends received	**4 240**	5 236	**3 501**	4 802	
Income tax paid	**(1 216)**	(1 632)	**(1 035)**	(1 560)	30.2
Interest paid	**(743)**	(843)	**(631)**	(813)	30.3
Net cash inflow/(outflow) from operating activities	**7 212**	5 599	**4 238**	4 526	
Cash flow from investing activities					
Additional investment in subsidiaries	**–**	–	**–**	(5)	
Acquisition of a subsidiary	**(150)**	(42)	**–**	(44)	31
Disposal of subsidiary	**(60)**	–	**16**	–	30.5
Investment in associates in joint ventures	**(4)**	–	**–**	–	
Purchase of owner-occupied properties	**(150)**	(88)	**(27)**	(63)	
Disposal of owner-occupied properties	**2**	–	**–**	–	
Purchase of property and equipment	**(113)**	(97)	**(75)**	(91)	
Disposal of property and equipment	**9**	2	**–**	7	
Purchase of intangible assets	**(78)**	(40)	**(11)**	(15)	
Disposal of intangible assets	**–**	–	**–**	–	
Net cash (outflow)/inflow from investing activities	**(544)**	(265)	**(97)**	(211)	
Cash flow from financing activities					
Subordinated call notes issued	**750**	750	**750**	750	30.4
Subordinated call notes repaid	**(750)**	(755)	**(750)**	(755)	30.4
Proceeds from carry positions	**8 042**	7 444	**6 696**	6 313	30.4
Repayment of carry positions	**(7 444)**	(6 613)	**(6 314)**	(5 576)	30.4
Repayment of capital portion of property development loans	**(19)**	–	**–**	–	
Repayment of capital portion of other borrowings	**(287)**	(6)	**–**	–	
Repayment of other borrowings	**(17)**	–	**–**	–	
Payment of principal portion of lease liability	**(129)**	(94)	**(131)**	(96)	30.4
Dividend paid to equity holders[1]	**(266)**	(2 293)	**(263)**	(2 292)	
Preference shares proceeds	**329**	–	**–**	–	
Preference shares repaid	**(23)**	–	**–**	–	
Repurchase of preference shares	**–**	(381)	**–**	(381)	
Preference share dividends paid	**–**	(34)	**–**	(34)	
Net cash (outflow)/inflow from financing activities	**186**	(1 982)	**(12)**	(2 071)	
Net cash flow	**6 854**	3 352	**4 129**	2 244	
Cash resources and funds on deposit at beginning	**22 098**	18 056	**14 885**	12 251	
Movement due to foreign exchange gains and losses	**(629)**	690	**(424)**	390	
Cash resources and funds on deposit at end	**28 323**	22 098	**18 590**	14 885	
Made up as follows:					
Bank and other cash balances	**8 755**	8 739	**6 681**	6 401	6.4
Funds on deposit and other money market instruments	**19 568**	13 359	**11 909**	8 484	
	28 323	22 098	**18 590**	14 885	

[1] Dividends paid do not agree to the dividends declared, because in the current year a dividend in specie of R767 million (2020: R616 million) was paid to Momentum Metropolitan Holdings Ltd in the form of a loan repayment.

Basis of preparation of the statements

The financial statements, as set out below, have been prepared in accordance with IFRS, IFRIC interpretations issued and effective at the time of preparing these statements, the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), Financial Pronouncements (as issued by the Financial Reporting Standards Council), the Debt Listings Requirements of the JSE and the South African Companies Act, 71 of 2008, as amended. These statements have been prepared on the historical cost basis, except for the following items which are carried at fair value or valued using another measurement basis:

Fair value

- Owner-occupied and investment properties
- Financial assets at fair value through profit and loss
- Momentum Metropolitan Life Ltd company: Interest in subsidiaries at fair value through other comprehensive income
- Investment contract liabilities designated at fair value through profit and loss and financial liabilities at fair value through profit and loss
- Liabilities for cash-settled share-based payment arrangements

Other measurement basis

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 47. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. There are areas of complexity involving a higher degree of judgement and areas where assumptions and estimates are significant to the consolidated financial statements. The use of judgement is especially more complex in the current year due to the Covid-19 pandemic and the resultant current economic environment the Group is currently operating in. These judgements, assumptions and estimates are disclosed in detail in the notes to the annual financial statements and in a summary in the Critical judgements and accounting estimates note.

The preparation of the Group's consolidated results was supervised by the Group Finance Director, Risto Ketola (FIA, FASSA, CFA) and have been audited by Ernst & Young Inc. in compliance with the requirements of the Companies Act, 71 of 2008.

Published standards, amendments and interpretations effective for the financial period ended 30 June 2021

Effective annual periods beginning on or after	Description
1 January 2020	IFRS 3 (Amendments) – Definition of a business
1 January 2020	IFRS 9, IAS 39 and IFRS 7 (Amendments) – Interest rate benchmark reform
1 January 2020	IAS 1 and IAS 8 (Amendments) – Definition of material
1 January 2020	IASB revision of the Conceptual Framework for Financial Reporting
1 April 2021	IFRS 16 (Amendment) – Covid-19-Related Rent Concessions beyond 30 June 2021

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

Preparation of financial statements

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

Application of accounting policies

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Group. Management applies judgement in determining best estimates of future experience. Judgements are based on historical experience and management's best-estimate expectations of future events. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying amount of the affected assets and liabilities. The Covid-19 pandemic and resultant significant volatility of markets have created uncertainty in the Group's current and expected future operating environment. This uncertainty has an impact on the judgements and estimates used in preparation of the financial statements. All business across the Group reviewed their bottom-up forecasted cash flows to account for the potential impact of the pandemic on its assumptions including revenue growth, claims experience, expenses, lapse rates inter alia. These have been incorporated into the projections which are used as inputs in various valuations models.

The critical judgements and estimates made in applying the Group's accounting policies are detailed in the notes to the annual financial statements, as listed below:

- Impairment testing of intangibles assets – note 2
- Valuation assumptions for both owner-occupied and investment properties – notes 3 and 4
- Valuation of financial assets – note 6
- Assessment of control over collective investment schemes – note 6
- Assumptions and estimates of contract holder liabilities (also applicable to reinsurance contracts) – notes 7, 11 and 13
- Valuation assumptions for the value of services provided (cash-settled arrangements) – notes 15.1.2
- Provision for deferred tax – note 14
- Assessment of IFRS 15's principles around the timing of revenue recognition – note 47
- Valuation assumptions for financial instruments – note 46

The Group's reporting view reflects the following segments:

- **Momentum Life:** Momentum Life includes protection, savings and life insurance products focused on the middle and affluent client segments.
- **Momentum Investments:** Momentum Investments consists of the Momentum Wealth platform business, local and offshore asset management operations, retail annuities and guaranteed investments, as well as Eris Properties.
- **Metropolitan Life:** Metropolitan Life focuses on the lower and middle income retail market segment, with a range of protection and savings products.
- **Momentum Corporate:** Momentum Corporate offers group risk, annuities, pension savings and umbrella fund (FundsAtWork) products.
- **Momentum Metropolitan Health:** Provides healthcare solutions to individuals, corporates and the public sector within a range of structures and products.
- **Momentum Metropolitan Africa:** This segment includes our African operations.
- **Non-life Insurance:** This segment includes allocations relating to Momentum Short-term Insurance, Momentum Insurance, and the cell captive insurer, Guardrisk.
- **New Initiatives:** This includes India, aYo, Momentum Money, Lending, Exponential Ventures and Momentum Consult.
- **Shareholders:** The Shareholders segment reflects investment income on capital held to support South African operations and some costs not allocated to operating segments (eg certain holding company expenses).

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

The executive committee of the Group assesses the performance of the operating segments based on normalised headline earnings. This measurement basis excludes the amortisation of intangible assets relating to business combinations as well as dividends received from subsidiaries and intercompany loan impairments, which are eliminated on consolidation of the holding company group. It includes basis changes and investment variances. For insurance operating segments (excluding Momentum Metropolitan Africa), normalised headline earnings also exclude the effect of investment income on shareholder assets, as this income is managed on a company basis and is therefore included in the Shareholders segment.

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

Reconciliation of management information to IFRS

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

For the year ended 30 June 2021

Group

2021	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm
Revenue					
Net insurance premiums	9 516	32 361	7 655	14 864	434
Recurring premiums	8 976	766	6 233	12 346	434
Single premiums	540	31 595	1 422	2 518	–
Fee income	1 211	2 673	97	965	1
External fee income	1 211	2 611	97	965	1
Intergroup fee income	–	62	–	–	–
Expenses					
Net payments to contract holders					
External payments	10 718	29 551	6 564	18 102	258
Other expenses	3 341	2 432	2 757	1 230	60
Sales remuneration	1 346	795	1 265	87	44
Administration expenses	1 926	1 476	1 492	1 143	16
Asset management, direct property and other fee expenses	67	206	–	–	–
Intergroup expenses	2	(45)	–	–	–
Income tax	149	412	71	207	–
Normalised headline earnings	(852)	1 025	433	(547)	78
Operating profit/(loss)[2]	(1 339)	1 398	510	(821)	110
Tax on operating profit/(loss)	355	(365)	(145)	220	(31)
Investment return	151	(14)	79	63	(1)
Tax on investment return	(19)	6	(11)	(9)	–
Basis changes and investment variances[3]	(1 487)	327	(279)	(774)	–
Actuarial liabilities	76 738	185 448	36 608	106 351	28

1 The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R474 million) and asset management fees for all entities (R717 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangible assets relating to business combinations (R43 million); expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

2 Operating profit is diluted normalised headline earnings less tax, investment income and fair value gains.

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

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
1 097	–	–	–	65 927	(40 504)	25 423
1 097	–	–	–	29 852	(11 061)	18 791
–	–	–	–	36 075	(29 443)	6 632
95	–	10	95	5 147	(642)	4 505
95	–	10	95	5 085	(580)	4 505
–	–	–	–	62	(62)	–
540	–	–	–	65 733	(40 574)	25 159
684	–	106	357	10 967	1 052	12 019
199	–	–	–	3 736	–	3 736
380	–	102	357	6 892	(77)	6 815
–	–	4	–	277	1 191	1 468
105	–	–	–	62	(62)	–
18	–	–	(96)	761	109	870
(1)	(1)	(98)	(27)	10	–	10
(19)	–	(99)	(99)	(359)	–	(359)
3	–	–	102	139	–	139
20	(1)	1	(17)	281	–	281
(5)	–	–	(13)	(51)	–	(51)
–	–	–	31	(2 182)	–	(2 182)
1 083	59	–	–	406 315	–	406 315

For the year ended 30 June 2021

Group continued

Restated 2020	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm
Revenue					
Net insurance premiums	9 466	24 067	7 085	15 339	291
Recurring premiums	8 896	734	6 025	12 326	291
Single premiums	570	23 333	1 060	3 013	–
Fee income	1 425	2 675	116	910	–
External fee income	1 425	2 491	116	910	–
Intergroup fee income	–	184	–	–	–
Expenses					
Net payments to contract holders					
External payments	9 093	22 658	5 435	15 083	195
Other expenses	3 234	2 296	2 539	1 303	29
Sales remuneration	1 254	786	1 075	87	29
Administration expenses	1 640	1 284	1 422	1 178	–
Asset management, direct property and other fee expenses	222	205	–	–	–
Intergroup expenses	118	21	42	38	–
Income tax	–	65	–	–	–
Normalised headline earnings	585	332	393	188	30
Operating profit/(loss)[2]	597	383	422	163	44
Tax on operating profit/(loss)	(191)	(84)	(120)	(47)	(12)
Investment return	200	39	99	79	(3)
Tax on investment return	(21)	(6)	(8)	(7)	1
Fair value gains/(losses)	–				
Tax on fair value gains/(losses)	–				
Basis changes and investment variances[3]	(271)	(272)	(412)	(470)	–
Actuarial liabilities	69 835	165 405	33 886	93 705	21

[1] The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R478 million) and asset management fees for all entities (R593 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangible assets relating to business combinations (R32 million); expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

[2] Operating profit is diluted normalised headline earnings less tax, investment income and fair value gains.

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

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
1 101	–	–	–	57 349	(35 049)	22 300
1 101	–	–	–	29 373	(10 839)	18 534
–	–	–	–	27 976	(24 210)	3 766
3	–	–	–	5 129	(609)	4 520
3	–	–	–	4 945	(425)	4 520
–	–	–	–	184	(184)	–
624	–	–	–	53 088	(31 288)	21 800
619	1	85	228	10 334	1 054	11 388
210	–	–	–	3 441	–	3 441
331	1	85	336	6 277	76	6 353
–	–	–	5	432	1 162	1 594
78	–	–	(113)	184	(184)	–
21	3	–	15	104	922	1 026
(17)	(4)	(85)	(742)	680	–	680
(60)	(2)	(86)	(47)	1 414	–	1 414
7	(2)	–	(189)	(638)	–	(638)
48	–	1	(495)	(32)	–	(32)
(12)	–	–	(11)	(64)	–	(64)
					–	–
					–	–
–	–	–	–	(1 425)	–	(1 425)
1 023	–	–	(5)	363 870	–	363 870

For the year ended 30 June 2021

Company

2021	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm
Revenue					
Net insurance premiums	9 516	32 172	7 655	14 865	434
Recurring premiums	8 976	766	6 233	12 347	434
Single premiums	540	31 406	1 422	2 518	–
Fee income	987	1 470	97	965	1
External fee income	987	1 470	97	965	1
Expenses					
Net payments to contract holders					
External payments	10 718	29 496	6 564	18 102	258
Other expenses	3 367	1 378	2 758	1 226	60
Sales remuneration	1 302	771	1 266	87	44
Administration expenses	1 625	598	1 417	1 113	16
Amortisation, depreciation and impairment	41	9	75	26	–
Direct property expenses	399	–	–	–	–
Asset management and other fee expenses	–	–	–	–	–
Income tax	(149)	(356)	(71)	(207)	–
Normalised headline earnings	(813)	784	432	(548)	78
Operating profit/(loss)[2]	(1 291)	1 106	509	(822)	110
Tax on operating profit/(loss)	355	(310)	(145)	220	(31)
Investment return	142	(20)	79	63	(1)
Tax on investment return	(19)	8	(11)	(9)	–
Basis changes and investment variances[3]	(1 487)	327	(279)	(774)	–
Actuarial liabilities	76 743	183 485	36 608	106 561	28

1 The 'Reconciling items' column relates to investment contract business inflows and outflows included in the segmental split. Refer to note 10 for more information.

2 Operating profit is normalised headline earnings less tax, investment income and fair value gains.

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

4 The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) located in South Africa is R110 210 million with no such non-current assets located in other countries.

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
–	–	–	–	64 642	(40 114)	24 528
–	–	–	–	28 756	(10 861)	17 895
–	–	–	–	35 886	(29 253)	6 633
–	–	–	(1)	3 519	–	3 519
–	–	–	(1)	3 519	–	3 519
–	–	–	–	65 138	(40 472)	24 666
–	–	28	416	9 233	747	9 980
–	–	–	–	3 470	–	3 470
–	–	28	(43)	4 754	–	4 754
–	–	–	448	599	–	599
–	–	–	11	410	–	410
–	–	–	–	–	747	747
–	–	–	–	(783)	–	(783)
–	(1)	(28)	(104)	(200)	–	(200)
–	–	(28)	(144)	(560)	–	(560)
–	–	–	1	90	–	90
–	(1)	–	46	308	–	308
–	–	–	(7)	(38)	–	(38)
–	–	–	31	(2 182)	–	(2 182)
–	–	–	–	403 425	–	403 425

Company continued

Restated 2020	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm
Revenue					
Net insurance premiums	9 466	23 931	7 085	15 339	291
Recurring premiums	8 896	734	6 025	12 326	291
Single premiums	570	23 197	1 060	3 013	–
Fee income	1 044	1 446	116	910	–
External fee income	1 044	1 446	116	910	–
Expenses					
Net payments to contract holders					
External payments	9 093	22 508	5 435	15 083	195
Other expenses	2 679	1 338	2 497	1 262	43
Sales remuneration	1 238	727	1 075	87	29
Administration expenses	1 416	604	1 335	1 148	14
Amortisation, depreciation and impairment	25	7	87	27	–
Direct property expenses	–	–	–	–	–
Asset management and other fee expenses	–	–	–	–	–
Income tax	174	409	84	236	–
Normalised headline earnings	645	77	393	188	32
Operating profit/(loss)[2]	678	69	422	163	45
Tax on operating profit/(loss)	(197)	(19)	(120)	(48)	(12)
Investment income	179	33	99	80	(2)
Tax on investment income	(15)	(6)	(8)	(7)	1
Basis changes and investment variances[3]	(271)	(272)	(412)	(470)	–
Actuarial liabilities	69 835	163 762	33 886	93 989	21

1 The 'Reconciling items' column relates to investment contract business inflows and outflows included in the segmental split. Refer to note 10 for more information.

2 Operating profit is normalised headline earnings less tax, investment income and fair value gains.

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

4 The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) located in South Africa is R96 496 million with no such non-current assets located in other countries.

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
–	–	–	–	56 112	(34 916)	21 196
–	–	–	–	28 272	(10 773)	17 499
–	–	–	–	27 840	(24 143)	3 697
–	–	–	(1)	3 515	–	3 515
–	–	–	(1)	3 515	–	3 515
–	–	–	–	52 314	(31 090)	21 224
–	–	29	757	8 605	1 035	9 640
–	–	–	–	3 156	–	3 156
–	–	29	(82)	4 464	–	4 464
–	–	–	835	981	–	981
–	–	–	–	–	419	419
–	–	–	4	4	616	620
–	–	–	–	903	–	903
(4)	(1)	(30)	(223)	1 077	–	1 077
–	–	(29)	(30)	1 318	–	1 318
–	–	–	(177)	(573)	–	(573)
(4)	(1)	(1)	(8)	375	–	375
–	–	–	(8)	(43)	–	(43)
–	–	–	–	(1 425)	–	(1 425)
–	–	–	–	361 493	–	361 493

1 Reconciliation of earnings

Group earnings per ordinary share attributable to owners of the parent	Group 2021	Group 2020	Company 2021	Company 2020
Earnings (cents per share)	(110)	243	151	255
Normalised headline earnings (cents per share)	5	358	(105)	568

Reconciliation of headline earnings attributable to owners of the parent	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Earnings – equity holders of group	(209)	461	287	484
Intangible asset impairments	144	25	144	25
Tax on impairment of intangible assets relating to business combinations	(40)	(7)	(40)	(7)
Impairment of fixed assets	–	–	–	–
Impairment of intangible computer software	1	36	1	24
Loss on sale of subsidiary	11	–	–	–
Impairment of owner-occupied property below cost	49	114	38	15
Tax on impairment of owner-occupied property below cost	(3)	(10)	(3)	(10)
Fair value gains on intercompany loans	–	–	(619)	–
Impairment/(reversal of impairment) of intercompany loans	6	30	99	640
Subsidiary dividends received	–	–	(151)	(124)
Amortisation of intangible assets relating to business combinations	49	31	40	41
Tax on amortisation of intangible assets relating to business combinations	(13)	–	(11)	(11)
iSabelo equity settled share scheme expenses	15	–	15	–
Normalised headline earnings[1]	10	680	(200)	1 077
Weighted average number of ordinary shares in issue (million)	190	190	190	190

[1] Normalised headline earnings include the impact of investment variances, actuarial basis changes of negative R2 182 million (2020: negative R1 425 million) and other non-recurring items. However, normalised headline earnings adjust the standard definition of headline earnings for the amortisation of intangible assets from business combinations, the impact of the iSabelo employee share scheme, as well as dividends received from subsidiaries and intercompany loan impairments, which are eliminated on consolidation of the holding company group. Management uses this as a segmental performance measure and is of the opinion that it represents underlying performance that is under control of the respective segments.

		Group		Company	
		2021 Rm	2020 Rm	2021 Rm	2020 Rm
2	**Intangible assets**				
	Refer to note 47 para 4 for the accounting policies relating to this note.				
2.1	**Goodwill**	**172**	40	**40**	40
2.2	**Value of in-force business acquired**	**303**	487	**303**	487
2.3	**Customer relationships**	**100**	18	**–**	–
2.4	**Broker Network**	**38**	–	**–**	–
2.5	**Deferred acquisition costs on long-term insurance business**	**1 903**	1 940	**1 816**	1 830
	Deferred acquisition costs on short-term insurance business	**–**	20	**–**	–
2.6	**Computer software**	**90**	231	**39**	52
2.7	**Right-of-use assets**	**16**	4	**16**	4
		2 622	2 740	**2 214**	2 413

		Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
2.1	**Goodwill**				
	Cost	**214**	56	**56**	56
	Accumulated impairment	**(42)**	(16)	**(16)**	(16)
	Carrying amount	**172**	40	**40**	40
	Carrying amount at beginning	**40**	40	**40**	40
	Additions	**–**	–	**–**	–
	Disposals	**–**	–	**–**	–
	Impairment charges	**–**	–	**–**	–
	Business combinations	**139**	–	**–**	–
	Exchange differences	**(7)**	–	**–**	–
	Carrying amount at end	**172**	40	**40**	40
	Cash-generating units (CGUs)				
	Ex-Metropolitan Group – Metropolitan Life (Metropolitan/Momentum merger)	**40**	40	**40**	40
	Momentum Global Investment Management – Momentum Investments	**132**	–	**–**	–
		172	40	**40**	40

Critical accounting estimates and judgements

Goodwill is allocated to CGUs for the purpose of impairment testing. The life book represents the CGU of the life insurance book of Commercial Union Life Association of South Africa Ltd of R40 million, acquired in 1999 (included in the Metropolitan Life segment). The Momentum Global Investment Management represents the acquisition of Seneca during the current year.

Goodwill is allocated to Cash-Generating units (CGUs) and impairment testing is performed at the level of individual CGUs. The recoverable value of this CGU is determined based on a value-in-use calculation with reference to directors' valuations. The value-in-use calculation uses a risk-adjusted cash flow projection which includes projected new business based on financial forecasts approved by management covering a five-year period. This cash flow projection takes into account entity specific risks and is subject to a revenue ceiling and an expense floor to ensure that the earnings projections lie within boundaries that are deemed appropriate. Appropriate allowance is also made for terminations risk where the CGU has concentrated exposure to large clients. Due to the uncertainty in the current economic environment as a result of the Covid-19 pandemic, management have assessed and adjusted the cash flows to account for this. This assessment has included reviewing the revenue, claim experience, expenses, lapse rates and all other variances which in the current environment are difficult to predict.

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

		Group		Company	
		2021	2020	2021	2020
Assumptions					
Ex-Metropolitan Group/Commercial Union Life Association of South Africa Ltd	RDR	**13%**	13%	**13%**	13%
	Growth rate	**7%**	6%	**7%**	6%
Momentum Global Investment Management	RDR	**13%**	–	**–**	–
	Growth rate	**2%**	–	**–**	–

2 Intangible assets continued

		Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
2.2 Value of in-force business acquired					
Acquisition of insurance and investment contracts with DPF					
Cost		**1 040**	1 040	**1 040**	1 040
Accumulated amortisation		**(568)**	(528)	**(568)**	(528)
Accumulated impairment		**(169)**	(25)	**(169)**	(25)
Carrying amount		**303**	487	**303**	487
Carrying amount at beginning		**487**	553	**487**	553
Amortisation charges		**(40)**	(41)	**(40)**	(41)
Impairment charges		**(144)**	(25)	**(144)**	(25)
Carrying amount at end		**303**	487	**303**	487
The carrying amount is made up as follows:	**To be fully amortised by year:**				
Sage – Shareholders	2032	**303**	487	**303**	487
		303	487	**303**	487

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

Critical accounting estimates and judgements

The value of in-force business acquired is reviewed for impairment through a discounted cash flow valuation. This valuation method references the results of the Embedded Value calculations for the relevant product. This methodology uses a number of assumptions relating to future cash flows which is aligned to the Company's valuation data and models and these are all subjected to the Company's governance structures and review. For this year end, particular focus was placed on the extent to which Covid-19 may affect assumptions on future mortality, morbidity and persistency.

VOBA relating to the Sage acquisition (Shareholders) was impaired during the current and prior year. In the current year a management decision was made to adjust the fee structure on Sage Legacy business which resulted in the decrease of the carrying amount of the liability and an offsetting decrease in the VIF. In the prior year the projected revenue linked to the return on policyholder funds related to the Sage acquisition decreased. The extent to which this resulted in a decrease to future profits meant that the VOBA had to be impaired.

During the current year, the VOBA relating to Sage was impaired to its recoverable amount of R303 million (2020: R487 million). Any further reduction in the recoverable amount will result in an additional impairment.

		Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
2.3 Customer relationships					
Cost		**108**	372	**–**	–
Accumulated amortisation		**(8)**	(354)	**–**	–
Accumulated impairment		**–**	–	**–**	–
Carrying amount		**100**	18	**–**	–
Carrying amount at beginning		**18**	21	**–**	–
Amortisation charges		**(9)**	(5)	**–**	–
Impairment charges		**–**	–	**–**	–
Business combinations		**99**	–	**–**	–
Sale of business		**(7)**	–	**–**	–
Exchange differences		**(1)**	2	**–**	–
Carrying amount at end		**100**	18	**–**	–
The carrying amount is made up as follows:	**To be fully amortised by year:**				
Momentum Short Term Insurance – Non-life Insurance	2027	**–**	10	**–**	–
Momentum Global Investment Management – Momentum Investments	2031	**93**	–	**–**	–
Other		**7**	8	**–**	–
		100	18	**–**	–

2 **Intangible assets** continued

2.3 **Customer relationships** continued

Customer relationships represent the fair value of customer relationships in place immediately before a business combination took place. The recoverable value is determined based on value-in-use calculations with reference to value of in-force business. Refer to assumptions in note 2.2.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
2.4 Broker Network				
Cost	**41**	2	**–**	–
Accumulated amortisation	**(1)**	–	**–**	–
Accumulated impairment	**(2)**	(2)	**–**	–
Carrying amount	**38**	–	**–**	–
Carrying amount at beginning	**–**	–	**–**	–
Additions	**–**	–	**–**	–
Amortisation charges	**(1)**	–	**–**	–
Impairment charges	**–**	–	**–**	–
Business combinations	**39**	–	**–**	
Carrying amount at end	**38**	–	**–**	–
2.5 Deferred acquisition costs on long-term insurance business				
Carrying amount at beginning	**1 940**	1 972	**1 830**	1 859
Additions	**363**	333	**325**	287
Amortisation charges	**(388)**	(369)	**(339)**	(316)
Impairment charges	**(9)**	–	**–**	–
Exchange differences	**(3)**	4	**–**	–
Carrying amount at the end	**1 903**	1 940	**1 816**	1 830

Critical accounting estimates and judgements

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

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
2.6 Computer software				
Cost	**336**	847	**180**	458
Accumulated amortisation	**(228)**	(416)	**(141)**	(227)
Accumulated impairment	**(18)**	(200)	**–**	(179)
Carrying amount	**90**	231	**39**	52
Carrying amount at beginning	**231**	286	**52**	86
Additions	**54**	40	**11**	15
Disposals	**(1)**	–	**(1)**	–
Amortisation charges	**(52)**	(59)	**(22)**	(25)
Impairment charges	**(1)**	(36)	**(1)**	(24)
Sale of Business	**(141)**		**–**	
Exchange differences	**–**	–	**–**	–
Carrying amount at end	**90**	231	**39**	52

R141 million decrease in computer software relates to the sale of MM Short Term Insurance Administration Company Ltd by Momentum Metropolitan Life (MML) to Momentum Metropolitan Strategic Investments (MMSI).

2 Intangible assets continued

2.6 Computer software continued

Internally developed software

Included in computer software is a carrying amount of R72 million (2020: R102 million) for the Group and R21 million (2020: R39 million) for the Company representing internally developed software. The decrease in internally developed software relates to R28 million amortisation charges in the current year for the Group, and R18 million amortisation charges in the current year for the Company.

		Group		Company	
		2021 Rm	2020 Rm	2021 Rm	2020 Rm
2.7	**Right-of-use assets**				
	Carrying amount at beginning	**39**	9	**39**	10
	Accumulated impairment	**–**	–	**–**	–
	Accumulated amortisation	**(23)**	(5)	**(23)**	(6)
	Carrying amount at end	**16**	4	**16**	4
	Carrying amount at beginning	**4**	–	**4**	–
	Recognised on 1 July 2019 on adoption of IFRS 16	**–**	9	**–**	10
	Additions	**25**	–	**25**	–
	Disposals	**–**	–	**–**	–
	Amortisation Charges	**(13)**	(5)	**(13)**	(6)
	Impairment Charges	**–**	–	**–**	–
	Lease Modification	**–**	–	**–**	–
	Carrying amount at end	**16**	4	**16**	4
3	**Owner-occupied properties**				
	Refer to note 47 para 5 and 15 for the accounting policies relating to this note.				
3.1	**Owned owner-occupied properties**	**1 690**	1 873	**793**	781
3.2	**Right-of-use assets**	**102**	166	**202**	275
		1 792	2 039	**995**	1 056
3.1	**Owned owner-occupied properties**				
	Historical carrying amount – cost model	**1 551**	1 507	**586**	689
	Owner-occupied properties – at fair value	**1 690**	1 873	**793**	781
	Fair value at beginning	**1 873**	2 017	**781**	750
	Additions	**142**	88	**27**	63
	Disposals	**(2)**	–	**–**	–
	Business combinations	**–**	–	**–**	–
	Revaluations through other comprehensive income	**(27)**	23	**46**	25
	Depreciation charges	**(38)**	(31)	**(23)**	(31)
	Impairment charges through profit and loss	**(49)**	(114)	**(38)**	(15)
	Transfer to investment properties	**(209)**	(110)	**–**	–
	Transfer to assets relating to disposal groups held for sale	**–**	–	**–**	(11)
	Fair value at end	**1 690**	1 873	**793**	781

Borrowing costs of R18 million (2020: R147 million) were capitalised in the current year by the Group. The borrowing costs relate to the Marc, Tower 2 and a capitalisation rate equal to the interest rate on the loan of three-month JIBAR plus 2.1 points was used.

The impairment in the current and prior year relates to a decrease in the property valuation of certain buildings in the Shareholder segment where the valuation is below cost.

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

Owner-occupied properties are classified as level 3.

3 Owner-occupied properties continued

3.1 Owned owner-occupied properties continued

Critical accounting estimates and judgements

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

Group			Change in fair value	
Assumptions	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2021				
Capitalisation rate	**9.0% – 11.0%**	**100bps**	**184**	**(149)**
Discount rate	**14.0%**	**100bps**	**5**	**(5)**
2020				
Capitalisation rate	9.0% – 10.0%	100bps	144	(119)
Discount rate	14.5%	100bps	6	(7)

Company			Change in fair value	
Assumptions	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2021				
Capitalisation rate	**9.0% – 11.0%**	**100bps**	**98**	**(79)**
Discount rate	**14.0%**	**100bps**	**5**	**(5)**
2020				
Capitalisation rate	9.0% – 10.0%	100bps	96	(79)
Discount rate[1]	14.5%	100bps	6	(7)

[1] The sensitivity analysis relating to the discount rate was restated for the prior year, to better align with how the sensitivities were compiled in the current year.

Capitalisation and discount rates are based on a number of factors, including but not limited to the following: the current risk-free rate, the risk associated with the income stream flowing from the property, the real estate cycle, current economic conditions at both the micro- and macro-economic level and the yield that an investor would require in order to make the property an attractive investment. The current response to the Covid-19 pandemic means an unprecedented set of circumstances are faced on which to base a judgement. For valuation purposes, existing lease agreements and subsequent expected rentals are used to determine the fair value of each building and any rental deferments agreed with tenants as a result of the Covid-19 pandemic were included in the calculations. Furthermore, the external valuers performed a sensitivity analysis by adjusting the cap rate, discount rate and vacancy rate up and down by 100bps.

In determining the property values regard was had for the fact that, due to the current Covid-19 pandemic, market activity is being impacted in many sectors. Due to Covid-19, a conservative take up of the vacant space has been assumed likewise a conservative view has been taken on probable market rentals. Market rental growth has been adjusted downward from an industry average of 5% to 3 – 4%. Refer to note 4 for more information on the Covid-19 pandemic impact on the valuations of these properties.

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

		Group		Company	
		2021 Rm	**2020 Rm**	**2021 Rm**	**2020 Rm**
3	**Owner-occupied properties** continued				
3.2	**Right-of-use assets**				
	Carrying amount at beginning	**166**	–	**275**	–
	Recognised on 1 July 2019 on adoption of IFRS 16	**–**	225	**–**	352
	Additions	**39**	39	**10**	39
	Disposals	**(3)**	–	**–**	–
	Business combinations	**–**	(67)	**–**	(82)
	Depreciation charges	**(73)**	–	**(85)**	–
	Impairment	**–**	(34)	**–**	(34)
	Modifications	**1**	–	**2**	–
	Sale of business	**(25)**	–	**–**	–
	Exchange differences	**(3)**	3	**–**	–
	Carrying amount at end	**102**	166	**202**	275
4	**Investment properties**				
	Refer to note 47 para 6 and 15 for the accounting policies relating to this note.				
4.1	**Owned investment properties**	**8 885**	9 019	**5 656**	6 797
4.2	**Right-of-use assets**	**11**	11	**–**	–
		8 896	9 030	**5 656**	6 797
4.1	**Owned investment properties**				
	At 30 June, investment properties comprised the following property types:				
	Shopping malls	**2 775**	3 642	**2 412**	3 319
	Office buildings	**5 830**	5 021	**2 871**	3 027
	Industrial	**231**	279	**231**	279
	Hotels	**257**	263	**257**	262
	Vacant land	**56**	58	**25**	25
	Other	**79**	78	**69**	72
	Property at valuation	**9 228**	9 341	**5 865**	6 984
	Accelerated rental income (refer to note 6.3)	**(332)**	(311)	**(209)**	(187)
		8 896	9 030	**5 656**	6 797
	Completed properties				
	Fair value at beginning	**9 019**	9 515	**6 797**	7 163
	Capitalised subsequent expenditure	**273**	204	**138**	86
	Acquisition of subsidiary	**–**	118	**–**	–
	Additions	**159**	73	**–**	74
	Disposals	**(58)**	(105)	**(48)**	(105)
	Revaluations	**(395)**	(860)	**(272)**	(392)
	Change in accelerated rental income	**(19)**	(36)	**(23)**	(29)
	Sale of subsidiary	**(174)**	–	**–**	–
	Transfer to Non-Current Assets Held for Sale	**(129)**		**(936)**	
	Transfer from/(to) owner-occupied properties[1]	**209**	110	**–**	–
	Transfer from investment properties under development	**–**	–	**–**	–
	Fair value at end	**8 885**	9 019	**5 656**	6 797

[1] The current year and prior year relates to the Marc building, Tower 2.

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

Investment properties are classified as level 3.

4 Investment properties (continued)

4.1 Owned investment properties (continued)

Critical accounting estimates and judgements

In the current year all properties were externally valued using an income approach or DCF method based on contractual or market-related rent receivable. In the prior year 55% of the portfolio of the Group were internally valued using a DCF method. Majority of these internal valuations were performed by Eris. The external valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The valuation input is focused on "headline" assumptions including capital and discount rates however the underlying cash flow is based on contractual arrangements where applicable and appropriate market norms. Each valuation is carried out in isolation, the potential effect of the current Covid-19 pandemic was considered and tested in each individual case by looking at factors including current tenant retention, potential market rentals and potential of increased long-term vacancies as well as necessary changes in the capitalisation and discount rates. The valuers carried out extensive market research and also collaborated with the Group's professional peers.

Group	Change in fair value			
	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2021				
Capitalisation rate			**562**	**(446)**
Shopping malls	**7.25% – 11.00%**	**100bps**	**263**	**(206)**
Office buildings	**8.00% – 10.50%**	**100bps**	**258**	**(207)**
Industrial	**9.50% – 11.50%**	**100bps**	**25**	**(20)**
Hotels	**8.50% – 9.00%**	**100bps**	**16**	**(13)**
Discount rate			345	(320)
Shopping malls	12.00% – 14.75%	100bps	160	(148)
Office buildings	12.25% – 15.25%	100bps	155	(144)
Industrial	13.00% – 14.50%	100bps	13	(12)
Hotels	12.50% – 13.75%	100bps	17	(16)
2020				
Capitalisation rate			**532**	**(416)**
Shopping malls	**7.25% – 10.25%**	**100bps**	**255**	**(199)**
Office buildings	**8.00% – 10.50%**	**100bps**	**237**	**(186)**
Industrial	**9.50% – 11.00%**	**100bps**	**23**	**(18)**
Hotels	**8.50% – 8.50%**	**100bps**	**17**	**(13)**
Discount rate			362	(334)
Shopping malls	12.25% – 15.75%	100bps	164	(151)
Office buildings	13.00% – 15.00%	100bps	169	(156)
Industrial	14.00% – 14.50%	100bps	11	(11)
Hotels	13.00% – 13.00%	100bps	18	(16)

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

4 Investment properties (continued)

4.1 Owned investment properties (continued)

Company			Change in fair value	
	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2021				
Capitalisation rate			**479**	**(378)**
Shopping malls	**7.25% – 11.00%**	**100bps**	**245**	**(190)**
Office buildings	**8.00% – 10.50%**	**100bps**	**193**	**(155)**
Industrial	**9.50% – 11.50%**	**100bps**	**25**	**(20)**
Hotels	**8.50% – 9.00%**	**100bps**	**16**	**(13)**
Discount rate			309	(287)
Shopping malls	12.00% – 14.75%	100bps	151	(139)
Office buildings	12.25% – 15.25%	100bps	128	(120)
Industrial	13.00% – 14.50%	100bps	13	(12)
Hotels	12.50% – 13.75%	100bps	17	(16)
2020				
Capitalisation rate			**519**	**(405)**
Shopping malls	**7.25% – 10.25%**	**100bps**	**242**	**(188)**
Office buildings	**8.00% – 10.50%**	**100bps**	**237**	**(186)**
Industrial	**9.50% – 11.00%**	**100bps**	**23**	**(18)**
Hotels	**8.50% – 8.50%**	**100bps**	**17**	**(13)**
Discount rate			357	(329)
Shopping malls	12.25% – 15.75%	100bps	159	(146)
Office buildings	13.00% – 15.00%	100bps	169	(156)
Industrial	14.00% – 14.50%	100bps	11	(11)
Hotels	13.00% – 13.00%	100bps	18	(16)

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

4 Investment properties (continued)

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

Each valuation is carried out in isolation, the potential effect of the current Covid-19 pandemic was considered and tested in each individual case by looking at factors including current tenant retention, potential market rentals and potential of increased long-term vacancies as well as necessary changes in the capitalisation and discount rates. The valuators carried out extensive market research and also collaborated with our professional peers.

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

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

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

Industrial – The industrial sector is still a strong performer with Distribution Centres, Large Warehousing and Multi Parks showing the strongest total return by property type across all sectors. This resulted in more robust market rentals and a steady vacancy rate.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
4.2 Right-of-use assets				
Carrying amount at beginning	11	–	–	–
Recognised on 1 July 2019 on adoption of IFRS 16	–	7	–	–
Additions	–	4	–	–
Revaluation	–	–	–	–
Sale of business	–	–	–	–
Carrying amount at end	11	11	–	–

5 Interest in subsidiaries

Company	Effective % holding 2021 %	Effective % holding 2020 %
Subsidiaries (directly held):		
Collective investment schemes		
At fair value through profit and loss		
Collective investment schemes (note 43)	**Various**	Various
Total collective investment schemes		
Unlisted		
At fair value through profit and loss		
102 Rivonia Road (Pty) Ltd	**80**	80
SMH Land Development (Pty) Ltd	**100**	100
Other unlisted investments in subsidiaries	**Various**	Various
At fair value through other comprehensive income[1,2]		
Momentum Asset Management (Pty) Ltd	**100**	100
Momentum Short-term Insurance Company Ltd	**–**	100
Momentum Multiply (Pty) Ltd	**100**	100
Momentum Wealth International Ltd	**100**	100
Momentum Wealth (Pty) Ltd	**100**	100
129 Rivonia Road (Pty) Ltd[4]	**100**	100
Momentum Alternative Investments (Pty) Ltd	**100**	100
Momentum Life Botswana Ltd	**100**	100
Momentum Alternative Insurance Ltd	**100**	100
Momentum Ability Ltd	**100**	100
Momentum Metropolitan Umhlanga (Pty) Ltd	**100**	100
Momentum Structured Insurance Ltd	**–**	100
MMI Short-term Insurance Administration (Pty) Ltd[3]	**–**	100
Other unlisted investments in subsidiaries	**Various**	Various
Total unlisted subsidiaries		
Total interest in subsidiaries		

1 The investments in these subsidiaries were irrevocably designated at fair value through other comprehensive income as the Company considers these investments to be strategic in nature.

2 During the period, the Company received the following dividends from subsidiaries at fair value through other comprehensive income: R55 million (2020: R45 million) from Momentum Wealth (Pty) Ltd, R35 million (2020: R40 million) from Momentum Asset Management (Pty) Ltd, R51 million (2020: R29 million) from Momentum Wealth International Ltd and R10 million (2020: R10 million) from Momentum Alternative investments (Pty) Ltd.

3 During the current year, the Company sold Momentum Short-term Insurance Company Ltd (MSTI) and MMI Short-term Insurance Administration (Pty) Ltd (MMSTIA) to its fellow subsidiary Momentum Metropolitan Strategic Investments (Pty) Ltd (MMSI). The entities were sold as part of the Group's strategy to restructure and consolidate its short-term insurance businesses into one group within MMSI. MSTI and MMSTIA were sold at their net asset values of R608 million and R148 million, respectively, resulting in no gain or loss on sale. The sale was effective 31 March 2021. The Company also sold its interest in Momentum Structured Insurance Ltd (MSI) to Guardrisk Group (Guardrisk). MSI was sold at its net asset value for R16 million, resulting in no gain or loss on sale. The sale was effective 31 December 2020. MSI was sold as part MMH Group's strategy to move micro-insurance business to Guardrisk.

4 This loan is classified as at fair value through profit or loss and at the reporting date the fair value was R819 million (2020: nil)

Investment by holding company							
Company carrying amount		Amounts owing by/(to) subsidiaries		Carrying amount (including loan account)			
2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	Nature of business	Country of incorporation
89 353	73 575	–	–	89 353	73 575		
89 353	73 575	–	–	89 353	73 575	Unit trusts	South Africa
89 353	73 575	–	–	89 353	73 575		
513	527	62	14	575	541		
329	357	–	–	329	357	Property Investment	South Africa
109	103	(15)	(15)	94	88	Property Investment	South Africa
75	67	77	29	152	96	Various	Various
2 174	2 769	1 288	992	3 462	3 761		
1 116	774	(7)	(6)	1 109	768	Investment Management	South Africa
–	603	40	37	40	640	Short term insurance	South Africa
233	332	51	8	284	340	Client Engagement Services	South Africa
500	512	27	17	527	529	Investment services	Guernsey
–	165	170	134	170	299	Investment Management	South Africa
–	–	819	664	819	664	Property Investment	South Africa
133	64	(2)	(2)	131	62	Investment Management	South Africa
23	26	23	23	46	49	Credit & Group life insurance	Botswana
32	31	–	–	32	31	Short term Insurance	South Africa
33	30	–	–	33	30	Long term Insurance	South Africa
34	26	115	110	149	136	Property Investment	South Africa
–	16	–	–	–	16	Short term insurance	South Africa
–	160	49	7	49	167	Short term insurance admin	South Africa
70	30	3	–	73	30	Various	Various
2 687	3 296	1 350	1 006	4 037	4 302		
92 040	76 871	1 350	1 006	93 390	77 877		

5 Interest in subsidiaries (continued)

Subsidiary and related party provision for expected credit losses

	Relationship	Expected credit loss provision 2021 Rm	Expected credit loss provision 2020 Rm	Impairment expense (reversal) 2021 Rm	Impairment expense (reversal) 2020 Rm
Momentum Wealth (Pty) Ltd	Subsidiary	**100**	–	**100**	(11)
Momentum Metropolitan Umhlanga (Pty) Ltd	Subsidiary	**3**	–	**3**	-5
MMI Short-term Insurance Administration (Pty) Ltd	Subsidiary	**–**	2	**(2)**	-2
Southern Life Property Development (Pty) Ltd	Subsidiary	**2**	2	**–**	–
Momentum Property Investments (Pty) Ltd	Subsidiary	**–**	1	**(1)**	–
Gamaphuteng Enterprises (Pty) Ltd	Subsidiary	**–**	1	**(1)**	–
Landplan Beleggings (Pty) Ltd	Subsidiary	**–**	2	**(2)**	–
Momentum Consultants (Pty) Ltd	Inter-group	**8**	5	**3**	5
Metropolitan International Support (Pty) Ltd	Inter-group	**–**	1	**(1)**	–
Momentum Metropolitan Finance Company (Pty) Ltd	Inter-group	**5**	11	**(6)**	–
Momentum Metropolitan Holdings Ltd	Inter-group	**28**	–	**28**	–
Momentum Metropolitan Strategic Investments (Pty) Ltd	Inter-group	**5**	24	**(19)**	25
Guardrisk Life Ltd	Inter-group	**1**	1	**–**	–
Momentum Thebe Ya Bophelo (Pty) Ltd	Inter-group	**1**	–	**1**	–
Other related parties[1]	Inter-group	**1**	–	**1**	–
		154	53	**101**	12
Total subsidiaries		**105**	11	**94**	(18)
Total inter-group		**49**	42	**7**	30

[1] Expected credit losses and provision for impairment raised on loans of R190million to other related parties

6 Financial assets

Refer to note 47 para 7, 8, 9 and 10 for the accounting policies relating to this note.

The Group classifies its financial assets into the following categories:

- Financial assets at fair value through profit and loss
- Financial assets at amortised cost

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

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

Critical judgements and estimates

Management applies judgement to the valuation of certain level 2 and level 3 financial assets, which include the Group's venture capital investments, where the market is inactive. Refer to note 47 for more information.

The assessment of significant increase in credit risk to calculate the expected credit loss for assets carried at amortised cost is done by determining the risk of default over the expected lifetime of an instrument. Management applies judgement to the probability of default and loss given default. Refer to note 6.6 for more information.

As a result of the adoption of IFRS 10 the Group considers control over the fund manager to be a key aspect in determining whether a scheme is controlled by the Group or not. Where the funds are managed by Group owned fund managers and the Group holds 20% or more in these funds it is viewed to have control of the fund. Where the control criteria are not met, the criteria for joint control and significant influence are considered. Refer to note 43 and note 44 for information on the collective investment schemes classified as subsidiaries or associates.

		Group		Company	
		2021 Rm	Restated 2020 Rm	2021 Rm	Restated 2020 Rm
	The Group's financial assets are summarised below:				
6.1	**Financial assets at fair value through profit and loss**	**429 500**	396 244	**309 871**	288 896
6.2	**Financial assets at amortised cost**	**9 140**	7 951	**5 500**	6 223
6.3	**Insurance and other receivables (excluding accelerated rental income and prepayments)**	**3 169**	2 534	**3 148**	2 515
6.4	**Cash and cash equivalents**	**28 323**	22 098	**18 590**	15 112
	Total financial assets	**470 132**	428 827	**337 109**	312 746
6.1	**Financial assets at fair value through profit and loss**				
	Unit-linked investments	**171 952**	155 875	**161 413**	150 115
	Debt securities	**135 098**	125 355	**98 113**	92 473
	Equity securities	**103 524**	90 863	**41 242**	32 929
	Funds on deposit and other money market instruments	**14 759**	19 235	**6 690**	10 597
	Derivative financial assets	**1 935**	3 366	**1 553**	2 782
	Carry positions	**2 232**	1 550	**860**	–
		429 500	396 244	**309 871**	288 896
	Open-ended	**270 855**	242 699	**204 318**	184 044
	Current	**38 525**	41 968	**18 636**	22 466
	Non-current	**120 120**	111 577	**86 917**	82 386
	1 to 5 years	**44 377**	44 101	**28 582**	29 915
	5 to 10 years	**17 316**	17 645	**12 320**	11 737
	> 10 years	**58 427**	49 831	**46 015**	40 734
		429 500	396 244	**309 871**	288 896

General

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

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

6 Financial assets continued

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments

	2021		Restated 2020	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
Group				
Held for trading	**1 935**	**3 343**	3 366	5 454
Company				
Held for trading	**1 553**	**2 965**	2 782	5 010

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

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

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

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

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

6 Financial assets continued

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments continued

Group	2021 Effective exposure Rm	2021 Assets Rm	2021 Liabilities Rm	Restated 2020 Effective exposure Rm	Restated 2020 Assets Rm	Restated 2020 Liabilities Rm
Derivatives held for trading						
Equity derivatives		339	330		385	1 647
Options, OTC	–	316	316	(8 411)	86	1 646
Options, exchange traded	75	18	–	(128)	21	–
Futures, OTC	–	–	–	–	–	–
Futures, exchange traded	831	1	1	26 243	1	1
Swaps, OTC	(9)	4	13	110	277	–
Interest rate derivatives		1 227	2 133		2 767	2 636
Options, OTC	–	–	–	–	3	–
Options, exchange traded	–	–	–	–	–	–
Futures, OTC	–	–	–	–	–	–
Futures, exchange traded	–	–	–	–	–	–
Swaps, OTC	(971)	1 225	2 133	124	2 735	2 604
Forward rate agreement, OTC	1	2	–	(3)	29	32
Bonds		51	11		61	79
Options, OTC	–	–	–	–	–	–
Options, exchange traded	44	–	–	44	–	–
Futures, OTC	2 696	50	11	(20)	60	79
Futures, exchange traded	(13 954)	1	–	599	1	–
Swaps, OTC	–	–	–	–	–	–
Swaps, exchange traded	–	–	–	–	–	–
Credit derivatives		26	–		33	–
Options, OTC	–	–	–	–	–	–
Swaps, OTC	26	26	–	33	33	–
Currency derivatives		292	869		120	1 092
Options, OTC	–	288	289	174	112	181
Options, exchange traded	1	–	–	(10)	–	–
Futures, OTC	(159)	4	8	316	8	1
Futures, exchange traded	19	–	–	29	–	–
Swaps, OTC	534	–	572	(859)	–	910
Commodity Derivatives		–	–		–	–
Options, Exchange Traded	–	–	–	–	–	–
Futures, Exchange Traded	72	–	–	–	–	–
Total derivative financial instruments		**1 935**	**3 343**		3 366	5 454

6 Financial assets continued

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments continued

Company	2021 Effective exposure Rm	2021 Assets Rm	2021 Liabilities Rm	2020 Effective exposure Rm	2020 Assets Rm	2020 Liabilities Rm
Derivatives held for trading						
Equity derivatives		337	329		212	1 646
Options, OTC	–	316	316	(8 411)	86	1 646
Options, exchange traded	75	17	–	(93)	16	–
Futures, OTC	–	–	–	–	–	–
Futures, exchange traded	761	–	–	25 748	–	–
Swaps, OTC	(9)	4	13	110	110	–
Interest rate derivatives		851	1 803		2 365	2 244
Options, OTC	–	–	–	–	–	–
Swaps, OTC	(972)	849	1 803	124	2 336	2 212
Forward rate agreement, OTC	1	2	–	(3)	29	32
Bonds		50	10		60	80
Options, exchange traded	44	–	–	44	–	–
Futures, OTC	2 696	50	10	(20)	60	80
Futures, exchange traded	1 058	–	–	534	–	–
Credit derivatives		26	–		33	–
Swaps, OTC	26	26	–	33	33	–
Currency derivatives		289	823		112	1 040
Futures, OTC	–	–	–	–	–	–
Options, OTC	–	289	289	(1 183)	112	181
Options, exchange traded	1	–	–	(10)	–	–
Swaps, OTC	534	–	534	(859)	–	859
Futures, exchange traded	19	–	–	29	–	–
Commodity Derivatives		–	–		–	–
Options, Exchange Traded	–	–	–	–	–	–
Futures, Exchange Traded	72	–	–	–	–	–
Total derivative financial instruments	**4 306**	**1 553**	**2 965**	16 043	2 782	5 010

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

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

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

6 Financial assets continued

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments continued

Offsetting

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

	Group		Company	
	2021 Rm	Restated 2020 Rm	2021 Rm	2020 Rm
Derivative financial assets				
Gross and net amounts of recognised financial assets	**1 935**	3 366	**1 553**	2 782
Related amounts not set off in the statement of financial position				
Financial instruments	**(1 655)**	(2 255)	**(1 440)**	(1 783)
Cash collateral received	**(539)**	(919)	**(539)**	(918)
Net amount	**(259)**	192	**(426)**	81
Derivative financial liabilities				
Gross and net amounts of recognised financial liabilities	**3 343**	5 454	**2 965**	5 010
Related amounts not set off in the statement of financial position				
Financial instruments	**(1 655)**	(2 087)	**(1 440)**	(1 783)
Cash collateral received	**(849)**	(733)	**(849)**	(733)
Net amount	**839**	2 634	**676**	2 494

6.2 Financial assets at amortised cost

	Group 2021 Rm	Group Restated 2020 Rm	Company 2021 Rm	Company 2020 Rm
Unsettled trades[1]	**3 282**	2 632	**642**	1 485
Accounts receivable	**1 906**	1 426	**1 077**	860
Less: provision for impairment	**(80)**	(68)	**(76)**	(65)
Funds on deposit and other money market instruments	**226**	–	**113**	–
Less: provision for impairment	**(32)**	–	**(16)**	–
Loans	**3 838**	3 961	**3 760**	3 943
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	**2 406**	2 536	**2 699**	2 717
Less provision for impairment	**(48)**	(41)	**(153)**	(53)
Staff loans	**8**	10	**8**	10
Other related party loans[2]	**191**	206	**190**	205
Less: provision for impairment	**–**	(9)	**(1)**	–
Other loans				
Policy loans	**763**	837	**763**	837
Due from agents, brokers and intermediaries	**399**	382	**399**	382
Less: provision for impairment	**(145)**	(155)	**(145)**	(155)
Other	**264**	195	**–**	–
Total included in financial assets	**9 140**	7 951	**5 500**	6 223
Current	**8 781**	7 638	**5 395**	6 175
Non-current	**359**	313	**105**	48
	9 140	7 951	**5 500**	6 223

1 Unsettled trades result from transactions that Portfolios Managers enter into on behalf of the various subsidiaries in the Group in accordance with the discretionary portfolio management agreements. The Group's accounting policy is to recognise purchases and sales of financial assets on the trade date, ie the date on which the Group commits to purchase or sell the financial asset. All trade transactions that the Group enters into before the last day of the reporting period, ie 30 June, but where the settlement will only occur after the reporting period, are reported as unsettled trades. This is applied to both purchases and sales across all entities in the Group. As a result of the nature of these type of transactions, the unsettled trades balances can fluctuate significantly year-on-year. Where applicable, the offsetting criteria in IAS 32 has been applied.

The prior year included multiple trades with different counterparties entered into over a three day period before 30 June. These trades were part of the normal operating activities of these subsidiaries.

2 R36 million from SASAII, R39 million (2020: R26 million) aYo and R113 million (2020: R179 million) relates to Abland – related parties to MML.

6 Financial assets continued

6.2 Financial assets at amortised cost continued

Group

Reconciliation of expected credit losses	Funds on deposit and other money market instruments[1] Rm	Accounts receivable Rm	Related party loans Rm	Due from agents, brokers and intermediaries Rm	Total Rm
2021					
Balance at beginning	–	(68)	(50)	(155)	(273)
Additional provision	(32)	(35)	(39)	–	(106)
Reversed to the income statement	–	23	33	10	66
Other	–	–	8	–	8
Bad debts written off	–	–	–	–	–
Balance at end	(32)	(80)	(48)	(145)	(305)
2020					
Balance at beginning	–	(47)	(20)	(191)	(258)
Additional provision	–	(25)	(30)	–	(55)
Reversed to the income statement	–	4	–	36	40
Bad debts written off	–	–	–	–	–
Balance at end	–	(68)	(50)	(155)	(273)

[1] An impairment has been raised in the current year in respect of promissory notes held, determined based on 14% of the gross carrying amount. Given significant uncertainty arising from a lack of counterparty information, there is potential for further downside risk to transpire in future. An increase of the impairment to 20% of the gross carrying amount will result in an additional impairment of R14 million.

Company

Reconciliation of expected credit losses	Funds on deposit and other money market instruments Rm	Accounts receivable Rm	Loans due from subsidiaries and fellow MMH subsidiaries Rm	Due from agents, brokers and intermediaries Rm	Total Rm
2021					
Balance at beginning	–	(65)	(53)	(155)	(273)
Additional provision	(16)	(33)	(134)	–	(183)
Reversed to the income statement	–	22	33	10	65
Other	–	–	–	–	–
Balance at end	(16)	(76)	(154)	(145)	(391)
2020					
Balance at beginning	–	(45)	(41)	(191)	(277)
Additional provision	–	(23)	(12)	–	(35)
Reversed to the income statement	–	3	–	36	39
Balance at end	–	(65)	(53)	(155)	(273)

Terms and conditions of material loans

- Loans to Group companies are interest free, repayable on demand, and are unsecured.
- Policy loans are limited to and secured by the underlying value of the unpaid policy benefits. These loans attract interest at rates greater than the current prime rate but limited to 8% (2020: 8%) and have no fixed repayment date.
- Policy loans are tested for impairment against the surrender value of the policy.

Refer to note 6.6 for the split of the credit risk and expected credit loss allowances into stages.

6 Financial assets continued

6.3 Insurance and other receivables

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	3 169	2 533	3 148	2 515
Insurance contract holders	1 796	1 774	1 796	1 772
Cell captives	1	1	–	–
Due from reinsurers	1 368	762	1 348	746
Investment contract holders with DPF	39	32	39	33
Less: provision for impairment	(35)	(36)	(35)	(36)
Related party – Insurance receivables	–	1	–	–
Total included in financial assets	3 169	2 534	3 148	2 515
Accelerated rental income (refer to note 4)	332	311	209	187
Prepayments	127	103	88	84
Total insurance and other receivables	3 628	2 948	3 445	2 786
Current	3 349	2 887	3 264	2 765
Non-current	279	61	181	21
	3 628	2 948	3 445	2 786

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

For insurance related receivables, provision for impairment is made in line with expected lapse rates, or where specific evidence on corporate clients indicates that balances may not be recoverable. Where outstanding balances can be recovered from fund values, no provision is made.

6.4 Cash and cash equivalents

	Group		Company	
	2021 Rm	Restated 2020 Rm	2021 Rm	Restated 2020 Rm
Bank and other cash balances	8 755	8 739	6 681	6 401
Funds on deposit and other money market instruments – maturity < 90 days	19 568	13 359	11 909	8 484
	28 323	22 098	18 590	14 885

6 Financial assets continued

6.5 Financial assets measurement

Group

Financial assets summarised by measurement category in terms of IFRS 9	Fair value through profit and loss Mandatorily Rm	Designated[1] Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
2021						
Unit-linked investments	**171 952**	**–**	**171 952**	**–**	**–**	**171 952**
Debt securities	**42 236**	**92 862**	**135 098**	**–**	**–**	**135 098**
Equity securities[2]	**103 524**	**–**	**103 524**	**–**	**–**	**103 524**
Funds on deposit and other money market instruments	**8 794**	**5 965**	**14 759**	**194**	**–**	**14 953**
Derivative financial assets	**1 935**	**–**	**1 935**	**–**	**–**	**1 935**
Carry positions		**2 232**	**2 232**	**–**	**–**	**2 232**
Financial assets at amortised cost		**–**	**–**	**8 946**	**–**	**8 946**
Insurance and other receivables (excluding accelerated rental and prepayments)	**–**	**–**	**–**	**–**	**3 169**	**3 169**
Cash and cash equivalents	**–**	**–**	**–**	**28 323**	**–**	**28 323**
Total financial assets	**328 441**	**101 059**	**429 500**	**37 463**	**3 169**	**470 132**
Restated 2020						
Unit-linked investments	155 875	–	155 875	–	–	155 875
Debt securities	39 025	86 330	125 355	–	–	125 355
Equity securities[2]	90 863	–	90 863	–	–	90 863
Funds on deposit and other money market instruments	9 584	9 651	19 235	–	–	19 235
Derivative financial assets	3 366	–	3 366	–	–	3 366
Carry positions	–	1 550	1 550	–	–	1 550
Financial assets at amortised cost	–	–	–	7 951	–	7 951
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	2 534	2 534
Cash and cash equivalents	–	–	–	22 098	–	22 098
Total financial assets	298 713	97 531	396 244	30 049	2 534	428 827

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

2 Equity securities are classified as fair value through profit and loss at inception.

6 **Financial assets** continued

6.5 **Financial assets measurement** continued

Company

Financial assets summarised by measurement category in terms of IFRS 9	Fair value through profit and loss Mandatorily Rm	Designated[1] Rm	Total fair value Rm	At fair value through other comprehensive income Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
2021							
Equity securities[2]	**41 242**	**–**	**41 242**	**–**	**–**	**–**	**41 242**
Debt securities	**6 977**	**91 136**	**98 113**	**–**	**–**	**–**	**98 113**
Funds on deposit and other money market instruments	**850**	**5 840**	**6 690**	**–**	**97**	**–**	**6 787**
Unit-linked investments	**161 413**	**–**	**161 413**	**–**	**–**	**–**	**161 413**
Derivative financial assets	**1 553**	**–**	**1 553**	**–**	**–**	**–**	**1 553**
Carry positions	**–**	**860**	**860**	**–**	**–**	**–**	**860**
Financial assets at amortised cost	**–**	**–**	**–**	**–**	**5 403**	**–**	**5 403**
Insurance and other receivables (excluding accelerated rental income and prepayments)	**–**	**–**	**–**	**–**	**–**	**3 148**	**3 148**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**18 590**	**–**	**18 590**
Investments in subsidiaries at fair value	**89 866**	**–**	**89 866**	**2 174**	**–**	**–**	**92 040**
Total financial assets	**301 901**	**97 836**	**399 737**	**2 174**	**24 090**	**3 148**	**429 149**
2020							
Equity securities[2]	32 929	–	32 929	–	–	–	32 929
Debt securities	6 589	85 884	92 473	–	–	–	92 473
Funds on deposit and other money market instruments	1 096	9 501	10 597	–	–	–	10 597
Unit-linked investments	150 115	–	150 115	–	–	–	150 115
Derivative financial assets	2 782	–	2 782	–	–	–	2 782
Financial assets at amortised cost	–	–	–	–	6 223	–	6 223
Insurance and other receivables (excluding accelerated rental income and prepayments)	–	–	–	–	–	2 515	2 515
Cash and cash equivalents	–	–	–	–	15 112	–	15 112
Investments in subsidiaries at fair value	74 102	–	74 102	2 769	–	–	76 871
Total financial assets	267 613	95 385	362 998	2 769	21 335	2 515	389 617

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

2 Equity securities are classified as fair value through profit and loss at inception.

6 Financial assets continued

6.5 Financial assets measurement continued

Business model assessment

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

Life insurance companies

Financial assets mandatorily at fair value through profit and loss

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

Financial assets designated at fair value through profit and loss

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

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

Other companies

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

Consolidated collective investment schemes

A number of collective investments schemes are consolidated into the Group. Refer to note 43 for a list of significant schemes. Majority of these funds are held with an objective of capital growth. For those funds not held for capital growth, a look-through basis was applied to determine the business model. Majority of the underlying assets are sold before maturity and the fund's performance and management fee is based on the fair value of the underlying assets and therefore have been classified mandatorily at fair value through profit and loss.

Impairment

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

6 **Financial assets** continued

6.6 Credit risk

Refer to note 42 for detail on the credit risk management.

Credit risk exposure

The Group's maximum exposure to credit risk is through the following classes of assets, and is equal to their carrying amounts:

	Group		Company	
	2021 Rm	Restated 2020 Rm	2021 Rm	2020 Rm
Financial assets at fair value through profit and loss				
Debt securities	135 098	125 355	98 112	92 473
Stock and loans to government and other public bodies	77 773	62 363	57 979	47 640
Other debt instruments	57 325	62 992	40 133	44 833
Funds on deposit and other money market instruments	14 759	19 235	6 690	10 597
Unit-linked investments (categorised as interest-bearing and money market – refer to note 44)	28 112	27 729	56 294	49 038
Collective investment schemes	25 696	25 714	53 885	47 111
Other unit-linked investments	2 416	2 015	2 409	1 927
Derivative financial assets – Held for trading	1 935	3 366	1 553	2 782
Carry positions	2 232	1 550	860	–
Financial assets at amortised cost	9 140	7 951	5 500	6 223
Unsettled trades	3 282	2 632	642	1 485
Accounts receivable	1 826	1 358	1 001	795
Funds on deposit and other money market instruments	194	–	97	–
Loans	3 838	3 961	3 760	3 943
Insurance and other receivables				
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	3 169	2 534	3 148	2 515
Cash and cash equivalents	28 323	22 098	18 590	14 885
Total assets bearing credit risk	**222 768**	209 818	**190 747**	178 513

All balances relate to unrated counterparties, except for the funds on deposit balance, which relates to promissory notes issued by a B-rated counterparty.

Group

Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2021				
Financial assets at amortised cost				
Unsettled trades	3 282	–	–	3 282
Accounts receivable	1 662	132	112	1 906
Provision for impairment	(5)	(68)	(7)	(80)
Funds on deposit and other money market instruments	–	–	226	226
Provision for impairment	–	–	(32)	(32)
Policy loans	763	–	–	763
Due from agents, brokers and intermediaries	157	–	242	399
Provision for impairment	–	–	(145)	(145)
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	2 107	167	132	2 406
Provision for impairment	(34)	(5)	(9)	(48)
Other related party loans	–	–	191	191
Provision for impairment	–	–	–	–
Staff loans	6	–	2	8
Other	257	–	7	264
	8 195	226	719	9 140

6 Financial assets continued

6.6 Credit risk continued

Group

Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Restated 2020				
Financial assets at amortised cost				
Unsettled trades	2 612	–	20	2 632
Accounts receivable	1 232	151	43	1 426
Provision for impairment	(1)	(59)	(8)	(68)
Debt securities	–	–	–	–
Funds on deposit and other money market instruments	–	–	–	–
Policy loans	837	–	–	837
Due from agents, brokers and intermediaries	137	–	245	382
Provision for impairment	–	–	(155)	(155)
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	1 501	667	368	2 536
Provision for impairment	(12)	(24)	(5)	(41)
Other related party loans	–	–	206	206
Provision for impairment	–	–	(9)	(9)
Staff loans	8	–	2	10
Other	195	–	–	195
Provision for impairment	–	–	–	–
	6 509	735	707	7 951

Company

Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2021				
Financial assets at amortised cost				
Accounts receivable	**905**	**118**	**54**	**1 077**
Provision for impairment	**(5)**	**(65)**	**(6)**	**(76)**
Unsettled trades	**642**	**–**	**–**	**642**
Funds on deposit and other money market instruments	**–**	**–**	**113**	**113**
Provision for impairment	**–**	**–**	**(16)**	**(16)**
Loans				
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries[1]	**2 400**	**167**	**132**	**2 699**
Provision for impairment[1]	**(141)**	**(5)**	**(7)**	**(153)**
Staff loans	**7**	**–**	**1**	**8**
Other related party loans	**–**	**–**	**190**	**190**
Provision for impairment	**–**	**–**	**(1)**	**(1)**
Other loans				
Due from agents, brokers and intermediaries	**157**	**–**	**242**	**399**
Provision for impairment	**–**	**–**	**(145)**	**(145)**
Policy loans	**763**	**–**	**–**	**763**
	4 728	**215**	**557**	**5 500**
Restated 2020				
Financial assets at amortised cost				
Accounts receivable	704	24	132	860
Provision for impairment	–	–	(65)	(65)
Unsettled trades	1 485	–	–	1 485
Loans				
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	1 682	667	368	2 717
Provision for impairment[1]	(21)	(24)	(8)	(53)
Staff loans	8	–	2	10
Other related party loans	205	–	–	205
Other loans				
Due from agents, brokers and intermediaries	137	–	245	382
Provision for impairment	–	–	(155)	(155)
Policy loans	837	–	–	837
	5 037	667	519	6 223

[1] The increase in the provision from last year is mainly due to an expected decrease in Momentum Wealth's profitability.

6 Financial assets continued

6.6 Credit risk continued

Group

Reconciliation of expected credit losses	12 month expected credit losses (Stage 1) Rm	Lifetime expected credit losses (Stage 2) Rm	Lifetime expected credit losses (Stage 3) Rm	Total Rm
2021				
Accounts receivable				
Opening balance	(1)	(59)	(8)	(68)
Movement recognised in the income statement	(4)	(9)	1	(12)
Bad debts written off	–	–	–	–
Closing balance	(5)	(68)	(7)	(80)
Funds on deposit and other money market instruments				
Opening balance	–	–	–	–
Movement recognised in the income statement	–	–	(32)	(32)
Closing balance	–	–	(32)	(32)
Related party loans				
Opening balance	(12)	(24)	(14)	(50)
Transfer between stages	3	–	(3)	–
Movement recognised in the income statement	(25)	19	–	(6)
Other	–	–	8	8
Closing balance	(34)	(5)	(9)	(48)
Due from agents, brokers and intermediaries				
Opening balance	–	–	(155)	(155)
Movement recognised in the income statement	–	–	10	10
Closing balance	–	–	(145)	(145)
2020				
Accounts receivable				
Opening balance	–	–	(47)	(47)
Movement recognised in the income statement	(1)	(59)	39	(21)
Closing balance	(1)	(59)	(8)	(68)
Related party loans				
Opening balance	(12)	–	(8)	(20)
Movement recognised in the income statement	–	(24)	(6)	(30)
Closing balance	(12)	(24)	(14)	(50)
Due from agents, brokers and intermediaries				
Opening balance	–	–	(191)	(191)
Movement recognised in the income statement	–	–	36	36
Closing balance	–	–	(155)	(155)

6 Financial assets continued

6.6 Credit risk continued

Company

Reconciliation of expected credit losses	12 month expected credit losses (Stage 1) Rm	Lifetime expected credit losses (Stage 2) Rm	Lifetime expected credit losses (Stage 3) Rm	Total Rm
2021				
Accounts receivable				
Opening balance	–	–	(65)	(65)
Movement recognised in the income statement	(5)	(65)	59	(11)
Closing balance	(5)	(65)	(6)	(76)
Funds on deposit and other money market instruments				
Opening balance	–	–	–	–
Movement recognised in the income statement	–	–	(16)	(16)
Closing balance	–	–	(16)	(16)
Loans due from subsidiaries and fellow MMH subsidiaries				
Opening balance	(21)	(24)	(8)	(53)
Movement recognised in the income statement	(120)	19	–	(101)
Other	–	–	–	–
Closing balance	(141)	(5)	(8)	(154)
Due from agents, brokers and intermediaries				
Opening balance	–	–	(155)	(155)
Movement recognised in the income statement	–		10	10
Closing balance	–	–	(145)	(145)
Restated 2020				
Accounts receivable				
Opening balance	–	–	(45)	(45)
Movement recognised in the income statement	–	–	(20)	(20)
Closing balance	–	–	(65)	(65)
Loans due from subsidiaries and fellow MMH subsidiaries				
Opening balance	(37)	–	(4)	(41)
Movement recognised in the income statement	16	(24)	(4)	(12)
Closing balance	(21)	(24)	(8)	(53)
Due from agents, brokers and intermediaries				
Opening balance	–	–	(191)	(191)
Movement recognised in the income statement	–	–	36	36
Closing balance	–	–	(155)	(155)

The changes in the expected credit loss allowances due to significant increases in credit risk was not considered to be significant in the current or prior year.

6 **Financial assets** continued

6.6 **Credit risk** continued

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

6 **Financial assets** continued

6.6 **Credit risk** continued

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

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

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

6 **Financial assets** continued

6.6 **Credit risk** continued

Credit quality

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

Group	AAA Rm	AA Rm	A Rm	BBB Rm	BB Rm	B Rm	CCC Rm	Unrated Rm	Total Rm
2021									
Financial assets at fair value through profit and loss									
Debt securities									
Stock and loans to government and other public bodies	**67 543**	**7 000**	**1 697**	**235**	**7**	**1 115**	**176**	**–**	**77 773**
Other debt instruments	**8 234**	**31 921**	**7 037**	**2 007**	**345**	**139**	**91**	**7 551**	**57 325**
Derivative financial assets	**201**	**1 578**	**6**	**2**	**–**	**–**	**–**	**148**	**1 935**
Carry positions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2 232**	**2 232**
Cash and cash equivalents and funds on deposit and money market instruments	**12 817**	**27 440**	**2 162**	**50**	**13**	**22**	**–**	**578**	**43 082**
Other unrated instruments									
Other financial assets at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9 140**	**9 140**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3 169**	**3 169**
Unit-linked investments[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28 112**	**28 112**
	88 795	**67 939**	**10 902**	**2 294**	**365**	**1 276**	**267**	**50 930**	**222 768**
2020									
Financial assets at fair value through profit and loss									
Debt securities									
Stock and loans to government and other public bodies	53 127	6 807	841	1 309	47	232	–	–	62 363
Other debt instruments	13 467	36 906	8 207	1 512	593	285	–	2 022	62 992
Derivative financial assets	1 314	1 709	10	–	–	–	–	333	3 366
Carry positions	–	–	–	–	–	–	–	1 550	1 550
Cash and cash equivalents and funds on deposit and money market instruments	7 431	29 369	2 894	85	344	6	–	1 431	41 560
Other unrated instruments									
Other financial assets at amortised cost	–	–	–	–	–	–	–	7 951	7 951
Insurance and other receivables	–	–	–	–	–	–	–	2 534	2 534
Unit-linked investments[1]	–	–	–	–	–	–	–	27 729	27 729
	75 339	74 791	11 952	2 906	984	523	–	43 550	210 045

[1] Refer to note 44 for detail on unit-linked investments and note 42 for credit risk management relating to unit-linked investments.

6 Financial assets continued

6.6 Credit risk continued

Credit quality continued

Company	AAA Rm	AA Rm	A Rm	BBB Rm	BB Rm	B Rm	CCC Rm	Unrated Rm	Total Rm
2021									
Financial assets at fair value through profit and loss									
Debt securities									
Stock and loans to government and other public bodies	50 753	4 800	1 540	–	7	703	176	–	57 979
Other debt instruments	7 862	20 544	4 454	254	114	203	91	6 611	40 133
Derivative financial instruments	202	1 291	–	2	–	–	–	58	1 553
Carry positions	–	–	–	–	–	–	–	860	860
Cash and cash equivalents and funds on deposit	7 898	16 855	423	50	8	1	–	45	25 280
Other unrated instruments									
Financial assets at amortised cost	–	–	–	–	–	–	–	5 500	5 500
Insurance and other receivables	–	–	–	–	–	–	–	3 148	3 148
Unit-linked investments[1]	–	–	–	–	–	–	–	56 294	56 294
	66 715	43 490	6 417	306	129	907	267	72 516	190 747
2020									
Financial assets at fair value through profit and loss									
Debt securities									
Stock and loans to government and other public bodies	40 770	5 345	682	714	42	87	–	–	47 640
Other debt instruments	12 601	25 390	5 101	75	383	161	–	1 122	44 833
Derivative financial instruments	1 313	1 393	–	–	–	–	–	76	2 782
Cash and cash equivalents and funds on deposit	5 597	19 609	167	–	183	6	–	147	25 709
Other unrated instruments									
Financial assets at amortised cost	–	–	–	–	–	–	–	6 223	6 223
Insurance and other receivables	–	–	–	–	–	–	–	2 515	2 515
Unit-linked investments[1]	–	–	–	–	–	–	–	49 038	49 038
	60 281	51 737	5 950	789	608	254	–	59 121	178 740

[1] Refer to note 44 for detail on unit-linked investments and note 42 for credit risk management relating to unit-linked investments.

6 Financial assets continued

6.6 Credit risk continued

Credit quality of reinsurers

The table below represent the reinsured proportion of all the business reinsured as well as their respective international Fitch credit ratings or equivalent thereof when Fitch ratings are not available.

Group	2021		2020	
Reinsurer	Reinsured portion – %	Credit rating	Reinsured portion – %	Credit rating
Swiss Re	28%	AA-	27%	AA-
General Cologne Re	18%	AA+	20%	AA+
Hannover Re	4%	AA-	4%	AA-
RGA Re	15%	AA-	14%	AA-
Munich Re	31%	AA-	31%	AA-
Other	4%	AA-	4%	A
	100%		100%	

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

	0 – 90 days Rm	90 days – 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
2021					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	530	59	11	13	613
2020					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	590	17	5	13	625

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

6 Financial assets continued

6.6 Credit risk continued

Credit quality of reinsurers continued

Company

	2021		2020	
Reinsurer	Reinsured portion – %	Credit rating	Reinsured portion – %	Credit rating
Swiss Re	30%	AA-	29%	AA-
General Cologne Re	20%	AA+	21%	AA+
Hannover Re	4%	AA-	4%	AA-
RGA Re	16%	AA-	15%	AA-
Munich Re	26%	AA-	27%	AA-
Other	5%	AA-	4%	A
	100%		100%	

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

	0 – 90 days Rm	90 days – 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
2021					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	524	59	11	13	607
2020					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	583	17	5	13	618

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

6 Financial assets continued

6.7 Financial assets hierarchy

Refer to note 46 for the valuation techniques relating to this note.

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

Group	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2021				
Securities at fair value through profit and loss	325 120	100 147	4 233	429 500
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted	107 062	882	–	107 944
Foreign unlisted or listed quoted	48 670	36	–	48 706
Foreign unlisted unquoted	–	1 161	321	1 482
Other unit-linked investments				
Local unlisted or listed quoted	3 310	17	–	3 327
Local unlisted unquoted	–	7 720	2 387	10 107
Foreign unlisted or listed quoted	180	–	–	180
Foreign unlisted unquoted	–	16	190	206
Debt securities				
Stock and loans to government and other public bodies				
Local listed	60 896	10 982	819	72 697
Foreign listed	1 548	33	2	1 583
Unlisted	–	3 400	93	3 493
Other debt instruments				
Local listed	–	35 594	9	35 603
Foreign listed	–	866	–	866
Inter-company	–	–	–	–
Unlisted	–	20 544	312	20 856
Equity securities				
Local listed	68 833	–	1	68 834
Foreign listed	34 583	–	–	34 583
Unlisted	–	13	94	107
Funds on deposit and other money market instruments	–	14 754	5	14 759
Carry positions	–	2 232	–	2 232
Derivative financial assets – Held for trading	38	1 897	–	1 935
	325 120	100 147	4 233	429 500

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

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

6 Financial assets continued

6.7 Financial assets hierarchy continued

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Restate 2020				
Securities at fair value through profit and loss	281 152	111 864	3 228	396 244
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted	98 246	648	–	98 894
Foreign unlisted or listed quoted	43 454	51	159	43 664
Foreign unlisted unquoted	–	580	425	1 005
Other unit-linked investments				
Local unlisted or listed quoted	1 873	62	–	1 935
Local unlisted unquoted	–	8 223	1 849	10 072
Foreign unlisted or listed quoted	20	–	–	20
Foreign unlisted unquoted	–	70	216	286
Debt securities				
Stock and loans to government and other public bodies				
Local listed	46 041	11 762	–	57 803
Foreign listed	55	31	3	89
Unlisted	–	3 866	–	3 866
Other debt instruments				
Local listed	208	36 093	22	36 323
Foreign listed	314	670	–	984
Unlisted	–	25 848	442	26 290
Equity securities				
Local listed	59 166	4	1	59 171
Foreign listed	31 585	1	–	31 586
Unlisted	–	–	106	106
Funds on deposit and other money market instruments	–	19 230	5	19 235
Carry positions	–	1 550	–	1 550
Derivative financial assets – Held for trading	190	3 175	–	3 365
	281 152	111 864	3 228	396 244

1 Collective investment schemes are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

6 Financial assets continued

6.7 Financial assets hierarchy continued

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2021				
Securities at fair value through profit and loss	235 982	68 781	5 108	309 871
Equity securities				
Local listed	38 736	–	1	38 737
Foreign listed	2 393	–	–	2 393
Unlisted	–	13	99	112
Debt securities				
Stock and loans to government and other public bodies				
Local listed	45 853	8 242	553	54 648
Foreign listed	–	33	–	33
Unlisted	–	2 436	861	3 297
Other debt instruments				
Local listed	–	17 440	9	17 449
Foreign listed	–	477	–	477
Unlisted	–	21 279	929	22 208
Funds on deposit and other money market instruments	–	6 690	–	6 690
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted	105 739	843	–	106 582
Foreign unlisted or listed quoted	39 863	35	–	39 898
Foreign unlisted unquoted	–	1 161	127	1 288
Other unit-linked investments				
Local unlisted or listed quoted	3 265	17	–	3 282
Local unlisted unquoted	–	7 721	2 339	10 060
Foreign unlisted or listed quoted	98	–	–	98
Foreign unlisted unquoted	–	16	190	206
Carry positions	–	860	–	860
Derivative financial assets – Held for trading	35	1 518	–	1 553
Interest in subsidiaries	88 807	–	3 233	92 040
At fair value through profit and loss	88 807	–	1 059	89 866
At fair value through other comprehensive income	–	–	2 174	2 174
	324 789	68 781	8 341	401 911

[1] Classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

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6 Financial assets continued

6.7 Financial assets hierarchy continued

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2020				
Securities at fair value through profit and loss	206 290	79 259	3 347	288 896
Equity securities				
Local listed	31 073	4	1	31 078
Foreign listed	1 740	–	–	1 740
Unlisted	–	–	111	111
Debt securities				
Stock and loans to government and other public bodies				
Local listed	34 910	9 016	–	43 926
Foreign listed	–	31	–	31
Unlisted	–	3 683	–	3 683
Other debt instruments				
Local listed	–	18 979	19	18 998
Foreign listed	–	424	–	424
Unlisted	–	24 525	886	25 411
Funds on deposit and other money market instruments	–	10 597	–	10 597
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted	95 072	364	–	95 436
Foreign unlisted or listed quoted	41 691	42	–	41 733
Foreign unlisted unquoted	–	577	157	734
Other unit-linked investments				
Local unlisted or listed quoted	1 786	45	–	1 831
Local unlisted unquoted	–	8 135	1 958	10 093
Foreign unlisted or listed quoted	2	–	–	2
Foreign unlisted unquoted	–	71	215	286
Derivative financial assets – Held for trading	16	2 766	–	2 782
Interest in subsidiaries	73 045	–	3 826	76 871
At fair value through profit and loss	73 045	–	1 057	74 102
At fair value through other comprehensive income	–	–	2 769	2 769
	279 335	79 259	7 173	365 767

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

6 Financial assets continued

6.7 Financial assets hierarchy continued

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

Group	At fair value through profit and loss Unit-linked investments Rm	Debt securities Rm	Equity securities Rm	Funds on deposit and other money market instruments Rm	Total Rm
2021					
Opening balance	**2 649**	**467**	**107**	**5**	**3 228**
Transfer to assets relating to disposal groups held for sale	**–**	**–**	**–**	**–**	**–**
Transfer from other asset classes	**–**	**–**	**–**	**–**	**–**
Total gains/(losses) in net realised and unrealised fair value gains in the income statement					**–**
Realised (losses)/gains	**(11)**	**(6)**	**(4)**	**–**	**(21)**
Unrealised gains/(losses)	**95**	**(187)**	**(50)**	**–**	**(142)**
Total gains/(losses) in statement of other comprehensive income	**–**	**–**	**–**	**–**	**–**
Accrued interest in investment income in the income statement	**–**	**34**	**–**	**–**	**34**
Purchases	**574**	**1 126**	**41**	**–**	**1 741**
Sales	**(424)**	**(788)**	**–**	**–**	**(1 212)**
Settlements	**(10)**	**(170)**	**–**	**–**	**(180)**
Transfers into level 3 from level 1[1]	**–**	**–**	**1**	**–**	**1**
Transfers into level 3 from level 2[1]	**25**	**759**	**–**	**–**	**784**
Transfers out of level 3 into level 1	**–**	**–**	**–**	**–**	**–**
Closing balance	**2 898**	**1 235**	**95**	**5**	**4 233**
2020					
Opening balance	2 153	585	97	8	2 843
Transfer to assets relating to disposal groups held for sale	–	–	–	–	–
Transfer from other asset classes					–
Total gains/(losses) in net realised and unrealised fair value gains in the income statement	–	–	–	–	–
Realised (losses)/gains	3 051	60	(50)	–	3 061
Unrealised gains/(losses)	(402)	(51)	41	(3)	(415)
Accrued interest in investment income in the income statement	–	2	–	–	2
Purchases	4 450	681	–	–	5 131
Sales	(6 745)	(862)	(11)	–	(7 618)
Settlements	–	(37)	–	–	(37)
Transfers into level 3[1]	142	89	30	–	261
Closing balance	2 649	467	107	5	3 228

[1] Transfers into level 3 equity securities and unit-linked investments relates mainly to assets with stale prices in the current and prior year. Debt securities of R759 million were transferred from level 2 to level 3 due to fair value adjustments processed due to recoverability and credit risk.

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

6 Financial assets continued

6.7 Financial assets hierarchy continued

Company	Securities at fair value through profit and loss Equity securities Rm	Debt securities Rm	Unit-linked invest-ments Rm	Interest in subsidiaries At fair value through profit and loss Rm	At fair value through other com-prehensive income Rm	Total Rm
2021						
Opening balance	**112**	**905**	**2 330**	**1 057**	**2 769**	**7 173**
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	**(4)**	**6**	**(10)**	**–**	**–**	**(8)**
Unrealised gains/(losses)	**(42)**	**446**	**98**	**(33)**	**–**	**469**
Total gains/(losses) in other comprehensive income	**–**	**–**	**–**	**–**	**(479)**	**(479)**
Accrued interest in investment income in the income statement	**–**	**87**	**–**	**–**	**–**	**87**
Purchases	**33**	**893**	**499**	**25**	**656**	**2 106**
Sales	**–**	**(567)**	**(276)**	**–**	**(772)**	**(1 615)**
Settlements	**–**	**(177)**	**(10)**	**10**	**–**	**(177)**
Transfers into level 3 from level 1[1]	**1**	**–**	**–**	**–**	**–**	**1**
Transfers into level 3 from level 2[1]	**–**	**759**	**25**	**–**	**–**	**784**
Transfers out of level 3 into level 1	**–**	**–**	**–**	**–**	**–**	**–**
Closing balance	**100**	**2 352**	**2 656**	**1 059**	**2 174**	**8 341**
2020						
Opening balance	101	1 556	1 847	961	2 657	7 122
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	(39)	24	3 052	(83)	–	2 954
Unrealised gains/(losses)	41	(680)	(423)	55	–	(1 007)
Total gains/(losses) in other comprehensive income	–	–	–	–	107	107
Accrued interest in investment income in the income statement	–	50	–	–	–	50
Purchases	1	688	4 449	211	5	5 354
Sales/settlements	(11)	(808)	(6 741)	(87)	–	(7 647)
Transfers into level 3[1]	19	75	146	–	–	240
Transfers out of level 3	–	–	–	–	–	–
Closing balance	112	905	2 330	1 057	2 769	7 173

[1] Transfers into level 3 equity securities and unit-linked investments relates mainly to assets with stale prices in the current and prior year. Debt securities of R759 million were transferred from level 2 to level 3 due to fair value adjustments processed due to recoverability and credit risk.

6 Financial assets continued

6.7 Financial assets hierarchy continued

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

Group	At fair value through profit and loss	
	Unit-linked investments Rm	Debt securities Rm
2021		
Carrying amount	**2 898**	**1 235**
Assumption change	**10% increase/ (decrease) in unit price**	**1% increase/ (decrease) in discount rates**
Effect of increase in assumption	**290**	**12**
Effect of decrease in assumption	**(290)**	**(12)**
2020		
Carrying amount	2 649	467
Assumption change	10% increase/ (decrease) in unit price	1% increase/ (decrease) in discount rates
Effect of increase in assumption	265	5
Effect of decrease in assumption	(265)	(5)

Company	At fair value through profit and loss			At fair value through other comprehensive income
	Debt securities Rm	Unit-linked investments Rm	Interest in subsidiaries Rm	Interest in subsidiaries Rm
2021				
Carrying amount	**2 352**	**2 656**	**1059**	**2 174**
Assumption change	**1% increase/ (decrease) in discount rates**	**10% increase/ (decrease) in unit price**	**10% increase/ (decrease) in fair value of assets/liabilities**	**10% increase/ (decrease) in fair value of assets/ liabilities**
Effect of increase in assumption	**(24)**	**266**	**106**	**217**
Effect of decrease in assumption	**24**	**(266)**	**(106)**	**(217)**
2020				
Carrying amount	905	2 330	1 057	2 769
Assumption change	1% increase/ (decrease) in discount rates	10% increase/ (decrease) in unit price	10% increase/ (decrease) in fair value of assets/ liabilities	10% increase/ (decrease) in fair value of assets/liabilities
Effect of increase in assumption	(9)	233	106	277
Effect of decrease in assumption	9	(233)	(106)	(277)

6 Financial assets continued

6.7 Financial assets hierarchy continued

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

	2021		Restated 2020	
Group	**Carrying amount Rm**	**Fair value Rm**	**Carrying amount Rm**	**Fair value Rm**
Financial assets at amortised cost	**9 140**	**9 111**	7 951	7 930
Unsettled trades	**3 282**	**3 282**	2 632	2 632
Accounts receivable	**1 826**	**1 826**	1 358	1 358
Funds on deposit and other money market instruments	**194**	**194**	–	–
Loans	**3 838**	**3 809**	3 961	3 940
Insurance and other receivables (excluding accelerated rental income and prepayments)	**3 169**	**3 169**	2 534	2 534
Cash and cash equivalents	**28 323**	**28 323**	22 098	22 098
	40 632	**40 603**	32 583	32 562
Company				
Assets				
Financial assets at amortised cost	**5 500**	**5 471**	6 223	6 202
Accounts receivable	**1 001**	**1 001**	795	795
Unsettled trades	**642**	**642**	1 485	1 485
Funds on deposit and other money market instruments	**97**	**97**	–	–
Loans	**3 760**	**3 731**	3 943	3 922
Insurance and other receivables (excluding accelerated rental income and prepayments)	**3 148**	**3 148**	2 515	2 515
Cash and cash equivalents	**18 590**	**18 590**	15 112	15 112
	27 238	**27 209**	23 850	23 829

Calculation of fair value

- For unsettled trades, accounts receivables, insurance and other receivables and cash and cash equivalents, the carrying amount approximates fair value due to their short-term nature.
- For policy loans, the fair value of R734 million (2020: R816 million) is the discounted amount of the estimated future cash flows to be received, based on monthly repayments of between 15 and 30 months. The expected cash flows are discounted using a rate of 10.45% (2020: 10.55%).
- For the remainder of the loans, the carrying amount approximates fair value due to their short-term nature.
- The fair values in the above table are level 2.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
7 Reinsurance contract assets				
Refer to note 47 para 10 for the accounting policies relating to this note.				
Reinsurance asset relating to cell captive business	–	2	–	–
Reinsurance asset relating to long-term insurance	1 356	1 274	1 356	1 275
Prepaid reinsurance	956	881	956	881
	2 312	2 157	2 312	2 156
Balance at beginning	2 157	2 132	2 156	2 131
Sale of business	(7)	–	–	–
Movement charged to income statement	157	26	157	25
Attributable to non-cell captive business	171	33	157	25
Attributable to cell captive business	(14)	(7)	–	–
Other	5	(1)	–	–
Balance at end	2 312	2 157	2 313	2 156
Current	1 391	1 229	1 369	1 202
Non-current	921	928	944	954
	2 312	2 157	2 313	2 156

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

Amounts due from reinsurers in respect of claims incurred by the Group on contracts that are reinsured are included in insurance and other receivables. Refer to note 6.3.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
8 Assets relating to disposal groups held for sale				
Assets relating to disposal groups held for sale				
Owner-occupied properties	–	–	–	633
Investment properties	129	–	936	–
	129	–	936	633
Segmental allocation of assets				
Momentum Life	29	–	209	–
Metropolitan Life	54	–	392	–
Momentum Investments	5	–	36	–
Momentum Corporate	33	–	242	–
Shareholders	8	–	57	633
	129	–	936	633

The Group is in the process of selling three investment properties and it is expected that the transaction will be completed in the next 12 months.

The Company is in the process of transferring certain investment properties into a qualified hedge investment fund and it is expected to be completed in the next 12 months. This has no impact on the Group.

The prior year company assets relating to disposal groups held for sale, related to the intention to sell owner-occupied buildings to a subsidiary of the Company, which was completed in the current year. Owner-occupied properties relating to disposal groups held for sale are classified as level 3 (refer to note 3).

		Group		Company	
		2021 Rm	2020 Rm	2021 Rm	2020 Rm
9	**Insurance contracts**				
9.1	**Long-term insurance contracts**				
9.1.1	Long-term insurance contract liabilities	**115 118**	102 807	**115 639**	103 499
9.1.2	Liabilities to third-party cell captive owners	**53**	52	**–**	–
		115 171	102 859	**115 639**	103 499
	Capitation contracts	**–**	–	**–**	–
	Total	**115 171**	102 859	**115 639**	103 499
	Current	**34 490**	29 498	**34 807**	29 973
	Non-current	**80 681**	73 361	**80 832**	73 526
		115 171	102 859	**115 639**	103 499
	Movement in long-term insurance contracts				
9.1.1	**Long-term insurance contract liabilities**				
	Balance at beginning	**102 807**	109 510	**103 499**	110 233
	Transfer to policyholder liabilities under insurance contracts	**12 289**	(6 703)	**12 118**	(6 734)
	Increase in retrospective liabilities	**3 922**	(2 220)	**3 757**	(2 235)
	Unwind of discount rate	**2 382**	3 612	**2 382**	3 611
	Expected release of margins	**(2 662)**	(2 963)	**(2 659)**	(2 962)
	Expected cash flows	**(4 353)**	(4 378)	**(4 335)**	(4 370)
	Change in economic assumptions	**2 088**	(1 034)	**2 088**	(1 035)
	Change in non-economic assumptions	**876**	700	**876**	700
	New business	**4 473**	2 224	**4 448**	2 202
	Experience variances	**5 563**	(2 644)	**5 561**	(2 645)
	Other	**22**	–	**22**	–
	Balance at end	**115 118**	102 807	**115 639**	103 499
9.1.2	**Liabilities to third-party cell captive owners**				
	Balance at beginning	**52**	40	**–**	–
	Charge to the income statement	**(21)**	(16)	**–**	–
	Net cash flows	**160**	203	**–**	–
	Changes in share capital, dividends and other items relating to cell captives[1]	**(138)**	(175)	**–**	–
	Balance at end	**53**	52	**–**	–

[1] Relates mainly to cell captive expenses like binder fees, administration fees and commission as well as dividends paid to cell owners.

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
9 Insurance contracts continued				
9.2 Non-life insurance contracts				
9.2.1 Unearned premium provision	–	28	–	–
9.2.2 Outstanding claims	–	225	–	–
Total	–	253	–	–
Current	–	225	–	–
Non-current	–	28	–	–
	–	253	–	–
Movement in non-life insurance contracts				
9.2.1 Unearned premium provision				
Balance at beginning	**28**	2	–	–
Movement in unearned premium provision				
Premium income received	**3**	26	–	–
Sale of subsidiary	**(31)**	–	–	–
Balance at end	–	28	–	–
9.2.2 Outstanding claims				
Balance at beginning	**225**	197	–	–
Increase in outstanding claims	**84**	28	–	–
Sale of subsidiary	**(309)**	–	–	–
Balance at end	–	225	–	–

Refer to note 11 for the assumptions and estimates used.

		Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
10	**Investment contracts**				
	Refer to note 47 para 10 for the accounting policies relating to this note.				
10.1	**Investment contracts with DPF**	**17 228**	16 563	**17 228**	16 563
10.2	**Investment contracts designated at fair value through profit and loss**	**273 916**	244 195	**270 558**	241 431
10.2.1	**Investment contract liabilities designated at fair value through profit and loss**	**272 410**	242 949	**270 558**	241 431
10.2.2	**Liabilities to first-party cell captive owners**	**1 506**	1 246	**–**	–
	Total investment contract liability	**291 144**	260 758	**287 786**	257 994
	Movement in investment contracts with DPF				
10.1	**Investment contracts with DPF**				
	Balance at beginning	**16 563**	18 632	**16 563**	18 632
	Transfer to policyholder liabilities under investment contracts with DPF	**521**	(2 069)	**521**	(2 069)
	(Decrease)/Increase in retrospective liabilities	**548**	(2 118)	**548**	(2 118)
	Unwind of discount rate	**4**	9	**4**	9
	Expected release of margins	**(28)**	(39)	**(28)**	(38)
	Expected cash flows	**37**	42	**37**	42
	Change in economic assumptions	**1**	1	**1**	1
	Change in non-economic assumptions	**(20)**	92	**(20)**	92
	New business	**3**	7	**3**	7
	Experience variances	**(24)**	(63)	**(24)**	(64)
	Other	**144**	–	**144**	
	Balance at end	**17 228**	16 563	**17 228**	16 563
	Current	**15 836**	15 302	**15 836**	15 302
	Non-current	**1 392**	1 261	**1 392**	1 261
		17 228	16 563	**17 228**	16 563
	Movement in investment contracts designated at fair value through profit and loss				
10.2	**Investment contracts designated at fair value through profit and loss**				
10.2.1	**Investment contract liabilities designated at fair value through profit and loss**				
	Balance at beginning	**242 949**	235 923	**241 431**	234 721
	Contract holder movements	**29 799**	6 717	**29 127**	6 710
	Deposits received	**40 303**	35 052	**40 114**	34 916
	Contract benefit payments	**(40 527)**	(31 240)	**(40 472)**	(31 090)
	Fees on investment contracts	**(2 920)**	(2 854)	**(2 920)**	(2 912)
	Fair value adjustment to policyholder liabilities under investment contracts	**33 022**	5 796	**32 475**	5 796
	Changes in share capital, dividends and other items relating to cell captives	**(79)**	(37)	**(70)**	–
	Other	**–**	–	**–**	–
	Exchange differences	**(338)**	309	**–**	–
	Balance at end	**272 410**	242 949	**270 558**	241 431

	Group		Company	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
10 Investment contracts continued				
10.2 Investment contracts designated at fair value through profit and loss continued				
10.2.2 Liabilities to first-party cell captive owners				
Balance at beginning	**1 246**	1 330	**–**	–
Contract holder movements	**260**	(84)	**–**	–
Deposits received	**202**	(3)	**–**	–
Contract benefit payments	**(47)**	(48)	**–**	–
Fees on investment contracts	**(3)**	(2)	**–**	–
Fair value adjustment to policyholder liabilities under investment contracts	**108**	(11)	**–**	–
Changes in share capital, dividends and other items relating to cell captives	**–**	(20)	**–**	–
Balance at end	**1 506**	1 246	**–**	–
Current	**135 286**	126 176	**131 821**	123 293
Non-current	**138 630**	118 019	**138 737**	118 138
	273 916	244 195	**270 558**	241 431

The instruments in note 10.2 would have been classified as financial liabilities at amortised cost under IFRS 9 had they not been designated at fair value through profit and loss.

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

Refer to note 11 for the assumptions and estimates used.

11 Contract holder liabilities – assumptions and estimates

The actuarial value of policyholder liabilities arising from long-term insurance contracts is determined using the FSV method as described in the actuarial guidance note SAP 104 of the ASSA – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers. The valuation of contract holder liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies in note 47 para 10.

The assumptions are set as follows:

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

The liabilities at 30 June 2021 would have been R7 666 million (2020: R7 520 million) lower for the Group without the discretionary margins. This impact is shown gross of transfer tax.

11 Contract holder liabilities – assumptions and estimates continued

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

Mortality

- Individual smoothed bonus and non-profit business: Mortality assumptions are based on internal investigations into mortality experience. These are monitored annually, with the most recent investigation being in respect of the period ended October 2020 for Metropolitan Life and June 2020 for Momentum Life and Investment business. More recent experience that includes the impact of Covid has been excluded when setting long-term assumptions.
- Conventional with-profit business (excluding home service funeral business): Regular mortality investigations are carried out, with the most recent investigations being in respect of the period ended June 2020 for MML retail businesses.
- Home service business: Mortality assumptions are based on internal investigations into mortality experience, with the most recent investigation being for the period 2011 to 2016 for Metropolitan Life business.
- Annuity business: Mortality assumptions for Metropolitan Life annuity business are based on internal experience investigations. The most recent investigation was completed for the period ending 31 December 2018. The Momentum Investments annuitant mortality basis is derived from the RMV 92, RFV 92 and 2002 South African Annuitant standard mortality tables, adjusted for experience. The most recent investigation was in respect of the period to June 2020. Mortality assumptions for employee benefits contracts within the Momentum Corporate segment are based on the 2002 South African Annuitant mortality tables adjusted for experience. The most recent investigation was in respect of the period to December 2020. An explicit allowance is made for mortality improvements.
- Where appropriate, allowance for changes in future mortality as a result of AIDS for Individual life business has been made using models compliant with ASSA APN 105.

Morbidity

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

Persistency

- Lapse and surrender assumptions are based on past experience. When appropriate, account is also taken of expected future trends (including the effect of expected premium reviews).
- Lapse investigations are performed at least annually for MML retail business, the most recent being in respect of the period ended November 2020 for Metropolitan Life business and June 2020 for Momentum Life and Investments business.
- Surrender investigations are performed at least annually for MML retail business, the most recent being in respect of the period ended March 2021 for Metropolitan Life business and June 2020 for Momentum Life and Investments business.
- Experience is analysed by product type as well as policy duration, distribution channel and smoker status.

Expenses

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

- Provision for future renewal expenses starts at a level consistent with the budgeted expense for the 2022 financial year and allows for escalation at the assumed expense inflation rate.
- Asset management expenses are expressed as an annual percentage of assets under management.

11 Contract holder liabilities – assumptions and estimates continued

Investment returns and inflation

- Market-related information is used to derive assumptions in respect of investment returns, discount rates used in calculating contract holder liabilities and renewal expense inflation.
- These assumptions take into account the notional long-term asset mix backing each liability type and are suitably adjusted for tax and investment expenses.
- Yields of appropriate duration from an appropriate market-related yield curve as at the valuation date are used to discount expected cash flows at each duration. The yield curve used is based on fixed or CPI-linked risk-free securities and, depending on the nature of the corresponding liability, adjusted for credit and liquidity spreads of the assets actually held in the underlying portfolio.
- Investment returns for other asset classes are set as follows:
  - Equity rate: gilt rate + 3.5% (2020: + 3.5%)
  - Property rate: gilt rate + 1.0% (2020: + 1.0%)
  - Corporate bonds: gilt rate + 0.5% (2020: + 0.5%)
  - Cash rate: gilt rate – 1.0% (2020: - 1.0%)
- An inflation rate of 5% p.a. for ZAR-denominated retail business is used to project future renewal expenses over the planning horizon (three years) whereafter the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. The 6.5% in the table below represents the 10-year point of the yield curves. An addition to the expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.

	2021	2020
Group		
RDR	**12.8%**	12.9%
Gilt rate – risk-free investment return	**10.4%**	10.5%
Assumed investment return for individual smoothed bonus business	**12.6%**	12.7%
Renewal expense inflation rate	**6.5%**	5.7%
Company		
RDR	**12.8%**	10.5%
Gilt rate – risk-free investment return	**10.4%**	5.7%
Assumed investment return for individual smoothed bonus business	**12.6%**	12.7%
Renewal expense inflation rate	**6.5%**	6.3%

Future bonuses

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

Investment guarantees (APN 110)

- Market-consistent stochastic models were calibrated using market data as at 30 June 2021. The value of the investment guarantee liabilities was calculated as at this date.
- APN 110 prescribes specific disclosure in respect of the market-consistent stochastic models that were used to calculate the liabilities. The disclosure is set out below.

11 Contract holder liabilities – assumptions and estimates continued

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

Year	1	2	3	4	5	10	15	20	25	30	35	40
2021	**4.9**	**5.6**	**6.3**	**6.9**	**7.6**	**10.3**	**11.9**	**12.5**	**12.5**	**12.3**	**11.8**	**11.4**
2020	3.8	4.6	5.5	6.3	7.2	10.7	13.2	14.6	15.4	15.9	16.2	16.2

The following instruments have been valued by the model:

	2021		**2020**	
Instrument	**Price (% of nominal)**	**Volatility**	**Price (% of nominal)**	**Volatility**
A 1-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**7.1%**	**21.3%**	8.9%	23.6%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a 0.8 of spot	**1.8%**	**25.0%**	2.9%	28.3%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.0024 (2020: 1.0025)	**8.1%**	**20.9%**	9.1%	23.5%
A 5-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**7.0%**	**21.7%**	8.5%	22.4%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to (1.04)5 of spot	**12.9%**	**20.2%**	15.4%	21.2%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.2991 (2020: 1.2437)	**15.7%**	**19.7%**	16.4%	21.1%
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**0.4%**	**25.0%**	0.3%	26.7%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to (1.04)20 of spot	**2.6%**	**23.8%**	1.6%	26.4%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 6.7896 (2020: 9.3413)	**25.4%**	**23.1%**	27.3%	26.5%
A 5-year put, with a strike price equal to (1.04)5 of spot, on an underlying index constructed as 60% FTSE/JSE Top 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**6.1%**	**12.7%**	7.5%	13.1%
A 20-year put on an interest rate with a strike price equal to the present 5-year forward rate at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike price	**0.2%**	**n/a**	0.2%	n/a

Tax

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

Provisions for Covid-19

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

11 Contract holder liabilities – assumptions and estimates continued

The valuation basis was determined as follows for each factor:

Mortality

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

Longevity

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

Morbidity

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

Terminations

Metropolitan Life's earnings are more exposed to terminations on its funeral book than is the case for Momentum Life on its protection business, and a termination provision equal to 10% of negative rand reserves has been allowed for to reflect the potential short-term deterioration in lapses on Metropolitan Life's funeral book due to the economic outlook.

Retrenchment risk

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

Basis and other changes

Assumptions and methodologies used in the FSV basis are reviewed at the reporting date and the impact of any resulting changes in actuarial estimates is reflected in the income statement as they occur. An exception to this is the impact of changes in the valuation discount rate, consequent changes in the assumed level of renewal expense inflation or bonuses and investment over or underperformance in respect of non-linked business, which is treated in accordance with the stabilisation policy as described in the accounting policies in Note 47 para 10.

- Basis and other changes decreased the excess of assets over liabilities at 30 June 2021 by negative R2 295 million (2020: R767 million) for the Group and negative R2 295 million (2020: decrease of R768 million) for the Company. The major contributors to this change were as follows:
  - Actuarial methodology and other changes – negative R133 million (2020: negative R23 million) for the Group and negative R61 million (2020: negative R61 million) for the Company.
  - Experience basis changes – negative R2 427 million (2020: negative R707 million) for the Group and negative R2 427 million (2020: negative R707 million) for the Company. The experience basis changes are in respect of withdrawal, expense and mortality assumptions.
  - Economic assumption changes – negative R1 million (2020: negative R37 million). The economic assumption changes are in respect of future investment returns, bonus and inflation assumptions as well as the difference between actual and expected investment returns on non-profit business.

11 Contract holder liabilities – assumptions and estimates continued

Sensitivity analysis

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

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

	Liability Rm	Renewal expenses decrease by 10% Rm	Expense inflation decreases by 1% Rm	Dis-continuance rates decrease by 10% Rm	Mortality and morbidity decrease by 5% Rm	Investment returns reduce by 1% Rm
Group						
2021						
Insurance business						
Retail insurance business (excluding annuities)	**57 963**	**56 630**	**57 077**	**58 383**	**54 527**	**59 256**
Annuities (retail and employee benefits)	**54 663**	**54 490**	**54 523**	**54 663**	**55 228**	**57 132**
Employee benefits business (excluding annuities)	**2 862**	**2 861**	**2 862**	**2 867**	**2 866**	**2 999**
Investment with DPF business	**17 228**	**17 212**	**17 221**	**17 227**	**17 228**	**17 384**
Investment business	**272 410**	**272 410**	**272 410**	**272 413**	**272 410**	**274 761**
Subtotal	**405 126**	**403 603**	**404 093**	**405 553**	**402 259**	**411 532**
Cell captive and non-life business	**1 189**	**1 181**	**1 186**	**1 155**	**1 174**	**1 191**
Total	**406 315**	**404 784**	**405 279**	**406 708**	**403 433**	**412 723**
Restated 2020						
Insurance business						
Retail insurance business (excluding annuities)	53 019	51 726	52 149	53 261	50 014	53 688
Annuities (retail and employee benefits)	48 044	47 879	47 916	48 044	48 507	50 011
Employee benefits business (excluding annuities)	2 271	2 269	2 268	2 275	2 273	2 334
Investment with DPF business	16 563	16 548	16 556	16 563	16 563	16 739
Investment business	242 950	242 950	242 950	242 950	242 950	242 950
Subtotal	362 847	361 372	361 839	363 093	360 307	365 722
Cell captive and non-life business	1 023	1 002	1 019	960	995	1 025
Total	363 870	362 374	362 858	364 053	361 302	366 747
Company						
2021						
Insurance business						
Retail insurance business (excluding annuities)	**57 963**	**56 630**	**57 077**	**58 383**	**54 527**	**59 256**
Annuities (retail and employee benefits)	**54 663**	**54 490**	**54 523**	**54 663**	**55 228**	**57 132**
Employee benefits business (excluding annuities)	**3 013**	**3 012**	**3 012**	**3 017**	**3 016**	**3 149**
Investment with DPF business	**17 228**	**17 212**	**17 221**	**17 227**	**17 228**	**17 384**
Investment business	**270 558**	**270 559**	**270 559**	**270 561**	**270 559**	**272 909**
Total	**403 425**	**401 903**	**402 392**	**403 851**	**400 558**	**409 830**
Restated 2020						
Insurance business						
Retail insurance business (excluding annuities)	53 019	51 726	52 149	53 261	50 014	53 688
Annuities (retail and employee benefits)	48 044	47 879	47 916	48 044	48 507	50 010
Employee benefits business (excluding annuities)	2 436	2 434	2 433	2 440	2 438	2 499
Investment with DPF business	16 563	16 548	16 556	16 563	16 563	16 739
Investment business	241 431	241 431	241 431	241 434	241 431	242 369
Total	361 493	360 018	360 485	361 742	358 953	365 305

11 Contract holder liabilities – assumptions and estimates continued

Sensitivity analysis continued

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

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

It is not uncommon to experience one or more of the stated deviations in any given year. There might be some correlation between sensitivities; for instance, changes in investment returns are normally correlated with changes in discontinuance rates. The table 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 benefits business because of the annually renewable nature of this class of insurance. An indication of the sensitivity of financial results to mortality and morbidity variances in this class of business can be obtained by noting that a 5% (2020: 5%) increase in mortality and morbidity lump sum benefits paid on employee benefits business in any given year will result in a reduction of R192 million (2020: R114 million) in the before-tax earnings of the Group.

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

12 Financial liabilities

Refer to note 47 para 11, 15 and 22 for the accounting policies relating to this note.

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at fair value through profit and loss
- Financial liabilities at amortised cost

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

		Group		Company	
		2021 Rm	Restated 2020 Rm	2021 Rm	2020 Rm
	The Group's financial liabilities are summarised below:				
12.1	**Financial liabilities at fair value through profit and loss**	**52 540**	51 882	**14 090**	15 754
12.2	**Financial liabilities at amortised cost**	**1 214**	1 687	**355**	378
12.3	**Other payables (excluding premiums paid in advance and deferred revenue liability)**	**13 471**	12 774	**10 848**	10 353
		67 225	66 343	**25 293**	26 485
12.1	**Financial liabilities at fair value through profit and loss**				
	Collective investment scheme liabilities	**34 700**	32 938	**–**	–
	Subordinated call notes	**4 429**	4 431	**4 429**	4 431
	Carry positions	**9 657**	9 059	**6 696**	6 313
	Derivative financial liabilities (refer to note 6.1)	**3 343**	5 454	**2 965**	5 010
	Preference Shares	**313**	–	**–**	–
	Other borrowings	**98**	–	**–**	–
		52 540	51 882	**14 090**	15 754
	Current	**45 359**	44 836	**7 360**	8 994
	Non-current	**7 181**	7 046	**6 730**	6 760
		52 540	51 882	**14 090**	15 754

12 Financial liabilities

12.1 Financial liabilities at fair value through profit and loss continued

- Collective investment scheme liabilities – certain collective investment schemes have been classified as investments in subsidiaries. Consequently, scheme interests not held by the Group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value.
- Subordinated call notes (unsecured) - the FSCA granted approval for MML to raise debt issuances. MML has sufficient cash to cover the debt. During the current year, R90 million fair value loss was recognised on the subordinated call notes which has been accounted for in other comprehensive income. These fair value losses were offset by other market factors. Refer to note 37 for more detail.
- The change in the fair value of financial liabilities designated at fair value through profit and loss due to own credit risk amounted to a loss of R90 million (2020: a gain of R69 million). This was calculated by measuring the daily changes in the instrument's credit spreads against the equivalent risk-free assets and then accumulating the impact of the changes in the market value for the period. The difference between the fair value of the subordinated call notes and the contractual amount required to pay at maturity is R179 million (2020: R181 million).
- Carry positions (secured) – R2 269 million (2020: R502 million) relates to a carry position reported by Momentum Asset Managers that represents a sale and repurchase of assets in Momentum's annuity portfolio. These carry positions are secured by government stock with a value of R1 904 million (2020: R497 million).Offsetting has not been applied.
- These instruments, excluding 'Other borrowings and derivatives', would have been disclosed as at amortised cost under IFRS 9 had they not been designated at fair value through profit and loss.
- Other borrowings include outstanding contingent consideration of R98 million (2020: nil) relating to the acquisition of Seneca in the current year. (no interest rate risk)

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
12.2 Financial liabilities at amortised cost				
Property development loans	**425**	1 326	**–**	–
Lease liabilities	**213**	232	**355**	378
Other	**576**	129	**–**	–
	1 214	1 687	**355**	378
Current	**241**	485	**127**	100
Non-current	**973**	1 202	**228**	278
	1 214	1 687	**355**	378

12.2.1 Property development loans

Included in property development loans are:

- A R247 million (2020: R258 million) loan from FirstRand Bank Ltd in order to develop property held by a subsidiary, 102 Rivonia Road (Pty) Ltd. Interest on the loan is levied at 11.25%. The loan is secured by the underlying property. *(no interest rate risk).*
- A R178 million (2020: R186 million) loan from Standard Bank Ltd in order to develop property held by a subsidiary, Momentum Metropolitan Umhlanga (Pty) Ltd. Interest on the loan is levied at JIBAR plus 1.90%. The loan is secured by the underlying property. The interest rate is hedged by an interest rate swap agreement, MM Umhlanga pays a fixed rate of 10.15% and receives a floating rate of 3m Jibar plus 1.90%, and the interest rate swap has a net settlement quarterly.
- A R882 million loan, in the prior year, from Standard Bank Ltd in order to develop property held by a subsidiary, 129 Rivonia Road (Pty) Ltd. Interest on the loan is levied at three-month Johannesburg Interbank Average Rate (JIBAR) plus 2.10%. The loan is secured by the underlying property. *(cash flow interest rate risk)*. On 2 November 2020 the property development loan was converted into a term loan. On the same date R490 million of the loan was taken over by MML and the remaining balance remained with Standard Bank. Interest on the loan is levied at three-month JIBAR plus 1.85%. In the current period the loan balance is included in the Other line in note 12.2 above.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
12.2.2 Lease liabilities				
Carrying amount at beginning	**232**	–	**378**	–
Recognised on 1 July 2019 on adoption of IFRS 16	**–**	320	**–**	475
Business combinations	**3**	–	**–**	–
New leases entered into	**102**	43	**100**	39
Interest expense	**21**	22	**39**	40
Payments	**(150)**	(116)	**(170)**	(136)
Modifications	**8**	(39)	**8**	(40)
Exchange Differences	**(3)**	2	**–**	–
Carrying amount at end	**213**	232	**355**	378

	Group		Company	
	2021 Rm	Restated 2020 Rm	2021 Rm	2020 Rm

12 Financial liabilities continued

12.3 Other payables

	Group 2021 Rm	Group Restated 2020 Rm	Company 2021 Rm	Company 2020 Rm
Payables arising from insurance contracts and investment contracts with DPF	**5 280**	4 204	**5 253**	4 198
Claims in process of settlement				
Insurance contracts	**4 064**	3 082	**4 054**	3 076
Investment contracts with DPF	**1 119**	1 040	**1 119**	1 040
Due to reinsurers	**97**	82	**80**	82
Payables arising from investment contracts	**1 742**	1 125	**1 742**	1 125
Loans due to subsidiaries and fellow MMH subsidiaries	**95**	–	**103**	45
Financial instruments	**6 354**	7 445	**3 750**	4 985
Unsettled trades	**2 670**	2 857	**757**	1 754
Commission creditors	**795**	770	**794**	769
Other payables	**2 889**	3 818	**2 199**	2 462
Total included in financial liabilities	**13 471**	12 774	**10 848**	10 353
Premiums paid in advance	**700**	748	**700**	765
Deferred revenue liability	**228**	232	**217**	217
Total other payables	**14 399**	13 754	**11 765**	11 335
Current	**12 886**	13 127	**11 252**	10 740
Non-current	**1 513**	627	**513**	595
	14 399	13 754	**11 765**	11 335
Reconciliation of deferred revenue liability				
Balance at beginning of year	**232**	235	**217**	225
Deferred income relating to new business	**74**	63	**71**	57
Amount recognised in income statement[1]	**(75)**	(68)	**(71)**	(65)
Exchange Differences	**(3)**	2	**–**	–
Balance at end of year	**228**	232	**217**	217
Current	**11**	9	**7**	4
Non-current	**217**	220	**210**	213
1 to 5 years	**66**	70	**59**	60
5 to 10 years	**120**	118	**120**	118
> 10 years	**31**	35	**31**	35
	228	232	**217**	217

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

Refer to Note 47 para 10 for the accounting policies relating to deferred revenue liability.

12 Financial liabilities continued

12.4 Financial liabilities measurement

Financial liabilities summarised by measurement category in terms of IFRS 9	Fair value through profit and loss					
	Mandatorily Rm	Designated Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
Group						
2021						
Investment contracts with DPF	**–**	**–**	**–**	**–**	**17 228**	**17 228**
Investment contracts designated at fair value through profit and loss	**–**	**273 916**	**273 916**	**–**	**–**	**273 916**
Collective investment scheme liabilities	**–**	**34 700**	**34 700**	**–**	**–**	**34 700**
Subordinated call notes	**–**	**4 429**	**4 429**	**–**	**–**	**4 429**
Carry positions	**–**	**9 657**	**9 657**	**–**	**–**	**9 657**
Derivative financial liabilities	**3 343**	**–**	**3 343**	**–**	**–**	**3 343**
Preference shares	**–**	**313**	**313**	**–**	**–**	**313**
Other borrowings	**98**	**–**	**98**	**–**	**–**	**98**
Financial liabilities at amortised cost	**–**	**–**	**–**	**1 001**	**213**	**1 214**
Other payables (excluding premiums in advance and deferred revenue liability)	**–**	**–**	**–**	**8 191**	**5 280**	**13 471**
Total financial liabilities	**3 441**	**323 015**	**326 456**	**9 192**	**22 721**	**358 369**
Restated 2020						
Investment contracts with DPF	–	–	–	–	16 563	16 563
Investment contracts designated at fair value through profit and loss	–	244 195	244 195	–	–	244 195
Collective investment scheme liabilities	–	32 938	32 938	–	–	32 938
Subordinated call notes	–	4 431	4 431	–	–	4 431
Carry positions	–	9 059	9 059	–	–	9 059
Derivative financial liabilities	5 454	–	5 454	–	–	5 454
Other borrowings	–	–	–	–	–	–
Financial liabilities at amortised cost	–	–	–	1 455	232	1 687
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	10 789	1 985	12 774
Total financial liabilities	5 454	290 623	296 077	12 244	18 780	327 101
Company						
2021						
Investment contracts with DPF	**–**	**–**	**–**	**–**	**17 228**	**17 228**
Investment contracts designated at fair value through profit and loss	**–**	**270 558**	**270 558**	**–**	**–**	**270 558**
Subordinated call notes	**–**	**4 429**	**4 429**	**–**	**–**	**4 429**
Carry positions	**–**	**6 696**	**6 696**	**–**	**–**	**6 696**
Derivative financial liabilities	**2 965**	**–**	**2 965**	**–**	**–**	**2 965**
Financial liabilities at amortised cost	**–**	**–**	**–**	**–**	**355**	**355**
Other payables (excluding premiums in advance and deferred revenue liability)	**–**	**–**	**–**	**5 595**	**5 253**	**10 848**
Total financial liabilities	**2 965**	**281 683**	**284 648**	**5 595**	**22 836**	**313 079**
Restated 2020						
Investment contracts with DPF	–	–	–	–	16 563	16 563
Investment contracts designated at fair value through profit and loss	–	241 431	241 431	–	–	241 431
Subordinated call notes	–	4 431	4 431	–	–	4 431
Carry positions	–	6 313	6 313	–	–	6 313
Derivative financial liabilities	5 010	–	5 010	–	–	5 010
Financial liabilities at amortised cost	–	–	–	–	378	378
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	6 155	4 198	10 353
Total financial liabilities	5 010	252 175	257 185	6 155	21 139	284 479

12 Financial Liabilities continued

12.5 Financial liabilities hierarchy

Refer to Note 46 for the valuation techniques relating to this note.

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Group				
2021				
Investment contracts designated at fair value through profit and loss	**–**	**273 893**	**23**	**273 916**
Financial liabilities at fair value through profit and loss	**34 683**	**17 428**	**429**	**52 540**
Collective investment scheme liabilities	**34 682**	**–**	**18**	**34 700**
Subordinated call notes	**–**	**4 429**	**–**	**4 429**
Carry positions	**–**	**9 657**	**–**	**9 657**
Derivative financial liabilities – held for trading	**1**	**3 342**	**–**	**3 343**
Preference shares	**–**	**–**	**313**	**313**
Other borrowings	**–**	**–**	**98**	**98**
	34 683	**291 321**	**452**	**326 456**
Restated 2020				
Investment contracts designated at fair value through profit and loss	–	244 169	26	244 195
Financial liabilities at fair value through profit and loss	32 903	18 943	36	51 882
Collective investment scheme liabilities	32 902	–	36	32 938
Subordinated call notes	–	4 431	–	4 431
Carry positions	–	9 059	–	9 059
Derivative financial liabilities – held for trading	1	5 453	–	5 454
Other borrowings	–	–	–	–
	32 903	263 112	62	296 077
Company				
2021				
Investment contracts designated at fair value through profit and loss	**–**	**270 535**	**23**	**270 558**
Financial liabilities at fair value through profit and loss	**–**	**14 090**	**–**	**14 090**
Subordinated call notes	**–**	**4 429**	**–**	**4 429**
Carry positions	**–**	**6 696**	**–**	**6 696**
Derivative financial liabilities – held for trading	**–**	**2 965**	**–**	**2 965**
	–	**284 625**	**23**	**284 648**
Restated 2020				
Investment contracts designated at fair value through profit and loss	–	241 405	26	241 431
Financial liabilities at fair value through profit and loss	–	15 754	–	15 754
Subordinated call notes	–	4 431	–	4 431
Carry positions	–	6 313	–	6 313
Derivative financial liabilities – held for trading	–	5 010	–	5 010
	–	257 159	26	257 185

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

12 Financial liabilities continued

12.5 Financial liabilities hierarchy continued

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

	At fair value through profit and loss				
Group	**Investment contracts designated at fair value through profit and loss Rm**	**Collective investment scheme liabilities Rm**	**Preference shares Rm**	**Other borrowings Rm**	**Total Rm**
2021					
Opening balance	26	36	–	–	62
Total losses/(gains) in net realised and unrealised fair value gains in the income statement					
Realised gains	–	–	–	–	–
Unrealised losses	(3)	(21)	6	–	(18)
Total losses in other comprehensive income	–	–	–	–	–
Issues	–	3	323	107	433
Sales	–	–	–	–	–
Settlements	–	–	(16)	–	(16)
Contract holder movements					
Benefits paid	–	–	–	–	–
Investment return	–	–	–	–	–
Exchange differences	–	–	–	(9)	(9)
Closing balance	23	18	313	98	452
2020					
Opening balance	29	63	–	5	97
Total losses/(gains) in net realised and unrealised fair value gains in the income statement					
Realised gains	1	(4)	–	–	(3)
Unrealised losses	(1)	(17)	–	–	(18)
Total losses in other comprehensive income	–	10	–	–	10
Issues	–	–	–	–	–
Sales	–	(4)	–	–	(4)
Settlements	–	(12)	–	(5)	(17)
Contract holder movements					
Benefits paid	(4)	–	–	–	(4)
Investment return	1	–	–	–	1
Transfers out of level 3	–	–	–	–	–
Closing balance	26	36	–	–	62

Sensitivity: Increasing/decreasing the assets under management growth rate by 10% would decrease/increase the carrying amount of the contingent consideration, included in other borrowings, in level 3 by R1 million and nil (2020: nil) respectively.

	Investment contracts designated at fair value through profit and loss	
Company	**2021 Rm**	**2020 Rm**
Opening Balance	26	29
Total losses/(gains) in net realised and unrealised fair value gains in the income statement		
Realised gains	–	1
Unrealised losses	(3)	–
Contract holder movements		
Benefits paid	–	(5)
Investment return	–	1
Closing Balance	23	26

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying amount of level 3 financial instrument liabilities by R2.3 million and R2.3 million (2020: R2.6 million and R2.6 million), respectively.

12 Financial liabilities continued

12.5 Financial liabilities hierarchy continued

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

	2021		2020	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Group				
Financial liabilities at amortised cost	**1 001**	**1 012**	1 455	1 455
Other	**1 001**	**1 012**	1 455	1 455
Other payables (excluding premiums in advance and deferred revenue liability)	**13 471**	**13 471**	14 993	14 993
Payables arising from investment contracts	**1 742**	**1 742**	1 125	1 125
Other	**11 729**	**11 729**	13 868	13 868
	14 472	**14 483**	16 448	16 448
Company				
Other payables (excluding premiums in advance and deferred revenue liability)	**10 848**	**10 848**	10 353	10 353
Payables arising from investment contracts	**1 742**	**1 742**	1 125	1 125
Other	**9 106**	**9 106**	9 228	9 228
	10 848	**10 848**	10 353	10 353

Calculation of fair value

- For other financial liabilities at amortised cost, other payables and payables arising from investment contracts, the carrying amount approximates fair value due to their short-term nature.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
13 Reinsurance contract liabilities				
Refer to note 47 para 10 for the accounting policies relating to this note.				
Balance at beginning	**562**	576	**–**	–
Change in liabilities under reinsurance agreements	**(196)**	(13)	**–**	–
Change in estimates	**(196)**	(13)	**–**	–
Sale of business	**(2)**	–	**–**	–
Reinsurance ceded	**50**	(1)	**–**	–
Balance at end	**414**	562	**–**	–
Current	**105**	92	**–**	–
Non-current	**309**	470	**–**	–
	414	562	**–**	–

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

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

14 Deferred income tax

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Refer to note 47 para 12 for the accounting policies relating to this note.				
Deferred tax asset	**131**	286	**–**	–
Deferred tax liability	**(1 267)**	(1 254)	**(999)**	(981)
	(1 136)	(968)	**(999)**	(981)
Deferred tax is made up as follows:				
Accruals and provisions	**14**	30	**4**	13
Accelerated wear and tear	**(114)**	(132)	**–**	–
Revaluations	**(896)**	(406)	**(784)**	(294)
Deferred tax on intangible assets as a result of business combinations	**(120)**	(144)	**(85)**	(136)
Deferred revenue liability	**–**	–	**–**	–
Difference between published and statutory policyholder liabilities	**–**	–	**–**	–
Tax losses	**478**	326	**340**	50
Negative rand reserves	**(395)**	(527)	**(395)**	(527)
Deferred acquisition costs	**(17)**	(21)	**–**	–
Prepayments	**4**	(1)	**–**	–
Other	**(90)**	(93)	**(79)**	(87)
	(1 136)	(968)	**(999)**	(981)
Current	**–**	(5)	**–**	(24)
Non-current	**(1 136)**	(963)	**(999)**	(957)
	(1 136)	(968)	**(999)**	(981)
Movement in deferred tax				
Balance at beginning	**(968)**	(1 342)	**(981)**	(1 399)
Recognised on 1 July 2019 on adoption of IFRS 16	**–**	3	**–**	3
Disposals	**–**	–	**–**	–
Business combinations	**(26)**	–	**–**	–
Sale of business	**(105)**	–	**–**	–
Recognised as a result of Taung Square valuation	**–**	(7)	**–**	–
Charge to the income statement	**(16)**	384	**(125)**	422
Accruals and provisions	**(6)**	5	**(9)**	3
Accelerated wear and tear	**(14)**	(16)	**–**	–
Revaluations	**(474)**	236	**(597)**	241
Deferred tax movement on intangible assets as a result of past business combinations	**50**	19	**52**	19
Deferred revenue liability	**–**	–	**–**	–
Difference between published and statutory policyholder liabilities	**–**	–	**–**	–
Tax losses	**283**	111	**290**	39
Negative rand reserves	**132**	131	**132**	131
Deferred acquisition costs	**5**	1	**–**	–
Prepayments	**5**	1	**–**	–
Other	**3**	(104)	**7**	(11)
Charge to other comprehensive income	**(21)**	(7)	**107**	(7)
Other	**–**	–	**–**	–
Exchange differences	**–**	1	**–**	–
Balance at end	**(1 136)**	(968)	**(999)**	(981)
Deferred tax asset on available tax losses and credits not provided for	**616**	691	**–**	–

14 Deferred income tax continued

Creation of deferred tax assets and recognition of deferred tax liabilities

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

Included in the deferred tax asset of R356 million (2020: R326 million) raised due to tax losses, is a deferred tax asset of nil (2020: R140 million), the utilisation of which depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the subsidiary has suffered a loss in either the current or preceding year. Based on approved budgets prepared by management of these subsidiaries, the Group considers it probable that the deferred tax asset will be used against future taxable profits.

No deferred tax liability is recognised on temporary differences of R352 million (2020: R245 million) relating to the unremitted earnings of international subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Critical accounting estimates and judgements

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

15 Employee benefit obligations

Refer to note 47 para 18 for the accounting policies relating to this note.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
15.1 Employee benefit obligations				
15.1.1 Post-retirement medical benefits	**88**	105	**87**	105
15.1.2 Cash-settled arrangements	**220**	306	**198**	267
Other employee benefit obligations[1]	**472**	460	**408**	386
Total employee benefit obligations	**780**	871	**693**	758
Current	**575**	682	**502**	577
Non-current	**205**	189	**191**	181
	780	871	**693**	758

[1] Other employee benefit obligations relate to Leave pay provision of R224m (2020: R235m)and Staff and management bonuses of R247m (2020: R225m).

Employee benefit expenses are included in the income statement. Refer to note 25.

15 Employee benefit obligations continued

15.1.1 Post-retirement medical benefits

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Balance at beginning – unfunded	**105**	147	**105**	147
Current service costs	**1**	6	**1**	6
Past service cost and gains and losses on settlements/ curtailments (expensed)	**–**	2	**–**	3
Interest expense	**11**	9	**11**	8
Actuarial loss/(gains) – other comprehensive income	**3**	(34)	**3**	(34)
Employer contributions	**–**	–	**–**	–
Settlements	**(26)**	(20)	**(27)**	(21)
Benefits paid and transferred	**(6)**	(5)	**(6)**	(4)
Balance at end – unfunded	**88**	105	**87**	105
Current	**9**	9	**9**	8
Non-current	**79**	96	**78**	97
	88	105	**87**	105

Valuation methodology

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

Group

The key valuation assumptions are:

Assumptions	Base assumption	Change in significant assumption	Change in value of liability: Decrease in significant assumption Rm	Change in value of liability: Increase in significant assumption Rm
Healthcare cost inflation rate				
Defined benefit fund	8% (2020: 8%)	**1% (2020: 1%)**	**(11) (2020: (10))**	**13 (2020: 12)**
Valuation rate of interest/discount rate	10% (2020: 11%)			
Administration fee inflation	6% (2020: 6%)			
Normal retirement age	60			
Mortality				
Pre-retirement	SA 72-77 ultimate, with female rates equal to 70% of male rates			
Post-retirement	PA(90) minus 2, with ill-health (disability) retirements rated up to 10 years			

The weighted average duration of the post-retirement medical benefits obligation is 9.5 years (2020: 9.3 years).

Company

Assumptions	Base assumption 2021	Base assumption 2020	Change in significant assumption	Change in value of liability: Decrease in significant assumption Rm	Change in value of liability: Increase in significant assumption Rm
Healthcare cost inflation rate					
Defined benefit fund	**8.00%**	7.50%	**1% (2020: 1%)**	**(11) (2020: (10))**	**13 (2020: 12)**
Valuation rate of interest/discount rate	**10.00%**	10.85%			
Administration fee inflation	**6.00%**	6.00%			
Normal retirement age	**60**				
Mortality					
Pre-retirement	SA 72-77 ultimate, with female rates equal to 70% of male rates				
Post-retirement	PA(90) minus 2, with ill-health (disability) retirements rated up by 10 years				

The weighted average duration of the post-retirement medical benefits obligation is 9.5 years (2020: 9.6 years) for the Metropolitan fund, and 12 years for the Momentum fund (2020: 12 years).

15 Employee benefit obligations continued

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Retention and remuneration schemes				
Balance at beginning	**306**	281	**267**	252
Additional provisions	**126**	169	**103**	145
Benefits paid	**(205)**	(149)	**(172)**	(130)
Other	**(6)**	3	**–**	–
Exchange differences	**(1)**	2	**–**	–
Balance at end	**220**	306	**198**	267
Current	**104**	215	**86**	183
Non-current	**116**	91	**112**	84
	220	306	**198**	267

Share schemes

Long-term Incentive Plan (LTIP)

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

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

The retention units have no imposed performance criteria and therefore vest on the vesting date, subject to the employee remaining in the employ of the Company, and not being subject to disciplinary action during the period between the award date and the vesting date.

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

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

Outperformance Plan (OP)

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

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

Share Appreciation Rights Scheme (SAR)

The SAR commenced in October 2018, and is a performance-based cash-settled option scheme in terms of which certain executives are allocated Share Appreciation Rights (SARs) in MMH shares. The SARs simulate “at-the-money” call options on MMH shares, meaning that the growth in the share price between the allocation date and the vesting date will accrue to the participant at the vesting date. Vesting takes place after the performance period of three years, and payment of the vested amount will take place in equal thirds after three, four and five years, at the ruling MMH share price based on the 20 day VWAP price up to payment date.

15 Employee benefit assets and obligations continued

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

	LTIP			OP		
	Performance units '000	Retention units '000	Deferred bonus units '000	Performance units '000	Retention units '000	SAR '000
Units in force at 1 July 2019	12 859	10 850	5 386	1 636	230	16 560
Units granted during year	8 651	430	5 509	–	4	–
Units transferred from/(to) other Group companies during year	713	164	192	–	–	700
Units exercised/released during year	–	(4 067)	(1 893)	–	(234)	–
Market value of range at date of exercise/release (cents)	–	1 604–1 815	1 604–1 796	–	1 796	–
Units cancelled/lapsed during year	(5 245)	(630)	(555)	(1 636)	–	(816)
Units in force at 1 July 2020	16 978	6 747	8 639	–	–	16 444
Units granted during year	**8 658**	**3**	**3 500**	**–**	**–**	**–**
Units transferred from/(to) other Group companies during year	**(370)**	**(87)**	**(180)**	**–**	**–**	**–**
Units exercised/released during year	**(1 135)**	**(6 558)**	**(3 553)**	**–**	**–**	**–**
Market value of range at date of exercise/release (cents)	**1 519–1 775**	**1 519–1 775**	**1 519–1 855**	**–**	**–**	**–**
Units cancelled/lapsed during year	**(6 423)**	**(8)**	**(64)**	**–**	**–**	**–**
Units in force at 30 June 2021	**17 708**	**97**	**8 342**	**–**	**–**	**16 444**

Shares outstanding (by expiry date) for the LTIP, OP and SAR are as follows:

	LTIP			OP		SAR
Group	Performance units '000	Retention units '000	Deferred bonus units '000	Performance units '000	Retention units '000	Total units '000
Financial year 2021/2022	**516**	**97**	**4 477**	**–**	**–**	**–**
Financial year 2022/2023	**3 066**	**–**	**2 773**	**–**	**–**	**5 482**
Financial year 2023/2024	**5 880**	**–**	**1 092**	**–**	**–**	**5 481**
Financial year 2024/2025	**5 431**	**–**	**–**	**–**	**–**	**5 481**
Financial year 2025/2026	**2 814**	**–**	**–**	**–**	**–**	**–**
Total outstanding shares	**17 708**	**97**	**8 342**	**–**	**–**	**16 444**

15 Employee benefit assets and obligations continued

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

Inputs used in the valuation of the share schemes:

LTIP	Valuation assumptions include			
	Outstanding tranche period in months	Take-up rate on units outstanding	Current vesting rate	Share price at year-end
Award date 01/10/2018 and vesting date 01/10/2021 and settlement date 01/10/2021 – performance units	3	94%	0%	R19.50
Award date 01/10/2018 and vesting date 01/10/2021 and settlement date 01/10/2021 – retention units	3	94%	100%	R19.50
Award date 09/04/2018 and vesting date 31/10/2021 and settlement date 31/10/2021 – performance units	4	94%	0%	R19.50
Award date 09/04/2018 and vesting date 31/10/2021 and settlement date 31/10/2022 – performance units	16	88%	0%	R19.50
Award date 09/04/2018 and vesting date 31/10/2021 and settlement date 31/10/2023 – performance units	28	82%	0%	R19.50
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2022 – performance units	15	88%	53%	R19.50
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2023 – performance units	27	82%	53%	R19.50
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2024 – performance units	39	76%	53%	R19.50
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2023 – performance units	27	82%	49%	R19.50
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2024 – performance units	39	76%	49%	R19.50
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2025 – performance units	51	70%	49%	R19.50
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2024 – performance units	33	82%	49%	R19.50
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2025 – performance units	45	76%	49%	R19.50
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2026 – performance units	57	70%	49%	R19.50
Award date 01/10/2018 and vesting date 01/10/2021 – deferred bonus units	3	94%	100%	R19.50
Award date 01/10/2019 and vesting date 01/10/2021 – deferred bonus units	3	94%	100%	R19.50
Award date 01/10/2019 and vesting date 01/10/2022 – deferred bonus units	15	88%	100%	R19.50
Award date 01/04/2020 and vesting date 01/04/2022 – deferred bonus units	9	88%	100%	R19.50
Award date 01/04/2020 and vesting date 01/04/2023 – deferred bonus units	21	82%	100%	R19.50
Award date 01/10/2020 and vesting date 01/10/2021 – deferred bonus units	3	94%	100%	R19.50
Award date 01/10/2020 and vesting date 01/10/2022 – deferred bonus units	15	88%	100%	R19.50
Award date 01/10/2020 and vesting date 01/10/2023 – deferred bonus units	27	82%	100%	R19.50
Award date 01/05/2021 and vesting date 01/05/2022 – deferred bonus units	10	94%	100%	R19.50
Award date 01/05/2021 and vesting date 01/05/2023 – deferred bonus units	22	88%	100%	R19.50
Award date 01/05/2021 and vesting date 01/05/2024 – deferred bonus units	34	82%	100%	R19.50

15 Employee benefit assets and obligations continued

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

Inputs used in the valuation of the share schemes: continued

SAR	Outstanding tranche period in months	Take-up rate on units outstanding	Current vesting rate	Share price at year-end
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2022 – performance units	15	97%	50%	R19.50
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2023 – performance units	27	95%	50%	R19.50
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2024 – performance units	39	92%	50%	R19.50

Vesting rate assumptions regarding performance units in the previous tables

Long-term Incentive Plan (LTIP)

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

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

The October 2019 LTIP tranche's performance criteria are weighted 50% to business unit specific targets and 50% to Group level targets. The Group level targets have three components, of which two are linked to normalised headline earnings growth over the vesting period, while the third is linked to MMH's Total Shareholder Returns (TSR) relative to its listed peers. Similarly, for business units, two of the three vesting conditions are based on cumulative Normalised Headline Earnings (NHE) over the vesting period, while a third component is based on a business unit specific financial measure. The LTIP liability for the October 2019 LTIP tranche as at 30 June 2021 was calculated assuming 53% of units issued in 2019 (vesting in 2022 with settlement dates in 2022, 2023 and 2024) will vest. This follows a recalibration of the performance criteria applicable to this tranche during F2020 in light of the adverse impact of Covid-19 and experience to date.

The October 2020 LTIP tranche's performance criteria are weighted 50% to business unit specific targets and 50% to Group level targets. The Group level targets have four components, of which two are linked to NHE growth over the vesting period, while the third is linked to Return on Equity (ROE) and the fourth is linked to MMH's TSR relative to its listed peers. Similarly, for business units, two of the four vesting conditions are based on cumulative NHE over the vesting period while the third component is liked to a business unit specific financial measure. Where applicable, business units have been given a ROE target for June 2023. The LTIP liability for the October 2020 LTIP tranche as at 30 June 2021 was calculated assuming 49% of units issued in 2020 (vesting in 2023 with settlement dates in 2023, 2024 and 2025) will vest.

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

Share Appreciation Rights Scheme (SAR)

The SAR features three performance criteria measured over the vesting period. One third of the scheme will vest for each performance criterion that is met or exceeded.

Following the adverse impact of Covid-19, the Board Remuneration Committee agreed to extend the original vesting date and performance measurement period by 12 months, and to recalibrate the original vesting conditions during F2020. The scheme will now vest in 2022 (as opposed to 2021) with settlement dates in 2022, 2023 and 2024. The approved performance criteria are:

- Normalised headline earnings in F2022 must meet or exceed R3 200m.
- Average ROEV over the vesting period to exceed the 10-year SA Government Bond rate (the risk-free rate) plus 3%.
- Total Shareholder Return (TSR) over the vesting period to exceed the TSR of an equal-weighted index of MMH's main listed peers.

For the ROEV performance condition, the Remuneration Committee will retain the right to choose the exact methodology to allow for the adverse impact of Covid-19. Given that TSR measures relative performance against listed peers, there was no change made to the performance criteria other than the 12-month extension to the measurement period.

15 Employee benefit assets and obligations continued

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

Vesting rate assumptions regarding performance units in the previous tables continued

Share Appreciation Rights Scheme (SAR) continued

The SAR award specifies a strike price, which will determine the value of vested SARs as at the vesting date. A vested SAR is worth the greater of zero and the amount by which the MMH share price exceeds the strike price.

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

Compared to the ROEV assumptions used in the SAR liability calculation, an additional increase in future ROEV of 10 percent would result in a higher vesting assumption of 53% and a resulting IFRS 2 cost of R2 million.

Share scheme

Momentum Sales Phantom Scheme (MSPS)

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

Reconciliation of units/options in force:

	MSPS '000
Units/Options in force at 01 July 2019	4 396
Granted at prices ranging between (cents)	1 702 – 2 650
Units/Options granted during year	661
Granted at prices ranging between (cents)	1 966 – 1 966
Units/Options exercised/released during year	(1 769)
Market value of range at date of exercise/release	1 822 – 1 991
Units/Options cancelled/lapsed during year	(387)
Granted at prices ranging between (cents)	1 702 – 2 650
Units/Options in force at 30 June 2020	2 901
Granted at prices ranging between (cents)	**1 427 – 2 438**
Units/Options granted during year	**630**
Granted at prices ranging between (cents)	**1 427 – 1 427**
Units/Options exercised/released during year	**(807)**
Market value of range at date of exercise/release	**1 427 – 1 822**
Units/Options cancelled/lapsed during year	**(79)**
Granted at prices ranging between (cents)	**1 427 – 2 438**
Units/Options in force at 30 June 2021	**2 645**

Shares outstanding (by expiry date) for the MSPS are as follows:

2021	MSPS '000
Financial year 2021/2022	771
Financial year 2022/2023	661
Financial year 2023/2024	601
Financial year 2024/2025	404
Financial year 2025/2026	208
Total outstanding shares	2 645

Valuation assumptions:

Assumptions	2021	2020
Share price	**1 427 – 2 196**	1 702 – 2 438
Forfeiture rate	**5.0%**	5.0%

Share-based payment expense

The share-based payment expense relating to cash settled schemes is R126 million (2020: R169 million) for the Group and R103 million (2020: R145 million) for the Company and is disclosed under employee benefit expenses in note 25.

16 Share capital and share premium

Refer to note 47 para 20 for the accounting policies relating to this note.

Authorised share capital of MML

- 225 million ordinary shares of 5 cents each.

Issued share capital

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

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Balance at beginning	**1 041**	1 041	**1 041**	1 041
	1 041	1 041	**1 041**	1 041
Share capital	**9**	9	**9**	9
Share premium	**1 032**	1 032	**1 032**	1 032
	1 041	1 041	**1 041**	1 041

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

Dividends

For detail of dividends declared and paid during the year, refer to the directors' report and to note 32.4 on related party transactions.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
17 Other components of equity				
17.1 Land and building revaluation reserve	**376**	509	**109**	427
17.2 Foreign currency translation reserve	**66**	131	**–**	–
17.3 Non-distributable reserve	**(13)**	(11)	**–**	–
17.4 Employee benefit revaluation reserve	**81**	260	**81**	260
17.5 Common Control Reserve	**4 729**	4 729	**4 729**	4 729
17.6 Revaluation of subsidiaries reserve	**–**	–	**405**	65
17.7 Equity-settled share-based payment arrangements	**15**	–	**15**	–
	5 254	5 618	**5 339**	5 481
Movements in other reserves				
17.1 Land and building revaluation reserve				
Refer to note 47 para 5				
Balance at beginning	**509**	488	**427**	407
Earnings directly attributable to other components of equity	**(36)**	20	**152**	20
Revaluation	**(15)**	25	**46**	25
Deferred tax on revaluation	**(21)**	(5)	**106**	(5)
Transfer to retained earnings	**(97)**	1	**(470)**	–
Balance at end	**376**	509	**109**	427

Refer to the Statement of Changes in Equity for details relating to the change in accounting policy restatement.

During the year, the Company sold owner-occupied property (classified as disposal groups held for sale in the prior year) to a subsidiary. As a result, R470 million of the gross land and buildings revaluation reserve was released upon sale. Because the transaction was within the same group of companies, tax roll-over relief was obtained, which had the result that there was a change in the expected recovery of the deferred tax balance raised on the temporary difference of the capital gain of the property. This led to the reversal of the deferred tax balance in other comprehensive income.

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
17 Other components of equity continued				
17.2 Foreign currency translation reserve				
Refer to note 47 para 3				
Balance at beginning	**131**	38	**–**	–
Transfer to retained earnings	**(12)**	–	**–**	–
Currency translation differences	**(53)**	93	**–**	–
Other	**–**	–	**–**	–
Balance at end	**66**	131	**–**	–
17.3 Non-distributable reserve				
Balance at beginning	**(11)**	5	**–**	–
Transfer to retained earnings	**(2)**	(17)	**–**	–
Other	**–**	1	**–**	–
Balance at end	**(13)**	(11)	**–**	–
17.4 Employee benefit revaluation reserve				
Refer to note 47 para 18				
Balance at beginning	**260**	100	**260**	100
Remeasurement of post-employment benefit obligations	**(179)**	163	**(179)**	162
Other	**–**	(3)	**–**	(2)
Balance at end	**81**	260	**81**	260
17.5 Common Control Reserve				
Balance at beginning	**4 729**	4 729	**4 729**	4 729
Balance at end	**4 729**	4 729	**4 729**	4 729

The Group acquired the long-term insurance business of Metropolitan Life Ltd with effect from 31 May 2013. This reserve reflects the difference between the purchase consideration and the book value of the assets and liabilities of a common control business combination.

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
17.6 Revaluation of subsidiaries reserve				
Balance at beginning	**–**	–	**65**	(43)
Fair value movement	**–**	–	**(479)**	108
Transfer from retained earnings[1]	**–**	–	**819**	–
Balance at end	**–**	–	**405**	65

There is no deferred tax consequences relating to the revaluation of the subsidiaries classified as fair value through other comprehensive income. The Company does not provide for deferred taxation where the timing of the reversal of temporary differences are controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. As the Company does not foresee the subsidiaries held as available for sale to be disposed of in the foreseeable future, no deferred tax is raised on the revaluation thereof.

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
17.7 Equity-settled share-based payment arrangements				
B-BBEE share-based payment reserve	**–**	–	**–**	–
Balance at beginning	**–**	–	**–**	–
Transfer to retained earnings	**–**	–	**–**	–
Share schemes – value of services provided	**15**	–	**15**	–
Balance at end	**15**	–	**15**	–

[1] Transfers out of the revaluation surplus relates to the sale of subsidiaries.

17 Other components of equity continued

17.7 Equity-settled share-based payment arrangements continued

iSabelo Trust

To achieve the long-term strategic business objectives of the Group and to strengthen the Group's B-BBEE ownership, Momentum Metropolitan has made available an employee share ownership plan to its employees. iSabelo is structured to benefit all permanent employed South African based employees to promote inclusivity.

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

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

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

The fair value used in determining the allocation is based on the unit price on grant date, adjusted for various variables, refer to note 46 for more details regarding the valuation assumptions. The total unit allocation costs relating to the current year for the iSabelo Trust amounting to R15 million has been included in the income statement. Refer to note 25. There were no modifications to the scheme in the current period.

Refer to note 46 for valuation assumptions relating to this scheme:

	Date units awarded[1]	Redemption date	Weighted average remaining contractual life	Grant price	Number of units '000
The following units were awarded and the redemption thereof deferred to a predetermined future date	12-Apr-21	12-Apr-31	9.8 years	0.89	248 158

	Average price	'000
Movements during the period		
As at 1 July 2020	–	–
Units awarded[2]	0.89	248 158
Awarded units lapsed due to resignation	0.89	(11 988)
As at 30 June 2021		**236 170**

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

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

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
18 Preference shares				
Non-redeemable, non-cumulative, non-participative preference shares issued				
Balance at beginning	–	500	–	500
Total comprehensive income	–	34	–	34
Dividend paid	–	(34)	–	(34)
Repurchase of preference shares	–	(500)	–	(500)
Balance at end	–	–	–	–

The Company repurchased the R500 million preference shares from Momentum Metropolitan Holdings Ltd for R381 million in the prior year. The difference between the carrying value and the consideration paid was recognised directly in retained earnings.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
19 Net insurance premiums				
Refer to note 47 para 10 for the accounting policies relating to this note.				
Premiums received	**28 507**	25 115	**27 328**	23 811
Long-term insurance contracts	**26 237**	22 395	**25 864**	22 100
Non-life insurance contracts	**806**	959	**–**	–
Investment contracts with DPF	**1 392**	1 711	**1 392**	1 711
Related party – Premiums received	**72**	50	**72**	–
Premiums received ceded to reinsurers	**(3 084)**	(2 815)	**(2 800)**	(2 615)
	25 423	22 300	**24 528**	21 196
Included in the above is the following relating to cell captives:				
Long-term insurance contracts	**373**	345	**–**	–
Premiums received ceded to reinsurers	**(265)**	(175)	**–**	–
	108	170	**–**	–

	Group		Company	
	2021 Rm	Restated 2020 Rm	2021 Rm	Restated 2020 Rm
20 Fee income				
Refer to note 47 para 23 for the accounting policies relating to this note.				
Contract administration	**2 997**	2 925	**2 991**	2 920
Investment contract administration	**2 922**	2 857	**2 920**	2 855
Release of deferred front-end fees	**75**	68	**71**	65
Health administration	**–**	–	**–**	–
Trust and fiduciary services	**861**	1 028	**418**	463
Asset management	**399**	471	**–**	–
Retirement fund administration	**418**	463	**418**	463
Asset administration	**44**	94	**–**	–
Other fee income	**647**	567	**110**	132
Momentum Multiply fee income	**175**	329	**–**	–
Administration fees received	**3**	2	**–**	–
Scrip lending fees	**6**	4	**6**	4
Related party fees received	**290**	86	**–**	6
Other	**173**	146	**104**	122
	4 505	4 520	**3 519**	3 515

Revenue disaggregation

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

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
21 Investment income				
Refer to note 47 para 23 for the accounting policies relating to this note.				
Interest income	**13 281**	13 474	**11 520**	11 704
At fair value through profit and loss	**12 519**	12 365	**10 997**	10 944
At amortised cost using the effective interest rate method				
Cash and cash equivalents	**674**	988	**462**	643
Financial assets at amortised cost	**88**	121	**61**	115
Non-financial assets	**–**	–	**–**	2
At fair value through profit and loss	**4 205**	5 174	**3 315**	4 616
Dividend income – listed	**2 190**	2 805	**1 446**	2 628
Dividend income – unlisted	**2 004**	2 369	**1 866**	1 988
Dividends on Preference Shares – Unlisted	**3**	–	**1**	–
Dividends on Preference Shares – Listed	**8**	–	**2**	–
Rental income	**1 167**	1 210	**955**	996
Investment properties[2]	**1 162**	1 201	**950**	987
Owner-occupied properties	**5**	9	**5**	9
Related party – Investment income	**3**	21	**219**	–
Dividends received from subsidiary and fellow subsidiary companies[1]	**35**	62	**186**	186
Other income	**6**	27	**–**	–
	18 697	19 968	**16 195**	17 502

[1] Consists of dividends received from subsidiaries of R124 million (2020: R124 million) and dividends from fellow subsidiaries of R62 million (2020: R62 million).

[2] Refer to note 47 for disclosure on the nature of the Group's leasing activities and risk management associated with investment properties.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	Restated 2020 Rm
22 Net realised and unrealised fair value gains/(losses)				
Refer to Note 47 para 6, 7 and 11 for the accounting policies relating to this note.				
Financial assets	**39 314**	(11 859)	**16 654**	(10 396)
Designated at fair value through profit and loss	**(6 949)**	(9 051)	**2 713**	(2 784)
Mandatorily at fair value through profit and loss	**45 117**	529	**13 257**	(4 880)
Derivative financial instruments – income/(losses)	**1 162**	(3 320)	**721**	(2 772)
Net realised and unrealised foreign exchange differences on financial instruments not at fair value through profit and loss	**(16)**	(17)	**(37)**	40
Investment property	**(427)**	(894)	**(295)**	(421)
Valuation (losses)/gains	**(406)**	(860)	**(272)**	(392)
Change in accelerated rental income	**(21)**	(34)	**(23)**	(29)
Financial liabilities	**77**	(67)	**83**	(74)
Designated at fair value through profit and loss	**77**	(67)	**83**	(74)
Investments in subsidiaries at fair value through profit and loss	**–**	–	**20 605**	(1 900)
Subsidiary companies	**–**	–	**(13)**	10
Collective investment schemes	**–**	–	**20 618**	(1 910)
Loss on sale of subsidiaries	**(11)**	–	**–**	–
Other investments	**5**	15	**6**	16
	38 958	(12 805)	**37 053**	(12 775)

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
23 Net insurance benefits and claims				
Refer to note 47 para 10 for the accounting policies relating to this note.				
Long-term insurance contracts	**25 498**	20 468	**25 412**	20 426
Death and disability claims	**14 799**	9 716	**14 713**	9 674
Maturity claims	**3 871**	4 104	**3 871**	4 104
Annuities	**4 749**	4 492	**4 749**	4 492
Surrenders	**1 917**	1 962	**1 917**	1 962
Terminations, disinvestments and withdrawal benefits	**5**	57	**5**	57
Other[1]	**157**	137	**157**	137
Non-life insurance benefits incurred	**444**	560	**–**	–
Investment contracts with DPF	**3 084**	3 231	**3 084**	3 231
Terminations, disinvestments and withdrawal benefits	**1 417**	1 573	**1 417**	1 572
Maturity claims	**664**	446	**664**	446
Surrenders	**832**	1 015	**832**	1 015
Annuities	**94**	88	**94**	88
Death and disability claims	**77**	100	**77**	100
Other	**–**	9	**–**	10
Related Party – Claims paid	**90**	36	**90**	–
Non-life insurance change in provision for outstanding claims	**54**	28	**–**	–
	29 170	24 323	**28 586**	23 657
Amounts recovered from reinsurers	**(4 011)**	(2 523)	**(3 920)**	(2 433)
	25 159	21 800	**24 666**	21 224

[1] Other includes loyalty bonuses paid out on insurance products.

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
24 Depreciation, amortisation and impairment expenses				
Refer to note 47 para 4, 5 and 7 for the accounting policies relating to this note.				
Depreciation	**227**	207	**211**	205
Owner-occupied properties (refer to note 3.1)	**38**	31	**23**	31
Equipment	**116**	109	**103**	81
Right-of-use assets (refer to note 3.2)	**73**	67	**85**	93
Amortisation (refer to note 2)	**115**	110	**75**	72
Value of in-force business acquired	**40**	41	**40**	41
Customer relationships	**9**	5	**–**	–
Broker Network	**1**	–	**–**	–
Computer software	**52**	59	**22**	25
Right-of-use assets (refer to note 2.7)	**13**	5	**13**	6
Impairment of intangible assets (refer to note 2)	**145**	61	**145**	49
Value of in-force business acquired	**144**	25	**144**	25
Customer relationships	**–**	–	**–**	–
Computer software	**1**	36	**1**	24
Impairment of owner-occupied properties (refer note 3.1)	**49**	114	**38**	15
Impairment of financial assets (refer to note 6.2)	**50**	51	**128**	32
Financial assets at amortised cost	**50**	51	**128**	32
Impairment of other assets	**–**	–	**–**	–
	586	543	**597**	373

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
25 Employee benefit expenses				
Refer to note 47 para 18 for the accounting policies relating to this note.				
Salaries	**3 478**	3 455	**2 908**	2 890
Defined contribution retirement fund	**253**	242	**214**	210
Contributions to medical aid funds	**144**	139	**124**	121
Share-based payment expenses – Cash-settled arrangements (refer to note 15.1.2)	**126**	169	**103**	145
Training costs	**57**	59	**48**	49
Retirement fund assets	**(56)**	(54)	**(56)**	(54)
Share-based payment expenses - Equity-settled arrangements (refer to note 17.7)	**15**	–	**15**	–
Post-retirement medical benefits	**13**	17	**13**	14
Other	**31**	26	**11**	8
	4 061	4 053	**3 380**	3 383
For detail of directors' and prescribed officers' remuneration, refer to note 45.				
26 Sales remuneration				
Refer to note 47 para 10 for the accounting policies relating to this note.				
Commission incurred for the acquisition of insurance contracts	**2 335**	2 250	**2 172**	1 987
Commission incurred for the acquisition of investment contracts with DPF	**23**	26	**23**	26
Commission incurred for the acquisition of investment contracts	**997**	864	**997**	863
Amortisation of deferred acquisition costs (short-term)	**27**	–	**–**	–
Life DAC-acquisition cost incurred	**388**	369	**339**	316
Net movement DAC (long-term)	**25**	36	**14**	29
Additions per note 2.5	**363**	333	**325**	287
Impairment of amounts due from agents, brokers and intermediaries (refer to note 6.2)	**(10)**	(36)	**(10)**	(36)
Impairment of Deferred Acquisition Costs	**9**	–	**–**	–
Related party – Commission	**(33)**	(32)	**(51)**	–
	3 736	3 441	**3 470**	3 156

27 Other expenses

Refer to note 47 para 24 for the accounting policies relating to this note.

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Asset management fees	**945**	908	**748**	620
Consulting fees	**407**	358	**295**	242
Information technology expenses	**556**	443	**452**	375
Direct property operating expenses on investment property	**520**	524	**410**	419
Office costs	**282**	313	**274**	298
Marketing costs	**331**	341	**278**	278
Other indirect taxes	**318**	275	**315**	275
Momentum Multiply benefit payments	**66**	218	**–**	–
Travel expenses	**48**	102	**44**	93
Auditors' remuneration	**70**	66	**46**	44
Audit fees	**68**	65	**44**	44
Fees for other services	**2**	1	**2**	–
Bank charges	**56**	45	**42**	31
Bad debts written off	**1**	–	**–**	–
Lease charges[1]	**25**	34	**19**	31
Policy services	**54**	36	**54**	36
Other expenses	**303**	93	**237**	36
Regulatory fees	**51**	41	**35**	37
Insurance expenses	**24**	22	**23**	21
Expenses recovered from subsidiaries and fellow MMH subsidiaries	**(419)**	(468)	**(739)**	(736)
	3 638	3 351	**2 533**	2 100

[1] Included in the Company's lease charges are R11 million relating to short-term leases, R1 million relating to lease of low-value assets, and R7 million relating to variable lease payments in the current year.

Included in the Group's lease charges are R12 million relating to short-term leases, R1 million relating to lease of low-value assets, and R12 million relating to variable lease payments in the current year.

	Group		Company	
	2021 Rm	**2020 Rm**	**2021 Rm**	**2020 Rm**
28 Finance costs				
Refer to note 47 para 24 for the accounting policies relating to this note.				
Interest expense on financial liabilities				
Unsecured subordinated call notes	**353**	440	**353**	440
Cost of carry positions	**190**	288	**190**	288
Lease liabilities	**21**	22	**39**	40
Preference shares	**9**	–	**–**	–
Other[1]	**161**	149	**40**	45
	734	899	**622**	813
Designated at fair value through profit and loss	**543**	728	**543**	728
Amortised cost	**191**	171	**79**	85
	734	899	**622**	813

[1] Included in other, is interest on a term loan with RMB of R28 million.

	Group		Company	
	2021 Rm	**2020 Rm**	**2021 Rm**	**2020 Rm**
29 Income tax expense				
Refer to note 47 para 13 for the accounting policies relating to this note.				
Income tax expenses/(credits)				
Current taxation	**854**	1 410	**658**	1 325
Shareholder tax				
South African normal tax – current year	**398**	878	**364**	846
South African normal tax-prior year	**3**	5	**2**	3
Foreign countries – normal tax	**27**	20	**–**	–
Foreign withholding tax	**118**	19	**–**	3
Contract holder tax				
Tax on contract holder funds – current year	**276**	473	**276**	473
South African normal tax – prior year	**16**	–	**16**	–
Tax attributable to cell captive owners	**16**	15	**–**	–
Deferred tax	**16**	(384)	**125**	(422)
Shareholder tax				
South African normal tax – current year	**(583)**	(222)	**(474)**	(259)
South African normal tax – prior year	**–**	–	**–**	–
Foreign countries – normal tax	**–**	1	**–**	–
Contract holder tax				
Tax on contract holder funds – current year	**599**	(163)	**599**	(163)
Tax attributable to cell captive owners	**–**	–	**–**	–
	870	1 026	**783**	903

	Group		Company	
Tax rate reconciliation	**2021 %**	**2020 %**	**2021 %**	**2020 %**
Tax calculated at standard rate of South African tax on earnings	**28.0**	28.0	**28.0**	28.0
Prior year adjustments	**2.8**	0.2	**1.8**	0.2
Taxation on contract holder funds	**145.9**	21.4	**81.7**	21.8
Foreign tax differential due to different statutory rates	**(4.7)**	(1.7)	**–**	0.2
Capital gains tax	**1.1**	(1.1)	**0.6**	(0.7)
Non-taxable income[1]	**(79.5)**	(11.0)	**(52.4)**	(2.6)
Non-deductible expenses[2]	**42.6**	15.9	**13.5**	16.6
Deferred tax asset not recognised	**4.1**	15.1	**–**	–
Deferred tax asset raised on prior year losses	**(9.4)**	–	**–**	–
Cell captive tax – to be recovered from cell owners	**1.6**	0.6	**–**	–
Effective rate	**132.5**	67.4	**73.2**	63.5

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

[2] Non-deductible expenses comprise Shareholder expenses which are not directly attributable to an income generating unit, including depreciation and impairments, and are thus not deductible for tax purposes.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm

30 Cash flow from operating activities

30.1 Cash utilised in operations

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Profit before tax	**654**	1 522	**1 070**	1 421
Adjusted for				
Items disclosed separately				
Dividends received	**(4 240)**	(5 236)	**(3 501)**	(4 802)
Interest received	**(13 283)**	(13 495)	**(11 739)**	(11 704)
Finance costs	**734**	899	**622**	813
Adjustments to reconcile profit before tax to net cash flows				
Share of losses of associates and joint ventures	**(1)**	–	**–**	–
Loss on sale of subsidiary	**11**	–	**–**	–
Depreciation and amortisation expenses	**342**	317	**286**	278
Impairment charges	**194**	175	**183**	64
Revaluation of investment in subsidiary	**–**	–	**13**	(10)
Gains and losses on foreign exchange differences and fair value gains and losses relating to investing and financing and cash balances	**555**	–	**352**	–
Share based payment expenses	**15**	–	**15**	–
Changes in operating assets and liabilities				
Net insurance and investment liabilities	**42 958**	(2 042)	**41 766**	(2 036)
Deferred Acquisition Costs	**57**	16	**14**	29
Financial assets at amortised cost	**(1 164)**	8 351	**707**	1 093
Insurance and other receivables	**(712)**	(41)	**(659)**	(124)
Reinsurance assets and liabilities	**(308)**	(39)	**(156)**	(73)
Employee benefit assets and obligations	**(127)**	(22)	**(124)**	(26)
Investment property	**40**	722	**205**	366
Other operating liabilities	**772**	(3 811)	**407**	3 960
Financial assets and liabilities	**(34 849)**	2 027	**(23 019)**	6 640
Investment in subsidiaries CIS	**–**	–	**(15 778)**	(5 496)
Cash utilised in operations	**(8 352)**	(10 657)	**(9 336)**	(9 607)

30.2 Income tax paid

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
(Due)/receivable at beginning	**(47)**	(265)	**(41)**	(276)
Charged to income statement	**(854)**	(1 410)	**(658)**	(1 325)
Charged directly to other comprehensive income	**–**	(1)	**–**	–
Other	**4**	(3)	**–**	–
Due at end	**(319)**	47	**(336)**	41
	(1 216)	(1 632)	**(1 035)**	(1 560)

30.3 Interest paid (operating activities)

	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Unsecured subordinated call notes	**362**	440	**362**	440
Cost of carry positions	**190**	288	**190**	288
Lease liabilities	**21**	22	**39**	40
Preference shares	**9**	–	**–**	–
Other	**161**	93	**40**	45
	743	843	**631**	813

30 Cash flow from operating activities continued

30.4 Liabilities arising from financing activities

	Group 2021 Rm	Group Restated 2020 Rm	Company 2021 Rm	Company 2020 Rm
Due at beginning	**15 177**	14 007	**11 122**	10 007
Recognised on 1 July 2019 on adoption of IFRS 16	**–**	320	**–**	475
Subordinated call notes issued	**750**	750	**750**	750
Subordinated call notes repaid	**(750)**	(755)	**(750)**	(755)
Proceeds from carry positions	**8 042**	7 444	**6 696**	6 313
Repayment of carry positions	**(7 444)**	(6 613)	**(6 314)**	(5 576)
Preference shares proceeds	**329**	–	**–**	-
Preference shares repaid	**(23)**	–	**–**	-
Repayment of property development loans	**(19)**	–	**–**	–
Proceeds from borrowings	**–**	–	**–**	–
Other – business combinations	**76**		**–**	
Repayment of other borrowings	**(396)**	(6)	**–**	–
Other borrowings additions	**–**	2	**–**	–
Other borrowings repayments	**(8)**	–	**–**	–
Acquisition of a subsidiary	**–**	60	**–**	–
New leases entered into	**102**	43	**100**	39
Lease payments	**(129)**	(94)	**(131)**	(96)
Lease modifications	**8**	(39)	**8**	(40)
Accrued interest	**752**	1 046	**622**	813
Interest paid[1]	**(761)**	(990)	**(631)**	(813)
Fair value movement	**(77)**	67	**(82)**	74
Own credit gains included in other comprehensive income	**90**	(69)	**90**	(69)
Foreign currency translation difference	**(8)**	4	**–**	–
Due at end	**15 711**	15 177	**11 480**	11 122

[1] R743 million (2020: R843 million) of the interest paid is included in operating activities and R18 million (2020: R147 million) of the interest paid, relating to capitalised borrowing costs is included in investing activities in the Statement of Cash Flows.

30.5 Disposal of subsidiaries recon

The Group disposed the following subsidiaries:

- Momentum Structured Insurance Ltd (MSI)
- Momentum Short Term Insurance Company Limited (MSTI)
- MMI Short Term Insurance Administration (Pty) Ltd (MMISTIA)
- SASAII

The sale of MSI was for cash, whereas the sale of MSTI and MMISTIA was non-cash. Control was lost as a result of a share issue by SASAII, and that a 30% holding has been retained, which gives MML significant influence – this associate balance is R18m.

	Group 2021 Rm	Group Restated 2020 Rm	Company 2021 Rm	Company 2020 Rm
Assets/(liabilities) disposed of:				
Intangible Assets	**170**	–	**–**	–
Owner-Occupied Properties	**25**	–	**–**	–
Investment Properties	**174**	–	**–**	–
Plant and Equipment	**11**	–	**–**	–
Financial instruments - assets	**870**	–	**–**	–
Reinsurance Contracts	**7**	–	**–**	–
Deferred Income Tax Assets	**109**	–	**–**	–
Insurance and Other Receivables	**32**	–	**–**	–
Cash and Cash Equivalents	**76**	–	**–**	–
Other liabilities	**(2)**	–	**–**	–
Insurance Contract Liabilities	**(340)**	–	**–**	–
Financial Instruments - liabilities	**(136)**	–	**–**	–
Reinsurance contract liabilities	**(2)**	–	**–**	–
Employee Benefit Obligations	**(24)**	–	**–**	–
Other payables	**(129)**	–	**–**	–
Provisions	**(3)**	–	**–**	–
Current income Tax Liabilities	**(1)**	–	**–**	–
Net assets sold	**837**	–	**–**	–
Non-controlling interests disposed of	**–**	–	**–**	–
Loss on sale of subsidiary	**(11)**	–	**–**	–
Loans to related parties	**754**	–	**–**	–
Loan to associate	**38**	–	**–**	–
Investment in associate recognised	**18**	–	**–**	–
Cash flow from sale of subsidiary	**16**	–	**–**	–
Cash proceeds on sale of subsidiary	**16**	–	**–**	–
Cash and cash equivalents disposed of	**(76)**	–	**–**	–
Net cash on disposal	**(60)**	–	**–**	–

31 Business combinations

Business combinations for the year ended 30 June 2021

On 30 November 2020, MML Group, through its subsidiary Momentum Global Investment Ltd (MGIM) , acquired 100% of the issued share capital of Seneca Investment Managers Ltd (SIML or the Company) from Seneca Asset Managers Ltd (SAML or the Seller).

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above transaction is as follows:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Investment property	–	118	–	–
Intangible assets	138	–	–	–
Plant and equipment	1	–	–	–
Financial instrument assets	10	–	–	–
Trade and other receivables	–	1	–	–
Current tax receivable	–	–	–	–
Cash and cash equivalents	26	2	–	–
Total Assets	175	121	–	–
Other financial liabilities	–	60	–	–
Deferred tax	26	7	–	–
Trade and other payables	5	1	–	–
Current income tax liabilities	–	–	–	–
Amount due to shareholders	–	3	–	–
Total liabilities	31	71	–	–
Net asset value	144	50	–	–
Non-controlling interest arising on acquisition	–	6	–	–
Acquisition price	283	44	–	–
Contingent consideration liability[1]	107	–		
Purchase consideration in cash	176	44		
Goodwill	139	–	–	–
Cash in subsidiary	26	2		
Less purchase consideration in cash	176	44		
Net cash as a result of business combination	(150)	(42)		
Revenue since acquisition	26	–	–	–
Earnings since acquisition	4	–	–	–

[1] The contingent liability is included as part of other borrowings.

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

The acquisition provides an opportunity for growth, which is the Group's current focus.

The above acquisitions resulted in a total of R139 million goodwill being recognised attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes.

Business combinations for the year ended 30 June 2020

On 01 July 2019, MML Group, through its wholly owned subsidiary, MML Company, acquired Taung Square Proprietary Ltd for R44 million, made up as follows:

- R35 million in respect of the Taung Sale Shares;
- R9 million in respect of Taung Sale Claims.

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above transaction is shown in the above table.

32 Related party transactions

32.1 Major shareholders and Group companies

The holding company of Momentum Metropolitan Life Ltd is Momentum Metropolitan Holdings Ltd, and the major shareholder in Momentum Metropolitan Holdings Ltd is Rand Merchant Investment Holdings Ltd (RMIH).

The most significant related parties of the Company are Momentum Asset Management (Pty) Ltd, Momentum Short-term Insurance Company Ltd, MMI Short-term Insurance Administration (Pty) Ltd, Momentum Multiply (Pty) Ltd, 102 Rivonia Road (Pty) Ltd, Momentum Wealth International Ltd, Momentum Wealth (Pty) Ltd, Momentum Ability Ltd and Momentum Alternative Investments (Pty) Ltd, all subsidiaries of the Company. Subsidiaries and associated companies of these companies are also related parties.

Significant subsidiaries of the Company are listed in note 5, along with loans due to or from these entities.

Various collective investment schemes in which the Group invests are defined as subsidiaries as the Group controls them in terms of IFRS 10; these are listed in note 43. Collective investment schemes over which the Group has significant influence but not control are classified as investments in associates carried at fair value; details are included in note 44.

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

32.2 Transactions with entities in the MMH Group

On 01 January 2021, MML transferred the ownership of the dormant Momentum Structured Insurance Limited to Guardrisk Group (Pty) Limited a fellow subsidiary of MMH Group for R16 million.

On 31 March 2021, MML sold 100% of Momentum Short-Term Insurance and MMI Short Term Insurance Administration (Pty) Ltd to Momentum Metropolitan Strategic Investments Proprietary Limited. The purchase price for the Sale Shares and Sale Claims is an amount equivalent to the NAV of the Company as at the effective date.

129 Rivonia's property development loan was converted to a term loan which was taken over by MML company on 2 November 2020. The loan is for R490 million and maturity date is 30 October 2027, and the rate is 3m Jibar + 190bps.

32.3 Transactions with directors and key management personnel and their families

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

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

	2021 Rm	2020 Rm
Salaries and other short-term employee benefits	**26**	25
Post-employment benefits	**–**	–
Termination benefits	**–**	–
Share-based payments	**5**	7
Directors' fees	**17**	14
	48	46

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

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

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

	2021		2020	
	Insurance Rm	Investment Rm	Insurance Rm	Investment Rm
Fund value	**1**	**269**	1	149
Aggregate life and disability cover	**57**	**–**	37	–
Deposits/premiums for the year	**1**	**25**	2	9
Withdrawals/claims for the year	**(4)**	**(2)**	–	(7)

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

32 Related party transactions continued

32.4 Contract administration

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

Refer to note 32.7 for details on related party transactions.

32.5 Transactions with significant shareholders

MML dividend declarations:

MML declared a nil final ordinary dividend to Momentum Metropolitan Holdings Limited for the year ended 30 June 2021 and this dividend declaration is similar to the nil final ordinary dividend for the year ended 30 June 2020.

An interim dividend of R1 034m was declared in March 2021 (2020: R708.6 million) being R5.44 (2020: R3.74) per ordinary share to Momentum Metropolitan Holdings Limited. Of this dividend, R267m was in cash and R767m was a dividend in specie. The dividend in specie was in the form a settlement of the loan which arose when the MSTI and MSTIA businesses were sold to Momentum Metropolitan Strategic Investments (Pty) Ltd to facilitate the aggregation of the short term insurance cluster under one holding company.

32.6 Post-employment benefit plans

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

32.7 Summary of related party transactions

	Group		Company	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Transactions with holding company				
Dividends paid	**1 030**	2 908	**1 030**	2 908
Transactions with subsidiaries				
Fees received for administrative functions	**–**	–	**267**	266
Dividends received	**–**	–	**151**	124
Interest received	**–**	–	**216**	277
Sales remuneration recoveries	**–**	–	**18**	18
Fees paid for administrative functions	**–**	–	**(287)**	(315)
Owner-occupied property sold[2]	**–**	–	**656**	–
Transactions with fellow subsidiaries				
Insurance premiums received	**72**	50	**72**	50
Fees received for administrative functions	**1 077**	732	**714**	667
Dividends received	**35**	62	**35**	62
Interest received	**3**	21	**3**	21
Rental income	**11**	20	**–**	–
Reinsurance claims received	**2**	1	**–**	–
Insurance claims paid	**(90)**	(36)	**(90)**	(36)
Reinsurance premiums paid	**(7)**	(9)	**–**	–
Sales remuneration recoveries	**33**	33	**33**	42
Fees paid for administrative functions	**(691)**	(551)	**(463)**	(388)
Subsidiaries sold[1]	**772**	–	**772**	–

[1] Please refer to note 5 for more detail.

[2] Previously included in Assets relating to disposal groups held for sale.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
33 Capital and lease commitments				
Capital commitments				
Authorised but not contracted	–	–	–	–
Authorised and contracted	40	325	40	325
	40	325	40	325
The above commitments, which are in respect of building refurbishments of R40 million will be financed from internal sources.				
Lease commitments				
The minimum future lease payments payable under non-cancellable short-term leases on property and equipment:				
Less than 1 year	1	4	1	4
Between 1 and 5 years	–	–	–	–
More than 5 years	–	–	–	–
	1	4	1	4
The minimum future lease payments receivable under non-cancellable operating leases on investment properties:				
Less than 1 year	492	357	394	357
Between 1 and 2 years	363	300	259	300
Between 2 and 3 years	316	204	205	204
Between 3 and 4 years	219	158	161	158
Between 4 and 5 years	145	138	145	138
More than 5 years	867	1 000	867	1 000
	2 402	2 157	2 031	2 157

34 Contingent liabilities

Refer to note 47 para 17 for the accounting policies relating to this note.

The Group is party to legal proceedings in the normal course of business and appropriate provisions are made when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

35 Events after the reporting period

The Covid-19 pandemic continues to impact the Group's operating environment beyond the reporting date. At the time of publishing this report the third wave in South Africa is still ongoing. The Group continues to experience high mortality claims and in July 2021 it received mortality claims significantly higher than was experienced prior to the pandemic. At 30 June 2021, the Group has additional Covid-19 provisions for future negative mortality, disability and termination claims experience of R1 902 million, of which R1 782 million relates to mortality. These mortality provision will largely be released in F2022 against the mortality experience observed, taking into account the high claims reported in the months subsequent to the reporting date. A significant level of uncertainty remains over long-term impacts that Covid-19 may have on the Group. Most notably, future mortality experience remains highly uncertain and is sensitive to the pace at which the vaccination programme is rolled out. It is encouraging that the pace of vaccinations has increased in recent months in South Africa. The Group took these effects into consideration in its forecasts and in making estimates and judgements as at 30 June 2021 as disclosed in the Critical judgements and accounting estimates note. The Group will continue to monitor the progression of the pandemic and its impact on the Group and will consider these on significant estimates and judgements going forward. The development of new variants as well as enduring changes to mortality remains a risk that is being monitored.

During July 2021 political unrest that resulted in widespread rioting and looting broke out in Gauteng and KwaZulu-Natal. Some of the Group's Metropolitan Life branches in the affected areas were looted, suffering significant damage. All branches in KwaZulu-Natal and many branches in Gauteng were closed for less than one week to ensure the safety of employees and clients during this time. This resulted in a disruption in sales and client servicing, but has recovered since.

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

36 Financial risk management

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

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

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

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

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

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

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

37 Capital management

37.1 Capital management objectives

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

The Prudential Authority has designated the Group as an insurance Group. Momentum Metropolitan Holdings Limited was licensed as an insurance Group during August 2021.

37.2 Capital management framework

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

- **Capital requirements and definition of capital:** The risks inherent in the business activities of the Group drive the need to hold sufficient capital reserves to protect the business against the adverse impacts of unexpected risk events. This is the primary aim for holding capital on the balance sheet. In addition to this, holding capital on the balance sheet enables the Group to support its business strategy. Within the Group, capital is measured and monitored on both the IFRS and regulatory basis. On the IFRS basis, capital is defined as the total equity plus subordinated debt. On the regulatory basis, capital is defined as the total eligible own funds calculated in line with the technical specifications of the Prudential Standards together with any applicable approvals obtained. Regulatory capital coverage is determined as the ratio of own funds to the solvency capital requirement. The calculation of the own funds and SCR are in accordance with the technical specifications of the Prudential Standards applicable to all of the Group's local insurance entities.
- **Capital coverage:** The Group specifies capital coverage ratios and ranges for the Group and its regulated insurance entities, which are defined under its risk appetite framework.
- **Capital allocation:** As a general principle, subsidiaries are capitalised to ensure medium-term regulatory solvency while additional capital is held centrally to support the long-term regulatory solvency of the entities. Momentum Metropolitan Life is therefore capitalised in excess of what its own covered business requires.
- **Investment of assets backing shareholder capital:** The assets held in the shareholder capital portfolios are financial assets that are in excess of the assets required to meet policyholder obligations and are directly attributable to the Group's shareholders. These assets back the Group's minimum required capital, approved capital buffers, the subordinated debt programme, as well as discretionary capital. The assets backing shareholder capital portfolios are invested in line with approved risk appetite and mandates.
- **Capital planning process:** The Group's capital planning process facilitates value creation by aligning corporate strategy, capital allocation and performance measurement. This process is conducted on a forward-looking basis through regular solvency and liquidity projections that take into account capital sourcing requirements, strategic capital deployment and subsidiary capital requirements.
- **Dividends:** The Group's dividend policy is to grow dividends in line with normalised headline earnings growth. The Group targets a 2.5x normalised headline earnings dividend cover with a 2.0x to 3.0x target coverage range. This implies a pay-out ratio of c.40% to c.50% of diluted normalised headline earnings per annum.

37 **Capital management** continued

37.3 Subordinated debt programme

Momentum Metropolitan Life Ltd successfully issued R750 million of new subordinated debt instruments during the 2021 financial year. The proceeds of the issuance were used to refinance an existing subordinated debt instrument which became callable during the year.

The table below shows the maturity profile of MML's subordinated debt at 30 June 2021:

Year	2022	2023	2024	2025	2026	2028
Date	**12-Aug**	19-Oct	18-Sep	12-Aug	10-Dec	15-Mar
Bond code	**MMIG05**	MMIG06	MMIG07	MMIG04	MML01 & MML02	MML03 & MML04
Bond issue amount	**R980m**	R750m	R750m	R270m	R750m	R750m
Outstanding tenor	**1.1 years**	2.3 years	3.2 years	4.1 years	5.4 years	6.7 years

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

37.4 Capital Coverage

Momentum Metropolitan Life Ltd has adopted a target range for regulatory solvency cover of 1.6 to 2.0 times the SCR. This makes allowance for the capital required to support the covered business against a range of severe but plausible scenarios, as well as the wider strategic investments.

The PA has designated MMH as an insurance group and approval for the licensing of MMH as the controlling company of the insurance group was received in August 2021. The solvency position of the Group at 30 June 2021 has therefore continued to be reported in line with the provisions of the Comprehensive Parallel Run. In particular, certain methodology approvals are assumed in the Group calculation that have not yet been formally obtained since the approval process can only commence subsequent to the licensing approval recently received.

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

37.5 Credit ratings

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

		National scale		Global scale		
	Type	2021	2020	2021	2020	Outlook
MML	Insurer Financial Strength	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba1 (BB+)**	Baa3 (BBB-)	**Negative**
MML	Issuer rating	**Aa1.za (AAA)**	Aa1.za (AA+)	**Ba2 (BB)**	Ba1 (BB+)	**Negative**
Subordinated debt	N/A	**Aa3.za (AA)**	Aa3.za (AA-)	**Ba3 (BB-)**	Ba2 (BB)	**Negative**

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

38 Insurance and investment business

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

Group	Insurance Rm	Investment with DPF Rm	Investment Rm	Total Rm
2021				
Individual contracts with Market Exposure	49 196	2 519	180 714	232 429
Market-related business	16 321	1 023	178 230	195 574
Smoothed bonus business	23 390	606	800	24 796
Smoothed bonus – fully vesting	–	890	1 684	2 574
Conventional with-profit business	9 485	–	–	9 485
Group contracts with Market Exposure	12 553	14 560	85 118	112 231
Market-related business	(14)	–	85 074	85 060
Smoothed bonus business	(41)	13 912	–	13 871
Smoothed bonus – fully vesting	–	618	–	618
With-profit annuity business	12 608	30	44	12 682
Other business	53 739	149	6 578	60 466
Non-profit annuity business	42 055	–	1 323	43 378
Guaranteed endowments	3	–	5 255	5 258
Structured products	–	–	–	–
Other non-profit business	11 681	149	–	11 830
Subtotal	115 488	17 228	272 410	405 126
Liabilities in cell captive and non-life business	(317)	–	1 506	1 189
Total contract holder liabilities	115 171	17 228	273 916	406 315
Restated 2020				
Individual contracts with Market Exposure	47 551	2 452	157 713	207 716
Market-related business	16 428	958	155 260	172 646
Smoothed bonus business	22 015	573	813	23 401
Smoothed bonus – fully vesting	–	921	1 640	2 561
Conventional with-profit business	9 108	–	–	9 108
Group contracts with Market Exposure	12 525	13 928	74 861	101 314
Market-related business	(28)	–	74 813	74 785
Smoothed bonus business	(46)	13 316	–	13 270
Smoothed bonus – fully vesting	–	584	–	584
With-profit annuity business	12 599	28	48	12 675
Other business	43 258	183	10 376	53 817
Non-profit annuity business	35 445	–	1 809	37 254
Guaranteed endowments	11	–	8 567	8 578
Structured products	–	–	–	–
Other non-profit business	7 802	183	–	7 985
Subtotal	103 334	16 563	242 950	362 847
Liabilities in cell captive and non-life business	(222)	–	1 245	1 023
Total contract holder liabilities	103 112	16 563	244 195	363 870

38 Insurance and investment business continued

Company	Insurance Rm	Investment with DPF Rm	Investment Rm	Total Rm
2021				
Individual contracts with Market Exposure	49 196	2 519	178 757	230 472
Market-related business	16 321	1 023	176 273	193 617
Smoothed bonus business	23 390	606	800	24 796
Smoothed bonus – fully vesting	–	890	1 684	2 574
Conventional with-profit business	9 485	–	–	9 485
Group contracts with Market Exposure	12 553	14 560	85 224	112 337
Market-related business	(14)	–	85 180	85 166
Smoothed bonus business	(41)	13 912	–	13 871
Smoothed bonus – fully vesting	–	618	–	618
With-profit annuity business	12 608	30	44	12 682
Other business	53 890	149	6 577	60 616
Non-profit annuity business	42 056	–	1 322	43 378
Guaranteed endowments	3	–	5 255	5 258
Structured products	11 831	149	–	11 980
Other non-profit business	–	–	–	–
Total contract holder liabilities	115 639	17 228	270 558	403 425
Restated 2020				
Individual contracts with Market Exposure	47 551	2 452	156 075	206 078
Market-related business	16 428	958	153 622	171 008
Smoothed bonus business	22 014	573	813	23 400
Smoothed bonus – fully vesting	–	921	1 640	2 561
Conventional with-profit business	9 109	–	–	9 109
Group contracts with Market Exposure	12 525	13 928	74 981	101 434
Market-related business	(28)	–	74 933	74 905
Smoothed bonus business	(46)	13 316	–	13 270
Smoothed bonus – fully vesting	–	584	–	584
With-profit annuity business	12 599	28	48	12 675
Other business	43 423	183	10 375	53 981
Non-profit annuity business	35 445	–	1 808	37 253
Guaranteed endowments	11	–	8 567	8 578
Other non-profit business	7 967	183	–	8 150
Total contract holder liabilities	103 499	16 563	241 431	361 493

38 Insurance and investment business continued

38.1 Classes of long-term insurance and investment business

The different classes of business are discussed below:

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

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

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

Individual and Group contracts with market exposure: Discretionary participation business

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

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

38 Insurance and investment business continued

38.1 Classes of long-term insurance and investment business continued

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

Non-profit annuity business

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

Guaranteed endowments (insurance and financial instrument business)

Insurance

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

Other non-profit business

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

Investment guarantees

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

38 Insurance and investment business continued

38.2 Long-term insurance risk

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

Long-term insurance risk management

The Head of the Actuarial Function (HAF)has a duty under the Insurance Act 2017 and its associated prudential guidelines to evaluate and provide advice to the Board of directors and management on the financial soundness of the insurer, including the accuracy of the calculations and the appropriateness of the assumptions underlying the valuation of the insurer's technical provisions and calculation of the insurer's capital requirements. The HAF reports on these matters to the Board, Audit Committee and the Prudential Authority. The Actuarial Committee supports the HAF in his responsibility for the oversight of insurance risk. The Actuarial Committee has been appointed by the Board to ensure that the technical actuarial aspects specific to insurance companies are debated and reviewed independently.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality and morbidity, termination rates, retrenchment rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected. In adverse circumstances, actual claims and benefits may exceed the liabilities held. The financial risk is partially mitigated through the addition of margins, especially where there is evidence of moderate or extreme variation in experience.

Reinsurance agreements are used as a primary risk mitigation tool, particularly in terms of insurance risks that are not well understood or fall outside the Group's risk appetite.

The main insurance risks, as well as the Group's approach to the management of these risks, are set out below.

38.2.1 Demographic risks

The risk of adverse change in the value of insurance contracts arising from changes in the level, trend, or volatility of demographic rates in respect of insurance obligations where a change in demographic rates lead to an increase in the value of insurance liabilities or claims. Underwriting processes are in place to manage exposure to these risks. The most significant measures are:

- The HAFs are required to evaluate and provide advice to the Board on the actuarial soundness of the terms and conditions of insurance contracts (Insurance Act, 18 of 2017, GOI 3).
- Regular experience investigations are conducted and used to set premium rates and valuation assumptions.
- Reinsurance arrangements are negotiated in order to limit the risk from any individual contract or aggregation of contracts.

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below.

Individual insurance business

- These are contracts providing benefits on death, disability, accident, medical events and survival that are sold directly to individuals. These contracts may also bear significant financial risk.
- Factors affecting demographic risks for individual insurance business:
  - The most significant factors that could substantially change the frequency of claims are epidemics or widespread changes in lifestyle (smoking, exercise, eating), resulting in more or earlier claims.
  - Economic conditions can potentially affect retrenchment claims as well as morbidity claims where benefits are determined in terms of the ability to perform an occupation.
  - Medical advances can potentially affect the size and severity of medical claims (including critical illness claims).
  - Anti-selection, such as where a client who has a pre-existing condition or disease purchases a product where a benefit will be paid on death or in the event of contracting such a disease.
  - The effect of selective terminations, which means policyholders are less likely to terminate voluntarily if the cover is more likely to be needed in the foreseeable future.
  - Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

38 Insurance and investment business continued

38.2 Long-term insurance risk (continued)

38.2.1 Demographic risks (continued)

Demographic risks are managed as follows:

- Risk premiums on most smoothed bonus and market-related contracts may be adjusted within the terms and conditions of the contracts. The ability of the Group to adjust these charges so that on average they reflect actual mortality experience reduces mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures and client expectation management.
- To reduce cross-subsidisation of risks and the possibility of anti-selection, premium rates differentiate on the basis of some or all of age, gender, occupation, smoker status, education, income level, geographic region and the results of underwriting investigations. Experience investigations have shown that these are reliable indicators of the risk exposure.
- A guarantee period shorter than the policy term applies to most risk business, and enables the Group to review premium rates on in-force contracts during the life of the contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years.
- All policy applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
- Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for a product. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
- Underwriting is done to identify non-traditional risks and take appropriate action, such as applying additional premium loadings or altering benefit terms.
- Additional provisions are held in respect of the potential deterioration of the mortality experience of supplementary benefits and direct marketing business.
- Reinsurance agreements are used to limit the risk on any single policy and aggregation of policies. Sums assured above a negotiated retention level are reinsured on a risk premium basis. Facultative arrangements are used for substandard lives and large sums assured.
- Momentum Life and Investments typically retain 85% of the risk on amounts of cover not exceeding R5 million on individual lives that are medically underwritten and that are not members of employee benefit schemes. Amounts of cover in excess of R5 million are typically fully reinsured.
- Metropolitan Life has a number of different reinsurance structures in place, depending on the type of product, the size of the risks involved and the experience in this type of business. The two structures mostly used are surplus retention where, generally, amounts of up to R1 million are retained with the full amount above that reinsured, and risk premium reinsurance on a constant retention basis up to a maximum retention limit of R400 000. Reinsurance is in place on existing business for fully underwritten and limited underwriting products, but only fully underwritten new business is reinsured and there is no reinsurance in place for funeral products.
- Concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance, as well as by taking out catastrophe reinsurance. MML's catastrophe reinsurance cover for the current financial year is R750 million (2020: R750 million) in excess of R20 million of the total retained sum assured for any single event involving three or more lives.

38 Insurance and investment business continued

38.2 Long-term insurance risk continued

38.2.1 Demographic risks continued

The table below shows the concentration of individual insurance contract benefits (gross and net of reinsurance) by sum insured at risk:

	2021			2020		
Sum insured per benefit (rands)	Number of benefits	Amount (gross) Rm	Amount (net) Rm	Number of benefits	Amount (gross) Rm	Amount (net) Rm
0 – 20 000	**2 917 063**	**26 795**	**26 395**	2 427 478	19 087	20 137
20 001 – 50 000	**805 740**	**43 476**	**42 663**	795 772	32 018	31 872
50 001 – 100 000	**327 187**	**35 837**	**33 507**	319 240	28 006	23 437
100 001 – 200 000	**109 851**	**18 341**	**13 653**	109 835	17 838	13 823
200 001 – 500 000	**176 481**	**61 676**	**41 879**	180 820	62 034	44 719
500 001 – 1 000 000	**210 722**	**117 188**	**86 836**	213 144	117 270	89 395
> 1 000 000	**483 574**	**1 082 943**	**607 439**	471 144	1 027 437	556 028
Subtotal	**5 030 618**	**1 386 256**	**852 372**	4 517 433	1 303 690	779 411
Cell captive business	**80 396**	**48 746**	**9 749**	66 817	43 915	8 716
Total	**5 111 014**	**1 435 002**	**862 121**	4 584 250	1 347 605	788 127

Group insurance business

- These are contracts that provide life and/or disability cover to members of a group (eg clients or employees of a specific company).
- Typical benefits are:
  - Life insurance (mostly lump sum, but including some children and spouse's annuities)
  - Disability insurance (lump sum and income protection)
  - Dread disease cover
  - Continuation of insurance option.
- Factors affecting these risks and how they are managed:
  - Contracts are similar to individual insurance contracts but there is greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry; hence a higher degree of concentration risk exists.
  - The products are mostly simple designs with a one-year renewable term. In most cases the products are compulsory for all employees although it has become more common recently to provide members with a degree of choice when selecting risk benefits.
  - Underwriting on group business is much less stringent than for individual business as there is typically less scope for anti-selection. The main reason for this is that participation in the Group's insurance programmes is normally compulsory, and as a rule members have limited choice in the level of benefits. Where choice in benefits and levels is offered, this is accompanied by an increase in the level of underwriting to limit anti-selection.
  - Groups are priced using standard mortality and morbidity tables. The price for an individual scheme is adjusted for the following risk factors:
    - o Region
    - o Salary structure
    - o Gender structure
    - o Industry
  - For large schemes (typically 400 or more members), a scheme's past experience is an important input in setting rates for the scheme. The larger the scheme, the more weight is given to the scheme's past experience.
  - Rate reviews take into account known trends such as worsening experience due to the Covid epidemic. The expected negative impact of the Covid epidemic is being allowed for by loading group life and disability income premium rates. The appropriateness of the loadings in the light of ongoing developments, such as the emergence of new Covid variants and the provision of vaccinations, is being continuously monitored. AIDS risk is no longer material, given the impact of anti-retrovirals and the reduction in AIDS cases.
  - To manage the risk of anti-selection, there is an "actively at work" clause, which requires members to be actively at work and attending to their normal duties for cover to take effect. This could be waived if the Group takes over a scheme from another insurer for all existing members. In addition, a pre-existing clause may apply, which states that no disability benefit will be payable if a member knew about a disabling condition within a defined period before the cover commenced and the event takes place within a defined period after cover has commenced.
  - There is a standard reinsurance treaty in place covering group business. Group life and lump sum disability sum benefits in excess of R5 million and disability income benefits above R50 000 per month are reinsured. In addition, for the majority of the smaller FundsAtWork schemes, 80% of the Group life lump sum benefit exposure that is under R5 million is reinsured via a separate quota share arrangement. There are also some facultative arrangements in place on some schemes that are particularly large or where or where a special structure is required, eg a very high free cover limit or high benefit levels. Furthermore, there is a company-wide catastrophe treaty place. The catastrophe treaty is particularly important for group risk business as there are considerably more concentrations of risks compared to individual business.

38 Insurance and investment business continued

38.2 Long-term insurance risk continued

38.2.1 Demographic risks continued

Group insurance business continued

The table below shows the concentration of group schemes by scheme size (as determined by the number of lives covered).

Lives covered by scheme	2021	2020
0 – 1 000	7 166	7 189
1 001 – 5 000	220	221
> 5 000	130	131
Subtotal	7 516	7 541
Cell captive business	1	1
Total	7 517	7 542

Annuity business

- Annuity contracts provide a specified regular income in return for a lump sum consideration. The income is normally provided for the life of the annuitant. In the case of a joint-life annuity, the income is payable until the death of the last survivor. The income may furthermore be paid for a minimum guaranteed period and may be fixed or increased at a fixed rate or in line with inflation. With-profit annuities are also offered whereby the policyholder shares in the experience of a pre-defined group of policyholders. The longevity risk in this case is that the annuitants may live longer than assumed in the pricing of the contract.
- Factors affecting these risks:
  - Increased longevity due to medical advances and improvement in social conditions.
  - Selection bias – individuals purchasing annuities are in better health and therefore live longer than assumed in the pricing basis.
- How risks are managed:
  - Mortality on non-profit annuities is monitored and future mortality improvements are allowed for in the pricing.
  - Annuity products are sometimes sold in combination with whole life cover, which provides a natural hedge against longevity and mortality risk.
  - Premium rates differentiate on the basis of age and sex.

The following table shows the distribution of number of annuitants by total amount per year:

	2021		2020	
Annuity amount per annum (rands)	Number of annuitants	Total amount per annum Rm	Number of annuitants	Total amount per annum Rm
0 – 10 000	64 359	284	63 782	280
10 001 – 50 000	44 175	1 041	43 485	1 029
50 001 – 100 000	11 073	779	11 252	791
100 001 – 200 000	6 534	906	6 693	926
> 200 000	4 636	1 838	4 437	1 703
Subtotal	130 777	4 848	129 649	4 729
Cell captive business	105	29	121	33
Total	130 882	4 877	129 770	4 762

Permanent health insurance business

The Group also pays permanent health insurance (PHI) income to disabled employees, the bulk of which is from employee benefit insured schemes. The income payments continue to the earlier of death, recovery or retirement of the disabled employee. There is, therefore, the risk of lower recovery rates or lower mortality rates than assumed, resulting in claims being paid for longer periods. Claims are reviewed at inception to determine eligibility. Ongoing claims in payment are also reviewed regularly to ensure claimants still qualify and rehabilitation is managed and encouraged.

38 Insurance and investment business continued

38.2 Long-term insurance risk continued

38.2.2 Contract persistency risk

- Persistency risk is the risk of adverse change in the value of insurance contracts due to adverse lapse, surrender and paid-up experience, or to a change in the expected exercise rates of such policyholder options.
- Expenses such as commission and acquisition costs are largely incurred at outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges in respect of the contract. Therefore, if the contract or premiums are terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred. As a result, any amount payable on withdrawal normally makes provision for recouping outstanding expenses from intermediaries. However, losses may still occur if the expenses incurred exceed the expected recoveries, which is usually the case for risk policies and normally happens early on in the term of recurring premium savings policies, or where the withdrawal amount does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum applying, or to product design.
- Terminations can have the effect of increasing insurance risk, eg contract holders whose health has deteriorated are less likely on average to terminate a contract providing medical, disability or death benefits. Also, for these types of policies, the risk at later durations is that terminations are less than assumed when pricing and valuing policies because upfront costs have largely been recouped and a termination at that stage releases a liability.

Factors affecting the risk:

- Economic conditions – economic hardship can cause an increase in terminations due to a reduced ability to afford premiums or a need for funds.

How risks are managed:

- In addition to setting realistic assumptions with regard to termination rates (rates of lapse, surrender and paid up experience) based on the Group's actual experience, capital is set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts. In addition, customer retention programs are in place to actively retain customers at risk of departure due to a lapse, surrender or maturity.
- Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces may restrict the extent to which this may be done in future.
- Persistency rates are measured on a monthly basis by a variety of factors and retention strategies are implemented on an ongoing basis based on this information.
- Commission paid on many products is closely aligned to premium collection and the terms of the contract, therefore reducing the risk of non-recovery of commission on new policies subsequently cancelled or paid up, which may improve persistency.

38.2.3 Retrenchment risk

Retrenchment risk is the risk of loss, or of adverse changes in the value of insurance contracts, resulting from changes in the level, trend or volatility of retrenchment inception rates used in pricing and valuing retrenchment benefits provided under policies. The Group has some exposure to retrenchment risk and will consider future opportunities which provide adequate risk-adjusted return and can be appropriately mitigated. The risk is seen as an enabler to get more exposure to other risks to which the Group has a risk seeking attitude. When writing retrenchment risk, the Group carefully considers the design of benefits, benefit term, premium guarantees as well as the expected diversification across employers and industries.

38.2.4 Expense risk

There is a risk that the Group may experience a loss due to actual expenses being higher than that assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in a smaller in-force book size.

Budget controls are in place to mitigate this risk. The Group performs expense investigations annually and sets pricing and valuation assumptions to be in line with actual experience and budgets, with allowance for inflation. The inflation assumption furthermore allows for the expected gradual shrinking of the number of policies arising from the run-off of certain books that are closed to new business.

38.2.5 Business volume risk

There is a risk that the Group may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs is variable and relates directly to sales volumes. The fixed cost component can be scaled down if there is an indication of a permanent decline in business volumes, but this will happen over a period of time. A further mitigating factor is that the distribution channels used to generate new insurance and investment business are used to distribute a range of product lines within the Group, such as health insurance and non-life insurance.

38 Insurance and investment business continued

38.3 Non-life insurance risk

Non-life insurance risk is the risk of unexpected underwriting losses in respect of existing business as well as new business expected to be written over the following 12 months. Underwriting losses could result from adverse claims, expenses, insufficient pricing, inadequate reserving, or through inefficient mitigation strategies like inadequate or non-adherence to underwriting guidelines.

38.3.1 Non-life insurance risk management

The Group has similar governance structures in place for non-life insurance as those that are in place for long-term insurance. This includes a HAF who follows the reporting structure and support process as explained in note 38.2.

The Group has developed an Enterprise Risk Management (ERM) framework in respect of the non-life business to provide reasonable assurance that the Group's risks are being prudently and soundly managed. The framework is designed according to acceptable principles from Corporate Governance and Risk Management standards. The ERM framework outlines the key risks facing the business and how these risks are managed, monitored and reported on.

Risks are rated individually by programmes loaded onto the underwriting system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative reinsurance cover being arranged. No claims bonus, which rewards clients for not claiming, and safety bonuses, which reward clients for adhering to, monitoring and reporting certain safety criteria, also form part of the Group's non-life business underwriting strategy. Multi-claimants are monitored and managed by tightening conditions of cover or ultimately cancelling cover.

The definitions of the risks that compromise non-life insurance risk are presented below:

- Premium risk: the risk of financial loss arising from fluctuations in timing, frequency and severity of insured events for business to be written in the next 12 months and unexpired risks on existing contracts. Premium risk includes the risk that premium provisions turn out to be insufficient to compensate claims or the need to increase these provisions.
- Reserve risk: the risk of adverse change in the value of insurance obligations arising from fluctuations in timing and amounts of claim settlements.
- Lapse risk: the risk of financial loss, or of adverse change in the value of insurance obligations, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.
- Catastrophe risk: the risk that a single event, or series of events, of major magnitude, usually over a short period (often 72 hours), leads to a financial loss, or of an adverse change in the value of insurance liabilities. Catastrophe losses are the losses that arise from catastrophe risk and these include:
  - Natural catastrophes which includes anything which is caused by a natural process, including earthquakes and hail storms.
  - Man-made catastrophes which are events that arise as a consequence of actions by humans.

The Group conducts business in different classes of non-life insurance and write these either as personal or commercial contracts. The following types of traditional contracts are written:

- Motor: Provides policy benefits if an event, contemplated in the contract as a risk relating to the possession, use or ownership of a motor vehicle occurs.
- Property: Provides policy benefits for loss of or damage relating to the possession, use, or ownership of moveable and immovable property.
- Accident and Health: Provides policy benefits if a disability event, health event or death event occurs.
- Liability: Provides policy benefits relating to the incurring of a liability, otherwise than as part of a policy relating to a risk more specifically provided for elsewhere. This type of contract typically includes inter alia public liability, product recall and malicious product tampering.
- Transportation: Provides policy benefits relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water, or to the storage, treatment or handling of goods so conveyed or to be so conveyed.
- Miscellaneous: Provides policy benefits relating to any matter not otherwise provided for. This type of contract typically includes inter alia legal expense insurance.

38 Insurance and investment business continued

38.3 Non-life insurance risk continued

38.3.1 Non-life insurance risk management continued

Premiums and claims relating to non-life insurance for the Group are as follows:

	2021 Rm	2020 Rm
Premiums	**806**	959
Claims	**498**	588

In addition, reinsurance agreements are concluded to minimise the solvency risk (refer to Reinsurance section below).

Reinsurance

The Group reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the Group to losses arising from insurance contracts and in order to protect the profitability of the Group and its capital. A suite of treaties is purchased in order to limit losses suffered from individual and aggregate insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the Board of directors. The Group only enters into reinsurance agreements with reinsurers which have adequate credit ratings, as prescribed by the Group's Reinsurance Risk Policy.

Concentrations of insurance risk

The Group is exposed to a concentration of insurance risk in the Gauteng province of South Africa. In order to manage this concentration of insurance risk, the Group has entered into a catastrophe excess of loss reinsurance treaty that would limit the loss of the Group to predetermined levels following the occurrence of a localised catastrophe in this area.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day.

Catastrophe limits are set to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a reputable credit rating and cognisance is taken of the geographical spread of the other risks underwritten by the reinsurers in order to reduce correlation of the Group's exposure with the balance of their exposure. These reinsurance models are run at least annually to take account of changes in the portfolio and to take the latest potential loss information into account.

39 Financial risk inherent in consolidated collective investment schemes and other investment products

The Group consolidates a number of collective investment schemes and other investment products. Refer to note 43 for information on the schemes consolidated.

As a result of exercising control over these schemes and other investment products, the Group's risk management framework is applicable to the risk management of these portfolios.

Because of the specific nature of this type of business, the risk management principles may be applied differently to managing the risks relevant to them. This section describes how the financial risk management of the schemes differs from the overall financial risk management.

The management company has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolio risk appetites over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the chief risk officer of the management company.

When considering any new investment for a portfolio, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio level. The portfolios' mandate is also assessed.

A portfolio's market risk appetite is measured as a function of current market conditions and its investment objective and mandate in conjunction with its relevant benchmark.

Credit and liquidity risk are mitigated through diversification of issuers in line with credit policy. All amounts disclosed include amounts attributable to the consolidated collective investment portfolios.

The collective investment schemes and other investment products not consolidated are included in note 44 as Collective investment schemes and Investments in associates. These are designated at fair value through profit and loss.

40 Liquidity risk

Liquidity risk is the risk that the Group, although solvent, has inadequate cash resources to meet its financial obligations when due, or can only secure these resources at excessive cost. The Group differentiates between funding liquidity risk (the risk of losses arising from difficulty in raising funding to meet obligations when they become due) and market liquidity risk (the risk of losses arising when engaging in financial instrument transactions due to inadequate market depth or market disruptions).

Liquidity risk governance

Liquidity risk for the Group is managed in terms of the Group liquidity risk management policy, which is a policy of the Group enterprise risk management function.

The Capital and Investment Committee is responsible for the Group's liquidity and funding risk management with the Board Risk Capital and Compliance committee providing oversight for funding and liquidity risk assumed in the Group's statement of financial position on behalf of shareholders. This includes the funding and liquidity risk on guaranteed and non-profit policyholder liabilities and shareholder portfolios.

Liquidity risk management

The principal risk relating to liquidity comprises the Group's exposure to policyholder behaviour, eg unanticipated benefit withdrawals or risk-related claims. The insurance and investment contract liabilities comprise 85% (2020: 84%) of the liabilities of the Group and 94% (2020: 92%) of the liabilities of the Company. Management of the liquidity risk thereof is described below in terms of policyholder benefits.

40 **Liquidity risk** continued

Policyholder liabilities

Guaranteed endowment and structured product benefits

Guaranteed endowments and structured products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when the liabilities become payable.

Non-profit annuity policyholder benefits

These contracts provide guaranteed annuity benefits and all liquidity risks arising from these contracts are borne by the shareholders. The expected liability outflow is matched as closely as possible with assets of an appropriate nature and term in order to match the duration and convexity of the portfolio and thus mitigate the interest rate risk exposure. The liquidity risk is mitigated by ensuring that expected liability cash flows are matched with sufficiently liquid assets of appropriate nature and term. The asset portfolio is a diversified portfolio of liquid cash and fixed-interest instruments (government bonds, corporate bonds, interest rate swaps and promissory notes) that closely matches the liquidity profile of the liability cash flow.

Conventional with-profit and smoothed bonus policyholder benefits

These benefits are determined mainly by reference to the policy fund values which reflect past contributions plus declared bonuses or the initial sum assured plus declared bonuses. The policy values, over time, move broadly in line with the value of underlying assets. Upon a contractual claim, assets are disposed of in the market, but only to the extent that cash flows into the fund are insufficient to cover the outflow. Assets are generally easy to realise as they consist mainly of large listed equity securities, government stock or funds on deposit.

The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets.

Maturity dates are normally known in advance and contractual claims are projected. Cash flow projections are performed to aid in portfolio and cash flow management. Where the product design allows for the payment of an early termination value (ie a benefit payment before the contract maturity date), such value is not normally guaranteed but is determined at the Group's discretion (subject to certain minima prescribed by legislation). This limits the loss on early termination. If underlying assets are illiquid, the terms of the policy contracts normally allow for a staggered approach to early termination benefit payments. Examples of the latter are contracts that invest in unlisted equity and certain property funds.

When a particular policyholder fund is shrinking (ie outflows exceed inflows), care is taken to ensure that the investment strategy and unit pricing structure of the fund are appropriate to meet liquidity requirements (as determined by cash flow projections). In practice, such a fund is often merged with cash flow positive funds to avoid unnecessary constraints on investment freedom.

Linked and market-related policyholder benefits

Market-related or unit-linked contracts are those invested in portfolios where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. These contracts do not expose the Group to significant liquidity risk because the risk of liquidity losses, except those that relate to investment guarantees and risk benefit claims, is largely borne by the policyholders. The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets.

Other policyholder benefits

The liquidity risk arising from the liabilities in respect of embedded investment guarantees is managed by backing these liabilities with sufficiently liquid financial instruments.

Policyholder contracts that provide mostly lump sum risk benefits do not normally give rise to significant liquidity risks compared to policies that provide mostly savings benefits. Funds supporting risk benefits normally have substantial cash inflows from which claims can be paid. Accrued liabilities are matched by liquid assets to meet cash outflows in excess of expected inflows.

On certain large corporate policy contracts, the terms of each individual policy contract take into account the relevant liquidity requirements. Examples of such contractual provisions include the payment of benefits *in specie*, or a provision for sufficient lag times between the termination notification and the payment of benefits.

For these contracts providing guaranteed annuity benefits all the liquidity risk that arises is borne by the shareholders. The liquidity risk is mitigated by ensuring that expected liability cash flows are matched with sufficiently liquid assets of appropriate nature and term.

40 **Liquidity risk** continued

Shareholder funds

The significant shareholder liabilities of the Group are the carry positions and the subordinated call notes.

The Group holds sufficient cash and liquid marketable financial instruments in its shareholders' funds to meet its commitments as and when they fall due. The investment assets backing the shareholder funds are invested in a diversified portfolio of liquid cash, floating rate instruments and interests in subsidiaries and or related entities. The investment mandate and guidelines that govern the investment of shareholder funds restrict exposure to high-quality assets.

The projected liquidity requirements of the shareholder portfolio are identified, measured and reported on a regular basis to the Capital and Investment Committee. The regular reports take the expected shareholder cash flows (eg committed mergers and acquisition activity and liquidity needs of related entities) into account in order to identify material funding liquidity gaps early. By determining the potential liquidity gaps, the funding liquidity and market liquidity risks of the shareholder portfolios are mitigated.

Liquidity profile of assets

The following table illustrates that the Group's assets are fairly liquid in order to meet the liquidity needs of obligations if the Group should be required to settle earlier than expected:

	Group				Company			
	2021		Restated 2020		2021		2020	
Financial asset liquidity	%	Rm	%	Rm	%	Rm	%	Rm
High[1]	**76**	**368 543**	72	322 485	**79**	**350 069**	76	304 817
Medium[2]	**21**	**104 369**	25	108 602	**19**	**81 480**	21	86 813
Low/illiquid[3]	**3**	**13 583**	3	14 021	**2**	**9 422**	3	10 449
Other assets not included above								
– Employee benefit assets		**695**		648		**695**		649
– Deferred income tax		**131**		286		**–**		–
– Accelerated rental income		**332**		311		**209**		187
– Assets relating to disposal groups held for sale		**129**		–		**936**		633
Total assets		**487 782**		446 353		**442 811**		403 548

1 Highly liquid assets are those that are considered to be realisable within one month (eg level 1 financial assets at fair value, including funds on deposit and other money market instruments > 90 days, cash and cash equivalents), the current values of which might not be realised if a substantial short-term liquidation were to occur due to demand-supply principles.

2 Medium liquid assets are those that are considered to be realisable within six months (eg level 2 and level 3 financial assets at fair value, except for funds on deposit and other money market instruments > 90 days, loans at amortised cost, insurance receivables, reinsurance contracts).

3 Low/illiquid assets are those that are considered to be realisable in excess of six months (eg intangible assets, investment and owner-occupied properties, property and equipment, equity-accounted associates).

40 Liquidity risk continued

Maturity profile of liabilities

The cash flows (either expected or contractual) for these liabilities are disclosed in the maturity analysis below:

Group

2021 **R million**	**Carrying amount**	**Total**	**Open-ended[1]**	**0 to 1 year**	**1 to 5 years**	**5 to 10 years**	**> 10 years**
Insurance contracts (DCFs)[2]	115 488	115 487	19 682	14 974	28 589	21 490	30 752
Linked (market-related) business							
Individual	16 321	16 321	2 468	1 278	3 880	3 620	5 075
Employee benefits	(14)	(14)	–	(1)	(6)	(7)	–
Smoothed bonus business							
Individual	23 390	23 389	1 637	2 666	7 057	5 297	6 732
Employee benefits	(41)	(41)	(41)	–	–	–	–
Conventional with-profit business	9 485	9 485	5 997	361	282	149	2 696
Guaranteed endowments	3	3	–	3	–	–	–
Non-profit business							
Individual	9 336	8 763	966	1 917	995	496	4 389
Employee benefits	2 345	2 918	142	2 105	233	142	296
Annuity business	54 663	54 663	8 513	6 645	16 148	11 793	11 564
Investment contracts with DPF (DCFs)[2]	17 228	17 228	15 629	207	595	337	460
Linked (market-related) business							
Individual	1 023	1 023	13	125	378	222	285
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus business							
Individual	606	606	17	82	217	115	175
Employee benefits	13 912	13 912	13 912	–	–	–	–
Smoothed bonus – fully vesting							
Individual	890	890	890	–	–	–	–
Employee benefits	618	618	618	–	–	–	–
Conventional with-profit business	–	–	–	–	–	–	–
Non-profit business							
Individual	1	1	1	–	–	–	–
Employee benefits	148	148	148	–	–	–	–
Annuity business	30	30	30	–	–	–	–
Investment contracts (undiscounted cash flows)	272 410	272 940	129 232	2 744	7 024	26 391	107 549
Linked (market-related) business							
Individual	178 230	178 231	43 616	422	2 033	26 193	105 967
Employee benefits	85 074	85 074	83 364	19	90	151	1 450
Smoothed bonus business							
Individual	800	800	787	–	–	3	10
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 684	1 684	1 455	1	3	44	181
Employee benefits	–	–	–	–	–	–	–
Guaranteed endowments	5 255	5 683	–	1 724	3 959	–	–
Non-profit business							
Individual	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–
Annuity business	1 367	1 468	10	578	939	–	(59)
Subtotal policyholder liabilities under insurance and investment contracts	405 126	405 655	164 543	17 925	36 208	48 218	138 761
Cell captive business	1 189	1 189	119	457	(307)	70	850
Total policyholder liabilities under insurance and investment contracts	406 315	406 844	164 662	18 382	35 901	48 288	139 611

40 **Liquidity risk** continued

Maturity profile of liabilities continued

Group **2021** **R million**	**Carrying amount**	**Total**	**Open-ended**[1]	**0 to 1 year**	**1 to 5 years**	**5 to 10 years**	**> 10 years**
Financial liabilities at fair value through profit and loss	52 540	50 535	34 700	10 134	3 726	1 778	197
Collective investment scheme liabilities	34 700	34 700	34 700	–	–	–	–
Subordinated call notes	4 429	5 641	–	344	3 636	1 661	–
Carry positions	9 657	9 657	–	9 657	–	–	–
Derivative financial liabilities[3]	3 343	–	–	–	–	–	–
Preference shares	313	439	–	35	90	117	197
Other borrowings	98	98	–	98	–	–	–
Financial liabilities at amortised cost	1 214	1 840	–	206	1 585	6	43
Lease liabilities	213	534	–	128	358	5	43
Property development loans	425	593	–	78	515	–	–
Other	576	713	–	–	712	1	–
Other payables[4]	13 471	13 471	1	13 453	17	–	–
Reinsurance contract liabilities	414	414	–	105	267	42	–
Other liabilities[5]	3 007	–	–	–	–	–	–
Total liabilities	**476 961**	**473 105**	**199 363**	**42 280**	**41 497**	**50 114**	**139 851**

1 Open-ended liabilities are defined as:
– policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand); or
– where policies do not have a specified contract term.

2 The cash flows for insurance and investment contracts with DPF liabilities are calculated using discounted expected cash flows. All other values are based on contractual undiscounted cash flows.

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

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

5 Other liabilities are considered to be excluded from the scope of IFRS 9 and IFRS 7; therefore no cash flows are provided for those liabilities.

Cash flows relating to policyholder liabilities under insurance and investment contracts (current in-force book) have been apportioned between future time periods in the following manner:

- In general, the earliest contractual maturity date is used for all liabilities.
- For investment contracts, the contractually required cash flows for policies that can be surrendered are the surrender values of such policies (after deduction of surrender penalties). It is assumed that surrender values are contractually available on demand and therefore these policies are disclosed as open-ended.
- For policies with no surrender value, the estimated contractual cash flow is disclosed.
- Contractual undiscounted cash flows are disclosed for investment contract liabilities designated at fair value through profit and loss.
- Expected DCFs, ie the estimated timing of repayment of the amounts recognised in the statement of financial position, are disclosed for insurance contract liabilities and investment contracts with DPF liabilities. The assumptions used to calculate the statement of financial position value of these liabilities are disclosed in note 11.
- For investment contracts with DPF liabilities, the discretionary component of the liability has been allocated in line with the underlying expected benefits payable to policyholders.

Financial liabilities at fair value through profit and loss:

- Collective investment scheme liabilities represent demand liabilities of scheme interests not held by the Group arising as a result of consolidation.
- The cash flows relating to the subordinated call notes have been allocated to the earliest period in which they are callable by the Company. They will be funded from cash resources at that time. The shareholder funds include sufficient cash resources to fund the coupon payments under these call notes.
- Carry positions have a one-month rolling period and the funding thereof forms part of the general portfolio management.

40 **Liquidity risk** continued

Maturity profile of liabilities continued

Group

Restated 2020 R million	Carrying amount	Total	Open-ended	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)	103 334	103 334	16 976	12 831	26 776	20 298	26 453
Linked (market-related) business							
Individual	16 428	16 428	2 018	1 222	3 968	4 095	5 125
Employee benefits	(28)	(28)	(5)	(2)	(9)	(12)	–
Smoothed bonus business							
Individual	22 014	22 014	640	2 831	6 854	5 101	6 588
Employee benefits	(46)	(46)	(46)	–	–	–	–
Conventional with-profit business	9 108	9 108	5 457	301	480	178	2 692
Guaranteed endowments	11	11	–	9	2	–	–
Non-profit business							
Individual	5 458	5 458	1 297	1 150	1 029	514	1 468
Employee benefits	2 345	2 345	117	1 699	195	109	225
Annuity business	48 044	48 044	7 498	5 621	14 257	10 313	10 355
Investment contracts with DPF (DCFs)	16 563	16 563	15 039	265	567	295	397
Linked (market-related) business							
Individual	957	957	6	185	337	187	242
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus business							
Individual	573	573	–	80	230	108	155
Employee benefits	13 316	13 316	13 316	–	–	–	–
Smoothed bonus – fully vesting							
Individual	921	921	921	–	–	–	–
Employee benefits	584	584	584	–	–	–	–
Conventional with-profit business	–	–	–	–	–	–	–
Non-profit business							
Individual	1	1	1	–	–	–	–
Employee benefits	183	183	183	–	–	–	–
Annuity business	28	28	28	–	–	–	–
Investment contracts (undiscounted cash flows)	242 949	243 779	115 359	8 576	11 977	16 667	91 200
Linked (market-related) business							
Individual	155 260	155 258	39 559	4 650	4 679	16 529	89 841
Employee benefits	74 813	74 812	73 372	16	76	127	1 221
Smoothed bonus business							
Individual	813	813	800	–	1	2	10
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 640	1 640	1 377	9	11	38	205
Employee benefits	–	–	–	–	–	–	–
Guaranteed endowments	8 567	9 260	204	3 224	5 832	-	-
Non-profit business							
Individual	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–
Annuity business	1 856	1 996	47	677	1 378	(29)	(77)
Subtotal policyholder liabilities under insurance and investment contracts	362 846	363 676	147 374	21 672	39 320	37 260	118 050
Cell captive and non-life business	1 023	1 023	156	398	(495)	(86)	1 050
Total policyholder liabilities under insurance and investment contracts	363 869	364 699	147 530	22 070	38 825	37 174	119 100

40 **Liquidity risk** continued

Maturity profile of liabilities continued

Group

2020 **R million**	**Carrying amount**	**Total**	**Open-ended**	**0 to 1 year**	**1 to 5 years**	**5 to 10 years**	**> 10 years**
Financial liabilities at fair value through profit and loss	51 882	47 560	32 938	10 165	3 315	1 142	–
Collective investment scheme liabilities	32 938	32 938	32 938	–	–	–	–
Subordinated call notes	4 431	5 563	–	1 106	3 315	1 142	–
Carry positions	9 059	9 059	–	9 059	–	–	–
Derivative financial liabilities	5 454	–	–	–	–	–	–
Other borrowings	–	–	–	–	–	–	–
Financial liabilities at amortised cost	1 687	2 894	–	410	1 345	1 139	–
Lease liabilities	232	485	–	132	257	96	–
Property development loans	1 326	2 272	–	147	1 081	1 044	–
Other	129	137	–	131	7	(1)	–
Other payables	12 774	12 774	1	12 752	21	–	–
Reinsurance contract liabilities	562	562	–	92	362	108	–
Other liabilities	3 165	–	–	–	–	–	–
Total liabilities	433 939	428 489	180 469	45 489	43 868	39 563	119 100

Company

2021 **Rm**	**Carrying amount**	**Total**	**Open-ended**[1]	**0 to 1 year**	**1 to 5 years**	**5 to 10 years**	**> 10 years**
Insurance contracts (discounted cash flows)[2]	**115 639**	**115 638**	**19 833**	**14 974**	**28 589**	**21 490**	**30 752**
Market-related business							
Individual	**16 321**	**16 321**	**2 468**	**1 278**	**3 880**	**3 620**	**5 075**
Employee benefits	**(14)**	**(14)**	**–**	**(1)**	**(6)**	**(7)**	**–**
Smoothed bonus business							
Individual	**23 390**	**23 389**	**1 637**	**2 666**	**7 057**	**5 297**	**6 732**
Employee benefits	**(41)**	**(41)**	**(41)**	**–**	**–**	**–**	**–**
Smoothed bonus – fully vesting							
Individual	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Employee benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Conventional with-profit business	**9 485**	**9 485**	**5 997**	**361**	**282**	**149**	**2 696**
Guaranteed endowments	**3**	**3**	**–**	**3**	**–**	**–**	**–**
Non-profit business							
Individual	**8 763**	**8 763**	**966**	**1 917**	**995**	**496**	**4 389**
Employee benefits	**3 068**	**3 069**	**293**	**2 105**	**233**	**142**	**296**
Annuity business	**54 664**	**54 663**	**8 513**	**6 645**	**16 148**	**11 793**	**11 564**
Investment contracts with DPF (discounted cash flows)[2]	**17 228**	**17 228**	**15 629**	**207**	**595**	**337**	**460**
Market-related business							
Individual	**1 023**	**1 023**	**13**	**125**	**378**	**222**	**285**
Employee benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Smoothed bonus business							
Individual	**606**	**606**	**17**	**82**	**217**	**115**	**175**
Employee benefits	**13 912**	**13 912**	**13 912**	**–**	**–**	**–**	**–**
Smoothed bonus – fully vesting							
Individual	**890**	**890**	**890**	**–**	**–**	**–**	**–**
Employee benefits	**618**	**618**	**618**	**–**	**–**	**–**	**–**
Conventional with-profit business	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Guaranteed endowments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-profit business							
Individual	**1**	**1**	**1**	**–**	**–**	**–**	**–**
Employee benefits	**148**	**148**	**148**	**–**	**–**	**–**	**–**
Annuity business	**30**	**30**	**30**	**–**	**–**	**–**	**–**

40 Liquidity risk continued

Maturity profile of liabilities continued

Company

2021 Rm	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Investment contracts (undiscounted cash flows)	270 558	271 088	129 337	2 743	6 994	26 010	106 004
Market-related business							
Individual	176 273	176 274	43 616	421	2 003	25 812	104 422
Employee benefits	85 180	85 179	83 469	19	90	151	1 450
Smoothed bonus business							
Individual	800	800	787	–	–	3	10
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 684	1 684	1 455	1	3	44	181
Employee benefits	–	–	–	–	–	–	–
Conventional with-profit business	–	–	–	–	–	–	–
Guaranteed endowments	5 255	5 683	–	1 724	3 959	–	–
Non-profit business							
Individual	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–
Annuity business	1 366	1 468	10	578	939	–	(59)
Total policyholder liabilities under insurance and investment contracts	403 425	403 954	164 799	17 924	36 178	47 837	137 216
Financial liabilities at fair value through profit and loss	14 090	12 337	–	7 040	3 636	1 661	–
Subordinated call notes	4 429	5 641	–	344	3 636	1 661	–
Carry positions	6 696	6 696	–	6 696	–	–	–
Derivative financial liabilities[3]	2 965	–	–	–	–	–	–
Financial liabilities at amortised cost – lease liabilities	355	447	–	118	329	–	–
Other payables[4]	10 848	10 848	–	10 848	–	–	–
Other liabilities[5]	2 609	–	–	–	–	–	–
Total liabilities	431 327	427 586	164 799	35 930	40 143	49 498	137 216

Company

Restated 2020 Rm	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (discounted cash flows)[2]	103 499	103 499	17 142	12 831	26 775	20 299	26 452
Market-related business							
Individual	16 428	16 428	2 018	1 222	3 968	4 095	5 125
Employee benefits	(28)	(28)	(4)	(2)	(10)	(12)	–
Smoothed bonus business							
Individual	22 014	22 014	640	2 831	6 854	5 101	6 588
Employee benefits	(46)	(46)	(46)	–	–	–	–
Smoothed bonus – fully vesting							
Individual	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–
Conventional with-profit business	9 108	9 108	5 457	301	480	178	2 692
Guaranteed endowments	11	11	–	9	2	–	–
Non-profit business							
Individual	5 458	5 458	1 297	1 150	1 029	514	1 468
Employee benefits	2 510	2 510	281	1 699	195	110	225
Annuity business	48 044	48 044	7 499	5 621	14 257	10 313	10 354

40 **Liquidity risk** continued

Maturity profile of liabilities continued

Company

Restated 2020 Rm	**Carrying amount**	**Total**	**Open-ended[1]**	**0 to 1 year**	**1 to 5 years**	**5 to 10 years**	**> 10 years**
Investment contracts with DPF (discounted cash flows)[2]	16 563	16 563	15 038	264	567	296	398
Market-related business							
Individual	958	958	6	184	337	188	243
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus business							
Individual	573	573	–	80	230	108	155
Employee benefits	13 316	13 316	13 316	–	–	–	–
Smoothed bonus – fully vesting							
Individual	921	921	921	–	–	–	–
Employee benefits	584	584	584	–	–	–	–
Conventional with-profit business	–	–	–	–	–	–	–
Guaranteed endowments	–	–	–	–	–	–	–
Non-profit business							
Individual	–	–	–	–	–	–	–
Employee benefits	183	183	183	–	–	–	–
Annuity business	28	28	28	–	–	–	–
Investment contracts (undiscounted cash flows)	241 431	242 263	115 481	8 237	11 922	16 474	90 149
Market-related business							
Individual	153 622	153 622	39 560	4 312	4 624	16 336	88 790
Employee benefits	74 933	74 932	73 492	16	76	127	1 221
Smoothed bonus business							
Individual	813	813	800	–	1	2	10
Employee benefits	–	–	–	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 640	1 640	1 378	8	11	38	205
Employee benefits	–	–	–	–	–	–	–
Conventional with-profit business	–	–	–	–	–	–	–
Guaranteed endowments	8 567	9 260	204	3 224	5 832	-	-
Non-profit business							
Individual	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–
Annuity business	1 856	1 996	47	677	1 378	(29)	(77)
Total policyholder liabilities under insurance and investment contracts	361 493	362 325	147 661	21 332	39 264	37 069	116 999
Financial liabilities at fair value through profit and loss	15 754	11 876	–	7 419	3 315	1 142	–
Subordinated call notes	4 431	5 563	–	1 106	3 315	1 142	–
Carry positions	6 313	6 313	–	6 313	–	–	–
Derivative financial liabilities[3]	5 010						
Financial liabilities at amortised cost – lease liabilities	378	480	–	131	255	94	–
Other payables[4]	10 353	10 353	–	10 353	–	–	–
Other liabilities[5]	2 762						
Total liabilities	390 740	385 034	147 661	39 235	42 834	38 305	116 999

1 Open-ended liabilities are defined as:
- policies where the policyholder is entitled to the benefit at any future point (benefits are contractually available on demand); or
- where policies do not have a specified contract term.

2 The cash flows for insurance and investment contracts with DPF liabilities are calculated using discounted expected cash flows. All other values are based on contractual undiscounted cash flows.

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

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

5 Other liabilities are considered to be excluded from the scope of IFRS 9 and IFRS 7; therefore no cash flows are provided for those liabilities.

40 **Liquidity risk** continued

Maturity profile of derivative financial instruments

Contractual maturities are assessed to be essential for an understanding of all derivatives presented in the consolidated statement of financial position. The following table indicates the expiry of derivative financial assets and liabilities, based on net undiscounted cash flow projections. When the amount payable is not fixed, the amount disclosed is determined by reference to conditions existing at the reporting date.

Some of the Group's derivatives are subject to collateral requirements. Cash flows for those derivatives could occur earlier than the contractual maturity date.

Group

Rm	Carrying amount	Total	0 to 1 year	1 to 5 years	> 5 years
2021					
Derivatives held for trading					
Equity derivatives	**9**	**9**	**9**	**–**	**–**
Interest rate derivatives	**(907)**	**(1 597)**	**14**	**(466)**	**(1 145)**
Bond derivatives	**40**	**60**	**(60)**	**120**	**–**
Credit derivatives	**26**	**27**	**(11)**	**37**	**1**
Currency derivatives	**(577)**	**(352)**	**(51)**	**157**	**(458)**
Total net undiscounted cash flow projections	**(1 409)**	**(1 853)**	**(99)**	**(152)**	**(1 602)**
Derivative financial instruments					
Assets	**1 934**				
Liabilities	**(3 343)**				
	(1 409)				
2020					
Derivatives held for trading					
Equity derivatives	(1 262)	(786)	(713)	(73)	–
Interest rate derivatives	131	(542)	1 097	(708)	(931)
Bond derivatives	(18)	(105)	(105)	–	–
Credit derivatives	33	33	11	28	(6)
Currency derivatives	(972)	(667)	(101)	21	(587)
Total net undiscounted cash flow projections	(2 088)	(2 067)	189	(732)	(1 524)
Derivative financial instruments					
Assets	3 366				
Liabilities	(5 454)				
	(2 088)				

40 **Liquidity risk** continued

Maturity profile of derivative financial instruments continued

Company

Rm	Carrying amount	Total	0 to 1 year	1 to 5 years	> 5 years
2021					
Derivatives held for trading					
Equity derivatives	**8**	**(9)**	**9**	**(18)**	**–**
Interest rate derivatives	**(952)**	**(1 329)**	**61**	**(332)**	**(1 058)**
Bond derivatives	**40**	**60**	**(60)**	**120**	**–**
Credit derivatives	**26**	**27**	**(11)**	**37**	**1**
Currency derivatives	**(534)**	**(352)**	**(51)**	**157**	**(458)**
Total net undiscounted cash flow projections	**(1 412)**	**(1 603)**	**(52)**	**(36)**	**(1 515)**
Derivative financial instruments					
Assets	**1 553**				
Liabilities	**(2 965)**				
	(1 412)				
2020					
Derivatives held for trading					
Equity derivatives	(1 434)	(787)	(714)	(73)	–
Interest rate derivatives	121	202	1 188	(327)	(659)
Bond derivatives	(20)	(106)	(106)	–	–
Credit derivatives	33	33	11	28	(6)
Currency derivatives	(928)	(683)	(113)	17	(587)
Total net undiscounted cash flow projections	(2 228)	(1 341)	266	(355)	(1 252)
Derivative financial instruments					
Assets	2 782				
Liabilities	(5 010)				
	(2 228)				

41 Market risk

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

Financial instruments held by the Group are subject to the components of market risk as follows:

	Carrying amount				
Group	**2021 Rm**	**Restated 2020 Rm**	**Market price risk**	**Interest rate risk**	**Currency risk**
Assets					
Carried at fair value through profit and loss					
Unit-linked investments	**171 952**	155 875	✓✓	✓	✓
Debt securities	**135 098**	125 355	✓	✓✓	✓
Equity securities	**103 524**	90 863	✓✓		✓
Funds on deposit and other money market instruments	**14 759**	19 235	✓	✓✓	✓
Carry positions	**2 232**	1 550	✓	✓✓	
Derivative financial assets	**1 935**	3 366	✓✓	✓✓	✓
Carried at amortised cost					
Unsettled trades	**3 282**	2 632			✓
Accounts receivable	**1 826**	1 358		✓	✓
Loans	**3 838**	3 961		✓✓	✓
Funds on deposit and other money market instruments	**194**	–		✓✓	✓✓
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 169**	2 533		✓	✓
Cash and cash equivalents	**28 323**	22 098		✓✓	✓
Other non-financial assets	**17 650**	17 527	N/A	N/A	N/A
Total assets	**487 782**	446 353			
Liabilities					
Carried at fair value through profit and loss					
Investment contracts					
Designated at fair value through profit and loss	**273 916**	244 195	✓✓	✓✓	✓
Collective investment scheme liabilities	**34 700**	32 938	✓✓	✓	✓
Subordinated call notes	**4 429**	4 431	✓	✓✓	
Carry positions	**9 657**	9 059	✓	✓✓	
Derivative financial liabilities	**3 343**	5 454	✓✓	✓✓	✓
Preference Shares	**313**	–		✓	✓
Other borrowings	**98**	–		✓	✓
Carried at amortised cost					
Lease liabilities	**213**	232			
Other	**1 001**	1 455		✓✓	
Other payables (excluding premiums received in advance and deferred revenue liabilities)					
Payables arising from insurance contracts and investment contracts with DPF	**5 280**	4 204			✓
Payables arising from investment contracts	**1 742**	1 125			✓
Unsettled trades	**2 670**	2 857			✓
Commission creditors	**795**	770		✓	✓
Other	**2 984**	3 818		✓	✓
Insurance contract liabilities	**115 171**	103 112	*	*	*
Investment contracts with DPF liabilities	**17 228**	16 563	✓✓	✓✓	✓✓
Other non-financial liabilities	**3 421**	3 727	N/A	N/A	N/A
Total liabilities	**476 961**	433 940			

✓✓ High exposure

✓ Medium/low exposure

* These liabilities are not financial instruments and the risks to which they are subject to are explained in note 38.

41 **Market risk** continued

Company	Carrying amount 2021 Rm	2020 Rm	Market price risk	Interest rate risk	Currency risk
Assets					
Carried at fair value through profit and loss					
Equity securities	**41 242**	32 929	✓✓		✓
Debt securities	**98 113**	92 473	✓	✓✓	✓
Funds on deposit and other money market instruments	**6 690**	10 597	✓	✓✓	✓
Unit-linked investments	**161 413**	150 115	✓✓	✓	✓
Carry positions	**860**	–	✓	✓✓	
Derivative financial assets	**1 553**	2 782	✓✓	✓✓	✓
Interest in subsidiaries	**92 040**	76 871			✓
Carried at amortised cost					
Financial assets at amortised cost					
Accounts receivable	**1 001**	795		✓	✓
Unsettled trades	**642**	1 485			✓
Loans	**3 760**	3 943		✓✓	✓
Funds on deposit and other money market instruments	**97**	–		✓✓	✓✓
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 148**	2 515		✓	✓
Cash and cash equivalents	**18 590**	14 885		✓✓	✓
Other non-financial assets	**13 662**	14 158	N/A	N/A	N/A
Total assets	**442 811**	403 548			
Liabilities					
Carried at fair value through profit and loss					
Investment contracts					
Designated at fair value through profit and loss	**270 558**	241 431	✓✓	✓✓	✓
At fair value through profit and loss					
Subordinated call notes	**4 429**	4 431	✓	✓✓	
Carry positions	**6 696**	6 313	✓	✓✓	
Derivative financial liabilities	**2 965**	5 010	✓✓	✓✓	✓
Carried at amortised cost					
Financial liabilities at amortised cost	**355**	378			
Other payables (excluding premiums in advance and deferred revenue liability)					
Payables arising from insurance contracts and investment contracts with DPF	**5 173**	4 116			✓
Payables arising from investment contracts	**1 742**	1 125			✓
Commission creditors	**794**	769		✓	✓
Unsettled trades	**757**	1 754			✓
Other	**2 382**	2 589		✓	✓
Insurance contract liabilities	**115 639**	103 499	*	*	*
Investment contracts with DPF	**17 228**	16 563	✓✓	✓✓	✓✓
Other non-financial liabilities	**2 609**	2 762	N/A	N/A	N/A
Total liabilities	**431 327**	390 740			

✓✓ High exposure
✓ Medium/low exposure
* These liabilities are not financial instruments and the risks to which they are subject to are explained in note 38.

For discretionary participation business, market-related contracts or unit-linked contracts:

- the policyholder carries the majority of the market risk; while
- the Group carries the risk of investment guarantees provided and of a reduced income from fees where these are based on investment returns or the underlying fund value or where investment conditions affect its ability to recoup expenses incurred.

Furthermore, the Group is also exposed to reputational risk if actual investment performance is not in line with policyholder expectations.

For non-profit business (including annuities) and in respect of the net asset value, shareholders carry the market risk.

41 Market risk continued

Market risk governance

Shareholder market risk is managed according to the Momentum Metropolitan Shareholder Asset and Liability Management (ALM) Policy while the Client Investment Policy governs the management of policyholder market risk.

The executive BSM is responsible for the Group's market risk management, with the Board Risk Capital and Compliance committee providing oversight over market risks assumed on behalf of shareholders.

The Momentum Metropolitan Product Management Committee provides oversight over the management of policyholder market risk. Policyholder market risk is managed through various management-level governance committees established for this purpose. These committees monitor the performance of investment portfolios against client outcome requirements. This includes consideration of the appropriateness of the matching of assets and liabilities of the various policyholder portfolios where policyholder benefits are impacted by investment returns.

For contract holder liabilities, the financial instruments backing each major line of business are segregated to ensure that they are used exclusively to provide benefits for the relevant contract holders. The valuation of these financial instruments is subject to various market risks, particularly interest rate and price risk. Each portfolio consists of an asset mix deemed appropriate for the specific product. These risks and the Group's exposure to equity, interest rate, currency and property price risks are discussed and disclosed in this note.

Market risk management per product

Market-related/unit-linked business

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

Policyholders carry the investment risk; however, the Group carries a risk of reduced income from fees where these are based on investment returns or the underlying fund value, or where investment conditions affect its ability to recoup expenses incurred. Furthermore, there is also reputational risk if actual investment performance is not in line with policyholder expectations. These risks are managed through the rigorous investment research process applied by the Group's investment managers.

Individual and group contracts with DPF

Assets are invested in line with specified mandates in equities, fixed-interest assets, property and cash, both globally and locally, according to the asset manager's best investment view. Separate investment portfolios are managed for each product.

The investment return earned on the underlying assets, after tax and charges, is distributed to policyholders in the form of bonuses in line with product design, reasonable policyholder expectations, affordability and management discretion. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the risk of volatile investment performance. Any returns not yet distributed are retained in a BSA for future distribution to policyholders.

In the event of adverse investment performance, such as a sudden or sustained fall in the market value of assets backing smoothed bonus business, the BSA may be negative. In such an event, there are the following options:

- In valuing the liabilities it is assumed that lower bonuses will be declared in future.
- Lower bonuses are actually declared.
- For those contracts where a portion of bonuses declared is not vested, the Group has the right to remove previously declared non-vested bonuses in the event of a fall in the market value of assets. This will only be done if the BSA is negative and it is believed that markets will not recover in the short term.
- A market value adjuster may be applied in the event of voluntary withdrawal in cases where the withdrawal benefit exceeds the market value. For group contracts, an alternative option is to pay out the termination value over an extended term (usually 10 years). These measures are primarily to protect the remaining policyholders.
- Short-term derivative hedging strategies can be used to protect the funding level against further deterioration due to poor investment performance.
- In very extreme circumstances, funds may be transferred from the shareholder portfolio into the BSA on a temporary or permanent basis.

41 **Market risk** continued

Market risk management per product continued

Individual and group contracts with DPF and continuous guarantees

Certain portfolios provide a continuous guarantee on capital and declared bonuses. Bonuses are fully vesting and are declared monthly in advance.

No market value adjuster applies but for group contracts, allowance is made for the payment of benefits over a period of up to 12 months if large collective outflows may prejudice remaining investors. Derivative instruments are used to minimise downside market risk in these portfolios.

Individual contracts offering investment guarantees

The Group has books of universal life business that offer minimum maturity values, based on a specified rate of investment return. These guaranteed rates range from 0% to 4.5% p.a. for the bulk of business. This applies to smoothed bonus portfolios as well as certain market-linked portfolios (the latter mostly closed to new business). On some smoothed bonus portfolios, there is also a guarantee to policyholders that the average annual bonus rate, measured over the lifetime of the contract, will not be less than a contractual minimum (around 4.5% p.a.). There is also a portion of universal smoothed bonus fund values that is deemed vested and thereby constitutes an additional form of investment guarantee in certain circumstances. Similarly, on reversionary bonus business, an investment guarantee in the form of sum assured and declared reversionary bonuses is given.

The Group also carries conventional business that offers minimum guarantees on maturity, surrender and death, with different forms of guarantees that apply in each event.

On some closed funds policyholders have the option to purchase a minimum guaranteed return of up to 5% p.a. The guarantee charge for these policies is set at a level that will cover the expected cost of guarantees, including the opportunity cost of additional capital held in respect of these guarantees. Only selected portfolios qualify for this guarantee and the guarantee also applies only to specific terms.

On inflation-linked annuities a minimum annual increase rate is generally applicable, for instance as a consequence of regulatory requirements whereby pension income cannot reduce in nominal terms. The minimum increase represents an inflation-related embedded financial guarantee.

Investment Guarantee risk management

The risk of being unable to meet guarantees is managed by holding a specific liability, as well as additional statutory capital, for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns, in accordance with actuarial guidance (APN 110). Stochastic modelling is used to quantify the reserves and capital required to finance possible shortfalls in respect of minimum maturity values and other guaranteed benefits. The stochastic model is calibrated to market data. The shareholders' exposure to fluctuations in this liability is mitigated by the use of hedging strategies, subject to available instruments and the overall risk profile of the business.

Non-profit annuity business

An annuity policy pays an income to the annuitant in return for a lump sum consideration paid on origination of the annuity policy. Income payments may be subject to a minimum period. The income may be fixed or increase at a fixed rate or in line with inflation.

This income is guaranteed and the value of the liability is, therefore, subject to interest rate risk, in addition to the risk of longer than anticipated life expectancy. In order to hedge against the interest rate risk, the Group invests in an actively managed portfolio of government and corporate bonds, promissory notes from banks, swaps and other interest rate derivatives which provide a high degree of matching to the interest risk profile of the liabilities. The mismatch risk is managed on a dedicated risk management system that includes daily monitoring of Board-approved limits. Index-linked annuities, which provide increases in line with inflation, are generally matched with index-linked bonds or bank-issued matching structures. Where cash flow matching is not possible, or not desirable from an overall risk profile perspective, interest rate risk is minimised by ensuring the values of assets and liabilities respond similarly to small changes in interest rates.

The impact of a 1% reduction in yields on the annuity portfolio will generate a mismatch loss of R35 million (2020: R3 million) for MML.

The calculation for MML is based on the risk-free yield curve. The average rate that produces the same result is 10.3% (2020: 11.7%).

41 Market risk continued

Market risk management per product continued

Guaranteed endowments and structured products

The Group issues guaranteed endowment policies. The majority of these contracts are five-year single premium endowment policies providing guaranteed maturity values. In terms of these contracts, policyholders are not entitled to receive more than the guaranteed maturity value as assured at inception. The interest rate exposure on these policies is hedged through appropriate interest sensitive instruments.

A variation on guaranteed endowment policies is contracts where the capital guarantee is combined with a guaranteed return linked to the returns on local and offshore market indices. The risk associated with the guarantee on these contracts is managed through the purchase of appropriate assets including equity-linked notes issued by banks. In addition to these hedging strategies, a portion of the guaranteed endowment policies is reinsured with reinsurers in terms of the Group's reinsurance policies.

Other non-profit business

These policies mainly represent whole life and term assurance contracts that provide lump sum benefits on death and disability. In addition to mortality risk, morbidity risk, expense risk and persistency risk, there is also the risk that investment return experienced may be different to that assumed when the price of insurance business was determined. The market risk on these contracts is mitigated through appropriate interest rate instruments as well as contractual rights to review regular premium rates charged to clients.

Shareholder cash flows in respect of individual contracts with investment components

The expected future charges, expense outgo and risk benefit payments (including margins) on individual contracts with investment components are capitalised using long-term interest rates. The resultant discounted value is added to liabilities (an offset to liabilities when negative). The Group is therefore subject to interest rate risk as any changes in long-term interest rates will result in a change in the value of liabilities. This risk is mitigated through hedging as well as diversification against other interest rate risks.

41.1 Market risk management per risk factor

Equity risk

Equity risk is the risk of financial loss as a result of adverse movements in the market value of equities, implied volatility and/or income from equities.

Equities (listed and unlisted) are reflected at market values, which are susceptible to fluctuations. The risks from these fluctuations can be separated into systematic risk (affecting all equity instruments) and specific risk (affecting individual securities). In general, specific risk can be reduced through diversification, while systematic risk cannot.

The Group manages its listed equity risk by employing the following procedures:

- mandating specialist equity fund managers to invest in listed equities where there is an active market and where there is access to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce specific risk; and
- considering the risk-reward profile of holding equities and assuming appropriate risk in order to obtain higher expected returns on assets.

Unlisted equity investment risks are managed as follows:

- mandating asset managers and specialist alternative investment boutiques to invest in diversified pools of private equity partnerships and other unlisted equity investments;
- achieving diversification across sector, stage, vintage and geography;
- all investments are subject to prudential limits stipulated by the Momentum Metropolitan Private Equity Investments Committee, represented by specialist investment professionals and independent Momentum Metropolitan representatives; and
- mitigating the risk of potential subjective valuation due to the nature of unlisted investments by utilising the guideline developed by the South African Venture Capital and Private Equity Association (SAVCA) to provide a framework for valuation and disclosure in this regard. This framework is consistent with best practice exercised and recommended by the European Venture Capital and Private Equity Association.

Refer to the sensitivity analysis in note 41.5.

41 Market risk continued

41.2 Interest rate risk

Interest rate risk is the risk that the value and/or future cash flows of financial instruments held will fluctuate relative to those of liabilities issued, as a result of changes in interest rates.

Exposure of financial instruments to interest rates

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed maturity investments included in the Group's investment portfolios are subject to changes in prevailing market interest rates. The table below provides a split of interest-bearing assets that are exposed to cash flow interest rate risk and those that are exposed to fair value interest rate risk. Debt securities with no interest rate risk exposure are securities where the valuation is driven by factors other than interest rates, such as capital structured notes where the valuation is derived from the underlying investments. Financial assets at amortised cost with short-term cash flows are considered not to have any interest rate risk since the effect of interest rate risk on these balances is not considered significant. Due to practical considerations, interest rate risk details contained in investments in non-subsidiary unit-linked investments are not provided.

Group

Instrument class	Carrying amount Rm	Cash flow interest rate risk Rm	Fair value interest rate risk Rm	No interest rate risk Rm	Weighted average rate %
2021					
At fair value through profit and loss					
Debt securities	**135 098**	**47 411**	**85 607**	**2 080**	**8%**
Funds on deposit and other money market instruments	**14 759**	**9 331**	**5 418**	**10**	**5%**
Derivative financial assets	**1 935**	**–**	**1 935**	**–**	**N/A**
Derivative financial liabilities	**(3 343)**	**–**	**(3 343)**	**–**	**N/A**
At amortised cost					
Debt securities	**–**	**–**	**–**	**–**	**–**
Funds on deposit and other money market instruments	**226**	**–**	**–**	**226**	**N/A**
Loans and receivables at amortised cost	**8 946**	**1 594**	**–**	**7 352**	**8%**
Cash and cash equivalents	**28 323**	**26 566**	**–**	**1 757**	**4%**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 169**	**–**	**–**	**3 169**	**N/A**
	189 113	**84 902**	**89 617**	**14 594**	
Restated 2020					
At fair value through profit and loss					
Debt securities	125 355	47 842	75 568	1 945	7%
Funds on deposit and other money market instruments	19 235	12 665	6 568	2	5%
Derivative financial assets	3 366	–	3 366	–	N/A
Derivative financial liabilities	(5 454)	–	(5 454)	–	N/A
At amortised cost					
Debt securities	–	–	–	–	–
Funds on deposit and other money market instruments	–	–	–	–	–
Loans and receivables at amortised cost	8 095	1 499	–	6 596	8%
Cash and cash equivalents	22 098	18 683	–	3 415	3%
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	2 533	–	–	2 533	N/A
	175 228	80 689	80 048	14 491	

Liability exposure to interest rates is reflected in note 12.

41 Market risk continued

41.2 Interest rate risk continued

Exposure of financial instruments to interest rates continued

Company

Instrument class	Carrying amount Rm	Cash flow interest rate risk Rm	Fair value interest rate risk Rm	No interest rate risk Rm	Weighted average rate %
2021					
At fair value through profit and loss					
Debt securities	**98 113**	**26 357**	**64 850**	**6 906**	**8%**
Funds on deposit and other money market instruments	**6 690**	**4 179**	**2 501**	**10**	**5%**
Derivative financial assets	**1 553**	**–**	**1 553**	**–**	**N/A**
Derivative financial liabilities	**(2 965)**	**–**	**(2 965)**	**–**	**N/A**
At amortised cost					
Loans and receivables at amortised cost	**5 403**	**1 136**	**–**	**4 267**	**8%**
Cash and cash equivalents	**18 590**	**18 149**	**–**	**441**	**4%**
Funds on deposit and other money market instruments	**113**	**–**	**–**	**113**	**N/A**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 148**	**–**	**–**	**3 148**	**N/A**
	130 645	**49 821**	**65 939**	**14 885**	
Restated 2020					
At fair value through profit and loss					
Debt securities	92 473	27 521	59 201	5 751	7%
Funds on deposit and other money market instruments	10 597	7 806	2 791	–	5%
Derivative financial assets	2 782	–	2 782	–	N/A
Derivative financial liabilities	(5 010)	–	(5 010)	–	N/A
At amortised cost					
Loans and receivables at amortised cost	6 223	1 054	–	5 169	8%
Cash and cash equivalents	14 885	13 660	–	1 225	3%
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	2 515	–	–	2 515	N/A
	124 465	50 041	59 764	14 660	

41.3 Currency risk

Currency risk is the risk that the rand value and/or future cash flows of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The majority of the Group's currency exposure results from the offshore assets held by policyholder portfolios. These investments were made for the purpose of obtaining a favourable international exposure to foreign currency and to investment value fluctuations in terms of investment mandates, subject to limitations imposed by the South African Reserve Bank.

To the extent that offshore assets are held in respect of contracts where the contract holder benefits are a function of the returns on the underlying assets, currency risk is minimised.

Details of currency risk contained in investments in local collective investment schemes that are not subsidiaries have not been included in the table below as the look-through principle was not applied.

Assets and liabilities denominated in Namibian dollar, Lesotho maloti and Swazi emalangeni currencies that are pegged to the South African rand on a 1:1 basis do not represent significant currency risk for the Group. The geographical area of Africa includes Botswana, Ghana, Kenya, Malawi, Mauritius, Mozambique, Nigeria, Tanzania and Zambia.

41 Market risk continued

41.3 Currency risk continued

The following assets, denominated in foreign currencies, where the currency risk (including translation risk) resides with the Group, are included in the Group's statement of financial position at 30 June:

Group

	Africa Rm	UK £ Rm	US $ Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
2021							
Closing exchange rate		*19.7158*	*14.2723*	*16.9264*			
Investment securities							
At fair value through profit and loss							
Unit-linked investments	–	5 398	28 624	846	99	80	35 047
Equity securities	–	1 796	20 399	3 678	5 433	2 904	34 210
Debt securities	–	226	2 218	417	229	53	3 143
Funds on deposit and other money market instruments	–	–	–	–	–	–	–
Derivative financial assets	–	8	6	1	3	1	19
At amortised cost							
Debt securities	–	–	–	–	–	–	–
Funds on deposit and other money market instruments	–	–	–	–	–	–	–
Loans and accounts receivable	–	40	505	13	22	10	590
Cash and cash equivalents	–	350	4 171	124	42	22	4 709
Insurance and other receivables	–	–	–	–	–	–	–
	–	7 818	55 923	5 079	5 828	3 070	77 718
2020							
Closing exchange rate		*21.4519*	*17.3610*	*19.5045*			
Investment securities							
At fair value through profit and loss							
Unit-linked investments	–	5 083	30 065	804	129	52	36 133
Equity securities	–	1 890	18 707	3 427	4 780	2 409	31 213
Debt securities	–	110	1 772	36	11	–	1 929
Funds on deposit and other money market instruments	–	–	–	–	–	–	–
Derivative financial assets	–	9	16	2	–	–	27
At amortised cost							
Debt securities	–	–	–	–	–	–	–
Funds on deposit and other money market instruments	–	–	–	–	–	–	–
Loans and accounts receivable	–	78	116	6	14	11	225
Cash and cash equivalents	–	335	4 427	84	163	40	5 049
Insurance and other receivables	–	–	–	–	–	–	–
	–	7 505	55 103	4 359	5 097	2 512	74 576

The assets above generally back policyholder liabilities, reducing the currency risk exposure for shareholders.

41 Market risk continued

41.3 Currency risk continued

African exchange rates representing material balances above are:

Closing exchange rate	Botswana	Ghana	Kenya	Nigeria
2021	**1.3088**	**2.4334**	**0.1322**	**0.0348**
2020	1.4687	2.9843	0.1629	0.0419

Company

	Africa Rm	UK Rm	US Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
2021							
Closing exchange rate		**19.7158**	**14.2723**	**16.9264**			
Investment securities							
At fair value through profit and loss							
Equity securities	**–**	**154**	**1 591**	**220**	**32**	**22**	**2 019**
Debt securities	**–**	**17**	**1 282**	**4**	**–**	**–**	**1 303**
Unit-linked investments	**–**	**4 253**	**21 112**	**366**	**18**	**62**	**25 811**
Derivative financial assets	**–**	**9**	**3**	**–**	**–**	**–**	**12**
Interest in subsidiaries	**23**	**500**	**–**	**–**	**–**	**–**	**523**
At amortised cost							
Loans and accounts receivable	**–**	**–**	**208**	**–**	**–**	**–**	**208**
Cash and cash equivalents	**–**	**96**	**3 056**	**58**	**–**	**1**	**3 211**
	23	**5 029**	**27 252**	**648**	**50**	**85**	**33 087**
2020							
Closing exchange rate		21.4519	17.3610	19.5045			
Investment securities							
At fair value through profit and loss							
Equity securities	–	130	1 036	110	35	80	1 391
Debt securities	–	13	1 387	1	–	–	1 401
Unit-linked investments	–	3 896	29 847	284	23	39	34 089
Derivative financial assets	–	7	4	–	–	–	11
Interest in subsidiaries	26	512	–	–	–	–	538
At amortised cost							
Loans and accounts receivable	5	60	2	–	–	–	67
Cash and cash equivalents	–	106	2 309	40	2	6	2 463
	31	4 724	34 585	435	60	125	39 960

The assets above generally back policyholder liabilities, reducing the currency risk exposure for shareholders.

41.4 Property risk

Property risk is the risk that the value of investment properties, owner-occupied properties and properties under development, as well as participatory interest in property collective investment schemes, will fluctuate as a result of changes in rental income and interest rates.

Property investments are made on behalf of policyholders, shareholders and other investment clients and are reflected at market value. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

The Group's exposure to property holdings at 30 June is as follows:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Investment properties	**8 896**	9 030	**5 656**	6 797
Owner-occupied properties	**1 792**	2 039	**995**	1 056
Collective investment schemes > 55% property exposure (refer to note 43)	**5 258**	4 634	**6 747**	6 604
	15 946	15 703	**13 398**	14 457
Percentage of total assets	**3.3%**	3.5%	**3.0%**	3.6%

41 Market risk continued

41.4 Property risk continued

Refer to note 4 for the concentration risk regarding types of properties relating to investment properties. Owner-occupied properties mainly comprise office buildings.

The Group is also exposed to tenant default and unlet space within the investment property portfolio. There were long outstanding debtors relating to tenants at 30 June 2021 of R85 million for the Group (2020: nil) and R81 million for the Company (2020: nil). The carrying amount of unlet and vacant investment property as at 30 June 2021 was R1 489 million (2020: R1 795 million) for the Group and R1 037 million (2020: R766 million) for the Company.

41.5 Sensitivity to market risk

The Group's earnings and net asset value are exposed to market risks. The Group has identified that changes in equity prices and interest rates are the market risk elements with the most significant effect on earnings and equity. The table below provides the sensitivity to a change in equity prices by 10% and a change to long-term interest rates by 100 basis points:

	Equity prices		Interest rates	
	Increase by 10% Rm	Decrease by 10% Rm	Increase by 100 bps Rm	Decrease by 100 bps Rm
Group				
2021				
Increase/(decrease) in earnings and equity	**401**	**(408)**	**63**	**(126)**
2020				
Increase/(decrease) in earnings and equity	343	(523)	(177)	(193)
Company				
2021				
Increase/(decrease) in earnings per income statement	**247**	**(253)**	**77**	**(141)**
Increase/(decrease) in equity	**567**	**(487)**	**(42)**	**44**
2020				
Increase/(decrease) in earnings per income statement	172	(367)	(190)	(180)
Increase/(decrease) in equity	578	(467)	(49)	55

Sensitivity ranges

- The upper and lower limits of the sensitivity ranges are management's best judgement of the range of probable changes within a 12-month period from the reporting date. Extreme or irregular events that occur sporadically, ie not on an annual basis, have been ignored as they are, by nature, not predictable in terms of timing.

Methods and assumptions used in preparing the sensitivity analysis

- The changes in equity prices and interest rates have been applied to the assets and liabilities at the reporting date and to net income for the year just ended.
- The assets are impacted by the sensitivity at the reporting date. The new asset levels are applied to the measurement of contract holder liabilities, where applicable.
- In line with the Group's current practice and accounting policy, the investment variances from insurance contracts were stabilised. As at 30 June 2021, the Group's investment stabilisation reserve had a balance of R187 million (2020: nil).
- The change in equity prices was assumed to be a permanent change.
- Future dividend yields were assumed to remain unchanged.
- No change was assumed in expected future returns and discount rates used in valuing liabilities as a result of changes in equity prices.
- The expected future real rates of return were assumed to remain unchanged.
- Future inflation rates were assumed to change in line with interest rates.
- Sensitivities on expected taxation have not been provided.

41 Market risk continued

41.5 Sensitivity to market risk

Mitigation

Hedging strategies using derivatives and other structures are implemented to reduce equity and interest rate risk on shareholder exposures in accordance with risk appetite requirements. These structures and other ways of reducing this risk are assessed, investigated and implemented on an ongoing basis by management with consideration of the market conditions at any given time.

The impact of the change in interest rates is addressed by ensuring that contract holder liabilities and assets are matched within approved risk limits and tolerances and continuously monitored to ensure that no significant mismatching losses will arise due to a shift in the yield curve or a change in the shape of the yield curve.

Currency sensitivity

The impact of changes in currency on earnings and equity for the Group is not considered to be material. Refer to note 41.3 for more details on the Group's currency exposure.

42 Credit risk

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

Credit risk could also arise from the decrease in value of an asset because of a deterioration of creditworthiness (which may give rise to the downgrading of counterparties). Credit risk arises from investments in debt securities, funds on deposit and other money market instruments, unit-linked investments, derivative financial instruments, reinsurance debtors, loans to policyholders and other financial assets at amortised cost in the shareholder and guaranteed portfolios as well as linked portfolios.

Where instruments are held to back investment-linked contract liabilities, the policyholder carries the credit risk. Where instruments are held in cell captive arrangements, where the cell owner takes the risk, the credit risk is also transferred.

Credit risk governance

The governance of credit risk is comprehensively set out in the Capital and Investment Committee (CIC) charter. The primary responsibility of the CIC is to oversee, and ensure proper corporate governance over and management of market risk, which includes credit risk, across the Group in respect of shareholders. The CIC charter forms part of the overall enterprise risk management (ERM) framework. The overall responsibility for the effectiveness of credit risk management processes vests with the Board of directors. The operational responsibility has been delegated to the CIC, executive management and the credit risk management function. The product management committees are responsible for setting the credit risk sections of mandates for linked policyholder portfolios and for monitoring the performance.

The CIC is a sub-committee of the Group executive committee. This committee reports to the Group's executive committee on the effectiveness of credit risk management and provides an overview of the Group's shareholder credit portfolio. The CIC and its sub-committees are responsible for the approval of relevant credit policies and the ongoing review of the Group credit exposure. This includes the monitoring of the following:

- Quality of the credit portfolio
- Stress quantification
- Credit defaults against expected losses
- Credit concentration risk
- Appropriateness of loss provisions and reserves.

Independent oversight is also provided by the Board Risk, Capital and Compliance committee.

42 **Credit risk** continued

Managing credit risk

Management recognises and accepts that losses may occur through the inability of corporate debt issuers to service their debt obligations. In order to limit this risk, the executive BSM has formulated guidelines regarding the investment in corporate debt instruments, including a framework of limits based on the Group's credit risk appetite.

The approval framework for new credits consists of two committees, namely an Executive Credit Committee and the BSM Credit Committee. The BSM Credit Committee consists of senior credit executives and independent senior management executives. The Executive Credit Committee consists of Group Executive Committee members and senior management executives. The Executive Credit Committee approves credits in excess of the mandate and limits of the BSM Credit Committee.

The following are taken into account in the approval process:

- The underlying nature of the instrument and credit strength of the counterparty.
- The credit rating of the issuer, either internally generated or external from Moody's, S&P or GCR.
- Current exposure and portfolio diversification effects.

To achieve the above, an internal credit risk function performs ongoing risk management of the credit portfolio which includes:

- The use of stochastic portfolio credit risk modelling in order to gauge the level of portfolio credit risk, consider levels of capital and identify sources of concentration risk and the implications thereof.
- Preparing credit applications and performing annual reviews.

Regular risk management reporting to the CIC includes credit risk exposure reporting, which contains relevant data on the counterparty, credit limits and ratings (internal and external). Counterparty exposures in excess of set credit limits are monitored and corrective action is taken where required.

Credit mitigation instruments are used where appropriate. These include collateral, netting agreements and guarantees or credit derivatives.

Impact of Covid – 19

The high quality credit investment portfolio continues to perform well. In our shareholder portfolio we have minimal exposure to those sectors hardest hit by Covid – 19 like airlines, hospitality, tourism and consumer finance. In 2021 we had no defaults due to Covid – 19. We continue to update and re-assess the risk of COVID-19 on our portfolio and for each counterparty as new information becomes available.

Concentration risk

Concentration risk is managed at the credit portfolio level. The nature thereof differs according to segment. Concentration risk management in the credit portfolio is based on individual name limits and exposures (which are reported to and approved by the CIC) and the monitoring of industry concentrations. A sophisticated simulation portfolio model has been implemented to quantify concentration risk and its potential impact on the credit portfolio.

Unit-linked investments

The Group is exposed to credit risk generated by debt instruments which are invested by collective investment schemes and other unit-linked investments in which the Group invests. The Group's exposure to these funds is classified at fund level (refer to note 43 for unit-linked categories) and not at the underlying asset level. This includes the investments in associated collective investment schemes. Although the funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of investment grade assets. Further credit risk reduction measures are obligatory for South African collective investment schemes as required by control clauses within the Collective Investment Scheme Control Act, 45 of 2002.

Derivative contracts

The Group enters into derivative contracts with A-rated local banks on terms set out by the industry standard International Swaps and Derivatives Agreements (ISDA). In terms of these ISDA agreements, derivative assets and liabilities can be set off with the same counterparty, resulting in only the net exposure being included in the overall Group counterparty exposure analysis.

42 Credit risk continued

Derivative contracts continued

For OTC equity index options, the credit risk is managed through the creditworthiness of the counterparty in terms of the Group's credit risk exposure policy. For OTC interest rate swaps, the Group enters into margining arrangements with counterparties, which limit the exposure to each counterparty to a level commensurate with the counterparty's credit rating and the value-at-risk in the portfolio. For exchange-traded options, credit risk is largely mitigated through the formal trading mechanism of the derivative exchange.

Scrip lending

The Company is authorised to conduct lending activities as a lender in respect of local listed equity securities and listed government stock to appropriately accredited institutions. In general, the lender retains the full economic risks and rewards of securities lent.

Scrip lending agreements are governed by the Global Master Securities Lending Agreement (GMSLA).

The main risk in scrip lending activities is the risk of default by the borrower of securities, ie the borrower fails to return the borrowed securities. Borrower default risk is mitigated by either requiring borrowers to post adequate levels of high-quality collateral and/or by the use of indemnity guarantees from the borrowers.

Where collateral is received, the Group monitors collateral levels on a daily basis and the status of collateral coverage is reported to the executive BSM on a quarterly basis. This collateral serves as security for the scrip lending arrangements in the event of default by the borrowers. Where the borrower default risk is mitigated by means other than collateral, the Group monitors the counterparty credit exposure to be within approved limits and the Group ensures that credit risk capital is held against counterparty credit exposure.

Financial assets at amortised cost

Due from agents, brokers and intermediaries

Commission debtors arise when upfront commission paid on recurring premium policies is clawed back on a sliding scale within the first two years of origination. As the largest portion of the Group's new business premiums arises from brokerages that are subsidiaries of A-rated South African banks, the risk of default is low, and relates mainly to independent intermediaries.

Refer to note 6.6 for impairment details.

Policy loans

The Group's policy is to lapse a policy automatically where the policy loan debt exceeds the fund value. There is therefore little risk that policy loan debt will remain irrecoverable. Consequently, the policy is considered to be collateral for the debt. The fair value of the collateral is considered to be the value of the policy.

Policy loans are secured by policies issued by the Group. In terms of the regulations applicable to the Group, the value of policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which the Group owns.

Reinsurance

The Group only enters into reinsurance treaties with reinsurers registered with the PA. The credit rating of the Company is assessed when placing the business and when there is a change in the status of the reinsurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the contract holder.

The reinsurers contracted represent subsidiaries of large international reinsurance companies, and no material instances of default have yet been encountered.

Regular monthly reconciliations are performed regarding claims against reinsurers, and the payment of premiums to reinsurers.

Credit risk exposure

For the Group's maximum exposure to credit risk refer to note 6.6.

42 Credit risk continued

Financial assets and liabilities designated at fair value through profit and loss

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

On 01 April 2020, Moody's changed MML's insurer financial strength ratings from Baa2 to Baa3 on an international scale and maintained a national scale rating of Aaa.za. In addition, Moody's changed Guardrisk's insurer financial strength ratings from Baa3 to Ba1 on an international scale and maintained a national scale rating of Aaa.za. Moody's maintained a negative outlook on the ratings. The changes in the credit ratings follows the downgrade of the sovereign credit rating from Baa3 (BBB-) to Ba1 (BB+) on the 27 March 2020.

Security and credit enhancements

In terms of the credit risk associated with the instruments above, the following collateral is held in order to mitigate the credit risk:

Debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments

For debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments, the credit risk is managed through the Group's credit risk exposure policy described in this note.

Linked notes

The Group has put options with Rand Merchant Bank (RMB) against the linked notes listed and issued by RMB for the guaranteed capital amounts invested which are exercisable when the market value of the underlying instruments supporting the notes decreases below the guaranteed amounts. The carrying amount of these investments included in other debt securities at fair value through profit and loss was R535 million at 30 June 2021 (2020: R375 million).

Transfers of financial assets

The Company is involved in the transfer of financial assets through scrip lending and sale and repurchase of assets agreements. Refer below for detail on scrip lending arrangements as well as related security and credit enhancements. Also refer to the accounting policies for more detail on the nature of the arrangements.

The carrying value of scrip on loan in the current year was R2 254 million (2020:R2 610 million) and consisted of local listed equity securities. There is collateral of R2 609 million (2020:R3 135 million) on the scrip lent.

Financial assets at amortised cost

The receivables arising from investment contracts are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

Policy loans of R763 million (2020: R837 million) are limited to and secured by the underlying value of the unpaid policy benefits. For further details refer to note 6.2. The underlying value of the policy benefits exceeds the policy loan value.

Other receivables

Amounts receivable in terms of long-term insurance contracts and investment contracts with DPF are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

43 Significant subsidiary companies

Companies	Country of incorporation, where not South Africa	Interest held	
		2021 %	2020 %
Momentum Metropolitan Life Ltd			
Subsidiary companies			
Momentum Finance Company (Pty) Ltd		100	100
Momentum Alternative Insurance Ltd		100	100
Momentum Ability Ltd		100	100
Momentum Life Botswana Ltd	Botswana	100	100
Momentum Asset Management (Pty) Ltd		100	100
Momentum Global Investment Management Ltd	United Kingdom	100	100
Seneca Investment Managers Ltd	United Kingdom	100	–
Momentum Collective Investments (RF) (Pty) Ltd		100	100
Momentum Alternative Investments (Pty) Ltd		100	100
129 Rivonia Road (Pty) Ltd		100	100
Momentum Wealth (Pty) Ltd		100	100
Momentum Wealth International Ltd	Guernsey	100	100
102 Rivonia Road (Pty) Ltd		80	80
Momentum Short Term Insurance Company Ltd		–	100
MM Short Term Insurance Administration (Pty) Ltd		–	100
Momentum Multiply (Pty) Ltd		100	100
Subtotal			

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

	Interest held		Carrying amount	
	2021 %	2020 %	2021 Rm	2020 Rm
Momentum GF Global Equity Fund	92%	78%	21 517	16 990
Momentum Money Market Fund	56%	60%	6 844	6 127
Momentum Bond Fund	89%	94%	6 164	5 366
Momentum SA Flexible Fixed Interest Fund	92%	91%	5 954	3 861
Momentum Income Plus Fund	47%	47%	5 203	4 479
Momentum GF Global Enhanced Index Fund	78%	78%	5 048	4 508
Momentum Focus 6 Fund of Funds	86%	84%	4 685	4 259
Momentum Enhanced Yield Fund	47%	48%	3 436	2 698
Momentum IF Global Emerging Markets Equity	92%	92%	3 412	2 556
Momentum Global Growth Fund IC Ltd	96%	95%	3 237	3 297
Momentum MoM Ultra Long-Term Value Fund	90%	92%	3 176	2 509
Momentum Trending Equity Fund	99%	99%	2 737	2 848
Momentum MoM Opportunistic Equity Fund	100%	100%	2 668	1 661
Momentum MoM High Growth Fund	100%	100%	2 660	2 324
Momentum MoM Macro Value Fund	100%	100%	2 499	2 089
Momentum Capped SWIX Index Fund	100%	100%	2 145	1 957
Momentum Global Managed Fund IC Ltd	91%	78%	1 757	677
Momentum Value Equity Fund	98%	97%	1 692	592
Momentum Focus 7 Fund of Funds	80%	79%	1 550	1 371
Momentum MoM Emerging Manager Growth Fund	99%	100%	1 365	1 430
Momentum Diversified Income Fund	54%	57%	1 253	1 148
Momentum Equity Fund	36%	37%	1 252	1 158
Momentum IF Global Fixed Income	92%	94%	1 097	1 886
Momentum Focus 5 Fund of Funds	75%	69%	899	826
Momentum Property Equity Fund	92%	95%	892	1 185
Momentum Macro Growth Fund	100%	100%	874	778
Momentum RCIS Multi Managed ZAR Capi Alpha QI Hedge Fund	100%	99%	753	555
Momentum Rubix QI	99%	100%	736	718
Momentum Real Growth Property Fund	78%	79%	728	648
Momentum Core Equity Fund	23%	25%	613	431
Momentum RCIS Multi-Managed ZAR Equity Hedge QI Hedge Fund	99%	100%	577	649
Momentum Managed Bond Fund	100%	100%	487	283
Momentum RCIS ZAR Diversified QI Fund of Hedge Funds	100%	98%	481	487
Momentum Focus 4 Fund of Funds	62%	61%	429	398
Momentum International Equity Feeder Fund	38%	39%	398	386
Momentum Inflation Linked Bond Portfolio	50%	60%	392	529
Momentum SA Real Growth Property Fund	60%	63%	343	593
Momentum Active Bond Fund	30%	40%	329	303
Momentum Focus 3 Fund of Funds	66%	63%	319	286
Momentum International Balanced Feeder Fund of Funds	51%	46%	310	258

43 **Significant subsidiary companies** continued

	Interest held 2021 %	Interest held 2020 %	Carrying amount 2021 Rm	Carrying amount 2020 Rm
FGAM Global Growth Fund IC Ltd	**27%**	30%	**304**	296
Fintax International Balanced Fund IC Ltd	**89%**	89%	**300**	335
Chrysalis Enhanced Yield Credit Fund	**95%**	95%	**277**	228
Momentum Real Return Fund	**100%**	100%	**277**	387
Momentum Private Equity 2008 Feeder	**99%**	100%	**268**	305
Momentum Global Cautious Fund IC Ltd	**65%**	69%	**246**	320
Momentum Private Equity 2008 Master	**100%**	91%	**236**	244
Momentum Global Balanced Fund IC Ltd	**49%**	48%	**205**	206
Momentum Real Growth Property Index Fund	**100%**	100%	**198**	179
PMK Wealth Global Cautious Fund IC Ltd	**28%**	71%	**184**	42
Momentum Outcome-Based Money Market Fund	**100%**	100%	**176**	171
Momentum Flexible Income Fund	**66%**	81%	**176**	18
Fintax International Growth Fund IC Ltd	**87%**	85%	**170**	172
Engelberg Global Fund IC Ltd	**35%**	40%	**164**	164
Momentum Harmony Portfolios Australian Dollar Growth Fund	**33%**	26%	**144**	105
Momentum Optimal Yield Fund	**83%**	71%	**139**	225
VT Momentum Diversified Cautious Fund (previously MI Momentum Focus 3 Fund)	**51%**	48%	**110**	110
ALUWANI Top 25 Fund	**25%**	27%	**103**	104
Momentum Top 40 Index Fund	**30%**	30%	**81**	74
FGAM Global Cautious Fund IC Ltd	**23%**	32%	**79**	119
Momentum Small/Mid-Cap Fund	**45%**	44%	**76**	54
PMK Wealth Global Growth Fund IC Ltd	**35%**	37%	**61**	152
Momentum Defensive Growth Fund	**23%**	37%	**57**	144
Momentum International Conservative Feeder Funds	**52%**	40%	**46**	27
Momentum Target 6 Fund of Funds	**90%**	24%	**45**	35
Momentum Target 7 Fund of Funds	**81%**	86%	**43**	40
Momentum International Income Fund	**45%**	*	**43**	*
Momentum Mid & Small Cap Index Fund	**38%**	39%	**34**	25
Momentum Target 5 Fund of Funds	**19%**	81%	**33**	26
Momentum Target 4 Fund of Funds	**86%**	88%	**23**	21
Momentum Industrial Fund	**27%**	24%	**14**	11
Momentum Target 3 Fund of Funds	**83%**	90%	**12**	11
Momentum MF Global Aggressive Fund	**	100%	**	5 833
Momentum SA Defensive Growth Fund	**	100%	**	3 924
Momentum MF Global Balanced	**	100%	**	3 762
Momentum MoM Specialist Equity Fund	**	100%	**	1 989
Momentum MF International Equity	**	102%	**	461
Caleo Global Flexible Fund IC Ltd	**	21%	**	232
Momentum MF Global Moderate	**	95%	**	155
Flagship International Flexible Fund IC Ltd	**	26%	**	137
ALUWANI Africa Equity Ringfenced Fund	**	43%	**	–
			105 235	105 947

* This subsidiary was not considered to be a subsidiary in the prior year.

** No longer a subsidiary in the current year.

All the above collective investment schemes are incorporated in South Africa, except for the funds listed below:

Fund name	Domicile
Momentum GF Global Equity Fund	Luxembourg
Momentum GF Global Enhanced Index Fund	Luxembourg
Momentum IF Global Emerging Markets Equity	Luxembourg
Momentum Global Growth Fund IC Ltd	Guernsey
FGAM Global Growth Fund IC Ltd	Guernsey
Momentum - Global Managed Fund IC Ltd	Guernsey
Momentum IF Global Fixed Income	Luxembourg
Fintax International Balanced Fund IC Ltd	Guernsey
Momentum Private Equity 2008 Feeder	Luxembourg
Momentum - Global Cautious Fund IC Ltd	Guernsey
Momentum Private Equity 2008 Master	Luxembourg
Momentum Global Balanced Fund IC Ltd	Guernsey
PMK Wealth Global Cautious Fund IC Ltd	Guernsey
Fintax International Growth Fund IC Ltd	Guernsey
Engelberg Global Fund IC Ltd	Guernsey
Momentum Harmony Portfolios Australian Dollar Growth Fund	Luxembourg
VT Momentum Diversified Cautious Fund	London
FGAM Global Cautious Fund IC Ltd	Guernsey
PMK Wealth Global Growth Fund IC Ltd	Guernsey

43 Significant subsidiary companies continued

At 30 June the following collective investment schemes (CIS) were subsidiaries of the Company:

	Interest held		Carrying amount	
	2021 %	2020 %	2021 Rm	2020 Rm
Momentum GF Global Equity Fund	**67.5**	20.8	**15 758**	4 512
Momentum Money Market Fund	**56.0**	56.5	**6 822**	5 763
Momentum Bond Fund	**87.3**	83.2	**6 057**	4 820
Momentum Income Plus Fund	**47.0**	46.9	**5 202**	4 479
Momentum GF Global Enhanced Index Fund	**77.5**	0.0	**5 044**	–
Momentum Focus 6 Fund of Funds	**85.8**	84.2	**4 685**	4 259
Momentum SA Flexible Fixed Interest Fund	**63.3**	63.2	**4 083**	2 688
Momentum IF Global Emerging Markets Equity	**82.9**	0.0	**3 074**	–
Momentum Enhanced Yield Fund	**41.9**	37.9	**3 035**	2 138
Momentum Ultra Long Term Value Fund	**75.5**	75.0	**2 666**	2 053
Momentum MoM Macro Value Fund	**100.0**	100.0	**2 499**	2 089
Momentum MoM High Growth Fund	**84.2**	85.2	**2 247**	1 980
Momentum Trending Equity Fund	**80.4**	81.7	**2 218**	2 345
Momentum Global Growth Fund IC Ltd	**65.2**	0.0	**2 197**	–
Momentum Capped SWIX Index Fund	**83.4**	84.0	**1 792**	1 645
Momentum Opportunistic Equity Fund	**66.4**	65.7	**1 772**	1 091
Momentum Value Equity Fund	**98.4**	97.1	**1 692**	592
Momentum Focus 7 Fund of Funds	**79.9**	78.5	**1 550**	1 371
Momentum MoM Emerging Manager Growth Fund	**99.5**	100.0	**1 365**	1 430
Momentum Equity Fund	**35.6**	37.2	**1 252**	1 156
Momentum Global Managed Fund IC Ltd	**59.9**	0.0	**1 158**	–
Momentum Diversified Income Fund	**42.3**	46.0	**979**	929
Momentum IF Global Fixed Income	**78.1**	53.2	**931**	1 069
Momentum Focus 5 Fund of Funds	**74.7**	69.2	**899**	826
Momentum MoM Property Equity Fund	**92.4**	95.4	**892**	1 185
Momentum RCIS Multi Managed ZAR Capi Alpha QI Hedge Fund	**100.0**	99.4	**753**	555
Momentum RCIS Multi Managed ZAR Rubix Alpha QI Hedge Fund	**99.1**	100.0	**736**	718
Momentum Real Growth Property Fund	**78.1**	78.8	**728**	648
Momentum RCIS Multi-Managed ZAR Equity Hedge QI Hedge Fund	**99.5**	99.6	**577**	649
Momentum MoM Managed Bond Fund	**100.0**	99.6	**487**	283
Momentum RCIS ZAR Diversified QI Fund of Hedge Funds	**100.0**	97.6	**481**	487
Momentum Focus 4 Fund of Funds	**61.7**	61.2	**428**	398
Momentum International Equity Feeder Fund	**37.8**	38.8	**398**	386
Momentum Mom Active Bond Fund	**30.4**	40.4	**329**	303
Momentum Focus 3 Fund of Funds	**66.4**	62.8	**319**	286
Momentum International Balanced Feeder Fund of Funds	**50.6**	46.2	**310**	258
Fintax International Balanced Fund IC Ltd	**88.5**	88.5	**299**	334
Chrysalis Enhanced Yield Credit Fund	**95.1**	95.5	**277**	228
FGAM Global Growth Fund IC Ltd	**25.5**	28.6	**285**	278
Momentum SA Real Growth Property Fund	**48.2**	28.4	**278**	267
Momentum MoM Real Return Fund	**100.0**	99.9	**277**	387
Momentum Private Equity 2008 Feeder	**98.7**	98.7	**268**	302
Momentum Global Balanced Fund IC Ltd	**48.3**	47.7	**203**	204
Momentum Real Growth Property Index Fund	**99.4**	97.4	**197**	175
PMK Wealth Global Cautious Fund IC Ltd	**27.6**	66.7	**180**	39
Momentum Outcome-Based Money Market Fund	**99.5**	100.0	**176**	171
Momentum Flexible Income Fund	**65.4**	76.3	**175**	17
Engelberg Global Fund IC Ltd	**35.0**	39.7	**164**	164
Momentum Global Cautious Fund IC Ltd	**42.9**	0.0	**164**	–
Fintax International Growth Fund IC Ltd	**79.6**	78.7	**156**	158
Momentum Optimal Yield Fund	**81.4**	43.2	**136**	137
ALUWANI Top 25 Fund	**25.1**	26.7	**103**	104
Momentum Top 40 Index Fund	**29.7**	29.7	**81**	74
Momentum Small/Mid-Cap Fund	**45.5**	44.4	**76**	54
FGAM Global Cautious Fund IC Ltd	**21.6**	30.7	**75**	114
PMK Wealth Global Growth Fund IC Ltd	**33.7**	36.4	**58**	149
Momentum Defensive Growth Fund	**22.9**	78.7	**57**	144
Momentum International Conservative Feeder Funds	**52.3**	39.9	**45**	27
Momentum Target 6 Fund of Funds	**87.3**	22.9	**43**	34
Momentum International Income Fund	**45.3**	0.0	**43**	–

43 **Significant subsidiary companies** continued

	Interest held		Carrying amount	
	2021 %	2020 %	**2021 Rm**	2020 Rm
Momentum Target 7 Fund of Funds	**79.2**	83.9	**41**	39
Momentum Mid & Small Cap Index Fund	**38.0**	39.0	**34**	25
Momentum Target 4 Fund of Funds	**81.9**	83.9	**22**	20
Momentum Industrial Fund	**27.3**	24.3	**14**	11
Momentum Target 3 Fund of Funds	**76.0**	81.6	**11**	10
Momentum MF Global Aggressive	**–**	100.0	**–**	5 834
Momentum SA Defensive Growth Fund	**–**	100.0	**–**	3 924
Momentum MF Global Balanced	**–**	100.0	**–**	3 762
Momentum MOM Specialist Equity Fund	**–**	100.0	**–**	1 989
Momentum MF International Equity	**–**	100.0	**–**	460
Caleo Global Flexible Fund IC Ltd	**–**	21.2	**–**	232
Momentum MF Global Moderate	**–**	94.8	**–**	155
Flagship International Flexible Fund IC Ltd	**–**	25.7	**–**	137
Momentum Target 5 Fund of Funds	**–**	77.7	**–**	25
Total investment in CIS subsidiaries			**89 353**	73 575

44 Unconsolidated structured entities

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The Group considers certain collective investment schemes and other unit-linked investments to be structured entities. This note provides information on significant unconsolidated structured entities in which the Group holds an interest.

Collective investment schemes and other unit-linked investments

Unit-linked investments comprise local and foreign collective investment schemes as well as other unit-linked investments. Collective investment schemes are categorised into property, equity or interest-bearing instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event of no one category meeting this threshold, it is classified as a mixed asset class. Money market collective investment schemes are categorised as such.

Unlisted and unquoted unit-linked instruments are mainly exposed to equity, comprising investments in hedge funds and private equity funds, or interest-bearing instruments, comprising mezzanine funding and structured guaranteed income products. It includes investments where the exposure is subject to the underlying investments, comprising investments in pooled funds as well as investments backing policies where the Group is the policyholder of an investment contract issued by other insurance companies. Where the Group is the contract holder of investment contracts at another institution, but does not have title to the underlying investment assets, it is allocated to a mixed asset class.

	2021 Rm	2020 Rm
Collective investment schemes		
Local and foreign	**158 375**	143 563
Equity	**103 171**	90 378
Interest-bearing	**23 656**	23 363
Property	**5 258**	4 634
Mixed	**24 225**	22 513
Money market	**2 040**	2 351
Commodity	**25**	324
Other unit-linked investments	**13 577**	12 312
Local and foreign		
Equity	**9 027**	7 785
Interest-bearing	**2 416**	2 015
Mixed	**1 928**	2 287
Commodity	**206**	225
	171 952	155 875

44 Unconsolidated structured entities continued

Detail on investments in associates at fair value through income

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

	Carrying amount Rm	% interest held	Nature of relationship	Principal place of business
2021				
Momentum Harmony Portfolios Sterling Growth Fund	**352**	**18.5%**	**Standard investment**	**Luxembourg**
Momentum Africa Real Estate Fund	**244**	**24.4%**	**Standard investment**	**London**
Momentum Harmony Portfolios Asian Growth Fund	**106**	**12.3%**	**Standard investment**	**Luxembourg**
2020				
Momentum Harmony Portfolios Sterling Growth Fund	264	12.5%	Standard investment	Luxembourg
Momentum Africa Real Estate Fund	162	26.7%	Standard investment	London

Summarised financial information relating to the associates above:

	Momentum Harmony Portfolios Asian Growth Fund Rm	Momentum Africa Real Estate Fund Rm	Momentum Harmony Portfolios Sterling Growth Fund Rm
2021			
Current assets	**34**	**313**	**194**
Non-current assets	**835**	**216**	**1 729**
Current liabilities	**3**	**16**	**16**
Non-current liabilities	**866**	**513**	**1 907**
Revenue	**212**	**12**	**387**
Earnings	**197**	**(24)**	**351**

		Momentum Harmony Portfolios Sterling Growth Fund Rm	Momentum Harmony Portfolios Asian Growth Fund Rm
2020			
Current assets		18	369
Non-current assets		2 104	255
Current liabilities		10	11
Non-current liabilities		2 112	613
Revenue		30	12
Earnings		(203)	(198)

44 Unconsolidated structured entities continued

Other unconsolidated structured entities

The table below provides information on significant other unconsolidated structured entities in which the Group holds an interest:

				Carrying amount[1]		Income received[2]	
Name of entity	**Investment type**	**Nature and purpose of business**	**How is the entity financed?**	**2021 Rm**	**2020 Rm**	**2021 Rm**	**2020 Rm**
Superdrive Investments (RF) Ltd	Floating rate note	Asset-backed securitisation set up by Standard Bank Group and BMW Financial Services	Funding received from local institutional investors	**	624	**	40
Thekwini Fund 14 (RF) Ltd	Floating rate note/vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**	513	**	34
Thekwini Fund 16 (RF) Ltd	Floating rate note/vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**483**	*	**15**	*
The Thekwini Warehousing Conduit (RF) Ltd	Fixed-rate notes	Asset Backed Commercial Paper set up by South African Home Loans (Pty) Ltd to fund pools of home loans pursuant to a securitisation scheme.	The issuance of fixed and/ or floating rate, asset-based commercial paper	**	454	**	4
				483	1 591	**15**	78

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

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

1 Included in securities at fair value through profit and loss in the statement of financial position. The carrying amount represents the Group's maximum exposure.

2 Consists of interest income and fair value gains/(losses).

3 The Group has not sponsored any significant unconsolidated structured entities in which it holds an interest.

44 Unconsolidated structured entities continued

At 30 June the following collective investment schemes (CIS) were associates of the Company:

	Interest held		Carrying amount	
	2021 %	2020 %	2021 Rm	2020 Rm
Momentum Real Growth Core Equity Fund	**18.1**	19.1	**491**	332
Momentum Africa Real Estate Fund	**24.4**	26.7	**244**	162
Momentum Macro Growth Fund	**10.5**	10.5	**91**	82
Momentum Inflation Linked Bond Portfolio	**7.9**	5.2	**62**	46
PB Global Flexible Fund IC Ltd	**3.2**	2.8	**49**	41
Momentum Financials Fund	**10.6**	10.5	**35**	26
Momentum Target 5 Fund of Funds	**18.0**	0.0	**32**	–
VPFP International Growth Fund IC Ltd	**5.1**	4.0	**24**	23
Momentum Resources Fund	**14.1**	10.9	**18**	12
Momentum - Sterling Balanced Fund IC Ltd	**8.1**	9.5	**17**	16
VPFP International Cautious Fund IC Ltd	**3.1**	3.1	**16**	16
Renaissance Global Best Ideas Fund IC Ltd	**0.2**	0.6	**5**	5
Momentum Harmony Portfolios Sterling Balanced Fund	**0.2**	0.2	**3**	2
Momentum IF Global Emerging Markets Equity	*	7.4	*	205
Momentum – Global Managed Fund IC Ltd	*	15.2	*	132
Momentum – Global Growth Fund IC Ltd	*	2.3	*	79
Momentum – Global Cautious Fund IC Ltd	*	16.8	*	77
Brenthurst Global Balanced A Fund IC Ltd	*	9.1	*	60
Brenthurst Global Equity Fund IC Ltd	*	13.6	*	58
Momentum International Income Fund	*	19.7	*	30
Aluwani Africa Equity Fund	*	17.8	*	3
Total investment in CIS associates			**1 087**	1 407

* No longer an associate in the current year.

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45 Directors remuneration

The Group's executive directors are contracted as full-time, permanent employees, with the exception of the CEO who is currently on a fixed term contract. Notice periods range from one to three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant incentive scheme, subject to the discretion of the Remco based on recommendations by the CEO.

Non-executive directors, including the Chairman and Lead Independent Director, receive a fixed annual fee that is inclusive of all Board and Committee attendance, as well as all other services performed on behalf of the Group. The Group pays for all travelling and accommodation expenses in respect of Board meetings.

	Salary		Performance bonus		Retention payments		Long-term incentive payments		Expense allowance	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Hillie Meyer	7 613	6 756	2 000	3 025	–	–	1 144	345	–	–
Jeanette Marais	4 243	4 042	1 600	2 050	–	–	1 524	209	–	–
Risto Ketola	3 929	3 772	1 400	2 138	–	–	2 614	2 208	3	–
Executive directors	15 785	14 570	5 000	7 213	–	–	5 282	2 762	3	–

	Medical aid		Pension fund		Contractual payment		Total remuneration		Value of shares granted	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Hillie Meyer	–	–	–	–	–	–	10 757	10 126	15 239	21 010
Jeanette Marais	58	55	231	224	–	–	7 656	6 580	9 894	11 425
Risto Ketola	127	122	223	235	–	–	8 296	8 475	8 609	11 597
Executive directors	185	177	454	459	–	–	26 709	25 181	33 742	44 032

	Fees		*Ad hoc* fees		Total fees	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Fatima Jakoet	1 066	981	–	–	1 066	981
Frans Truter	2 438	2 292	–	–	2 438	2 292
JJ Njeke[1]	869	2 126	–	–	869	2 126
Stephen Jurisich	1 736	1 570	–	–	1 736	1 570
Lisa Chiume	1 580	1 492	–	–	1 580	1 492
Sello Moloko	2 344	1 692	–	–	2 344	1 692
Sharron Mc Pherson	1 185	854	–	–	1 185	854
KG Legoabe-Kgomari[2]	–	806	–	–	–	806
Linda de Beer	1 589	1 330	–	–	1 589	1 330
DJ Park	1 156	805	–	–	1 156	805
P Cooper[3]	1 199	–	–	–	1 199	–
V Nkonyeni[4]	1 058	–	–	–	1 058	–
T Gobalsamy[5]	–	–	–	–	–	–
PJ Makosholo[6]	871	–	–	–	871	–
NJ Dunkley (Nigel)[7]	–	–	–	–	–	–
Non-executive directors	17 091	13 948	–	–	17 091	13 948

1 Resigned 26 November 2020.
2 Resigned 30 June 2020.
3 Appointed 1 July 2020.
4 Appointed 1 July 2020.
5 Appointed 1 June 2021 onboarding still in progress – no fees paid in June 2021.
6 Appointed 1 July 2020.
7 Appointed 1 June 2021 onboarding still in progress – no fees paid in June 2021.

46 Valuation techniques

The Group's in-house valuation experts perform the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held at least bi-annually, in line with the Group's bi-annual reporting dates.

The valuation of the Group's assets and liabilities has been classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Instruments classified as level 1 have been valued using published price quotations in an active market and include the following classes of financial assets and liabilities:

- Local and foreign listed equity securities
- Stock and loans to government and other public bodies, excluding stock and loans to other public bodies listed on the JSE interest rate market
- Local and foreign listed and unlisted quoted CISs (this also refers to the related CISs liabilities)
- Derivative financial instruments, excluding OTC derivatives.

Critical accounting estimates and judgements

For venture capital fund investments that are classified as unit-linked investments, the Group applies the International Private Equity and Venture Capital (IPEV) valuation guidelines, which have been prepared with the goal that the derived fair value measurements are compliant with IFRS. The IPEV guidelines allow for adjustments post the valuation date for uncertainty related to time elapsing between the measurement dates of the fund manager and the investor, changes in market dynamics or other economic conditions, and facts or circumstances that may impact the valuation of start-up businesses. Management applies judgement if an adjustment is needed for any of these reasons.

46 Valuation techniques continued

The following are the methods and assumptions for determining the fair value when a valuation technique is used in respect of instruments classified as level 2. Refer to note 6.7 for details of the instruments split into the different levels.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
– Listed, local and foreign	DCF, earnings multiple, quoted prices	Cost of capital, earnings multiple, consumer price index, budgets, cash flow forecasts
Stock and loans to other public bodies		
– Listed, local		
	Published yield of benchmark bond	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
	Published price quotation	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
– Listed, foreign	Published price quotation	Nominal bond curve, credit spread
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread
Other debt securities		
– Listed, local	Published prices, DCF	Nominal bond curve, real bond curve, swap curve, consumer price index, credit spread, currency rates
– Listed, foreign	Published prices, DCF	Nominal bond curve, credit spread and currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, currency rates
	DCF, Black-Scholes model	Yield curves, discount rates, volatilities
Funds on deposit and other money market instruments		
– Listed	DCF	Money market curve
	Published prices	Money market curve, credit spread
	Published yield of benchmark bond	Money market curve, credit spread
– Unlisted	DCF	Money market curve, nominal bond curve, Swap curve, credit spread, inflation curve
Unit-linked investments	Adjusted NAV or NAV	Underlying asset and liability values
Derivative assets and liabilities	Black-Scholes model (European options), binomial tree (American/Bermudan options), DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, volatility, forward equity, currency rates
Subordinated call notes (Liability)	Published yield quotations	Nominal bond curve, real bond curve
Carry position assets and liabilities	DCF	Nominal bond curve, repo rates
Investment contracts designated at fair value through profit and loss	Asset and liability matching method	Asset value

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

46 **Valuation techniques** continued

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Securities at fair value through profit and loss				
Equity securities				
Listed	Published prices	Adjustments for low liquidity or inactivity	Liquidity discount: 0% to 30%	Adjustments would result in lower fair value
Unlisted	NAV	Underlying property valuations	Could vary significantly based on the value of the underlying properties[1]	The higher the capitalisation rate the lower the value of the property and the fair value. The higher the vacancy rate the lower value of the property and the fair value[1]
	Adjusted NAV or NAV	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Debt securities				
Stock and loans to government and other public bodies				
Unlisted	DCF	Discount rate	8.00% to 11.00% (2020: 8.00% to 11.00%)	The higher the discount rate, the lower the fair value of the assets
Listed	Published prices	Adjustments for recoverability and credit risk determined by collection rates of performing and non-performing loans	Multiple unobservable inputs[1]	Adjustments would result in lower fair value
Other debt instruments				
Unlisted	DCF, Black-Scholes model	Discount rate, volatilities, yield curve	Multiple unobservable inputs[1]	Could vary significantly based on multiple inputs[1]
	DCF	Discount rate	8.32% to 9.69% (2020: 8.28% to 9.85%); 5.00% to 11.19% (2020: 5.41% to 11.41%); 7.75% to 12.58%; 15.03%	The higher the discount rate, the lower the fair value of the assets
	Last quoted price multiplied by number of units held	Price per unit	78c (2020: 78c)	The higher the price per unit, the higher the fair value
	NAV	Underlying property valuations impacted by capitalisation rates, vacancy rates and potential capitalisation of project costs Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly based on the value of the underlying properties	The higher the capitalisation rate, the lower the value of the property and the fair value. The higher the vacancy rate, the lower the value of the property and the fair value.
Funds on deposit and other money market instruments	Deposit rates, or DCF (market-related yields)	Market input (based on quotes received from market participants and valuation agents)	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the higher the fair value

46 **Valuation techniques** continued

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unit-linked investments				
Collective investment schemes				
Foreign unlisted unquoted	Unit price of underlying assets/liabilities multiplied by number of units held	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Other unit-linked investments				
Local unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings	The fair value varies on distributions/net cash flows and period since last valuation
Foreign unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
Derivative financial assets	Adjusted NAV method	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of inputs[1]	The fair value varies based on any changes to the NAV and judgemental adjustments applied by management.
Financial liabilities at fair value through profit and loss				
Other borrowings	DCF	Assets under management (AUM) growth rate	2.75% to 3.25% (2020: not applicable)	The higher the rate, the higher the fair value
Preference shares	DCF	Discount rate	12.22% (2020: not applicable)	The higher the discount rate, the lower the fair value of the liability

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value

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

Equity-settled arrangements

The valuation model

The value of the share scheme is calculated using an option based model.

At the vesting date, the value of the units held, net of the debt attributable to those units, will be used to buy MMH shares for the holders of the vested units. Consequently, an individual unit holder in the scheme can be seen as holding a call option on MMH shares where the strike price is the applicable value of the scheme debt per unit at the date of vesting (ie the value of the preference shares).

All scheme debt will be settled at the end of year 10 of the scheme. Before this, the debt profile allows for the ranking of the different debt instruments by first servicing obligations to the most senior instruments in this case the A preference shares, and then to the subordinated B preference shares.

The IFRS2 charge for any specific issuance is then determined as the grant date fair valuation of the option adjusted for the expected proportion of units that will reach vesting (i.e. attrition). The recognition profile of the expenses follows a graded vesting pattern in line with IFRS 2 guidance.

In order to incorporate the impact of employees leaving over the scheme duration, an employee attrition rate of 14% was used. This attrition rate is based on actual attrition experienced by the pool of employees that received units in the share scheme.

Key inputs

For the valuation the following key parameters were used:

Key Model Parameters		
Market based parameters		
Share price	18,89	Share price as at 22 April 2021
Volatility	30.20%	Based on market rates
Risk-free rate	11.40%	10-year point on GOVI Zero NACS
Contractual parameters		
Dividend cover	3x	for the first 5 years
	2.5x	thereafter
Funding charges	72% of prime	A preference share
	120% of prime	B preference share
Other parameters		
Employee attrition	14.00%	Based on historic experience

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

47 Significant Group accounting policies

47.1 New IFRS standards and amendments

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

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) – Interest rate benchmark reform – phase 2 (effective from annual periods beginning on or after 1 January 2021).
- IFRS 16 (Amendments) – Covid-19-related rent concessions (effective from annual periods beginning on or after 1 April 2021[1]).
- IFRS 3 (Amendments) – Reference to the Conceptual Framework (effective from annual periods beginning on or after 1 January 2022).
- IAS 16 (Amendments) – Proceeds before intended use (effective from annual periods beginning on or after 1 January 2022).
- IAS 37 (Amendments) – Costs of fulfilling a contract (effective from annual periods beginning on or after 1 January 2022).
- IAS 1 and IFRS Practice Statement 2 (Amendments) – Disclosure of Accounting Policies (effective from annual periods beginning on or after 1 January 2023[2]).
- IAS 1 (Amendments) – Classification of liabilities as current or non-current (effective from annual periods beginning on or after 1 January 2023).
- IAS 8 (Amendments) – Definition of accounting estimates (effective from annual periods beginning on or after 1 January 2023).
- IAS 12 (Amendments) – Deferred tax related to assets and liabilities arising from a Single Transaction (effective from annual periods beginning on or after 1 January 2023).
- IFRS 17 – Insurance contracts (effective from annual periods beginning on or after 1 January 2023).

Improvements project amendments

- IFRS 9 – Financial instruments (effective from annual periods beginning on or after 1 January 2022).

1 The IASB has extended the amendments to IFRS 16 beyond 30 June 2021.
2 The IASB has deferred the effective date of the Amendments to IAS 1 from 1 January 2022 to 1 January 2023.

Management is currently assessing the impact of these amendments, but it is not expected to be significant other than detailed below.

Discussions of impact of initial application of changes to standards and interpretations that are not yet effective and have not been early adopted by the Group.

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts (IFRS 17) will replace IFRS 4 Insurance Contracts (IFRS 4) in accounting for insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features and is effective for reporting periods starting on or after 1 January 2023. The effective date for the Group is 1 July 2023 and the 31 December 2023 interim financial statements will be the first interim results and the 30 June 2024 annual financial statements the first annual results presented on an IFRS 17 basis.

Key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results, and cash flows of the entity. Significant efforts are required to enable the production of IFRS 17 compliant financial statements, as the standard requires actuarial model and process development as well as data enhancements. These efforts are to a large extent coordinated by the Group, although some subsidiaries have also been driving their own implementation projects.

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

The Group is actively participating in several industry forums to ensure that the standard is interpreted and applied appropriately and consistently.

The Group anticipates that some compulsory and discretionary margins might be released into equity on transition to IFRS 17. Preliminary assessments indicate, that post the implementation of IFRS 17, the Group will experience lower new business strain on profits during the first year of business being written.

47 Significant Group accounting policies continued

47.2 Consolidation

47.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the day that control is lost. All material subsidiaries have financial years ending on 30 June and are consolidated to that date. Subsidiaries with financial year-ends other than 30 June are consolidated using audited or reviewed results (where necessary) for the relevant period ended 30 June. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Group. Separate disclosure is made of non-controlling interests. All intra-group balances and unrealised gains and losses on transactions between group companies are eliminated. When control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.

Initial measurement

The acquisition method of accounting is used to account for the acquisition of subsidiaries/business combinations by the Group. The cost of a business combination is the fair value of the assets given at the date of acquisition, equity issued and liabilities assumed or incurred (including contingent liabilities). This includes assets or liabilities recognised from contingent consideration arrangements. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit and loss. Costs directly attributable to the business combination are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest shareholders even if this results in the non-controlling interest shareholders having a deficit balance.

Disposals

If the Group loses control of a subsidiary company, the gain or loss on disposal is calculated as the difference between the fair value of the consideration received, and the carrying amount of the subsidiary's net assets and any non-controlling interest. Gains and losses on disposal of subsidiaries are included in the income statement as realised and fair value gains. Any gains or losses in other comprehensive income that relate to the subsidiary are reclassified to the income statement at the date of disposal.

Transactions with non-controlling interest shareholders

Transactions with non-controlling interest shareholders are treated as transactions with equity participants of the Group. Disposals to/acquisitions from non-controlling interest shareholders result in gains and losses for the Group that are recorded in equity. Any difference between any consideration paid/received and the relevant share acquired/sold of the carrying amount of the net assets of the subsidiary is recorded in equity.

Measurement – MML separate financial statements

Acquisition of subsidiaries or businesses under common control

Common control is defined as a business combination in which all the combining entities (subsidiaries or businesses) are ultimately controlled by the same party both before and after the business combination, and control is not transitory. The cost of an acquisition of a business under common control is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange. On acquisition the carrying amount of the assets and liabilities are not restated at fair value. The acquirer incorporates assets and liabilities at their pre-combination carry amounts. Any excess/deficit of the purchase price over the pre-combination carrying amounts of the assets and liabilities is adjusted directly to equity, in a separate common control reserve. Adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation at the holding company level. Under this approach comparatives are not restated.

Investments in subsidiaries at fair value through profit and loss

Investment in each subsidiary is evaluated to consider whether it is appropriate to measure the carrying amount at fair value through profit and loss. Where this is deemed appropriate, the fair value movements are recorded in net realised and unrealised fair value gains and losses in the income statement. This policy choice is made once-off and is not revised subsequently.

47 Significant Group accounting policies continued

47.2 Consolidation continued

47.2.1 Subsidiaries continued

Investments in subsidiaries at fair value through other comprehensive income

Investment in each subsidiary is evaluated to consider whether it is appropriate to measure the carrying amount at fair value through other comprehensive income. Where this is deemed appropriate, the fair value movements of these investments in subsidiaries are recorded directly against other comprehensive income. This policy choice is made once-off and is not revised subsequently.

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.

Disposal of investments in subsidiaries

Gains or losses on disposal of investments in subsidiaries carried at fair value through profit and loss are included in the income statement as net realised fair value gains and losses. When investments in subsidiaries carried at fair value through other comprehensive income are sold, the cumulative amount that was accounted for against other comprehensive income is transferred directly to retained earnings.

47.2.2 Associates

Associates are all entities over which the Group has *significant influence* but not control. The Group's investment in associates includes goodwill, identified on acquisition, net of any accumulated impairment loss. The accounting policies for associates are consistent, in all material respects, with the policies adopted by the Group.

Profits and losses resulting from transactions between group companies are recognised in the Group's results to the extent of the Group's unrelated interests in the associates. Gains and losses arising on the dilution of investments in associates are recognised in the income statement.

Measurement

Investments in associate companies are initially recognised at cost, including goodwill, and the carrying amount is increased or decreased with the Group's proportionate share of post-acquisition profits or losses, using the equity method of accounting. Under this method, the Group's share of the associate's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition profit or loss and movements in other comprehensive income are adjusted against the carrying amount of the investments. The equity method is discontinued from the date that the Group ceases to have *significant influence* over the associate. When *significant influence* is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.

Investments in collective investment schemes where the Group has *significant influence* are recognised at fair value through profit and loss and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – Investments in associates for investment-linked insurance funds. Initial measurement is at fair value on trade date, with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the reporting date. Fair value adjustments on collective investment schemes are recognised in the income statement. The related income from these schemes is recognised as interest or dividends received, as appropriate.

Impairment

Under the equity method, the carrying amount is tested for impairment at reporting dates by comparing the recoverable amount with the carrying amount.

Measurement – MML separate financial statements

Investments in collective investment schemes where the Company has significant influence are carried as investments at fair value through profit and loss and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – Investments in associates for investment-linked insurance funds. Initial measurement is at fair value on trade date, with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the reporting date. Fair value adjustments on collective investment schemes are recognised in the income statement. The related income from these schemes is recognised as interest or dividends received, as appropriate.

47 Significant Group accounting policies continued

47.2 Consolidation continued

47.2.3 Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Measurement

Interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

47.3 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand (the presentation currency), which is the functional currency of the parent. The financial statements have been rounded to the nearest R million.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, measured at fair value through profit and loss, are recognised as part of their fair value gain or loss.

Subsidiary undertakings

Foreign entities are entities of the Group that have a functional currency different from the presentation currency. Assets and liabilities of these entities are translated into the presentation currency at the rates of exchange ruling at the reporting date. Income and expenditure are translated into the presentation currency at the average rate of exchange for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in the foreign currency translation reserve in other comprehensive income. On disposal, such exchange differences are recognised in the income statement as part of net realised and unrealised fair value gains.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

47.4 Intangible assets

47.4.1 Goodwill

Recognition and measurement

Goodwill represents the excess of the cost of a business combination over the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. Subsequent to initial measurement, goodwill is carried at cost less accumulated impairment losses.

Goodwill on acquisition of subsidiaries is included in intangible assets whereas goodwill on acquisition of associates is included in investment in associates.

When the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the income statement.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

47 Significant Group accounting policies continued

47.4 Intangible assets continued

47.4.1 Goodwill continued

Impairment

At the acquisition date, goodwill acquired in a business combination is allocated to *cash-generating units* that are expected to benefit from the synergy of the combination in which the goodwill arose. *Cash-generating units* to which goodwill has been allocated are assessed annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised whenever the carrying amount of the *cash-generating unit* exceeds its recoverable amount, being the higher of value in use and the fair value less costs to sell. Any impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a *cash-generating unit* and then to reduce the carrying amount of other assets on a pro rata basis. Impairment losses on goodwill are not reversed.

47.4.2 Value of in-force business acquired

On acquisition of a portfolio of insurance or investment with DPF contracts, the Group recognises an intangible asset representing the value of in-force business acquired (VOBA). VOBA represents the present value of future pre-tax profits embedded in the acquired insurance or investment with DPF contract business. The VOBA is recognised gross of tax, with the deferred tax liability accounted for separately in the statement of financial position.

Measurement

The fair value calculation of VOBA on acquisition is based on actuarial principles that take into account future premium and fee income, claim outgo, mortality, morbidity and persistency probabilities together with future costs and investment returns on the underlying assets. The profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. This calculation is particularly sensitive to the assumptions regarding discount rate, future investment returns and the rate at which policies discontinue.

The asset is subsequently amortised over the expected life of the contracts as the profits of the related contracts emerge.

Impairment

VOBA is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

47.4.3 Customer relationships

Customer relationships relate to rights to receive fees for services rendered in respect of acquired investment contract business, group risk business with annually renewable contracts, administered retirement fund schemes, health administration and asset administration. An intangible asset is recognised when rights can be identified separately and measured reliably and it is probable that the cost will be recovered.

Measurement

The asset represents the Group's right to benefit from the above services and is amortised on a straight-line basis over the period in which the Group expects to recognise the related revenue, which is between three and 10 years.

Impairment

The right is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount.

47.4.4 Deferred acquisition costs (DAC)

On long-term investment business

Incremental costs that are directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an asset if the entity expects to recover them. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The asset represents the contractual right to benefit from receiving fees for providing investment management services, and is amortised over the policy term, as a constant percentage of expected gross profit margins (including investment income) arising from the contract or on a straight-line basis. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period.

On non-life insurance business

Acquisition costs, which include commission and other related expenses, are recognised in the period in which they are incurred. Deferred acquisition costs represent the portion of direct acquisition costs (i.e. commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

47 Significant Group accounting policies continued

47.4 Intangible assets continued

47.4.4 Deferred acquisition costs (DAC) continued

Impairment

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

47.4.5 Brand and broker network

Brand and broker network intangible assets have been recognised by the Group as part of a business combination. The assets are recognised when they are separately identifiable, it is probable that the future economic benefits will flow to the Group and the assets have a cost or value that can be measured reliably.

Measurement

The brand and broker networks are initially measured at fair value. As there is generally no active market for these intangibles, the fair value is determined with reference to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, on the basis of the best information available. In determining this amount, the Group considers the outcome of recent transactions for similar assets, for example, the Group applies multiples reflecting current market transactions to factors that drive the profitability of the asset (such as operating profit and VNB).

Subsequently, the brand and broker networks are amortised over their expected useful lives using the straight-line method. The brands are amortised over 15 to 20 years and the broker networks over five to 20 years.

Impairment

The brand and broker networks are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, being the value in use.

47.4.6 Computer software

Recognition and measurement

Acquired computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised on the basis of an expected useful life of three to 10 years, which is assessed annually using the straight-line method.

Internally developed computer software

Costs directly associated with developing software for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits. Directly associated costs include employee costs of the development team and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their useful lives, up to 10 years, using the straight-line method.

Costs associated with research or maintaining computer software programmes are recognised as an expense as incurred.

Impairment

Computer software not ready for use is tested for impairment annually. Computer software in use is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of the fair value less cost to sell and the value in use.

47 Significant Group accounting policies continued

47.5 Owner-occupied properties continued

Owner-occupied properties are held for use in the supply of services or for administrative purposes. Where the Group occupies a significant portion of the property, it is classified as an owner-occupied property.

Measurement

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

Fair value is determined using DCF techniques which present value the net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. Where considered necessary, significant properties are valued externally by an independent valuator, at least in a three-year cycle, to confirm the fair value of the portfolio.

Increases in the carrying amount arising on revaluation of buildings are credited to a land and building revaluation reserve in other comprehensive income. Decreases that offset previous increases in respect of the same asset are charged against the revaluation reserve, and all other decreases are charged to the income statement.

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

Depreciation

Owner-occupied property buildings are depreciated on a straight-line basis, over 50 years, to allocate their revalued amounts less their residual values over their estimated useful lives. Property and equipment related to the buildings are depreciated over five to 20 years. Land is not depreciated. The residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Accumulated depreciation relating to these properties is eliminated against the gross carrying amount of the properties and the net amount is restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property.

Disposals

When owner-occupied properties are sold, the amounts included in the land and buildings revaluation reserve are transferred to retained earnings.

47.6 Investment properties

Investment properties are held to earn rentals or for capital appreciation or both and are not significantly occupied by the companies of the Group. Investment properties include property under development for future use as investment property.

Measurement

Investment properties comprise freehold land and buildings and are carried at fair value, reflective of market conditions at the reporting date, less the related cumulative accelerated rental income receivable. Fair value is determined as being the present value of net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. All properties are internally valued on an annual basis and where considered necessary, significant properties are valued externally by an independent valuator, at least in a three-year cycle, to confirm the fair value of the portfolio. The accelerated rental income receivable represents the cumulative difference between rental income on a straight-line basis and the accrual basis. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Investment properties that are being redeveloped for continuing use as investment property, or for which the market has become less active, continue to be measured at fair value.

Undeveloped land is valued at fair value based on recent market activity in the area.

Transfers to and from investment properties

If an investment property becomes owner-occupied, it is reclassified under owner-occupied properties, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes, and vice versa.

47 Significant Group accounting policies continued

47.6 Investment properties continued

Properties held under leases

Properties held under leases are classified as investment properties as long as they are held for long-term rental yields and not occupied by the Group. The initial cost of these properties is the lower of the fair value of the property and the present value of the minimum lease payments. These properties are carried at fair value after initial recognition.

Gains and losses

Unrealised gains or losses arising on the valuation or disposal of investment properties are included in the income statement in net realised and unrealised fair value gains and losses. These fair value gains and losses are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

47.7 Financial assets

Classification

The Group classifies its financial assets in the following main categories:

- Financial assets at fair value through profit and loss, including derivative financial assets
- Financial assets at amortised cost

The classification of financial instruments is based on contractual cash flows characteristics and models through which financial instruments are managed (business model).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to not account for the equity investments at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when its business model for managing those assets changes.

- **Debt instruments**
  There are three measurement categories into which debt instruments can be classified:
  - Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
  - FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
  - FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured mandatorily at FVPL. The Group designates debt securities and funds on deposit and other money market instruments at FVPL upon initial recognition when it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise as a result of movements in related liabilities being recorded in profit or loss.
- **Equity instruments**
  The Group subsequently measures all equity investments at fair value. The Group's management has elected to not present fair value gains and losses on equity instruments in other comprehensive income. All fair value gains and losses on equity instruments are recognised in the income statement.
- **Equity instruments – MML separate financial statements**
  The Company subsequently measures all equity investments at fair value. The Company's management has elected to not present fair value gains and losses on equity instruments in other comprehensive income, except for investments in subsidiaries elected to be measured at fair value through other comprehensive income. All other fair value gains and losses on equity instruments are recognised in the income statement.

Recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the financial assets. These are recognised as Unsettled trades until the settlement date occurs. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the asset. Transaction costs that are not recognised as part of the financial asset are expensed in the income statement in net realised and unrealised fair value gains.

47 Significant Group accounting policies continued

47.7 Financial assets continued

Recognition and measurement continued

Financial assets at fair value through profit and loss is subsequently carried at fair value. Financial assets at amortised cost is recognised initially at fair value and subsequently carried at amortised cost, using the *effective interest rate method* less provision for impairment. Impairments are included in Depreciation, amortisation and impairment expenses in the statement of comprehensive income. Any gain or loss arising on derecognition of assets at amortised cost is recognised directly in the income statement and presented in net realised and unrealised fair value gains together with foreign exchange gains and losses.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets at amortised cost, the Group determines at each reporting date whether there has been a significant increase in credit risk since initial recognition of the financial asset by assessing the likelihood or risk of default occurring since initial recognition based on all reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition. Where there is no significant increase in credit risk since initial recognition or for assets that have low credit risk at reporting date, a 12 month expected credit loss is recognised. Where a significant increase in credit risk since initial recognition occurred a lifetime expected credit loss is calculated.

The Group views financial assets at amortised cost to be low credit risk when there is a low risk of default and the borrower has the strong capacity to meet its contractual cash flow obligations in the near term.

Impairment losses on financial assets at amortised cost, other than impairments relating to amounts due from agents, brokers and intermediaries, are presented as net impairment losses within profit or loss. Impairment losses on amounts due from agents, brokers and intermediaries, are presented as part of sales remuneration within profit and loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment – MML separate financial statements

Intercompany loan impairment is calculated at each reporting date using probability of default and the loss given default rates. Probability of default rates considers historical defaults as well as forward looking estimates based on macro-economic factors obtained from rating agencies. Loans without repayment terms consider any senior external or internal loans which need to be repaid before the intercompany loan to determine a probability of default, since it reduces the liquid assets available to repay that intercompany loan. Management applies their own judgement, on an individual loan basis, to adjust the prescribed LGD to include forward-looking information. Balances are written off when there is no reasonable expectation of recovery.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. The Group also derecognises a financial asset when the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

When the Group has transferred its rights to receive cash flows from an asset or entered into a corresponding liability it evaluates if, and to what extent, it has retained the risks and rewards of ownership. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Realised and unrealised gains and losses

Financial assets at fair value through profit and loss

Realised and unrealised gains and losses arising from changes in the value of financial assets at fair value through profit and loss are included in the income statement in the period in which they arise. Interest and dividend income arising on financial assets are disclosed separately under investment income in the income statement.

Offsetting

Financial assets and liabilities were set off and the net balance reported in the statement of financial position where there was a legally enforceable right to set off, where it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability was the same, and where the financial asset and liability were denominated in the same currency.

47 Significant Group accounting policies continued

47.7 Financial assets continued

Scrip lending

The equities or bonds on loan by the Group, and not the collateral security, are reflected in the statement of financial position of the Group at year-end. Scrip lending fees received are included under fee income. The Group continues to recognise the related income on the equities and bonds on loan. Collateral held is not recognised in the financial statements unless the risks and rewards relating to the asset have passed to the Group.

47.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including DCF and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative, subject to the offsetting principles as described under the financial assets accounting policies above.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging), or is based on a valuation technique whose variables include only observable market data.

When unobservable market data has an impact on the valuation of derivatives, the entire initial change in fair value indicated by the valuation model is not recognised immediately in the income statement but over the life of the transaction on an appropriate basis, or when the input becomes observable, or when the derivative matures or is closed out.

The subsequent fair value of exchange-traded derivatives is based on a closing market price while the value of over-the-counter derivatives is determined by using valuation techniques that incorporate all factors that market participants would consider in setting the price. Changes in the fair value of derivative instruments are recognised immediately in the income statement within net realised and unrealised fair value gains and losses.

Embedded derivative liabilities are separated and fair-valued through income when they are not closely related to their host contracts and meet the definition of a derivative, or where the host contract is not carried at fair value.

47.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost, which approximates fair value. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value. Bank balances held to meet short-term cash commitments are included in funds on deposit and other money market instruments with a maturity of three months or less. Operating bank balances are included in bank and other cash balances.

47.10 Long-term and non-life insurance and investment contracts

The contracts issued by the Group transfer insurance risk, financial risk or both. As a result of the different risks transferred by contracts, contracts are separated into investment and insurance contracts for the purposes of valuation and profit recognition. Insurance contracts are those contracts that transfer significant insurance risk to the Group, whereas investment contracts only transfer financial risk.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime. There is one exception to this principle:

- If the terms of an investment contract change significantly, the original contract is derecognised and a new contract is recognised with the new classification.

Classification of contracts

Investment contracts

Investment contracts are those where only financial risk is transferred.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

47 Significant Group accounting policies continued

47.10 long-term and non-life insurance and investment contracts continued

Classification of contracts continued

Investment contracts continued

For *cell captive* business, contracts that transfer financial risk with no significant insurance risk are accounted for as financial instruments (investment contracts designated at fair value through profit and loss) eg first-party cells. For these arrangements, only contract management fee income and investment income and net realised and unrealised fair value gains accruing to the promoter are included in the Group's income statement. On the statement of financial position, premium debtors and insurance liabilities relating to these arrangements are excluded.

Insurance contracts

Insurance contracts are those under which the Group accepts significant insurance risk from another party (contract holder) by agreeing to pay compensation if a specified uncertain future event (the insured event) adversely affects the contract holder.

Insurance risk is risk, other than financial risk, transferred from the holder of a contract to the issuer. Insurance risk is deemed significant if an insured event could cause an insurer to pay benefits (net of accumulated income and account balances) on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

For *cell captive* business, insurance policies are issued in third-party *cell captive* structures or contingency policies. The Group also accepts insurance and reinsurance inwards risks directly, eg where the promoter cell shares in the underwriting experience of selected cell arrangements. All items relating to these arrangements are included in the Group's income statement and statement of financial position, except for contract management fees.

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract.

Contracts with DPF

The Group issues long-term insurance and investment contracts containing DPF. These contracts are smoothed bonus and conventional with-profit business. All contracts with DPF are accounted for in the same manner as long-term insurance contracts. Where a contract has both investment with DPF and investment components, the policy is classified as investment with DPF.

Long-term insurance contracts and investment contracts with DPF

Measurement

The liabilities relating to long-term insurance contracts and investment contracts with DPF are measured in accordance with the FSV basis as set out in SAP 104 – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers. The FSV basis is based on best estimate assumptions regarding future experience plus *compulsory margins* and additional *discretionary margins* for prudence and deferral of profit emergence. Margins are set at product level.

Assumptions used in the valuation basis are reviewed on a regular basis, most commonly annually, and any non-economic changes in estimates are reflected in the income statement as they occur. Economic changes in estimate are stabilised as they occur, except for negative changes that exceed available stabilisation reserves in which case the excess is reflected in the income statement and future positive changes are reflected in the income statement to the extent of any prior losses incurred. Where stabilisation reserves are held, they are reflected in the income statement according to a specified release pattern.

The valuation bases used for the major classes of contract liabilities, before the addition of the margins described under the heading of *compulsory and discretionary* margins below, are as follows:

- For group smoothed bonus business, the liability is taken as the sum of the *fund accounts*, being the retrospective accumulation of premiums net of charges and benefit payments at the declared bonus rates.
- For individual smoothed bonus business, the liability is taken as the sum of the *fund accounts* less the present value of future charges not required for risk benefits and expenses.
- For with-profit annuity business, the liability is taken as the discounted value of projected future benefit payments and expenses. Future bonuses are provided for at bonus rates supported by the assumed future investment return.
- For the above three classes of business, BSAs are held in addition to the liabilities described above. In the case of smoothed bonus business, the BSA is equal to the difference between the market value of the underlying assets and the *fund accounts*. In the case of with-profit annuity business, the BSA is equal to the difference between the market value of the underlying assets and the discounted value of projected future benefit payments and expenses. BSAs are included in contract holder liabilities.

47 Significant Group accounting policies continued

47.10 long-term and non-life insurance and investment contracts continued

Long-term insurance contracts and investment contracts with DPF continued

Measurement continued

- For conventional with-profit business, the liability is the present value of benefits less premiums, where the level of benefits is set to that supportable by the asset share.
- For individual market-related business, the liability is taken as the fair value of the underlying assets less the present value of future charges not required for risk benefits and expenses.
- For conventional non-profit business, including non-profit annuities and Group PHI business, the liability is taken as the difference between the discounted value of future expenses and benefit payments and the discounted value of future premium receipts.
- Provision is made for the estimated cost of incurred but not yet reported (IBNR) claims for all relevant classes of business as at the reporting date. IBNR provisions are calculated using run-off triangle methods or percentages of premium based on historical experience or else implicit allowance is made where appropriate. Outstanding reported claims are disclosed in other payables.
- A number of contracts contain embedded derivatives in the form of financial options and investment guarantees. Liabilities in respect of these derivatives are fair-valued in accordance with the guidelines in APN 110 – Allowance for embedded investment derivatives. Stochastic models are used to determine a best estimate of the time value as well as the intrinsic value of these derivatives.

Compulsory and discretionary margins

In the valuation of liabilities, provision is made for the explicit compulsory margins as required by SAP 104 – Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers. *Discretionary margins* are held in addition to the *compulsory margins*. These *discretionary margins* are used to ensure that profit and risk margins in the premiums are not capitalised prematurely so that profits are recognised in line with product design, and in line with the risks borne by the Group.

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

- For certain books of business which are ring-fenced per historic merger or take-over arrangements, liabilities are held to ensure appropriate capitalisation of future profits in line with the terms of the related agreements.
- Additional prospective margins are held in respect of premium and decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the Group.
- For certain books of business, future charges arising from the surrender of smoothed bonus individual policies are not recognised until surrender occurs.
- Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market-related yield curve as at the reporting date. The yield curve is based on risk-free securities (either fixed or CPI-linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio. Implicit allowance is made for expected credit losses to avoid a reduction in liabilities caused by capitalisation of credit spreads.
- For *cell captive* business, the tax charged to each cell does not always equal the total tax liability of the Company since certain cells have calculated tax losses. Instead of crediting the cells with the resulting tax asset, the tax assets are accumulated in a separate cell, and notionally allocated to their respective cells. The amount in this cell is raised as a discretionary margin. In the event that a cell with a tax asset is able to utilise that asset against a future tax liability, the tax asset will be reduced or eliminated accordingly.

Embedded derivatives

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract and the entire contract is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value, in accordance with APN 110, if they are not closely related to the host insurance contract but meet the definition of a derivative. Embedded derivatives that are separated from the host contract are carried at fair value through profit and loss.

Liability adequacy test

The FSV methodology meets the requirements of the liability adequacy test in terms of IFRS 4 – Insurance contracts. However, at each reporting date the adequacy of the insurance liabilities is assessed to confirm that, in aggregate for each insurance portfolio, the carrying amount of the insurance liabilities, measured in accordance with the FSV basis, less any related intangible asset and present VOBA, is adequate in relation to the best-estimate future cash flow liabilities. Best-estimate liabilities are based on best-estimate assumptions in accordance with the FSV basis, but excluding *compulsory margins* as described in SAP 104 as well as all *discretionary margins*. If the liabilities prove to be inadequate, any VOBA or other related intangible asset is written off and any further deficiency is recognised in the income statement.

47 Significant Group accounting policies continued

47.10 long-term and non-life insurance and investment contracts continued

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which the Group is entitled under reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified as receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each contract.

Reinsurance liabilities are amounts payable in terms of reinsurance agreements.

There are three types of reinsurance liabilities:

- The first consists of reinsurance liabilities which are payable to registered reinsurers, in terms of a reinsurance agreement and includes premiums payable for reinsurance contracts which are recognised as an expense when due. These premiums are included in other payables.
- The second type consists of reinsurance contracts which the Group has with third-party cell owners. The agreements in place with these cell owners are such that the cell owner acts as reinsurer to the Group for the business which the cell brings to the Group. The risks and rewards of insurance policies relating to these cells are passed on to the cell owner, and the Group retains no insurance risk relating to these policies on a net basis. The Group therefore has an obligation to pay the net results relating to the insurance business in the cell to the cell owner as a result of these agreements. This obligation is deemed to be a reinsurance arrangement and is disclosed as part of insurance contract liabilities.
- The third type consists of a financial reinsurance agreement with a registered reinsurer, whereby the reinsurer provides upfront funding to a cell within the Group, with the cell then repaying this funding over an agreed term. The liability associated with this repayment is disclosed as part of reinsurance contract liabilities and is valued consistently with the DCF approach used for insurance contract liabilities.

Impairment of reinsurance assets

If there is *objective evidence* that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The impairment loss is calculated using the same method as that adopted for financial assets at amortised cost.

Long-term insurance premiums

Insurance premiums and annuity considerations receivable from long-term insurance contracts and investment contracts with DPF are recognised as revenue in the income statement, gross of commission and reinsurance premiums and excluding taxes and levies. Where annual premiums are paid in instalments, the outstanding balance of these premiums is recognised when due. Receivables arising from insurance and investment contracts with DPF are recognised under insurance and other receivables.

Reinsurance premiums

Reinsurance premiums are recognised when due for payment.

Long-term insurance benefits and claims

Insurance benefits and claims relating to long-term insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in the income statement based on the estimated liability for compensation owed to the contract holder. Death, disability and surrender claims are recognised when incurred. These claims also include claim events that occurred before the reporting date but have not been fully processed. Claims in the process of settlement are recognised in other payables in the statement of financial position. Maturity and annuity claims are recognised when they are due for payment. Outstanding claims are recognised in other payables. Contingency policy bonuses are included in claims in the income statement.

Reinsurance recoveries

Reinsurance recoveries are accounted for in the same period as the related claim.

47 Significant Group accounting policies continued

47.10 long-term and non-life insurance and investment contracts continued

Acquisition costs

Acquisition costs, disclosed as sales remuneration, consist of commission payable on long-term insurance contracts and investment contracts with DPF and expenses directly related thereto (including bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds). These costs are expensed when incurred. The FSV basis makes implicit allowance for the recoupment of acquisition costs; therefore no explicit deferred acquisition cost asset is recognised in the statement of financial position for contracts valued on this basis.

Investment contracts

The Group designates investment contract liabilities at fair value through profit and loss upon initial recognition as their fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment properties that are carried at fair value through profit and loss. The Group follows this approach because it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Measurement

The Group issues investment contracts without fixed terms and contracts with fixed terms and guaranteed terms.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial asset portfolios that can include derivatives and are designated at inception as at fair value through profit and loss.

For investment contracts without fixed terms, fair value is determined using the current unit values that reflect the fair value of the financial assets contained within the Group's unitised investment funds linked to the related financial liability, multiplied by the number of units attributed to the contract holders at the valuation date.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value.

The fair value of financial liabilities is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

For investment contracts with fixed and guaranteed terms (guaranteed endowments and term certain annuities), valuation techniques are used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. If liabilities calculated in this manner fall short of the single premium paid at inception of the policy, the liability is increased to the level of the single premium, to ensure that no profit is recognised at inception. This deferred profit liability is recognised in profit or loss over the life of the contract based on factors relevant to a market participant, including the passing of time.

For investment contracts where investment management services are rendered and the contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded option within the investment contract liability. The valuation methodology is the same as the methodology applied to investment guarantees on insurance contracts.

Deferred revenue liability (DRL)

A DRL is recognised in respect of fees paid at inception of the contract by the policyholder that are directly attributable to a contract. The DRL is then released to revenue as the investment management services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying amount of the DRL is recognised in revenue and falls within the scope of IFRS 15.

Deferred acquisition costs

Refer to the intangible assets section of the accounting policies.

Amounts received and claims incurred

Premiums received under investment contracts are recorded as deposits to investment contract liabilities and claims incurred are recorded as deductions from investment contract liabilities.

47 Significant Group accounting policies continued

47.10 long-term and non-life insurance and investment contracts continued

Non-life insurance contracts

Premiums

Non-life insurance premiums are accounted for when receivable, net of a provision for unearned premiums relating to risk periods that extend to the following year.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Outstanding claims comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and include an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries.

Unearned premium provision

The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Liability adequacy test

A liability adequacy test is performed annually for the gross liability recognised for insurance contracts and an unexpired risk provision is recognised for any deficiencies arising when unearned premiums are insufficient to meet expected future claims and expenses after taking into account future investment returns on the investments supporting the unearned premium provision. The expected claims are calculated having regard to events that have occurred prior to the reporting date.

Deferred acquisition costs

Acquisition costs comprise all costs arising from the conclusion of insurance contracts and these are expensed as and when incurred. Deferred acquisition costs represent the portion of direct acquisition costs (ie commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

Outstanding insurance contract claims

Provision is made using prescribed methods set out below:

- for claims notified but not settled at year-end, using case estimates determined on a claim-by-claim basis; and
- for IBNR claims at year-end, using the percentages specified by class of business and development period as set out in the previous Short-term Insurance Act.

4.11 Financial liabilities

Recognition and measurement

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at fair value through profit and loss
- Financial liabilities at amortised cost

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

Financial liabilities at fair value through profit and loss

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

A financial liability is classified as held for trading at inception if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading, unless they are designated as hedges. Derivatives held for trading are classified as mandatorily at fair value through profit and loss.

Financial liabilities are classified as at fair value through profit and loss at inception if they are:

- eliminating or significantly reducing an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases; or
- managed, with their performance being evaluated on a fair value basis; or
- a financial instrument that includes a significant embedded derivative that clearly requires bifurcation.

47 Significant Group accounting policies continued

47.11 Financial liabilities

Financial liabilities at fair value through profit and loss continued

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Issues and settlements of financial liabilities are recognised on trade date, being the date on which the Group commits to issuing or settling the financial liabilities.

The fair value of financial liabilities quoted in active markets is based on current market prices. Alternatively, where an active market does not exist, fair value is derived from cash flow models or other appropriate valuation models allowing for the Group's own credit risk. These include the use of arm's-length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market input and relying as little as possible on entity-specific input.

Financial liabilities are derecognised when they are extinguished, ie when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities, such as callable notes which are listed on the JSE interest rate market, *carry positions* (refer below) and collective investment schemes liabilities (representing the units in collective investment schemes where the Group consolidates the collective investment schemes and is required to disclose the value of the units not held by the Group as liabilities) are managed, with their performance being evaluated on a fair value basis and designated at fair value through profit and loss. These financial liabilities are recognised initially at fair value, with transaction costs being expensed in the income statement, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the value of financial liabilities at fair value through profit and loss are included in the income statement in the period in which they arise. Changes in the fair value of the financial liability that relates to changes in own credit risk is recognised in other comprehensive income if it does not create an accounting mismatch. Interest on the callable notes and carry positions are disclosed separately as finance costs using the *effective interest rate method*.

Carry positions

Carry positions consist of sale and repurchase of assets agreements. These agreements contain the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at fair value though income.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date. These financial assets are classified as financial instruments at fair value through profit and loss.

Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the statement of financial position and is valued according to the Group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability *(carry positions)* carried at fair value where they are managed on a fair value basis.

Conversely, where the Group purchases financial instruments subject to a commitment to resell these at a future date and the risk of ownership does not pass to the Group, the consideration paid is included under financial assets carried at fair value where they are managed on a fair value basis.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the *effective interest rate method.*

Financial liabilities at amortised cost

Financial liabilities that are neither held for trading nor at fair value are measured at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value, net of transaction costs incurred. These financial liabilities are then subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability using the *effective interest rate method*.

47 Significant Group accounting policies continued

47.11 Financial liabilities

Recognition and measurement continued

Convertible redeemable preference shares and convertible bonds

Compound financial instruments issued by the Group comprise convertible preference shares that can be converted to ordinary share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. At initial recognition, the fair value of the liability component of the convertible redeemable preference shares is determined by discounting the net present value of future cash flows, net of transaction costs, at market rate at inception for a similar instrument without the conversion option. This amount is recorded as a liability on the amortised cost basis, using the *effective interest rate method*, until extinguished on conversion of the preference shares. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholder equity. The value of the equity component is not changed in subsequent periods. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. The dividends on these preference shares are recognised in the income statement in finance costs.

Other payables

Other payables are initially carried at fair value and subsequently at amortised cost using the *effective interest rate method*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement. Changes in own credit risk allocated to other comprehensive income is not recognised in the income statement when derecognised, but rather transferred within equity.

47.12 Deferred income tax

Measurement

Deferred income tax is provided for in full, at current tax rates and in terms of laws substantively enacted at the reporting date in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using the liability method. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets, including tax on capital gains, are recognised for tax losses and unused tax credits and are carried forward only to the extent that realisation of the related future tax benefit is probable. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate, as it is assumed that the carrying amount will be recovered through sale.

Offsetting

Deferred tax assets and liabilities are set off when the income tax relates to the same fiscal authority and where there is a legal right of offset at settlement in the same taxable entity.

47 Significant Group accounting policies continued

47.13 Current taxation

Measurement

Current tax is provided for at the amount expected to be paid, using the tax rates and in respect of laws that have been substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Individual policyholder tax and corporate policyholder tax is included in tax on contract holder funds in the income statement.

Offsetting

Current tax assets and liabilities are set off when a legally enforceable right exists and it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividend withholding tax (DWT)

DWT is levied on the shareholders (or beneficial owners) receiving the dividend, unless they are exempt in terms of the amended tax law. DWT is levied at 20% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the Company paying the dividend or by a regulated intermediary and not by the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend, the DWT is recorded as an expense in the income statement when the dividend income is earned.

47.14 Indirect taxation

Indirect taxes include various other taxes paid to central and local governments, including value added tax (amount that cannot be claimed) and regional service levies. Indirect taxes are disclosed as part of operating expenses in the income statement.

47.15 Leases: accounting by lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- **Right-of-use asset**
  The Group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). The Group mainly has leases for office buildings. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Right-of-use assets that are classified as owner-occupied properties or property and equipment are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets that are classified as investment properties are measured at fair value (refer to Investment properties accounting policy). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets that are classified as owner-occupied properties are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Owner-occupied properties	50 years
Property and equipment	5 – 20 years

  If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

47 Significant Group accounting policies continued

47.15 Leases: accounting by lessee continued

- **Lease liabilities**
  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (eg changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

  The Group's lease liabilities are included in Financial liabilities at amortised cost.

- **Short-term leases and leases of low-value assets**
  The Group applies the short-term lease recognition exemption to its short-term leases (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

47.16 Leases: accounting by lessor

Operating leases

Investment property comprises of a portfolio of retail, commercial and industrial properties that are leased to third parties. These leases are classified as operating leases, because they do not transfer substantially all the risks and rewards incidental to ownership of the assets. Each lease has a defined lease period and financial terms. Renewal negotiations with tenants commence prior to expiry of their current lease agreement. Lease periods vary and are dependent on the tenant and property type.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. Properties are comprehensively insured against fire, destruction and loss of income. Property income is secured by leases ranging from 3 to 10 years with comprehensive credit vetting and deposits held to minimise the risk of recoverability of rental income. Expenses are managed in line with the consumer price index with service level agreements negotiated over a 3 to 5 year period to minimise costs.

47.17 Contingent liabilities

Contingent liabilities are reflected when the Group has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or it is possible but not probable that an outflow of resources will be required to settle a present obligation, or the amount of the obligation cannot be measured with sufficient reliability.

47.18 Employee benefits

Pension fund obligations

The Group provides defined benefit pension schemes as well as defined contribution pension schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Group. The defined benefit obligation is calculated annually, using the projected unit credit method. The liability balances have largely been settled and the plans are in the process of being closed.

Post-retirement medical aid obligations

The Group provides a subsidy in respect of medical aid contributions on behalf of qualifying employees and retired personnel. An employee benefit obligation is recognised for these expected future medical aid contributions. This obligation is calculated using the projected unit credit method, actuarial methodologies for the discounted value of contributions and a best estimate of the expected long-term rate of investment return, as well as taking into account estimated contribution increases. The entitlement to these benefits is based on the employees remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. The actuarial gains and losses are recognised as they arise. The increase or decrease in the employee benefit obligation for these costs is charged to other comprehensive income.

47 Significant Group accounting policies continued

47.18 Employee benefits continued

Termination benefits

The Group recognises termination benefits as a liability in the statement of financial position and as an expense in the income statement when it has a present obligation relating to termination. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and other benefits such as medical aid contributions. These obligations are measured on an undiscounted basis and are expensed as the service is provided. A liability is recognised for the amount to be paid under bonus plans or accumulated leave if the Group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. For share-based payment transactions that are settled in the equity of the parent or another group company or settled in cash where the amount is based on the equity of the parent or another group company, the Group measures the goods or services received as either equity or cash-settled share-based payment transactions by assessing the nature of the awards and its own rights and obligations. The Group measures the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments or the Group has no obligation to settle the share-based transaction in cash. In all other circumstances, the Group measures the goods or services received as a cash-settled share-based payment transaction.

Equity-settled compensation plans

The fair value of the employee services received in exchange for the grant of the holding company shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted at grant date, excluding the impact of any non-market-related vesting conditions. Market and non vesting conditions are reflected in the fair value at grant date. Non-market-related vesting conditions, such as the resignation of employees and retrenchment of staff, are included in assumptions regarding the number of shares expected to vest, which are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to equity. The vesting of units are accelerated by the entity in the event that the employee dies, is retrenched or retires. Any remaining element of the fair value of the award is expensed immediately through profit or loss. Where an employee resigns any unvested units are forfeited by the employee.

The fair value of equity instruments granted is determined by using standard option pricing models. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instrument.

As the holding company grants the shares to certain subsidiary employees, the carrying amount of the investment in the subsidiary is increased in the holding company's financial statements, with a corresponding increase in the fair value reserve. The subsidiary recognises the expense and an equivalent increase in equity.

Cash-settled compensation plans

The Group recognises the value of the services received (expense), and the liability to pay for those services, as the employees render service. The liability is measured, initially, and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to the liability.

47 Significant Group accounting policies continued

47.18 Employee benefits continued

Compensation plans valued on the projected unit credit method

The Group has certain schemes in place whereby employees are rewarded based on something other than the shares and related share price of the holding company. In some instances the Group recognises a liability that has been measured with reference to a selling price formula in a contract, the share price of an external company or the applicable EV of a subsidiary company, and that will be used to settle the liability with the employees or to repurchase shares in a subsidiary from the employees. The liability in these cases is measured using the projected unit credit method. Any change in the liability is charged to the income statement over the vesting period of the shares.

47.19 Assets and liabilities relating to disposal groups held for sale

Assets, liabilities or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets, liabilities or disposal groups are available for immediate sale.

In light of the Group's primary business being the provision of insurance and investment products, non-current assets held as investments for the benefit of policyholders are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the assets and liabilities are recognised at the lower of the carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

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

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

47.20 Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Ordinary shares with discretionary dividends are classified as equity. Preference shares issued by the Group are classified as equity when there is no obligation to transfer cash or other assets to the preference shareholders. The dividends on these preference shares are recognised in the statement of changes in equity. For compound instruments, eg convertible redeemable preference shares, the component representing the value of the conversion option at the time of issue is included in equity.

Issue costs

Incremental external costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of tax, from the proceeds. All other share issue costs are expensed.

Treasury shares

Treasury shares are equity share capital of the holding company held by subsidiaries, consolidated collective investment schemes and share trusts, irrespective of whether they are held in shareholder or contract holder portfolios. The consideration paid, including any directly attributable costs, is eliminated from shareholder equity on consolidation until the shares are cancelled or reissued. If reissued, the difference between the carrying amount and the consideration received for the shares, net of attributable incremental transaction costs and the related income tax effects, is included in share premium.

47.21 Dividends paid

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

47.22 Puttable non-controlling interests

Puttable non-controlling interests represent put options granted to non-controlling interests of subsidiaries, entitling the non-controlling interests to dispose of their interest in the subsidiaries to the Group at contracted dates.

Recognition and measurement

A financial liability at fair value through profit and loss is recognised, being the present value of the estimated purchase price value discounted from the expected option exercise date to the reporting date. In raising this liability, the non-controlling interest is derecognised and the excess of the liability is debited to retained earnings.

The estimated purchase price is reconsidered at each reporting date and any change in the value of the liability is recorded in net realised and unrealised fair value gains in the income statement. Interest in respect of this liability is calculated using the *effective interest rate method* and recorded within finance costs.

47 Significant Group accounting policies continued

47.23 Income recognition

Income comprises the fair value of services, net of value added tax, after eliminating income from within the Group. Income is recognised as follows:

47.23.1 Fee income

Fee income falls within the scope of IFRS 15

IFRS 15 sets out the principles of the timing of revenue recognition. Revenue is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If none of the above criteria is met, revenue is recognised at a point in time.

Contract administration
Fees charged for investment management services provided in conjunction with an investment contract are recognised as income as the services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins; or as a constant percentage of assets under management; or as a fixed fee. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and released on a straight-line basis over the lives of the contracts.

Trust and fiduciary fees received
Fees received from asset management, retirement fund administration and other related administration services offered by the Group are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract. Where initial fees are received, these are deferred and recognised over the average period of the contract. This period is reassessed annually.

Health administration fee income
Fees received from the administration of health schemes are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract.

Other fee income
Administration fees received and multiply fee income are recognised as the service is rendered. Services are rendered over the expected duration of the contract.

Cell captive fee income includes management fees, which relates to the managing of the cell. Management fees are negotiated with each cell shareholder and are generally calculated as a percentage of premiums received and/or as a percentage of assets. Income is brought to account on the effective commencement or renewal dates of the policies and is recognised over the duration of the contract. A portion of the income is deferred to cover the expected servicing costs, together with a reasonable profit thereon and is recognised as a liability. The deferred income is brought to account over the servicing period on a consistent basis reflecting the pattern of servicing activities.

Other fees received include scrip lending fees (which are based on rates determined per contract) and policy administration fees that are also recognised as the service is rendered. Scrip lending fees are recognised over the duration of the contract. Policy administration services are rendered either at a point in time or over the duration of the contract depending on when the performance obligations are met.

47.23.2 Investment income

Interest income

Interest income is recognised in the income statement, using the *effective interest rate method* and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method*.

Dividend income

Dividends received are recognised when the right to receive payment is established. Where it is declared out of retained earnings, dividend income includes scrip dividends received, irrespective of whether shares or cash is elected. Dividend income is not recognised when shares of the investee are received and the shareholders receive a pro rata number of shares, there is no change in economic interest of any investor and there is no economic benefit associated with the transaction.

Rental income

Rental income is recognised on the straight-line method over the term of the rental agreement.

47 Significant Group accounting policies continued

47.24 Expense recognition

47.24.1 Expenses

Other expenses include auditors' remuneration, consulting fees, direct property expenses, information technology expenses, marketing costs, indirect taxes and other expenses not separately disclosed, and are expensed as incurred.

47.24.2 Finance costs

Finance costs incurred on qualifying property assets are capitalised until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use. Capitalisation is ceased when substantially all activities necessary to prepare the asset for intended use. All other finance costs are recognised in the income statement, using the effective interest rate method, and taking into account the expected timing and amount of cash flows.

Finance costs include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the effective interest rate method.

47.25 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group executive committee that makes strategic decisions. Refer to segmental report for more details.

48 Restatements

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

Statement of financial position	Before restatement Rm	Contract administration fees[1] Rm	Investment contract correction[2] Rm	Interest rate swaps[3] Rm	Unsettled trades[4] Rm	Cash reallocation[5] Rm	129 Rivonia[6] Rm	Change in accounting policy[7] Rm	After restatement Rm
as at 30 June 2020									
Group									
Financial assets at fair value through profit and loss (FVPL)	395 214	–	–	(520)	1 550	–	–	–	396 244
Financial assets at amortised cost	9 501	–	–	–	(1 550)	–	–	–	7 951
Cash and cash equivalents	22 325	–	(227)	–	–	–	–	–	22 098
Equity attributable to owners of the parent									
Other components of equity	(5 564)	–	–	–	–	–	–	(54)	(5 618)
Retained earnings	(5 706)	–	–	–	–	–	–	54	(5 652)
Investment contracts									
– designated at fair value through profit and loss	(244 422)	–	227	–	–	–	–	–	(244 195)
Financial liabilities at fair value through profit and loss	(50 183)	–	–	(84)	(1 615)	–	–	–	(51 882)
Other payables	(15 973)	–	–	604	1 615	–	–	–	(13 754)
Company									
Cash and cash equivalents	15 112	–	(227)	–	–	–	–	–	14 885
Equity attributable to owners of the parent									
Other components of equity	(5 427)	–	–	–	–	–	–	(54)	(5 481)
Retained earnings Investment contracts	(6 340)	–	–	–	–	–	–	54	(6 286)
Investment contracts									
– designated at fair value through profit and loss	(241 658)	–	227	–	–	–	–	–	(241 431)

48 **Restatements** continued

Statement of financial position	**Before restatement Rm**	**Contract administration fees[1] Rm**	**Investment contract correction[2] Rm**	**Interest rate swaps[3] Rm**	**Unsettled trades[4] Rm**	**Cash reallocation[5] Rm**	**129 Rivonia[6] Rm**	**Change in accounting policy[7] Rm**	**After restatement Rm**
as at 1 July 2019									
Group									
Financial assets at fair value through profit and loss (FVPL)	395 492	–	–	1	6 852	–	–	–	402 345
Financial assets at amortised cost	17 852	–	–	–	(6 852)	–	–	–	11 000
Cash and cash equivalents	19 056	–	(227)	–	–	(773)	–	–	18 056
Equity attributable to owners of the parent									
Other components of equity	(5 323)	–	–	–	–	–	–	(37)	(5 360)
Retained earnings	(7 933)	–	–	–	–	–	–	37	(7 896)
Investment contracts									
– designated at fair value through profit and loss	(237 480)	–	227	–	–	–	–	–	(237 253)
Financial liabilities at fair value through profit and loss	(46 044)	–	–	(1)	(5 964)	–	–	–	(52 009)
Other payables	(21 153)	–	–	–	5 964	773	–	–	(14 416)
Company									
Cash and cash equivalents	12 478	–	(227)	–	–	–	–	–	12 251
Equity attributable to owners of the parent									
Other components of equity	(5 156)	–	–	–	–	–	–	(37)	(5 193)
Retained earnings	(8 559)	–	–	–	–	–	–	37	(8 522)
Investment contracts									
– designated at fair value through profit and loss	(234 948)	–	227	–	–	–	–	–	(234 721)
Financial assets at fair value through profit and loss	294 658	–	–	–	–	–	542	–	295 200
Financial assets at amortised cost	7 316	–	–	–	–	–	(542)	–	6 774

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

2 During FY2019, assets in a pure linked investment contract portfolio were transferred between administration platforms. Due to an administrative error, a portion of the transferred assets' cash was double counted and resulted in an increase in investment contract liabilities. There was no earnings impact and only the gross assets and gross liabilities were overstated on the statement of financial position.

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

4 Carry position assets and liabilities were inappropriately reported as unsettled trade assets and liabilities. This resulted in reclassifications between financial assets and liabilities measured at amortised cost to financial assets and liabilities measured at fair value through profit or loss. 30 June 2020 and 1 July 2019 have been restated accordingly.

5 Cash and cash equivalents were incorrectly classified as other payables - unsettled trades. The balance has been correctly restated as cash and cash equivalents.

6 The classification of an inter-company loan between the Company and a subsidiary, 129 Rivonia Road, was re-assessed and was considered in terms of IFRS 9 not to pass the solely payments of principal and interest (SPPI) test. The ability of the subsidiary to repay the loan is indirectly linked to the value of the underlying properties owned by the subsidiary. Because of this, the classification at fair value through income was deemed to be appropriate, as opposed to the historical amortised cost classification.

7 During the current year, the Group's accounting policy related to owner-occupied properties was changed. The previous policy stated that any difference between the depreciation charge on the revalued amount of owner-occupied property and the amount which would have been charged under historic cost, would be transferred between the revaluation reserve and retained earnings annually as the property is utilised. The new accounting policy requires that the entire revaluation reserve balance only be transferred to retained earnings upon disposal of the owner-occupied property. With this change the financial statements will provide more relevant and reliable information, as it reduces the number of transactions for this reserve recognised through the Statement of Changes in Equity. The change in accounting policy resulted in a transfer of R54 million from retained earnings to the land and buildings revaluation reserve, of which R17 million relates to the 2020 financial year and R37 million relates to the financial periods prior to 2020.

48 Restatements continued

Income statements	Before restatement Rm	Contract admini-stration fees[1] Rm	Investment contract correction[2] Rm	Interest rate swaps[3] Rm	Unsettled trades[4] Rm	Cash reallocation[5] Rm	129 Rivonia[6] Rm	After restatement Rm
for the year ended 30 June 2020								
Group								
Fee income								
Contract administration	2 745	180	–	–	–	–	–	2 925
Fair value adjustments on investment contract liabilities	(5 605)	(180)	–	–	–	–	–	(5 785)
Company								
Fee income								
Contract administration	2 740	180	–	–	–	–	–	2 920
Fair value adjustments on investment contract liabilities	(5 616)	(180)	–	–	–	–	–	(5 796)
Impairment expenses due to expected credit losses	(659)	–	–	–	–	–	628	(31)
Net realised and unrealised fair value gains/(losses)	(12 147)	–	–	–	–	–	(628)	(12 775)
Statement of cash flows								
for the year ended 30 June 2020								
Group								
Cash utilised in operations	(11 430)	–	–	–	–	773	–	(10 657)
Cash resources and funds on deposit at beginning	19 056	–	(227)	–	–	(773)	–	18 056
Cash resources and funds on deposit at end	22 325	–	(227)	–	–	–	–	22 098
Company								
Cash resources and funds on deposit at beginning	12 478	–	(227)	–	–	–	–	12 251
Cash resources and funds on deposit at end	15 112	–	(227)	–	–	–	–	14 885

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

2 During FY2019, assets in a pure linked investment contract portfolio were transferred between administration platforms. Due to an administrative error, a portion of the transferred assets' cash was double counted and resulted in an increase in investment contract liabilities. There was no earnings impact and only the gross assets and gross liabilities were overstated on the statement of financial position.

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

4 Carry position assets and liabilities were inappropriately reported as unsettled trade assets and liabilities. This resulted in reclassifications between financial assets and liabilities measured at amortised cost to financial assets and liabilities measured at fair value through profit or loss. 30 June 2020 and 1 July 2019 have been restated accordingly.

5 Cash and cash equivalents were incorrectly classified as other payables - unsettled trades. The balance has been correctly restated as cash and cash equivalents.

6 The classification of an inter-company loan between the Company and a subsidiary, 129 Rivonia Road, was re-assessed and was considered in terms of IFRS 9 not to pass the solely payments of principal and interest (SPPI) test. The ability of the subsidiary to repay the loan is indirectly linked to the value of the underlying properties owned by the subsidiary. Because of this, the classification at fair value through income was deemed to be appropriate, as opposed to the historical amortised cost classification.

Abbreviations

ANW	Adjusted net worth
APE	Annual premium equivalent
APN	Advisory practice note
ASSA	Actuarial Society of South Africa
BSA	Bonus stabilisation accounts
CAR	Capital adequacy requirement
CGU	Cash-generating unit
DCF	Discounted cash flow
DPF	Discretionary participation features
ESA	Employer Surplus Account
EV	Embedded value
FSCA	Financial Sector Conduct Authority
FSV	Financial soundness valuation
GCR	Global Credit Ratings
GLTD	Group long-term disability table
Group	Momentum Metropolitan Holdings Limited and its subsidiaries
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IFS	Insurer Financial Strength
IMA	Investment management agreement
MMH	Momentum Metropolitan Holdings Limited
MML	Momentum Metropolitan Life Limited
OTC	Over-the-counter
PA	Prudential Authority
PPFM	Principles and practices of financial management
PVP	Present value of future premiums
RDR	Risk discount rate
RMI	Rand Merchant Insurance Holdings Ltd
ROEV	Return on Embedded Value
S&P	Standard & Poor's
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SARB	South African Reserve Bank
VIF	Present value of in-force covered business
VNB	Value of new business

Definitions

Adjusted net worth (ANW)

The ANW is the excess of assets over liabilities on the IFRS basis. Certain deductions for disregarded assets and impairments have been added back.

Advisory practice notes (APNs)

ASSA issues APNs applicable to various areas of financial reporting and practice that require actuarial input. The APNs are available on the ASSA website (www.actuarialsociety.org.za).

Annual premium equivalent (APE)

The APE is a common life industry measure of new business sales. It is calculated as annualised new recurring premiums plus 10% of single premiums.

Basis changes

Basis and other changes are the result of changes in actuarial assumptions and methodologies, reviewed at the reporting date and used in the FSV basis. These changes are reflected in the income statement as they occur.

Bonus stabilisation accounts (BSAs)

BSAs are the difference between the fund accounts of smoothed bonus business, or the discounted value of projected future benefit payments for with-profit annuity business, and the market values of the underlying assets. BSA is an actuarial term that constitutes either an asset or liability in accounting terms. The BSAs are included in contract holder liabilities.

Carry positions

Carry positions consist of sale and repurchase of assets agreements containing the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date.

Cash-generating units (CGUs)

A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows from other assets or groups of assets.

Compulsory margins

Life insurance companies are required to hold compulsory margins in terms of the FSV basis prescribed in SAP 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers. These margins are explicitly prescribed and held as a buffer to cover uncertainties with regard to the best-estimate assumptions used in the FSV basis. These margins are held in the contract holder liabilities and released over time in the operating profit should experience be in line with these best-estimate assumptions

Cost of required capital

The cost of required capital is the difference between the amount of required capital and the present value of future releases of this capital, allowing for future net of tax investment returns expected to be earned on this capital.

Covered business

Covered business is defined as long-term insurance business recognised in the MMH Group Integrated Report. This business covers individual smoothed bonus, linked and market-related business, reversionary bonus business, group smoothed bonus business, annuity business and other non-participating business written by the Company.

Discretionary margins

In addition to compulsory margins, insurance companies may hold further discretionary margins where the head of the actuarial function believes that:

- the compulsory margins are insufficient for prudent reserving; or
- company practice or policy design justifies the deferral of profits.

Definitions continued

Discretionary participation feature (DPF)

A DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  – the performance of a specified pool of contracts or a specified type of contract;
  – the realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  – the profit or loss of the Company, fund or other entity that issues the contract.

Effective exposure

The exposure of a derivative financial contract or instrument to the underlying asset by also taking delta (the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative) into account where applicable.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or liability.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

Embedded value (EV)

An EV represents the Group's discounted value of expected after-tax future profits from the current business. The embedded value is defined as:

- the ANW of covered and non-covered business;
- plus the VIF less the opportunity cost of required capital; and
- plus the write-up to directors' value of non-covered business.

Embedded value earnings

Embedded value earnings are defined as the Group's change in embedded value (after non-controlling interests) for the year, after adjustment for any capital movements such as dividends paid, capital injections and cost of treasury shares acquired or disposed of for the year.

Financial soundness valuation (FSV)

The FSV basis is prescribed by SAP 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers – and uses best estimate assumptions regarding future experience together with compulsory and discretionary margins for prudence and deferral of profit emergence. For IFRS reporting purposes, this basis is used for the valuation of insurance contracts and investment contracts with DPF.

Fund account

The fund account is the retrospective accumulation of premiums, net of charges and benefit payments at the declared bonus rates or at the allocated rate of investment return.

Investment variances

Investment variances represent the impact of higher/lower than assumed investment returns on after tax profits.

New business profit margin

New business profit margin is defined as the value of new business expressed as a percentage of the PVP. New business profit margin is also expressed as a percentage of APE.

Definitions continued

Non-covered business

Non-covered business includes the Group's directors' valuations of the investment management entities, South African health operations, non-life insurance operations, the Guardrisk entities, as well as other non-insurance entities. The Group embedded value is also adjusted to allow for future holding company and international support expenses.

Normalised headline earnings

Normalised headline earnings comprise operating profit and investment income on shareholder assets. It excludes the amortisation of intangible assets relating to business combinations as well as dividends received from subsidiaries and intercompany loan impairments, which are eliminated on consolidation of the holding company group. It includes basis changes and investment variances.

Objective evidence of impairment

Objective evidence of impairment is related to the specific circumstances of each individual asset and can be the combined effect of several events. Objective evidence includes, but is not limited to:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract, such as a default or delinquency in payment.
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data that there is a measurable decrease in the estimated future cash flows from the asset since the initial recognition of the asset.

Open-ended instruments

The open-ended category includes financial instruments with no fixed maturity date as management is unable to provide a reliable estimate given the volatility of equity markets and policyholder behaviour.

Prescribed officers

Prescribed officers as referred to in the Companies Act, 71 of 2008, are defined as follows – despite not being a director of a particular company, a person is a prescribed officer of the Company if that person:

- exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the Company; or
- regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Company.

The Company does not consider any employee that is not a director to be a prescribed officer as the functions of general executive control over significant portions of the business are performed by the executive directors.

Present value of future premiums (PVP)

The PVP is the present value of future premiums in respect of new business using the RDR. The future premiums are net of reinsurance and are based on best-estimate assumptions such as future premium growth, mortality and withdrawal experience.

Present value of in-force covered business (VIF)

The gross VIF is the discounted present value of expected future after-tax profits as determined on the IFRS basis, in respect of covered business in force at the valuation date. The net VIF is the gross VIF less the cost of required capital. No account is taken of dividend withholding tax.

Related party transactions – key management personnel

Key management personnel are those persons, including close members of their families, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Reporting basis

Reporting basis is the basis on which the financial statements are prepared.

Required capital

Required capital includes any assets attributed to covered business over and above the amount required to back covered business liabilities whose distribution to shareholders is restricted.

Definitions continued

Return on embedded value

Return on embedded value is the Group's embedded value earnings over the period expressed as a percentage of the Group's embedded value at the beginning of the period, adjusted for capital movements during the year.

Risk discount rate (RDR)

The RDR is the rate at which future expected profits are discounted when calculating the value of in-force business or the value of new business. The RDR is determined based on the weighted average cost of capital of the Company. This has taken into account the sources of capital used to fund the covered business, ie shareholder equity and subordinate debt finance. The required return on equity was derived through application of the capital asset pricing model. The cost of debt financing was based on current financing costs.

Significant influence

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Unit-linked investments

Unit linked investments consist of investments in collective investment schemes, private equity fund investments and other investments where the value is determined based on the value of the underlying investments.

Unrated

The Company invests in unrated assets where investment mandates allow for this. These investments are, however, subject to internal credit assessments.

Useful life

Useful life is the period over which an asset is expected to be available for use by the Company.

Value of new business (VNB)

The VNB is the discounted present value of expected future after-tax profits from new business at point of sale less the cost of required capital at risk. No allowance is made for the impact of dividend withholding tax. Allowance is made for all expenses associated with underwriting, selling, marketing and administration incurred in the effort of obtaining new business.

Credit risk definitions

AAA

National scale ratings denote the highest rating that can be assigned. This rating is assigned to the best credit risk relative to all other issuers.

AA

National ratings denote a very strong credit risk relative to all other issuers.

A

National ratings denote a strong credit risk relative to all other issuers.

BBB

National ratings denote an adequate credit risk relative to all other issuers.

BB

National ratings denote a fairly weak credit risk relative to all other issuers.

B

National ratings denote a significantly weak credit risk relative to all other issuers.

CCC

National ratings denote an extremely weak credit risk relative to other issuers.

Shareholder diary

Financial year end	30 June	
Reporting	Annual financial statements published	9 September 2021
	Annual general meeting	25 November 2021

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