MMI HOLDINGS LIMITED

(Formerly METROPOLITAN HOLDINGS LIMITED)
(Incorporated in the Republic of South Africa)
(Registration number 2000/031756/06)
JSE Share code: MMI
NSX Share code: MIM
ISIN: ZAE000149902
("MMI")

REVISED LISTING PARTICULARS

prepared in terms of the Listings Requirements

The definitions commencing on page 6 apply *mutatis mutandis* to this document in its entirety, including this cover page.

These Revised Listing Particulars are not an invitation to the public to subscribe for MMI Shares, but are issued in compliance with the Listings Requirements, for the purpose of providing information to the public regarding MMI.

Unless specifically stated to the contrary, these Revised Listing Particulars have been prepared on the assumption that the Resolutions proposed in the notice of General Meeting to be held at 10:00 on Tuesday, 28 September 2010, which notice forms part of the Metropolitan Circular, will be approved at the General Meeting and, where applicable, registered by the Registrar and that the Transaction and the Specific Repurchase of the Unallocated Shares will have been implemented.

Metropolitan Shareholders should note that the Transaction constitutes a reverse listing in terms of the Listings Requirements. Throughout this document, references to MMI are references to Metropolitan as it will be constituted after implementation of the Transaction, including the change of Metropolitan's name to MMI Holdings Limited.

The JSE has conditionally agreed to the continued listing of the entire issued ordinary share capital of MMI in the Long-Term Insurance sector of the JSE lists and to the listing of the Consideration Shares. The listing of the Consideration Shares on the JSE is subject to:

- the appointment of the MMI Board and the fulfilment by the MMI Board of their responsibilities in terms of the Listings Requirements;
- the JSE being satisfied with the experience and expertise of the MMI Directors;
- the appointment of directors to the audit, remuneration and nominations committees of MMI; and
- the amendment of the Momentum articles of association to conform to Schedule 10 of the Listings Requirements.

Should Metropolitan Shareholders approve the change of name, Metropolitan will commence trading as MMI Holdings Limited under the abbreviated name "MMI" once the special resolution effecting the change of name has been registered by the Registar and the Unbundling is implemented.

As part of the Transaction, MMI increased its authorised ordinary share capital by 1 000 000 000 ordinary shares with a par value of 0.0001 cent each to 2 000 000 000 ordinary shares and issued the Consideration Shares, which shares rank *pari passu* with existing Metropolitan Shares in all respects, including dividends. It also repurchased the Unallocated Shares, cancelled them as issued shares and restored them to the status of unissued authorised shares. As a result, the issued share capital of MMI consists of 1 504 465 731 MMI Shares and 100 081 139 Preference Shares. MMI has 10 575 224 Treasury Shares, including 9 882 196 MMI Shares held by Momentum. The total issued ordinary share capital is R1 504 and the Preference Share capital is R100. The total share premium is R18 057 million based on the existing share premium plus the embedded value of Momentum at 31 December 2009, reduced by R615 million to reflect the impact of a profit sharing arrangement with FirstRand in respect of the FNB Life business conducted through Momentum's life assurance licence and statement of financial position.

The Metropolitan Directors and the Momentum Directors whose names appear on page 439 of these Revised Listing Particulars, collectively and individually, accept full responsibility for the accuracy of the information given in these Revised Listing Particulars as it relates to Metropolitan and Momentum, respectively, and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement in these Revised Listing Particulars false or misleading and that they have made all reasonable inquiries to ascertain such facts as they relate to their respective entities and that these Revised Listing Particulars contain all information required in law and by the Listings Requirements in relation to their respective entities.

The financial advisors, sponsors, legal advisors, transfer secretaries, actuaries and reporting accountants, whose names are included in these Revised Listing Particulars, have consented in writing to act in the capacities stated and to their names and reports (where appropriate) being included in these Revised Listing Particulars and have not withdrawn their consents prior to the publication hereof.

This document has been prepared for information purposes to accompany the circulars to Metropolitan and FirstRand shareholders, respectively. An abridged version of the Revised Listing Particulars will be released on SENS and published in the South African and Namibian press if the Transaction becomes unconditional following which the Revised Listing Particulars will be updated as required.

This document is available in English only.

Financial advisors to Metropolitan

J.P.Morgan
Fidelis partners

Financial advisor and transaction sponsor to FirstRand and Momentum

RAND MERCHANT BANK

Actuaries to the transaction

Deloitte.

Legal advisor to Metropolitan

edward nathan sonnenbergs

Legal advisor to FirstRand and Momentum

Webber Wentzel Attorneys

Independent reporting accountants to Metropolitan

PRICEWATERHOUSECOOPERS

Sponsor to Metropolitan

Merrill Lynch
A subsidiary of Bank of America Corporation

Independent reporting accountants to FirstRand and Momentum

PRICEWATERHOUSECOOPERS

Sponsor to Metropolitan and FirstRand in Namibia

SIMONIS STORM Securities

CORPORATE INFORMATION AND ADVISORS

Secretary and registered office of Metropolitan
(Registration number 2000/031756/06)
Zukelwa Rweqana (LLB, BJuris) (Acting)
7 Parc du Cap
Mispel Road
Bellville, 7530
(PO Box 2212, Bellville, 7535)

Financial advisors to Metropolitan
JP Morgan Chase Bank
(Registration number 1995/0118/15/06)
1 Fricker road
Cnr Hurlingham Road
Illovo, 2196
(Private Bag X9936, Sandton, 2146)

Fidelis Partners Limited
(Registration number 469804)
24-26 City Quay
Dublin, 2
Republic of Ireland

Legal advisor to Metropolitan
Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
Andmar Building
Cnr Church and Ryneveld Streets
Stellenbosch, 7600
(PO Box 2293, Cape Town, 8000)

Sponsor to Metropolitan in South Africa
Merrill Lynch South Africa (Proprietary) Limited
(A subsidiary of Bank of America Corporation)
(Registration number 1995/001805/07)
138 West Street, Sandown
Sandton, 2196
(PO Box 651987, Benmore, 2010)

Independent reporting accountants to Metropolitan
PricewaterhouseCoopers Inc
(Registration number 1998/012055/21)
1 Waterhouse Place
Century City, 7441
(PO Box 2799, Cape Town, 8000)

Transfer secretaries to Metropolitan in South Africa
Link Market Services SA (Proprietary) Limited
(Registration number 2000/007239/07)
5th Floor, 11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Transfer secretaries to Metropolitan and FirstRand in Namibia
Transfer Secretaries (Proprietary) Limited
(Registration number 93/713)
Shop 8, Kaiserkrone Centre, Post Street Mall
Windhoek, Namibia
(PO Box 2401, Windhoek, Namibia)

Secretary and registered office of Momentum
(Registration number 1904/002186/06)
Francois Jooste (BA, BProc, MBA, Advanced Tax Certificate)
268 West Avenue
Centurion, 0157
(PO Box 7400, Centurion, 0046)

Financial advisor and transaction sponsor to FirstRand and Momentum
Rand Merchant Bank, a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
1 Merchant Place, Fredman Drive
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Actuaries to the transaction
Deloitte & Touche
Buildings 1, 2 and 6, Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, 2196
(Private Bag X6, Gallo Manor, 2052)

Legal advisor to FirstRand and Momentum
Webber Wentzel Attorneys
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

Independent reporting accountants to FirstRand and Momentum
PricewaterhouseCoopers Inc
(Registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Transfer secretaries to FirstRand in South Africa
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Sponsor to Metropolitan and FirstRand in Namibia
Simonis Storm Securities (Proprietary) Limited
(Member of the Namibian Stock Exchange)
(Registration number 96/421)
4 Koch Street, Klein Windhoek
Namibia
(PO Box 3970, Windhoek, Namibia)

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IMPORTANT LEGAL NOTES

The release, publication or distribution of these Revised Listing Particulars in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this document is released, published or distributed should inform themselves about, and observe, such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws in any such jurisdiction. This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, any MMI Shares or other securities, or a solicitation of any vote or approval in any jurisdiction in which such offer or solicitation would be unlawful. It shall be the responsibility of a non-resident shareholder to inform themselves about, and observe, any particular legal requirements in the relevant jurisdiction.

FORWARD-LOOKING STATEMENTS

Many of the statements included in these Revised Listing Particulars are forward-looking statements that involve risks and uncertainties. You can generally identify forward-looking statements by the use of terminology such as “may”, “will”, “expect”, “intend”, “plan”, “anticipate”, “believe” or similar phrases.

All statements other than statements of historical facts, including, amongst others, statements regarding MMI’s future financial position, business strategy, projected levels of growth, projected costs, estimates of capital expenditure and plans and objectives of management for future operations are forward-looking statements. MMI’s actual future performance could differ materially from these forward-looking statements and you are cautioned not to place undue reliance on them.

Factors that could cause the actual results, performance or achievements of MMI to differ materially from those described herein include: the ability to integrate Metropolitan and Momentum’s businesses; costs associated with the Merger; potential actuarial adjustments to the embedded value once the embedded value basis for MMI has been determined; and the economic environment of the industries in which Metropolitan and Momentum operate.

By their very nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances which may or may not occur in the future. Forward-looking statements involve known and unknown risks and uncertainties and other factors which may cause the actual results, performance or achievements of Metropolitan or Momentum, or the industries in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

All of the information in these Revised Listing Particulars is given as at the Last Practicable Date, and Metropolitan and Momentum expressly disclaim any obligation or undertaking to disseminate any update or revisions to any forward-looking statements contained herein to reflect any changes in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

All written and oral forward-looking statements attributable to Metropolitan and Momentum, or any director, employee, advisor or agent of Metropolitan and Momentum, or any persons acting on their behalf, are expressly qualified in their entirety by the cautionary statement above.

IMPORTANT DATES AND TIMES

	2010
Notice of General Meeting posted to Metropolitan Shareholders on	Monday, 6 September
Notice of general meeting posted to FirstRand Shareholders on	Monday, 6 September
Forms of proxy in respect of the General Meeting of Metropolitan Shareholders to be received by the transfer secretaries by 10:00 on	Thursday, 23 September
Forms of proxy in respect of the general meeting of FirstRand Shareholders to be received by the transfer secretaries by 11:00 on	Thursday, 23 September
General Meeting of Metropolitan Shareholders to be held at 10:00 on	Tuesday, 28 September
General meeting of FirstRand Shareholders to be held at 11:00 on	Tuesday, 28 September
Results of the General Meeting of Metropolitan Shareholders published on SENS on	Tuesday, 28 September
Results of the general meeting of FirstRand Shareholders published on SENS on	Tuesday, 28 September
Results of the General Meeting of Metropolitan Shareholders published in the South African and Namibian press on	Wednesday, 29 September
Results of the general meeting of FirstRand Shareholders published in the South African and Namibian press on	Wednesday, 29 September

Notes:

1. The above dates and times are presented on the basis that the Transaction has not been implemented, and are subject to change. Furthermore, the timing of the completion of the Merger is primarily determined by the decision of the regulatory authorities. Further applicable dates, in particular, dates relating to the change of name of Metropolitan, and any changes to the above dates and times will be notified to shareholders once the regulatory approvals have been obtained. Updates will be released on SENS and published in the South African and Namibian press.
2. All references to times in these Revised Listing Particulars are to South African local times unless otherwise stated.

DEFINITIONS AND INTERPRETATIONS

In this circular and its annexures, unless otherwise stated or the context otherwise indicates, the words and expressions in the first column shall have the meaning stated opposite them in the second column and words and expressions in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and *vice versa* and any reference to one gender shall include the other gender:

"A1 Preference Shares"	the variable rate cumulative convertible redeemable A1 preference shares with a par value of 0.0001 cent each in the share capital of Metropolitan, issued by Metropolitan to SPV on 1 October 2004;
"A2 Preference Shares"	the variable rate cumulative convertible redeemable A2 preference shares with a par value of 0.0001 cent each in the share capital of Metropolitan, issued by Metropolitan to SPV on 5 December 2005;
"A3 Preference Shares"	the variable rate cumulative convertible redeemable A3 preference shares with a par value of 0.0001 cent each in the share capital of Metropolitan, issued by Metropolitan to SPV on 5 December 2005;
"Agreed Merger Exchange Ratio"	a ratio of 1.457, agreed to by Metropolitan, Momentum and FirstRand, pursuant to the provisions of the Merger Agreement, being the ratio of the value of Momentum to the value of Metropolitan;
"Articles of Association"	the articles of association of Metropolitan, as amended or supplemented from time to time;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Shares"	shares which are evidenced by a certificate and which have not yet been surrendered for dematerialisation;
"Companies Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"Competition Act"	the Competition Act, 1998 (Act 89 of 1998), as amended;
"Competition Authorities"	the applicable competition authorities established in terms of the Competition Act;
"Consideration Shares"	951 496 294 Metropolitan Shares allotted and issued to FirstRand as consideration for the acquisition of the Momentum Shares, which rank *pari passu* in all respects with the existing Metropolitan Shares;
"CSDP"	a person that holds in custody and administers securities or an interest in securities and that has been accepted by a central securities depository as a participant in such central securities depository in terms of the Securities Services Act;
"Dematerialised Shares"	shares which are by virtue of section 91A of the Companies Act transferable without a written instrument and are not evidenced by a certificate;
"Determination Date"	30 June 2010;
"Documents of Title"	share certificates and/or certified transfer deeds and/or balance receipts or any other documents of title in respect of Metropolitan Shares that are acceptable to Metropolitan;

"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933, as amended;
"FirstRand"	FirstRand Limited (Registration number 1966/010753/06), a public company duly incorporated under the company laws of South Africa;
"FirstRand Shareholders"	holders of ordinary shares in FirstRand;
"FNB Strategic Relationship Agreement"	the agreement entered into between FirstRand Bank Limited and Momentum governing their future relationship, dated 25 August 2010, the salient terms of which are set out in Annexure R;
"General Meeting"	the general meeting of Metropolitan Shareholders held at 10:00 on Tuesday, 28 September 2010 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, at which the Resolutions required to effect the Specific Repurchase of the Unallocated Shares implement the Merger and change the name of Metropolitan to MMI Holdings Limited were passed;
"Holders of Certificated Shares"	Metropolitan Shareholders who do not hold Dematerialised Shares and thus hold Documents of Title;
"Holders of Dematerialised Shares"	Metropolitan Shareholders who hold Dematerialised Shares;
"IFRS"	International Financial Reporting Standards adopted by the International Accounting Standards Board, as amended;
"JSE"	the exchange, licensed under the Securities Services Act, operated by JSE Limited (Registration number 2005/022939/06), a public company duly incorporated under the company laws of South Africa;
"King II"	the King Report on Corporate Governance in SA 2002;
"King III"	the King Report on Corporate Governance in SA 2009;
"King Code"	the King Code on Corporate Governance for South Africa, as amended or replaced from time to time;
"KTI"	Kagiso Trust Investments (Proprietary) Limited (Registration number 1993/007845/07), a private company duly incorporated under the company laws of South Africa;
"KTI Relationship Agreement"	the agreement titled "Second Amended and Restated Relationship Agreement" entered into between Metropolitan, KTI, Off the Shelf Investments 109 (Proprietary) Limited (Registration number 2004/013168/07) and SPV dated 30 June 2009;
"Last Practicable Date"	the last practicable date prior to finalising this document, being 26 August 2010;
"Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"LTIS"	Metropolitan Long-Term Incentive Scheme adopted by Metropolitan on 19 October 2006;
"Merger"	the acquisition of the Momentum Shares from FirstRand by Metropolitan and the allotment and issue by Metropolitan of the Consideration Shares to FirstRand;
"Merger Agreement"	the agreement dated 30 March 2010 entered into between Metropolitan, FirstRand and Momentum regarding the Transaction, as amended;

"Merger Implementation Date"	the date on which the Merger was implemented, being the Business Day preceding the date on which the FirstRand Shareholders had to be registered as such in FirstRand's register of members in order to participate in the Unbundling;
"Metropolitan"	Metropolitan Holdings Limited (Registration number 2000/031756/06), a public company duly incorporated under the company laws of South Africa;
"Metropolitan Board"	the board of directors of Metropolitan as constituted on the Last Practicable Date;
"Metropolitan Circular"	the circular to Metropolitan Shareholders in respect of the Merger, including the notice of General Meeting and Resolutions, dated 6 September 2010, and all annexures and attachments thereto, distributed to Metropolitan Shareholders together with these Revised Listing Particulars;
"Metropolitan Directors"	the directors of Metropolitan as at the Last Practical Date detailed in paragraph 1.1 of Annexure K to these Revised Listing Particulars;
"Metropolitan Group"	Metropolitan and its subsidiaries;
"Metropolitan Shares"	ordinary shares with a par value of 0.0001 cent each in the share capital of Metropolitan;
"Metropolitan Shareholders"	holders of Metropolitan Shares and holders of Preference Shares prior to the Merger Implementation Date;
"MMI"	Metropolitan, whose name was changed to MMI Holdings Limited. MMI comprises Metropolitan and Momentum and the information concerning MMI given in this document reflects the combined Metropolitan and Momentum businesses post implementation of the Transaction, unless the contrary is specifically indicated;
"MMI Board"	the board of directors of MMI, initially consisting of the MMI Directors detailed in paragraph 3 of Annexure K to these Revised Listing Particulars and otherwise as constituted from time to time;
"MMI Directors"	the directors of MMI detailed on page 11 of these Revised Listing Particulars;
"MMI Shareholders"	holders of Metropolitan Shares after the Unbundling Implementation Date and holders of Preference Shares;
"MMI Shares"	ordinary shares with a par value of 0.0001 cent each in the share capital of MMI;
"Momentum"	Momentum Group Limited (Registration number 1904/002186/06), a public company duly incorporated under the company laws of South Africa, all of the issued ordinary shares of which were beneficially owned by FirstRand (either directly or through nominees) prior to the Merger Implementation Date;
"Momentum Directors"	the directors of Momentum detailed in paragraph 1.2 of Annexure K to these Revised Listing Particulars;
"Momentum Group"	Momentum and its subsidiaries;

"Momentum Shares"	all of the ordinary shares of Momentum beneficially owned by FirstRand (either directly or through nominees) prior to the Merger Implementation Date, being 100% of the ordinary shares with a par value of 5 cents each in the issued share capital of Momentum;
"Namibia"	the Republic of Namibia;
"NSX"	the Namibian Stock Exchange;
"Preference Shares"	collectively the A1 Preference Shares, the A2 Preference Shares and the A3 Preference Shares;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"Registrar"	the Registrar as defined in the Companies Act;
"Resolutions"	the special and ordinary resolutions required for the implementation of the Merger as contained in the notice of General Meeting of the Metropolitan Circular and as referred to in paragraph 3.3.1 of the circular sent to FirstRand Shareholders;
"Revised Listing Particulars"	this bound document, dated 6 Septemeber 2010, and all annexures and attachments thereto, prepared in accordance with the Listings Requirements and issued to Metropolitan and FirstRand shareholders;
"RMBH"	RMB Holdings Limited (Registration number 1987/005115/06), a public company duly incorporated under the company laws of South Africa;
"Securities Services Act"	the Securities Services Act, 2004 (Act 36 of 2004);
"SENS"	the Securities Exchange News Service of the JSE, as well as any equivalent news service of the NSX;
"Share Incentive Scheme"	the Metropolitan Share Incentive Scheme established by Metropolitan in terms of the Share Incentive Trust, described in paragraph 9.6.2;
"Share Incentive Scheme Shares"	Metropolitan Shares issued for purposes of the Share Incentive Scheme;
"Share Incentive Trust"	the Metropolitan Share Incentive Trust formed in 1994, details of which are set out in paragraph 9.6.2;
"Share Purchase Scheme"	the Metropolitan Staff Share Purchase Scheme established by Metropolitan in terms of the Share Purchase Trust described in paragraph 9.6.1;
"Share Purchase Scheme Shares"	Metropolitan Shares issued for purposes of the Share Purchase Scheme which shares, in accordance with the terms under which they were issued, rank *pari passu* in all respects with the Metropolitan Shares, save that: • such shares are not listed on the JSE or NSX and consequently, where Metropolitan Shareholders are required to vote in terms of the Listings Requirements, the votes attaching to such shares will not be taken into account either in determining a quorum or for approval of any resolution considered at any general or annual general meeting of Metropolitan; and • the dividends payable from time to time in respect of such shares are variable and may be determined from time to time by the Metropolitan Directors,

	until such time as such shares are released to the relevant participants of the Share Purchase Trust in accordance with the rules of the Share Purchase Scheme, whereupon such shares may be listed on the JSE and NSX and will rank *pari passu* in all respects with the Metropolitan Shares, including in respect of dividends and voting rights;
"Share Purchase Trust"	the Metropolitan Staff Share Purchase Trust formed in 1985, details of which are set out in paragraph 9.6.1;
"Share Scheme Shares"	Share Purchase Scheme Shares and Share Incentive Scheme Shares;
"South Africa"	the Republic of South Africa;
"Specific Repurchase of the Unallocated Shares"	the repurchase by Metropolitan of the Unallocated Shares for an amount of R16.85 per share;
"SPV"	Off the Shelf Investments 108 (Proprietary) Limited (Registration number 2004/013271/07), a private company duly incorporated under the company laws of South Africa and a subsidiary of KTI;
"Staff Share Schemes"	the Share Purchase Scheme and the Share Incentive Scheme;
"Suspensive Conditions"	the suspensive conditions to which the Transaction was subject, which are summarised in the circulars to Metropolitan and FirstRand Shareholders;
"Transaction"	the Merger and the Unbundling;
"Treasury Shares"	consists of Metropolitan Shares registered in the name of Metropolitan Group companies but beneficially held in terms of investment mandates on behalf of policyholder portfolios and Metropolitan Shares held by subsidiaries of Metropolitan;
"Unallocated Share Incentive Scheme Shares"	3 528 400 Metropolitan Shares held by the Share Incentive Trust as at the Determination Date;
"Unallocated Share Purchase Scheme Shares"	6 511 200 Metropolitan Shares held by the Share Purchase Trust as at the Determination Date;
"Unallocated Shares"	10 039 600 Metropolitan Shares held by the Share Purchase Trust and the Share Incentive Trust on the Determination Date, being the aggregate of the Unallocated Share Incentive Scheme Shares and the Unallocated Share Purchase Scheme Shares;
"Unbundling"	the unbundling of the Consideration Shares by FirstRand to the FirstRand Shareholders, registered as such in FirstRand's register of members on the record date for the Unbundling, by means of a payment to shareholders in terms of section 90 of the Companies Act; and
"Unbundling Implementation Date"	the date on which the Unbundling was implemented, being a date not later than 6 Business Days after the Merger Implementation Date.

MMI HOLDINGS LIMITED
(Formerly Metropolitan Holdings Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2000/031756/06)
JSE Share code: MMI
NSX Share code: MIM
ISIN: ZAE000149902
("MMI" or "the Company")

MMI Board following implementation of the Merger

Non-executive directors:
Johan Burger
Laurie Dippenaar (Chairman)
Blignault Gouws (Independent)
Paul Harris
Fatima Jakoet (Independent)
Zanele ("Joyce") Matlala
Jabu Moleketi (Independent)
Syd Muller (Independent)
John Newbury (Independent)
Johnson ("JJ") Njeke (Deputy Chairman)
Sizwe Nxasana
Khehla Shubane (Independent)
Frans Truter (Independent)
Benedict van der Ross (Independent)
Johan van Reenen (Independent)
Mary Vilakazi (Independent)

Executive directors:
Nicolaas Kruger (Chief Executive Officer)
Morris Mthombeni
Preston Speckmann (Group Finance Director)
Wilhelm van Zyl (Deputy Chief Executive Officer)

Acting company secretary:
Zukelwa Rweqana

REVISED LISTING PARTICULARS

1. INTRODUCTION

As announced on SENS on 31 March 2010 and 26 August 2010 and published in the South African and Namibian press on 1 April 2010 and 27 August 2010, Metropolitan, FirstRand and Momentum announced the proposed merger of Momentum and Metropolitan. Following the fulfilment or waiver (where appropriate) of the Suspensive Conditions, FirstRand sold the entire issued ordinary share capital of Momentum to Metropolitan, in consideration for which Metropolitan issued the Consideration Shares to FirstRand. FirstRand then unbundled the Consideration Shares which it received to FirstRand Shareholders as a conditional part of the Transaction.

These Revised Listing Particulars have been prepared on the assumption that:

- the Resolutions will be approved at the General Meeting and (where applicable) registered by the Registrar;
- the Specific Repurchase of the Unallocated Shares will be approved by the Metropolitan Shareholders and implemented;

- the Unbundling will be approved by the FirstRand Shareholders;
- the Suspensive Conditions will be fulfilled, or waived (where appropriate), as the case may be; and
- the Merger and the Unbundling will be implemented.

Consequently, throughout this document, references to MMI are references to Metropolitan as it will be constituted after implementation of the Transaction.

This paragraph is presented on the basis that the Transaction has not been implemented. The timing of the completion and implementation of the Transaction will be primarily determined by the decisions of the regulatory authorities in respect of the Merger. Following the fulfilment of the Suspensive Conditions, an announcement will be released on SENS and the Revised Listing Particulars will be updated, as required, made available on Metropolitan's website and will lie open for inspection at the registered office of Metropolitan, being 7 Parc du Cap, Mispel Road, Bellville, Cape Town, at the respective offices of the transfer secretaries in Johannesburg and Windhoek and at the registered office of FirstRand. An abridged version of the updated Revised Listing Particulars will be released on SENS and published in the South African and Namibian press following the fulfilment of the Suspensive Conditions.

2. OVERVIEW OF THE TRANSACTION

2.1. Transaction mechanism

FirstRand sold its Momentum Shares to Metropolitan, in consideration for which Metropolitan allotted and issued the Consideration Shares to FirstRand.

2.2. Transaction consideration

For the financial period ended 31 December 2009, Momentum and Metropolitan published embedded values of R17 835 million and R12 007 million, respectively. Momentum's published embedded value at 31 December 2009 was reduced by R615 million to reflect the impact of a profit sharing arrangement with FirstRand in respect of the FNB Life business conducted through Momentum's life assurance licence and statement of financial position.

Metropolitan, FirstRand and Momentum agreed to use, *inter alia*, consistent embedded values as the basis for determining the Agreed Merger Exchange Ratio. While both Metropolitan and Momentum determined their respective embedded values in accordance with the Actuarial Society of South Africa PGN107 guidance note, there were differences in approach to the calculation of certain elements of the embedded values. The parties went through an extensive exercise of calculating a consistent basis for determining the embedded values used for the Agreed Merger Exchange Ratio calculation. Taking into account the adjustments made for consistency the Agreed Merger Exchange Ratio was 1.457. The embedded value basis for MMI will be determined by the MMI Board and disclosed in MMI's first set of published financial statements.

The number of Consideration Shares was determined by multiplying the total number of Metropolitan Shares and Preference Shares in issue by the Agreed Merger Exchange Ratio as follows:

Agreed Merger Exchange Ratio	1.457
Fully diluted Metropolitan Shares[1]	653.1 million
Consideration Shares	**951.5 million**

Note:

1. The aggregate number of Metropolitan Shares and Preference Shares in issue on the Merger Implementation Date, excluding the Unallocated Shares.

2.3. Unbundling

FirstRand unbundled the Consideration Shares received in the Merger to the FirstRand Shareholders. As a result of the Unbundling, FirstRand Shareholders received approximately 16.9 MMI Shares for every 100 ordinary shares held in FirstRand on the record date for the Unbundling.

2.4. **Merger committee**

After signature of the Merger Agreement, FirstRand, Momentum and Metropolitan established a merger committee which was mandated to plan for and, once the approval for the Merger was obtained from the Competition Authorities, to implement the Merger in accordance with the mandate agreed upon between them.

2.5. **Appointment of the MMI Board**

With effect from the Merger Implementation Date, the Metropolitan Board was reconstituted as detailed in paragraph 3 of Annexure K, which, *inter alia*, reflected the provisions of the Merger Agreement that:

2.5.1 the chairman is Lauritz Lanser Dippenaar and the deputy chairman is Mfundiso Johnson Ntabankulu ("JJ") Njeke; and

2.5.2 the balance of the reconstituted board consists of no more than eighteen directors, of which 6 were non-executive directors serving on the Metropolitan Board, 6 were non-executive directors serving on the board of directors of Momentum as at the Merger Implementation Date, 2 are non-executive directors nominated by FirstRand and approved by Metropolitan and 4 are executive directors.

2.6. **The FNB Strategic Relationship Agreement**

Momentum, FirstRand Bank Limited and FirstRand have entered into the FNB Strategic Relationship Agreement to record and regulate their existing and anticipated future working relationship. The FNB Strategic Relationship Agreement was subject to the Merger becoming unconditional. Please refer to Annexure R for a summary of the FNB Strategic Relationship Agreement.

2.7. **Competition filing**

The Transaction constitutes a large merger for purposes of the Competition Act and also requires filings in Swaziland and Namibia. The parties have submitted a joint merger filing to the Competition Authorities and have submitted joint merger filings in Swaziland and Namibia. This paragraph is presented on the basis that the Transaction has not been implemented.

2.8. **Other regulatory filings**

Metropolitan, FirstRand and Momentum have undertaken that all filings, notifications and applications to the regulatory authorities in South Africa and in each of the foreign jurisdictions in which Metropolitan and Momentum operate, other than the filing to the Competition Authorities (dealt with separately in paragraph 2.7 above), shall be prepared and submitted by them after joint consultation as expeditiously as possible. As at the Last Practicable Date, most of such filings, notifications and applications have been submitted to the relevant regulatory authorities. This paragraph is presented on the basis that the Transaction has not been implemented.

3. RATIONALE FOR THE TRANSACTION

The Metropolitan Directors and the Momentum Directors are of the opinion that significant value can be realised for shareholders of MMI as a result of the Transaction for, amongst others, the following reasons:

- Metropolitan and Momentum operate in different target markets, with Metropolitan focusing predominantly on the low to middle income market segments and Momentum's key area of focus being the upper income market segment. This difference is especially visible in the retail sector of each business;
- a combination of Metropolitan and Momentum would expand MMI's target markets and create a leading financial services group with businesses in life assurance (upper, middle and lower income groups), healthcare administration, asset management, short-term insurance and corporate, both locally and elsewhere in Africa;
- MMI would benefit from enhanced growth opportunities, revenue synergies and economies of scale through the combination of complementary target markets and resources;
- MMI would have a higher credit rating, and hence a lower cost of capital, than Metropolitan had;
- MMI is a large company with a substantial free float and its shares are listed in the Long-Term Insurance sector of the JSE;
- with its enlarged footprint, MMI is well-positioned to expand its activities outside of South Africa; and
- MMI has a material black empowerment shareholding.

4. BACKGROUND INFORMATION ON METROPOLITAN

4.1. History

The original business of Metropolitan was founded in 1898 as Homes Trust Limited which became a subsidiary of Sanlam Limited ("Sanlam") in 1918. In 1979 Sanlam merged Homes Trust Limited with Metropolitan Life Insurance Company Limited (another one of its subsidiaries) to form Metropolitan Homes Trust Life Limited, with assets of over R250 million, an annual income of R75 million and approximately 4 million insured lives. Metropolitan Homes Trust Life Limited changed its name to Metropolitan Life Limited ("Metlife") in 1985 and was listed on the JSE in 1986 and on the NSX in 1996.

In 1991, Sanlam sold 10% of its stake in Metlife to a black economic empowerment consortium, known as Metlife Investment Holdings Limited ("Methold"), which ultimately became New Africa Investment Limited ("NAIL"). This was the first black economic empowerment transaction of substance in South Africa. In 1993 and 1998 Sanlam sold additional shares in Metlife to NAIL, resulting in NAIL becoming the majority shareholder of Metlife with a 51% stake. In 2001, pursuant to a scheme of arrangement proposed by New Africa Capital Limited ("NAC"), the former name of Metropolitan, Metlife shareholders received shares in NAC in exchange for their shares in Metlife. The NAC shares were listed on the JSE and the NSX. In 2003, NAC changed its name to Metropolitan.

On 1 October 2004, Metropolitan implemented the first phase of its broad-based ownership strategy in terms of which KTI acquired 10.25% of the issued share capital of Metropolitan in a transaction that was facilitated by Metropolitan through the issue of the A1 Preference Shares. In July 2005, KTI acquired a further 12 700 000 Metropolitan Shares independently through the market. In December 2005, Metropolitan implemented the second phase of its black economic empowerment strategy with KTI, again facilitated by Metropolitan in this instance through the issue of the A2 and A3 Preference Shares. KTI now owns an effective 20.9% of Metropolitan.

4.2. Change of name

Metropolitan changed its name to MMI with effect from the Unbundling Implementation Date.

4.3. Nature of business

Metropolitan was incorporated in 2000 and is an insurance based financial services group based in South Africa, with operations in Southern, Western and Eastern Africa. Metropolitan offers a comprehensive product range consisting of life insurance, corporate, medical aid scheme administration, unit trusts and asset management. Metropolitan is divided into five different businesses, namely:

- **Corporate**

  Metropolitan Employee Benefits and Metropolitan Retirement Administrators complement each other in terms of the administration services they provide to funds. The former focuses on mid-sized clients while the latter is a large-scale administration specialist. The cluster is also a significant player in the group risk benefits market, as well as the investment and annuity services markets. Actuarial consulting services are provided on a complementary basis both via stand-alone mandates and as a value-add facility to existing clients.

- **Retail**

  The business life-event and lifestyle based products and services are tailored to the needs of customers in the aspirant, emerging and achiever segments of the cluster's target markets and are distributed mainly via three channels: personal financial advisors (tied agents), independent intermediaries (brokers) and wholesale. The latter has two key areas of focus – corporate clients and call centres. Retail strives to provide customer-aligned service of an advisory and administrative nature, as efficiently and cost-effectively as possible.

- **International**
  The international cluster comprises businesses in seven African countries: Botswana, Ghana, Kenya, Lesotho, Namibia, Nigeria and Swaziland. The southern countries are all well-established businesses while the western and eastern countries are new operations, a mixture of joint venture partnerships, acquisitions and green fields operations. The business written throughout is mainly of a retail nature on either an individual or a voluntary group basis, but retirement fund business is also written in five of the seven countries, while Namibia has asset management, unit trust and healthcare administration capabilities as well.

- **Health**
  The health business provides medical scheme administration and managed care solutions, including customised outsourced administration, system licensing and integrated or stand-alone health risk management solutions. The Metropolitan Health Group ("MHG") is the largest administrator of closed medical schemes in South Africa. At the end of the 2009 financial year it had well in excess of 800 000 principal members under administration (over two million lives). MHG is relentless in its pursuit of service excellence, cost savings and enhanced efficiencies, as well as being a strong proponent of public/private partnerships.

- **Asset management**
  There are three separate but complementary asset management businesses in the Metropolitan Group, all with full operational autonomy: Metropolitan Asset Managers ("MetAM"), Metropolitan Collective Investments ("MetCI") and Metropolitan Property Services ("MetProp"). In addition to managing assets on behalf of the Metropolitan Group (on balance sheet business), MetAM accepts third-party investment mandates from clients outside the group, more than half of which is off balance sheet business. MetCI is a leading manager of third-party branded (white label) funds in South Africa, with some of the top niche asset managers in the country ranked amongst its partners in this regard. MetProp's portfolio is heavily weighted in favour of retail property and also has a substantial office property portfolio.

The relative contribution of each business to Metropolitan in the 2009 financial year, together with shareholder assets, was as follows:

Business	Net Inflow for the year (R billion)	Investment Assets as at 31 December (R billion)	Embedded Value as at 31 December (R million)	Diluted Core Headline Earnings for the year (R million)
Retail	1.7	38.2	2 970	383
Corporate	(4.0)	26.0	611	140
Asset Management	1.5	25.3	391	61
International	0.5	5.3	1 201	89
Health	1.8	5.4	961	95
Shareholder Assets	–	3.0	5 873	166
Total	**1.5**	**103.2**	**12 007**	**934**

4.4. **Material changes**
As at the Last Practicable Date, there were no material changes in the financial or trading position of Metropolitan and its subsidiaries since the publication of the latest audited financial statements, other than the Merger. There have been no material changes to the business segments of Metropolitan during the past 5 years.

5. BACKGROUND INFORMATION ON MOMENTUM

5.1. History and incorporation of Momentum

Momentum Life Assurers Limited was a life assurance company established in 1966 with its head office in Pretoria. It grew organically, as well as through strategic acquisitions and mergers. It became known as Momentum Life Assurers Limited in 1973. In 1992, RMBH acquired Sankorp Limited's interest in Momentum Life Assurers Limited.

In 1998, Anglo American Corporation merged its financial services interests with RMBH. As part of the transaction, the business of Momentum Life Assurers Limited was transferred to The Southern Life Association Limited. As a result of the transaction, The Southern Life Association Limited was renamed FirstRand Insurance Company Limited and was thereafter named Momentum Group Limited. Southern Life was incorporated in 1904 as African Life Assurance Society which underwent various name changes before it became The Southern Life Association Limited. In 2005, Momentum Group Limited acquired Sage Group Limited, which included a life insurance company, Sage Life. The business of Sage Life was transferred to Momentum Group Limited.

5.2. Nature of business of Momentum

Momentum is involved in life insurance, investment and multi-management activities. It is also involved in providing medical aid scheme administration services, as well as managed care services. Momentum's major operations are in South Africa, but it also operates in the United Kingdom, Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Zambia, Swaziland, Tanzania and Namibia. A description of Momentum's business segments is detailed below:

Momentum Retail

Momentum Retail is responsible for new individual life recurring premium business and the administration of Momentum's existing policy book. Momentum Retail markets and administers a variety of insurance products, the key ones being Myriad, Momentum's risk product range and Investo, its savings product range.

Myriad offers individuals protection against unexpected events in life. The product provides a comprehensive range of innovative, flexible risk benefits coupled with competitive rates that can be personalised to suit individual needs and adapted as those needs and circumstances change. Myriad provides life cover, disability, critical illness and other benefits.

Investo is a savings offering for individuals. It provides solutions to people who wish to accumulate wealth over the medium to longer term by way of regular saving. The product range offers three investment products, a retirement annuity, endowment and linked investment, into which clients may, depending on the financial planning need they are addressing, invest money on a recurring basis. Investo also allows clients to inject additional lump-sum contributions into their savings product on an ad hoc basis.

Investo offers a wide selection of investment funds, ranging from in-house managed funds that provide solutions for different life stages and risk profiles, to more comprehensive solutions of carefully selected funds offered by leading asset managers.

Momentum Investments

Momentum Investments includes the Momentum Wealth and asset management businesses as detailed below:

Momentum Wealth provides retail clients with access to a range of investment and retirement products for single premium investors. Investors can select endowment and linked products for discretionary investments, retirement annuity products to invest for retirement, preservation fund products to preserve their retirement fund proceeds and income generating products to provide income after retirement. All these products provide access to the universe of South African unit trusts, selected share investment platforms and a wide range of offshore funds.

RMB Unit Trusts form part of the wealth product range, as well as the Momentum Advisory Service offering that provides intermediaries with advice.

Momentum's asset management business is made up of RMB Asset Management, RMB Asset Management International, FirstRand Alternative Investment Management and Advantage Asset Managers.

RMB Asset Management provides fund management for companies, parastatals, retirement funds, medical aids, educational institutions and foundations. RMB Asset Management manages a wide variety of mandates ranging from risk-profiled unitised pooled portfolios to segregated specialist asset class portfolios.

RMB Asset Management International is based in the United Kingdom and focuses on multi-managed portfolios for institutional clients, as well as alternative investing strategies, comprising funds of hedge funds and segregated portfolios.

FirstRand Alternative Investment Management was created to leverage off FirstRand's experience in managing alternative fund of funds in respect of private equity and hedge funds. FirstRand Alternative Investment Management delivers alternative fund of funds products to institutional clients including pension funds, corporate and state-owned businesses. In the retail market, FirstRand Alternative Investment Management manages alternative fund of funds products under the Momentum Wealth banner through the Momentum Wealth linked investment platform.

Advantage Asset Managers focuses on multi-manager products for small and medium sized institutional clients, multi-manager solutions for large clients and multi-manager administration for outsourcing clients.

Momentum Group Business

Momentum Group Business includes the group benefits and healthcare administration businesses, that predominantly service groups of employees. The Momentum Africa and Momentum Short-term Insurance initiatives also reside here.

Momentum Group Benefits business provides group risk and retirement solutions to corporates. The FundsAtWork product is an umbrella fund solution that offers investment choice to pension fund members. Group life and disability cover can be bundled with the umbrella fund product, or offered on a stand-alone basis.

Momentum Medical Scheme Administrators provides medical scheme administration solutions to restricted and open medical schemes (including the Momentum Health scheme). The Momentum Health scheme is South Africa's fifth largest open medical scheme and offers a comprehensive solution covering the whole spectrum of medical benefits.

Momentum Short-term Insurance markets and sells short-term insurance products (motor, household and business insurance) through independent brokers and agents.

Momentum Africa focuses on meeting the healthcare and life insurance needs of individuals in 11 African countries. While Momentum Africa's initial focus has largely been on health solutions, it now offers a broad spectrum of group and retail life insurance products in selected markets as well. These include savings and risk products to employers, retirement funds and individuals.

Momentum New Markets

In line with its mandate to enter new markets, the New Markets business developed a compelling product offering for South Africa's entry level market. These products are distributed through multiple channels to realise the full growth potential of this market segment.

FNB Life

The bancassurance business of Momentum and First National Bank (the retail bank of the FirstRand Group) is housed separately in FNB Life, a division of Momentum. This business sells single need products as well as embedded credit life insurance and administers in excess of 2.5 million lives.

The relative contribution of each business to Momentum for the twelve month period ended 31 December 2009, together with shareholder assets, was as follows:

Business	Net Inflow for the year (R billion)	Investment Assets as at 31 December (R billion)	Embedded Value as at 31 December (R million)	Diluted Core Headline Earnings for the year (R million)
Retail	4.3	116.0	8 558	1 396
Corporate	1.3	19.5	889	54
Asset Management	(45.3)	164.3	1 410	48
International	–	0.3	414	(65)
Health	–	0.4	417	28
Shareholder Assets	–	8.2	6 147	298
Total	**(39.7)**	**308.7**	**17 835**	**1 759**

5.3. **Material changes in Momentum**

As at the Last Practicable Date, there were no material changes in the financial or trading position of Momentum and its subsidiaries since the publication of its latest interim financial statements in this document, other than the Merger.

6. BUSINESS OF MMI

MMI will continue to provide insurance based financial services in South Africa and Africa. The core business divisions of MMI are life assurance (upper, middle and lower income groups), international, asset management, corporate, short-term insurance and healthcare administration. MMI is the third largest insurer in South Africa with total on balance sheet assets of approximately R270 billion and a total published embedded value of approximately R30 billion. Both the Metropolitan and Momentum brand names will continue to be used as client focused brands in the appropriate business units.

7. PROSPECTS FOR MMI

The Transaction provides a wide range of benefits to the MMI Shareholders through:

- creating the third largest insurer in South Africa by assets;
- merging strategically complementary businesses;
- being well-positioned to expand its activities with its enlarged African footprint;
- moving towards achieving cost synergies over time;
- giving MMI access to a bank partner (FirstRand Bank Limited) through the FNB Strategic Relationship Agreement;
- having a larger and more specialised skills base in a multitude of different areas; and
- reducing the overall cost of capital, while increasing access to capital.

MMI has the potential to become one of the largest writers of new business in the South African life insurance market. It also remains one of the most empowered insurers in South Africa, with the opportunity to make an even greater contribution to transformation in South Africa. MMI's increased size results in its shares being included in more indices, thus making it more attractive to a wider range of investors. The Metropolitan Directors and the Momentum Directors believe that the prospects for MMI should ensure ongoing business success.

The Merger allows for a complementary product offering, a diversified customer base and increased expertise in the business segments as follows:

Individual life/retail business
Metropolitan and Momentum operate predominantly in different retail target markets, with Metropolitan focused mainly on the low to middle income markets and Momentum's key area of focus being the upper income market. These markets require very different product solutions, which MMI is well-equipped to provide.

Group life/corporate business
In this area, the current operations of the two groups complement each other equally well. Metropolitan is particularly active in the public and trade union sectors as well as having a significant number of large corporate clients, while Momentum has a strong presence in the umbrella funds market.

International business (with a primary focus on Africa)
Metropolitan owns a number of long-term insurance or life licenses in Africa and has a strong retail and corporate business orientation, with Momentum having entered the African markets on the back of its health business. Consequently, MMI now has a presence in twelve African countries, in addition to South Africa (namely Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Nigeria, Zambia, Swaziland, Tanzania and Namibia) and is in a good position to expand its operations on the continent.

Asset management business
Both Metropolitan and Momentum have specialist asset management businesses. By pooling their resources, both professional and logistical, as well as their assets under management and intellectual capital, they are able to offer clients an even more focused and need-specific service.

Health business
In the sphere of healthcare administration, Metropolitan enjoys substantial benefits of scale, being the largest administrator of closed schemes and the second largest administrator overall in the country. Momentum, on the other hand, offers both an open scheme and a good product range together with a strong broker distribution arm. The strengths of MMI will therefore embrace a broad spectrum of healthcare expertise and experience.

8. FINANCIAL INFORMATION

8.1. Historical financial information relating to Metropolitan

The historical financial information of Metropolitan for the three financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 is attached as Annexure A to these Revised Listing Particulars. The historical information is the responsibility of the Metropolitan Directors.

8.2. Historical financial information relating to Momentum

The historical financial information of Momentum for the three financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 and the interim financial information for the six months ended 31 December 2009 are attached as Annexure B and Annexure C, respectively, to these Revised Listing Particulars. The historical information is the responsibility of the Momentum Directors.

8.3. Unaudited *pro forma* financial information relating to MMI

The unaudited *pro forma* financial information of MMI for the twelve months ended 31 December 2009 is attached as Annexure F to these Revised Listing Particulars. The unaudited *pro forma* financial information has been prepared for illustrative purposes only to provide information on how the Transaction and the Specific Repurchase of the Unallocated Shares would have impacted Metropolitan Shareholders had the Transaction and the Specific Repurchase of the Unallocated Shares been implemented on the dates indicated in Annexure F. Due to the nature of the unaudited *pro forma* financial information, it may not fairly present MMI's financial position, changes in equity, results of operations and other comprehensive income or cash flows post the Transaction and the Specific Repurchase of the Unallocated Shares. The unaudited *pro forma* information of MMI is the responsibility of the Metropolitan Directors.

Given the timing of the release of Metropolitan's interim results for the six months ended 30 June 2010 and Momentum's year-end results for the twelve months ended 30 June 2010, the *pro forma* financial information will be recalculated using the updated results for both companies and will be published on SENS and in the South African and Namibian press and will lie open for inspection at Metropolitan's registered office and circulated at the General Meeting.

8.4. Independent reporting accountants' report

The independent reporting accountants' reports on the historical financial information of Momentum and the unaudited *pro forma* financial information of MMI for the twelve months ended 31 December 2009, are set out in Annexures D, E and G respectively.

9. SHARE CAPITAL OF MMI

The share capital of MMI on a pre-consolidated company basis before and after the Transaction and the Specific Repurchase of the Unallocated Shares is set out below:

9.1. Authorised and issued share capital before the Transaction and Specific Repurchase of the Unallocated Shares

	R
Authorised	
1 000 000 000 ordinary shares of 0.0001 cent each	1 000
105 700 000 Preference Shares of 0.0001 cent each	106
Issued	
563 009 037 ordinary shares of 0.0001 cent each	563
100 081 139 Preference Shares of 0.0001 cent each	100
	R million
Share premium	*837*

9.2. Authorised and issued share capital after the Transaction and Specific Repurchase of the Unallocated Shares

	R	Notes
Authorised		
2000 000 000 ordinary shares of 0.0001 cent each	2 000	1
105 700 000 Preference Shares of 0.0001 cent each	106	
Issued		
1 504 465 731 ordinary shares of 0.0001 cent each	1 504	2
100 081 139 Preference Shares of 0.0001 cent each	100	
	R million	
Share premium	18 057	3

Notes:

1. The authorised ordinary share capital was increased to 2 000 000 000 MMI Shares in terms of the Resolutions.
2. Includes the Consideration Shares issued in terms of the Transaction and adjusted for the shares cancelled in terms of the Specific Repurchase of the Unallocated Shares. MMI's issued share capital comprises 1 501 310 131 listed ordinary shares (which includes 10 575 224 Treasury Shares) and 3 155 600 Share Purchase Scheme Shares.
3. Includes the Consideration Shares. The share premium is based on the existing share premium plus the fair value of Momentum being the embedded value of Momentum at 31 December 2009, reduced by R615 million to reflect the impact of a profit sharing arrangement with FirstRand in respect of the FNB Life business conducted through Momentum's life assurance licence and statement of financial position.

Subject to what is stated in respect of the Share Purchase Scheme Shares in paragraph 9.6.1 below, all the authorised and issued Metropolitan Shares are of the same class and rank *pari passu* in all respects. The Consideration Shares:

- are identical in all respects to;
- have the same nominal value as;
- are entitled to the same rights as to unrestricted transfer, attendance and voting at general meetings, and in all other respects as; and
- are entitled to dividends at the same rate and for the same period, so that at the next ensuing distribution the dividend payable on each share will be the same amount as for,

the Metropolitan Shares.

At the Last Practicable Date, all the issued Metropolitan Shares were fully paid-up and, save for the Share Scheme Shares, freely transferable. There have not been any consolidations or sub-divisions of securities during the preceding 3 years. Other than the conversion rights of the Preference Shares which are convertible on a one-for-one basis into Metropolitan Shares and the Staff Share Schemes, there are no other contracts or arrangements in terms of which any option or preferential right has been given to any person to subscribe for Metropolitan Shares or the shares of Metropolitan's subsidiaries. Other than the Preference Shares listed in paragraph 9.5 below, there are no other preference conversions or exchange rights in respect of the share capital of Metropolitan.

9.3. Changes in share capital

During September 2009, 23 million Preference Shares were converted by SPV, a subsidiary of KTI, into Metropolitan Shares on a one-for-one basis at a price of R5.12 per share. Other than the Consideration Shares and the conversion of these Preference Shares, Metropolitan has not issued any shares in the previous 3 years. Metropolitan has repurchased and cancelled the following Metropolitan Shares in the previous 3 years:

Date of cancellation	Number of shares cancelled	Aggregate par value R	Cost R million
15 June 2007	44 023 149	44	690
28 March 2008	26 362 870	26	410
19 May 2009	15 626 280	16	201

9.4. Control of unissued authorised share capital

No unissued shares are under the control of the MMI Board.

9.5. Preference Shares

Metropolitan has previously issued two tranches of Preference Shares to SPV which are convertible on a one-for-one basis into Metropolitan Shares. The Preference Shares are convertible at the option of the holder. However, the Transaction was implemented on a fully diluted basis and as indicated in paragraph 2.2, the Preference Shares were taken into account in calculating the Consideration Shares.

During September 2009, the terms of the A1 and A2 Preference Shares were amended so that the A1 and A2 Preference Shares are convertible at the option of the holder at any time before 30 October 2012 and 5 December 2012 respectively, and if not so converted, shall be compulsorily redeemable on such dates. During September 2009, 23 million of the A1 Preference Shares were converted to ordinary shares on a one-for-one basis. The A3 Preference Share terms remained unchanged and, if not converted, are compulsorily redeemable on 5 December 2010.

Metropolitan has 100 081 139 Preference Shares in issue, as detailed in the table below:

Name	Number of Shares	Issue Date	Conversion Date	Issue Price R	Dividend Rate
A1 Preference Shares	53 000 000	1 October 2004	30 October 2012	7.12	85% of prime
A2 Preference Shares	12 700 000	5 December 2005	5 December 2012	10.18	85% of prime
A3 Preference Shares	34 381 139	5 December 2005	5 December 2010	10.18	15.8% of the issue price
Total	**100 081 139**				

The Preference Shares are entitled to dividends prior to the Metropolitan Shares at the rates listed above. The Preference Shares are entitled to one vote per share. Full details regarding the rights of the Preference Shares are detailed in the extract from the Articles of Association in Annexure I.

9.6. Employee share schemes

9.6.1. The Share Purchase Scheme

The Share Purchase Scheme was first established in 1985 as a means to incentivise employees of the Metropolitan Group. Metropolitan has moved away from traditional staff share schemes and has since established the LTIS (dealt with in detail in paragraph 9.6.3 below). The Share Purchase Scheme was closed for new allocations in 2005 but will continue to operate for so long as there are existing participants who hold Share Purchase Scheme Shares. As such, the salient features of the Share Purchase Scheme are set out below. The Transaction was not affected by the operation of the Share Purchase Scheme.

In terms of the Share Purchase Scheme, Metropolitan offers selected employees (“participants”) the opportunity to purchase Share Purchase Scheme Shares at a price equal to the middle market price of a Metropolitan Share listed on the JSE on the trading day immediately preceding the date of such offer (“the offer date”). If the employee takes up the offer, the employee is required to pay an initial upfront amount equal to one cent per Share Purchase Scheme Share acquired. The Share Purchase Trust finances the balance of the purchase price for the relevant Share Purchase Scheme Shares by way of an interest-bearing loan to the employee. The rate of interest on such loan is determined by the trustees of the Share Purchase Scheme, provided that in no circumstances may the rate exceed the rate of dividends payable on the Share Purchase Scheme Shares, and provided that the interest is only payable annually, simultaneously with the receipt of any dividend on the Share Purchase Scheme Shares.

The Share Purchase Trust, in turn, is financed by a loan from Metropolitan Life Limited on terms similar to those on which the Share Purchase Trust grants finance to the employees concerned.

The Share Purchase Scheme Shares are registered in the name of the participant but are pledged to the Share Purchase Trust as security for the loan. Subject to the provisions of the Listings Requirements in respect of unlisted shares as set out in paragraph 9.8, for so long as the pledge is in place, all voting rights attaching to the Share Purchase Scheme Shares may be exercised by the trustees of the Share Purchase Trust, and, in terms of a cession of dividends by the participant concerned, any dividends on the Share Purchase

Scheme Shares are paid to the Share Purchase Trust in order to pay the interest on the loan, the participant's attributable income tax and to repay the loan itself. Irrespective of the dividend paid in respect of the Metropolitan Shares, the dividend in respect of the Share Purchase Scheme Shares is, as a term of the issue of the Share Purchase Scheme Shares and in accordance with the provisions of articles 35 and 133 of the Articles of Association, a variable dividend determined by the directors of the Company from time to time (refer in this regard to articles 35 and 133 of the Articles of Association contained in Annexure I to these Revised Listing Particulars).

A participant in the Share Purchase Scheme is entitled at any time on or after the 5th anniversary of the offer date (but before the 10th anniversary of the offer date) to settle the loan in respect of the Share Purchase Scheme Shares, whereupon:

- Metropolitan shall forthwith apply to the JSE and the NSX for a listing and permission to deal in such Share Purchase Scheme Shares; and
- upon the granting of such listing, the Share Purchase Scheme Shares will be released from the pledge to the participant and shall cease to be Share Purchase Scheme Shares, meaning that from that date onwards, the dividends payable on the Share Purchase Scheme Shares, shall be the same as the dividend on all other Metropolitan Shares.

Of the total number of Share Purchase Scheme Shares currently held by participants of the Share Purchase Scheme, an aggregate of 3 155 600 of such shares are currently available for release to participants. If the participants concerned do not settle the outstanding loans in respect of their Share Purchase Scheme Shares by the 10th anniversary of the original offer date, the trustees of the Share Purchase Trust shall repurchase the relevant Share Purchase Scheme Shares at a price not exceeding the original purchase price of such Share Purchase Scheme Shares. The original purchase prices relating to such Share Purchase Scheme Shares range from R5.25 to R10.92.

The table below details the number of Share Purchase Scheme Shares held by the Share Purchase Trust and those held by participants of the Share Purchase Scheme:

Number of Shares held	Share Purchase Trust	Participants	Total shares held by the Share Purchase Trust
Share Purchase Scheme for senior staff (unlisted Metropolitan Shares)	–	3 155 600	3 155 600

Metropolitan repurchased 6 511 200 Unallocated Share Purchase Scheme Shares following the approval by the Metropolitan Shareholders of the Specific Repurchase of the Unallocated Shares at the General Meeting.

9.6.2. The Share Incentive Scheme

The Share Incentive Scheme was first established in 1994 as a means to incentivise employees of the Metropolitan Group. As with the Share Purchase Scheme, however, the Share Incentive Scheme has also been closed for new allocations, but will continue to operate for so long as there are existing participants under the scheme. As such, the salient features of the Share Incentive Scheme are set out below. The Transaction was not affected by the operation of the Share Incentive Scheme.

In terms of the Share Incentive Scheme, Metropolitan offers selected employees the opportunity to purchase Share Incentive Scheme Shares, at a price per share equal to the price at which the last sale of a Metropolitan Share took place on the JSE prior to the date of such offer ("the offer date"). If the employee takes up the offer, the Share Incentive Trust finances the full subscription price of the relevant Share Incentive Scheme Shares by way of an interest-free loan to the employee.

The Share Incentive Trust, in turn, is financed by a loan from Metropolitan Life Limited on terms similar to those on which the Share Incentive Trust grants finance to the employees concerned.

The Share Incentive Scheme Shares are registered in the name of the relevant employee ("participant") but are pledged to the Share Incentive Trust as security for the loan. During this time, all voting rights attaching to the Share Incentive Scheme Shares are exercised by the trustees of the Share Incentive Trust. The Share Incentive Scheme Shares and Metropolitan Shares rank *pari passu* in so far as dividends are concerned.

At any time on or after the 5th anniversary of the offer date (but before the 7th anniversary of the offer date), a participant may settle the loan in respect of the Share Incentive Scheme Shares, whereupon the relevant Share Incentive Scheme Shares will be released from the pledge to the participant.

The participants also have the right, at any time after accepting the offer, to sell the Share Incentive Scheme Shares to the Share Incentive Trust at a price equal to the original purchase price offered to such participant.

If the participant does not settle the outstanding loan in respect of his Share Incentive Scheme Shares by the 7th anniversary of the original offer date, the trustees of the Share Incentive Trust shall repurchase the relevant Share Incentive Scheme Shares at a price not exceeding the original purchase price of such Share Incentive Scheme Shares.

Of the total number of Share Incentive Scheme Shares currently held by participants of the Share Incentive Scheme, 100 200 of such shares are currently available for release. The original purchase prices relating to such Share Incentive Scheme Shares range from R5.25 to R6.53.

The table below details the number of Share Incentive Scheme Shares held by the Share Incentive Trust and those held by participants of the Share Incentive Scheme:

Number of Shares held	Share Incentive Trust	Participants	Total shares held by the Share Purchase Trust
Share Incentive Scheme for junior staff members (listed Metropolitan Shares)	–	100 200	100 200

Metropolitan repurchased 3 528 400 Unallocated Share Incentive Scheme Shares following the approval by the Metropolitan Shareholders of the Specific Repurchase of the Unallocated Shares at the General Meeting.

The loans granted by Metropolitan Life Limited to the Share Purchase Trust and to the Share Incentive Trust prior to the implementation of the Specific Repurchase of the Unallocated Shares are detailed below and are guaranteed by Metropolitan:

Loans granted	2009 R million
Loan from Metropolitan Life Limited to the Share Purchase Trust	52
Loan from Metropolitan Life Limited to the Share Incentive Trust	4
Loan from the Share Purchase Trust to senior staff members	26
Loan from the Share Incentive Trust to junior staff members	–

9.6.3. **The LTIS**

The LTIS has largely replaced the Share Purchase Scheme as the incentive scheme utilised by Metropolitan to attract, retain, motivate and reward senior employees ("eligible employees") of Metropolitan or any subsidiary of Metropolitan ("employer company"), including present and future directors holding salaried employment or office.

The LTIS is a phantom scheme in that an eligible employee does not acquire any shares or rights to Metropolitan Shares. Rather, eligible employees are awarded conditional participation units by the Metropolitan Board, which participation units, once vested, entitle the relevant employee ("participant") to receive a cash sum calculated with reference to the fair market value of a Metropolitan Share.

No consideration is payable by a participant for participation units, however, the participation units remain conditional until a date 3 years from the relevant award date ("the vesting date"), and are subject further to the satisfaction of certain performance criteria specified by the Metropolitan Board at the time of making the award.

If the performance criteria are satisfied, the participation units vest in the participant and the relevant employer company is required to pay the participant a cash sum, calculated by multiplying the number of participation units which vest in the participant by the fair market value of a Metropolitan Share at the relevant time ("the Cash Payment").

This paragraph is presented on the basis that the Transaction has not been implemented. Subject to what is stated below, the LTIS provides for an accelerated vesting of all conditional participatory units in the event that any one of certain trigger events occur, which include, *inter alia,* Metropolitan undergoing a change in control (as that term is defined in the LTIS). The Transaction constitutes a trigger event for the purposes of the LTIS and pursuant to the provisions of the LTIS, Metropolitan may:

- procure that the relevant employer companies pay to the participants the relevant Cash Payment within 30 days of the date upon which the change in control becomes effective, in this case the Merger Implementation Date; or
- allow the LTIS to continue unaffected and the accelerated vesting not to occur if, pursuant to the implementation of the Transaction, provision is made for the participants' rights to be accommodated on a basis which is determined by the auditors of Metropolitan to be fair and reasonable to participants.

The LTIS provides, however, that if a participant's employment is terminated for any reason whatsoever within 12 months of the occurrence of the trigger event, he or she will be entitled to the Cash Payment.

The MMI Board will decide on the appropriate course of action to be taken in respect of the LTIS within 30 days of the Unbundling Implementation Date.

9.7. **Specific Repurchase**

In accordance with the Articles of Association, the Listings Requirements and the Companies Act, the Specific Repurchase of the Unallocated Shares had to be approved by a special resolution of the Metropolitan Shareholders.

Extracts from the Articles of Association relating to a specific repurchase of Metropolitan Shares are set out in Annexure I to these Revised Listing Particulars.

9.8. **Voting rights and rights to dividends, profits or capital**

In accordance with the Articles of Association, Metropolitan Shareholders present in person or by proxy at general meetings of the Company, shall have one vote for every share held. Where Metropolitan Shareholders are required to vote in terms of the Listings Requirements, the votes attaching to the Share Purchase Scheme Shares which are not listed on the JSE will, by virtue of the provisions of the Listings Requirements, not be taken into account in determining either a quorum or for any approval of any resolution considered at any general meeting for purposes of the Listings Requirements, including the General Meeting.

In accordance with the Articles of Association and the conditions of approval issued by the Listings Division of the JSE, the votes attaching to the Preference Shares will be taken into account for purposes of determining a quorum at the General Meeting and for determining the results of the voting at the General Meeting, provided that the holders of such Preference Shares may not veto any Resolutions of Metropolitan that would otherwise have been passed by the holders of Metropolitan Shares. The Preference Share votes are not taken into account by Metropolitan in categorising transactions contemplated in Section 9 of the Listings Requirements, but the holders of Preference Shares can cast votes at a shareholders' meeting of Metropolitan convened to consider such transaction.

The Metropolitan Shares rank *pari passu* in respects of profits or capital distributions and liquidation distributions in respect of the winding up of Metropolitan. The Preference Shares are entitled to dividends as detailed in paragraph 9.5 above.

9.9. Variation of rights

The rights attaching to Metropolitan Shares may only be varied by a special resolution passed by the requisite majority of Metropolitan Shareholders in general meeting. Refer to the extract from the Articles of Association in Annexure I attached.

9.10. Share price history

Metropolitan's share price history on the JSE, for the period commencing 1 July 2007 and ending 26 August 2010, is summarised in Annexure H to these Revised Listing Particulars. On the Last Practicable Date, the closing price per share on the JSE was R16.15 and on the NSX was R16.22.

10. MAJOR SHAREHOLDERS OF MMI

10.1. Major shareholders after the Transaction and Specific Repurchase of the Unallocated Shares

Following implementation of the Specific Repurchase of the Unallocated Shares and the Unbundling, RMBH holds 17.8% of the fully diluted issued share capital of MMI. RMBH has publicly stated that it intends to increase its holding in MMI after the Transaction. The table below reflects the shareholdings in MMI exceeding 5% after the Transaction and Specific Repurchase of the Unallocated Shares, including RMBH's shareholding after the Unbundling but before any increase in its shareholding in MMI:

	Shares held (million)	% of issued share capital
RMBH	286	17.8
Public Investment Corporation Limited	203	12.7
KTI[(1)]	157	9.8
Financial Securities Limited (Remgro Limited)	81	5.1
Total	**727**	**45.4**

Note:

1. The total number of shares KTI controls comprise 100 081 139 Preference Shares (6.2%) and 56 743 508 MMI Shares (3.6%). SPV, a subsidiary of KTI, is the sole holder of the Preference Shares.

10.2. Controlling shareholder

MMI has no controlling shareholder and has not had a controlling shareholder in the last 5 years. Furthermore, there have been no changes to the trading objects of MMI and its subsidiaries during the last 5 years. After issue of the Consideration Shares but prior to the Unbundling, FirstRand had a 59.3% stake in MMI but there was no change of control following the implementation of the Transaction given the Unbundling and the undertaking by FirstRand not to vote the Consideration Shares.

11. DIRECTORS AND SENIOR MANAGEMENT

The information relating to the Metropolitan Directors, Momentum Directors, MMI Directors and senior management, including profiles, qualification, remuneration, interests and declarations, is detailed in Annexure K to these Revised Listing Particulars.

Extracts from the Articles of Association relating to:

- the appointment, qualification, retirement and remuneration of directors;
- borrowing and other powers of directors; and
- interests of directors,

are set out in Annexure I to these Revised Listing Particulars.

11.1. Directors' remuneration

The remuneration of the Metropolitan Directors for the year ended 31 December 2009 is set out in Annexure K. There will be no variation of the remuneration of the Metropolitan Directors as a result of the Transaction. The remuneration of the Momentum Directors for the 12 month period to 31 December 2009 is set out in Annexure K. At the annual general meeting of Metropolitan held on 25 May 2010, the remuneration of the non-executive directors for the 2010 financial year was approved as follows:

Designation	Salary/Fees R
Chairman	900 000
Non-executive director	300 000
Audit committee chairman	210 000
Audit committee members	120 000
Actuarial committee chairman	198 000
Actuarial committee members	99 000
Other committee chairman	132 000
Other committee members	66 000

The above remuneration will apply to the non-executive directors of MMI and will only be changed if recommended by the remuneration and nomination committee of MMI and approved by MMI Shareholders.

This paragraph is presented on the basis that the Transaction has not been implemented. The proposed remuneration for the executive directors of the MMI Board will be determined by the remuneration and nomination committee of MMI following the Transaction becoming unconditional.

12. DIVIDENDS AND DIVIDEND POLICY

12.1. Metropolitan

An extract from the Articles of Association concerning the dividend policy of Metropolitan is set out in Annexure I to these Revised Listing Particulars. The Company in general meeting or the directors may from time to time declare a dividend to be paid to the members according to their respective rights and interests in proportion to the number of shares held by them in each class of shares in respect whereof the dividend is payable. The dividend rights attaching to the Share Purchase Scheme Shares are set out in paragraph 9.6.1 above. Dividends shall be declared payable to members registered as such on a date at least fourteen days after the date of the declaration of the dividend.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of Metropolitan until claimed, provided that dividends unclaimed for a period of 3 years may be forfeited for the benefit of Metropolitan.

There are no arrangements in terms of which future dividends are waived or agreed to be waived.

12.2. Momentum

Momentum's historical dividend cover of approximately 2.5 times was previously determined by its holding company after taking cognisance of the actual versus targeted capital adequacy requirement cover ratio.

12.3. MMI

The MMI Board will determine the dividend policy for MMI and, to the extent necessary, procure the amendment of the Articles of Association by the MMI Shareholders. The dividend policy for ordinary listed shares will be implemented to provide shareholders with stable dividends, reflecting the MMI Board's long-term view on the expected underlying basic core headline earnings growth. Exceptions will be made from time to time, in order to account for, *inter alia*, volatile investment markets, capital requirements and changes in legislation. This dividend policy will be reviewed from time to time.

13. MATERIAL ACQUISITIONS AND DISPOSALS

13.1. Material acquisitions and disposals by Metropolitan

As at the Last Practicable Date, there were no material acquisitions or disposals with a value in excess of R100 million by Metropolitan or any of its subsidiaries within the last 3 years, other than the Merger.

The Revised Listing Particulars do not coincide, directly or indirectly, with the acquisition by Metropolitan or any of its subsidiaries of securities in or the business undertaking of any company, other than the acquisition of Momentum.

The Revised Listing Particulars do not coincide with any acquisitions or disposals by Metropolitan or any of its subsidiaries, of securities in or of the business undertaking of any other company in respect of each of the preceding 3 years, other than the subject of these Revised Listing Particulars.

13.2. Material acquisitions and disposals by Momentum

Details of material disposals with a value in excess of R100 million by Momentum or any of its subsidiaries within the last 3 years as at the date of this document are set out in Annexure Q to these Revised Listing Particulars. There were no material acquisitions with a value in excess of R100 million during this period other than the Merger.

14. MATERIAL CONTRACTS

14.1. Material contracts of Metropolitan

As at the Last Practicable Date, there were no material contracts entered into otherwise than in the ordinary course of business by Metropolitan in the 2 years prior to the Last Practicable Date, other than the Merger Agreement, the KTI Relationship Agreement and the KTI refinancing transaction disclosed in Annexure M. In addition, Metropolitan has not entered into any other material contracts at any time which contain an obligation or settlement that is material to Metropolitan at the Last Practicable Date. There are no royalties or items of a similar nature payable by Metropolitan that are material to Metropolitan.

14.2. Material contracts of Momentum

As at the Last Practicable Date, there were no material contracts entered into, otherwise than in the ordinary course of business by Momentum in the 2 years prior to the Last Practicable Date, other than the Merger Agreement and the FNB Strategic Relationship Agreement. In addition, Momentum has not entered into any other material contracts at any time which contain an obligation or settlement that is material to Momentum at the Last Practicable Date.

15. LITIGATION STATEMENT

The Metropolitan Directors are not aware of any legal or arbitration proceedings which may have, or have had in the past 12 months, a material effect on the financial position of Metropolitan or the Metropolitan Group. The Metropolitan Board is not aware of any such proceedings that are pending or threatened. The Momentum Directors are not aware of any legal or arbitration proceedings which may have, or have had in the past 12 months, a material effect on the financial position of Momentum or the Momentum Group. The Momentum Directors are not aware of any such proceedings that are pending or threatened.

16. CORPORATE GOVERNANCE

The MMI Directors will continue to implement, apply and comply with all principles of good corporate governance as contained in the King Code. Metropolitan's corporate governance policies and principles which will be followed by MMI, are outlined below and in Annexure J. The MMI Board will appoint members to the various committees such as the audit, remuneration and nomination committees in compliance with the King Code.

Metropolitan is committed to the principles of the Code on Corporate Practices and Conduct as espoused in the King Code. While Metropolitan is currently applying King II, it is in the process of evaluating its existing governance regime in terms of King III. Metropolitan's business philosophy is informed by its values, which include being a good corporate citizen, integrity, accountability, responsibility and its desire to be the leading financial services provider on the African continent. Appropriate best practice is adopted and monitored in the countries where it has operations. Metropolitan has its primary listing on the JSE and a secondary listing on the NSX. Metropolitan complies in all material respects with the regulations and codes of these exchanges as they apply to Metropolitan.

Refer to Annexure J to these Revised Listing Particulars for further information on Corporate Governance.

17. PRINCIPAL IMMOVABLE PROPERTIES OWNED AND LEASED

Details of the principal immovable properties owned and principal immovable properties leased for a rental amount in excess of R50 000 per month by MMI and any of its subsidiaries, including Momentum, are set out in Annexure L to these Revised Listing Particulars.

18. GOVERNMENT PROTECTION AND ENCOURAGEMENT LAW

The relevant subsidiaries of MMI are licenced as financial service providers, long-term insurers, short-term insurers, medical aid providers and pension fund providers in terms of the Financial Advisory and Intermediary Service Act, 2002 (Act 37 of 2002), Long-term Insurance Act, 1998 (Act 52 of 1998), Short-term Insurance Act, 1998 (Act 53 of 1998), Medical Schemes Act, 1998 (Act 131 of 1998) and Pension Funds Act, 1956 (Act 24 of 1956), respectively and comply with the National Credit Act, 2005 (Act 34 of 2005), Security Services Act and Collective Investment Schemes Control Act, 2002 (Act 45 of 2002). Apart from the aforementioned legislation, there are no other government protection or investment encouragement laws affecting MMI or its subsidiaries, nor have there been for the preceding financial year.

19. EXCHANGE CONTROL APPROVAL

In terms of the Exchange Control Regulations:
- the share certificates of emigrants will be endorsed and deposited with the authorised dealer controlling such emigrants' blocked assets;
- the CSDP or broker of Holders of Dematerialised Shares should ensure that all requirements of Exchange Control are adhered to in the event that their clients are emigrants;
- the share certificates of non-resident shareholders will be endorsed "non-resident"; and
- the CSDP or broker of Holders of Dematerialised Shares should ensure that all requirements of Exchange Control are adhered to in the event that their clients are non-resident shareholders.

Metropolitan has, to the extent necessary, obtained the approval from the Exchange Control Department of the South African Reserve Bank in order to implement the Merger.

20. EXPERTS' CONSENTS

The financial advisors, sponsors, legal advisors, reporting accountants, auditors, actuaries and transfer secretaries have given their written consents to their names and reports, where applicable, appearing in these Revised Listing Particulars in the form and context in which they appear and have not withdrawn their consents prior to its publication.

21. COMMISSIONS

No amounts are payable or have been paid, nor have any other benefits accrued, to any promoter of Metropolitan during the 3 years preceding the date of these Revised Listing Particulars.

No commissions are payable or have been paid by Metropolitan in respect of any underwriting or sub-underwriting arrangements during the 3 years preceding the date of these Revised Listing Particulars. No commissions, discounts, brokerages or other special terms have been granted by Metropolitan in respect of the issue of any equity or debt instrument during the 3 years preceding the date of these Revised Listing Particulars.

Metropolitan has not entered into any promoters' agreements during the 3 years preceding the date of issue of these Revised Listing Particulars. Accordingly, there were no payments made to promoters within the 3 years prior to the Last Practicable Date nor are there any promoters' interests in securities of Metropolitan.

No director holds any material beneficial interest in the promotion of Metropolitan or in any material acquisition or proposed acquisition of Metropolitan or has done so for the 3 years preceding the date of these Revised Listing Particulars. Save as set out in Annexure K, no payments have been made or have been agreed to be made within the 3 years preceding the date of these Revised Listing Particulars to any director for services rendered by him in connection with the promotion or formation of Metropolitan.

22. EXPENSES

The expenses or estimated expenses incurred by Metropolitan in relation to the Specific Repurchase of the Unallocated Shares and the Transaction, inclusive of value-added tax, are set out in detail in the table below:

	R'000
Edward Nathan Sonnenbergs	10 718
Fidelis Partners	9 060
PricewaterhouseCoopers	8 783
Deloitte	2 177
Various for Due Diligence Investigations	1 657
JSE Listing Fees	847
Documentation Printing and Posting	300
Competition Commission Filing Fees	175
JSE Inspection Fees	62
Total	**33 779**

The expenses or estimated expenses incurred by Momentum in relation to the Transaction, inclusive of value-added tax, are set out in detail in the table below:

	R'000
Rand Merchant Bank	25 080
Webber Wentzel	8 550
Various for Due Diligence Investigations	2 492
PricewaterhouseCoopers	1 313
Documentation Printing and Posting	799
Competition Commission Filing Fees	200
Total	**38 434**

There were no preliminary expenses or issues expenses incurred within the 3 years preceding the date of these Revised Listing Particulars.

23. MATERIAL LOANS

23.1. Loans receivable

A schedule of material loans (being loans greater than R20 million) receivable by Metropolitan is set out in Annexure O to these Revised Listing Particulars. Momentum does not have any material loans greater than R20 million. No loans have been made or security furnished by Metropolitan for the benefit of any director or manager of Metropolitan. No loans have been made or security furnished by Momentum for the benefit of any director or manager of Momentum.

23.2. Loans payable and inter-company loans

Material loans payable and all inter-company loans (payable or receivable) of Metropolitan that are greater than R20 million are listed in Annexure N to these Revised Listing Particulars.

Material loans payable and all inter-company loans (payable or receivable) of Momentum that are greater than R20 million are listed in Annexure N to these Revised Listing Particulars.

24. DIRECTORS' RESPONSIBILITY STATEMENT

The Metropolitan Directors whose names are given in paragraph 1.1 of Annexure K to these Revised Listing Particulars, collectively and individually, accept full responsibility for the accuracy of the information in these Revised Listing Particulars only in relation to Metropolitan and specifically not the information relating to Momentum, and certify that, to the best of their knowledge and belief, no other facts have been omitted which would make any statement in these Revised Listing Particulars false or misleading and that they have made all reasonable enquiries to ascertain such facts and that these Revised Listing Particulars contain all information required by law and the Listings Requirements.

The Momentum Directors, whose names are given in paragraph 1.2 of Annexure K to these Revised Listing Particulars, collectively and individually, accept full responsibility for the accuracy of the information in these Revised Listing Particulars only in relation to Momentum and specifically not the information relating to Metropolitan, and certify that, to the best of their knowledge and belief, no other facts have been omitted which would make any statement in these Revised Listing Particulars false or misleading and that they have made all reasonable enquiries to ascertain such facts and that these Revised Listing Particulars contain all information required by law and the Listings Requirements.

25. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by MMI Shareholders from the date of these Revised Listing Particulars, dated 6 September 2010, up to and including 28 September 2010, during normal business hours on weekdays (excluding official South African or Namibian public holidays) at the registered office of Metropolitan, being 7 Parc du Cap, Mispel Road, Bellville, Cape Town, and at the offices of the transfer secretaries at their respective offices in Johannesburg and Windhoek and at the registered offices of FirstRand and Momentum, being 268 West Avenue, Centurion, Johannesburg:

i. the memorandum and Articles of Association of Metropolitan and its subsidiaries;
ii the articles of association of Momentum;
iii. the audited financial statements of Metropolitan for the 3 financial years ended 31 December 2007, 2008 and 2009;
iv. the independent reporting accountants' report on the unaudited *pro forma* financial information of MMI;
v. the audited financial statements of Momentum for the 3 financial years ended 30 June 2007, 2008, 2009, reviewed results for the 12 months ended 31 December 2009 and reviewed financial statements for the 6 months ended 31 December 2009;
vi. the independent reporting accountants' report on the historical financial information of Momentum covering the audited financial statements of Momentum for the 3 financial years ended 30 June 2007, 2008, 2009 and reviewed financial statements for the 6 months ended 31 December 2009;
vii. the consent letters from the advisors;
viii. a signed copy of these Revised Listing Particulars;
ix. the Merger Agreement and all addenda thereto;
x. material contracts as detailed in Annexure M;
xi. the Share Incentive Trust deed, the Share Purchase Trust deed and the deed constituting the LTIS;
xii. copies of directors' declarations in terms of Schedule 21 for Metropolitan Directors; and
xiii. the FNB Strategic Relationship Agreement.

Signed by Wilhelm van Zyl and Syd Muller under power of attorney granted to them by each director of Metropolitan.

Wilhelm van Zyl
Chief Executive Officer

Syd Muller
Non-executive director

Bellville, Cape Town
6 September 2010

By order of the Momentum Board

Francois Jooste
Company Secretary

Centurion, Johannesburg
6 September 2010

ANNEXURE A

HISTORICAL FINANCIAL INFORMATION OF METROPOLITAN

The report of historical financial information set out below has been provided by Metropolitan and is the responsibility of the Metropolitan Directors. The financial information has been prepared in accordance with IFRS and has been extracted from the audited annual financial statements of Metropolitan for the years ended 31 December 2009, 2008 and 2007. The annual financial statements were audited by PricewaterhouseCoopers and reported on without qualification.

There have been no material changes relating to the nature of business and financial position of Metropolitan and its subsidiaries between the financial year ending 31 December 2009 and the Last Practicable Date, other than the Merger. In addition, there has not been any material fact or circumstance that occurred between the end of the latest financial year of Metropolitan and the date of these Revised Listing Particulars.

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES

At 31 December

	Group		
	2009 Rm	2008 Rm	2007 Rm
REPORTING BASIS			
Total assets per statement of financial position	71 571	69 613	75 183
Actuarial value of policy liabilities	(59 278)	(57 232)	(61 782)
Other liabilities per statement of financial position	(5 514)	(6 393)	(6 460)
Minority interests per statement of financial position	(167)	(141)	(124)
Excess	6 612	5 847	6 817
Net assets – other businesses	(721)	(934)	(1 102)
Excess – long-term insurance business (1)	5 891	4 913	5 715
	Insurance business (1)		
Change in excess – long-term insurance business (1)	978	(802)	(121)
Increase in share capital	(25)	(39)	(12)
Acquisition of Union Life Ltd			(54)
Metropolitan Nigeria	(74)		
Change in other reserves	18	(45)	(36)
Dividend paid	336	1 053	1 606
Total surplus arising	1 233	167	1 383
Analysis of surplus arising			
Operating profit	634	734	754
Investment income on excess	313	309	289
Net realised and fair value gains/(losses) on excess	397	(329)	364
Investment variances (2)	279	(387)	29
Basis and other changes (note 19)	(390)	(197)	(180)
Employee benefit assets/obligations	–	37	48
Deferred tax			79
Total surplus arising	1 233	167	1 383
Net consolidation adjustments	125	75	217
Income tax expenses/(credits)	357	(170)	549
Finance costs	46	49	47
Results of long-term insurance business (1)	1 761	121	2 196
Results of other businesses	73	(277)	289
Results of operations per income statement	1 834	(156)	2 485
STATUTORY BASIS			
Reporting excess – long-term insurance business	5 891	4 913	5 715
Disregarded assets in terms of statutory requirements (3)	(553)	(489)	(293)
Capital adjustments	501	300	91
Statutory excess – long-term insurance business	5 839	4 724	5 513
Capital adequacy requirement (CAR) (Rm) (4)	2 090	2 336	1 609
Ratio of long-term insurance business excess to CAR	2.8	2.0	3.4

(1) The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group. It includes minority interests and other items, which are eliminated on consolidation. It excludes non-insurance business.

(2) Investment variances reflect the impact of actual investment returns on the value of future expense recoveries and the movements of the PGN110 (Allowance for embedded investment derivatives) liability.

(3) Disregarded assets are those as defined in the South African Long-term Insurance Act and are only applicable to South African long-term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators.

(4) The capital adequacy requirement is included in retained earnings and must be maintained as statutory capital.

STATEMENT OF FINANCIAL POSITION

At 31 December

	Group			
	2009 Rm	2008 Rm	2007 Rm	Notes
ASSETS				
Intangible assets	464	525	562	1
Owner-occupied properties	690	678	592	2
Property and equipment	202	186	233	3
Investment properties	3 193	3 031	2 710	4
Investment in associates	856	663	405	6
Investment in joint ventures	–	35	61	7
Employee benefit assets	232	248	177	22.1
Financial instruments				
Designated as at fair value through income	54 441	50 795	58 264	8.1
Held for trading	718	1 764	850	8.3
Available-for-sale	2	5	7	8.4
Loans and receivables	1 040	1 128	1 193	9
Insurance and other receivables	1 579	1 507	1 476	10
Deferred income tax	10	12	15	11
Reinsurance contracts	242	212	179	12
Current income tax assets	200	14	–	24.1
Cash and cash equivalents	7 702	8 810	8 274	13
Non-current assets held for sale	–	–	185	4
Total assets	71 571	69 613	75 183	
EQUITY				
Equity attributable to owners of the parent	6 612	5 847	6 817	
Share capital	183	51	19	14
Other components of equity	528	532	495	15
Retained earnings	5 901	5 264	6 303	
Minority interests	167	141	124	
Total equity	6 779	5 988	6 941	
LIABILITIES				
Insurance contract liabilities				
Long-term insurance contracts	35 807	32 023	33 397	16
Capitation contracts	2	2	1	17
Financial instruments				
Investment contracts	23 471	25 209	28 385	18
– with discretionary participation features	12 022	11 278	14 273	
– designated as at fair value through income	11 449	13 931	14 112	
Designated as at fair value through income	301	272	635	20
Held for trading	787	1 498	858	8.3
Amortised cost	1 220	1 349	1 370	21
Deferred income tax	394	127	492	11
Employee benefit obligations	202	188	252	22.2
Other payables	2 601	2 934	2 545	23
Current income tax liabilities	7	23	307	24.1
Total liabilities	64 792	63 625	68 242	
Total equity and liabilities	71 571	69 613	75 183	

INCOME STATEMENT

For the year ended 31 December

	Group 2009 Rm	Group 2008 Rm	Group 2007 Rm	Notes
Insurance premiums	10 635	10 803	9 084	
Insurance premiums ceded to reinsurers	(395)	(398)	(369)	
Net insurance premiums	10 240	10 405	8 715	25
Fee income	1 185	1 071	903	26
Investment contracts	67	94	97	
Trust and fiduciary services	159	144	93	
Other fee income	959	833	713	
Investment income	3 995	4 396	3 613	27
Net realised and fair value gains/(losses)	4 642	(8 484)	4 407	28
Net income	20 062	7 388	17 638	
Insurance benefits and claims	8 793	8 399	6 474	
Insurance claims recovered from reinsurers	(327)	(330)	(242)	
Net insurance benefits and claims	8 466	8 069	6 232	29
Change in liabilities	4 565	(4 468)	4 175	
Change in insurance contract liabilities	3 852	(1 451)	2 577	30
Change in investment contracts with DPF liabilities	747	(2 990)	1 562	30
Change in reinsurance provisions	(34)	(27)	36	12
Fair value adjustments on investment contract liabilities	1 235	189	1 518	
Fair value adjustments on collective investment scheme liabilities	7	18	13	
Depreciation, amortisation and impairment expenses	148	221	169	31
Employee benefit expenses	1 549	1 269	1 145	32
Sales remuneration	987	1 095	1 004	33
Other expenses	1 271	1 151	897	34
Expenses	18 228	7 544	15 153	
Results of operations	1 834	(156)	2 485	
Finance costs	(168)	(188)	(174)	35
Share of profit/(loss) of associates	3	(2)	5	6
Share of loss of joint venture	–	(26)	–	7
Profit/(loss) before tax	1 669	(372)	2 316	
Income tax (expenses)/credits	(523)	77	(788)	24.2
Earnings for year	1 146	(295)	1 528	
Attributable to:				
Owners of the parent	1 129	(319)	1 503	36
Minority interests	17	24	25	
	1 146	(295)	1 528	
Basic earnings per share (cents)	214	(61)	280	
Diluted earnings per share (cents)	188	(27)	232	
Dividends per share (cents)	100	95	95	

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Group			
	2009 Rm	2008 Rm	2007 Rm	Notes
Earnings for year	1 146	(295)	1 528	
Other comprehensive income for the year, net of tax	(10)	40	71	
Exchange differences on translating foreign operations	(37)	16	6	
Land and buildings revaluation	29	30	90	15
Other	2	–	–	
Income tax relating to components of other comprehensive income	(4)	(6)	(25)	15
Total comprehensive income for the year	1 136	(255)	1 599	
Total comprehensive income attributable to:				
Owners of the parent	1 129	(283)	1 573	
Minority interest	7	28	26	
	1 136	(255)	1 599	

2007 Restated

The 2007 figures have been restated to include a statement of comprehensive income in accordance with IAS 1 – Presentation of financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Group						
	Share capital Rm	Retained earnings Rm	Other components of equity Rm	Total attributable to owners of the parent Rm	Minority interest Rm	Total Rm	Notes
Balance at 1 January 2007	(136)	6 417	413	6 694	109	6 803	
Total comprehensive income		1 503	70	1 573	26	1 599	
Dividend paid		(926)		(926)	(49)	(975)	
Employee share scheme – value of services provided			12	12		12	15
Net change in minority interest					38	38	
Acquisition of HTG Life (renamed Union Life)					36	36	
Acquisition of DirectFin Solutions					(1)	(1)	
Sale of shares in Metropolitan Life (Namibia) Ltd					(4)	(4)	
Acquisition of Metropolitan Retirement Administrators					7	7	
Staff scheme shares released	105			105		105	
Shares repurchased and cancelled		(691)		(691)		(691)	
Decrease in treasury shares held on behalf of contract holders	50			50		50	
Balance at 1 January 2008	19	6 303	495	6 817	124	6 941	
Total comprehensive income		(319)	36	(283)	28	(255)	
Dividend paid		(520)		(520)	(12)	(532)	
Employee share scheme – value of services provided			4	4		4	15
Transfer from land and buildings reserve		3	(3)	–		–	15
Other					1	1	
Staff scheme shares released	31			31		31	
Shares repurchased and cancelled		(203)		(203)		(203)	
Decrease in treasury shares held on behalf of contract holders	1			1		1	
Balance at 1 January 2009	51	5 264	532	5 847	141	5 988	
Total comprehensive income		1 130	(1)	1 129	7	1 136	
Dividend paid		(497)		(497)	(17)	(514)	
Employee share scheme – value of services provided			1	1		1	15
Transfer from land and buildings reserve		4	(4)	–		–	15
Joint venture reallocated to subsidiaries					36	36	
Conversion of preference shares – net of share issue costs	114			114		114	14
Staff scheme shares released	17			17		17	
Decrease in treasury shares held on behalf of contract holders	1			1		1	
Balance at 31 December 2009	183	5 901	528	6 612	167	6 779	

Capital adequacy

The capital adequacy requirement of the long-term insurance companies is included in retained earnings and must be maintained as statutory capital.

2007 Restated

The 2007 figures have been restated to include a statement of comprehensive income in accordance with IAS 1 – Presentation of financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Group 2009 Rm	Group 2008 Rm	Group 2007 Rm	Notes
Cash flow from operating activities				
Cash (utilised in)/generated by operations	(3 437)	(1 799)	615	37.1
Interest received	2 738	2 688	2 243	
Dividends received	866	1 339	1 020	
Income tax paid	(460)	(589)	(546)	37.2
Interest paid	(182)	(184)	(166)	37.3
Net cash (out)/inflow from operating activities	(475)	1 455	3 166	
Cash flow from investing activities				
Acquisition of subsidiaries – net cash paid			(63)	38
Transfer of joint venture to subsidiary: net cash received	42	–	–	38
Acquisition of joint ventures			(66)	
Acquisition of associate	–	(41)	–	
Loans (advanced to)/repaid by related parties	(27)	50	179	
Dividend from associates	4	4	2	
Purchases of owner-occupied properties	(7)	(1)	(2)	
Purchases of property and equipment	(100)	(146)	(135)	
Purchases of intangible assets	(30)	(29)	(30)	
Net cash (out)/inflow from investing activities	(118)	(163)	(115)	
Cash flow from financing activities				
Share issue costs on conversion of preference shares	(3)	–	–	
Shares repurchased and cancelled	–	(203)	(691)	
Finance leases repaid	(1)	(1)	(2)	
Increase/(repayment) of other borrowings	3	(24)	–	
Dividend paid to equity holders	(497)	(520)	(926)	
Dividend paid to minority shareholders	(17)	(12)	(49)	
Net cash outflow from financing activities	(515)	(760)	(1 668)	
Net cash flow	(1 108)	532	1 383	
Effect of foreign exchange rate changes	–	4	4	
Cash resources and funds on deposit at beginning	8 810	8 274	6 887	
Cash resources and funds on deposit at end	7 702	8 810	8 274	13

REVIEW OF OPERATIONS

Operating environment

The investment markets remained extremely turbulent and unpredictable throughout the year, long bond interest rates increased further. Increased inflation and extensive job losses put pressure on our clients' disposable income, as well as on the group's capital and operating profits during the year.

Salient features and highlights

- Diluted core headline earnings per share for the year held up well in a difficult environment, decreasing by only 7% over 2008 – 5% better than the 2009 half-year results comparison.
- Earnings and headline earnings, boosted by mark-to-market gains, increased significantly when compared to the loss disclosed in the prior year.
- The general economic slow-down affected growth in operating profit across the group.
- Total recurring new business premium income fell 9%, while the value of new insurance business declined 52%, driven primarily by the performance of the direct marketing channel.
- Investment income on shareholder assets was in line with the previous year and expectations.
- The economic capital requirement of the group remained stable, reducing marginally to R4.3 billion, mainly as a result of a decline in projected economic volatilities and improved capital modelling.
- The group's overall capital position improved, resulting in a strong group statutory capital adequacy requirement (CAR) cover of 3.7 times.
- Embedded value per share increased from 1 709 cents (31 December 2008) to 1 811 cents, despite the group paying out 95 cents per share in dividends.
- Cash flows from clients came under pressure during the year; net inflows of R1.5 billion were recorded by the group.
- The ordinary dividend per share was increased to 100 cents, reflecting the improved operating outlook.

Operational overview

Retail

- New business PVP (present value of expected premiums) ended 32% lower, primarily as a result of the closure of loss-making products.
- The mix of new recurring business sold during the period changed, with a switch from savings to risk policies.
- The increasingly difficult conditions experienced by consumers led to a higher propensity to lapse or surrender life insurance policies. However, ongoing focused management action in this area resulted in better overall persistency during the year than would have been expected in the current economic conditions.
- The direct marketing partnership, which was extensively scaled back during the year, had a negative impact on both operating profit and value of new business (VONB).
- The retail new business margin fell from 2.8% to 1.6% (PVP basis) as a result of higher discount rates, poor persistency at direct marketing and the new commission and early terminations dispensation for savings business.
- Operating profit decreased by 15%, dampened by lower average investment assets, the effects of the worsening economic environment on certain product lines and increased new business strain on the sale of investment products following the implementation of higher minimum surrender values and the new commission regulations.

Corporate

- Good single premium new business resulted in a 13% increase in new business PVP.
- In addition, a significant volume of off balance sheet administration business was written on the new Neon product.
- Risk margins remained under pressure throughout the period, dampening operating profits compared to 2008.
- The new business PVP margin increased from 0.8% to 0.9%, reflecting the improved volumes and changes in the business mix.
- Although the growth in off balance sheet administration business did not contribute to new business premium income, it did impact the new business margin as it assisted with the recovery of costs and boosted the value of new business.
- Operating profit ended 8% down, reduced by lower asset-based fees and weaker risk profits.

International

- New business recurring premium income, from all seven operations, was boosted by the inclusion of the "new" countries and good performance in Lesotho, growing 10% compared to 2008.
- With the inclusion of all operations in the number for the first time, a reduced new business margin of 2.0% (PVP) was recorded.
- We continue to seek strategic alliances and partners in the countries where we operate, particularly in Kenya, Swaziland and Lesotho.
- Total operating profit fell 5% as a result of higher start-up losses in the northern operations and increased claims on group business, as well as the negative effect of a volatile exchange rate and tough operating conditions in all markets.

Asset management

- The value of new business, comprising collective investment inflows and third-party mandates, remained flat at R39 million.
- MetAM delivered good absolute and relative investment performance over the period, with a particularly strong delivery on equity mandates.
- Net inflows of R1.5 billion were recorded for the year.
- Operating profit, however, declined by 6% as a result of administration margin compression and lower average investment asset levels.

Health (MHG)

- New business flows increased, mostly as a result of the tremendous growth in membership of the Government Employees Medical Scheme (GEMS).
- Total principal members under administration, including franchise, at the year-end were 855 000 (over two million lives), confirming MHG's status as South Africa's largest administrator of restricted medical schemes.
- As a result of the continued growth in members, together with improved operational efficiencies, operating profit before tax increased by 8%.
- Operating profit after tax was reduced by STC on a dividend paid to Metropolitan Holdings during 2009.

Capital management

- The investment markets remained extremely volatile and unpredictable, both locally and internationally.
- The group actively monitored its capital position throughout the year in order to protect shareholder capital.
- Dynamic asset allocation, capital protection and other strategies were applied where deemed appropriate.
- Smoothed bonus funds recovered during the year, with all funds ending the year with strong funding levels well in excess of the 92.5% reporting threshold.
- The year-end economic capital required by the Metropolitan group was R4.3 billion, 2.1 times the statutory requirement.
- The actual capital held by the group at year-end exceeded this requirement by approximately R2 billion.
- The operations remained well capitalised, with a group CAR cover ratio of 3.7 times.

DEFINITIONS USED IN THE GROUP ACCOUNTING POLICIES

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 financial soundness valuation basis. These changes are reflected in the income statement as they occur.

Bonus stabilisation reserves (BSRs)
Bonus stabilisation reserves 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. BSR is an actuarial term that constitutes either an asset or liability in accounting terms. The BSRs are included in contract holder liabilities.

Capital adequacy requirement (CAR)
The CAR is a minimum statutory capital requirement for South African life insurance companies that is prescribed in PGN104 – Valuation of long-term insurers. CAR does not form part of the contract holder liabilities and is covered by the shareholder assets.

Capitation contracts
Capitation contracts are those under which the group accepts significant health benefit risk from medical schemes (the contract holder) by agreeing to indemnify the scheme against a defined set of the scheme benefits (the covered event) in return for a capitation fee.

Cash generating units
A cash generating unit 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 financial soundness valuation basis prescribed in PGN104 – Valuation 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 financial soundness valuation basis. These reserves are held in the contract holder liabilities and released over time in the operating profit should experience be in line with these best estimates.

Discretionary margins
In addition to compulsory margins, insurance companies may hold further discretionary margins where the statutory actuary believes that:
- the compulsory margins are insufficient for prudent reserving; or
- company practice or policy design justifies the deferment of profits.

Discretionary participation feature (DPF)
A discretionary participation feature 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 control
Effective control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying an interest equivalent to more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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)
The embedded value is defined as the value of in-force business plus the shareholder net assets adjusted to fair value.

Financial soundness valuation (FSV)
The financial soundness valuation basis is prescribed by PGN104 – Valuation 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 discretionary participation features.

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.

Joint control
Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

New business profit margin
New business profit margin is defined as the value of new business expressed as a percentage of the annualised premium equivalent (APE) or a percentage of the present value of future premiums (PVP).

Notional value
The notional value is a numeric representation of the extent of the investment in a derivative financial instrument with disregard to fair value.

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.

Professional guidance notes (PGN)
The Actuarial Society of South Africa issues professional guidance notes applicable to various areas of financial reporting and practice that require actuarial input.

Related party transactions – key personnel
Key management personnel are those persons, including close members of their families, having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group. For the group, the Executive Committee members are considered to be key management personnel.

DEFINITIONS (continued)

Risk discount rate
The risk discount rate is the rate at which future expected profits (i.e. compulsory and discretionary margins) are discounted when calculating the value of in-force business or the value of new business.

Significant influence
Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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.

Useful life
Useful life is the period over which an asset is expected to be available for use by the group.

Value of in-force business (VoIF)
The value of in-force business is the discounted present value of future after-tax profits from the life insurance book, less the cost of capital at risk. The discounted value of future after-tax profits comprises the value of the compulsory margins prescribed in the financial soundness valuation basis plus the value of additional discretionary margins held by the insurance company.

Value of new business
The value of new business is the discounted present value of expected future after-tax (including STC) profits from new business at point of sale less the cost of capital at risk. Allowance is made for all expenses associated with underwriting, selling, marketing and administration incurred in the effort of obtaining new business.

GROUP ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE STATEMENTS

The financial statements, as set out above, have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these statements. The figures have been restated to align all years to the 2009 group financial statements. Refer to page 68 for details of the restatements.

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 properties;
- investment properties;
- financial assets designated as at fair value through income, held for trading and available-for-sale;
- investment contract liabilities designated as at fair value through income, other financial liabilities designated as at fair value through income and held for trading liabilities.

Other measurement basis

- insurance contracts and investment contracts with DPF valued using the financial soundness valuation basis as set out in PGN104 – Valuation of long-term insurers;
- employee benefit obligations measured using the projected unit credit method;
- investments in associates and joint ventures measured using the equity method of accounting.

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. These judgements, assumptions and estimates are disclosed in detail in the notes to the annual financial statements and in a summary on page 67.

Published standards, amendments and interpretations effective in 2009

The following published standards are mandatory for the group's accounting period beginning on or after 1 January 2009 and have been implemented in accordance with the transitional provisions of these standards:

- IAS 1 (Revised) – Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses ('non-owner changes in equity') in the statement of changes in equity, requiring all such income and expense items to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement. The group has elected to present two performance statements (the income statement and statement of comprehensive income) instead of one. Where entities restate or reclassify comparative information, a restated statement of financial position as at the beginning of the comparative period is required.
- IFRS 2 (Amendment) – Share-based payment. The amendment clarifies that vesting conditions include only service conditions and performance conditions. These features would need to be included in the fair value at grant date for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or the valuation thereof subsequent to the grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This standard did not have a material impact on the group's financial statements.
- IFRS 7 (Amendment) – Financial instruments disclosures: Improving disclosures about financial instruments. The amendments to IFRS 7 require enhanced disclosures about fair value measurements and liquidity risk. These additional requirements have been disclosed in the group's financial statements for the first time. The amendments provide that for the first year of application, an entity need not provide comparative information for the new disclosures required. The group has therefore only shown the current year information relating to these disclosures.
- IFRIC 16 – Hedges of a net investment in a foreign operation. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21 – The effects of changes in foreign exchange rates – apply to the hedged item. This interpretation did not have any impact on the group's financial statements.

- AC 503 (Revised) – Accounting for black economic empowerment transactions. As a result of the amendments made to IFRS 2, this standard was amended to take into account the amended definition of vesting conditions and the accounting treatment of non-vesting conditions. This revision had no impact on the group's financial statements.

Improvements project amendments

- IFRS 7 (Amendment) – Financial instruments disclosures. The conflict between IFRS 7 and IAS 1 regarding the set off of finance costs has been eliminated.
- IAS 1 (Amendment) – Presentation of financial statements. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading are examples of current assets and liabilities respectively. This amendment did not have an impact on the group's financial statements.
- IAS 19 (Amendment) – Employee benefits. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. This amendment did not have a material impact on the group's financial statements.
- IAS 28 (Amendment) – Investments in associates and IAS 31 (Amendment) – Interests in joint ventures. These amendments clarify the disclosure requirements for an investment in an associate and a joint venture that is accounted for in accordance with IAS 39. This amendment did not have an impact on the group's financial statements as the necessary disclosures were already given.
- IAS 36 (Amendment) – Impairment of assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made. The amendment did not have an impact on the group's financial statements.
- IAS 38 (Amendment) – Intangible assets. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment also deletes the wording that states there is 'rarely, if ever' support for the use of a method that results in a lower rate of amortisation than the straight-line method. This amendment did not have an impact on the group's financial statements.
- IAS 39 (Amendment) – Financial instruments: Recognition and measurement. The definition of a financial asset or financial liability at fair value through income has been amended to clarify that a financial asset or liability forming part of a portfolio of financial instruments managed together with evidence of a recent pattern of actual short-term profit-taking, is included in such a portfolio on initial recognition. This amendment also clarifies certain aspects relating to hedging instruments which are not currently applicable for the group. This amendment did not have an impact on the group's financial statements.
- IAS 40 (Amendment) – Investment property. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is therefore measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. This amendment did not have an impact on the group's financial statements.
- There are a number of minor amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors, IAS 10 – Events after the reporting period, IAS 18 – Revenue and IAS 34 – Interim financial reporting. These amendments did not have an impact on the group's financial statements.

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

- IFRS 1 (Amendment) – First time adoption of IFRS and IAS 27 – Consolidated and separate financial statements
- IAS 23 – Borrowing costs (revised)
- IAS 32 (Amendment) – Financial instruments: Presentation and IAS 1 (Amendment) – Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation
- IFRIC 13 – Customer loyalty programmes
- IFRIC 15 – Agreements for the construction of real estate

Improvements project amendments

- IAS 16 (Amendment) – Property, plant and equipment;
- IAS 20 (Amendment) – Accounting for government grants and disclosure of government assistance;
- IAS 23 (Amendment) – Borrowing costs;
- IAS 27 (Amendment) – Consolidated and separate financial statements;
- IAS 29 (Amendment) – Financial reporting in hyperinflationary economies;
- IAS 41 (Amendment) – Agriculture.

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

- IAS 27 (Revised) – Consolidated and separate financial statements (effective from annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This standard is not expected to have an impact on the group's financial statements.
- IFRS 3 (Revised) – Business combinations (effective from annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently being re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are to be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- AC 504 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment (effective from annual periods beginning on or after 1 April 2009). This standard provides guidance on the application of IFRIC 14 in South Africa.

Improvements project amendments (effective from annual periods beginning on or after 1 January 2010 unless otherwise stated)

- IFRS 2 (Amendment) – Share based payments (effective from annual periods beginning on or after 1 July 2009);
- IFRS 8 (Amendment) – Operating segments;
- IAS 1 (Amendment) – Presentation of financial statements;
- IAS 7 (Amendment) – Statement of cash flows;
- IAS 17 (Amendment) – Leases;
- IAS 18 (Amendment) – Revenue recognition (amendment to non-mandatory guidance);
- IAS 24 (Amendment) – Related party disclosures (effective from annual periods beginning on or after 1 January 2011);
- IAS 32 (Amendment) – Classification of rights issues (effective from annual periods beginning on or after 1 February 2010);
- IAS 36 (Amendment) – Impairment of assets;
- IAS 38 (Amendment) – Intangible assets (effective from annual periods beginning on or after 1 July 2009);
- IAS 39 (Amendment) – Financial instruments: recognition and measurement (effective from annual periods beginning on or after 1 July 2009 and 1 January 2010);
- IFRS 9 – Financial Instruments (effective from annual periods beginning on or after 1 January 2013);
- IFRIC 9 (Amendment) – Reassessment of embedded derivatives (effective from annual periods beginning on or after 1 July 2009);
- IFRIC 14 (Amendment) – Prepayments of a minimum funding requirement (effective from annual periods beginning on or after 1 January 2011).

Management is currently assessing the impact of these changes but they are not expected to have a material impact on the group's financial statements.

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

- IAS 27 (Revised and amended) – Consolidated and separate financial statements (effective from annual periods beginning on or after 1 July 2009);
- IFRIC 17 – Distribution of non-cash assets to owners (effective from annual periods beginning on or after 1 July 2009);
- IFRIC 18 – Transfers of assets from customers (effective from annual periods beginning on or after 1 July 2009).

Improvements project amendments

- IFRS 1 (Amendment) – First time adoption of International Financial Reporting Standards (effective from annual periods beginning on or after 1 July 2010);
- IFRS 5 (Amendment) – Non-current assets held-for-sale and discontinued operations (effective from annual periods beginning on or after 1 July 2009 further amendment effective 1 January 2010);
- IFRIC 16 (Amendment) – Hedges of a net investment in a foreign operation (effective from annual periods beginning on or after 1 July 2009).

CONSOLIDATION

Subsidiaries

Subsidiaries, including collective investment schemes and special purpose entities, are consolidated from the date on which effective control is transferred to the group, and are no longer consolidated from the date that control ceases. All subsidiaries have financial years ending on 31 December and are consolidated to that date. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the group. Separate disclosure is made of minority interests. All intra-group balances and unrealised gains and losses on transactions between group companies are eliminated.

Initial measurement

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group, except for common control transactions; refer merger accounting. The cost of a business combination is the fair value of the purchase consideration given at the date of acquisition, equity issued and liabilities assumed or incurred plus any costs directly attributable to the business combination. 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.

Subsequent measurement – Metropolitan Holdings Limited

Subsidiary companies are stated at cost, including goodwill, less any impairment losses.

Subsequent measurement – Metropolitan Life Limited

Investments in property subsidiary companies are designated as at fair value through income. The fair value of these investments is determined with reference to the value of the underlying net identifiable assets of the property subsidiary. Changes in the valuation are shown in the income statement in the period in which they occur.

Investments in collective investments schemes that are considered subsidiaries are carried at fair value (repurchase price). The dividend income and interest income received from these schemes are accounted for under investment income.

Impairment – Metropolitan Holdings Limited

The impairment of investments in subsidiary companies are assessed annually by looking at the future expected cash flows.

Gains and losses on disposal

Gains and losses on disposal of subsidiaries are included in the income statement as investment income.

Transactions with minorities

The group applies a policy of treating transactions with minorities as transactions with equity participants of the group. Disposals to minorities result in gains and losses for the group that are recorded in equity. Any difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity.

Associates

Associates are all entities, including collective investment schemes, 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.

Measurement

Investments in associated companies, other than investments in collective investment schemes, 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 post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investments. The equity method is discontinued from the date that the group ceases to have *significant influence* over the associate.

Investments in collective investment schemes where the group has *significant influence* are designated as investments at fair value through income 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 value is tested for impairment at reporting dates by comparing the recoverable amount with the carrying amount. When the group's share of losses in an associate equals or exceeds its interest in the associate, no further losses are recognised unless the company has incurred obligations or made payments on behalf of the associate.

Joint ventures

Joint ventures are all entities in which the group has *joint control*. Investments in joint ventures are accounted for using the equity method of accounting. The equity method is discontinued from the date that the group ceases to have *joint control* over the entity. The group's investment in joint ventures includes goodwill, identified on acquisition, net of any accumulated impairment loss.

Measurement

Investments in joint ventures 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 post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investments.

Impairment
Under the equity method, the carrying value is tested for impairment at reporting dates by comparing the recoverable amount with the carrying amount. When the group's share of losses in joint ventures equals or exceeds its interest, no further losses are recognised unless the company has incurred obligations or made payments on behalf of the joint venture.

MERGER ACCOUNTING

Separate financial statements of Metropolitan Life Limited
Merger accounting is applied to all common control business combinations. This accounting method requires that the assets and liabilities of the purchased business be incorporated at the consolidated book value (by the ultimate parent) and the difference between the purchase consideration and the book value of the assets and liabilities be recorded in equity as a common control reserve. The financial statements of the purchaser incorporate the combined companies' results and cash flows as if the companies have always been combined, including the restatement of comparatives.

SEGMENT 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 executive committee that makes strategic decisions.

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.

Transactions and balances
Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 assets and liabilities, measured at fair value through income, are recognised as part of their fair value gain or loss. Translation differences on non-monetary items, such as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

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.

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 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.

INTANGIBLE ASSETS
Goodwill

Recognition and measurement
All business combinations are accounted for by applying the purchase method of accounting, except in the case of common control transactions, where merger accounting is used.

The initial cost of a business combination is adjusted if the agreement provides for adjustments to the cost that are contingent on one or more future events, and the adjustment is probable and can be measured reliably.

At the acquisition date, goodwill represents the excess of the cost of the business combination over the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria. Subsequent to initial measurement, goodwill is carried at cost less accumulated impairment losses.

Goodwill on acquisition of subsidiaries is included in intangible assets whereas goodwill on acquisition of associates is included in investment in associates.
When the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the income statement.
Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment
At the acquisition date, goodwill acquired in a business combination is allocated to *cash generating units* that are expected to benefit from the synergies of the combination in which the goodwill arose. *Cash generating units*, to which goodwill has been allocated, are assessed annually. An impairment loss is recognised whenever the carrying amount of goodwill exceeds its recoverable amount. Impairment losses on goodwill are not reversed.

Value of business acquired
On acquisition of a portfolio of insurance contracts the company recognises an intangible asset representing the value of business acquired (VOBA). VOBA represents the present value of future after-tax profits embedded in the acquired insurance and investment contract business.

Measurement
The calculation of VOBA is based on actuarial principles that take into account future premium income, fee income, mortality, morbidity and surrender 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 amortised over the expected profit recognition period of the related contracts, being five years, on a straight-line basis.

Impairment
VOBA is reviewed for impairment losses through the liability adequacy test.

Contractual customer relationships
Contractual customer relationships relate to rights to receive fees for administering retirement fund schemes. 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 contractual right to benefit from providing retirement fund administration services and is amortised on a straight-line basis over the period in which the group expects to recognise the related revenue.

Impairment
The contractual 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.

Deferred acquisition costs
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 they can be identified separately and measured reliably, and if it is probable that they will be recovered. The asset represents the contractual right to benefit from providing investment management services, and is amortised as the entity recognises the related revenue on a straight-line basis over the anticipated lives of the contracts.

Impairment
An impairment test is conducted annually at reporting date on the deferred acquisition cost 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.

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 four to ten 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, ranging from five to twenty years, using the straight-line method.

Costs associated with research or maintaining computer software programs are recognised as an expense as incurred.

Impairment
Computer software 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.

OWNER-OCCUPIED PROPERTIES
Owner-occupied properties are held for use in the supply of services or for administrative purposes. Where the group occupies a significant portion of the property, it is classified as a owner-occupied property.

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

Fair value is determined as being the present value of net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. All properties are valued internally and an independent professional valuator confirms the fair values of all significant properties externally, in a three-year cycle.

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, not exceeding 50 years, to allocate their revalued amounts to their residual values over their estimated *useful lives*. Land is not depreciated. The residual values and *useful lives* are reviewed at each reporting date and adjusted if appropriate.

Accumulated depreciation relating to these properties is eliminated against the gross carrying amount of the properties and the net amount is restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and the amount which would have been charged under historic cost is transferred, net of any related deferred tax, between the revaluation reserve and retained earnings as the property is utilised.

Shadow accounting

Shadow accounting is permitted if there is a contractual link between payments to insurance contract holders and the carrying amounts of, or returns from, owner-occupied properties. As the revaluation model is used for owner-occupied properties, the changes in the carrying amounts of the owner-occupied properties are recognised in the land and buildings revaluation reserve in other comprehensive income. The group applies shadow accounting where the changes in the measurement of the insurance liability resulting from revaluations of property are recognised in the land and buildings revaluation reserve.

Gains and losses

When owner-occupied properties are sold, the amounts included in the land and buildings revaluation reserve are transferred to retained earnings.

PROPERTY AND EQUIPMENT

Properties under development

Properties under development are properties under construction that are not yet available to earn rentals for use in the supply of services or for administrative purposes. These properties are presented as part of property and equipment unless their future use is as investment properties.

Measurement

Properties under development are measured at cost directly attributable to the development of these properties, unless their future use is as investment properties.

Impairment

Properties under development are reviewed for impairment losses whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the cost of the asset capitalised to date exceeds the recoverable amount, which is the discounted net value of assumed future rentals.

Equipment

Measurement

Equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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
All assets are depreciated using the straight-line method to allocate their cost less their residual values over their estimated *useful lives*, as follows:

Furniture and fittings	5 years
Computer equipment	3 – 5 years
Motor vehicles	6 years

The residual values and *useful lives* of the assets are reviewed at each reporting date and adjusted if appropriate.

Gains and losses
Gains and losses on disposal of assets are determined by comparing proceeds with carrying amounts and are included in the income statement in the year of disposal.

Impairment
Equipment 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 immediately 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 of the asset and its value in use.

INVESTMENT PROPERTIES

Properties under development
Properties that are under construction or development for future use as investment property are accounted for as investment properties.

Measurement
Properties under development are measured at fair value. However, where fair value is not considered reliable, the properties are measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliable.

Completed properties
Investment properties are held to earn rentals or for capital appreciation or both and are not occupied by the companies of the group.

Measurement
Investment properties comprise freehold land and buildings and are carried at fair value, reflective of market conditions at the reporting date. 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.

Selected properties are valued externally by an independent valuator, in a three-year cycle, to confirm the fair value of the portfolio. Subsequent expenditure is charged to the asset's carrying value only when it is probable that the future economic benefits associated with the item will flow to the company 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 occurred.

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 as owner-occupied properties, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of owner-occupied properties. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in other comprehensive income is transferred to retained earnings; the transfer is not made through the income statement.

Properties held under operating leases
Properties held under operating 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 of completed properties and realised gains or losses on disposal of properties are included in the income statement.

FINANCIAL INSTRUMENTS
Recognition and measurement
The group classifies its investments into the following categories:

- financial assets at fair value through income;
- available-for-sale financial assets;
- loans and receivables;
- held-to-maturity financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

- **Financial assets at fair value through income**
  This category has two sub-categories: financial assets held for trading and those designated as at fair value through income at inception.

  A financial asset is classified as held for trading at inception if it is acquired principally for the purpose of selling in the short term and forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking. Derivatives are classified as held for trading.

  Financial assets are designated as at fair value through income at inception if they are held to match insurance contract holder liabilities, investment contract holder liabilities with DPF and investment contract holder liabilities designated as at fair value through income, or if they are managed and their performance is evaluated on a fair value basis. These assets are initially recognised at fair value and transaction costs directly attributable to acquiring these financial assets are expensed in the income statement in net realised and fair value gains. Subsequent fair value adjustments are recognised in the income statement.

- **Available-for-sale financial assets**
  Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the other categories.

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- **Held-to-maturity financial assets**
  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that management of the group has the positive intention and ability to hold to maturity.

A financial asset or 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.

Purchases and sales of investments are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of a financial asset not at fair value through income, transaction costs that are directly attributable to the acquisition of the asset. Financial assets at fair value through income and available-for-sale assets are subsequently carried at fair value. Loans and receivables and held-to-maturity assets are recognised initially at fair value and subsequently carried at amortised cost, using the effective interest rate method less provision for impairment.

The fair value of quoted investments is based on current bid prices. Collective investments are valued at their repurchase price. For unlisted equity and debt securities, unquoted unit linked investments and financial assets where the market is not active, the group establishes fair value by using valuation techniques disclosed in note 42.2. These include discounted cash flow analysis and adjusted price earnings ratios. Unquoted securities are valued at every reporting period.

Impairment of financial assets

- **Financial assets carried at fair value – available-for-sale**
  At each reporting date the group assesses whether there is *objective evidence* that an available-for-sale financial asset is impaired, including a significant or prolonged decline in the fair value of the security below its cost in the case of equity investments classified as available-for-sale. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit and loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not subsequently reversed.

- **Loans and receivables**
  A provision for loans and receivables is established when there is *objective evidence* that the group will not be able to collect all amounts due according to the original terms of the assets concerned. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original *effective interest rate*. The movement in the current year provision is recognised in the income statement.

De-recognition of financial assets
Investments are de-recognised when the right to receive cash flows from the investments has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership.

Realised and unrealised gains and losses
Assets at fair value through income
Realised and unrealised gains and losses arising from changes in the value of financial assets at fair value through income are included in the income statement in the period in which they arise. Interest and dividend income arising on these assets are disclosed separately under investment income in the income statement.

Available-for-sale assets
Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When these assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as realised gains and losses. Interest and dividend income arising on these assets are disclosed separately under investment income in the income statement.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Offsetting

Financial assets and liabilities are set off and the net balance reported in the statement of financial position where there is 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 is the same, and where the financial asset and liability are denominated in the same currency.

Scrip lending

The equities or bonds on loan, 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. If it is sold, the gain or loss is included in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at fair value. Quoted derivative instruments are valued at the South African Futures Exchange ruling price while the value of unquoted derivatives is determined by using valuation techniques that incorporate all factors that market participants would consider in setting the price. The latter are consistent with accepted economic methodologies for pricing derivatives, such as discounted cash flow models and option pricing models, as appropriate. The group calibrates its valuation techniques against market transactions or any available observable market data.

Gains or losses on derivatives measured using these valuation techniques are recognised only to the extent that they arise from a technique that incorporates variables based on observable market data and there has been a change in one of these variables (including time).

None of the group's derivatives qualifies for hedge accounting and all are held for trading. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

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. Bank balances that are held for investment purposes 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.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

SHARE CAPITAL

Ordinary shares with discretionary dividends are classified as equity. The component of the convertible redeemable preference shares 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, other than in connection with business combinations, are recognised in equity as a deduction from the proceeds.

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. The consideration received for the shares, net of attributable incremental transaction costs and the related income tax effects on the subsequent sale, is included in equity. The net consideration received for the sale of contract holder shares is included in contract holder liabilities. Fair value movements are also eliminated on consolidation.

De-recognition of staff share scheme shares

Shares issued to staff through the Metropolitan Holdings staff share schemes since 1 January 2001 do not comply with the de-recognition rules in IAS39 – Financial instruments: recognition and measurement (revised) – and are therefore reversed on consolidation of the staff share scheme trusts.

INSURANCE AND INVESTMENT CONTRACTS

The Metropolitan group issues contracts that transfer insurance risk or financial risk or both.

Classification of contracts

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 significant if an insured event could cause an insurer to pay significant additional benefits in any scenario.
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.

Investment contracts

Investment contracts are those where only financial risk is transferred.

Contracts with discretionary participation features

The group issues insurance and investment contracts containing discretionary participation features (DPF). These contracts are smoothed bonus and conventional with-profit business. All contracts with DPF are accounted for in the same manner as insurance contracts.

Insurance contracts and investment contracts with discretionary participation features

Measurement

The liabilities relating to insurance contracts and investment contracts with DPF are measured in accordance with the *financial soundness valuation* (FSV) basis as set out in *professional guidance note* (PGN) 104 – Valuation of long-term insurers. The FSV basis uses best estimate assumptions regarding future experience together with *compulsory* and *discretionary margins* for prudence and deferral of profit emergence.

Assumptions used in the valuation basis are reviewed periodically and any changes in estimates are reflected in the income statement as they occur. The underlying assumptions are disclosed in note 19.

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, were 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, bonus stabilisation reserves (BSRs) are held in addition to the liabilities described above. In the case of smoothed bonus business, the BSR 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 BSR is equal to the difference between the market value of the underlying assets and the discounted value of projected future benefit payments and expenses. BSRs are included in contract holder liabilities. BSR is an actuarial term which constitutes either an asset or liability in accounting terms.
- For conventional with-profit business, the liability is taken as the difference between the discounted value of future expenses and benefit payments (including all future bonuses) and the discounted value of future premium receipts.

- 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 group risk business, liabilities are held to reflect claims incurred but not reported (IBNR).
- For conventional non-profit business, including non-profit annuities and guaranteed endowment 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.
- A number of contracts contain embedded derivatives in the form of financial options and investment guarantees. Liabilities in respect of these derivatives are valued in accordance with the guidelines in PGN110 – 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.
- Provision is made for the estimated cost of IBNR claims for all relevant classes of business as at the reporting date. IBNR provisions are calculated using run-off triangle methods or else as percentages of premium, based on historical experience.

The major classes of contract liabilities are disclosed in note 42.4.

Where contract holders, in respect of certain policies, are entitled to a partial surrender, any partial surrender is treated as a de-recognition of the contract holder liability.

Compulsory and discretionary margins
In the valuation of liabilities, provision is made for the explicit *compulsory margins* as required by PGN104 – Valuation of long-term insurers. The following additional *discretionary margins* are held in order to release profits as they are earned:

- Future fees exceed expenses and compulsory margins on employee benefits business. These excesses represent discretionary margins and are released in line with work done over the term of the policies.
- Part of the shareholder share of the asset charge on individual linked, smoothed bonus and conventional with-profit business is not recognised until the period in which the charge is levied.
- Future profits from the surrender of smoothed bonus individual policies are not recognised until surrender occurs.
- Future profits from voluntary group risk business are not recognised until they are earned.
- An additional liability is held to cover the risk that the mortality and morbidity experience in respect of supplementary benefits and direct marketing business may be worse than the best estimate assumption. This margin is calculated by adding a loading to the underlying mortality.

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 PGN110, 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 income.

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 the carrying amount of the insurance liabilities, measured in accordance with the FSV basis, less any related intangible asset, present value of business acquired (VOBA), is adequate in relation to the estimated future cash flows. Future cash flows are based on best estimates in accordance with the FSV basis, but excluding compulsory margins as described in PGN104 as well as all discretionary margins. If the liabilities prove to be inadequate, the deficiency is recognised in the income statement.

Reinsurance contracts held
Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. The benefits to which the group is entitled under its 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.

Impairment of reinsurance assets
If there is *objective evidence* that the 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 adopted for loans and receivables.

Insurance premiums
Insurance premiums and annuity considerations receivable from 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.

Reinsurance premiums
Reinsurance premiums are recognised when due for payment.

Insurance benefits and claims
Insurance benefits and claims relating to 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, which 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.

Reinsurance recoveries
Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs
Acquisition costs, disclosed as sales remuneration, consists of commission payable on 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.

Capitation contracts
The group enters into capitation contracts with medical schemes. These contracts are short-term health benefit insurance contracts.

Measurement
The liability for capitation contracts comprises provisions for the group's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date and related internal and external claims handling expenses. Claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the membership profile according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments from savings plan accounts are deducted in calculating the outstanding claims provision. The group does not discount its provision for outstanding claims on the basis that claims must be submitted within four months of the medical event.

Capitation premiums
Capitation premiums are received monthly, based on participating client scheme membership. Capitation premium income is earned from the date of attachment risk over the indemnity period, on an accrual basis.

Capitation benefits incurred
Gross capitation benefits incurred are the total estimated cost of all claims arising from the healthcare events that have occurred in the year and for which the group is responsible, whether or not reported by the end of the year. These claims include participating client scheme member medical claims, including hospital, primary care and chronic medication expenses.

Capitation benefits incurred comprise:
- Claims submitted and accrued for services rendered during the year, net of recoveries from covered members for co-payments and savings plan accounts; and
- Claims for services rendered during the previous year not included in the outstanding claims provisions for that year, net of balances in savings plan accounts and recoveries from covered members for co-payments.

Investment contracts
Measurement
The group issues investment contracts without fixed terms and investment contracts with fixed 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 income.
For investment contracts, other than those with fixed and guaranteed 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, valuation techniques are used to establish the fair value at inception and at each reporting date. Valuation techniques include discounted cash flow analysis using current market rates of interest and reference to other instruments that are substantially the same. The underlying assumptions are disclosed in note 19.

Deferred revenue liability
A deferred revenue liability is recognised in respect of front-end fees, which are directly attributable to a contract, that are charged for securing the investment management service contract. The deferred revenue liability is then released to revenue when the services are rendered over the expected term of the contract on a straight-line basis.

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.

BORROWINGS
Convertible redeemable preference shares
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.

Subordinated redeemable debentures
These debentures are recognised initially at fair value, net of transaction costs incurred. The debentures are subsequently stated 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 debentures, using the *effective interest rate method*.

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 values 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 and secondary tax on companies, 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.

Deferred income tax is provided for 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 differences will not reverse in the foreseeable future.

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.

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 is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Retirement fund tax, 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.

Secondary tax on companies (STC)
South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The dividend declared is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

LEASES

Finance leases
Leases of property and equipment where substantially all the risks and rewards incidental to ownership have been transferred to the group are classified as finance leases.

Measurement

- **Asset**
  Finance leases are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments at inception of the lease. The asset acquired is depreciated over the shorter of the *useful life* of the asset or the lease term.
- **Liability**
  The rental obligation, net of finance charges, is included as a liability. Each lease payment is apportioned between finance charges and the reduction of the outstanding liability. The finance charges or interest are charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the liability remaining for each period.

Operating leases

Leases where substantially all the risks and rewards incidental to ownership have not been transferred to the group are classified as operating leases. Payments made are charged to the income statement on a straight-line basis over the period of the lease.

DIVIDENDS PAID AND RELATED SECONDARY TAX ON COMPANIES

Dividends paid to shareholders of the company and the related secondary tax on companies (STC) are recognised on declaration date.

PROVISIONS

Provisions are recognised when, as a result of past events, the group has a present legal or constructive obligation of uncertain timing or amount, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as finance costs.

Onerous contracts

The group recognises a provision for an onerous contract, except on insurance contracts, when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

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 an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

EMPLOYEE BENEFITS

Pension and provident fund obligations

The group provides a defined benefit pension scheme as well as defined contribution pension and provident schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

- **Defined contribution retirement funds**
  A defined contribution plan is a pension fund under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The group contributes to the defined contribution provident scheme, with employees contributing to the defined contribution pension scheme.

A surplus available to the group is recognised as an asset in the group's statement of financial position once the trustees of the scheme's application for formal recognition of the surplus amount as an employer surplus account in terms of section 15F of the Pension Funds Second Amendment Act 39 of 2001 is approved by the Financial Services Board. The group's contributions are charged to the income statement when incurred, except those contributions subsidised by the surplus amount.

- **Defined benefit pension fund**
  A defined benefit plan is a pension fund that defines the amount of the pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

  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, together with adjustments for unrecognised actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the group. The defined benefit obligation is calculated annually, using the projected unit credit method.

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

  Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as and when they arise.

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

Post-retirement medical aid obligations
The group provides a subsidy in respect of medical aid contributions on behalf of pensioners who have retired from the defined benefit pension fund. An accounting provision is made for the future medical aid contributions of these pensioners and for the post-retirement medical aid contributions of the in-service members of the defined benefit pension fund. 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, using a methodology similar to that for defined benefit pension plans. These provisions are calculated using the projected unit credit method, actuarial methodologies for the discounted value of contributions and a best estimate of the expected long-term investment return, as well as taking into account estimated contribution increases. The actuarial gains and losses are recognised as they arise. The increase or decrease in the accounting provision for these costs is charged to the income statement.

The group has no obligation for post-retirement medical benefits in respect of other pensioners and in-service members.

Bonus plans
The group pays performance bonuses to senior employees of the group and thirteenth cheque bonuses to certain staff members. Performance bonuses are based on certain objectives, taking into account past business experience and future strategic issues, agreed upon by the board of directors of the holding company. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based compensation
The group operates equity-settled and cash-settled share-based compensation plans.

Equity-settled compensation plans
The fair value of the employee services received in exchange for the grant of the 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, excluding the impact of any non market-related vesting conditions. 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 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 value 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 grants units to employees based on a basket of performance criteria, whereby the employees become entitled to a future cash payment equal to the 20-day weighted average share price of the holding company at the payment date, which is after a three year period.

The group recognises the value of the services received (expense), and the liability to pay for those services, as the employees render service. The liability is measured, initially and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non market-related vesting conditions. Non market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to the liability.

Compensation plans valued on the projected unit credit method
Metropolitan Health staff share scheme
The group has recognised a liability with respect to its obligation to purchase shares in Metropolitan Health Corporate from the company's management. The liability has been measured with reference to the selling price formula that will be used to repurchase the shares from the employees, and any change is charged to the income statement over the vesting period of the shares.

International subsidiaries
The group has recognised a liability with respect to its obligation to purchase shares in certain international subsidiaries from the employees of those companies. The liability has been measured with reference to the applicable embedded value that will be used to repurchase the shares from the employees, and any change is charged to the income statement over the vesting period of the shares.

REVENUE RECOGNITION
Revenue comprises the fair value of services, net of value-added tax, after eliminating revenue within the group. Revenue is recognised as follows:

Fee income
Fees received on investment management service contracts
Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. 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.

Front-end fees
Front-end fees are deferred and released to revenue when the services are rendered, over the expected term of the contract on a straight-line basis.

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. Where initial fees are received, these are deferred and recognised over the average period of the contract. This period is reassessed annually.

Other fee income
Other fees received relate to administration charges for banking services and the administration of health schemes and are recognised in the period in which the services are rendered. Scrip lending fees are based on rates determined per contract and are recognised as the service is rendered.

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 an *effective interest rate method*.

Dividend income
Dividends received are recognised when the right to receive payment is established.

Rental income
Rental income is recognised on the straight-line method.

EXPENSE RECOGNITION
Finance costs
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 an *effective interest rate method*.

CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared on the going concern basis of accounting. The statement of financial position is presented based on liquidity. The income statement is presented on the nature of expense method. 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, taking into account changes experienced historically. 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 values of the affected assets and liabilities. The critical estimates and judgements made in applying the group's accounting policies are detailed in the notes to the annual financial statements, as listed below:

- Impairment of goodwill – note 1.1
- Valuation assumptions for both owner-occupied and investment properties – notes 2 and 4
- Provision for impairment of loans and receivables – note 9
- Provision for deferred tax – note 11
- Valuation assumptions for the value of services provided (equity-settled arrangements) – note 15
- Assumptions and estimates of capitation contracts – note 17
- Assumptions and estimates of contract holder liabilities – note 19
- Valuation assumptions for retirement benefit obligations – note 22.1
- Valuation assumptions for post-retirement medical benefit obligations – note 22.2(a)
- Valuation assumptions for the value of services provided – notes 22.2(b) and 22.2(c)
- Valuation assumptions for financial instruments – note 42

CRITERIA FOR DESIGNATION AS AT FAIR VALUE THROUGH INCOME

For Metropolitan Life Ltd, the investment in the property subsidiaries, and for both the group and Metropolitan Life Ltd, the equity securities, debt securities, funds on deposit and other money market instruments, unit-linked investments and investment contract liabilities, are designated upon initial recognition as they are:

- held to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets, thereby 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;
- managed, with their performance being evaluated on a fair value basis, in accordance with portfolio mandates that specify the investment strategy. Quarterly investment reports are submitted to the investment committee, a Metropolitan Holdings Ltd board sub-committee, where portfolio performance is evaluated against the mandates;
- investment contract liabilities whose fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment property are designated at inception as at fair value through income. The group designates these investment contracts to be measured at fair value through income 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.

2007 RESTATEMENTS

2007 RESTATEMENTS

The 2009 and 2008 figures reflect those published in the 2009 group financial statements. The 2007 figures published in the 2008 group financial statements have been restated to align them with 2009. The restatements included the following:

- The statement of comprehensive income has been split out from the statement of changes in equity. The statement of comprehensive income details all transactions that are not with the owners of the parent.
- Distribution costs have been reallocated from sales and remuneration to other expenses (R123 million). Refer to page 109 for details.
- Payables arising from investment contracts have been separated out from other payables in note 23. Refer to page 104 for details.

SEGMENT REPORT

For the year ended 31 December 2009

Management has determined the operating segments based on the way the business is managed, and the reports used by the executive committee to make strategic decisions reflect this.

The committee considers the business from both a geographic and product perspective. The South African operations are segregated into retail, corporate, asset management, health and shareholders capital. The international companies, Botswana, Ghana, Kenya, Lesotho, Namibia, Nigeria and Swaziland, are all managed as one operating segment, International.

Although Metropolitan Card Operations (Pty) Ltd and Metropolitan Capital group represent separate operating segments, they do not meet the quantitative thresholds required by IFRS 8 – Operating segments and are therefore reported with shareholder capital.

The reportable operating segments derive their revenue as follows:

- Retail (includes Union Life Ltd, Metropolitan Odyssey Ltd and DirectFin Solutions (Pty) Ltd) – development, distribution and administration of individual life investment and risk products;
- Corporate (includes Metropolitan Retirement Administrators (Pty) Ltd) – all aspects of retirement fund business including investment, risk management, actuarial consulting and administration;
- Asset management – all aspects of active asset management, collective investment management, property management and administration, on behalf of all businesses within the group and third parties;
- Health – provision of medical aid administration services, health risk management strategies, managed healthcare and administration system franchising to both corporate and retail healthcare schemes;
- Shareholder capital – consists of the holding company, Metropolitan Card Operations (Pty) Ltd, Metropolitan Capital group and the shareholders excess in Metropolitan Life Ltd, Metropolitan Odyssey Ltd and Union Life Ltd;
- International – development, distribution and administration of individual life investment and risk products as well as retirement fund business.

Inter-segment fees are charged at arm's length.

The executive committee assesses the performance of the operating segments based on diluted core headline earnings. This measurement basis excludes the effect of net realised and fair value gains, investment variances and basis changes. For the operating segments, diluted core headline earnings also exclude the effect of investment income, as this income is managed on a group basis and is therefore included in the shareholder capital segment.

This measurement includes the effect of finance costs on issued debt but excludes that of the convertible redeemable preference shares. Furthermore, treasury shares held on behalf of contract holders are deemed to be issued and all minority interests (not recognised for accounting purposes) and investment returns are reinstated.

A reconciliation of diluted core headline earnings to earnings is provided in note 36.

The amounts provided to the executive committee with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The assets for both the retail and corporate segments are set equal to the contract holder liabilities, as these liabilities are equally matched with assets, plus the allocated economic capital and capital of non-life subsidiaries included in these segments.

2008 Restated

The group segment report has been restated for the incorrect allocation of fee income on certain investment contracts (refer note 26) and for the reallocation of distribution costs (refer note 34). R27 million of fee income has also been reallocated from Retail to Corporate.

2007 Restated

The group segment report has been restated for the reallocation of distribution costs (refer note 34).

SEGMENT REPORT (continued)

Group 2009	Retail Rm	Corporate Rm	Asset management Rm	Health Rm	International Rm	Shareholder capital Rm	Group adjustments Rm	Total Rm
Total assets	38 193	24 520	187	396	5 291	4 633	(1 649)	71 571
Contract holder liabilities	33 943	21 222	–	2	4 113			59 280
Revenue								
Premiums received								
Insurance business	6 560	1 570			997			9 127
Investment with DPF business	130	1 235			138		(7)	1 496
Capitation business				12				12
Reinsurance premiums	(161)	(208)			(26)			(395)
Net insurance premiums	6 529	2 597		12	1 109		(7)	10 240
Investment business	302	697			88		(16)	1 071
Transfers		(104)						(104)
Segment premium income	6 831	3 190		12	1 197		(23)	11 207
Fee income	27	128	84	944	–	2		1 185
External fee income	27	128	233	944	–	2		1 334
Inter-segment fee income			(149)					(149)
Investment income	1 847	1 392	10	18	285	464	(21)	3 995
Interest income included in investment income	1 201	901	9	17	216	398	(2)	2 740
Net realised and fair value gains	2 127	1 675	6	–	374	460	–	4 642
Expenses								
Payments to contract holders								
Insurance business	4 476	1 414			544			6 434
Investment with DPF business	113	2 175			64		(7)	2 345
Capitation business				14				14
Reinsurance claims	(106)	(201)			(20)			(327)
Net insurance benefits and claims	4 483	3 388		14	588		(7)	8 466
Investment business	623	4 047			56		(16)	4 710
Transfers		(104)						(104)
Segment benefits and claims	5 106	7 331		14	644		(23)	13 072
Other expenses	2 264	355	154	804	427	320	(201)	4 123
Depreciation, amortisation and impairment expenses	62	17	3	55	23	5	(17)	148
Employee benefit expenses	637	170	83	514	112	33	–	1 549
Sales remuneration	899	39	3	–	133	–	(87)	987
Other expenses	666	129	65	235	158	144	(126)	1 271
Finance costs	–	–	–	–	1	138	29	168
Inter-segment expenses	89	37			11	3		140
Income tax expenses	109	102	27	58	23	68	136	523
Diluted core headline earnings	383	140	61	95	89	166		934
Operating profit	506	185	88	153	100	(110)		922
Tax on operating profit	(123)	(45)	(27)	(58)	(11)	–		(264)
Investment income						433		433
Tax on investment income						(157)		(157)
New business premiums	2 786	1 525			270			4 581
Value of new business	81	25	39	93	13			251
Profitability of new business as a % of APE	8.0	7.6			8.1			7.9

SEGMENT REPORT (continued)

Group 2008	Retail Rm	Corporate Rm	Asset management Rm	Health Rm	International Rm	Shareholder capital Rm	Group adjustments Rm	Total Rm
Total assets	35 541	26 763	178	418	4 675	3 919	(1 881)	69 613
Contract holder liabilities	30 788	22 912		2	3 532			57 234
Revenue								
Premiums received								
Insurance business	6 827	1 719			867			9 413
Investment with DPF business	177	1 117			81		(4)	1 371
Capitation business				19				19
Reinsurance premiums	(172)	(197)			(29)			(398)
Net insurance premiums	6 832	2 639		19	919		(4)	10 405
Investment business	1 098	521			87			1 706
Transfers	–	(256)						(256)
Segment premium income	7 930	2 904		19	1 006		(4)	11 855
Fee income	37	119	102	787	34	10	(18)	1 071
External fee income	37	119	220	787	34	10	–	1 207
Inter-segment fee income	–	–	(118)	–	–	–	(18)	(136)
Investment income	1 726	1 797	12	17	287	567	(10)	4 396
Interest income included in investment income	1 009	1 045	12	17	207	423	(5)	2 708
Net realised and fair value (losses)/gains	(4 396)	(2 795)	(5)	–	(588)	(703)	3	(8 484)
Expenses								
Payments to contract holders								
Insurance business	4 365	1 286			516			6 167
Investment with DPF business	64	2 081			75		(4)	2 216
Capitation business				16				16
Reinsurance claims	(92)	(210)			(28)			(330)
Net insurance benefits and claims	4 337	3 157		16	563		(4)	8 069
Investment business	676	1 244			62			1 982
Transfers	–	(256)			–			(256)
Segment benefits and claims	5 013	4 145		16	625		(4)	9 795
Other expenses	2 431	310	141	664	378	401	(401)	3 924
Depreciation, amortisation and impairment expenses	48	14	2	46	34	184	(107)	221
Employee benefit expenses	565	151	78	427	96	(48)	–	1 269
Sales remuneration	1 118	30	2	–	109	(1)	(163)	1 095
Other expenses	699	115	58	191	137	82	(131)	1 151
Finance costs	1	–	1	–	2	184	–	188
Inter-segment expenses	63	42	–	–	12	4	–	121
Income tax expenses	(225)	37	26	51	30	32	(28)	(77)
Diluted core headline earnings	448	153	65	100	94	151		1 011
Operating profit	612	211	92	142	107	(141)		1 023
Tax on operating profit	(164)	(58)	(27)	(42)	(13)	8		(296)
Investment income						501		501
Tax on investment income						(217)		(217)
New business premiums	4 200	1 189			203			5 592
Value of new business	211	20	39	84	17			371
Profitability of new business as a % of APE	16.4	6.5			14.7			14.5

The recognition of a surplus and movement in employee benefit assets of R75 million was a material non-cash item in the shareholder capital segment, disclosed in employee benefit expenses.

SEGMENT REPORT (continued)

Group 2007	Retail Rm	Corporate Rm	Asset management Rm	Health Rm	International Rm	Shareholder capital Rm	Group adjustments Rm	Total Rm
Total assets	37 228	28 171	241	322	4 980	5 691	(1 450)	75 183
Contract holder liabilities	32 266	25 650		1	3 866			61 783
Revenue								
Premiums received								
Insurance business	5 302	1 467			844			7 613
Investment with DPF business	117	1 266			69			1 452
Capitation business				19				19
Reinsurance premiums	(153)	(187)			(29)			(369)
Net insurance premiums	5 266	2 546		19	884			8 715
Investment business	1 460	1 518			91			3 069
Transfers		(117)						(117)
Segment premium income	6 726	3 947		19	975			11 667
Fee income	100	50	48	683	12	10		903
External fee income	100	50	223	683	12	11		1 079
Inter-segment fee income			(175)			(1)		(176)
Investment income	1 614	1 321	18	11	223	2 044	(1 618)	3 613
Interest income included in investment income	991	789	7	11	171	321	(47)	2 243
Net realised and fair value (losses)/gains	1 942	1 432	19	–	277	616	121	4 407
Expenses								
Payments to contract holders								
Insurance business	3 706	959			537			5 202
Investment with DPF business	44	1 156			55			1 255
Capitation business				17				17
Reinsurance claims	(84)	(146)			(12)			(242)
Net insurance benefits and claims	3 666	1 969		17	580			6 232
Investment business	514	860			86			1 460
Transfers		(117)						(117)
Segment benefits and claims	4 180	2 712		17	666			7 575
Other expenses	1 861	261	146	587	285	249		3 389
Depreciation, amortisation and impairment expenses	56	15	2	51	26	19		169
Employee benefit expenses	504	124	77	381	71	(12)		1 145
Sales remuneration	866	43	3	–	92	–		1 004
Other expenses	435	79	63	155	94	71		897
Finance costs			1	–	2	171		174
Inter-segment expenses	126	51	(13)	–	20	7		191
Income tax expenses	296	162	30	52	12	236		788
Diluted core headline earnings	460	176	70	64	110	123		1 003
Operating profit	622	248	96	116	116	(109)		1 089
Tax on operating profit	(162)	(72)	(26)	(52)	(6)	7		(311)
Investment income						384		384
Tax on investment income						(159)		(159)
New business premiums	3 323	2 361			212			5 896
Value of new business	119	46	35	121	15			336
Profitability of new business as a % of APE	11.3	10.9			14.6			11.4

The recognition of a surplus and movement in employee benefit assets of R48 million was a material non-cash item in the shareholder capital segment.

SEGMENT REPORT (continued)

	Group 2009 Rm	2008 Rm	2007 Rm
Premium income is split between single and recurring premiums and reconciled to net insurance premiums in the income statement.			
Recurring premiums	7 779	7 472	6 913
Retail	4 856	4 689	4 288
Corporate	1 863	1 924	1 793
International	1 060	859	832
Single premiums	3 416	4 364	4 735
Retail	1 975	3 242	2 438
Corporate	1 319	975	2 154
International	122	147	143
Health – capitation premiums	12	19	19
Segment premium income	11 207	11 855	11 667
Adjusted for premiums received from investment contract holders	(1 071)	(1 706)	(3 069)
Transfers between insurance, investment and investment with DPF business	104	256	117
Net insurance premiums (note 25)	10 240	10 405	8 715

	Group 2009 Rm	2008 Rm	2007 Rm
Payments to contract holders are reconciled to net insurance benefits and claims in the income statement.			
Retail	5 571	5 475	4 659
Death and disability claims	1 202	1 084	952
Maturity claims	1 604	1 710	1 417
Annuities	797	664	581
Withdrawal benefits	136	156	7
Surrenders	1 950	1 977	1 795
Re-insurance recoveries	(118)	(116)	(93)
Corporate	7 487	4 304	2 899
Death and disability claims	1 251	1 191	886
Maturity claims	121	211	136
Annuities	705	695	614
Withdrawal benefits	310	378	469
Terminations	3 408	508	106
Disinvestments	1 903	1 538	837
Re-insurance recoveries	(211)	(217)	(149)
Capitation contracts	14	16	17
Segment payments to contract holders	13 072	9 795	7 575
Adjusted for payments to investment contract holders	(4 710)	(1 982)	(1 460)
Transfers between insurance, investment and investment with DPF business	104	256	117
Net insurance benefits and claims (note 29)	8 466	8 069	6 232

		Group		
		2009	2008	2007
		Rm	Rm	Rm
1	INTANGIBLE ASSETS			
	Goodwill	154	209	244
	Value of in-force acquired	23	22	28
	Contractual customer relationships	1	1	2
	Deferred acquisition costs	58	55	47
	Computer software	228	238	241
		464	525	562
1.1	**Goodwill**			
	Cost	260	260	260
	Accumulated impairment	(106)	(51)	(16)
		154	209	244
	Carrying amount at beginning	209	244	148
	Additions			96
	Impairment charges	(55)	(35)	–
	Carrying amount at end	154	209	244
	Cash generating units			
	Life books	115	115	115
	Health	38	38	38
	Metropolitan Retirement Administrators (Pty) Ltd	1	1	1
	DirectFin Solutions (Pty) Ltd	–	55	90
		154	209	244

Critical accounting estimates and judgements

Goodwill is allocated to cash generating units (CGUs) for the purpose of impairment testing. The life book represents the CGUs of the three life insurance books of:

- Metropolitan Odyssey Ltd (R70 million) and Commercial Union Life Association of South Africa Ltd (R40 million), acquired in 1999 (included in the retail segment);
- Union Life Limited (R5 million), acquired in 2007 (included in the retail segment).

The recoverable value of these CGUs is determined based on value-in-use calculations. Future cash flows are discounted at a rate of return that makes allowance for the uncertain nature of the future cash flows. This calculation is particularly sensitive to the assumptions disclosed below.

	2009		2008		2007	
	Risk discount rate	Income and expense inflation rate	Risk discount rate	Income and expense inflation rate	Risk discount rate	Income and expense inflation rate
Metropolitan Odyssey	12.0%	6.3%	10.0%	4.3%	11.0%	5.3%
Commercial Union Life Association of South Africa Ltd	12.0%	6.3%	10.0%	4.3%	11.0%	5.3%
Union Life Limited	10.5%	6.3%	7.5%	4.3%	11.5%	5.0%

The CGUs of the health companies, acquired during 2002, are represented by:

- Qualsa Healthcare (Pty) Ltd (Qualsa);
- the membership administered with respect to Metropolitan Health Corporate (Pty) Ltd.

For the health companies, the recoverable value of CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets for 2010, approved by the board. Cash flows beyond the financial budgets available are extrapolated, using estimated growth rates of 6.3% (2008: 4.3%; 2007:5.3%) for both income and expense inflation rates and a cost of capital of 12.0% (2008: 10.0%; 2007: 11%).

The recoverable value of DirectFin Solutions (Pty) Ltd (DFS) is determined based on a value-in-use calculation. The goodwill relating to the DFS CGU was fully impaired due to the decreased cash flow projections noted in the current year. In 2008 the goodwill was impaired by R35 million based on discounted cash flow projections for the company, with an estimated growth rate of 12.5% (2007: 15.0%) and a discount rate of 13.0% (2007: 14.0%). The cash flow period was based on ten years. No goodwill was impaired during 2007.

			Group	
		2009	2008	2007
		Rm	Rm	Rm
1.2	**Value of in-force acquired**			
	Acquisition of insurance and investment contracts			
	Cost	35	28	28
	Accumulated amortisation	(12)	(6)	–
	Carrying amount	23	22	28
	Carrying amount at beginning	22	28	–
	Business combinations	7		28
	Amortisation charges	(6)	(6)	–
	Carrying amount at end	23	22	28
1.3	**Contractual customer relationships**			
	Right to receive management fees for administering retirement schemes			
	Cost	2	2	2
	Accumulated amortisation	(1)	(1)	–
	Carrying amount	1	1	2
	Carrying amount at beginning	1	2	–
	Business combinations			2
	Amortisation charges	–	(1)	–
	Carrying amount at end	1	1	2
1.4	**Deferred acquisition costs**			
	Cost	112	100	75
	Accumulated amortisation and impairment	(54)	(45)	(28)
	Carrying amount	58	55	47
	Carrying amount at beginning	55	47	36
	Additions	15	19	27
	Amortisation charges	(10)	(12)	(12)
	Impairment charges	(1)	–	(4)
	Exchange differences	(1)	1	–
	Carrying amount at end	58	55	47

		Group 2009 Rm	2008 Rm	2007 Rm
1.5	**Computer software**			
	Acquired computer software			
	Cost	114	102	88
	Accumulated amortisation and impairment	(73)	(61)	(50)
	Carrying amount	41	41	38
	Carrying amount at beginning	41	38	21
	Additions	15	11	11
	Disposals	(1)	–	
	Business combinations			15
	Amortisation charges	(12)	(8)	(9)
	Impairment charges	(1)	–	–
	Exchange differences	(1)	–	–
	Carrying amount at end	41	41	38
	Internally developed computer software			
	Cost	452	440	456
	Accumulated amortisation and impairment	(265)	(243)	(253)
	Carrying amount	187	197	203
	Carrying amount at beginning	197	203	208
	Additions	16	18	19
	Disposals	–	–	(1)
	Amortisation charges	(23)	(25)	(23)
	Exchange differences	(3)	1	–
	Carrying amount at end	187	197	203
	Total computer software	228	238	241

Material internally developed computer software

Included in internally developed computer software is R115 million (2008: R127 million; 2007: R138 million) relating to the software used by the Metropolitan Health Group with a remaining amortisation period of 10 years. For impairment testing purposes, the recoverable amount was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets for 2010, approved by the board. Cash flows beyond the financial budgets available are extrapolated, using estimated growth rates of 6.3% (2008: 4.3%; 2007: 5.3%) for both income and expense inflation rates and a cost of capital of 12.0% (2008: 10.0%; 2007: 11.0%).

		Group 2009 Rm	2008 Rm	2007 Rm
2	**OWNER-OCCUPIED PROPERTIES**			
	Fair value at beginning	678	592	375
	Additions	7	1	1
	Revaluations	22	36	99
	Business combinations			14
	Depreciation charge	(17)	(13)	(9)
	Transfer from investment properties			112
	Transfer from property and equipment	–	62	–
	Fair value at end	690	678	592
	Historical carrying value – cost model	392	398	350

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

Critical accounting estimates and judgements

All properties were internally valued using a discounted cash flow method based on contractual or market-related rent receivable. External valuations were obtained for certain properties as at 31 December 2009, amounting to 34% (2008: 34%; 2007: 72%) of the portfolio for the group.

			Change in fair value	
	Base assumption	Change in assumption	Decrease in assumption	Increase in assumption
Assumptions			Rm	Rm
Capitalisation rate	9.5% – 12.5%	1%	640	(533)
Discount rate	14.5% – 16.0%	1%	385	(366)

Capitalisation and discount rates (2008: 9.5% – 12.0% and 14.0% – 18.5% respectively; 2007: 8.0% – 12.0% and 13.5% – 18.0% respectively) are determined using the Investment Property Databank South Africa rates. For valuation purposes, vacancy percentages, existing lease agreements and subsequent expected rentals are used to determine the fair value of each building.

		Group		
		2009	2008	2007
		Rm	Rm	Rm
3	**PROPERTY AND EQUIPMENT**			
	Property under development			
	Carrying amount at beginning	–	60	–
	Capitalised expenditure	–	58	60
	Transfer to owner-occupied properties	–	(62)	–
	Transfer to investment properties	–	(56)	–
	Cost at end	–	–	60
	Equipment			
	Cost	758	698	642
	Accumulated depreciation	(556)	(512)	(469)
	Carrying amount	202	186	173

Equipment comprises furniture and fittings, computer equipment and motor vehicles.

	2009	2008	2007
Carrying amount at beginning	186	173	166
Additions	104	92	75
Disposals	(4)	(4)	–
Business combinations	6	–	7
Depreciation charges	(87)	(75)	(75)
Exchange differences	(3)	–	–
Carrying amount at end	202	186	173
Total property and equipment	202	186	233
Value of property and equipment held as security	1	1	11

		Group 2009 Rm	2008 Rm	2007 Rm
4	**INVESTMENT PROPERTIES**			
	At 31 December investment properties comprised the following property types			
	Industrial	156	136	119
	Shopping malls	2 157	2 050	1 927
	Office buildings	718	685	519
	Hotels	210	195	187
	Other	53	51	50
	Vacant land	–	–	5
	Property at valuation	3 294	3 117	2 807
	Accelerated rental income (note 10)	(101)	(86)	(97)
		3 193	3 031	2 710
	Completed properties and vacant land			
	Fair value at beginning	3 031	2 710	2 492
	Capitalised subsequent expenditure	44	33	27
	Disposals	–	–	(59)
	Revaluations	133	221	546
	Change in accelerated rental income	(15)	11	1
	Transfer to owner-occupied properties	–	–	(112)
	Transfer from property and equipment	–	56	
	Transfer to non-current assets held for sale[(a)]	–	–	(185)
	Fair value at end	3 193	3 031	2 710

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

a) In 2007 non-current assets held for sale consisted of investment property only. No income or expenses were recognised directly in equity relating to the assets held for sale.
These buildings were sold in the normal course of business. The competition commission approved the sale in December 2007 but the transfer of ownership was only concluded during 2008. These properties were valued in terms of IAS 40 – Investment properties – and the fair value gains or losses for December 2007 were not material. These properties were in the retail and corporate segments.

Critical accounting estimates and judgements
All properties were internally valued using a discounted cash flow method based on contractual or market-related rent receivable. External valuations were obtained for certain properties as at 31 December 2009, amounting to 55% (2008: 44%; 2007: 44%) of the portfolio for the group.

2009 Assumptions	Base assumption	Change in assumption	Change in fair value of properties: Decrease in assumption Rm	Increase in assumption Rm
Capitalisation rate	8.5% – 16.5%	1%	203	(169)
Discount rate	13.5% – 16.0%	1%	122	(116)

Capitalisation and discount rates (2008: 8.5% – 12.0% and 12.0% – 15.5% respectively; 2007: 8.0% – 12.0% and 13.5% – 18.0% respectively) are determined using the Investment Property Databank South Africa rates. For valuation purposes, vacancy percentages, existing lease agreements and subsequent expected rentals are used to determine the fair value of each building.

5 INTEREST IN SUBSIDIARY COMPANIES

The group has control over certain collective investment schemes:

Group	Participation rights in total issued units 2009 %	2008 %	2007 %	Fund fair value 2009 Rm	2008 Rm	2007 Rm
MetAM Global Equity Fund	100.0	100.0	*	766	445	*
Metropolitan Absolute Provider Fund	99.3	100.0	96.4	58	58	59
Metropolitan Gilt Fund	95.2	79.1	89.7	191	193	110
Metropolitan Industrial Fund	92.6	94.4	78.1	56	48	87
Metropolitan Odyssey Balanced Fund of Funds	91.5	96.0	88.8	45	30	28
Metropolitan High Dividend Fund	84.2	60.3	54.5	80	17	25
Metropolitan International Fund of Funds	78.8	83.2	80.6	60	194	233
Metropolitan Property Income Fund	76.3	84.9	88.5	288	200	223
Metropolitan Resources Fund	76.2	82.1	85.2	105	74	166
AS Forum Aggressive Fund of Funds	65.4	69.4	54.7	130	68	40
Metropolitan International Equity Fund of Funds	63.9	*	*	220	*	*
Stewart Absolute Return Balanced Fund of Funds	54.3	64.2	68.5	99	108	84
Metropolitan International Special Income Fund of Funds	*	85.6	91.0	*	176	151
Interneuron Equity Fund	*	86.3	81.8	*	13	18
Metropolitan Income Fund	*	77.5	75.3	*	49	49
Metropolitan Income Plus Fund	*	59.6		*	125	*
Contego B6 Balanced Fund	*	*	62.8	*	*	52
Metropolitan Odyssey Conservative Fund of Funds	*	*	60.2	*	*	18
Metropolitan General Equity Fund	*	*	51.7	*	*	649
Contego B5 Protected Equity Fund	*	*	50.7	*	*	205

** Not included in subsidiaries for year*

All the above collective investment schemes are incorporated in South Africa except for the MetAM Global Equity Fund which is incorporated in Jersey.

		Group 2009 Rm	2008 Rm	2007 Rm
6	**INVESTMENT IN ASSOCIATES**			
	Equity accounted	46	49	15
	Carried at fair value	810	614	390
		856	663	405
	Equity accounted associates			
	Carrying amount at beginning	49	15	5
	Acquisitions	–	41	–
	Share of profit/(loss)	3	(2)	5
	Dividends paid	(4)	(4)	(2)
	Other	(2)	(1)	7
	Carrying amount at end – non-current	46	49	15

- The group acquired an effective 49.75% in Mettle Investments (Pty) Ltd, a company incorporated in South Africa, in July 2008 for R41 million.
- The directors' valuation of investment in associates is equal to the carrying value.

Group interest in associates – equity accounted	%*	Assets Rm	Liabilities Rm	Revenue Rm	Earnings Rm
2009					
Methealth Namibia Administrators (Pty) Ltd	37.7	10	(2)	27	5
C Shell 448 (Pty) Ltd	49.0	9	(6)	1	1
Mettle Investments (Pty) Ltd	49.8	211	(186)	58	(5)
Mettle Property Solutions Securitisation (Pty) Ltd (MPSS)	25.0	81	(87)	2	(6)
		311	(281)	88	(5)
2008					
Methealth Namibia Administrators (Pty) Ltd	37.7	10	(3)	29	4
C Shell 448 (Pty) Ltd	49.0	8	(7)	–	1
Mettle Investments (Pty) Ltd	49.8	301	(270)	29	(7)
		319	(280)	58	(2)
2007					
Methealth Namibia Administrators (Pty) Ltd	37.2	8	(1)	25	5
C Shell 448 (Pty) Ltd	49.0	8	–	1	1
		16	(1)	26	6

** Effective group percentage held*

The earnings from associate from Methealth Namibia Administrators (Pty) Ltd and C Shell 448 (Pty) Ltd relates to the international segment, while Mettle Investments (Pty) Ltd and MPSS relates to the Shareholder capital segment.

The group and Metropolitan Life Ltd have significant influence over certain collective investment schemes incorporated in South Africa:

	Participation rights in total issued units			Fund fair value		
	2009	2008	2007	2009	2008	2007
Group	%	%	%	Rm	Rm	Rm
Metropolitan International Specialist Fund of Funds	48.8	*	*	259	*	*
Interneuron Capital Equity Portfolio	48.4	*	*	32	*	*
Contego B6 Balanced Fund	45.6	49.5	*	58	54	*
Metropolitan Cautious Portfolio	44.7	*	*	26	*	*
Cadiz Inflation Plus Fund	43.0	22.3	*	39	57	*
Stewart Macro Equity Fund of Funds	42.5	37.4	49.0	103	98	162
AS Forum Moderate Fund of Funds	41.9	38.2	35.4	151	107	92
Sasfin Wealth Preserver Fund	38.8	*	*	3	*	*
Metropolitan Odyssey Conservative Fund of Funds	36.2	34.3	*	30	24	*
AS Forum Cautious Fund of Funds	34.6	31.3	*	68	60	*
Metropolitan General Equity Fund	31.4	35.2	*	390	327	*
Contego B5 Protected Equity Fund	30.3	35.9	*	444	294	*
NeFG Income Provider Fund of Funds	28.3	24.4	*	143	143	*
NeFG Equity Fund	25.3	*	24.7	14	*	110
Nedgroup Investments Mining and Resources Fund	24.4	26.2	23.3	694	507	782
Metropolitan Property Income Fund	*	*	*	288	200	*
Nedgroup Investments Financial Fund	*	28.2	32.5	*	117	153
Contego Dynamic Income Fund	*	27.2	21.6	*	14	25
Metropolitan Property Absolute Income Fund	*	24.5	28.1	*	8	12
Sasfin Income Fund of Funds	*	22.3	27.1	*	15	12
RMB International Balanced Fund of Funds	*	21.6	*	*	184	*
Metropolitan Income Plus Fund	*	*	*	*	125	*
PAM Balanced Fund	*	*	23.2	*	*	33

** Not included in associates for year*

		Group		
		2009	2008	2007
		Rm	Rm	Rm
7	**INVESTMENT IN JOINT VENTURES**			
	Carrying amount at beginning	35	61	–
	Acquisitions	–	–	66
	Transfer to subsidiaries	(35)		–
	Share of loss	–	(26)	–
	Impairment charge	–		(5)
	Carrying amount at end	–	35	61

The group acquired 50% joint control of UBA Metropolitan Life Insurance Ltd in Nigeria in December 2007. The group's interest in the assets and liabilities of the joint venture at 31 December 2008 was R68 million and R30 million (2007: R70 million and R15 million), respectively. The group's interest in the revenue and loss of the joint venture for 2008 was R19 million and R26 million (2007: R15 million and R7 million), respectively. Metropolitan International (Pty) Ltd obtained the right to acquire an additional 1% in UBA Metropolitan Life Insurance from 1 January 2009. This resulted in the group obtaining control over the joint venture with potential voting rights that are currently exercisable. Nigeria has therefore been consolidated from 1 January 2009. The joint venture was included in the international segment, in 2008. Refer to note 38.

		Group		
		2009	2008	2007
		Rm	Rm	Rm
8	**FINANCIAL INSTRUMENTS**			
8.1	**Designated as at fair value through income**			
	Equity securities	24 687	21 167	31 989
	Debt securities	13 014	15 968	14 268
	Funds on deposit and other money market instruments	5 484	3 409	2 150
	Unit-linked investments	11 256	10 251	9 857
		54 441	50 795	58 264
	Open ended	35 575	27 776	41 846
	Current	6 156	6 268	2 936
	Non-current	12 710	16 751	13 482
		54 441	50 795	58 264

General

The open ended category includes financial instruments with no fixed maturity date.

For risk disclosure of the above financial instruments, refer note 42.

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

The directors' value of unlisted equity securities and unit linked investments is equal to their fair value.

		Group		
		2009	2008	2007
		Rm	Rm	Rm
8.2	**Scrip lending** (included in note 8.1)			
	Carrying value of securities on loan			
	Local listed equity securities	2 276	1 714	6 172
	Local listed government stock	913	583	539
		3 189	2 297	6 711

Scrip lending policy

The group is authorised to conduct lending activities as lender in respect of local listed equity securities and listed government stock to appropriately accredited institutions. Collateral is maintained at a risk-adjusted level of at least 100% of scrip lent. In general, the lender retains risk and reward of securities lent. The lender fully participates in the market movement of the investment and receives any dividend payments and interest.

Collateral

Collateral to the value of R3.6 billion (2008: R2.7 billion; 2007: R8.6 billion) was obtained. The group monitors collateral levels on a monthly basis and the status of collateral coverage is reported to the investment committee on a quarterly basis.

This collateral can only be used as security for the scrip lending arrangements and in the event of default by the borrowers. The borrowers retain all rights to income attached to the pledged collateral.

		2009 Rm	Group 2008 Rm	2007 Rm
8.3	**Held for trading assets**			
	Local listed equity securities	–	–	–
	Derivative financial instruments	718	1 764	850
		718	1 764	850
	Current	230	129	252
	Non-current	488	1 635	598
		718	1 764	850

Local listed equity securities

Metropolitan Life Ltd repurchased ordinary shares of Metropolitan Holdings Ltd through the open market during 2008 and 2007. Metropolitan Holdings Ltd repurchased and cancelled the shares at cost during May 2009. These shares were reversed on consolidation.

	2009 Rm	2008 Rm	2007 Rm
Held for trading liabilities			
Derivative financial instruments	(787)	(1 498)	(858)
Current	(259)	(42)	(191)
Non-current	(528)	(1 456)	(667)
	(787)	(1 498)	(858)

Derivative financial instruments consist of the following:

	2009 Notional Rm	2009 Fair value asset Rm	2009 Fair value liability Rm	2008 Notional Rm	2008 Fair value asset Rm	2008 Fair value liability Rm
OTC instruments						
Equity index options	110	284	(279)	17	204	(200)
Equity index futures	(36)	–	(36)	(37)	–	(8)
Interest rate swaps	20 037	434	(470)	18 987	1 471	(1 290)
Credit swaps	500	–	(2)			
Equity swaps	37	–	–			
Exchange traded options						
Equity index options	631	–	–	493	–	–
Equity index warrants				89	89	–
Bond index futures	112	–	–	3	–	–
		718	(787)		1 764	(1 498)

8.3 Held for trading assets (continued)

	2007 Notional Rm	Fair value asset Rm	Fair value liability Rm
OTC instruments			
Equity index options	78	632	(524)
Equity index futures	–	–	–
Interest rate swaps	16 772	218	(334)
Exchange traded options			
Equity index options	192	–	–
Equity index warrants			
Equity index futures	(5)	–	–
		850	(858)

	Group 2009 Rm	Group 2008 Rm	Group 2007 Rm
8.4 Available-for-sale			
Local listed equity securities	–	–	1
Unit-linked investments	2	5	6
	2	5	7

- Metropolitan Asset Managers Ltd received listed equity securities during 2007 which could not be designated as at fair value through income. These were sold during 2008.
- The unit-linked investments represent the seed capital provided by the group to enable Metropolitan Collective Investments Ltd to establish new collective investment schemes.

9 LOANS AND RECEIVABLES

	2009 Rm	2008 Rm	2007 Rm
Accounts receivable	315	365	451
Loans	725	763	742
Loans to related parties			
Loans to group companies			
Empowerment partners	47	46	44
Other staff loans	30	29	28
Loans to staff share scheme trusts (note 15)			
Loans due from associates	63	28	
Preference shares in associates	31	36	
Strategic loans	1	1	2
Less provision for impairment on related party loans	(12)	(12)	(12)
Due from agents, brokers and intermediaries	146	150	142
Less provision for impairment	(108)	(100)	(102)
Banking services – loans advanced	–	124	163
Less provision for impairment	–	(72)	(24)
Policy loans	516	533	501
Other	11	–	–
	1 040	1 128	1 193

9 LOANS AND RECEIVABLES (continued)

	Group		
	2009	2008	2007
	Rm	Rm	Rm
Current	592	640	815
Non-current	448	488	378
	1 040	1 128	1 193
Reconciliation of provision accounts			
Balance at beginning	184	138	108
Movement in provision	(64)	46	30
Balance at end	120	184	138

Terms and conditions of material loans

- Loans to group companies are interest free, repayable on demand, and are unsecured.
- A loan to empowerment partners of R35 million (2008: R34 million; 2007: R32 million) is secured by Metropolitan Life (Namibia) Ltd shares, with a repayment date of 30 November 2012, on which interest is charged at 1% less than the prime interest rate of South Africa.
- Staff loans consist of personal computer and micro loans, with a repayment date of three years and interest rates ranging between 8.5% and 15.5% (2008: 13.0% and 20.0%; 2007: 11% and 19%) that are unsecured, and bonds, with a repayment date of between five and 30 years, an interest rate of 10.5% (2008: 15.0%; 2007: 14.0%), that are secured by the property.
- Loans to the staff share scheme trusts are secured by the Metropolitan Holdings Ltd shares issued to participants. The loan to the staff share purchase scheme trust is interest-bearing at the official tax interest rate, 8.0% (2008: 13.0%; 2007: 10.9%) and the loan to the staff share incentive scheme trust is interest free. These loans are repayable between five and ten years.
- Loans due from associates include a loan due from Mettle Investments Ltd of R39 million (2008: R22 million). The current loan amount consists of an unsecured loan of R22 million (2008: R22 million; 2007: Rnil) which earns interest at the prime interest rate of South Africa and has a repayment date of 15 July 2011 as well as a secured loan of R17 million (2008: Rnil; 2007: Rnil) which earns interest at Johannesburg Inter-banking Borrowing Rate (JIBAR) plus 3.5% and is repayable before 1 July 2010. This loan is secured by Mettle Investment Ltd's shareholding and claims in MPSS.
- Loans due from associates also includes a loan due from MPSS of R19 million (2008: Rnil; 2007: Rnil) which earns interest at JIBAR plus 3.5% and the repayment term is linked to the realisation of the underlying investments of the associate. The loan is secured by the real security in the underlying investments of the associate.
- Preference shares in associates include a preference share investment in Mettle Investments Ltd of R30 million (2008: R30 million). Preference dividends are payable at 12% for year 1, 15% for year 2 and 18% thereafter. The redemption date is 31 July 2013.
- Loans advanced by Metropolitan Card Operations (Pty) Ltd attracted interest rates ranging between 20% and 41% during 2008 (2007: 18.5% and 39.5%), were repayable within periods ranging from 12 to 48 months (2007: 12 to 24 months) and were unsecured. The loan book was sold during 2009.
- 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 14.5% (2008: 19%; 2007: 17.5%) and have no determinable repayment period. Policy loans are tested for impairment against the surrender value of the policy.

Impairment of loans

- A loan of R12 million to an empowerment partner was impaired in prior years.
- Loans advanced for banking services were impaired by R48 million during 2008 (2007: R24 million) due to default payments by the borrowers. The total balance of the impairment provision of R72 million has been reversed in 2009 and R85 million was written off under other expenses.
- Impairment of loans to intermediaries is mainly due to intermediaries moving to out-of-service status and unproductive agent accounts.

		Group 2009 Rm	2008 Rm	2007 Rm
10	**INSURANCE AND OTHER RECEIVABLES**			
	Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	1 478	1 421	1 379
	Insurance contract holders	1 337	1 276	1 261
	Investment contract holders with DPF	25	50	35
	Less provision for impairment	(41)	(41)	(33)
	Due from reinsurers	157	136	116
	Accelerated rental income (note 4)	101	86	97
		1 579	1 507	1 476
	Current	1 466	1 425	1 379
	Non-current	113	82	97
		1 579	1 507	1 476

Impairment of receivables arising from insurance contracts and investment contracts with DPF
Impairment is mainly due to expected default in payments.

		2009 Rm	2008 Rm	2007 Rm
11	**DEFERRED INCOME TAX**			
	Deferred tax asset	10	12	15
	Deferred tax liability	(394)	(127)	(492)
		(384)	(115)	(477)
	Deferred tax asset	151	103	133
	Accruals and provisions	11	9	12
	Accelerated wear and tear	–	(3)	
	Revaluations	–	19	–
	Business combinations	1	–	
	Tax losses	139	76	121
	STC credits	–	2	–
	Deferred tax liability	(535)	(218)	(610)
	Prepayments	–	(1)	(4)
	Accruals and provisions	(33)	(7)	(32)
	Accelerated wear and tear	(16)	(10)	–
	Business combinations			(12)
	Revaluations	(486)	(200)	(562)
		(384)	(115)	(477)
	Current	(56)	(28)	(72)
	Non-current	(328)	(87)	(405)
		(384)	(115)	(477)

11 DEFERRED INCOME TAX (continued)

	Group 2009 Rm	2008 Rm	2007 Rm
Movement in deferred tax			
Balance at beginning	(115)	(477)	(289)
Charge to the income statement	(266)	368	(151)
Change in tax rate	–	4	–
Accruals and provisions	(20)	22	(29)
Accelerated wear and tear	(3)	–	–
Prepayments	1	–	(1)
Revaluations	(305)	386	(229)
Tax losses	63	(36)	108
STC credit	(2)	(8)	–
Charge to other comprehensive income	(4)	(6)	(25)
Business combinations	1	–	(12)
Balance at end	(384)	(115)	(477)
Deferred tax asset on available tax losses and credits not provided for	102	57	53

Creation of deferred tax assets
Tax losses have been provided for as deferred tax assets where at year-end there was certainty as to their recoverability.

Critical accounting estimates and judgements
Deferred tax on the revaluation of owner-occupied properties has been calculated using a combination of the normal South African income tax rate and the capital gains tax rate applicable at year-end. If the capital gains tax rate had been used on these properties, the deferred tax raised would have been R32 million (2008: R33 million; 2007: R54 million) lower.
Deferred tax on the revaluation of investment properties has been calculated using a combination of the normal income tax rate and the capital gains tax rate applicable at year-end as the carrying values of certain properties will be recovered through use and through disposal for others. If the normal income tax rate had been used on all these properties, the deferred tax raised would have been R20 million (2008: R31 million; 2007: R64 million) higher.

12 REINSURANCE CONTRACTS

	2009 Rm	2008 Rm	2007 Rm
Reinsurers' share of insurance liabilities	242	212	179
Balance at beginning	212	179	217
Movement charged to income statement	34	27	(36)
Net exchange differences	(4)	6	(2)
Balance at end	242	212	179
Current	187	159	278
Non-current	55	53	(99)
	242	212	179

Reinsurance
Amounts due from reinsurers in respect of claims incurred by the group and Metropolitan Life Ltd on contracts that are reinsured, are included in insurance and other receivables. Refer note 10.

		Group	
	2009	2008	2007
	Rm	Rm	Rm
13 CASH AND CASH EQUIVALENTS			
Bank and other cash balances	568	728	690
Funds on deposit and other money market instruments – maturity < 90 days	7 134	8 082	7 584
	7 702	8 810	8 274
Restricted balances	4	–	4

	Number of shares 2009 Million	Share premium 2009 Rm	Number of shares 2008 Million	Share premium 2008 Rm	Number of shares 2007 Million	Share premium 2007 Rm
14 SHARE CAPITAL						
Ordinary shares in issue at 1 January	556	33	582	33	626	33
Shares repurchased and cancelled	(16)	–	(26)	–	(44)	–
Conversion of preference shares, net of share costs	23	115				
Holding company share capital at 31 December	563	148	556	33	582	33
Group consolidation adjustments						
Treasury shares held on behalf of contract holders	(1)	(10)	(1)	(10)	(1)	(11)
Staff share scheme shares	(14)	(74)	(17)	(91)	(26)	(122)
Treasury shares held by subsidiary	–	–	(16)	–	(26)	–
Treasury shares held by subsidiary – cancelled		119		119		119
Ordinary shares in issue at 31 December	548	183	522	51	529	19

Authorised share capital of Metropolitan Holdings Limited
The company has authorised share capital of 1 billion ordinary shares of 0.0001 cents each and 129 million variable rate cumulative redeemable convertible preference shares of 0.0001 cents each.

Preference shares
In terms of IAS32 – Financial instruments: presentation, the variable rate redeemable convertible preference shares are compound instruments with a debt and equity component. The equity component has been calculated to be negligible while the debt portion is disclosed in note 21.1.

Shares repurchased and cancelled
Details of the 16 million (2008: 26 million; 2007: 44 million) shares repurchased and cancelled in the open market are disclosed in the directors' report.

Authorised and issued share capital of Metropolitan Life Limited
The company has authorised share capital of 1 billion ordinary shares of 43.1 cents each and issued share capital of 728 million ordinary shares of 43.1 cents each, amounting to share capital of R314 million with share premium of R310 million, totalling R624 million. There has been no change to the share capital since 1 January 2007.

		Group 2009 Rm	2008 Rm	2007 Rm
15	**OTHER COMPONENTS OF EQUITY**			
	Land and building revaluation reserve	203	182	161
	Foreign currency translation reserve	(26)	1	(11)
	Fair value reserve	54	53	50
	Non-distributable reserve	297	296	295
		528	532	495
	Movements in other reserves			
(a)	**Land and building revaluation reserve**			
	Balance at beginning	182	161	96
	Earnings directly attributable to other components of equity	25	24	65
	Revaluations	34	33	92
	Deferred tax on revaluation and depreciation	(4)	(6)	(25)
	Shadow accounting	(5)	(3)	(2)
	Transferred from retained earnings	(4)	(3)	–
	Balance at end	203	182	161
(b)	**Foreign currency translation reserve**			
	Balance at beginning	1	(11)	(16)
	Currency translation differences	(27)	12	5
	Balance at end	(26)	1	(11)
(c)	**Fair value reserve**			
	Available-for-sale assets			
	Balance at beginning	–	1	1
	Gains transferred to net realised gains	–	(1)	–
	Deferred tax on realisation	–	–	–
	Balance at end	–	–	1
	Equity-settled share-based payment arrangements			
	Balance at beginning	53	49	37
	Employee share schemes – value of services provided	1	4	12
	Balance at end	54	53	49
	Total fair value reserve	54	53	50

Equity-settled share-based payment arrangements

Share purchase scheme for senior staff

Ordinary but unlisted shares are allocated to participants and are financed by an interest-bearing loan from the trust, currently at 8.0% (2008: 13.0%; 2007: 10.9%) per annum. A dividend is declared each year, which covers the interest payable by the participants. The shares are pledged to the trust as security for the loan. After five years from the issue date the shares can, on repayment of the outstanding loan balance, be released to the participants and listed on the JSE Ltd.

In terms of the trust deed, the trust is financed by a loan from Metropolitan Life Ltd on terms similar to those on which it grants finance to the participants.

15 **OTHER COMPONENTS OF EQUITY** (continued)

Number of shares (million)	Shares available for issue 2009	2008	2007	Shares held by participants 2009	2008	2007
At beginning	74	76	79	8	17	36
Shares issued to participants						
Shares released				(4)	(9)	(18)
Shares bought back	(1)	(2)	(3)			(1)
At end	73	74	76	4	8	17

Of the shares held by participants, 1 million (2008: 5 million; 2007: 3 million) shares with a loan value of R5 million (2008: R18 million; 2007: R13 million) are currently available for release and an additional 2 million shares with a loan value of R17 million will become available for release during 2010. The range of issue prices relating to the shares outstanding is R5.25 to R10.92 (2008: R5.25 to R10.92; 2007: R5.25 to R10.92).

Share incentive scheme for other staff

Ordinary listed shares are allocated to participants and are financed by an interest-free loan from the trust. Participants receive the same dividend as ordinary shareholders. After five years from the issue date the shares can, on repayment of the outstanding loan balance, be released from the trust. The participants have the right to put the shares back to the trust at a price equal to the original issue price.

In terms of the trust deed, the trust is financed by a loan from Metropolitan Life Ltd on terms similar to those on which it grants finance to the participants.

Number of shares (million)	Shares available for issue 2009	2008	2007	Shares held by participants 2009	2008	2007
At beginning	36	37	39	1	2	4
Shares issued to participants						
Shares released				(1)	(1)	(1)
Shares bought back	(1)	(1)	(2)			(1)
At end	35	36	37	–	1	2

The range of issue prices relating to the shares outstanding is R5.25 to R6.85 (2008: R5.25 to R8.05; 2007: 5.25 to R8.05).

	Metropolitan Life Limited 2009 Rm	2008 Rm	2007 Rm
Loans granted			
Loan from Metropolitan Life Ltd to the purchase scheme trust	52	73	104
Loan from Metropolitan Life Ltd to the incentive scheme trust	4	7	16
Loan from purchase scheme trust to participants	26	44	90
Loan from incentive scheme trust to participants	–	1	6

Metropolitan Holdings Ltd guarantees the recoverability of both loans from Metropolitan Life Ltd.

Both the trusts have been consolidated on a group level and shares issued to participants since 7 November 2000 have been reversed on consolidation. The value of the shares, R73 million (2008: R91 million; 2007: R122 million), has been reversed and the effect on the number of shares can be seen in the stock exchange performance table.

Critical accounting estimates and judgements

The fair value of the services provided is determined, at inception, using a modified binomial tree (Carpenter 1998) model. The significant assumptions used in the model are:

- risk-free rates ranging from 7.4% to 7.8% (2008: 7.4% to 7.8%; 2007: 7.4% to 7.8%);
- a continuously compounded dividend yield of 6.3% (2008: 6.3%; 2007: 6.3%);

- volatility of 27.0% (2008: 27.0%; 2007: 27.0%) calculated using the historical volatility of the Metropolitan Holdings Ltd listed share;
- forfeiture rates of 6.0% and 9.0% (2008: 6.0% and 9.0%; 2007: 6.0% and 9.0%) for the staff purchase scheme and the staff incentive scheme, respectively;
- fair value per share of shares outstanding ranges from R1.58 to R2.57 (2008: R1.58 to R2.57; 2007: R1.58 to R2.57).

			Group	
		2009	2008	2007
		Rm	Rm	Rm
(d)	**Non-distributable reserve**			
	Balance at beginning	296	295	295
	Movement	1	1	–
	Balance at end	297	296	295

On 1 January 2004 Metropolitan Life Ltd integrated the Commercial Union insurance book previously acquired and removed the 90:10 licence. This process resulted in a transfer through the income statement of R295 million to this non-distributable reserve, which may not be distributed to shareholders for a period of 10 years in terms of the agreement.

16 INSURANCE CONTRACTS

	2009	2008	2007
Long-term insurance contracts – gross	35 807	32 023	33 397
Less: recovery from reinsurers (note 12)	(242)	(212)	(179)
Long-term insurance contracts – net	35 565	31 811	33 218
Movement in long-term insurance contract liabilities			
Balance at beginning	32 023	33 397	30 696
Non-linked business reclassified (note 18)	–	9	–
Contract holder movements (note 30)	4 324	(1 378)	3 523
Premiums received (note 25)	9 127	9 414	7 613
Investment return	4 413	(2 104)	3 439
Contract benefit payments (note 29)	(6 434)	(6 168)	(5 202)
Expenses for marketing and administration	(2 647)	(2 659)	(2 103)
Current income tax	(135)	139	(224)
Business combinations	44		145
Net exchange differences	(116)	65	(23)
Shareholder movements (note 30)	(468)	(70)	(944)
Balance at end	35 807	32 023	33 397

Reinsurance movements

Premiums received and contract benefit payments shown in this note are gross of reinsurance.

2008 restated

Fee income on certain investment contracts was incorrectly allocated. Investment return and shareholder movements for insurance contracts were adjusted by R80 million. Refer also to note 26.

		Group		
		2009	2008	2007
		Rm	Rm	Rm
17	**CAPITATION CONTRACTS**			
	Movement in outstanding claims			
	Balance at beginning	2	1	2
	Capitation claims paid in previous year	(1)	(1)	(1)
	Increase in claims incurred but not reported (IBNR)	1	2	–
	Balance at end	2	2	1

Critical judgements and accounting estimates

The assumptions that have the greatest effect on the measurement of the liability are the expected percentages of claims settled after each of the first four months of the claims run-off period, before the claims turn stale. The percentages used as assumptions vary from scheme to scheme. Sensitivity analysis of the impact of these percentages on the resultant claims provision indicates variances less than 10% (which results in > 99% confidence) and have an immaterial impact on the group results.

The group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the estimation process is based upon certain variables and assumptions that could differ when claims arise.

		2009 Rm	2008 Rm	2007 Rm
18	**INVESTMENT CONTRACTS**			
	Investment contracts with DPF	12 022	11 278	14 273
	Investment contracts designated as at fair value through income	11 449	13 931	14 112
	Total investment contract liability	23 471	25 209	28 385
	Movement in investment contracts with DPF			
	Balance at beginning	11 278	14 273	12 695
	Non-linked business reclassified (note 16)	–	(9)	–
	Contract holder movements (note 30)	925	(2 942)	1 664
	Premiums received (note 25)	1 496	1 370	1 452
	Investment return	1 950	(1 952)	1 620
	Contract benefit payments (note 29)	(2 345)	(2 215)	(1 255)
	Expenses for marketing and administration	(176)	(145)	(153)
	Business combinations	4		17
	Net exchange differences	(7)	4	(1)
	Shareholder movements (note 30)	(178)	(48)	(102)
	Balance at end	12 022	11 278	14 273

19 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES

The valuation of contract holder liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies on pages 58 to 61. The assumptions used are best-estimate assumptions, with the addition of explicit compulsory margins required by PGN104 – Valuation of long-term insurers – and the discretionary margins listed on page 59 of the accounting policies. The excess at 31 December 2009 would have been R1 704 million (2008: R1 756 million; 2007: R2 151 million) higher for the group without the discretionary margins.

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 carried out annually, with the most recent investigation being in respect of the 2008 financial year. Comparisons of mortality claims and charges are done quarterly, the most recent such investigation being in respect of the quarter ended December 2009.
- Conventional with-profit business (excluding home service funeral business): Mortality assumptions are based on standard tables (principally SA56/62), modified according to internal experience. Annual mortality investigations are carried out, with the most recent investigation being in respect of the year to June 2007.
- Home service funeral business: Mortality assumptions are based on internal investigations into mortality experience, with the most recent investigation being in respect of the period 2003 to 2009.
- Annuity business: Mortality assumptions are based on the PA90 standard mortality table, less two years in age, with an allowance for mortality improvement of 0.5% per annum. The most recent investigation is in respect of the period 2003 to 2007.
- Allowance for changes in future mortality as a result of AIDS for Funeral Funder and Direct Marketing have been made using the ASSA PGN105 model. For all the other individual business the allowance has been made using the industry standard ASSA2000 model, calibrated to reflect the contract holder population being modelled.

Morbidity

- Internal morbidity and accident investigations are done annually, the most recent being in respect of the period January to September 2009.

Persistency

- Lapse and surrender assumptions are based on past experience. When appropriate, account is also taken of expected future trends.
- Lapse investigations are performed quarterly in respect of grouped individual business, the most recent being in respect of the quarter ended September 2009, and quarterly in respect of other individual business, the most recent being in respect of the quarter ended September 2009.
- Surrender investigations are performed annually, the most recent being in respect of the quarter ended September 2009.
- Experience is analysed by product type as well as policy duration.
- Lapses at inception for individual business were 15.2% (2008: 14.0%; 2007: 14.8%) per annum.

Expenses

- The actual expense for 2009 is taken as an appropriate expense base.
- Provision for future renewal expenses starts at a level consistent with the budgeted experience for the 2009 financial year and allows for escalation at the assumed expense inflation rate of 6.3% (2008: 4.3%; 2007: 5.3%).
- The allocation of total expenses between initial and renewal is based on a functional cost analysis for both grouped and individual business.
- Expenses of R69 million (2008: R10 million; 2007: R33 million) for the group were excluded from the analysis, due to their non-recurring nature.

Investment returns

- 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.
- For non-profit annuity business, yields of appropriate duration from the swap yield curve of the Bond Exchange of South Africa as at valuation date are used to discount expected cash flows at each duration.

- For guaranteed endowment business, the discount rates used are the yields to maturity of the assets backing each policy.
- For other business, a single gilt rate from the BEASSA Government Bond yield curve is used, corresponding to the average discounted mean term of the contract liabilities, and rounded to the nearest quarter of a percent.
- Investment returns for other asset classes are set as follows:
  - Equity rate: gilt rate + 3.5% (2008: + 3.5%; 2007: + 2.0%)
  - Property rate: gilt rate +1.0% (2008: + 1.0%; 2007: + 2.0%)
  - Cash rate: gilt rate -1.0% (2008: – 1.0%; 2007: – 2.0%)
- The assumed renewal expense inflation rate is based on the gilt rate, less a margin, currently 3.2% (2008: 3.2%; 2007: 3.3%). This margin is set taking into account both internal and external factors affecting future expense inflation.
- The main best estimate assumptions, gross of tax used in the valuation are:

	2009	2008	2007
Gilt rate – risk-free investment return	9.5%	7.5%	8.5%
Assumed investment return for individual smoothed bonus business	11.8%	9.8%	9.9%
Renewal expense inflation	6.3%	4.3%	5.3%

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 BSRs are negative, liabilities have been reduced by an amount that can reasonably be accepted to be recovered through under-distribution of bonuses during the ensuing three years. These amounts were determined by projecting BSRs 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. In all cases, the reduction in liabilities is equal to the negative BSR. The assumed bonus rates have been 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 rate used in the valuation assumptions, relative to those declared for 2009, has been communicated to, and accepted by, both management and the respective boards of directors.

Investment guarantees (PGN110)

- A market-consistent stochastic model was calibrated using market data as at 31 December 2009 and the value of the investment guarantee liabilities was calculated as at this date. Refer note 42.4.7.
- PGN110 prescribes specific disclosure in respect of the market-consistent stochastic model that was used to calculate the liabilities. The disclosure is set out below.

The following table discloses specific points on the zero coupon yield curve used in the projection of the assets as at 31 December.

Year	**1**	**2**	**3**	**4**	**5**	**10**	**15**	**20**	**25**	**30**
Yield % – 2009	7.34	7.75	8.19	8.44	8.59	9.28	9.15	8.82	8.53	8.33
Yield % – 2008	8.07	6.84	6.91	7.14	7.27	7.35	7.22	6.86	6.51	6.25

The following instruments have been valued by the model:

Instrument	Value As at 31.12.2009	Volatility As at 31.12.2008	Value	Volatility
A 1-year at-the-money (spot) put on the FTSE/JSE Top 40 index	0.058	20%	0.087	36%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to 0.8 of spot	0.009	22%	0.026	35%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.0747 (2008: 1.0823)	0.084	18%	0.127	34%
A 5-year at-the-money (spot) put on the FTSE/JSE Top 40 index	0.064	22%	0.120	30%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^5$ of spot	0.128	22%	0.203	30%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.5229 (2008: 1.4293)	0.253	22%	0.300	30%
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	0.019	24%	0.074	29%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^{10}$ of spot	0.114	25%	0.283	29%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 5.6120	0.593	27%	0.652	29%
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	0.051	n/a	0.102	n/a
A 20-year put option on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option which pays out if the 5 year interest rate at the time of maturity (in 20 years) is lower than this strike price	0.003	n/a	0.017	n/a

Tax
- Future tax is allowed for according to current tax legislation.
- No allowance is made for any assessed losses in the contract holder tax funds.
- Capital gains are assumed to be realised on a six to seven-year rolling basis. Capital gains tax charges are discounted to reflect this, resulting in some deferment of capital gains tax.

Basis and other changes

Assumptions and methodologies used in the financial soundness valuation 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.

- Basis and other changes decreased the excess of assets over liabilities at 31 December 2009 by R390 million for the group and R290 million for Metropolitan Life Ltd. The major contributors to this change were as follows:
  - Methodology changes and corrections (other changes), positive R70 million for the group and positive R60 million for Metropolitan Life Ltd.
  - Experience basis changes, negative R277 million for the group and negative R156 million for Metropolitan Life Ltd. The experience basis changes are in respect of withdrawal and expense assumptions and mortality assumptions.
  - Economic assumption changes, negative R183 million for the group and negative R194 million for Metropolitan Life Ltd. The economic assumption changes are in respect of future investment return, bonus and inflation assumptions and the difference between actual and expected investment returns on non-profit business.

- The impact of changes in the valuation discount rate, consequent changes in the assumed level of renewal expense inflation and investment over or under-performance in respect of non-linked business is included under this heading.

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, one assumption changes while all the other assumptions remain constant.

Group	2009 Contract holder liabilities Rm	2009 Change Rm	2008 Contract holder liabilities Rm	2008 Change Rm
Central value (as published)	59 278		57 232	
1% reduction in assumed investment return	59 530	252	57 556	324
10% increase in assumed lapses and surrenders	59 290	12	57 233	1
10% increase in mortality and morbidity for assurances/decrease in mortality for annuities	59 707	429	57 713	481
10% increase in maintenance/recurring expenses	59 736	458	57 653	421

	2007	
Central value (as published)	61 782	
1% reduction in assumed investment return	61 970	188
10% increase in assumed lapses and surrenders	61 899	117
10% increase in mortality and morbidity for assurances/decrease in mortality for annuities	62 168	386
10% increase in maintenance/recurring expenses	62 151	369

- 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.

		Group 2009 Rm	Group 2008 Rm	Group 2007 Rm
20	**FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH INCOME**			
	Collective investment scheme liabilities – current	301	272	635

Certain collective investment schemes have been classified as investments in subsidiaries; refer note 5. Consequently, scheme interests not held by the group are classified as third party liabilities as they represent demand deposit liabilities measured at fair value.

		2009 Rm	2008 Rm	2007 Rm
21	**FINANCIAL LIABILITIES AT AMORTISED COST**			
	Borrowings			
	Cumulative redeemable convertible preference shares	711	841	837
	Subordinated redeemable debt	501	501	501
	Finance lease liabilities	1	2	3
	Other	7	5	29
		1 220	1 349	1 370
	Current	410	533	64
	Non-current	810	816	1 306
		1 220	1 349	1 370

21.1 Cumulative redeemable convertible preference shares

Metropolitan Holdings Ltd issued two tranches of variable rate cumulative convertible redeemable preference shares. The first tranche (A1) of 75 842 650 shares at a nominal value of R540 million was issued during 2004 and the second tranche (A2 and A3) of 47 081 139 shares at a nominal value of R479 million was issued during 2005. The shares were convertible, at the option of the holder, into ordinary shares on a one for one basis after three years. During September 2009, the A1 and A2 preference shares were amended to be convertible at any time before the extension dates and, if not converted, are compulsorily redeemable on those dates being 30 October 2012 and 5 December 2012, respectively. During September 2009, 23 million of the A1 preference shares were converted to ordinary shares on a one for one basis. The A3 preference share terms remained unchanged and are compulsorily redeemable on 5 December 2010. There is no deferred tax implication.

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

The effective interest rate for these preference shares at the reporting date ranged from 14.1% to 19.0% (2008: 16.1% to 18.7%; 2007: 13.3% to 15.6%).

21.2 Subordinated redeemable debt

Metropolitan Life Ltd issued R500 million unsecured subordinated notes with a nominal value of R1 million per note, at 99.7% of the nominal amount. The notes are mixed rate notes with an optional conversion from fixed rate to floating rate after eight years and compulsorily redemption after a further five years. The fixed interest rate is 9.25% per annum, and both the fixed and floating rate payment dates are 15 June and 15 December from issue date, 15 December 2006. The holder has an option to redeem the debt from 15 December 2014 and the ultimate maturity date is 15 December 2019.

The FSB granted approval for the company to raise debt on 10 November 2006. The company has sufficient required cash to cover the debt.

			Group	
		2009	**2008**	**2007**
		Rm	**Rm**	**Rm**
21.3	**Finance lease liabilities – minimum lease payments**			
	Not later than 1 year	1	1	2
	Later than 1 year and not later than 5 years	–	1	2
		–	2	4
	Future finance charges on finance leases	–	–	(1)
	Present value of finance lease liabilities	1	2	3

				Significant funds	
		Group	**MSRF**	**MSRF**	**CU**
		Rm	**Rm**	**Rm**	**Rm**
22	**EMPLOYEE BENEFIT ASSETS AND OBLIGATIONS**				
22.1	**Employee benefit assets**				
	2009				
	Present value of funded obligation	(418)	–	(411)	(6)
	Fair value of plan assets	712	85	590	32
		294	85	179	26
	Applied limit	(62)	–	(62)	–
	Net asset recognised	232	85	117	26

22 EMPLOYEE BENEFIT ASSETS AND OBLIGATIONS (continued)

22.1 Employee benefit assets (continued)

		Significant funds		
	Group	MSRF	MSRF	CU
	Rm	Rm	Rm	Rm
Movement in present value of funded obligation				
Balance at beginning	410	–	403	6
Current service costs	2	–	2	–
Interest costs	32	–	31	–
Actuarial gains	1	–	2	–
Estimated benefits paid	(28)	–	(28)	–
Estimated members contributions	1	–	1	–
Balance at end	418	–	411	6
Current	30			
Non-current	388			
	418			
Movement in fair value of plan assets				
Balance at beginning	658	106	521	26
Expected return on plan assets	50	7	41	2
Actuarial gains	71	12	54	4
Employer contribution	(40)	(40)	1	–
Estimated member contributions	1	–	1	–
Estimated benefits paid	(28)	–	(28)	–
Balance at end	712	85	590	32
Current	63			
Non-current	649			
	712			

2008				
Present value of funded obligation	(410)	–	(403)	(6)
Fair value of plan assets	658	106	521	26
	248	106	118	20
Movement in present value of funded obligation				
Balance at beginning	394	–	388	6
Current service costs	1	–	1	–
Interest costs	30	–	30	–
Actuarial gains	12	–	11	–
Estimated member contributions	(28)	–	(28)	–
Estimated benefits paid	1	–	1	–
Balance at end	410	–	403	6
Current	28			
Non-current	382			
	410			

22 **EMPLOYEE BENEFIT ASSETS AND OBLIGATIONS** (continued)

22.1 **Employee benefit assets** (continued)

		Significant funds		
	Group Rm	MSRF Rm	MSRF Rm	CU Rm
Movement in fair value of plan assets				
Balance at beginning	571	–	531	32
First time recognition of plan assets	106	106	–	–
Expected return on plan assets	45	–	42	2
Actuarial losses	(36)	–	(26)	(8)
Employer contribution	–	–	1	–
Interest costs	1	–	–	–
Estimated member contributions	–	–	1	–
Estimated benefits paid	(29)	–	(28)	–
Balance at end	658	106	521	26
Current	63			
Non-current	595			
	658			
2007				
Present value of funded obligation	(394)		(388)	(6)
Fair value of plan assets	571		531	32
	177		143	26
Movement in present value of funded obligation				
Balance at beginning	384		383	
First time recognition of plan assets	6			6
Current service costs	1		1	
Interest costs	30		30	
Actuarial gains	1		1	
Estimated benefits paid	(29)		(28)	
Estimated member contributions	1		1	
Balance at end	394		388	6
Current	26			
Non-current	368			
	394			
Movement in fair value of plan assets				
Balance at beginning	510		504	
First time recognition of plan assets	32			32
Expected return on plan assets	41		39	
Actuarial gains	15		13	
Employer employer contribution	1		1	
Interest costs	(1)			
Estimated member contributions	1		1	
Estimated benefits paid	(28)		(27)	
Balance at end	571		531	32
Current	28			
Non-current	543			
	571			

Metropolitan Staff Retirement Fund (MSRF)

The MSRF is a defined contribution arrangement with two separately registered sections: pension and provident. Members contribute at a fixed percentage of salaries to the pension fund section and the employer contributes to the provident fund section. The employer's share of the surplus in the old defined benefit fund which was transferred to the defined contribution fund on 1 April 1999 was kept in the Employer Contribution Subsidy Reserve Account until 1 April 2002 (the surplus apportionment date). The surplus apportionment scheme of the provident section was approved by the Financial Services Board (FSB) in June 2008. The surplus has been transferred to the Employer Surplus Account (ESA) which is being used by the employer to subsidise contributions to the fund. The pension fund section submitted a nil scheme that was noted by the FSB. The fair value of the plan assets represents the balance of the ESA valued at market value at year-end. The expected rate of return used in the valuation is 9% (2008: 8%).

The plan assets as a percentage (%) comprise	2009	2008
Equity securities	60	63
Debt securities	7	7
Property	12	8
Foreign assets	16	11
Cash equivalents	5	11
	100	100

Metropolitan Staff Pension Fund (MSPF)

With effect from 1 April 1999 the majority of employees converted their retirement benefit plans from defined benefit to defined contribution by way of a transfer from the Metropolitan Staff Pension Fund to the Metropolitan Staff Retirement Fund. The defined benefit scheme was closed to new members from 1 April 1999. All new employees automatically become members of the Metropolitan Staff Retirement Fund. Metropolitan Life Ltd is required to meet the balance of the cost of providing the fund benefits as recommended by the valuator on the basis of the ongoing triennial statutory actuarial valuations. A nil scheme was noted by the FSB in October 2005. Subsequent to the surplus apportionment date (1 April 2002), a surplus has emerged in the fund. The liability at 31 December 2009 is based on a projection of the 1 April 2008 valuation results. Fair value of the plan assets is determined with reference to the approximate rate of investment return earned by the fund until December 2009. A limit was applied to the net plan asset in terms of IFRIC 14.

The key valuation assumptions are:

Assumptions	Base assumption
Valuation rate of interest	9.0% (2008: 8.0%; 2007: 8.0%)
Expected rate of return	9.0% (2008: 8.0%; 2007: 8.0%) – based on the valuation rate of interest
Salary inflation	7.5% (2008: 6.5%; 2007: 6.5%)
Net post-retirement interest rate	3.0% (2008: 3.0%; 2007: 3.0%)
Normal retirement age	60 – 65 years
Mortality	
Pre-retirement	SA 72-77 ultimate, with female rates equal to 70% of male rates
Post-retirement	PA(90) minus 2, with ill-health (disability) retirements rated up by 10 years

The plan assets as a percentage (%) comprise	2009	2008	2007
Equity securities	49	51	52
Debt securities	23	18	18
Property	11	9	10
Foreign assets	7	9	9
Cash equivalents	1	3	1
Socially responsible investments	9	10	10
	100	100	100

Commercial Union Defined Contribution Pension Fund (CU)

The fund is a defined contribution fund and is closed to new members. An exercise is underway to transfer the remaining members (and surplus) to the MSRF with an effective date of 1 January 2009. Metropolitan Life Ltd recognised the surplus that was transferred to the employer surplus account as an asset in 2007 when the FSB approved the surplus apportionment scheme. This account is currently used by the fund to meet the obligation in respect of the additional retirement benefit in lieu of the post retirement medical aid subsidy for eligible members. The key valuation assumptions are similar to the MSPF except for:

Assumptions	Base assumption
Healthcare cost inflation	8.0% (2008: 7.0%; 2007: 6.8%)
Administration fee inflatio	6.5% (2008: 5.5%; 2007: 5.5%)
Normal retirement age	60 years

The plan assets as a percentage (%) comprise	2009	2008	2007
Equity securities	57	60	62
Debt securities	8	6	9
Property	8	4	4
Foreign assets	12	11	11
Cash equivalents	15	19	14
	100	100	100

Actual return on assets

The actual return on assets of the funds is R100 million (2008: R8 million; 2007: R82 million) for the group.

International subsidiaries

During 2009, the international subsidiaries have recognised a net asset of R4 million (2008: R4 million; 2007: R8 million), in accordance with IAS 19 – Employee benefits – where applicable.

Metropolitan Health Group Retirement Fund

The group sponsors the Metropolitan Health Group Retirement Fund, which is a defined contribution arrangement. The fund is closed to new members. The surplus apportionment scheme was approved by the FSB in September 2008. An exercise is underway to transfer the remaining members (and surplus) to the MSRF with an effective date of 1 January 2010.

Previous year's balances

Present value of funded obligations and plan assets for 2006 was R384 million and R510 million respectively for the group.

Other

The total movement is recognised in the income statement in employee benefit costs. The best estimate of the employer's contributions for 2010 is R38 million for the group.

		Group 2009 Rm	2008 Rm	2007 Rm
22.2	**Employee benefit obligations**			
	Post-retirement medical benefits (a)	180	174	164
	Share scheme obligations (b)	7	6	64
	Cash-settled arrangements (c)	15	8	15
	Staff bonuses			9
		202	188	252
	Current	17	14	80
	Non-current	185	174	172
		202	188	252
	Movements in the income statement are included in employee benefit expenses.			
(a)	**Post-retirement medical benefits**			
	Balance at beginning – unfunded	174	164	157
	Interest costs	14	13	13
	Actuarial gains	6	(3)	(6)
	Estimated employer contributions	(14)	–	–
	Balance at end – unfunded	180	174	164

Previous years' balances

The post-retirement medical benefit obligation for the group was R157 million in 2006, R96 million in 2005 and R103 million in 2004.

Critical accounting estimates and judgements

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. The key valuation assumptions are:

Assumptions	Base assumption	Change in assumption	Change in value of liability Decrease in assumption R'000	Increase in assumption R'000
Healthcare cost inflation rate				
Defined benefit fund	8.0% (2008: 7.0%; 2007: 6.8%)	1%	(10)	12
Defined contribution fund	8.0% (2008: 7.0%; 2007: 6.8%)	1%	(12)	15
Valuation rate of interest	9.0% (2008: 8.0%; 2007: 8.0%)			
Administration fee inflation	6.5% (2008: 5.5%' 2007: 5.5%)			
Normal retirement age	60 years			
Mortality				
Pre-retirement	SA 72-77 ultimate, with female rates equal to 70% of male rates			
Post-retirement	PA(90) minus 2, with ill-health (disability) retirements rated up by 10 years			

		Group		
		2009	2008	2007
		Rm	Rm	Rm
(b)	**Share scheme obligations**			
	Health staff share scheme			
	Balance at beginning	–	54	53
	Additional provision	–	1	25
	Used during year	–	(55)	(24)
	Balance at end	–	–	54
	International subsidiaries' share scheme			
	Balance at beginning	6	10	12
	Current service costs	2	2	5
	Interest costs	1	1	2
	Actuarial losses	(1)	(1)	–
	Benefits paid	(1)	(6)	(9)
	Balance at end	7	6	10

Critical accounting estimates and judgements

The assumptions used in calculating the expenses and liabilities for these schemes were

- risk-free rates ranging from 8% to 10% (2008: 8% to 10%; 2007: 9% to 10%);
- expected growth rates between 12% and 14% (2008: 12% to 14%; 2007: 14% to 15%);
- forfeiture rates ranging from 2% to 20% (2008: 9% to 19%; 2007: 7% to 19%);
- a continuously compounded dividend yield of 0% (2008: 0%; 2007: 0%).

		2009	2008	2007
(c)	**Cash-settled arrangements**			
	Long-term retention scheme			
	Balance at beginning	8	15	1
	Additional provisions	46	(3)	14
	Benefits paid	(39)	(4)	
	Balance at end	15	8	15
	Current	12	5	–
	Non-current	3	3	15
		15	8	15

During 2006 the group introduced a long-term retention scheme for all South African employees. In terms of this scheme, participants can qualify for a bonus, payable after three years, based on the performance of the group measured against certain benchmarks. The basket of performance criteria includes growth in dividend per ordinary share, diluted core headline earnings per share and value of new business and determines the number of units that will vest with each employee over the three-year period. The participant will then receive a cash payment per unit, based on the volume weighted average share price of Metropolitan Holdings Ltd shares at the payment date.

	2009	2008	2007
Number of units outstanding			
At beginning of year	9 284	5 120	2 365
Allocations			
2nd tranche			2 891
3rd tranche	2	4 736	
4th tranche	4 400		
Net forfeits, transfers and redemptions	(2 660)	(572)	(136)
At end of year	11 026	9 284	5 120

Critical accounting estimates and judgements

The fair value of the services provided is determined by taking the fair value of the units granted, adjusted for non-financial performance indicators. The price of the forward, a financial variable, was derived using a risk-neutral forward pricing technique. The valuation methodology uses observable market prices, in conjunction with appropriate forward-looking dividend assumptions, to determine the value of the forward as the current market value of a portfolio that has the same expected pay-off profile as the instrument. The non-financial variables include a maximum vesting rate of 200% and a target vesting rate of 100%.

	4th tranche	3rd tranche	2nd tranche	1st tranche
Issue date	01/12/2009	21/11/2008	26/11/2007	01/12/2006
Expiry date	01/12/2012	21/11/2011	25/11/2010	30/11/2009
Outstanding units – group ('000)	4 400	4 216	2 410	1 835

Valuation assumptions include:

	4th tranche	3rd tranche		2nd tranche		
	2009	2009	2008	2009	2008	2007
Outstanding tranche period in years	2.9	1.9	2.9	0.9	1.9	2.9
Take-up rate on units outstanding	85%	90%	85%	95%	90%	84%
Current vesting rate	108%	9%	0%	61%	45%	118%
Adjusted share price, adjusted for future dividends and past special distributions	R10.24	R11.34	R7.50	R12.47	R8.53	R12.12

The first tranche was settled in December 2009 at R13.42 per share at a vesting rate of 168%.

		Group	
	2009 Rm	2008 Rm	2007 Rm
23 OTHER PAYABLES			
Payables arising from insurance contracts and investment contracts with DPF	1 584	1 595	1 449
Claims in process of settlement			
Insurance contracts	1 272	1 255	1 171
Investment contracts with DPF	178	210	133
Premiums paid in advance	78	74	82
Due to reinsurers	56	56	63
Payables arising from investment contracts	104	428	227
Deferred revenue liability	49	47	46
Financial instruments			
Other payables	864	864	823
	2 601	2 934	2 545
Current	2 530	2 723	2 507
Non-current	71	211	38
	2 601	2 934	2 545

24 INCOME TAX

24.1 Current income tax liabilities/(assets)

	2009	2008	2007
Current income tax assets	(200)	(14)	–
Current income tax liabilities	7	23	307
	(193)	9	307
Balance at beginning	9	307	202
Charged to income statement	257	291	448
Additional provisions	383	396	532
Unused amounts reversed	(126)	(105)	(84)
Used during year	(460)	(589)	(357)
Business combinations	1		14
Balance at end	(193)	9	307

		Group	
	2009 Rm	2008 Rm	2007 Rm
24.2 Income tax (credits)/expenses			
Current taxation			
South African normal tax	285	308	503
Prior year over-provision	(129)	(102)	(99)
Foreign countries – normal tax	20	14	24
Tax on contract holder funds	1	–	5
Prior year underprovision	4	–	15
Foreign withholding tax	9	18	–
Secondary tax on companies	67	53	120
Prior year under-provision			71
	257	291	639
Deferred tax			
Shareholder tax	208	(211)	(55)
Contract holder tax	129	(156)	204
Prior year over-provision	(71)	(1)	–
	523	(77)	788

Tax rate reconciliation	2009 %	2008 %	2007 %
Tax calculated at standard rate of South African tax on earnings	28.0	28.0	29.0
Change in tax rate		(0.9)	
Prior year reversals	(7.7)	(27.5)	(4.3)
Secondary tax on companies	4.0	(14.2)	8.3
Taxation on contract holder funds	(0.3)	41.7	9.8
Foreign tax	1.8	(6.5)	(0.4)
Capital gains tax	0.5	(11.6)	(4.4)
Non-deductible expenses	5.0	11.7	(4.0)
Effective rate	31.3	20.7	34.0

The tax rate changed from 29% to 28% during 2008.

		Group	
	2009 Rm	2008 Rm	2007 Rm
25 NET INSURANCE PREMIUMS			
Premiums received	10 635	10 803	9 084
Long-term insurance contracts (note 16)	9 127	9 414	7 613
Capitation premiums	12	19	19
Investment contracts with DPF (note 18)	1 496	1 370	1 452
Premiums received ceded to reinsurers	(395)	(398)	(369)
	10 240	10 405	8 715

		Group		
		2009	2008	2007
		Rm	Rm	Rm
26	**FEE INCOME**			
	Contract administration	67	94	97
	Investment contracts	62	78	84
	Release of deferred front-end fees	5	16	13
	Trust and fiduciary services	159	144	93
	Asset management	19	20	4
	Asset administration	65	56	39
	Retirement fund administration	75	68	50
	Other income	959	833	713
	Health	944	787	684
	Banking services	2	9	10
	Scrip lending fees	8	16	19
	Other	5	21	
		1 185	1 071	903

2008 restated

Fee income on certain investment contracts was incorrectly allocated. This resulted in a decrease in fee income of R80 million and a corresponding decrease in the fair value adjustment on investment contracts for the group.

		2009 Rm	2008 Rm	2007 Rm
27	**INVESTMENT INCOME**			
	Designated as at fair value through income			
	Dividend income – listed	736	1 242	944
	Dividend income – unlisted	130	97	76
	Held for trading dividend income – listed	–	–	
	Interest income	2 740	2 708	2 243
	Designated as at fair value through income	1 958	1 709	1 179
	Loans and receivables	173	202	242
	Cash and cash equivalents	609	797	822
	Rental income	388	344	349
	Investment property	377	334	343
	Owner-occupied	11	10	6
	Other income	1	5	1
		3 995	4 396	3 613

		Group		
		2009	2008	2007
		Rm	Rm	Rm
28	**NET REALISED AND FAIR VALUE GAINS/(LOSSES)**			
	Financial instruments	4 536	(8 719)	3 868
	Designated as at fair value through income	5 573	(10 073)	3 809
	Held for trading financial instruments	(850)	1 240	53
	Available-for-sale – realised gains	–	1	1
	Net realised and unrealised foreign exchange differences on financial instruments not designated at fair value through income	(187)	113	5
	Investment property	118	232	541
	As per valuation	133	221	540
	Change in accelerated rental income	(15)	11	1
	Other investments	(12)	3	(2)
		4 642	(8 484)	4 407
29	**NET INSURANCE BENEFITS AND CLAIMS**			
	Long-term insurance contracts (note 16)	6 434	6 168	5 202
	Death and disability claims	2 422	2 237	1 800
	Maturity claims	1 404	1 399	1 248
	Annuities	770	615	573
	Surrenders	1 667	1 806	1 451
	Withdrawal benefits	145	111	13
	Terminations	26	–	117
	Capitation benefits incurred	14	16	17
	Investment contracts with DPF (note 18)	2 345	2 215	1 255
	Death and disability claims	17	28	30
	Maturity claims	118	128	81
	Annuities	54	54	38
	Surrenders	52	17	6
	Withdrawal benefits	254	281	208
	Terminations	1 850	1 707	892
		8 793	8 399	6 474
	Amounts recovered from reinsurers	(327)	(330)	(242)
		8 466	8 069	6 232

		Group 2009 Rm	Group 2008 Rm	Group 2007 Rm
30	**CHANGE IN LIABILITIES**			
	Change in insurance contract liabilities			
	Movement in liability balance			
	Contract holder movements (note 16)	4 324	(1 378)	3 523
	Adjusted for			
	Shadow accounting	(4)	(3)	(2)
	Shareholder movements (note 16)	(468)	(70)	(944)
	Operating profit	(742)	(782)	(795)
	Basis changes (note 19)	565	301	165
	Investment variances	(256)	451	(41)
	Deferred tax			(111)
	Reinsurance movements	(35)	(40)	(162)
		3 852	(1 451)	2 577
	Change in investment contracts with DPF liabilities			
	Movement in liability balance			
	Contract holder movements (note 18)	925	(2 942)	1 664
	Shareholder movements (note 18)	(178)	(48)	(102)
	Operating profit	(90)	(115)	(120)
	Basis changes (note 19)	34	(13)	17
	Investment variances	(122)	80	1
		747	(2 990)	1 562
31	**DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES**			
	Depreciation (note 2, 3 and 15)	104	88	81
	Owner-occupied properties	17	13	6
	Equipment	87	75	75
	Amortisation (note 1)	51	52	44
	Value of in-force acquired	6	6	–
	Contractual customer relationships	–	1	–
	Deferred acquisition costs	10	12	12
	Computer software – acquired	12	8	9
	Computer software – internally developed	23	25	23
	Impairment of intangible assets (note 1)	57	35	4
	Goodwill	55	35	–
	Deferred acquisition costs	1	–	4
	Computer software – acquired	1	–	–
	Impairment of financial assets	(64)	46	40
	Loans advanced	(72)	48	24
	Amounts due from agents and brokers	8	(2)	11
	Other			5
		148	221	169

		Group		
		2009	2008	2007
		Rm	Rm	Rm
32	**EMPLOYEE BENEFIT EXPENSES**			
	Salaries	1 281	1 155	985
	Defined benefit retirement fund	6	6	2
	Defined contribution retirement fund	115	106	93
	Post-retirement medical benefits	6		
	Retirement fund assets (note 22.1)	16	(71)	(51)
	Share-based payment expenses	47	2	26
	Equity-settled arrangements	1	4	12
	Cash-settled arrangements	46	(2)	14
	Current service costs	2	5	32
	Metropolitan Health staff share scheme	–	2	26
	International subsidiaries' share schemes	2	3	6
	Training costs	42	39	32
	Other	34	27	26
		1 549	1 269	1 145

33	**SALES REMUNERATION**			
	Sales remuneration	987	1 095	1 004

2008 and 2007 restated

The disclosure of sales remuneration has been reconsidered. Distribution costs are no longer considered part of sales remuneration and have been reallocated to other expenses. This resulted in an increase of other expenses of R140 million (2007: R123 million) and corresponding decrease in sales remuneration.

34	**OTHER EXPENSES**			
	Administration fees received	(75)	(83)	(75)
	Asset management fees	104	113	90
	Auditors' remuneration	20	22	19
	Audit fees	20	20	17
	Fees for other services	–	2	2
	Bad debts written off	85	–	–
	Consulting fees	103	116	79
	Direct property operating expenses on investment property	89	92	67
	Information technology expenses	185	164	144
	Marketing costs	144	162	128
	Other expenses	480	432	319
	Other related taxes	136	133	126
		1 271	1 151	897

Administration fees received

Fee income on financial instruments not at fair value amounting to R11 million (2008: R13 million; 2007: R14 million) for the group is included in administration fees received.

2008 and 2007 restated

The disclosure of sales remuneration has been reconsidered. Distribution costs are no longer considered part of sales remuneration and have been reallocated to other expenses. This resulted in an increase of other expenses of R140 million (2007: R123 million) a corresponding decrease in sales remuneration.

		Group		
		2009	2008	2007
		Rm	Rm	Rm
35	**FINANCE COSTS**			
	Interest expense on liabilities at amortised cost			
	Redeemable preference shares	118	138	123
	Subordinated redeemable debt	46	47	46
	Other	4	3	5
		168	188	174

36 GROUP EARNINGS PER SHARE

	Basic earnings			Diluted earnings		
Attributable to equity holders	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Earnings (cents per share)	214	(61)	280	188	(27)	232
Headline earnings (cents per share)	225	(53)	280	197	(20)	232
Core headline earnings (cents per share)	154	167	160	141	151	142

	Basic earnings			Diluted earnings		
Reconciliation of headline earnings attributable to equity holders of group	**2009 Rm**	**2008 Rm**	**2007 Rm**	**2009 Rm**	**2008 Rm**	**2007 Rm**
Earnings – equity holders of group	1 129	(319)	1 503	1 129	(319)	1 503
Finance costs – preference shares (note 35)				118	138	124
Diluted earnings				1 247	(181)	1 627
Goodwill impairment and adjustment to equity accounted associates	61	44	–	61	44	–
Headline earnings	1 190	(275)	1 503	1 308	(137)	1 627
Net realised and fair value gains on excess	(466)	603	(719)	(466)	603	(719)
Basis and other changes, and investment variances	92	580	64	92	580	64
Employee benefit assets/obligations	–	(37)	(48)	–	(37)	(48)
Dilutory effect of subsidiaries				(1)	1	6
Investment income on treasury shares held on behalf of contract holders				1	1	13
Secondary tax on companies – special dividend			60			60
Core headline earnings	816	871	860	934	1 011	1 003

Weighted average number of ordinary shares in issue (million)	529	521	537	529	521	537
Adjustments for						
Assumed conversion of preference shares				100	123	123
Staff share scheme shares				34	25	40
Diluted weighted average – earnings and headline earnings (million)				663	669	700
Treasury shares held on behalf of contract holders				–	–	5
Diluted weighted average – core headline earnings (million)				663	669	705

Basic earnings per share

In calculating the basic earnings per share, the exclusion from the income statement of the income in respect of treasury shares and shares issued to staff through the staff share scheme after 1 January 2001 requires that these shares similarly be excluded from the weighted average number of ordinary shares in issue.

Diluted earnings per share

Diluted earnings per share are calculated using the weighted average number of ordinary shares in issue, assuming conversion of all issued shares with dilutive potential. The convertible redeemable preference shares and the staff share scheme shares not recognised in accordance with IAS 39 have dilutive potential. The preference shares are assumed to have been converted into ordinary shares and earnings adjusted to eliminate the interest expense. The staff share scheme shares are assumed to have been released as ordinary listed shares with no adjustment to earnings.

Diluted weighted average number of shares

For diluted core headline earnings, treasury shares held on behalf of contract holders are deemed to be issued. For diluted earnings and headline earnings, these shares are deemed to be treasury shares.

Headline earnings

Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.

Core headline earnings

Net realised and fair value gains, investment variances and basis and other changes can be volatile; therefore core headline earnings have been disclosed that comprise operating profit and investment income on shareholder assets only.

Diluted core headline earnings

Metropolitan Health and Metropolitan Kenya are consolidated at 100% in the results. For the purposes of diluted core headline earnings, minority interests and investment returns are reinstated.

		Group 2009 Rm	2008 Rm	2007 Rm
37	**CASH FLOW FROM OPERATING ACTIVITIES**			
37.1	**Cash utilised in operations**			
	Profit before tax	1 669	(372)	2 316
	Adjusted for			
	Dividends received	(866)	(1 339)	(1 020)
	Interest received	(2 740)	(2 708)	(2 243)
	Finance costs	168	188	174
	Share of (profits)/losses of associates	(3)	2	(5)
	Share of losses of joint ventures	–	26	–
	Net realised and fair value (gains)/losses	(4 642)	8 484	(4 407)
	Depreciation and amortisation expenses	155	140	125
	Impairment charges	(9)	81	44
	Share-based payment and other employee benefit expenses	68	7	58
	Staff bonuses	1	(5)	9
	Reinsurance assets	(34)	(27)	36
	Employee benefit assets/obligations	16	(71)	(51)
	Fair value adjustments on collective investment scheme liability	7	18	13
	Accelerated rental income	(15)	11	–
	Changes in operating assets and liabilities (excluding effect of acquisitions and exchange rate differences on consolidation)			
	Insurance and investment liabilities	2 128	(4 591)	7 161
	Intangible assets related to insurance and investment contracts	(15)	(19)	(27)
	Investment property	(44)	(33)	32
	Assets designated as at fair value through income	1 526	(3 168)	(1 928)
	Assets held for trading	(515)	1 055	147
	Assets available-for-sale	3	1	3
	Loans and receivables	169	92	(264)
	Insurance and other receivables	(47)	(42)	(95)
	Non-current assets held for sale	–	185	
	Change in employee benefit obligations	(54)	(71)	(33)
	Other operating liabilities	(363)	357	570
	Cash utilised in operations	(3 437)	(1 799)	615

		Group		
		2009	2008	2007
		Rm	Rm	Rm
37.2	**Income tax paid**			
	Due at beginning	(124)	(784)	(491)
	Charged to income statement	(523)	77	(788)
	Charged directly to other comprehensive income	(4)	(6)	(25)
	Business combinations	–	–	(26)
	Due at end	191	124	784
		(460)	(589)	(546)
37.3	**Interest paid**			
	Redeemable preference shares	(133)	(134)	(118)
	Subordinated redeemable debt	(46)	(47)	(46)
	Other	(3)	(3)	(2)
		(182)	(184)	(166)

38 CASH FLOW FROM INVESTING ACTIVITIES

38.1 Nigeria – joint venture to subsidiary and acquisition of subsidiaries

The group obtained control over the joint venture from 1 January 2009 with potential voting rights that are currently exercisable. The amounts recognised at 1 January 2009 of Nigeria's assets and liabilities are shown below.

The group acquired 80% of a retirement administration company in April 2007, 50% and control through board representation of HTG Life Ltd (renamed Union Life Ltd), a life insurance company, and 70% of DirectFin Solutions (Pty) Ltd, a distribution channel, both in December 2007, for a total cost of R145 million. The group would have recognised R20 million profit if these companies had been consolidated from the beginning of 2007.

	2009	2008	2007
	Rm	Rm	Rm
Intangible assets	7		51
Owner-occupied property			14
Equipment	6		7
Financial Instruments			
designated at fair value through income	64		162
loans and receivables	2		22
Insurance and other receivables	10		
Deferred tax asset/(liability)	1		(12)
Cash and cash equivalents	42		91
Insurance contracts	(44)		(162)
Investment contracts with DPF	(4)		
Borrowings			(29)
Other payables	(12)		(23)
Current income tax liability	(1)		(14)
Fair value of net assets	71		107
Minority interest	(36)		(43)
Goodwill and value of in-force on acquisition			90
Investment in joint venture derecognised	(35)		
Cash included in subsidiary	(42)		(91)
Net cash (received)/paid	(42)		63

The loss for the year relating to Nigeria is R19 million.

		Group		
		2009	2008	2007
		Rm	Rm	Rm
39	CAPITAL AND LEASE COMMITMENTS			
	Capital commitments			
	Authorised but not contracted	187	124	35
	Authorised and contracted	31	14	132
		218	138	167
	The above commitments, which are in respect of computer software, computer equipment, vehicles, furniture, property, sponsorships, promotions and new business opportunities, will be financed from internal sources.			
	Lease commitments			
	Minimum lease payments on non-cancellable contracts:			
	Less than 1 year	27	12	20
	Between 1 and 5 years	30	17	51
		57	29	71

40 CONTINGENT LIABILITIES

The group is party to legal proceedings in the normal course of business and appropriate provisions are made when losses are expected to materialise (2008: The South African Revenue Service has raised a tax assessment on the company. No provision has been made based on legal grounds and on independent tax advice received by the group).

41 RELATED PARTY TRANSACTIONS

41.1 Holding company

Metropolitan Holdings Ltd is the ultimate holding company in the Metropolitan Holdings group. The shares are widely held by public and non-public shareholders; refer to the shareholder profile.

Group companies are listed in annexure 1. Other related parties include Kagiso Trust Investments (Pty) Ltd, directors, key personnel and their families, associated companies and joint ventures.

41.2 Transactions with directors and key personnel and their families

Remuneration is paid in the form of fees to non-executive directors and remuneration to executive directors and key personnel of the company. Transactions with directors are disclosed in the corporate governance report and the directors' report respectively.

The group executive committee members are members of the staff pension schemes, the details of which are in note 22. Certain of them have investments with the group that have been taken out in the ordinary course of business.

The aggregate remuneration of this committee, excluding the executive directors, is R14 million (2008: R10 million; 2007: R17 million)) for the group. Included are pension fund contributions of R0.4 million (2008: R0.3 million; 2007: R2 million) for the group.

The executive committee members are beneficiaries in the management trust, which in turn holds a 6% indirect interest in Metropolitan Holdings Ltd.

The executive committee members participate in the Metropolitan long-term retention scheme. In terms of this scheme, management can qualify for a bonus, payable after three years, based on the performance of the group measured against certain benchmarks.

The directors and group executive committee members do not have significant investment holdings and insurance contracts in the Metropolitan group business.

41.3 Black economic empowerment partner

The group's black economic empowerment partner, Kagiso Trust Investments (Pty) Ltd (KTI), has an interest of 21% (2008: 24%; 2007: 22%) in Metropolitan Holdings Ltd. The group has entered into the following transactions with KTI:

- Metropolitan Holdings Ltd issued preference shares to KTI as disclosed in note 21.1.
- Metropolitan Health Group issued "A" ordinary shares to KTI which were financed through preference shares to Metropolitan Holdings Ltd. The "A" ordinary shares are convertible into ordinary shares on a 1 for 1 basis and can only be converted as and when the preference shares are redeemed, also on a 1 for 1 basis. KTI holds a 17.6% interest in Metropolitan Health Corporate (Pty) Ltd through this transaction.
- KTI has a 20% holding in Metropolitan Retirement Administrators (Pty) Ltd.
- KTI has a 51% holding in C Shell 448 (Pty) Ltd – refer note 6.
- Other transactions between the group and KTI are in the normal course of business.

41.4 Contract administration

Certain companies in the group carry out third party contract and other administration activities for other related companies in the group. These fees are eliminated on consolidation.

41.5 Staff share schemes

Loans were advanced to the two share schemes and to participants in the schemes. Amounts outstanding at the end of the year are disclosed in note 15(c). Interest paid by the trusts to Metropolitan Life Ltd was R7 million (2008: R11 million; 2007: R16 million).

41.6 Property lease agreements

Certain related parties of the group are lessees of Metropolitan Life Ltd. Rental income for Metropolitan Life Ltd from group companies: Metropolitan Asset Managers Ltd, Metropolitan Collective Investments Ltd, Metropolitan Holdings Ltd and Metropolitan Retirement Administrators (Pty) Ltd, for the year ended 31 December 2009 amounted to R12 million (2008: R8 million; 2007: R4 million).

41.7 Transactions with group companies

There were no material transactions with associated companies other than loans advanced and preference share investments (refer to note 9).

42 RISK MANAGEMENT

A key risk for the group is that the proceeds from its assets will not be sufficient to fund the obligations arising from its insurance and investment contracts. The risk arises from the presence of financial or insurance risk in the contracts issued by the group. This section provides information on the processes and structures in place to manage and mitigate such risks.

Responsibility for risk management

The board is ultimately responsible for risk management. The board has delegated the assessment of the quality, integrity and reliability of the group's risk management processes to a number of committees.

- The risk committee assists the board in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting. The committee reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.
- The audit, risk and actuarial committees assist the board in carrying out its assessment of controls and the risk function. In fulfilling this duty, these committees review the financial reporting processes and results, the audit process, the systems of internal control and the management of financial, actuarial and operational risks. They also monitor legislative and regulatory compliance and ensure good corporate governance.
- The investment committee reviews the asset management arrangements of the group and monitors investment performance in terms of mandates and set benchmarks.
- Risk management is implemented at an operational level via a number of committees, including:

– the management risk committee, whose primary responsibility is the review of strategic, business, operational and financial risks facing the group; and
– the asset-liability management forum, which is a cross-business management forum whose purpose is to promote the best possible standards of asset/liability management for the group. This includes ensuring that risks are addressed on a group level rather than just at an individual business unit level.

42.1 Capital management

For capital management purposes the current level of capital in the group is defined as the difference between total assets and total liabilities of the group, plus any qualifying debt approved by the regulators and less any disregarded assets.

Key objectives of the group's capital management programme are:

- to ensure that the level of capital will be sufficient, with a high degree of confidence, to cover a desired multiple of the statutory capital requirement during the next five years in each of the life companies;
- to manage the levels of capital across the group to keep them in line with the long-term capital requirement for each company;
- to ensure that the level of capital reflects the group's risk appetite;
- to optimise the level of capital, the investment of the capital and the future use of this capital to the benefit of all stakeholders; and
- to ensure that there is sufficient capital available for profitable business growth.

The long-term capital requirement (LTCR) for Metropolitan Life Ltd is based on the result of an internal capital model. For other life companies in the group, a multiple of statutory CAR is used. In addition the group holds capital for planned business growth and special projects. The capital models are regularly updated to reflect changes in the economic and regulatory environment as well as further enhancements to model the identified risks more accurately. Risks currently modelled include market risk, credit risk, insurance risk, including pandemic disease risk, and operational risk. The amount of capital in each life company is regularly compared to its LTCR and the intention is to manage the capital levels to be in line with the LTCR.

The capital levels of the non-insurance companies are based on operational requirements and approved new business projects.

Actions that have been used in the past to manage capital levels include share buy-back exercises, normal and special dividend payments, capital reductions, raising subordinated debt as well as the consolidation of life and other licenses in the group.

All dividends and other capital reductions paid are approved by the various boards, as well as by the statutory actuary in each life company.

Statutory capital requirement

All of the life companies in the group are required to maintain a capital balance equivalent to the statutory capital adequacy requirement (CAR). This capital is available to meet obligations in the event of substantial deviations from the main experience assumptions affecting the company's investment and insurance business.

The CAR is determined in accordance with the requirements of the FSB and PGN104 as amended. It is a risk-based capital measure that is intended to provide a reasonable confidence that insurers will be able to meet their existing liabilities. Amendments to PGN104 require an allowance for credit and operational risk as well as changes to the allowance for embedded derivatives which was included in the CAR calculation for the first time at 31 December 2008.

Although CAR is only a statutory requirement for South African life companies, it is applied to non-South African life companies in the group as a measure of prudence. The capital requirements of insurance companies outside South Africa are generally less stringent than South African CAR requirements.

The termination CAR ensures that the insurer has sufficient capital to survive an adverse selective mass termination of contracts. The ordinary CAR includes provisions and scenario tests for a number of risks including:

- financial risk from asset and liability mismatch under specified market movements (resilience test)

- random fluctuations in insurance and expense risks
- risk that long-term insurance and financial assumptions are not realised.

At 31 December 2009 the group's CAR for life companies was covered 2.8 times (2008: 2.0 times; 2007: 3.4 times). The ordinary CAR exceeded the termination CAR; therefore the CAR has been based on the ordinary CAR. The group also holds additional capital in the holding company.

The following assumptions and resulting management actions were used to calculate the CAR:

- A decline of 30% in equity asset values, 15% in property asset values and 12.6% in fixed interest asset values, resulting from a 25% relative increase in fixed interest yields, will occur on the valuation date.
- Non-vesting bonuses will be removed, up to a maximum of 10% of the pre-decline fund accounts for smoothed bonus business, or pre-decline sums assured and accumulated bonuses for conventional with-profit business.
- In the three-year period following the decline, bonuses will lag investment performance. The extent of the assumed lag varies by class of business, and the maximum allowable lag averages out at 10% of the pre-decline fund account for smoothed bonus business, or pre-decline sums assured and accumulated bonuses for conventional with-profit business.
- Interim bonuses for individual smoothed bonus business will be reduced to zero.
- Assets backing the CAR are 100% invested in equities (2008: 75% invested in equities and 25% in cash; 2007: 100% invested in equities).
- In the event of adverse selective mass terminations, discretionary margins on remaining policies will be reduced or eliminated to reduce contract holder liabilities, which will result in an increase in the net asset value.

Should asset values decline as assumed, the relevant management actions above will reduce contract holder liabilities by R5.0 billion (2008: R4.1 billion; 2007: R3.8 billion) for the life companies.

The offsetting management actions assumed have been approved by specific resolution by the respective boards of directors and the respective statutory actuaries are satisfied that these actions will be taken if the adverse scenarios materialise.

As at 31 December 2009 and for the year then ended, all material entities in the group held capital in excess of their respective regulatory requirements.

A summary of the group's CAR and long-term capital requirement is shown in the table below:

	Group		
	2009 Rm	**2008 Rm**	**2007 Rm**
Net asset value – excess	6 612	5 847	6 817
Add Redeemable preference shares	711	841	837
Less Disregarded assets	(553)	(489)	(293)
Available capital	6 770	6 199	7 361
Retained for			
Redeemable preference shares	(711)	(841)	(837)
Metropolitan Life Ltd	(3 356)	(3 621)	(3 383)
Economic capital	(3 857)	(4 122)	(3 884)
Less: Qualifying debt	501	501	501
Economic capital – other group companies	(478)	(331)	(457)
	2 225	1 406	2 684
Attributed to			
Approved expansion	260	233	336
Proposed dividend	425	335	440
Surplus capital	1 540	838	1 908
	2 225	1 406	2 684

42.2 The following table reconciles the assets in the statement of financial position to the classes and portfolios used for asset-liability matching by the group in all instances where assets are managed and performance is evaluated against mandates.

	Group		
	2009 Rm	2008 Rm	2007 Rm
Assets			
Designated as at fair value through income			
Equity securities	24 687	21 167	31 989
Local listed	21 212	19 579	29 683
Foreign listed	3 007	1 143	1 554
Unlisted	468	445	752
Debt securities	13 014	15 968	14 268
Government stock			
Local listed	3 356	3 887	2 972
Foreign listed	578	532	425
Stock of and loans to other public bodies			
Local listed	1 163	1 281	1 326
Foreign listed	94	108	–
Unlisted	1 473	1 790	1 834
Debentures and corporate bonds			
Local listed	2 668	4 734	4 356
Foreign listed	622	987	1 707
Unlisted	1 960	1 664	777
Unlisted unquoted	1 100	985	871
Funds on deposit and other money market instruments	5 484	3 409	2 150
Unit-linked investments	11 256	10 251	9 857
Collective investment schemes			
Local unlisted quoted	4 264	3 438	3 698
Foreign unlisted quoted	1 842	1 718	3 160
Local listed quoted	120	127	163
Foreign listed quoted	768	1 152	228
Foreign unlisted unquoted	112	–	–
Unit linked investments			
Local unlisted unquoted	4 022	3 492	2 580
Foreign unlisted unquoted	128	324	28
Held for trading	718	1 764	850
Derivative financial instruments	718	1 764	850
Available-for-sale	2	5	7
Local listed equity securities			1
Local unlisted quoted collective investment schemes	2	5	6
Loans and receivables	1 040	1 128	1 193
Accounts receivable	315	365	451
Loans	725	763	742
Cash and cash equivalents	7 702	8 810	8 274
Investment in associates carried at fair value	810	614	390
Other assets	6 858	6 497	6 205
Total assets	71 571	69 613	75 183

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

	Group		
	2009	2008	2007
	Rm	Rm	Rm
Assets			
Loans and receivables	1 082	1 212	1 239
Loans	767	847	788
Accounts receivable	315	365	451
Cash and cash equivalents	7 702	8 810	8 274
	8 784	10 022	9 513

- For accounts receivable and cash and cash equivalents, the carrying value approximates fair value due to their short-term nature.
- Loans to group companies have no fixed terms of repayment and are considered payable on demand, with the carrying value approximating fair value.
- The fair value of loans to empowerment partners and strategic loans is the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at 12.4% (2008: 13.0%; 2007: between 11% and 19%).
- The fair value of loans to associates and the preference shares in associates is the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at 10.5% (2008: 15.0%) and 8.9% (2008: 11.0%) respectively.
- For policy loans, the fair value is the discounted amount of the estimated future cash flows to be received, which is based on monthly repayments of between 15 and 30 months. The expected cash flows are discounted at 7.9% (2008: 7.3%; 2007: 9.4%).

Valuation techniques

The valuation of our 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);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following classes of assets are valued using published price quotations in an active market: (level 1)

- Local listed equity securities;
- Foreign listed equity securities;
- Listed government stock;
- Listed stock of and loans to other public bodies;
- Listed debentures and corporate bonds;
- Local listed and unlisted quoted collective investment schemes;
- Foreign listed and unlisted quoted collective investments schemes;
- Derivative financial instruments, excluding over-the-counter (OTC) derivatives.

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 and 3. Refer to page 122 for details of the instruments split into the different levels.

Class	Valuation techniques and assumptions
Equity securities	
Listed	External valuations or quoted prices are used where instruments are traded in an inactive market. Management applies judgement in determining whether an adjustment is required to the quoted price. *(level 2)*
Unlisted	Where external valuations are used, the valuation is based on the net asset values where the assets and liabilities are carried at fair value or on a yield-to-maturity basis by using the required rate of return. *(level 3)* Where price earnings ratios are used, the valuation is based on a relevant industry price/ earnings ratio, adjusted for each individual investment. *(level 3)* Quoted market information is used in the valuation of foreign unlisted securities. The four components of the instrument, the cap, floor, index swap and currency swap can be valued independently and then aggregated to arrive at a value for the instrument. The swap component of the value has been considered based on the expected payout on maturity discounted at yields equal to the outstanding term on the bond. The floor and cap components are options that are built into the instrument. These are easily valued options with market data available against which to price them using standard models. *(level 2)*
Debt securities	
Stock of and loans to other public bodies	
Listed	Local instruments are listed on BESA and are benchmarked against RSA bonds. The value is determined using a valuation model which uses market inputs (yield of benchmark bond) (level 2). Foreign bonds are valued on a discounted cash flow basis, using a yield that results in the same Z-spread as that of a similar local listed instrument, issued by the same entity *(level 2)*
Unlisted	The valuation is based on a discounted cash flow basis, using real interest rates of 3.9% respectively (2008: 4.9% and 5.1%; 2007: 4.6% and 4.7%). *(level 2)*
Debentures and corporate bonds	
Listed	
– Foreign structured notes	External parties provide live mark-to-market values for the foreign credit linked notes which is the price that the foreign note would be currently bought at in the market. The valuation of the foreign credit linked notes consists of three components – 1) Collateral 2) Credit default overlay and 3) An index performance swap. The collateral takes the form of a listed bond and is valued as such. The credit default overlay consists of a portfolio of credit default swaps structured as a synthetic collateralized debt obligation. The individual credit default swaps' prices are quoted in the public domain. The index performance swap valuation is based on the movement of the underlying index. *(level 2)*
– Companion linked bonds	These instruments are listed on BESA and are benchmarked against RSA bonds. The value is determined using a valuation model which uses market inputs. *(level 2)*
– Credit linked notes	The values of the credit linked notes are based on an underlying security which could be a share or a bond. Even though some of these are listed on BESA, the valuation generated by BESA is based on receiving quotes from market participants or valuation agents. *(level 2)*
– Annuities	The valuation is based on the discounting of real cash flows which are uplifted for inflation, with a discount rate of 2.9% (2008: 3.4%; 2007: 3%). *(level 2)*

Unlisted	
– Annuities	The valuation is based on a discounted cash flow basis, with real discount rates ranging between 2.3% and 3.8% (2008: 1.8% and 2.4%) and other with nominal discount rates ranging between 7.1% to 9.8% (2008: 6.1% and 11.7%; 2007: 7.4% and 11.7%). *(level 2)*
– Debentures	The unlisted debentures' valuation is based on the net asset value of a hedge fund where the assets and liabilities are carried at fair value. *(level 2)*
– Unlisted unquoted	This classification relates to the capital guarantee portion of the local and foreign structured products. The capital guarantee is valued using market-related discount yields ranging between 7.1% and 12.6% (2008: between 8.7% and 9.8%; 2007: 9.95% and 11.65%). *(level 2)*

Funds on deposit and other money market instruments

The valuation is based on a discounted cash flow basis where market related yields are obtained from external parties. (level 2)

Unit-linked investments

Collective investments schemes	
– Listed quoted	External valuations are used, which are based on the net asset value of the investment where the assets and liabilities are carried at fair value. *(level 2).*
– Unlisted unquoted	External valuations are used, which are based on the net asset value of the investment where the assets and liabilities are carried at fair value. *(level 2 and level 3).*

Unit linked investments

– Unlisted unquoted	Where external valuations are used for investments in private equity funds, the valuation is based on the net asset values where the assets and liabilities are carried at fair value. *(level 3)* The valuations of the other investments are based on external confirmation of the market values of the investments. The external valuations are based on the value of the underlying investments that in most cases are listed or quoted instruments. (level 2)

Derivative financial instruments (OTC) (level 2)

Equity index options	This classification relates to the equity upside portion of the structured products. External confirmation of the market values is obtained and used as fair value. Generally these options are valued by using the Black Scholes model.
Interest rate swaps	The fair value is the net present value of the difference between the fixed and variable portion of the interest rates, as per the terms and conditions of the OTC agreement.
Credit Derivatives	The value of an OTC credit derivative is calculated as the net present value (NPV) of the estimated future periodic fees paid by the company as the protection buyer, netted off by the fair value of the contingent payment by the protection seller upon a credit event affecting the obligation of the reference entity as specified in the transaction.
Equity Swap	The value of an OTC equity swap is calculated as the Net Present Value of the estimated floating costs, netted off by the performance of the underlying index over the contract term, both based on an underlying equity notional amount.
Bond Index Option	External confirmation of the market values is obtained and used as fair value. Generally these options are valued by using the Black Scholes model.

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

Group 2009	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Designated as at fair value through income	34 586	19 221	634	54 441
Equity securities	24 130	434	123	24 687
Debt securities	3 606	9 396	12	13 014
Funds on deposit and other money market instruments	185	5 299	–	5 484
Unit-linked investments	6 665	4 092	499	11 256
Held for trading	–	718	–	718
Derivative financial instruments	–	718	–	718
Investments in associates	810	–	–	810
	35 396	19 939	634	55 969

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

	Designated as at fair value through income			
Group 2009	Equity securities	Debt securities	Unit-linked invest-ments	Total
Opening balance	81	13	482	576
Total gains or losses in income statement	6	(8)	(54)	(56)
Purchases	34	8	98	140
Settlements – at fair value	–	(1)	(33)	(34)
Transfers into level 3	2	–	6	8
Closing balance	123	12	499	634

The amount of total gains or losses for the year included in profit or losses for assets held at the end of the year is R46 million for the group.

Where a valuation technique uses assumptions that are not supported by prices from observable current market transactions (level 3 assets), changing one or more of these assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

One of the tools that the group uses to manage its credit risk is through a group credit policy for money market and debt instruments as these instruments comprise 63% (2008: 65%; 2007: 64%) of the group's assets exposed to credit risk. Portfolios managed by Metropolitan Asset Managers are managed according to this policy. Investments on behalf of Metropolitan's international subsidiaries in African countries, where little rated paper is available, must be approved by the boards of those companies and are reported to the group investment committee.

No exposure is permitted to leveraged credit instruments, eg instruments where exposure to an entity or small group of entities can cause greater losses across the portfolio than the proportionate share of the defaulting entity or entities, without investment committee approval.

Where a credit risk is entirely borne by a contract holder in a pure linked investment contract, and this is made explicit in the contract and acknowledged by the contract holder in writing, the risk will not be aggregated with the group's risks. This applies to special contracts and structured products.

Unless the asset manager has a fully-fledged credit analysis capability, credit quality will be based on ratings assigned by recognised ratings agencies. Lower credit quality than that implied by the rating may be assumed if the manager feels the credit quality is overstated.
Exposure and probability of default can also be mitigated by means such as:

- Obtaining guarantees of better quality from a counterparty;
- Having the counterparty post collateral;
- Creating bankruptcy remote structures to isolate the assets from the counterparty's statement of financial position;
- Choosing senior over subordinated debt;
- Buying into tranches that procure preferential payment; and
- Transacting through markets where settlement is guaranteed.

For debt instruments, the major risks that are managed are the probability of default and concentration of exposure to individual entities. Probability of default is managed by limiting exposure to the various credit rating bands through a risk budget. For the risk budget, government guaranteed instruments do not draw down the risk budget and there is no limit on exposure to these instruments. Although it is customary to permit investments up to BBB rating, a review of the history of long-term probability of default indicated that the risk of default increased 3.5 times from A to BBB. Therefore, investments in debt securities are limited to A- ratings or better. No exposure is permitted to unrated counterparties or those rated below investment grade, except with investment committee approval. The risk of exposure to individual entities, both local and foreign, is managed through diversification. Limits directly linked to credit ratings are placed on the maximum exposure per issuer. More generous limits are set for top-tier banks and parastatals.

Money market instruments are those instruments with an original (legal) maturity not exceeding one year. As in the case of debt instruments, the two major credit risks that are managed are probability of default and concentration of exposure to individual entities. Probability of default is managed by limiting exposure to the various short-term credit rating bands. Investment is only permitted in rated issuers or issues, unless no rated issuers or issues are available. Where a short-term rating is not available, the long-term rating of the issuer is converted to a short-term rating. Default probabilities at a long-term level of BBB (equivalent to short-term rating F3) and below, are significantly riskier based on historic information and hence not appropriate for money market investments. The risk of exposure to individual entities is managed through diversification. Limits directly linked to credit bands are placed on the maximum exposure per issuer. There is no limit on the exposure to categories F1 and F1+ instruments, but a limit of 25% of the total portfolio is assigned to the category F2 instruments. For each of these categories there is an implied minimum number of issuers to reach the maximum exposure in a category. There is no need for a risk budgeting approach given the limited number of restricted categories. Provisions of the Long-term Insurance Act 1998 have the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached.

The group's maximum exposure to credit risk is through the following classes of assets:

	Group		
	2009	2008	2007
	Rm	Rm	Rm
Designated as at fair value through income			
Debt securities	13 014	15 968	14 268
Government stock	3 934	4 419	3 397
Stock of and loans to other public bodies	2 730	3 179	3 160
Debentures and corporate bonds	5 250	7 385	6 840
Unlisted unquoted	1 100	985	871
Funds on deposit and other money market instruments	5 484	3 409	2 150
Unit-linked investments	11 256	10 251	9 857
Collective investment schemes			
Local unlisted quoted	4 264	3 438	3 698
Foreign unlisted quoted	1 842	1 718	3 160
Local listed quoted	120	127	163
Foreign listed quoted	768	1 152	228
Foreign unlisted unquoted	112		
Unit-linked investments			
Local unlisted unquoted	4 022	3 492	2 580
Foreign unlisted unquoted	128	324	28
Held for trading			
Derivative financial instruments	718	1 764	850
Available-for-sale			
Local unlisted quoted collective investment schemes	2	5	6
Loans and receivables	1 040	1 128	1 193
Accounts receivable	315	365	451
Loans	725	763	742
Other receivables			
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	1 478	1 421	1 379
Interests in subsidiary companies at fair value			
Investments in associates carried at fair value	810	614	390
Cash and cash equivalents	7 702	8 810	8 274
Total assets bearing credit risk	41 504	43 370	38 367

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.

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. Where Metropolitan is the policyholder of an investment contract at another insurer, but does not have title to the underlying investment assets, it is allocated to a mixed asset class.

Money market collective investment schemes are included in funds on deposit and other money market instruments less than 90 days.

Although equity and property unit-linked investments and investments in subsidiaries and associates carried at fair value are not seen to be exposed to credit risk, the total unit-linked investments have been included in the credit risk table above with the details of their exposure provided below.

	Group 2009 Rm	2008 Rm	2007 Rm
Collective investment schemes			
Local and foreign	7 106	6 601	7 112
Equity	5 626	4 882	5 276
Interest-bearing	869	1 004	1 119
Property	520	482	580
Mixed asset class	91	233	137
Unlisted and unquoted unit-linked investments			
Local and foreign	4 150	3 650	2 745
Equity	750	1 125	922
Interest-bearing	2 394	1 597	913
Mixed asset class	1 006	928	910
	11 256	10 251	9 857
Investment in associates at fair value	810	614	390
	12 066	10 865	10 247

Security and credit enhancements

- For debt securities, unit-linked investments and cash and cash equivalents, the credit risk is managed through the group's credit risk exposure policy described above.
- Metropolitan Life Ltd has a continuing guarantee, relating to the full payment of the value of certain annuities up to a maximum of R1 billion, if an event of default occurs. The fair value of these debt instruments at the reporting date is R528 million (2008: R633 million; 2007: R332 million).
- Metropolitan Life Ltd has entered into credit derivatives with a notional value of R500 million in the event of failure to pay, bankruptcy or restructuring of a specific individual entity to whom the company has significant exposure to.
- 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 counterparties' 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.
- Security held on loans is described in note 9.
- 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.
- Reinsurance is placed with reputable companies. 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.

Loans designated as at fair value through income

Included in the table above is R14 181 million (2008: R7 670 million; 2007: R6 716 million) for the group of loans that were designated as at fair value through income and carry credit risk. The change in the fair value was not as a result of a change in credit risk.

The assets in the table above are analysed in the table below using Fitch ratings or the equivalent thereof when Fitch ratings are not available.

	Group 2009 Rm	Group 2008 Rm	Group 2007 Rm
Debt securities	11 014	13 745	12 379
AAA	5 437	6 250	5 619
AA	3 899	5 916	5 443
A	1 203	641	998
BBB	426	889	319
BB	9	–	–
B	40	49	–
Cash and cash equivalents and funds on deposit	11 373	10 308	9 037
F1	11 099	10 238	8 868
F2	173	28	169
F3	58	–	–
B	43	42	–
Derivatives	713	1 675	846
AAA	57	134	26
AA	588	1 540	815
A	68	1	5
Unrated			
Cash and cash equivalents	511	541	603
Corporate bonds	588	504	269
Derivative financial instruments	5	90	3
Funds on deposit	342	210	256
Government stock and parastatals	1 411	1 720	1 620
Money market unit-linked investments	960	1 157	528
Structured notes	1	1	–
Available-for-sale	2	5	6
Loans and other receivables	1 999	1 906	1 906
Unit-linked investments	11 256	10 251	9 857
Investments in associates carried at fair value	810	614	390
Past due or impaired assets	519	643	667
	41 504	43 370	38 367

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

Group 2009	0 – 90 days Rm	90 days – 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
Loans and receivables					
Loans	5	21	2	2	30
Accounts receivable	127	11	6	–	144
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	259	53	21	6	339
	391	85	29	8	513

Group 2008	0 – 90 days Rm	90 days – 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
Loans and receivables					
Loans	8	14	27	4	53
Accounts receivable	128	50	12	–	190
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	226	131	3	2	362
	362	195	42	6	605

2007	< 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
Loans and receivables				
Loans	–	1	1	2
Accounts receivable	358	16	–	374
Other receivables				
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	249	35	2	286
	607	52	3	662

		Group 2009 Rm	Group 2008 Rm	Group 2007 Rm
42.3	The following table reconciles the liabilities in the statement of financial position to liability classes:			
	Liabilities			
	Investment contracts	23 471	25 209	28 385
	With discretionary participation features	12 022	11 278	14 273
	Designated as at fair value through income	11 449	13 931	14 112
	Designated as at fair value through income	301	272	635
	Held for trading – derivative financial instruments	787	1 498	858
	Amortised cost	1 220	1 349	1 370
	Cumulative redeemable preference shares	711	841	837
	Subordinated redeemable debt	501	501	501
	Finance lease liabilities	1	2	3
	Other	7	5	29
	Other payables	968	1 292	1 050
	Payables arising from investment contracts	104	428	227
	Other payables	864	864	823
	Other liabilities	38 045	34 005	35 944
	Total liabilities	64 792	63 625	68 242

	Group 2009 Rm	2008 Rm	2007 Rm
The following table provides an analysis of the fair value of financial liabilities not carried at fair value in the statement of financial position.			
Liabilities			
Investment contracts with DPF	12 022	11 278	14 273
Amortised cost	1 847	1 909	2 427
Cumulative redeemable preference shares	1 367	1 397	1 905
Subordinated redeemable debt	472	505	490
Finance lease liabilities	1	2	3
Other	7	5	29
Other payables	968	1 292	1 050
Payables arising from investment contracts	104	428	227
Other payables	864	864	823

Calculation of fair value

- For other payables, amounts due to group companies and finance leases, the carrying value approximates fair value due to their short-term nature.
- The estimated fair value of preference shares is based on the market value of the listed ordinary shares, adjusted for the differences in the estimated cash flows of dividends between the valuation and conversion dates. As the preference shares are already convertible, the market value is deemed to be the minimum value. In 2009 the expected cash flows were discounted at a current market rate of 10.0% (2008: 10%; 2007: 11.0%). The conversion of the preference shares is at the option of the preference shareholder; the date of conversion was estimated based on the most beneficial dividend stream to the holder.
- The fair value of subordinated redeemable debt is determined using published price quotations in an active market (BESA).

Investment contracts with DPF

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation to the fair value of this financial liability.

Financial liabilities

The following liabilities are carried at fair value and have been split into a fair value hierarchy. Refer to definitions of level 1, 2, 3 under valuation techniques in note 42.2.

Group 2009	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts designated at fair value through income	–	11 232	217	11 449
Designated at fair value through income	–	301	–	301
Held for trading derivative	–	751	36	787
	–	12 284	253	12 537

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

Investment designated at fair value through income	Group 2009 Rm
Opening Balance	113
Contract holder movements	
Premiums received	109
Investment return	(5)
Closing Balance	217

Held for trading derivatives	Group 2009 Rm
Opening Balance	8
Total gains or losses in income statement	28
Closing Balance	36

42.4 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 2009 Rm	Total 2008 Rm	Total 2007 Rm
Contracts with DPF	19 733	11 982	–	31 715	28 049	35 427
Individual contracts with DPF	17 692	556	–	18 248	15 349	20 008
Smoothed bonus	12 452	539	–	12 991	10 390	13 951
Conventional with-profit	5 240	17	–	5 257	4 959	6 057
Group contracts with DPF	2 041	11 426	–	13 467	12 700	15 419
Smoothed bonus	1	10 126	–	10 127	9 273	12 012
Smoothed bonus – fully vesting	–	1 259	–	1 259	1 458	1 698
With-profit annuity	2 040	41	–	2 081	1 969	1 709
Market-related business	6 478	39	9 366	15 883	15 878	14 558
Individual market-related business	6 439	39	4 937	11 415	10 700	9 070
Group market-related business	39	–	4 429	4 468	5 178	5 488
Other business	9 596	1	2 083	11 680	13 305	11 797
Non-profit annuity business	4 084	–	4	4 088	4 005	3 063
Guaranteed endowments	1 045	–	10	1 055	894	623
Structured products	–	–	–	–	135	291
Other non-profit business	4 467	1	2 069	6 537	8 271	7 820
Total contract holder liabilities	35 807	12 022	11 449	59 278	57 232	61 782

42.4.1 Contracts with discretionary participation features

- 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 all vesting.
- For smoothed bonus business, bonus stabilisation reserves (BSRs) are held equal to the difference between the fund accounts, or the discounted value of projected future benefit payments for with-profit annuity business, and the market value of the underlying assets. A positive BSR is undistributed surplus in the asset portfolio that is earmarked for future distribution to contract holders. The full value of the underlying assets is recognised as a liability. Market risk is, however, borne only in respect of the vested benefits.
- If the smoothing process has resulted in a negative BSR because of a downward fluctuation in the market value of the backing assets, the liabilities are reduced to reflect the amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years, provided that the statutory actuary 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 operational risk to the extent that a negative BSR cannot reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years.
- Derivative structures may be utilised to minimise the extent of negative BSRs.
- The major classes of smoothed bonus business are:
  - Metropolitan individual smoothed bonus business;
  - Metropolitan Employee Benefits smoothed bonus business;
  - Metropolitan Employee Benefits with-profit annuity business;
  - ex-Commercial Union Life individual smoothed bonus business;
- As at 31 December 2009, the market value of underlying assets as a percentage of accumulated fund accounts was greater than 92.5% for all these classes of smoothed bonus business. The market value of the underlying assets in respect of all smoothed bonus business at 31 December 2009 was R26.5 billion (2008: R24.1 billion; 2007: R29.9 billion) for the group.
- 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.
- Shareholders also earn specified charges.

42.4.2 Market-related business

- The group holds the assets on which unit prices are based in accordance with policy terms and conditions.
- The group is thus not exposed to market risk on these funds.
- 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.
- 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. There was no other impact on these liabilities in respect of credit risk.

42.4.3 Non-profit annuity business

- Benefit payments on non-profit annuities are fixed and guaranteed at inception (except to the extent that they are exposed to mortality insurance risk).
- 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.

- The impact of a 1% reduction in yields on the annuity portfolio will generate a mismatch profit of R2.8 million (2008: profit of R5 million; 2007: profit of R2 million) for the group.
- The calculation is based on discount rates derived from a swap yield curve. The average rate that produces the same result is 8.0% (2008: 6.7%; 2007: 8.2%) for the group.

42.4.4 Guaranteed endowments (include both insurance business and financial instruments)

- Guaranteed endowments are five-year term contracts with fixed benefit payments that are guaranteed at inception. The guaranteed benefits are closely matched by a combination of bonds and interest rate derivatives from inception.
- Credit risk for these policies is borne by the shareholder. The structured assets backing this business have a credit rating that corresponds to senior bank debt, equivalent to a long-term rating of AA from Fitch.
- There is no adjustment to the investment contract liabilities in respect of credit risk.

42.4.5 Structured products (financial instruments)

- The group issues tranches of term contracts whose benefits are defined in terms of specified financial variables. A specific asset structure to match the financial liability is created for each tranche.
- Credit risk for these policies is borne by the contract holder. The structured assets backing this business had a credit rating that corresponded to senior bank debt, equivalent to a long-term rating of A from Moody's.
- There is no adjustment to the investment contract liabilities in respect of credit risk.

42.4.6 Other non-profit business

- These are primarily insurance contracts of varying duration and inflation-linked annuities.
- Backing assets are duration matched according to the tax-adjusted modified term of the liabilities.
- There is no adjustment to the investment contract liabilities in respect of credit risk.
- For insurance contracts, the average discount rate used in calculating contract holder liabilities is 7.3% (2008: 6.2%; 2007: 7.1%) for the group.
- The investment contract liability is primarily in respect of inflation-linked benefits, which are discounted using a real yield curve. The average real yield that produces the same result is 2.6% (2008: 2.9%; 2007: 3.1%) for the group.

42.4.7 Investment guarantees

- A guaranteed maturity value is attached to the majority of the individual DPF business and some of the individual market-related business. Typically, guaranteed returns of 4% are provided.
- In addition, all DPF business has a minimum death or maturity value equal to the vested benefits.
- Investment guarantees on death and early termination are also provided and 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 guarantee are much less significant than the liabilities in respect of guaranteed maturity values.
- The liabilities in respect of investment guarantees are sensitive to interest rate and equity price movements and are valued using accepted proprietary models in accordance with market-consistent valuation techniques as set out in PGN110 – Allowance for embedded investment derivatives. Refer note 19.
- Currently no structures are in place to match movements in this liability.

42.5 Insurance risk

Insurance risk is the risk that benefit payments and expenses exceed the carrying amount of the company's insurance liabilities. Insurance 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 of the expected outcome will be. Similarly, diversification of the portfolio with respect to risk factors reduces insurance risk.

42.5.1 Mortality, morbidity and medical risks

Underwriting processes are in place to manage exposure to death, disability and medical risks. The most significant measures:

- Premium rates are required to be certified by the statutory actuary as being financially sound.
- Regular experience investigations are conducted and used to set premium rates.
- Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.

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 these risks
  – The most significant factors that could substantially increase the frequency of claims are epidemics or widespread changes in lifestyle (smoking, exercise, eating, sexual practices), resulting in more or earlier claims.
  – Economic conditions can potentially affect morbidity claims where benefits are determined in terms of the ability to perform an occupation.
  – Medical advances can potentially affect the size of medical claims.

- How risks are managed:
  – Risk premiums on most smoothed bonus and market-related contracts may be adjusted within the terms and conditions of the contracts. Group practice is to adjust these charges so that on average they reflect actual mortality experience, hence reducing mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures.
  – To reduce cross-subsidisation of risks, and the possibility of anti-selection, premium rates differentiate on the basis of: age, gender, occupation, smoker status, education, income level, geographic region and the results of underwriting investigations. Experience investigations have shown these are reliable indicators of the risk exposure.
  – All 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 each product. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
  – Underwriting is done to identify abnormal risks and take appropriate action, such as applying additional premium loadings or altering benefit terms.
  – Mortality on non-profit annuities is monitored and future mortality improvements are allowed for in the pricing.
  – 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. 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. Currently no catastrophe cover has been purchased, but this is assessed on a regular basis.

The table below shows the concentration of individual insurance contract benefits by sum insured at risk:

Group Sum insured per benefit	2009 Number of benefits	2009 Amount (gross) Rm	2009 Amount (net) Rm	2008 Number of benefits	2008 Amount (gross) Rm	2008 Amount (net) Rm
0 – 20 000	2 012 210	467 106	466 997	2 153 339	8 940	8 591
20 001 – 50 000	347 012	12 634	11 469	342 824	11 757	10 644
50 001 – 100 000	124 202	9 450	8 345	121 100	9 178	8 095
100 001 – 200 000	67 448	9 158	8 004	59 037	8 634	7 431
200 001 – 500 000	62 625	20 322	13 995	51 001	17 464	12 202
> 500 001	124 446	69 307	43 639	53 612	63 316	34 937

Group Sum insured per benefit	2007 Number of benefits	2007 Amount (gross) Rm	2007 Amount (net) Rm
0 – 20 000	2 244 044	9 716	9 356
20 001 – 50 000	371 483	12 587	11 454
50 001 – 100 000	123 580	9 250	8 204
100 001 – 200 000	59 917	8 528	7 538
200 001 – 500 000	50 674	16 546	12 062
> 500 001	47 962	53 689	28 900

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).
- Factors affecting these risks:
  - 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.
  - Underwriting processes may be streamlined, with cover supplied up to certain limits without underwriting.
- How risks are managed:
  - Rates are based on scheme experience and are reviewed annually.
  - Rate reviews take into account known trends such as worsening experience due to AIDS.
  - Reinsurance arrangements are in place to limit the risk on each individual life. In addition, catastrophe cover is used to limit the risk of a large number of claims arising as a result of a single event.

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

	Group		
Lives covered by scheme	2009	2008	2007
0 – 1 000	2 042	2 028	1 798
1 001 – 5 000	291	281	281
> 5 001	143	138	141

Annuity business

- These are contracts that provide benefit payments contingent on the survival of the annuitant. The group is exposed to the risk that on average annuitants live longer than assumed in the pricing basis.
- 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:
  - Pricing assumptions are based on international mortality tables, with an allowance for improving mortality trends.
  - Premium rates differentiate on the basis of age and sex.

The table below shows the concentration of individual annuity contracts by annual annuity amounts:

	2009		2008	
Group Annuity amount per annum	Number of annuitants	Total amount per annum Rm	Number of annuitants	Total amount per annum Rm
0 – 50 000	41 062	292	40 258	273
50 001 – 100 000	1 178	81	994	69
100 001 – 250 000	330	46	292	41
> 250 001	50	20	41	16

	2007	
Group Annuity amount per annum	Number of annuitants	Total amount per annum Rm
0 – 50 000	38 851	245
50 001 – 100 000	788	54
100 001 – 250 000	187	26
> 250 001	31	12

42.5.2 Contract persistency risk

- Contract holders generally have a right to pay reduced or no future premiums, or to terminate the contract completely before expiry of the contract term.
- Economic conditions and/or consumer trends can influence persistency rates.
- Expenses incurred in the acquisition of contracts are expected to be recouped over the term of the policy. These may not be recovered where the premiums are reduced or the contract terminated early.
- Terminations can have the effect of increasing insurance risk, for example contract holders whose health has deteriorated are less likely on average to terminate a contract providing medical or death benefits.
- The liability held for some contracts may be less than the termination benefit payable. The net group surplus will reduce if these contracts terminate early.

How risks are managed:

- 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 resources are directed towards the sale of business with higher persistency.

42.6 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial and insurance liabilities (that are settled by delivering cash or another financial asset), arising because of the possibility that the group could be required to pay its liabilities earlier than expected.

Contract holder liabilities

- The insurance contract liabilities comprise 55% (2008: 50%; 2007: 49%) of the liabilities of the group. Expected cash flows, ie the estimated timing of repayment of the amounts recognised in the statement of financial position, are disclosed for these liabilities in the maturity analysis below. The assumptions used to calculate the statement of financial position value of these liabilities are disclosed in note 19.
- Contractual cash flows for investment contract liabilities, both with DPF and designated as at fair value through income, are disclosed in the maturity analysis below.
  - The earliest contractual maturity date is used for these liabilities.
  - The contractually required cash flows for policies that can be surrendered are the surrender values of such policies. 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.

- Guaranteed endowment and structured products have a very specific guaranteed repayment profile, and these policies are backed by assets structured by investment banks.

Liabilities designated as at fair value through income and at amortised cost

- Collective investment scheme liabilities represent demand deposit liabilities of scheme interests not held by the group. Refer note 20.
- Both the cumulative convertible redeemable preference shares and the subordinated redeemable debt are shareholder liabilities. The shareholder asset composition, as disclosed under market risk, accommodates the cash requirements of both these liabilities and is managed accordingly.
- It is expected that the preference shares will convert into ordinary shares and that there will therefore be no cash outflow on conversion; however, if the shares are not converted an outflow at redemption value is assumed on redemption date which is 30 October 2012 for the A1 preference shares, 5 December 2012 for the A2 preference shares and 5 December 2010 for the A3 preference shares.
  The company has a further obligation to pay preference share dividends. The cash flow for these dividends are those expected up to redemption date, even though the conversion of the preference shares is at the option of the preference shareholder.
- It is assumed that the subordinated redeemable debt will be redeemed on 15 December 2014, being the earliest date on which the holder can redeem the debt.

Management of liquidity risk

- The investment committee and the asset-liability management forum monitor liquidity requirements and cash resources.
- The group reduces liquidity risk for contract holder liabilities by ensuring that appropriate assets, including liquid resources, back these liabilities.
- For assets backing guaranteed endowment and structured products, it is the intention to hold these assets to their maturity date. Although these assets can be realised at any point in time, there will be significant fees payable in unwinding these asset structures prematurely. These assets are therefore regarded as illiquid assets and have a market value of R1 054 million, 1.5% of total group assets (2008: R1 029 million, 1.5%; 2007: R914 million, 1.2%).
- Intangible assets, owner-occupied properties, property and equipment, investment properties, interest in subsidiaries (excluding interest in collective investment schemes), investments in associates and joint ventures (excluding investments in collective investment schemes) and employee benefit assets are less liquid assets and amount to R4.8 billion, 6.7% of total group assets (2008: R4.8 billion, 6.8%; 2007: R4.4 billion, 5.8%).
- The remainder of the assets, R65.7 billion, 91.8% (2008: R63.8 billion, 91.7%; 2007: R69.9 billion, 93.0%) of total group assets are seen to be liquid and relatively easy to realise.

The following table indicates the maturity analysis of the liabilities:

Group	Carrying value Rm	Open ended Rm	0 to 1 year Rm	Cash flows 1 to 5 years Rm	>5 years Rm
2009					
Insurance contracts	35 809	1 560	2 689	7 136	24 431
Investment contracts					
With DPF	12 022	11 902	3	41	77
Designated as at fair value through income	11 449	5 822	219	1 985	4 214
Collective investment scheme liabilities	301	301			
Derivative liabilities	787				
Amortised cost					
Cumulative redeemable convertible preference shares	711	–	409	388	
Subordinated redeemable debt	501		46	185	500
Finance lease liabilities	1		1		
Other	7	3	1	4	
Other payables	968	4	943	38	
Insurance payables	1 506		1 506		
Other liabilities	730				
Total liabilities	64 792				
2008					
Insurance contracts	32 025	1 502	2 739	5 321	22 463
Investment contracts					
With DPF	11 278	11 231	–	30	32
Designated as at fair value through income	13 931	6 299	691	3 035	5 417
Collective investment scheme liabilities	272	272			
Derivative liabilities	1 498				
Amortised cost					
Cumulative redeemable convertible preference shares	841	–	644	381	–
Subordinated redeemable debt	501	–	46	185	546
Finance lease liabilities	2	–	1	1	–
Other	5	–	3	2	–
Other payables	1 292	3	1 280	10	–
Insurance payables	1 521	–	1 521	–	–
Other liabilities	459				
Total liabilities	63 625				

Group	Carrying value Rm	Open nded Rm	Contractual cash flows 0 to 1 year Rm	2 to 5 years Rm	> 5 years Rm
2007					
Insurance contracts	33 398	1 304	3 330	4 796	23 968
Investment contracts					
With DPF	14 273	14 225	–	23	44
Designated as at fair value through income	14 112	6 040	810	3 163	5 115
Collective investment scheme liabilities	635	635			
Derivative liabilities	858				
Amortised cost					
Cumulative redeemable convertible preference shares	837	–	134	1 129	–
Subordinated redeemable debt	501	–	46	185	593
Finance lease liabilities	3		3	–	–
Other	29		29	–	–
Other payables	1 050		1 050	–	–
Insurance payables	1 367		1 367	–	–
Other liabilities	1 179				
Total liabilities	68 242				

- Open-ended liabilities do not have a specified term and are contractually available on demand.
- Insurance contract liabilities are disclosed at discounted values. All other values are undiscounted.
- Insurance payables exclude premiums paid in advance.
- Cash flows for derivative financial instruments are disclosed on a net basis below.

Derivative financial instruments

Derivative contracts are not entered into purely for speculative purposes. All hedging transactions are to hedge the exposure to changes in the fair value of recognised assets and liabilities.

The following table indicates the expiry of derivative financial assets and liabilities, based on undiscounted cash flow projections. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date.

Group	2009 0 to 1 year Rm	2009 1 to 5 years Rm	2009 > 5 years Rm	2008 0 to 1 year Rm	2008 1 to 5 years Rm	2008 > 5 years Rm
OTC instruments						
Equity index options	5	–	–	4	–	–
Equity index futures	(36)	–	–	(37)	–	–
Interest rate swaps	39	126	273	(63)	(226)	(776)
Credit swaps	(2)					
Exchange traded						
Equity index warrants				88		
Bond index options	1	–	–		–	–
	7	126	273	(8)	(226)	(776)

Group	0 to 1 year Rm	2007 1 to 5 years Rm	> 5 years Rm
OTC instruments			
Equity index options	63	45	–
Interest rate swaps	(58)	(214)	(744)
	5	(169)	(744)

42.7 **Market risk**

Introduction

- Market risk for shareholders is the risk that the fair value on future cash flows of financial instruments backing the shareholder excess will fluctuate because of changes in market prices, taking into account the second order impact on earnings due to such market price fluctuations of financial instruments backing the contract holder liabilities.
- Management analyses three types of market risk, being equity price risk, interest rate risk and currency risk.

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. These financial instruments are subject to various market risks, particularly interest rate and equity price risk. Each portfolio consists of an asset mix deemed appropriate for the specific product. These risks are discussed in note 42.4 and the group's exposure to interest rate, equity and currency risks is disclosed in notes 42.7.1 to 42.7.2.

The following table is an analysis of the assets backing shareholder capital, i.e. shareholder excess:

	Group 2009 Rm	2008 Rm	2007 Rm
Equity securities	2 489	2 471	3 575
Collective investment schemes	1 260	948	1 325
Debt securities	723	175	523
Owner-occupied properties	638	671	592
Investment properties	223	286	103
Cash and cash equivalents	1 781	2 113	1 490
Goodwill	154	209	244
Other net assets	556	316	303
	7 824	7 189	8 155
Redeemable convertible preference shares	(711)	(841)	(837)
Subordinated redeemable debt	(501)	(501)	(501)
Excess per reporting basis	6 612	5 847	6 817

Sensitivity analysis

Sensitivity ranges

- The upper and lower limits of the sensitivity ranges are management's best judgement of the range of probable changes within a twelve month period from the reporting date of 31 December 2009.
- These limits are set taking into account actuarial guidance relating to acceptable ranges of sensitivities within a normal asset distribution. Extreme or irregular events that occur sporadically, i.e. 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 sensitivities are assumed to be a once-off event on the reporting date, with respect to the particular assets backing shareholder capital on that date.
- For the second order impact on earnings resulting from market fluctuations on financial instruments backing contract holder liabilities, no changes are made to long-term market assumptions used in determining the contract holder liabilities. The actuarial valuation model is simply applied using the new asset levels, ie after adjusting for a particular sensitivity.
- Each sensitivity is calculated in isolation and no inter-relationship between variables is taken into account. It is, however, accepted that these variables tend not to move in isolation.

Sensitivities to market risks

- Management identified the risk of a sudden drop in equity market values as the most significant market risk. If the market value of equities decreased by 10% at the reporting date, the approximate impact would be a reduction in earnings of R288 million (2008: R324 million; 2007: R424 million) for the group.
- Derivative and other structures on shareholder assets are used to negate such risk. 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 shareholders' exposure to an increase in interest rates is mainly of a second order nature. If the expectation of future investment yields, discount rates and inflation rates were increased by 1% at the reporting date, it would result in a reduction in the excess asset value of R40 million (2008: R73 million; 2007: R55 million) for the group.
  This impact is addressed by ensuring that contract holder liabilities and assets are matched 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.
- Foreign assets backing shareholder capital amount to R554 million (2008: R572 million; 2007: R701 million) for the group. The shareholders' exposure to foreign exchange is therefore relatively small and not seen to be a primary market risk.

42.7.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with floating rate financial assets and financial liabilities, and on the fair value of other investments. Fair values of fixed maturity investments included in the group's investment portfolios are subject to changes in prevailing market interest rates. Additionally, relative values of alternative investments and the liquidity of the instruments invested in could affect the fair value of interest rate market-related investments. The ongoing assessment by an investment research team of market expectations within the South African interest rate environment drives the process of asset allocation in this category. The group is exposed to fixed and floating interest rates.

	Group		
Instrument class and weighted average rate	**2009 Rm**	**2008 Rm**	**2007 Rm**
Debt securities	13 014	15 968	14 268
Fixed rate – coupon – 9.7% (2008: 9.8%;2007: 10.2%)	6 763	7 279	6 345
Floating rate – 8.2% (2008: 11.5%; 2007: 10.2%)	612	649	144
Real market yields – 3.4% (2008: 3.9%; 2007: 3.6%)	3 052	5 097	4 756
Nominal market yields – 9.6% (2008: 8.5%; 2007: 8.9%)	2 239	1 986	1 569
Structured notes	184	719	1 454
No interest – linked to underlying performance	164	238	–
Funds on deposit and other money market instruments	5 484	3 409	2 150
Fixed rate – 8.2% (2008: 12.4%; 2007: 10.5%)	3 165	1 747	957
Floating rate – 8.3% (2008: 13.0%; 2007: 10.3%)	2 134	1 448	1 193
Nominal market yields – 7.3% (2008: 11.5%)	185	214	–
Cash and cash equivalents	7 702	8 810	8 274
Fixed rate – 4.1% (2008: 12.1%; 2007: 10.5%)	1 659	1 544	586
Floating rate – 6.3% (2008: 10.9%; 2007: 9.7%)	4 855	5 408	6 546
Nominal market yields – 7.0% (2008: 11.5%; 2007: 10.7%)	161	584	539
Money market unit-linked	949	1 157	528
Current account – no interest	78	117	75
Loans and receivables	1 040	1 127	1 193
Fixed rate – 13.0% (2008: 14.8%)	32	31	–
Floating rate – 14.5% (2008: 19.3%; 2007: 18.5%)	644	657	713
No interest	364	439	480
	27 240	29 314	25 885

2008 and 2007 restated

In 2008 unlisted unquoted debt securities of R1 223 million (2007: R871 million) was disclosed separately. This has now been reclassified to nominal market yields (2008: R985 million; 2007: R871 million) and no interest debt securities (2008: R238 million; 2007: Rnil).

42.7.2 Currency risk

Currency risk is the risk that the rand value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group has unit trusts and cash invested offshore which are denominated in foreign currencies. 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.

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.

Foreign assets backing the shareholder excess, included in the table below, amount to R554 million (2008: R572 million; 2007: R701 million) for the group.

The following assets and liabilities denominated in foreign currencies are included in the group statement of financial position. Assets and liabilities denominated in Namibian dollar, Lesotho maluti and Swazi Emalangeni, currencies that are pegged to the South African rand on a 1:1 basis, do not form part of the currency risk of the group. The geographical area of Africa includes Botswana, Ghana, Kenya and Nigeria.

Group 2009	Africa Rm	UK £ Rm	US $ Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
Closing exchange rate		11.98	7.42	10.69			
Financial assets	304	256	4 932	333	63	43	5 931
Equity securities	120	51	1 757	135	62	35	2 160
Debt securities	52	16	305	50	–	–	423
Unit-linked investments	49	187	1 969	144	–	–	2 349
Other financial assets	83	2	901	4	1	8	999
Other assets	97						97
	401	256	4 932	333	63	43	6 028
Insurance contract liabilities	(847)						(847)
Investment contract liabilities	(66)						(66)
Other liabilities	(66)						(66)
	(979)						(979)
2008							
Closing exchange rate		13.68	9.39	13.19			
Financial assets	757	293	4 007	454	63	98	5 672
Equity securities	186	43	429	128	63	44	893
Debt securities	360	41	719	–	–	–	1 120
Unit-linked investments	–	179	2 725	187	–	54	3 145
Other financial assets	211	30	134	139	–	–	514
Other assets	51						51
	808	293	4 007	454	63	98	5 723
Insurance contract liabilities	(726)						(726)
Investment contract liabilities	(56)						(56)
Other liabilities	(98)						(98)
	(880)						(880)
2007							
Closing exchange rate		13.63	6.86	10.01			
Financial assets	657	437	6 155	382	27	19	7 677
Equity securities	211	23	1 671	50	26	18	1 999
Debt securities	235	153	1 500	–	–	–	1 888
Unit-linked investments	–	193	2 464	229	–	–	2 886
Other financial assets	211	68	520	103	1	1	904
Other assets	50						50
	707	437	6 155	382	27	19	7 727

Insurance contract liabilities	(754)	(754)
Investment contract liabilities	(46)	(46)
Other liabilities	(77)	(77)
	(877)	(877)

43 **METROPOLITAN HEALTH GROUP**

Risks relating to services provided

Metropolitan Health provides a comprehensive suite of services to the private healthcare industry in South Africa and is organised into the following business units:

Third party administration

This business has a 60% (2008: 58%; 2007: 54%) market share of restricted scheme members. The business receives a monthly fee per member for administering medical schemes on behalf of their trustees.

*Contribution to turnover 66% (2008: 64%; 2007: 60%)

Managed care

Qualsa Healthcare provides a comprehensive suite of managed care services to the administration and franchise client base. Historically it has mainly contracted on a fee for service basis, but is increasingly harnessing its network competencies to provide risk products, such as capitation contracts.

*Contribution to turnover 24% (2008: 21%; 2007: 26%)

Technology services

Metropolitan Health develops and maintains its own systems that it provides to all businesses in the health group as well as licensing systems to third parties via its franchise solution.

*Contribution to turnover 10% (2008: 15%; 2007: 14%)

Risks relating to the company

This section provides information on the key risks to Metropolitan Health and provides information on the processes and structures in place to manage and mitigate these risks.

Contract risk

In line with industry legislation (the Medical Schemes Act) all clients have contract termination notice periods not exceeding six months, except technology services that has notice periods not exceeding twelve months. Providing high quality services through client-centric business units mitigates this risk.

Operational risk

Constant legislative change and increasing client demands make third party administration inherently a high-risk industry. The integration of the managed care and third party administration systems has greatly reduced the operational risks for both. Technology services' systems architecture is highly scalable and requires minimal lead-times to increase capacity to match growth demands. It is also subject to regular testing and reviews, including an independent service auditor review.

Legislative risk

Both the administration business and Qualsa have compliance officers who monitor ongoing legislative compliance. Both companies have received a B rating from the National Empowerment Rating Agency. Technology services' risk is limited to confidentiality of member data and flexibility to accommodate legislative changes.

Financial risk

All the businesses are cash generative, with fees mostly being collected monthly in advance. They have a significant fixed cost base and as such profits are relatively sensitive to changes in members under administration.

Environmental risk

Consolidation of medical schemes is the dominant environmental risk in the private healthcare industry.

Capitation agreements

Claims are managed through advanced managed care programmes. These managed care programmes include pre-authorisation steps for high cost procedures and claims adjudication procedures that are linked to clinical protocols developed by respected leaders in the respective medical disciplines. In addition to this, a specialist clinical audit team uses sophisticated data mining software to identify over-servicing by providers and other incidents of fraudulent claims.

SIGNIFICANT SUBSIDIARY COMPANIES

Annexure 1

	Issued share capital	Interest held 2009 %	Interest held 2008 %	Interest held 2007 %	Cost 2009 Rm	Cost 2008 Rm	Cost 2007 Rm	Amount owing (to)/by subsidiaries 2009 Rm	Amount owing (to)/by subsidiaries 2008 Rm	Amount owing (to)/by subsidiaries 2007 Rm
Life insurance										
Metropolitan Life Limited *(incorporated in South Africa)*	R624m	100	100	100	657.3	656.3	651.6	2.0	(5.5)	(6.4)
Metropolitan Odyssey Ltd *(incorporated in South Africa)*	R35m	100	100	100	36.0	36.0	36.0	(25.0)	(25.0)	(25.0)
Union Life Ltd (2) *(incorporated in South Africa)*	R24m	50	50	50	39.0	41.0	41.0			
Metropolitan International (Pty) Ltd (3) *(incorporated in South Africa)*	(1)	100	100	100	–	–	–	219.8	203.3	45.7
Subsidiaries										
UBA Metropolitan Life Insurance Ltd (4) *(incorporated in Nigeria)*	R120m	50								
Metropolitan Life Insurance Kenya Ltd *(incorporated in Kenya)*	R35m	100	100	100						
Metropolitan Life Insurance Ghana Ltd *(incorporated in Ghana)*	R40m	80	60	60						
Metropolitan Life Swaziland Ltd *(incorporated in Swaziland)*	R30m	100	100	–						
Metropolitan Life International Ltd *(incorporated in South Africa)*	R40m	100	100	100	47.1	47.1	47.1			
Metropolitan Life (Namibia) Ltd *(incorporated in Namibia)*	R56m	82	82	82	37.6	37.6	37.6			
Metropolitan Life of Botswana Ltd *(incorporated in Botswana)*	R28m	75.8	75.8	75.8	24.5	24.5	24.5			
Metropolitan Lesotho Ltd *(incorporated in Lesotho)*	R120m	100	100	100	120.3	120.3	120.2			
MHG UK Ltd (3) *(incorporated in England)*	R11k	100	100	100	–	–	–	–	–	110.6
Metropolitan Retirement Administrators (Pty) Ltd *(incorporated in South Africa)*	(1)	80	80	80	28.0	28.0	28.0			
DirectFin Solutions (Pty) Ltd *(incorporated in South Africa)*	(1)	70	70	70	–	49.0	84.0	–	3.4	3.4
Asset management										
Metropolitan Asset Managers Ltd *(incorporated in South Africa)*	R148k	100	100	100	22.5	22.5	22.2	–	(9.5)	(33.5)
Metropolitan Collective Investments Ltd *(incorporated in South Africa)*	R13m	100	100	100	25.9	25.8	25.6			

SIGNIFICANT SUBSIDIARY COMPANIES (continued)

Annexure 1

	Issued share capital	Interest held 2009 %	2008 %	2007 %	Cost 2009 Rm	2008 Rm	2007 Rm	Amount owing (to)/by subsidiaries 2009 Rm	2008 Rm	2007 Rm
Metropolitan Property Services (Pty) Ltd *(incorporated in South Africa)*	(1)	100	100	100	0.5	0.5	0.3			
Metropolitan Capital Ltd *(incorporated in South Africa)*	–	100	100	100	18.5	18.4		125.2	82.8	2.0
Health										
Metropolitan Health Holdings (Pty) Ltd *(incorporated in South Africa)*	(1)	100	100	100	31.7	31.3	29.5	267.6	265.6	129.2
Subsidiary										
Metropolitan Health Corporate (Pty) Ltd *(incorporated in South Africa)*	R63m	100	100	100						
Banking										
Metropolitan Card Operations (Pty) Ltd *(incorporated in South Africa)*	(1)	100	100	100				–	54.3	196.3
					1 088.9	1 138.3	1 147.6	589.6	569.4	422.3
Amount owing by subsidiaries					589.6	569.4	422.3			
Total interest in subsidiary companies					1 678.5	1 707.7	1 569.9			

(1) The issued share capital of these companies is less than R1 000.

(2) The company owns 50% of the voting rights, but has control through appointment of the chairman with a casting vote.

(3) All the interest in and loans to subsidiaries of MHG(UK) Ltd have been transferred to Metropolitan International (Pty) Ltd during 2008.

(4) During 2009 the company obtained control of UBA Metropolitan Life Insurance Ltd through the right to acquire an additional 1% shareholding.

The aggregate amount of income, after tax before goodwill impairment, derived from subsidiary companies is R1 416 million (2008: R323 million; 2007: R1 469 million). The aggregate amount of losses after tax before goodwill impairment from subsidiaries is R100 million (2008: R123 million; 2007: R43 million).

ANNEXURE B

HISTORICAL FINANCIAL INFORMATION OF MOMENTUM

The report of historical financial information set out below has been provided by Momentum and is the responsibility of the Momentum Directors. The financial information has been prepared in accordance with IFRS. The report of the independent reporting accountants on the historical financial information of Momentum is presented in Annexure D.

There have been no material changes relating to the nature of business and financial position of Momentum and its subsidiaries between the financial information for the period ending 31 December 2009 and the date of the PricewaterhouseCoopers reporting accountants' report as contained in Annexure D, other than the Merger. In addition, there has not been any material fact or circumstance that occurred between the end of the latest financial period ending 31 December 2009 and the date of these Revised Listing Particulars.

MANAGEMENT COMMENTARY

INTRODUCTION

The Momentum Group comprises the operations of Momentum Group Limited, its subsidiaries and associates, including Momentum Medical Scheme Administrators (Pty) Limited ("MMSA"), Momentum Africa, RMB Asset Management (Pty) Limited ("RMBAM"), RMB Unit Trusts ("RMBUT"), FirstRand Alternative Investment Management ("FRAIM"), RMB Asset Management International ("RMBAMI"), 85% of Advantage Asset Managers ("Advantage"), AdviceAtWork (Pty) Limited, 50% of Momentum Short Term Insurance ("MSTI") and 49% of Momentum Namibia (previously Swabou Life).

Financial highlights

R million	Year ended 30 June 2009	2008	2007
Normalised earnings	1 649	2 004	1 668
Return on equity based on normalised earnings (%)	23	30	25
Annualised new business	8 078	8 405	7 337
Value of new business	544	596	518

SALIENT FEATURES

Momentum's results for the year ended 30 June 2009 were characterised by the following:

- the negative impact of the significant decline and increased volatility in equity markets during the first half of the 2009 financial year;
- despite the tough economic environment, the return on equity remained satisfactory;
- the protection provided by the conservative capital investment strategy on the level of capitalisation;
- solid growth in investment income on shareholders' funds resulting from the capital preservation strategy;
- excellent results from FNB Insurance;
- new business volumes held up well in the retail and employee benefits businesses, however inflows into the asset management operations have reduced. Overall new business margins remained satisfactory;
- the solid operational performance reflected in the embedded value exceeded the negative impact of the investment markets in the 2009 financial year, resulting in a positive embedded value profit.

Momentum's results for the year ended 30 June 2008 were characterised by the following:

- an excellent performance in tough economic conditions with normalised earnings up 20%;
- continued strong new business growth in insurance operations:
  - excellent growth in lump sum inflows in Momentum insurance operations; and
  - overall new business margins maintained at 2.1%;
- positive net cash flows in the insurance operations;
- continued product and distribution diversification;
- positive turnaround in the results from growth initiatives, especially the middle market initiative;
- a significant improvement in the relative investment performance of RMB Asset Management;
- capital efficiency and a strong operating performance resulted in an excellent return on equity of 30.3%;
- the return on embedded value remained robust at 15.2%, driven by growth in the value of new business and a strong contribution from existing business.

Momentum's results for the year ended 30 June 2007 were characterised by the following:

- strong new business growth in insurance operations;
- excellent results from FNB Insurance;
- improved new business margin in the second half of the financial year;
- lower proportion of performance fee income, and increased outflow from asset management operations; and
- ongoing investment in product, channel and market diversification strategies.

Summarised results

R million	Year ended 30 June 2009	2008	2007
Normalised earnings[1]	1 649	2 004	1 668
– Group operating profit	1 328	1 741	1 471
– Investment income on shareholders' assets	321	263	197
Group headline earnings	1 658	1 979	1 610
Return on equity (%)	22.6	30.3	25.3
New business volumes	60 470	65 338	56 097
– Retail	33 493	34 270	29 357
– Employee benefits	2 591	2 287	1 117
– Asset management	24 386	28 781	25 623
Value of new business	544	596	518
New business margins[2] (%)	2.0	2.1	2.1
Embedded value	16 086	16 039	15 453
Return on embedded value[3] (%)	3.3	15.2	28.1
CAR cover (times)	1.8	1.6	2.3

1. *Normalised earnings represent group headline earnings adjusted for the impact of non operational items and accounting anomalies. The details relating to these items are set out in the earnings table on page 150.*
2. *Calculated as the value of new business as % of present vale of future premiums.*
3. *Represents the embedded value profit as % of opening embedded value.*

BUSINESS UNIT PERFORMANCE IN 2009

Momentum's normalised earnings declined by 18% to R1 649 million in the 2009 financial year, mainly due to the negative impact of the significant drop in equity markets. Despite the decline in earnings, the return on equity of 23% was very pleasing, and Momentum's capitalisation level strengthened to a satisfactory 1.8 times the Capital Adequacy Requirement ("CAR").

Group operating profit declined by 24% to R1 328 million in the 2009 financial year. Approximately two-thirds of Momentum's operating profit is exposed to investment market returns, where the most significant exposure is to equity markets. The JSE Allshare Index reduced by 28% during the 2009 financial year, with a commensurate downward impact on asset-based fees. The results from FNB Insurance were particularly pleasing, and although there was some negative impact on persistency arising from pressure on consumers, the business benefited from good continued growth in sales to the mass market client base of FNB. The investment income on shareholders' assets benefited from the group's capital preservation strategy, which resulted in higher levels of interest-bearing instruments to back the group's economic capital requirement.

Although annualised new business volumes were 4% lower in the 2009 financial year compared to the 2008 financial year, recurring premium new business increased by 9% whilst lump sum inflows reduced by 8%. During the second half of the 2009 financial year the impact of the recession on the real economy became apparent, and new business volumes in the retail discretionary savings and retirement annuity businesses declined. Lapse rates have also increased due to the pressure on disposable income. Sales of individual risk products remained strong. The employee benefits new business continued to show strong growth, with the success of Momentum's umbrella fund pension product continuing, along with improved group risk new business. Lump sum inflows in the retail business showed mixed results, with strong unit trust and guaranteed annuity sales being countered by lower discretionary endowment sales and a significant decline in offshore linked product sales due to the international economic slowdown.

New business margins reduced slightly from 2.1% in 2008 to 2.0% in 2009. The satisfactory operational performance in the embedded value exceeded the negative impact of the decline in equity markets, resulting in a positive return on embedded value of 3.3%.

Momentum's previous targeted economic capital range of between 1.7 and 1.9 times CAR was reformulated following the introduction of the FSB's revised CAR methodology. After taking into account the guidance issued by the Actuarial Society of South Africa regarding allowances for credit and operational risks, the targeted economic capital range was reformulated to between 1.4 and 1.6 times CAR. Although the level of 1.8 times CAR (after the final dividend payment) exceeds the upper limit of this range, the Board of Momentum is of the opinion that this buffer is appropriate in the current market conditions.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of Group earnings:

Reconciliation of earnings:

	Year ended 30 June		
R million	2009	2008	2007
Earnings attributable to equityholders	1 594	2 002	2 076
Adjusted for:			
Impairment of intangible assets and goodwill	64	–	116
Profit on sale of Southern Life Namibia book	–	(22)	–
Profit on sale of subsidiary	–	(1)	–
Profit on sale of available-for-sale assets	–	–	(582)
Headline earnings	**1 658**	**1 979**	**1 610**
Adjusted for:			
IFRS 2 share based payment (release)/charge	(9)	25	78
Adjustment of listed property associate to net asset value	–	–	28
Transfer of Ashburton to the banking group	–	–	(48)
Normalised earnings	**1 649**	**2 004**	**1 668**

The main contributors to the normalised earnings are set out in the following table:

	Year ended 30 June		
R million	2009	2008	2007
Group operating profit	1 328	1 741	1 471
Momentum	994	1 459	1 326
FNB Insurance	334	282	145
Investment income on shareholders' assets	321	263	197
Normalised earnings	**1 649**	**2 004**	**1 668**

Group operating profit

Group operating profit declined by 24% compared to the 2008 financial year to R1 328 million, mainly as a result of lower asset-based fees. The drop in asset values due to equity market weakness was the main contributor to the decline in fees. In addition, the net outflow of funds in the asset management operations also contributed to declining fee levels, although good progress is being made in reducing expenses in these businesses. Underwriting profits in the individual life business continued to make a positive contribution to earnings, along with good claims experience in the FNB Insurance business. The overall lapse experience deteriorated, however this related mainly to the discretionary savings business which was impacted more severely by the economic slowdown. Employee benefits underwriting margins remained under pressure from increased claims volumes, which appear to be linked to the impact of deteriorating economic conditions on employer groups.

The following table summarises the new business generated by the Momentum insurance operations:

New business

	Year ended 30 June		
R million	2009	2008	2007
Recurring premiums	2 257	2 079	1 919
- Retail	1 239	1 308	1 165
- Employee benefits	517	406	390
- FNB Insurance	501	365	364
Lump sums	58 213	63 259	54 178
- Retail	31 753	32 597	27 828
- Employee benefits	2 074	1 881	727
- Asset management	24 386	28 781	25 623
Total new business inflows	60 470	65 338	56 097
Annualised new business inflows[1]	8 078	8 405	7 337

1. *Represents new recurring premium inflows plus 10% of lump sum inflows.*

Overall recurring premium sales increased by 9%, which is pleasing given the economic climate in the 2009 financial year. The decline in retail recurring premium sales is mainly due to the impact of increased pressure on consumers, and the changes in commission regulations on savings and retirement products from 1 January 2009. The demand for individual risk products remained strong. New business in the employee benefits business continued its strong growth, with both the umbrella fund and group risk products expanding their market presence. The penetration of the FNB Insurance business into the mass market client base of FNB has improved markedly during the 2009 financial year.

Retail lump sum sales showed a marginal decline of 3% in the 2009 financial year, with the solid increases in unit trust and linked product sales respectively, being countered by lower sales of annuity, endowment savings and offshore linked products.

Momentum's agency distribution initiative continued to increase its contribution to overall annualised new business inflows to 21%, compared with 18% in 2008 and 16% in 2007. In addition, FNB brokers currently contribute 15% of annualised new business inflows, compared with 14% in 2008 and 2007.

Momentum's healthcare business administered a total of 553 200 lives at 30 June 2009. This represents an increase of 16% compared with 30 June 2008, and includes 98 900 lives administered as part of a new restricted scheme take-on at 1 January 2009. The Momentum Health open scheme membership, which is included in the overall lives under administration, totalled 178 400 at 30 June 2009.

Inflows into the asset management operations showed a reduction of 15% compared to the 2008 financial year. The focus for most of the 2009 financial year was on the communication with and retention of existing clients through the time of market uncertainty. The net outflow of funds in this business for the 2009 financial year was mainly due to the withdrawal of a total of R30 billion by two significant clients in the second half of the financial year.

Investment income on shareholders' assets

The investment income earned on shareholders' assets increased by 22% to R321 million in the 2009 financial year. The investment mandate for these assets has remained unchanged, with the economic capital being backed by a mix of cash and near-cash investments as well as the group's investment in subsidiary operations at net asset value. The main reason for the healthy increase in investment income is a higher level of capital following the decision not to pay an interim dividend to FirstRand, and marginally higher average interest rates.

Marketing and administration expenses

Total marketing and administration expenses (excluding impairment charges and once-off costs) increased by 8% to R3 billion for the 2009 financial year. Included in these once-off costs are the system integration expenses in the employee benefits and health businesses, and the additional expenses associated with the take-on of a new restricted medical scheme administration contract. The expense efficiencies associated with the system integration and other expense savings initiatives will start emerging during the new financial year.

CAPITAL MANAGEMENT

During the 2009 financial year the FSB requirements for the calculation of CAR were changed to include an allowance for credit and operational risk. Momentum's CAR cover was 1.8 times at 30 June 2009, compared with a *pro forma* CAR cover of 1.6 times at 30 June 2008. After the payment of a final dividend of R338 million to FirstRand, the CAR cover remained at 1.8 times.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased slightly from R16.0 billion at 30 June 2008 to R16.1 billion at 30 June 2009. A satisfactory operational performance in the 2009 financial year exceeded the negative impact of equity market weakness. The analysis of the main components of the embedded value is reflected in the following table:

Embedded value

	At 30 June		
R million	2009	2008	2007
Ordinary shareholders' net worth	8 564	7 701	7 770
Net value of in-force insurance business	7 522	8 338	7 683
• Present value of future profits	9 243	9 931	8 458
• Cost of capital at risk	(1 721)	(1 593)	(775)
Embedded value attributable to ordinary shareholders	**16 086**	**16 039**	**15 453**

The annualised return on embedded value for the 2009 financial year amounts to 3.3% on the opening embedded value (after adjusting for the impact of the changes introduced by PGN107). The pleasing contribution from the operational performance (including positive operating experience variances) more than compensated for the negative impact of weaker equity markets and the decline in the directors' valuation of strategic subsidiaries, resulting in an embedded value profit of R523 million.

The embedded value of new business decreased by 9% in the 2009 financial year to R544 million, after adjusting the comparative value of new business to take account of the impact of PGN107 on a like-with-like basis. The new business margin of 2.0% decreased slightly from the margin of 2.1% for the 2008 financial year.

GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R301.4 billion at 30 June 2009, compared with R347.7 billion at 30 June 2008 and R349 billion as at 30 June 2007. The decline in assets was due to the exposure to the weaker equity markets, together with a net outflow of asset management funds. The following table provides an analysis of the assets managed or administered:

Assets under management or administration

	At 30 June		
R billion	2009	2008	2007
Assets on statement of financial position	187.7	187.8	183.9
Segregated third party funds	73.0	117.5	124.6
Collective investment scheme assets managed	21.4	22.1	23.4
Assets under management	282.1	327.4	331.9
Linked product assets under administration	19.3	20.3	17.1
Total assets under management or administration	**301.4**	**347.7**	**349.0**

Net flow of funds

The overall net outflow of funds amounted to R34 billion in the 2009 financial year, compared to a net outflow of R9.7 billion in the 2008 financial year and R40.1 billion in the 2007 financial year. The net outflow of funds in the 2009 financial year is mainly due to large withdrawals by two asset management clients.

HISTORICAL FINANCIAL INFORMATION OF MOMENTUM

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Momentum Group Limited are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of Momentum Group Limited and its subsidiaries and associated companies (Momentum Group) at the end of the financial year, and of the results and cash flows for the year. In preparing the accompanying historical financial information, International Financial Reporting Standards have been followed, suitable accounting policies have been applied, and reasonable estimates have been made. The board approves significant changes to accounting policies and the effects of these are fully explained in the historical financial information. The historical financial information incorporates full and responsible disclosure in line with the philosophy on corporate governance. The external auditors, PricewaterhouseCoopers Inc, have audited the historical financial information and their unqualified report appears on pages 403 and 404.

The directors have reviewed Momentum Group's budget and cash flows for the year to 30 June 2010. On the basis of this review, and in the light of the current financial position, the directors have no reason to believe that Momentum Group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the historical financial information.

The historical financial information for the years ended 30 June 2009, 30 June 2008 and 30 June 2007, which appear on pages 153 to 361, have been approved by the board of directors.

FINANCIAL POSITION OF MOMENTUM GROUP LIMITED

I hereby certify that:

- the valuation of Momentum Group Limited as at 30 June 2009, the results of which are summarised below, has been conducted in accordance with the Actuarial Society of South Africa's Professional Guidance Notes;
- the statutory actuary's report has been produced in accordance with the Actuarial Society of South Africa's Professional Guidance Note PGN103 and, read together with the company's annual financial statements, fairly presents the financial position of the company; and
- the company was financially sound as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

J Dippenaar
BCom FIA FASSA
Statutory Actuary of Momentum Group Limited
27 August 2010

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF MOMENTUM GROUP LIMITED
As at 30 June 2009

Published reporting basis R million	Notes	30 June 2009	30 June 2008 Restated	30 June 2007 Restated
Total assets per company statement of financial position	**1**	**171 883**	**179 122**	**181 763**
Total liabilities per company statement of financial position	**2**	**162 327**	**170 193**	**172 650**
Liabilities under insurance contracts		39 040	41 919	45 821
Liabilities under investment contracts		109 476	110 596	110 671
Current and other liabilities		12 885	16 829	15 182
Unsecured subordinated debt	3	926	849	976
Excess of assets over liabilities		**9 556**	**8 929**	**9 113**

Statutory basis R million	30 June 2009	30 June 2008 Restated	30 June 2007 Restated
Total assets	**158 732**	**173 224**	**175 994**
Total liabilities	**151 624**	**167 110**	**170 200**
Actuarial value of policy liabilities	139 335	150 838	155 509
Current and other liabilities	12 289	16 272	14 691
Excess of assets over liabilities	**7 108**	**6 114**	**5 794**
Capital adequacy requirement (CAR)	3 843	2 826	2 467
Ratio of excess of assets over liabilities to CAR	1,8	2,2	2,3
Dividends approved by Board after 30 June	338	476	1 100
Excess of assets over liabilities after approved dividends	6 770	5 638	4 694
Ratio of excess of assets over liabilities to CAR after approved dividends	1,8	2,0	1,9

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF MOMENTUM GROUP LIMITED
As at 30 June 2009

1 VALUE OF ASSETS

The value of the assets on the published reporting basis is determined according to the accounting policies as set out on pages 160 to 184. Equity investments in subsidiaries are included in the company statement of financial position at fair value, but are consolidated in the group historical financial information.

2 VALUE OF LIABILITIES

The liability valuation methodology and assumptions under the published reporting basis are set out in section 5 of the group accounting policies and in note 30 to the historical financial information.

3 UNSECURED SUBORDINATED DEBT

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

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

R million	30 June 2009	30 June 2008	30 June 2007
Excess of assets over liabilities on the published reporting basis	**9 556**	**8 929**	**9 113**
Deferred acquisition costs and deferred revenue liabilities (net of deferred tax impact)	(989)	(954)	(850)
Policy liabilities (net of deferred tax impact)	765	825	726
Excess of fair value over net asset value of subsidiaries	(1 730)	(2 148)	(2 599)
Impairment of subsidiaries on the statutory basis, other impairments and inadmissible assets (net of deferred tax impact)	(606)	(619)	(1 572)
Other impairments and inadmissible assets	(814)	(768)	
Unsecured subordinated debt	926	849	976
Excess of assets over liabilities on the statutory basis	**7 108**	**6 114**	**5 794**

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

R million	30 June 2009	30 June 2008	30 June 2007
Excess of assets over liabilities at end of the year	9 556	8 929	9 113
Excess of assets over liabilities at beginning of the year	8 929	9 113	9 374
Change in excess of assets over liabilities over the year	**627**	**(184)**	**(261)**

R million	Notes	30 June 2009	30 June 2008	30 June 2007
Operating profit		762	1 404	962
Investment income	5.1	1 175	734	859
Profit on sale of available-for-sale assets and associates		–	22	449
Attributable earnings		**1 937**	**2 160**	**2 270**
Revaluation of investments in subsidiaries to fair value		(747)	(632)	53
Capital appreciation on financial instruments and foreign currency translation reserves		(63)	123	(9)
Movement in IFRS 2 reserve		15	19	27
Changes in valuation assumptions	5.2	12	(9)	(1)
Dividends paid		(527)	(1 845)	(2 601)
Change in excess of assets over liabilities		**627**	**(184)**	**(261)**

Notes:

5.1 Investment income includes dividends received from strategic subsidiaries of R314m (30 June 2008: R416m; 30 June 2007: R617m) and R542m (30 June 2008: R55m) reflected as operating profit in group earnings.

5.2 The changes in the valuation basis increased the excess of assets over liabilities on the published reporting basis by R12m as at 30 June 2009, and consisted of the following items:

R million	30 June 2009	30 June 2008
Economic assumptions[1]	–	(199)
Maintenance expense assumptions	(36)	50
Mortality and morbidity assumptions[2]	87	196
Termination assumptions[3]	(20)	(21)
Discretionary margin: Termination assumptions[3]	–	(38)
Methodology changes and other items	(19)	3
Total	12	(9)

1. From 30 June 2009, economic assumption changes are included as part of investment experience variances when these are transferred to the investment stabilisation accounts in accordance with the accounting policies.
2. Assumed future mortality rates were decreased and claim termination rates in respect of group income disability claims in payment were increased following recent experience investigations.
3. Assumed policy termination rates were increased following recent experience investigations. Discretionary margins on termination rates were increased at 30 June 2008, as a result of increased uncertainty regarding future experience.

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

R million	30 June 2009	30 June 2008	30 June 2007
Attributable earnings (company)	1 937	2 160	2 270
Reversal of dividends from subsidiaries	(314)	(416)	(617)
Subsidiaries' attributable earnings	(6)	242	538
Consolidation adjustments	(8)	29	(16)
Write-off of intangible assets	(15)	(13)	(35)
Difference between net asset value and fair value of Emira	–	–	(64)
Attributable earnings (group)	**1 594**	**2 002**	**2 076**

7 BONUS STABILISATION ACCOUNTS

Momentum's Performance Guarantee Fund (PGF) and Investo Smooth Bonus (post 2003) portfolios had bonus stabilisation accounts that were more negative than -7,5% as at 30 June 2009. The size of the PGF portfolio was R822m and Investo Smooth Bonus was R508m as at 30 June 2009. The low funding levels were caused by negative investment performance on equity investments over the two years to 30 June 2009. In considering whether the negative bonus stabilisation accounts can be recovered through the under-declaration of bonuses, I have taken into account the asset managers' outlook for the portfolios, expected future cashflows, policyholders' reasonable expectations, as well as my view on the board of directors' expected willingness to declare bonuses below actual investment returns on the PGF and Investo Smooth Bonus portfolios over the next three years.

8 ALLOWANCE FOR EMBEDDED INVESTMENT DERIVATIVES

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

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

Maturity (years)	Strike	Price (% of nominal) June 2009	Implied volatility June 2009 (%)	Price (% of nominal) June 2008	Implied volatility June 2008 (%)
1	Spot	9,0	29	5,0	24
1	80% x spot	2,3	29	0,8	24
1	Forward*	11,1	29	9,2	24
5	Spot	10,5	28	4,8	26
5	1.04^5 x spot	17,8	28	9,3	26
5	Forward*	20,8	28	19,0	26
20	Spot	6,4	32	2,3	30
20	1.04^20 x spot	22,5	32	9,8	30
20	Forward*	32,5	32	35,8	30

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

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

Maturity (years)	Strike	Put Price (% of nominal) June 2009	Implied volatility June 2009 (%)	Put Price (% of nominal) June 2008	Implied volatility June 2008 (%)
5	1.04^5 x spot	8,2	17,5	2,2	16,0

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

Maturity (years)	Strike	Price (% of nominal) June 2009	Price (% of nominal) June 2008
20	5-year forward rate in 20 years	0,29	0,25

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

Years	Yield June 2009 (%)	Yield June 2008 (%)
1	7,7	13,4
2	8,1	13,1
3	8,5	12,9
4	8,8	12,7
5	9,0	12,5
10	9,2	11,6
15	8,6	10,9
20	7,9	10,4
25	7,3	10,1
30	6,9	9,8
35	6,6	9,6
40	6,4	9,4

9 CAPITAL ADEQUACY REQUIREMENT

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

The capital adequacy requirement, determined in accordance with the professional guidance note PGN104 of the Actuarial Society of South Africa, was calculated as R3 843m (30 June 2008: R2 826m; 30 June 2007: R2 467m). The increase in capital adequacy requirement relates mainly to the following:

- Changes in PGN104 effective from 31 December 2008, which now require explicit allowance for credit and operational risk.
- Increased investment risk underlying the smoothed bonus and other businesses with minimum investment return guarantees.

The excess of assets over liabilities on the statutory basis is sufficient to cover the capital adequacy requirement 1,8 times (30 June 2008: 2,2 times; 30 June 2007: 2,3 times).

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

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

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

The main contributor to the capital adequacy requirement is the investment resilience component. In determining the investment resilience capital adequacy requirement, it was assumed that a decline of 30% in equity asset values, 15% in property asset values and a change in the market value of fixed-interest securities commensurate with a 25% decrease (30 June 2008: 25% increase) in fixed-interest yields would occur immediately.

The following management actions were assumed in the calculation of the capital adequacy requirement:

- A reduction in bonuses on smoothed bonus and secured fund business of between 1% and 6% for the next one to three years, depending on the portfolio.
- For certain ring-fenced business it was assumed that management actions would consist of a combination of a reduction in bonus rates for three years and the removal of non-vested bonuses, in accordance with the ring-fencing requirements that shareholders do not participate in profits or losses.

The assumed management actions described above include the management actions assumed in the calculation of the liabilities, i.e. the actions necessary to eliminate any current negative bonus stabilisation accounts.

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

R million	30 June 2009	30 June 2008	30 June 2007
CAR before management actions	**5 241**	**3 250**	**2 635**
Impact of management actions	**(1 398)**	**(424)**	**(168)**
Reduction in future bonuses	(900)	(424)	(168)
Management actions on ring-fenced portfolios	(498)	–	–
CAR after management actions	**3 843**	**2 826**	**2 467**

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

INTRODUCTION

The Momentum Group ("Momentum Group") is a wholly owned subsidiary of FirstRand Limited, a company listed in the Republic of South Africa. The group provides long-term insurance and investment products to a variety of clients, and also provides employee benefits and property management services in the Republic of South Africa. The group also has a number of offshore subsidiaries in the United Kingdom and the Channel Islands, where it provides asset management services.

The Momentum Group applied the following accounting policies in preparing the historical financial information. These policies have been consistently applied to all the years presented, unless otherwise stated as detailed in note 39 of the historical financial information.

BASIS OF PRESENTATION

The Momentum Group's historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The new standards adopted are:

- IFRIC 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008. The Interpretation provides guidance on the treatment of assets arising from service concession arrangements. There has been no effect on the Momentum Group historical financial information.
- IFRIC 13 Customer Loyalty Programmes which is effective for annual periods beginning on or after 1 July 2008. The Interpretation applies to the accounting for customer loyalty award credits that the entity grants to its customers that customers can redeem in future. This Interpretation does not have an effect on Momentum Group's results.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on the measurement of defined benefit assets. This Interpretation has not impacted Momentum Group's results.

The Momentum Group adjusted comparative figures to conform to changes in presentation in the current year. For details refer to note 39 in the notes to the historical financial information.

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

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

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

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

2 CONSOLIDATION

2.1 Subsidiaries

The consolidated historical financial information includes the assets, liabilities and results of the operations of the holding company and its subsidiaries. Subsidiaries are companies in which the Momentum Group, directly or indirectly, has the power to exercise control over the operations for its own benefit. The Momentum Group considers the existence and effect of potential voting rights that are presently exercisable or convertible in determining control. Subsidiaries are consolidated from the date on which the Momentum Group acquires effective control. Consolidation is discontinued from the effective date of disposal. Minority shareholders are treated as equity participants and therefore all acquisitions of minority interests or disposals by the Momentum Group of its minority interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions with minorities. Consequently, the difference between the purchase price and the book value of a minority interest purchased is recorded in equity. All profits and losses arising as a result of the disposal of interest in subsidiaries to minorities, where control is maintained subsequent to the disposal, are also recorded in equity.

The Momentum Group consolidates a special purpose entity ("SPE") when the substance of the relationship between the Momentum Group and the SPE indicates that the Momentum Group controls the SPE.

The Momentum Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (tangible and intangible), liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Momentum Group's share of the identifiable net assets 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 profit or loss.

Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Momentum Group.

2.2 Collective investment schemes

The Momentum Group consolidates collective investment schemes in which it is considered to have control through its size of investment, voting control or related management contracts. The consolidation principles for subsidiaries as described above are applied.

3 INVESTMENTS IN ASSOCIATES

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

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

Investments held exclusively with the view of disposal in the near future (within 12 months) are not accounted for at cost or fair value, but are carried at the lower of fair value less cost to sell and its carrying amount in terms of the requirements of IFRS 5. Refer to accounting policy 25.

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

The Momentum Group includes the results of associated companies in its consolidated historical financial information using the equity accounting method, from the effective date of acquisition to effective date of disposal. The investment is initially recognised at cost. The Momentum Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

Earnings attributable to ordinary shareholders include the Momentum Group's share of earnings of associated companies. The Momentum Group's reserves include its share of post acquisition movements in reserves of the associated companies. The cumulative post acquisition movements are adjusted against the cost of the investment in the associated companies.

Goodwill on the acquisition of associates and joint ventures is included in the carrying amount of the investment in associates or joint ventures. Investments in associates and joint ventures are assessed annually for impairment in accordance with IAS 36.

The Momentum Group discontinues equity accounting when the carrying amount of the investment in an associated company reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking.

After discontinuing equity accounting the Momentum Group applies the requirements of IAS 36 to determine whether it is necessary to recognise any additional impairment loss with respect to the net investment in the associate as well as other exposures to the investee.

The Momentum Group increases the carrying amount of investments with its share of the associated company's income when equity accounting is resumed. The Momentum Group resumes equity accounting only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Momentum Group and its associates are eliminated to the extent of the Momentum Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associated companies have been changed where necessary to ensure consistency with the policies adopted by the Momentum Group.

Investment in associates held in policyholder portfolios backing investment linked policyholder liabilities are measured at fair value in terms of IAS 28. Movements in fair value are recognised in the income statement.

4 FINANCIAL INSTRUMENTS

4.1 General

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

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

Momentum Group classifies its financial assets in the following categories:

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

Financial liabilities are classified in the following categories:

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

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

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

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. These gains or losses are separately disclosed as dividends, interest and fair value gains or losses. Unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised in the statement of comprehensive income, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement as realised gains and losses from investment securities. However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established and are included in investment income.

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

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

Financial instruments at fair value through profit or loss

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

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

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

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

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

- Policyholder assets and liabilities under investment contracts. The liabilities under linked investment contracts have cash flows that are contractually determined with reference to the performance of the underlying assets. The changes in fair value of assets held in linked funds are recognised in the income statement.

Financial instruments designated under the second bullet include:

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

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

Loans and receivables

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

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

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

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

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

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

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

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

4.2 Embedded derivatives
Momentum Group treats derivatives embedded in financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:
- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in profit or loss.

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

4.3 Derecognition of assets and liabilities
Momentum Group derecognises a financial asset when:
- the contractual rights to the asset expire,
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- Momentum Group retains the contractual rights of the asset but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

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

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

Where Momentum Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, Momentum Group determines whether it has retained control of the financial asset. In this case:
- if Momentum Group has not retained control, it derecognises the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;

- if Momentum Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

4.4 Impairment of assets

General

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

Assets carried at amortised cost

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

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

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

Momentum Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If Momentum Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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

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

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

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

Available-for-sale financial assets

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

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

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

Non Financial Assets

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

4.5 Financial liabilities

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

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

Accounts payable

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

4.6 Derivative financial instruments and hedging

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, Momentum Group recognises profits or losses on day one.

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Momentum Group designates its derivatives as either:

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

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

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

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

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

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

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

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

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

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

4.7 Offsetting financial instruments

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

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

5 INSURANCE AND INVESTMENT CONTRACTS

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

5.1 Classification of Contracts

The contracts issued by Momentum Group transfer insurance risk; financial risk or both. As a result of the differing risks transferred by contracts, for the purposes of valuation and profit recognition, contracts are divided into investment and insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk to Momentum Group, whereas investment contracts transfer financial risk.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

Insurance Contracts

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

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract.

Certain insurance contracts also contain discretionary participation features (DPFs).

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

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

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

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

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

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

Investment Contracts

These are contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index prices or other variable.

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

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

These contracts fall within the scope of IFRS 4 and therefore are measured in terms of the requirements of IFRS 4 and income statement movements are disclosed under "fair value adjustment to policyholder liabilities under investment contracts".

The following types of contracts issued by Momentum Group are classified as investment contracts with DPF:
- Universal life smoothed bonus policies, where discretionary bonuses are added to the investment account annually.
- Reversionary bonus policies, where discretionary bonuses are added to a guaranteed sum assured, payable at the end of the contract term.

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

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

The following 2 subsections further describe these 2 product groupings.

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

The following types of contracts issued by Momentum Group are classified as investment contracts with investment management services:
- unit linked contracts, where lump sum benefits payable at the end of the contracts' terms are determined using unit values that reflect the fair value of the assets in the unitised fund underlying the group of policies, multiplied by the number of units attributed to the policyholder; and
- living annuities, where the number of units is payable to policyholders on a monthly basis. The monetary value of the monthly benefit payments is determined by the number of units paid to the policyholder, multiplied by a unit price determined by the fair value of underlying assets.

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

Contracts without Investment Management Services
These are investment contracts where Momentum Group does not actively manage the investments of the policyholder over the lifetime of each policy contract. Benefits are guaranteed at inception of the policy contract or linked to the performance of a specified index or pool of assets.

The following types of contracts issued by Momentum Group are classified as investment contracts where no investment management services are rendered:
- Guaranteed endowments, where a guaranteed benefit specified at the inception date of the policy is paid at the end of the contract term.
- Certain structured products, where the benefit payable at expiry of the contract is linked to a published market index.

5.2 Valuation and Recognition

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

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

Principles of valuation and profit recognition

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

PGN 104 (Jan 2005): Life Offices – Valuation of Long Term Insurers
PGN 110 (Dec 2007): Reserving for minimum investment return guarantees (Momentum Group early adopted the principles on the calculation and disclosure of minimum investment return guarantees)
PGN 102 (Mar 1995): Life Offices – HIV/AIDS
PGN 105 (March 2007): Recommended AIDS extra mortality bases
PGN 106 (Jul 2005): Actuaries and Long Term Insurance in South Africa

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

Valuation

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

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

The best estimate of the future cash flows takes into account current and expected future experience, as well as revised expectations of future income, claims and expenditure. The assumptions are applied to the whole in force policy book. Differences between the assumptions used at the start and the end of the accounting period give rise to a revised liability quantification.

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

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

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

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

Recognition

Premiums

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

Benefits and claims

Insurance benefits and claims incurred under insurance contracts include death, disability, maturity, annuity and surrender payments and are recognised in profit or loss gross of any related reinsurance recoveries. Death, disability and surrender claims are recognised when notified. Maturity and annuity claims are recognised when they are due for payment in terms of the contract. The estimate of the expected settlement value of claims that are notified but not paid before the balance sheet date is included in trade and other payables (including insurance payables). Benefits incurred under investment contracts with discretionary participation features are recognised directly against the policyholder liabilities under investment contracts.

Reinsurance premiums

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

Reinsurance recoveries

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

Liability adequacy test for business for prospective liabilities

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

Liability adequacy test for retrospective liabilities

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

Acquisition costs

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

Application of the above valuation methodology to individual product lines

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

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

policies, annual bonus additions are made to the policy's investment account, whereas additions of bonuses on conventional policies are made to the lump sum payable on death or maturity.

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

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

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

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

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

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

Immediate annuities
Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market related yield curve as at the balance sheet date. The yield curve is based on risk free securities (either fixed or CPI linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio. Explicit liabilities are set aside for expected credit losses, to avoid a reduction in liabilities caused by capitalisation of credit spreads.

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

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

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

- Discounted cashflow liabilities for Permanent Health Insurance (PHI) claims in payment and CPI linked annuities;
- The liability related to the claims which relate to insurance events which have occurred before year end and thus have been incurred but have not been reported to Momentum Group, is known as the Incurred but not reported (IBNR) liability claims on group risk benefits;

- Unearned premium provisions in respect of risk exposure remaining after the balance sheet date (where premiums relating to the risk have been received before the balance sheet date), included in accounts payable;
- CPI linked annuities.

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

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

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

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

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

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

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

If the fair value of the assets underlying a smoothed bonus or conventional with profit portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation account is created which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation account is created. A negative bonus stabilisation account will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long term assumptions. Negative bonus stabilisation accounts in excess of 7,5% of the investment accounts are disclosed.

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

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

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

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

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

Other options and guarantees

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

Discretionary margins

Discretionary margins are held in addition to the compulsory margins. These discretionary margins are used to ensure that profit and risk margins in the premiums are not capitalised prematurely so that profits are recognised in line with product design and in line with the risks borne by the group.

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

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

Investment contracts without DPF, with provision of investment management services

Momentum Group classifies investment contracts without DPF, with provision of investment management services as designated at fair value through profit or loss. Under this category, Momentum Group issues unit linked contracts, where benefits payable are determined using unit values that reflect the fair value of the assets in the unitised fund underlying the group of policies, multiplied by the number of units attributed to the policyholder. Policyholder liabilities for this class of business are set equal to the fair value of the assets in the unitised fund underlying the group of policies, as reflected in the value of units held by each policyholder at the valuation date. The minimum value of the policyholder liability is the fair value of the units that reflect the fair value of the assets in the unitised fund, multiplied to the number of units that the policyholder is entitled to.

Amounts received and benefits paid

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

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

Deferred revenue liability (DRL)
A DRL is recognised in respect of fees paid at the inception of the contract by the policyholder which are directly attributable to a contract. The DRL is then released to revenue as the investment management services are provided, over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DRL is recognised in revenue.

Deferred acquisition cost asset (DAC asset)
Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is recognised as an expense in profit or loss. Amortisation of the DAC is done separately for each policy contract. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

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

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

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

Investment contracts without DPF, without provision of investment management services
Momentum Group issues single premium investment contracts with fixed and guaranteed terms under this category (guaranteed endowments and term certain annuities).

Valuation
The liabilities of endowments with guaranteed maturity values are fair valued using a valuation model, as the policies are not traded in an active market. The model values the liabilities as the present value of the maturity values, using appropriate market related yields to maturity. If liabilities calculated in this manner fall short of the single premium paid at inception of the policy, the liability is increased to the level of the single premium, to ensure that no profit is recognised at inception. This deferred profit liability is recognised in profit or loss over the life of the contract based on factors that a market participant would consider, including the passing of time.

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

Reinsurance contracts
Contracts entered into by Momentum Group with reinsurers under which it is compensated for losses on one or more contracts issued by Momentum 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 Momentum Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified as loans and receivables), as well as long term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

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

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

Receivables and payables related to insurance contracts

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

6 FOREIGN CURRENCY TRANSLATION

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

6.1 Functional and presentation currency

Items included in the historical financial information of each of the Momentum Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated historical financial information is presented in Rand ("R"), which is the functional and presentation currency of the holding company of the Group.

6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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 profit or loss, except when included in the statement of comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Foreign currency translation differences on monetary items classified as available-for-sale, such as foreign currency bonds designated as available-for-sale, are recognised as a translation gain or loss in profit or loss when incurred.

Translation differences on non monetary items classified as available-for-sale, such as equities, are included in the statement of comprehensive income when incurred.

6.3 Group companies

The results and financial position of all the Momentum Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Momentum Group are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rates at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the statement of comprehensive income. When a foreign operation is sold or partially disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and translated at the closing rate.

7 BORROWING COSTS

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

8 DIRECT AND INDIRECT TAXES

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

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

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

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

Taxation in respect of the South African life insurance operations is determined using the 4 fund method applicable to life insurance companies.

9 RECOGNITION OF ASSETS

9.1 Assets

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

9.2 Contingent assets

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

10 LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

10.1 Liabilities and provisions

Momentum Group recognises liabilities, including provisions when:

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

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

10.2 Contingent liabilities

Momentum Group discloses a contingent liability when:

- It has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of Momentum Group; or
- It has a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability

11 CASH AND CASH EQUIVALENTS

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

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

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

12 PROPERTY AND EQUIPMENT

Momentum Group carries property and equipment at historical cost less depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

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

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

Land and buildings comprise offices occupied by Momentum Group.

Freehold properties and properties held under finance lease are broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

The periods of depreciation used are as follows:

Leasehold property	50 years
Freehold property	
Building and structures	50 years
Mechanical and electrical	20 years
Sundries	20 years
Computer equipment	3 years
Furniture and fittings	3 years
Motor vehicles	5 years
Office equipment	3 years

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

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

13 INVESTMENT PROPERTIES

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

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

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

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

Fair value adjustments on investment properties are included in profit or loss as net fair value gains on assets. These fair value gains or losses are adjusted for any double counting arising from the recognition of lease income on the straight line basis compared to the accrual basis normally assumed in the fair value determination.

14 LEASES

14.1 A group company is the lessee

Finance leases

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

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

Operating leases

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

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

14.2 A group company is the lessor

Operating leases

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

15 INTANGIBLE ASSETS

15.1 Agency Force

As a result of an acquisition Momentum Group carries an Agency Force intangible asset representing the value of the agency force acquired in the acquisition. The value of the agency force is determined by estimating the future value of the new business generated by the agents acquired. Momentum Group amortises the agency force over its expected useful life of ten years. Refer to accounting policy 4.4 for information on the impairment of assets.

15.2 Computer software development costs

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

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

Momentum Group carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset, but not exceeding 3 years.

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

15.3 Value of in force business

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

16 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the Momentum Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associated companies.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For impairment purposes goodwill is allocated to the lowest components of the business that is expected to benefit from synergies of the business combination and at which management monitors goodwill ("cash generating unit"). Each cash generating unit represents a grouping of assets that generates cash flows independently.

17 DEFERRED TAXATION

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the historical financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

18 EMPLOYEE BENEFITS

18.1 Post retirement benefits

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

The 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 statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset is measured at the lower of the cumulative unrecognised actuarial gains and past service cost and the present value of any economic benefits in the form of reductions in future contributions and refunds.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. All plan assets are carried at fair value, in line with accounting policy 4.

Momentum Group writes off current service costs immediately, while it expenses past service costs, experience adjustments, changes in actuarial assumptions and plan amendments over the expected remaining working lives of employees. The costs are written off immediately in the case of retired employees.

These funds are registered in terms of the Pension Funds Act, 1956. Qualified actuaries perform annual valuations.

For defined contribution plans, Momentum Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Momentum Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

18.2 Post retirement medical benefits

In terms of certain employment contracts, Momentum Group provides for post retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. IAS 19 (Employee benefits) requires that the assets and liabilities in respect thereof be reflected on the statement of financial position.

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

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

18.3 Termination benefits

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

18.4 Leave pay liability

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

18.5 Recognition of actuarial gains and losses

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

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

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

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

Momentum Group does not recognise actuarial gains or losses below the corridor limit of 10% in the period under review, but defers such gains or losses to future periods.

18.6 Management and staff bonuses

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

19 SHARE CAPITAL

19.1 Share issue costs

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

19.2 Dividends paid

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

19.3 Preference shares

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

20 OTHER FINANCIAL LIABILITIES

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

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

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

21 FIDUCIARY ACTIVITIES

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

22 SECURITIES LENDING ARRANGEMENTS

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

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

23 REVENUE RECOGNITION

23.1 Fee income

Fee income is recognised in the income statement as the investment management services are provided, over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period.

23.2 Investment income

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

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

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

24 EXPENSES FOR MARKETING AND ADMINISTRATION

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

25 SHARE BASED PAYMENT TRANSACTIONS

Share based payment transactions

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

Equity-settled share based compensation plans

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

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

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

The proceeds received net of any attributable transaction costs are credited to retained income when the options are exercised.

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

26 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale.

In light of the group's primary business being the provision of insurance and investment products, non-current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the non-current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

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

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

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

27 SEGMENT REPORTING

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

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

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

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

28 DIVIDENDS IN SPECIE

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

INCOME STATEMENT

for the year ended 30 June

R million	Notes	Group 2009	Group 2008 Restated	Group 2007 Restated
Insurance premium revenue	2	7 249	5 971	5 512
Insurance premium ceded to reinsurers	2	(694)	(579)	(489)
Net insurance premium revenue		6 555	5 392	5 023
Fee income	3	2 771	2 862	3 338
Investment income	4	12 262	9 499	7 397
Net realised gains on assets	4	7	28	685
Net fair value (losses) / gains on assets	4	(16 731)	(4 240)	22 642
Net income		4 864	13 541	39 085
Insurance benefits	5	(6 599)	(6 073)	(6 125)
Insurance benefits recovered from reinsurers	5	660	543	535
Transfer from/(to) policyholder liabilities under insurance contracts		2 870	3 255	(5 910)
Net insurance benefits and claims		(3 069)	(2 275)	(11 500)
Fair value adjustment to policyholder liabilities under investment contracts		3 939	(3 893)	(19 625)
Fair value adjustment to financial liabilities		1 820	258	(60)
Expenses for the acquisition of insurance and investment contracts	6	(1 557)	(1 509)	(1 298)
Expenses for marketing and administration	7	(3 399)	(2 843)	(2 838)
Expenses		(2 266)	(10 262)	(35 321)
Results of operating activities		2 598	3 279	3 764
Finance costs	8	(852)	(834)	(569)
Share of income from associate companies		22	20	185
Profit before tax		1 768	2 465	3 380
Taxation	9	(179)	(469)	(1 308)
Profit for the year		1 589	1 996	2 072
Profit for the year attributable to:				
– Equity holders of the group		1 594	2 002	2 076
– Minority shareholders' interest		(5)	(6)	(4)
		1 589	1 996	2 072

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Group 2009	Group 2008	Group 2007
Profit for the year	1 589	1 996	2 072
Other comprehensive income			
Available-for-sale financial assets	(52)	120	(281)
Exchange differences on translating of foreign operations	(8)	30	(6)
Movement in other reserves	(4)	(7)	36
Other comprehensive income for the period before tax	(64)	143	(251)
Deferred tax relating to available-for-sale financial assets	4	(4)	135
Other comprehensive income for the year	(60)	139	(116)
Total comprehensive income for the year	1 529	2 135	1 956
Total comprehensive income attributable to:			
– Equity holders of the group	1 534	2 141	1 960
– Non controlling interest	(5)	(6)	(4)
	1 529	2 135	1 956

STATEMENT OF FINANCIAL POSITION
as at 30 June

R million	Notes	Group 2009	Group 2008 Restated	Group 2007 Restated
ASSETS				
Cash and cash equivalents	11	4 014	4 919	4 038
Derivative financial instruments	12	9 455	10 892	8 861
Loans and receivables (including insurance receivables)	13	43 338	28 391	25 141
Investment securities	14			
– held-for-trading		11	15	–
– loans and receivables		21	–	–
– held-to-maturity		56	460	1 036
– available-for-sale		2 766	3 100	1 589
– designated fair value through profit or loss		104 313	123 386	128 784
Investments in associates	16			
– designated fair value through profit or loss		7 914	6 666	6 074
– at equity accounted value		164	275	72
Property and equipment	17	105	157	93
Owner occupied buildings	18	427	439	454
Deferred tax asset	19	969	825	684
Intangible assets	20	2 866	2 829	2 746
Goodwill	21	236	297	294
Investment properties	22	2 156	3 808	2 356
Policy loans		604	753	733
Reinsurance assets	23	8 143	550	544
Current income tax asset		40	24	16
Non current assets held for sale	24	58	–	407
Total assets		187 656	187 786	183 922
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable (including insurance payables)	25	12 810	8 989	6 089
Derivative financial instruments	12	1 853	4 190	4 868
Provisions	26	207	108	172
Current income tax liabilities		71	434	210
Employee benefits liabilities	27	166	180	204
Deferred tax liability	19	1 570	1 840	2 213
Finance leases	28	–	242	270
Other financial liabilities	29	5 461	3 801	4 283
Policyholder liabilities under insurance contracts	30	39 069	41 982	45 875
Policyholder liabilities under investment contracts	31			
– with discretionary participation features		13 264	14 494	14 296
– without discretionary participation features		96 963	97 182	97 039
Liabilities arising to third parties as a result of consolidating unit trusts	32	8 114	7 282	1 568
Deferred revenue liability	33	322	296	255
Non current liabilities held for sale	24	–	–	109
Total liabilities		179 870	181 020	177 451
EQUITY				
Share capital and share premium	34	1 541	1 541	1 541
Non-distributable reserves	35	648	708	515
Distributable reserves	35	5 606	4 521	4 396
Shareholders' funds		7 795	6 770	6 452
Minority interest		(9)	(4)	19
Total equity		7 786	6 766	6 471
Total liabilities and equity		187 656	187 786	183 922

CASH FLOW STATEMENT
for the year ended 30 June

R million	Notes	Group 2009	Group 2008 Restated	Group 2007 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash utilised by operations	42	(9 696)	(3 701)	1 756
Dividends received		2 483	2 038	921
Interest received		9 413	7 254	6 269
Interest paid		(852)	(834)	(569)
Taxation paid	43	(1 074)	(1 008)	(1 284)
Dividends paid	44	(527)	(1 371)	(2 601)
Net cash (outflow)/inflow from operating activities		(253)	2 378	4 492
CASH FLOWS FROM INVESTING ACTIVITIES				
Associated companies acquired		(946)	(1 045)	(3 429)
Property and equipment acquired		(73)	(111)	(274)
Property and equipment disposed of		16	2	11
Intangible assets acquired		(10)	(5)	(11)
Net cash outflow from investing activities		(1 013)	(1 159)	(3 703)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of liabilities		(2 993)	(3 315)	(48)
Proceeds from liabilities		3 758	2 936	–
Net cash inflow/(outflow) from financing activities		765	(379)	(48)
Net (decrease)/increase in cash and cash equivalents		(501)	840	741
Cash and cash equivalents at the beginning of the year		4 919	4 038	3 371
Effect of exchange rate changes on cash and cash equivalents		–	41	–
Cash and cash equivalents disposed of		(404)	–	(74)
Cash and cash equivalents at the end of the year		4 014	4 919	4 038

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June

R million	Ordinary share capital (Note 34)	Share premium (Note 34)	Preference share capital (Note 34)	Distributable reserves (Note 35)	Revaluation reserve (Note 35)	Currency translation reserve (Note 35)	Other non distributable reserves (Note 35)	Total shareholders' funds	Minority shareholders' interest	Total equity
Balance at 1 July 2006	9	1 032	500	4 842	668	(17)	59	7 093	33	7 126
Total comprehensive income for the year	–	–	–	2 076	(146)	(6)	36	1 960	(4)	1 956
Transfer of opening balance of share based payments reserve	–	–	–	80	–	–	(80)	–	–	–
Acquisition of additional shares in subsidiary	–	–	–	–	–	–	–	–	(10)	(10)
Final dividend – Cash	–	–	–	(1 039)	–	–	–	(1 039)	–	(1 039)
Interim dividend – Cash	–	–	–	(1 524)	–	–	–	(1 524)	–	(1 524)
Preference dividends	–	–	–	(38)	–	–	–	(38)	–	(38)
Transfer to/(from) non distributable reserves	–	–	–	(1)	–	–	1	–	–	–
Balance at 30 June 2007	**9**	**1 032**	**500**	**4 396**	**522**	**(23)**	**16**	**6 452**	**19**	**6 471**
Total comprehensive income for the year	–	–	–	2 002	116	30	(7)	2 141	(6)	2 135
Current year movement on equity settled share based payments	–	–	–	22	–	–	–	22	–	22
Acquisition of additional shares in subsidiary	–	–	–	–	–	–	–	–	(17)	(17)
Final dividend – Cash	–	–	–	(924)	–	–	–	(924)	–	(924)
Final dividend – Dividend in specie	–	–	–	(176)	–	–	–	(176)	–	(176)
Interim dividend – Cash	–	–	–	(402)	–	–	–	(402)	–	(402)
Interim dividend – Dividend in specie	–	–	–	(298)	–	–	–	(298)	–	(298)
Preference dividends	–	–	–	(45)	–	–	–	(45)	–	(45)
Transfer to/(from) non distributable reserves	–	–	–	(54)	–	52	2	–	–	–
Balance at 30 June 2008	**9**	**1 032**	**500**	**4 521**	**638**	**59**	**11**	**6 770**	**(4)**	**6 766**
Total comprehensive income for the year	–	–	–	1 594	(48)	(8)	(4)	1 534	(5)	1 529
Current year movement on equity settled share based payments	–	–	–	18	–	–	–	18	–	18
Final dividend – Cash	–	–	–	(475)	–	–	–	(475)	–	(475)
Preference dividends	–	–	–	(52)	–	–	–	(52)	–	(52)
Balance at 30 June 2009	**9**	**1 032**	**500**	**5 606**	**590**	**51**	**7**	**7 795**	**(9)**	**7 786**

SEGMENT REPORT

Momentum has identified two reportable segments within the business, these include the Insurance operations and the Asset Management operations.

	2009			2008			2007		
R million	Total	Insurance operations	Asset Management operations	Total	Insurance operations	Asset Management operations	Total	Insurance operations	Asset Management operations
Insurance premium revenue	7 249	7 249	–	5 971	5 971	–	5 512	5 512	–
Insurance premium ceded to reinsurers	(694)	(694)	–	(579)	(579)	–	(489)	(489)	–
Net insurance premium revenue	6 555	6 555	–	5 392	5 392	–	5 023	5 023	–
Fee income	2 771	1 889	882	2 862	1 900	962	3 338	2 464	874
Investment income	12 262	12 192	70	9 499	9 440	59	7 397	7 351	46
Net realised gains on assets	7	7	–	28	28	–	685	656	29
Net fair value losses on assets	(16 731)	(16 737)	6	(4 240)	(4 271)	31	22 642	22 604	38
Net income	4 864	3 906	958	13 541	12 489	1 052	39 085	38 098	987
Insurance benefits	(6 599)	(6 599)	–	(6 073)	(6 073)	–	(6 125)	(6 125)	–
Insurance benefits recovered from reinsurers	660	660	–	543	543	–	535	535	–
Transfer from/(to) policyholder liabilities under insurance contracts	2 870	2 870	–	3 255	3 255	–	(5 910)	(5 910)	–
Net insurance benefits and claims	(3 069)	(3 069)	–	(2 275)	(2 275)	–	(11 500)	(11 500)	–
Fair value adjustment to policyholder liabilities under investment contracts	3 939	3 939	–	(3 893)	(3 893)	–	(19 625)	(19 625)	–
Fair value adjustment to financial liabilities	1 820	1 820	–	258	258	–	(60)	(60)	–
Expenses for the acquisition of insurance and investment contracts	(1 557)	(1 541)	(16)	(1 509)	(1 492)	(17)	(1 298)	(1 284)	(14)
Expenses for marketing and administration	(3 399)	(2 636)	(763)	(2 843)	(2 197)	(646)	(2 838)	(2 350)	(488)
Expenses	(2 266)	(1 487)	(779)	(10 262)	(9 599)	(663)	(35 321)	(34 819)	(502)
Results of operating activities	2 598	2 419	179	3 279	2 890	389	3 764	3 279	485
Finance costs	(852)	(843)	(9)	(834)	(824)	(10)	(569)	(565)	(4)
Share of income from associates	22	22	–	20	20	–	185	185	–
Profit before tax	1 768	1 598	170	2 465	2 086	379	3 380	2 899	481
The income statement includes:									
Depreciation	59	54	5	61	52	9	61	52	9
Amortisation	404	389	15	404	389	15	404	389	15
Impairment charges	78	3	75	78	78	–	78	78	–
Other non-cash provisions	99	37	62	(64)	(201)	137	(77)	(117)	40

SEGMENT REPORT (continued)

R million	2009 Total	2009 Insurance operations	2009 Asset Management operations	2008 Total	2008 Insurance operations	2008 Asset Management operations	2007 Total	2007 Insurance operations	2007 Asset Management operations
The statement of financial position includes:									
Investments in associates	8 078	8 078	–	6 941	6 941	–	6 146	6 146	–
Total assets	187 656	186 733	923	187 786	186 377	1 409	183 922	182 561	1 361
Total liabilities	179 870	179 494	376	181 020	180 292	728	177 451	176 836	615

Geographical information	2009 Total	2009 South Africa	2009 Other	2008 Total	2008 South Africa	2008 Other	2007 Total	2007 South Africa	2007 Other
Insurance premium revenue, Investment income and Fee income	21 588	21 113	475	17 753	17 385	368	15 571	15 351	220
Investments in associates	8 078	8 078	–	6 941	6 941	–	6 146	6 146	–
Property, plant and equipment and Owner occupied buildings	532	526	6	596	579	17	547	518	29
Intangible assets	3 102	3 102	–	3 127	3 127	–	2 746	2 745	1
Investment properties	2 156	2 156	–	3 808	3 808	–	2 356	2 356	–

1 CRITICAL ACCOUNTING ASSUMPTIONS AND JUDGEMENTS

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

Fair value of derivative financial instruments

The fair values of financial instruments that are not listed in active markets are determined by using valuation techniques, for example models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Appropriate yield curves are used for the valuation of unlisted bonds. Further details relating to estimates and assumptions in respect of fair value are contained in note 40.

Impairment of available-for-sale equity instruments

The Momentum Group determines that available-for-sale equity instruments are impaired and recognised as such in the income statement, when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Momentum Group evaluates among other factors, the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. As at 30 June 2009 (and 30 June 2008 and 30 June 2007), the Momentum Group had no decline of financial instruments with fair values below cost that had been considered significant or prolonged.

Impairment of available-for-sale debt instruments

An available-for-sale debt instrument is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flow and all amounts which are due in terms of the contractual terms of the instrument are not considered collectible. Typically this is due to a change in the creditworthiness of the counterparty. A decline in fair value as a result of changes in the risk free interest rate is not objective evidence of impairment. As at 30 June 2009 (and 30 June 2008 and 30 June 2007), the Momentum Group had no decline of financial instruments with fair values below cost that had been considered significant or prolonged.

Income taxes

The Momentum Group is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Momentum 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 the income taxation and deferred taxation provisions in the period in which such determination is made. The corporate tax rate applicable in South Africa is 28% (2008: 28%, 2007: 29%). The Momentum Group has 4 separate tax funds. These funds are the individual policyholders' fund (taxed at 30%), corporate policyholders' fund (taxed at 28%), untaxed policyholders' fund and the corporate fund (taxed at 28%).

Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash-generating units ("CGU") has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 21 in this historical financial information.

Employee benefits liabilities

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

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

Additional information is provided in note 27 in this historical financial information.

Provisions

Provisions are, by definition, liabilities of uncertain timing or amounts. In order to establish a provision, management makes assessments of the expected amount of any future cash outflows and the estimated timing thereof. Where the effect of discounting is material, provisions payable longer than one year are discounted using pre-tax discount rates that reflect the current market assessment of the time value of money and where appropriate, the risk specific to the liability. Provisions for impairment of a trade receivable are established when there is objective evidence that Momentum Group will not be able to collect all amounts due according to the original terms of the receivable. Refer to note 26 for more detail.

Share based payments

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

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

Additional information is provided in note 35 in this historical financial information.

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

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

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

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

The process for determining the assumptions used are as follows

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

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

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

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

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

Tax
Allowance is made for future taxation and taxation relief.

Refer to note 30 for more detail on the assumptions used in valuating the policyholder liabilities under insurance contracts.

Intangible assets

As part of the purchase price allocation of the Sage transaction in the 2006 financial year, Momentum Group identified the following intangible assets:

- Present value of in-force-business (PVIF). The PVIF was calculated using the embedded value methodology and basis, without deducting the opportunity cost of required statutory capital. Because PVIF for embedded value purposes is usually calculated assuming emergence of future profits on a statutory liability valuation basis, the PVIF was modified to conform with the emergence of profits on the IFRS basis. Assumptions for mortality, morbidity and terminations were consistent with the most recent experience investigations, and future renewal expenses were based on the continuation of the company as a going concern combined with Momentum. Economic assumptions (future investment returns and inflation) were based on market rates at the applicable date. The rate of discount used was 11%. The useful life has been assumed to be the full expected future duration of the policies in force, allowing for expected attrition through mortality, morbidity, maturities and terminations. Momentum also performs a liability adequacy test annually. The outcome of this test will serve as an indicator for the potential impairment of the PVIF intangible asset. However, for the current financial year there was no indication that this intangible asset should be impaired.
- Agency force. One of the reasons for the acquisition was to acquire the Sage distribution channels comprising mostly agents, which complement the Momentum distribution channel comprising mostly brokers. Some of the information used in the valuation process is the historical information (number of agents, past production and business mix), projected new business volumes per main product category and Momentum's new business embedded value per main product category as at 30 June 2005. The valuation was done on a new business embedded value basis, as the agency force is a going concern. The amortisation period of the agency force intangible asset has been set at 10 years. This was based on the general expected premium payment terms in the insurance industry.
- Contractual customer relationships. The future fees to be earned on the investment management contracts of Sage's unit trust business is considered to be an intangible asset as it will result in the inflow of future economic benefits. Momentum Group valued this intangible asset using a percentage of assets valuation approach (2,5%). The valuation was based only on external retail clients of Sage Unit Trusts. The price earnings ration equated to 8 times. The expected useful life of this intangible asset has been set at 10 years.

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

Acquisition of African Life Health (ALH)

As part of the purchase price allocation of the ALH transaction in the 2006 financial year, Momentum Group identified the following intangible asset:

- Contractual customer relationships. The administration contracts with the medical schemes will result in the inflow of economic benefits to Momentum Group and as a result is considered to be an intangible asset. The discounted cash flow technique was used to value the customer contracts. Budgeted operating profit before tax was used as cash flows. A zero percent growth rate was assumed as ALH was identified as a mature business in the administration of medical aid schemes. Any future growth will therefore be through Momentum and not at ALH level. It was assumed that any growth at ALH would be offset by the loss of members in other schemes. A discount rate of 24% was used, which is considered to be appropriate for the industry in which ALH operates. The useful life of this intangible asset has been estimated to be 10 years.

African Life Health is a medical schemes administrator and the brand value lies in the medical schemes which it administrates, rather than the brand of the company. Therefore, no value has been placed on the brand.

African Life Health used an external system known as the Neil Harvey system, which they did not own. No technology was therefore acquired as part of the business combination.

	R million	Group 2009	Group 2008	Group 2007
2	**NET INSURANCE PREMIUM REVENUE**			
	Insurance premium revenue			
	Individual life	5 122	4 717	4 288
	Single premiums	47	205	127
	Recurring premiums	4 425	3 970	3 689
	Annuities	650	542	472
	Employee benefits	1 946	1 254	1 224
	Single premiums and investment lump sums	644	6	4
	Recurring premiums	1 302	1 248	1 220
	Health insurance contracts			
	Recurring premiums	181	–	–
	Insurance premium revenue	7 249	5 971	5 512
	Insurance premium ceded to reinsurers			
	Individual life	(643)	(549)	(323)
	Employee benefits	(51)	(30)	(166)
	Insurance premium ceded to reinsurers	(694)	(579)	(489)
	Net insurance premium revenue	6 555	5 392	5 023
3	**FEE INCOME**			
	Fees for asset manager services rendered	1 761	2 326	2 648
	Amortisation of deferred revenue liability	101	87	44
	Fees for health administration	463	420	408
	Other fees	446	29	238
		2 771	2 862	3 338

4 INVESTMENT INCOME

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

Group 2009

	Financial assets					
	Fair value	**Amortised cost**	**Hedging instruments**	**Financial liabilities**	**Non financial assets and liabilities**	**Total**
Fee income (refer to note 3)	2 218	4	–	–	549	2 771
Dividend Income	2 483	–	–	–	–	2 483
Dividends on listed shares	1 355	–	–	–	–	1 355
Dividends on unlisted shares	1 128	–	–	–	–	1 128
Interest Income	5 194	4 186	–	–	33	9 413
Listed	2 520	–	–	–	–	2 520
Unlisted	2 674	4 186	–	–	33	6 893
Rental income from investment properties	–	–	–	–	366	366
Total investment income	7 677	4 186	–	–	399	12 262

R million

4 INVESTMENT INCOME (continued)

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

Group 2009

	Financial assets: Fair value	Financial assets: Amortised cost	Hedging instruments	Financial liabilities	Non financial assets and liabilities	Total
Net fair value (losses)/ gains on assets	(16 889)	–	73	–	85	(16 731)
Investment securities	(16 889)	–	–	–	–	(16 889)
Revaluation of fair value hedges (i)	–	–	73	–	–	73
Investment properties	–	–	–	–	85	85
Net realised gains on assets	–	–	–	–	7	7
Fair value adjustment to policyholder liabilities under investment contracts	3 939	–	–	–	–	3 939
Finance costs (refer to note 8)	(283)	(542)	–	–	(27)	(852)
Total income and expenditure arising from assets and liabilities	(3 338)	3 648	73	–	1 013	1 396

Group 2008

	Financial assets: Fair value through profit or loss	Financial assets: Amortised cost	Hedging instruments	Financial liabilities	Non financial assets and liabilities	Total
Fee income (refer to note 3)	2 862	–	–	–	–	2 862
Dividend Income	2 038	–	–	–	–	2 038
Dividends on listed shares	494	–	–	–	–	494
Dividends on unlisted shares	1 544	–	–	–	–	1 544
Interest Income	5 526	1 728	–	–	–	7 254
Listed	969	–	–	–	–	969
Unlisted	4 557	1 728	–	–	–	6 285
Rental income from investment properties	–	–	–	–	207	207
Total investment income	7 564	1 728	–	–	207	9 499

R million

4 INVESTMENT INCOME (continued)

Group 2008

	Financial assets: Fair value through profit or loss	Financial assets: Amortised cost	Financial assets: Hedging instruments	Financial liabilities	Non financial assets and liabilities	Total
Net fair value (losses)/ gains on assets	(4 378)	–	18	–	120	(4 240)
Investment securities	(4 378)	–	–	–	–	(4 378)
Revaluation of fair value hedges (i)	–	–	18	–	–	18
Investment properties	–	–	–	–	120	120
Net realised gains on assets	28	–	–	–	–	28
Fair value adjustment to policyholder liabilities under investment contracts	(3 893)	–	–	–	–	(3 893)
Finance costs (refer to note 8)	(764)	–	–	(70)	–	(834)
Total income and expenditure arising from assets and liabilities	1 419	1 728	18	(70)	327	3 422

Group 2007

	Financial assets: Fair value through profit or loss	Financial assets: Amortised cost	Financial assets: Hedging instruments	Financial liabilities	Non financial assets and liabilities	Total
Fee income (refer to note 3)	3 338	–	–	–	–	3 338
Dividend Income	921	–	–	–	–	921
Dividends on listed shares	876	–	–	–	–	876
Dividends on unlisted shares	45	–	–	–	–	45
Interest Income	4 566	1 702	–	–	7	6 275
Listed	1 722	–	–	–	4	1 726
Unlisted	2 844	1 702	–	–	3	4 549
Rental income from investment properties	–	–	–	–	201	201
Total investment income	5 487	1 702	–	–	208	7 397

R million

4 INVESTMENT INCOME (continued)

	Group 2007					
	Financial assets					
	Fair value through profit or loss	Amortised cost	Hedging instruments	Financial liabilities	Non financial assets and liabilities	Total
Net fair value gains on assets	22 232	–	–	–	410	22 642
Investment securities	22 232	–	–	–	–	22 232
Investment properties	–	–	–	–	410	410
Net realised gains on assets	683	–	–	–	2	685
Fair value adjustment to policyholder liabilities under investment contracts	(19 625)	–	–	–	–	(19 625)
Finance costs (refer to note 8)	(499)	–	–	(70)	–	(569)
Total income and expenditure arising from assets and liabilities	11 616	1 702	–	(70)	620	13 868

(i) The R73 million (2008: R18 million) (2007: Rnil) is the net of the fair value movement of the hedge and the hedged instrument, i.e. it represents the ineffective portion of the hedge, plus the impact of the change in the credit spread on the fair value of the hedge and hedged instrument.

5 INSURANCE BENEFITS

	Group 2009	Group 2008	Group 2007
Individual life	3 744	3 529	3 715
Death	1 247	1 001	952
Disability	282	204	194
Maturities	1 196	1 173	1 810
Surrenders	1 019	1 151	759
Lump sum annuities	1 325	1 428	1 408
Annuities paid	1 259	1 396	1 388
Commutations	66	32	20
Total benefits in respect of individual life business	5 069	4 957	5 123
Employee benefits			
Death	668	683	605
Disability	364	316	318
Scheme terminations and member withdrawals	130	3	2
Annuities	200	114	77
Health benefits	168	–	–
Total benefits in respect of employee benefits business	1 530	1 116	1 002
Total insurance benefits on long-term insurance contracts	6 599	6 073	6 125
Insurance benefits recovered from reinsurers			
Individual life	(598)	(475)	(472)
Employee benefits	(62)	(68)	(63)
Total insurance benefits recovered from reinsurers	(660)	(543)	(535)
Total net insurance benefits	5 939	5 530	5 590

R million

5 INSURANCE BENEFITS (continued)

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

Annual bonuses for the year ended 30 June	Declared annual bonus 2009	Declared annual bonus 2008	Declared annual bonus 2007
Momentum and Southern smoothed bonus funds (closed to new business)	0.50%	12.50%	22.00%
Lifegro smoothed bonus fund (closed to new business)	1.00%	16.00%	30.00%
Sage smoothed bonus fund (closed to new business)	1.00%	12.00%	20.00%
Investo smoothed bonus (open to new business)	0.50%	10.00%	22.00%
Investo Performance Guarantee Fund (open to new business)	0.50%	8.00%	18.00%

In addition, terminal bonuses of between 5% and 15% are payable on policies maturing from the closed Momentum, Southern and Lifegro smoothed bonus funds.

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

The table shows bonuses on taxed business. On untaxed portfolios, bonus rates are generally about 2% higher.

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

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

	Group 2009	Group 2008	Group 2007
6 EXPENSES FOR THE ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS			
Commission incurred for the acquisition of insurance contracts	872	1 127	817
Commission incurred for the acquisition of investment contracts	394	17	367
Amortisation of deferred acquisition cost asset	291	365	114
Expenses for the acquisition of insurance and investment contracts	1 557	1 509	1 298

	R million	Group 2009	Group 2008	Group 2007
7	**EXPENSES FOR MARKETING AND ADMINISTRATION**			
	Expenses by nature are as follows:			
	Auditors' remuneration			
	Audit fees	25	22	21
	– Current year	21	20	18
	– Underprovision prior year	4	2	3
	Fees for other services	5	6	3
	– Technical advice	4	5	2
	– Other	1	1	1
	Total auditors' remuneration	30	28	24
	Professional fees			
	Legal	8	7	9
	Actuarial	2	1	1
	IT consulting, system migration and other fees	104	91	52
	Total professional fees	114	99	62
	Amortisation of intangible assets (Refer to note 20)			
	Value of in force	37	36	27
	Contractual customer relationships	32	34	32
	Agency force	2	2	2
	Computer software	7	7	13
	Total amortisation of intangible assets	78	79	74
	Depreciation			
	Leased assets	–	–	9
	Land and buildings	–	–	9
	Buildings	–	–	4
	Mechanical equipment	–	–	1
	Electrical equipment	–	–	1
	Sundries	–	–	3
	Own assets	59	61	42
	Land and buildings			
	Buildings and sundries	22	21	4
	Computer equipment	28	34	27
	Office equipment	4	1	2
	Furniture and fittings	5	4	8
	Motor vehicles	–	1	1
	Total depreciation	59	61	51

	R million	Group 2009	Group 2008	Group 2007
7	**EXPENSES FOR MARKETING AND ADMINISTRATION** (continued)			
	Operating lease charges			
	Land and buildings	83	73	81
	Equipment	8	10	29
	Total operating lease charges	91	83	110
	Total of minimum lease payments under non-cancellable operating leases			
	Payable within:			
	One year	18	52	73
	Between one and five years	95	179	289
	Later than five years	29	–	88
		142	231	450

The Momentum Group has not entered into any sub leasing agreements.

The operating leases are subject to a fixed annual escalation of 11%.

The operating lease agreements do not contain any provisions for contingent rentals nor do they contain any restrictions on the operating, financing or dividend decisions of the Momentum Group.

R million	Group 2009	Group 2008	Group 2007
Staff costs			
Salaries, wages and allowances	1 369	1 068	1 022
Defined contribution pension fund contributions	98	89	90
Contributions to defined benefit plans	1	–	3
Contributions to medical aid funds	66	59	60
Contributions to other staff funds	1	2	5
Social security levies	12	11	13
Staff and management bonuses	66	164	154
Share based expenses – employees	(8)	26	78
Leave pay	8	11	9
Training	73	64	54
Staff relocation costs	–	–	2
Recruitment fees	21	23	16
Temporary staff	49	41	40
Contractors	26	21	31
Retrenchment costs	18	19	5
Other	16	6	5
Total staff costs	1 816	1 604	1 587
Impairment of assets			
Goodwill	61	–	53
Contractual customer relations	13	–	48
Loans and Receivables	11	–	–
Total impairment of assets	85	–	101

	R million	Group 2009	Group 2008	Group 2007
7	**EXPENSES FOR MARKETING AND ADMINISTRATION** (continued)			
	Other expenses for marketing and administration			
	Bank charges	36	31	33
	Communications	70	67	74
	Computer expenses	238	225	212
	– Licensing fees	59	42	56
	– Software development costs	34	44	28
	– Other	145	139	128
	Motor vehicle expenses	5	3	2
	Office expenses	65	61	68
	Storage and delivery	–	1	5
	Short-term insurance	7	19	7
	Printing and stationary	18	18	35
	Public relations	44	52	43
	Furniture and equipment	54	34	6
	Travel	48	49	50
	– Local	36	35	34
	– International	12	14	16
	Entertainment	38	20	19
	Donations	16	14	14
	Policy services	31	26	38
	Advertising	61	36	50
	General expenses	302	159	95
	Indirect taxes	93	74	78
	– Value added taxation	93	74	59
	– Stamp duty	–	–	4
	– Other	–	–	15
	Total other expenses for marketing and administration	1 126	889	829
	Total expenses for marketing and administration	3 399	2 843	2 838
8	**FINANCE COSTS**			
	Interest expense			
	Debentures			
	– At amortised cost	–	70	70
	Finance leases	22	34	37
	Unsecured, subordinated call notes	126	121	125
	Banks and other financial institutions	704	609	337
	Total finance costs	852	834	569

	R million	Group 2009	Group 2008	Group 2007
9	**TAXATION**			
	Direct taxation			
	South African normal taxation	513	724	543
	Current taxation	527	794	496
	Current year	678	791	557
	Adjustment for prior years	(151)	3	(61)
	Deferred taxation	(14)	(70)	47
	Current year	34	33	52
	Adjustment for prior years	(48)	(91)	(5)
	Change in tax rate	–	(12)	–
	South African capital gains taxation	(345)	(168)	686
	Current taxation	–	280	362
	Deferred taxation	(345)	(444)	324
	Change in tax rate	–	(4)	–
	Foreign company and withholding taxation	1	21	34
	Current taxation	1	21	36
	Current year	1	21	29
	Adjustment for prior years	–	–	7
	Deferred taxation	–	–	(2)
	Current year	–	–	(2)
	Share of taxation of associated companies	3	–	(6)
	Retirement fund taxation	–	(116)	48
	Secondary tax on companies	–	1	3
	Financial Services Levy	7	7	–
	Total direct taxation	179	469	1 308

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

	2009	2008	2007
Stamp duty	–	–	4
Value added taxation	213	237	185
Other	–	–	15
Total indirect taxation	213	237	204

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

	2009	2008	2007
Total direct taxation on the shareholders' portfolio	247	733	536
Total direct taxation on the 3 policyholders' portfolios	(68)	(264)	772
Total direct taxation	179	469	1 308

	R million	Group 2009	Group 2008	Group 2007
9	**TAXATION** (continued)			
	Tax rate reconciliation	%	%	%
	Effective rate of taxation			
	(Total direct taxation/earnings before taxation)	9.7	17.2	50.0
	Non taxable income	18.5	2.0	2.8
	Disallowable expenses	(7.6)	(6.4)	(1.4)
	Prior year adjustments	7.5	3.2	2.3
	Change in tax rate	(2.9)	0.6	–
	Special transfers	–	–	2.4
	Foreign tax rate differential	–	0.7	0.5
	Other shareholders' taxes	–	–	(2.1)
	Effect of tax on policyholder funds	3.6	9.7	(26.6)
	Other permanent differences	(0.8)	1.0	1.1
	Standard rate of taxation	28.0	28.0	29.0

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

10 Analysis of assets and liabilities per category

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

Group 2009

	Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non-financial assets and liabilities	Total
Assets									
Cash and cash equivalents	–	–	–	4 014	–	–	–	–	4 014
Derivative financial instruments	9 455	–	–	–	–	–	–	–	9 455
Loans and receivables (including insurance receivables)	–	–	–	43 338	–	–	–	–	43 338
Investment securities	11	104 313	56	21	2 766	–	–	–	107 167
Investments in associates	–	7 914	–	–	–	–	–	164	8 078
Property and equipment	–	–	–	–	–	–	–	105	105
Owner occupied buildings	–	–	–	–	–	–	–	427	427
Deferred tax asset	–	–	–	–	–	–	–	969	969
Intangible assets	–	–	–	–	–	–	–	2 866	2 866
Goodwill	–	–	–	–	–	–	–	236	236
Investment properties	–	–	–	–	–	–	–	2 156	2 156
Policy loans	–	–	–	604	–	–	–	–	604
Reinsurance assets	–	7 568	–	–	–	–	–	575	8 143
Current income tax asset	–	–	–	–	–	–	–	40	40
Non current assets held for sale	–	–	–	–	–	–	–	58	58
Total assets	9 466	119 795	56	47 977	2 766	–	–	7 596	187 656

R million

10 ANALYSIS OF ASSETS AND LIABILITIES PER CATEGORY (continued)

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

	Group 2009								
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non financial assets and liabilities	Total
Liabilities									
Accounts payable (including insurance payables)	–	–	–	–	–	12 810	–	–	12 810
Derivative financial instruments	1 773	–	–	–	–	–	80	–	1 853
Provisions	–	–	–	–	–	–	–	207	207
Current income tax liabilities	–	–	–	–	–	–	–	71	71
Employee benefits liabilities	–	–	–	–	–	–	–	166	166
Deferred tax liability	–	–	–	–	–	–	–	1 570	1 570
Other financial liabilities	–	4 684	–	–	–	777	–	–	5 461
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	–	39 069	39 069
Policyholder liabilities under investment contracts	–	110 227	–	–	–	–	–	–	110 227
Liabilities arising to third parties as a result of consolidating unit trusts	–	8 114	–	–	–	–	–	–	8 114
Deferred revenue liability	–	–	–	–	–	–	–	322	322
Total liabilities	1 773	123 025	–	–	–	13 587	80	41 405	179 870

R million

10 ANALYSIS OF ASSETS AND LIABILITIES PER CATEGORY (continued)

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

	Group 2008								
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non financial assets and liabilities	Total
Assets									
Cash and cash equivalents	–	–	–	4 919	–	–	–	–	4 919
Derivative financial instruments	10 892	–	–	–	–	–	–	–	10 892
Loans and receivables (including insurance receivables)	–	–	–	28 391	–	–	–	–	28 391
Investment securities	15	123 386	460	–	3 100	–	–	–	126 961
Investments in associates	–	6 666	–	–	–	–	–	275	6 941
Property and equipment	–	–	–	–	–	–	–	157	157
Owner occupied buildings	–	–	–	–	–	–	–	439	439
Deferred tax asset	–	–	–	–	–	–	–	825	825
Intangible assets	–	–	–	–	–	–	–	2 829	2 829
Goodwill	–	–	–	–	–	–	–	297	297
Investment properties	–	–	–	–	–	–	–	3 808	3 808
Policy loans	–	–	–	753	–	–	–	–	753
Reinsurance assets	–	–	–	–	–	–	–	550	550
Current income tax asset	–	–	–	–	–	–	–	24	24
Total assets	10 907	130 052	460	34 063	3 100	–	–	9 204	187 786

R million

10 ANALYSIS OF ASSETS AND LIABILITIES PER CATEGORY (continued)

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

	Group 2008								
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non-financial assets and liabilities	Total
Liabilities									
Accounts payable (including insurance payables)	–	–	–	–	–	8 989	–	–	8 989
Derivative financial instruments	3 960	–	–	–	–	–	230	–	4 190
Provisions	–	–	–	–	–	–	–	108	108
Current income tax liabilities	–	–	–	–	–	–	–	434	434
Employee benefits liabilities	–	–	–	–	–	–	–	180	180
Deferred tax liability	–	–	–	–	–	–	–	1 840	1 840
Finance leases	–	–	–	–	–	–	–	242	242
Other financial liabilities	–	3 801	–	–	–	–	–	–	3 801
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	–	41 982	41 982
Policyholder liabilities under investment contracts	–	111 676	–	–	–	–	–	–	111 676
Liabilities arising to third parties as a result of consolidating unit trusts	–	7 282	–	–	–	–	–	–	7 282
Deferred revenue liability	–	–	–	–	–	–	–	296	296
Total liabilities	3 960	122 759	–	–	–	8 989	230	45 082	181 020

R million

10 ANALYSIS OF ASSETS AND LIABILITIES PER CATEGORY (continued)

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

	Group 2007								
	Held for trading	**Designated at fair value through profit or loss**	**Held-to-maturity securities**	**Loans and receivables**	**Available-for-sale financial assets**	**Other assets and financial liabilities at amortised cost**	**Derivatives designated as fair value hedging instruments**	**Non-financial assets and liabilities**	**Total**
Assets									
Cash and cash equivalents	–	–	–	4 038	–	–	–	–	4 038
Derivative financial instruments	8 861	–	–	–	–	–	–	–	8 861
Loans and receivables (including insurance receivables)	–	–	–	25 141	–	–	–	–	25 141
Investment securities	–	128 784	1 036	–	1 589	–	–	–	131 409
Investments in associates	–	6 074	–	–	–	–	–	72	6 146
Property and equipment	–	–	–	–	–	–	–	93	93
Owner occupied buildings	–	–	–	–	–	–	–	454	454
Deferred tax asset	–	–	–	–	–	–	–	684	684
Intangible assets	–	–	–	–	–	–	–	2 746	2 746
Goodwill	–	–	–	–	–	–	–	294	294
Investment properties	–	–	–	–	–	–	–	2 356	2 356
Policy loans	–	–	–	733	–	–	–	–	733
Reinsurance assets	–	–	–	–	–	–	–	544	544
Current income tax asset	–	–	–	–	–	–	–	16	16
Non-current assets held for sale	407	–	–	–	–	–	–	–	407
Total assets	9 268	134 858	1 036	29 912	1 589	–	–	7 259	183 922

R million

10 ANALYSIS OF ASSETS AND LIABILITIES PER CATEGORY (continued)

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

	Group 2007								
	Held for trading	Designated at fair value through profit or loss	Held-to-maturity securities	Loans and receivables	Available-for-sale financial assets	Other assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Non financial assets and liabilities	Total
Liabilities									
Accounts payable	–	–	–	–	–	6 089	–	–	6 089
Derivative financial instruments	4 754	–	–	–	–	–	114	–	4 868
Provisions	–	–	–	–	–	–	–	172	172
Current income tax liabilities	–	–	–	–	–	–	–	210	210
Employee benefits liabilities	–	–	–	–	–	–	–	204	204
Deferred tax liability	–	–	–	–	–	–	–	2 213	2 213
Other financial liabilities at fair value through profit or loss	–	4 283	–	–	–	–	–	–	4 283
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	–	45 875	45 875
Policyholder liabilities under investment contracts	–	111 335	–	–	–	–	–	–	111 335
Liabilities arising to third parties as a result of consolidating unit trusts	–	1 568	–	–	–	–	–	–	1 568
Deferred revenue liability	–	–	–	–	–	–	–	255	255
Non-current liability held for sale	109	–	–	–	–	–	–	–	109
Finance leases	–	–	–	–	–	–	–	270	270
Total liabilities	4 863	117 186	–	–	–	6 089	114	49 199	177 451

	R million	Group 2009	Group 2008	Group 2007
11	**CASH AND CASH EQUIVALENTS**			
	Balances with banks, money on call and short notice	4 014	4 919	4 112
	Non-current asset held for sale	–	–	(74)
		4 014	4 919	4 038

12 DERIVATIVE FINANCIAL INSTRUMENTS

The Momentum Group makes use of derivative instruments in order to achieve the following:
– exposure to a desired asset spread where liquidity constraints limit the purchase of sufficient physical assets;
– in order to provide a hedge against a known liability.

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

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

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

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

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

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

Further information pertaining to the risk management of the Momentum Group is set out in note 41 below.

Fair value hedges

The Momentum Group has one fair value hedge in place. The hedged item is the callable notes as disclosed in note 29. The risk being hedged is the risk of earning variable interest in the shareholders' portfolio, but paying fixed interest on the callable notes. The risk has been hedged with a swap agreement with FirstRand Bank whereby Momentum earns fixed interest but pays variable interest. This matches the variable nature of the investment income earned on the shareholders portfolio.

	R million	Group 2009	Group 2008	Group 2007
12	**DERIVATIVE FINANCIAL INSTRUMENTS** (continued)			
	Carrying amount of swap	80	230	111
	Gains or losses for the period arising from the change in fair value of fair value hedges:			
	– on hedging instrument	150	(116)	(19)
	– on hedged items attributable to the hedged risk	(77)	134	6
	Ineffective portion	73	18	(13)

	2009			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Momentum utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Fair value hedges				
Interest rate derivatives				
– Swaps	–	–	1 000	80
Total fair value hedges	–	–	1 000	80
Total qualifying for hedge accounting	–	–	1 000	80
Held for trading				
Interest rate derivatives	49 226	1 748	183 190	1 394
– Swaps	22 121	1 244	8 464	794
– Options	40	40	8 350	32
– Forward rate agreement	27 065	484	166 376	568
– Futures	–	(20)	–	–
Equity derivatives	6 915	7 688	231	376
– Swaps	14	–	–	–
– Futures	16	482	41	7
– Options	6 885	7 206	190	369
Credit derivatives	250	2	–	–
Bonds – swaps	218	4	130	1
Bonds – futures	–	–	187	2
Currency derivatives – swaps	165	13	–	–
Total held for trading	56 774	9 455	183 738	1 773
Total derivatives	56 774	9 455	184 738	1 853

R million

12 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2009 Assets: Derivative instruments	Exchange traded		Over the counter		Total	
	Notional	**Fair value**	**Notional**	**Fair value**	**Notional**	**Fair value**
Held for trading						
Interest rate derivatives	–	–	49 226	1 748	49 226	1 748
Equity derivatives	1 634	1 748	5 281	5 940	6 915	7 688
Currency derivatives	–	4	165	9	165	13
Bonds	–	–	218	4	218	4
Credit derivatives	–	–	250	2	250	2
Total	1 634	1 752	55 140	7 703	56 774	9 455

Liabilities: Derivative instruments	Exchange traded		Over the counter		Total	
	Notional	**Fair value**	**Notional**	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting						
Fair value hedges	–	–	1 000	80	1 000	80
Interest rate derivatives	–	–	1 000	80	1 000	80
Held for trading	273	9	183 465	1 764	183 738	1 773
Interest rate derivatives	2	4	183 188	1 390	183 190	1 394
Bonds	187	2	130	1	317	3
Equity derivatives	84	3	147	373	231	376
Total	273	9	184 465	1 844	184 738	1 853

Momentum utilises the following derivatives for hedging and trading purposes:

2008	Assets		Liabilities	
	Notional	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting				
Fair value hedges				
Interest rate derivatives				
– Swaps	–	–	1 000	230
Total fair value hedges	–	–	1 000	230
Total qualifying for hedge accounting	–	–	1 000	230

R million

12 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2008			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Held for trading				
Interest rate derivatives	3 734	3 074	4 703	2 095
– Swaps	1 761	1 231	4 703	2 088
– Options	1 845	1 843	–	–
– Futures	128	–	–	7
Equity derivatives	6 363	7 635	664	1 842
– Swaps	(569)	–	2 134	3 312
– Futures	82	82	–	–
– Options	6 850	7 553	(1 470)	(1 470)
Bonds	171	171	23	23
Currency derivatives	10	10	–	–
Credit derivatives	94	2	–	–
Total held for trading	10 372	10 892	5 390	3 960
Total derivatives	10 372	10 892	6 390	4 190

	2008					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Held for trading						
Interest rate derivatives	1 906	1 845	1 828	1 229	3 734	3 074
Equity derivatives	2 237	2 783	4 126	4 852	6 363	7 635
Bonds	168	168	3	3	171	171
Currency	–	–	10	10	10	10
Credit derivatives	–	–	94	2	94	2
Total	4 311	4 796	6 061	6 096	10 372	10 892

	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Fair value hedges	–	–	1 000	230	1 000	230
Interest rate derivatives	–	–	1 000	230	1 000	230
Held for trading	969	1 882	4 421	2 078	5 390	3 960
Interest rate derivatives	(17)	41	4 720	2 054	4 703	2 095
Bonds	–	–	23	23	23	23
Equity derivatives	986	1 841	(322)	1	664	1 842
Total	969	1 882	5 421	2 308	6 390	4 190

R million

12 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2007			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Momentum utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Fair value hedges				
Interest rate derivatives				
– Swaps	–	–	1 000	114
Total fair value hedges	–	–	1 000	114
Total qualifying for hedge accounting	–	–	1 000	114

	2007			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Held for trading				
Interest rate derivatives				
- Swaps	6 055	2 075	3 583	1 205
Equity derivatives	3 538	5 185	1 403	3 549
– Options	451	1 485	891	2 066
– Futures	865	865	–	–
– Swaps	–	179	–	–
– Credit	2 222	2 656	512	1 483
Credit derivatives	1 612	1 600	–	–
Currency derivatives	2	1	–	–
Total held for trading	11 207	8 861	4 986	4 754
Total	11 207	8 861	5 986	4 868

	Group 2007 Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Held for trading						
Interest rate derivatives	–	–	6 055	2 075	6 055	2 075
Equity derivatives	–	–	3 538	5 185	3 538	5 185
Credit derivatives	27	27	1 585	1 573	1 612	1 600
Currency derivatives	–	–	2	1	2	1
Total	27	27	11 180	8 834	11 207	8 861

R million

12 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Group 2007 — Liabilities: Derivative instruments

	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Fair value hedges	–	–	1 000	114	1 000	114
Interest rate derivatives	–	–	1 000	114	1 000	114
Held for trading	42	42	4 944	4 712	4 986	4 754
Interest rate derivatives	42	42	3 541	1 163	3 583	1 205
Equity derivatives	–	–	1 403	3 549	1 403	3 549
Total	42	42	5 944	4 826	5 986	4 868

13 LOANS AND RECEIVABLES (INCLUDING INSURANCE RECEIVABLES)

	Group 2009	Group 2008	Group 2007
Money market investments	36 953	26 234	23 347
Trade and other debtors	1 668	1 428	627
Premium debtors	446	409	149
Insurance contracts	282	221	94
Investment contracts	164	188	55
Reinsurance debtors – insurance contracts	212	184	212
Commission debtors	136	59	47
Prepayments	30	40	18
Accrued investment income	124	37	221
Unsettled trades	3 769	–	571
Non current assets held for sale	–	–	(51)
	43 338	28 391	25 141

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

				Past due but not impaired			
2009	Total	Neither past due nor impaired	Rene-gotiated but current	1-30 days	31-60 days	> 60 days	Impaired
Money market investments	36 953	36 953	–	–	–	–	–
Trade and other debtors	1 668	1 599	6	31	4	15	13
Premium debtors – insurance contracts	282	83	–	109	5	85	–
Premium debtors – investment contracts	164	1	–	164	2	11	(14)
Reinsurance debtors – insurance contracts	212	42	–	17	20	98	35
Commission debtors	136	94	–	–	–	–	42
Prepayments	30	19	–	–	–	11	–
Accrued investment income	124	124	–	–	–	–	–
Unsettled trades	3 769	3 769	–	–	–	–	–
	43 338	42 684	6	321	31	220	76

R million

13 LOANS AND RECEIVABLES (INCLUDING INSURANCE RECEIVABLES) (continued)

				Past due but not impaired			
2008	**Total**	**Neither past due nor impaired**	**Rene-gotiated but current**	**1-30 days**	**31-60 days**	**>60 days**	**Impaired**
Money market investments	26 234	26 234	–	–	–	–	–
Trade and other debtors	1 428	1 218	7	165	16	20	2
Premium debtors (including premium debtors on insurance contracts)	409	249	–	81	78	1	–
Reinsurance debtors – insurance contracts	184	6	–	178	–	–	–
Commission debtors	59	–	–	–	–	–	59
Accrued investment income	40	31	–	1	5	1	2
Prepayments	37	37	–	–	–	–	–
	28 391	27 775	7	425	99	22	63

				Past due but not impaired			
2007	**Total**	**Neither past due nor impaired**	**Rene-gotiated but current**	**1-30 days**	**31-60 days**	**> 60 days**	**Impaired**
Money market investments	23 347	23 347	–	–	–	–	–
Trade and other debtors	627	601	–	–	–	–	26
Premium debtors (including premium debtors on insurance contracts)	149	68	–	29	23	17	12
Reinsurance debtors – insurance contracts	212	74	–	19	7	112	–
Commission debtors	47	–	–	–	–	–	47
Accrued investment income	221	221	–	–	–	–	–
Prepayments	18	18	–	–	–	–	–
Unsettled trades	571	571	–	–	–	–	–
Non current assets held for sale	(51)	(51)	–	–	–	–	–
	25 141	24 849	–	48	30	129	85

R million

14 FINANCIAL ASSETS AND LIABILITIES

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

2009	Held for trading	Designated at fair value through profit or loss	Held to Maturity	Loans and receivables	Available for sale	At amortised cost	Derivatives designated as fair value hedging instruments	Total
Financial assets								
Shareholder assets	15	89	–	5 507	2 065	–	–	7 676
Cash and cash equivalents	–	–	–	511	–	–	–	511
Loans and receivables	–	–	–	4 975	–	–	–	4 975
Listed Investments	–	57	–	–	3	–	–	60
– Undated securities	–	57	–	–	–	–	–	57
– Listed equities	–	–	–	–	3	–	–	3
Unlisted Investments	15	32	–	21	2 062	–	–	2 130
– Derivative instruments	4	–	–	–	–	–	–	4
– Dated securities	–	–	–	–	302	–	–	302
– Undated securities	–	–	–	21	72	–	–	93
– Unlisted equities	–	10	–	–	1 688	–	–	1 698
– Other	11	22	–	–	–	–	–	33
Policyholder assets	9 451	119 706	56	42 470	701	–	–	172 384
Cash and cash equivalents	–	–	–	3 503	–	–	–	3 503
Loans and receivables	–	–	–	38 363	–	–	–	38 363
Listed Investments	–	41 154	–	–	701	–	–	41 855
– Government and Government guaranteed	–	12 702	–	–	–	–	–	12 702
– Dated securities	–	8 460	–	–	–	–	–	8 460
– Undated securities	–	94	–	–	701	–	–	795
– Listed equities	–	19 621	–	–	–	–	–	19 621
– Other	–	277	–	–	–	–	–	277
Unlisted Investments	9 451	63 070	56	–	–	–	–	72 577
– Government and Government guaranteed	–	1 745	56	–	–	–	–	1 801
– Derivative instruments	9 451	–	–	–	–	–	–	9 451
– Dated securities	–	9 065	–	–	–	–	–	9 065
– Undated securities	–	78	–	–	–	–	–	78
– Unlisted equities	–	52 182	–	–	–	–	–	52 182
Policy loans	–	–	–	604	–	–	–	604
Investments in associates	–	7 914	–	–	–	–	–	7 914
Reinsurance assets	–	7 568	–	–	–	–	–	7 568
Financial assets	9 466	119 795	56	47 977	2 766	–	–	180 060
Financial liabilities								
Accounts payable (including insurance payables)	–	–	–	–	–	12 810	–	12 810
Liabilities arising to third parties as a result of consolidating unit trusts	–	8 114	–	–	–	–	–	8 114
Derivative financial instruments	1 773	–	–	–	–	–	80	1 853
Other financial liabilities	–	4 684	–	–	–	777	–	5 461
Policyholder liabilities under investment contracts	–	110 227	–	–	–	–	–	110 227
Financial liabilities	1 773	123 025	–	–	–	13 587	80	138 465

R million

14 FINANCIAL ASSETS AND LIABILITIES (continued)

2008	Held for trading	Designated at fair value through profit or loss	Held to Maturity	Loans and receivables	Available for sale	At amortised cost	Derivatives designated as fair value hedging instruments	Total
Financial assets								
Shareholder assets	16	173	39	4 521	2 078	–	–	6 827
Cash and cash equivalents	–	–	–	1 062	–	–	–	1 062
Loans and receivables	–	–	–	3 459	–	–	–	3 459
Listed Investments								
– Government and Government guaranteed	–	4	–	–	–	–	–	4
Unlisted Investments	16	169	39	–	2 078	–	–	2 302
– Government and Government guaranteed	–	–	39	–	–	–	–	39
– Derivative instruments	1	–	–	–	–	–	–	1
– Dated securities	–	–	–	–	376	–	–	376
– Undated securities	–	155	–	–	–	–	–	155
– Unlisted equities	15	14	–	–	1 702	–	–	1 731
Policyholder assets	10 891	129 879	421	29 542	1 022	–	–	171 755
Cash and cash equivalents	–	–	–	3 857	–	–	–	3 857
Loans and receivables	–	–	–	24 932	–	–	–	24 932
Listed Investments	–	44 221	–	–	1 022	–	–	45 243
– Government and Government guaranteed	–	9 340	–	–	–	–	–	9 340
– Dated securities	–	7 196	–	–	–	–	–	7 196
– Undated securities	–	38	–	–	1 022	–	–	1 060
– Listed equities	–	27 647	–	–	–	–	–	27 647
Unlisted Investments	10 891	78 992	421	–	–	–	–	90 304
– Government and Government guaranteed	–	1 802	18	–	–	–	–	1 820
– Derivative instruments	10 891	–	–	–	–	–	–	10 891
– Dated securities	–	7 711	–	–	–	–	–	7 711
– Undated securities	–	14 477	–	–	–	–	–	14 477
– Unlisted equities	–	55 002	403	–	–	–	–	55 405
Policy loans	–	–	–	753	–	–	–	753
Investments in associates	–	6 666	–	–	–	–	–	6 666
Financial assets	10 907	130 052	460	34 063	3 100	–	–	178 582
Financial liabilities								
Accounts payable (including insurance payables)	–	–	–	–	–	8 989	–	8 989
Liabilities arising to third parties as a result of consolidating unit trusts	–	7 282	–	–	–	–	–	7 282
Derivative financial instruments	3 960	–	–	–	–	–	230	4 190
Other financial liabilities	–	3 801	–	–	–	–	–	3 801
Policyholder liabilities under investment contracts	–	111 676	–	–	–	–	–	111 676
Financial liabilities	3 960	122 759	–	–	–	8 989	230	135 938

R million

14 FINANCIAL ASSETS AND LIABILITIES (continued)

2007	Held for trading	Designated at fair value through profit or loss	Held to Maturity	Loans and receivables	Available for sale	At amortised cost	Derivatives designated as fair value hedging instruments	Total
Financial Assets								
Shareholder assets	409	62	662	4 596	1 431	–	–	7 160
Cash and cash equivalents	–	–	–	1 203	–	–	–	1 203
Loans and receivables	–	–	–	3 393	–	–	–	3 393
Non current assets held for sale	407	–	–	–	–	–	–	407
Listed Investments	–	62	–	–	921	–	–	983
– Government and Government guaranteed	–	8	–	–	–	–	–	8
– Listed equities	–	54	–	–	921	–	–	975
Unlisted Investments	2	–	662	–	510	–	–	1 174
– Government and Government guaranteed	–	–	38	–	–	–	–	38
– Derivative instruments	2	–	–	–	–	–	–	2
– Dated securities	–	–	–	–	510	–	–	510
– Unlisted equities	–	–	624	–	–	–	–	624
Policyholder assets	8 859	134 796	374	25 316	158	–	–	169 503
Cash and cash equivalents	–	–	–	2 835	–	–	–	2 835
Loans and receivables	–	–	–	21 748	–	–	–	21 748
Listed Investments	–	70 505	–	–	–	–	–	70 505
– Government and Government guaranteed	–	9 774	–	–	–	–	–	9 774
– Dated securities	–	10 411	–	–	–	–	–	10 411
– Listed equities	–	50 320	–	–	–	–	–	50 320
Unlisted Investments	8 859	58 217	374	–	158	–	–	67 608
– Government and Government guaranteed	–	2 936	–	–	158	–	–	3 094
– Derivative instruments	8 859	–	–	–	–	–	–	8 859
– Dated securities	–	9 557	–	–	–	–	–	9 557
– Undated securities	–	29 755	–	–	–	–	–	29 755
– Unlisted equities	–	15 969	374	–	–	–	–	16 343
Policy loans	–	–	–	733	–	–	–	733
Investments in associates	–	6 074	–	–	–	–	–	6 074
Financial assets	9 268	134 858	1 036	29 912	1 589	–	–	176 663
Financial liabilities								
Accounts payable (including insurance payables)	–	–	–	–	–	6 089	–	6 089
Liabilities arising to third parties as a result of consolidating unit trusts	–	1 568	–	–	–	–	–	1 568
Derivative financial instruments	4 754	–	–	–	–	–	114	4 868
Other financial liabilities	–	4 223	–	–	–	60	–	4 283
Policyholder liabilities under investment contracts	–	111 335	–	–	–	–	–	111 335
Non current assets held for sale	109	–	–	–	–	–	–	109
Financial liabilities	4 863	117 126	–	–	–	6 149	114	128 252

R million	Group 2009	Group 2008	Group 2007

14 FINANCIAL ASSETS AND LIABILITIES (continued)

Policyholder assets are those assets which are held by the Momentum Group in order to meet the obligations towards policyholders. These assets are managed in such a way as to earn appropriate returns for policyholders within the risk reward profile of Momentum. Refer to note 41 for more detail.

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

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

R million	Group 2009	Group 2008	Group 2007
Listed	41 915	45 247	71 488
Debt	22 291	17 600	20 193
Equities	19 624	27 647	51 295
Unlisted	65 252	81 714	59 921
Debt	11 372	24 578	42 954
Equities	53 880	57 136	16 967
Total investment securities	107 167	126 961	131 409

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

Information regarding other investments as required in terms Schedule 4 of the Companies Act is kept at the Company's registered office.

This information is open for inspection in terms of the provisions of Section 113 of the Companies Act.

	R million	Group 2009	Group 2008	Group 2007
14	**FINANCIAL ASSETS AND LIABILITIES** (continued)			
	The ten largest equity holdings of Momentum Group comprise the following (in alphabetical order): Anglo American plc, BHP Billiton plc, FirstRand Limited, MTN Group Limited, Naspers Limited, Old Mutual plc, Reinet Investments SCA, Sasol Limited, South African Breweries plc, Standard Bank Group Limited.			
	Spread of investments in equities listed on the JSE by sector			
	Oil and Gas	725	1 693	1 201
	Basic materials	2 930	10 977	27 725
	Industrials	1 469	2 109	4 496
	Consumer goods	2 680	2 857	3 037
	Health care	292	254	667
	Consumer services	1 779	1 279	2 828
	Telecommunications	2 424	1 451	2 493
	Financials	4 058	6 699	8 731
	Technology	209	119	65
	Specialist securities	3 044	185	–
	FTSE/JSE indices	14	24	52
		19 624	27 647	51 295

R million

15 DEBT SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Certain instruments on Momentum Group's statement of financial position that would have otherwise been classified as loans and receivables under IAS 39 have been designated at fair value through profit or loss.

For 2009, 2008 and 2007 there were no credit derivatives or similar instruments mitigating the maximum exposure to credit risk as shown in the table below. The current year and cumulative fair value movement in these instruments for all 3 years under review were due to market movements, with no fair value movement attributable to credit risk. Momentum Group impairs financial instruments where there is deterioration in credit risk of counterparties.

2009	**Carrying value**	**Maximum exposure to credit risk**
Government and government guaranteed	1 745	1 745
Dated securities	9 065	9 065
	10 810	10 810

2008	**Carrying value**	**Maximum exposure to credit risk**
Government and government guaranteed	1 802	1 802
Dated securities	7 711	7 711
	9 513	9 513

2007	**Carrying value**	**Maximum exposure to credit risk**
Government and government guaranteed	2 936	2 936
Dated securities	9 557	9 557
	12 493	12 493

	R million	Group 2009	Group 2008	Group 2007
16	**INVESTMENTS IN ASSOCIATES**			
	At fair value	6 171	5 184	4 129
	Collective investment schemes	1 743	1 482	1 945
	Emira Property Fund	7 914	6 666	6 074
	At cost			
	Momentum Short-term Insurance Company Limited	40	29	23
	Tembisa Plaza share block (Pty) Limited	–	49	49
	Swabou Life Assurance Company Limited	124	153	–
	Kabokweni Plaza share block (Pty) Limited	–	44	–
		164	275	72

Emira Property Fund is a property unit trust. Momentum Group Limited holds 35% (2008: 37%) (2007: 39%) of the issued participatory interests of Emira Property Fund.

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

The collective investment schemes treated as investments in associates are those collective investment schemes where Momentum Group exercises significant influence through the ownership of units and the control of the management company. Even in instances where Momentum Group owns less than 20% of the units, but controls the management company, significant influence is exercised over the collective investment scheme and Momentum treats such an investment as an investment in associate.

The Momentum Group acquired a 35% shareholding in Swabou Life Assurance Company Limited (Swabou) effective 1 August 2007. Swabou is a long-term insurance company in Namibia.

On 8 September 2009, the Financial Services Board approved the transfer of 52 policies from Momentum Group Limited to Old Mutual Life Assurance Company South Africa Limited, in terms of section 37(2) of the Long-term Insurance Act. Momentum entered into a reinsurance agreement with Old Mutual, effective 1 June 2009, and Momentum's investments in Tembiza Plaza share block (Pty) Limited and Kabokweni Plaza share block (Pty) Limited were included in reinsurance agreement, and therefore in the reinsurance asset amounting to R7 568 million as disclosed in note 23.

16 INVESTMENTS IN ASSOCIATES (continued)

R million 2009	Total	Emira Property Property Fund	Momentum Short-term Insurance Company (Pty) Limited	Tembisa Plaza Share Block (Pty) Limited	Collective investment schemes	Swabou Life Assurance Company Limited	Kabo-kweni Plaza Share Block (Pty) Limited
Investment at fair value/cost less amounts written off	8 118	1 743	67	–	6 171	137	–
– Balance at the beginning of the year	6 942	1 483	57	37	5 184	137	44
– Additional investment/fair value movement	1 176	260	10	(37)	987	–	(44)
Income before tax	11	–	2	–	–	9	–
Share of tax of associates	(3)	–	–	–	–	(3)	–
Dividends received	(35)	–	–	–	–	(35)	–
Retained income for the year	(27)	–	2	–	–	(29)	–
Share of retained income at the beginning of the year	(1)	–	(29)	12	–	16	–
Disposal of investment in associate	(12)	–	–	(12)	–	–	–
Share of retained income at the end of the year	(40)	–	(27)	–	–	(13)	–
Total carrying value of associates carried at equity accounted value	164	–	40	–	–	124	–
Total carrying value of associates carried at fair value	7 914	1 743	–	–	6 171	–	–
Total carrying value of associates	8 078	1 743	40	–	6 171	124	–
Goodwill included in the carrying value above							
Gross amount	19	–	–	–	–	19	–
Movement in goodwill							
Opening and closing balance	19	–	–	–	–	19	–

16 INVESTMENTS IN ASSOCIATES (continued)

R million 2009	Total	Emira Property Fund	Momentum Short-term Insurance Company (Pty) Limited	Tembisa Plaza Share Block (Pty) Limited	Collective investment schemes	Swabou Life Assurance Company Limited	Kabokweni Plaza Share Block (Pty) Limited
Valuation							
Listed investments at market value	7 914	1 743	–	–	6 171	–	–
Unlisted investments at fair value	224	–	40	–	–	184	–
Total valuation	8 138	1 743	40	–	6 171	184	–
Percentage holding as at 30 June 2009		35%	50%	0%	Refer below	35%	0%
100% of profit	2 285	471	4	–	1 777	33	–

16 INVESTMENTS IN ASSOCIATES (continued)

The investment collective investment schemes treated as investments in associates as at 30 June 2009 can be further broken down as follows:

2009 R million	Total Collective Investment Schemes	FNB Balanced Fund	FNB Growth Fund	Momentum Builder FoF	Momentum Multifocus FoF	RMB Global Fund	RMB Bond Fund	RMB Conservative FoF	RMB Equity Fund
Investment at fair value	6 171	1	–	1	–	45	132	330	320
– Balance at the beginning of the year	5 184	1	1	1	1	40	117	267	439
– Additional investment / fair value movement	2 124	–	(1)	–	–	5	15	63	(119)
– Collective investment schemes consolidated	(1 137)	–	–	–	(1)	–	–	–	–
Total carrying value	6 171	1	–	1	–	45	132	330	320
Valuation									
Listed investments at market value	6 171	1	–	1	–	45	132	330	320
Percentage holding as at 30 June 2009		1%	0%	27%	0%	23%	42%	46%	17%
100% of profit	1 777	4	3	–	–	–	33	49	42

R million	RMB Euro Income Fund	RMB Flexible Maturity Fund	RMB High Tide Fund	RMB Income Plus Fund	RMB International Cons FoF	RMB International Balanced FoF	RMB International Bond Fund	RMB International Equity FoF	RMB International Income Fund
Investment at fair value	5	36	101	380	–	48	7	22	6
– Balance at the beginning of the year	6	3	112	281	70	41	24	28	6
– Additional investment / fair value movement	(1)	33	(11)	99	–	7	(17)	(6)	
– Collective investment schemes consolidated	–	–	–	–	(70)	–			
Total carrying value	5	36	101	380	–	48	7	22	6
Valuation									
Listed investments at market value	5	36	101	380	–	48	7	22	6
Percentage holding as at 30 June 2009	42%	29%	33%	21%	0%	35%	19%	10%	17%
100% of profit	–	6	10	232	–	1	–	–	1

16 INVESTMENTS IN ASSOCIATES (continued)

2009

R million	RMB Maximum Income Fund	RMB Financial Services Fund	Momentum Global Consolidator FoF	Momentum Aggressive Equity FoF	RMB Structured Equity Fund	RMB Institutional Strategic Income Fund
Investment at fair value	–	210	1	68	32	450
– Balance at the beginning of the year	649	–	–	–	–	–
– Additional investment / fair value movement	–	210	1	68	32	450
– Collective investment schemes consolidated	(649)	–	–	–	–	–
Total carrying value	–	210	1	68	32	450
Valuation						
Listed investments at market value	–	210	1	68	32	450
Percentage holding as at 30 June 2009	0%	49%	32%	48%	35%	35%
100% of profit	–	18	–	2	4	64

	RMB Moderate FoF	RMB Money Market unit trust fund	RMB Resources Fund	RMB SciTech FoF	RMB Sterling Income Fund	RMB Strategic Opportuni-ties Fund
Investment at fair value	104	3 215	42	2	1	65
– Balance at the beginning of the year	74	2 077	76	1	2	86
– Additional investment / fair value movement	30	1 138	(34)	1	(1)	(21)
– Collective investment schemes consolidated	–	–	–	–	–	–
Total carrying value	104	3 215	42	2	1	65
Valuation						
Listed investments at market value	104	3 215	42	2	1	65
Percentage holding as at 30 June 2009	40%	25%	27%	9%	6%	26%
100% of profit	14	1 121	5	–	–	7

16 INVESTMENTS IN ASSOCIATES (continued)

The investments in collective investment schemes treated as investments in associates as at 30 June 2009 can be further broken down as follows:

R million	RMB Top 40 Index Fund	RMB USD Income Fund	RMB Value Fund	RMB Worldwide Flexible Fund	Stewart Absolute Return Blend FoF	Stewart Macro Equity FoF	Momentum Moderate Equity FoF	Momentum Dynamic Asset Allocator FoF
Investment at fair value	43	2	124	7	12	7	46	37
– Balance at the beginning of the year	73	3	156	8	4	6	50	38
– Additional investment/fair value movement	(30)	(1)	(32)	(1)	8	1	(4)	(1)
Total carrying value	43	2	124	7	12	7	46	37
Valuation								
Listed investments at market value	43	2	124	7	12	7	46	37
Percentage holding as at 30 June 2009	17%	3%	29%	9%	11%	10%	21%	42%
100% of profit	11	1	10	1	10	2	4	6

16 INVESTMENTS IN ASSOCIATES (continued)

The investments in collective investment schemes treated as investments in associates as at 30 June 2009 can be further broken down as follows:

R million	Momentum Global Builder FoF	Momentum Global Accumu-lator FoF	RMB Private Bank Global Flexible FoF	Advantage	RMB Emerging Companies Fund	Macro Growth Fund	Property Equity Fund	Small Caps Growth Fund
Investment at fair value	1	–	24	–	91	63	10	78
– Balance at the beginning of the year	3	2	21	417	–	–	–	–
– Additional investment/fair value movement	(2)	(2)	3	–	91	63	10	78
– Collective investment schemes consolidated	–	–	–	(417)	–	–	–	–
Total carrying value	1	–	24	–	91	63	10	78
Valuation								
Listed investments at market value	1	–	24	–	91	63	10	78
Percentage holding as at 30 June 2009	24%	15%	44%	0%	43%	20%	9%	35%
100% of profit	–	–	4	–	6	38	52	16

16 INVESTMENTS IN ASSOCIATES (continued)

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

R million 2009	Emira Property Fund	Momentum Short-term Insurance (Pty) Limited	Collective investment schemes	Swabou Life Assurance Company Limited
Assets				
Investment securities	242	116	23 665	968
Loans and receivables	37	4	260	329
Derivative financial instruments	7	–	–	–
Investment properties	7 679	–	–	–
Deferred taxation	–	22	–	–
Intangible assets	–	–	–	28
Property and equipment	–	–	–	2
Total assets	7 965	142	23 925	1 327
Liabilities and equity				
Accounts payable	450	7	330	36
Other financial liabilities	–	40	–	–
Policyholder liabilities under investment contracts	–	–	–	36
Policyholder liabilities under insurance contracts	–	–	–	927
Deferred taxation	256	–	–	–
Financial liabilities	1 573	–	23 595	–
Total equity	5 686	95	–	328
Total liabilities and equity	7 965	142	23 925	1 327
Total revenue	1 083	200	1 940	119
Net profit after tax	471	4	1 777	33

16 INVESTMENTS IN ASSOCIATES (continued)

2009 R million	Total collective investment schemes	FNB Balanced Fund	FNB Growth Fund	Momentum Builder FoF	Momentum Multifocus FoF	RMB Global Fund	RMB Bond Fund	RMB Con-servative FoF	RMB Equity Fund	RMB Euro Income Fund
Assets										
Investment securities	23 665	134	136	1	–	189	360	701	1 903	12
Loans and receivables	260	–	11	–	–	6	51	–	157	–
Total assets	23 925	134	147	1	–	195	411	701	2 060	12
Liabilities and equity										
Accounts payable	330	7	11	–	–	3	106	1	154	–
Financial liabilities	23 595	127	136	1	–	192	305	700	1 906	12
Total liabilities and equity	23 925	134	147	1	–	195	411	701	2 060	12
Total revenue	1 940	6	5	–	–	7	36	60	73	–
Profit	1 777	4	3	–	–	–	33	49	42	–

R million	RMB Flexible Maturity Fund	RMB High Tide Fund	RMB Income Plus Fund	RMB Int Cons FoF	RMB Int Balanced FoF	RMB Inter-national Bond Fund	RMB Inter-national Equity FoF	RMB Inter-national Income Fund	Momentum Aggressive Equity Fund	RMB Financial Services Fund
Assets										
Investment securities	125	300	1 741	–	137	37	222	38	141	421
Loans and receivables	1	–	–	–	–	–	–	–	–	9
Total assets	126	300	1 741	–	137	37	222	38	141	430
Liabilities and equity										
Accounts payable	3	–	2	–	–	2	–	–	1	8
Financial liabilities	123	300	1 739	–	137	35	222	38	140	422
Total liabilities and equity	126	300	1 741	–	137	37	222	38	141	430
Total revenue	7	15	259	–	2	1	1	2	4	24
Profit	6	10	232	–	1	–	–	1	2	18

16 INVESTMENTS IN ASSOCIATES (continued)

2009	RMB Structured Equity Fund	Macro Growth Fund	Small Cap Growth Fund	RMB Moderate FoF	RMB Money Market Unit Trust Fund	RMB Resources Fund	RMB SciTech FoF	RMB Sterling Income Fund	RMB Strategic Oppor-tunities Fund	RMB Top 40 Index Fund
Assets										
Investment securities	88	321	260	254	12 731	151	22	22	249	248
Loans and receivables	–	1	–	–	–	–	–	–	–	–
Total assets	88	322	260	254	12 731	151	22	22	249	248
Liabilities and equity										
Accounts payable	–	1	1	–	5	1	–	–	–	–
Financial liabilities	88	321	259	254	12 726	150	22	22	249	248
Total liabilities and equity	88	322	260	254	12 731	151	22	22	249	248
Total revenue	5	14	8	17	1 175	8	–	1	10	14
Profit	4	38	16	14	1 121	5	–	–	7	11

2009 R million	RMB USD Income Fund	RMB Value Fund	RMB Worldwide Flexible Fund	Stewart Absolute Return Blend FoF	Stewart Macro Equity FoF	Momentum Moderate Equity FoF	Momentum Dynamic Asset Allocator FoF	Momentum Global Builder FoF	Momentum Global Accumulator FoF	RMB Private Bank Global Flexible FoF
Assets										
Investment securities	81	428	79	117	78	215	87	4	3	55
Loans and receivables	–	9	–	–	–	–	1	–	–	–
Total assets	81	437	79	117	78	215	88	4	3	55
Liabilities and equity										
Accounts payable	–	15	–	1	–	3	1	–	–	–
Financial liabilities	81	422	79	116	78	212	87	4	3	55
Total liabilities and equity	81	437	79	117	78	215	88	4	3	55
Total revenue	1	17	3	11	3	7	7	–	–	5
Profit	1	10	1	10	2	4	6	–	–	4

16 INVESTMENTS IN ASSOCIATES (continued)

R million	Advantage	Momentum Global Consolidator FoF	RMB Institutional Strategic Income Fund	RMB Emerging Companies Fund	Property Equity Fund
Assets					
Investment securities	–	3	1 265	197	110
Loans and receivables	–	–	–	14	–
Total assets	–	3	1 265	211	110
Liabilities and equity					
Accounts payable	–	–	–	4	–
Financial liabilities	–	3	1 265	207	110
Total liabilities and equity	–	3	1 265	211	110
Total revenue	–	–	65	10	58
Profit	–	–	64	6	52

16 INVESTMENTS IN ASSOCIATES (continued)

R million 2008	Total	Emira Property Fund	Momentum Short-term Insurance Company (Pty) Limited	Tembisa Plaza Share Block (Pty) Limited	Collective Investment Schemes	Swabou Life Assurance Company Limited	Kabokweni Plaza Share Block (Pty) Limited
Investment at fair value/ cost less amounts written off	6 941	1 482	57	37	5 184	137	44
– Balance at the beginning of the year	6 154	1 945	43	37	4 129	–	–
– Additional investment/fair value movement	787	(463)	14	–	1 055	137	44
Income before tax	20	–	(10)	–	–	19	11
Share of tax of associates	–	–	3	–	–	(3)	–
Dividends received	(11)	–	–	–	–	–	(11)
Retained income for the year	9	–	(7)	–	–	16	–
Share of retained income at the beginning of the year	(9)	–	(21)	12	–	–	–
Share of retained income at the end of the year	–	–	(28)	12	–	16	–
Total carrying value of associates carried at equity accounted value	226	–	29	–	–	153	44
Total carrying value of associates carried at fair value	6 666	1 482	–	–	5 184	–	–
Total carrying value of associates	6 892	1 482	29	–	5 184	153	44
Goodwill included in the carrying value above							
Gross amount	19	–	–	–	–	19	–
Movement in goodwill							
Opening balance	–	–	–	–	–	–	–
Acquisition during the year	19	–	–	–	–	19	–
Closing balance	19	–	–	–	–	19	–
Valuation							
Listed investments at market value	6 666	1 482	–	–	5 184	–	–
Unlisted investments at fair value	266	–	29	–	–	193	44
Total valuation	6 932	1 482	29	–	5 184	193	44
Percentage holding as at 30 June 2008		37%	50%	49%	Refer below	35%	48%
100% of profit	1 988	555	(14)	–	1 362	65	20

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

R million 2008	Total collective investment schemes	FNB Balanced Fund	FNB Growth Fund	Momentum Builder FoF	Momentum Multifocus FoF	RMB Global Fund	RMB Bond Fund	RMB Conservative FoF
Investment at fair value	5 184	1	1	1	1	40	117	267
– Balance at the beginning of the year	4 129	3	2	–	–	–	126	278
– Additional investment/fair value movement	1 881	(2)	(1)	1	1	40	(9)	(11)
– Collective investment schemes consolidated	(826)	–	–	–	–	–	–	–
Total carrying value	5 184	1	1	1	1	40	117	267
Valuation								
Listed investments at market value	5 184	1	1	1	1	40	117	267
Percentage holding as at 30 June 2008		1%	0%	39%	0%	7%	41%	31%
100% of profit	1 362	6	5	–	20	16	29	58

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

R million 2008	RMB Equity Fund	RMB Euro Income Fund	RMB Flexible Maturity Fund	RMB High Tide Fund	RMB Income Plus Fund	RMB Int Cons FoF	RMB Int Balanced FoF
Investment at fair value	439	6	3	112	281	70	41
– Balance at the beginning of the year	293	–	8	138	94	–	–
– Additional investment/fair value movement	146	6	(5)	(26)	187	70	41
Total carrying value	439	6	3	112	281	70	41
Valuation							
Listed investments at market value	439	6	3	112	281	70	41
Percentage holding as at 30 June 2008	16%	26%	10%	28%	12%	50%	26%
100% of profit	79	1	2	22	197	3	1

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

R million **2008**	RMB Int Bond Fund	RMB Int Equity Fund	RMB Int Income Fund	RMB Maximum Income Fund	RMB Moderate FoF	RMB Money Market Unit Trust Fund	RMB Resources Fund	RMB SciTech FoF	RMB Sterling Income Fund	RMB Strategic Opportunities Fund
Investment at fair value	24	28	6	649	74	2 077	76	1	2	86
– Balance at the beginning of the year	6	36	3	312	64	1 566	–	–	3	135
– Additional investment/ fair value movement	18	(8)	3	337	10	511	76	1	(1)	(49)
Total carrying value	24	28	6	649	74	2 077	76	1	2	86
Valuation										
Listed investments at market value	24	28	6	649	74	2 077	76	1	2	86
Percentage holding as at 30 June 2008	39%	8%	9%	40%	28%	27%	26%	5%	8%	26%
100% of profit	1	–	–	169	14	619	9	–	1	15

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

R million 2008	RMB Top 40 Index Fund	RMB USD Income Fund	RMB Value Fund	RMB Worldwide Flexible Fund	Stewart Absolute Return Blend FoF
Investment at fair value	73	3	156	8	4
– Balance at the beginning of the year	79	3	154	–	–
– Additional investment/ fair value movement	(6)	–	2	8	4
Total carrying value	73	3	156	8	4
Valuation					
Listed investments at market value	73	3	156	8	4
Percentage holding as at 30 June 2008	21%	4%	25%	8%	4%
100% of profit	14	1	19	4	–

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

R million 2008	Stewart Macro Equity FoF	Momentum Moderate Equity FoF	Momentum Dynamic Asset Allocator FoF	Momentum Global Builder FoF	Momentum Glob Accumulator FoF	RMB Private Bank Global Flexible FoF	Advantage	Other collective Investment schemes
Investment at fair value	6	50	38	3	2	21	417	–
– Balance at the beginning of the year	–	–	–	–	–	–	–	826
– Additional investment/fair value movement	6	50	38	3	2	21	417	–
– Collective investment schemes consolidated	–	–	–	–	–	–	–	(826)
Total carrying value	6	50	38	3	2	21	417	–
Valuation								
Listed investments at market value	6	50	38	3	2	21	417	–
Percentage holding as at 30 June 2008	5%	19%	42%	41%	38%	40%	5%	0%
100% of profit	1	6	1	–	–	–	49	–

16 INVESTMENTS IN ASSOCIATES (continued)

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

R million 2008	Emira Property Fund	Momentum Short-term Insurance (Pty) Limited	Tembisa Share Block (Pty) Limited	Collective investment schemes	Swabou Life Assurance Company Limited	Kabokweni Plaza Share Block (Pty) Limited
Assets						
Investment securities	69	82	118	28 331	1 108	98
Loans and receivables	228	–	–	1 015	35	46
Derivative financial instruments	190	–	–	–	–	–
Investment properties	7 305	–	–	–	–	–
Deferred taxation	–	23	–	–	–	–
Intangible assets	–	–	–	–	46	–
Property and equipment	–	–	–	–	1	–
Total assets	7 792	105	118	29 346	1 190	144
Liabilities and equity						
Accounts payable	491	5	42	550	40	101
Other financial liabilities	1 227	–	11	–	–	6
Policyholder liabilities under investment contracts	–	–	–	–	38	–
Policyholder liabilities under insurance contracts	–	31	–	–	715	–
Provisions	–	–	–	–	1	–
Taxation	–	–	–	–	1	–
Deferred taxation	313	–	–	–	–	–
Financial liabilities	–	–	–	28 796	–	–
Total equity	5 761	69	65	–	395	37
Total liabilities and equity	7 792	105	118	29 346	1 190	144

16 INVESTMENTS IN ASSOCIATES (continued)

R million 2008	Total collective investment schemes	FNB Balanced Fund	FNB Growth Fund	Momentum Builder FoF	Momentum Multifocus FoF	RMB Global Fund	RMB Bond Fund	RMB Conser-vative FoF	RMB Equity Fund	RMB Euro Income Fund
Assets										
Investment securities	28 331	144	176	2	873	550	305	838	2 661	23
Loans and receivables	1 015	1	3	–	2	6	13	15	40	–
Total assets	29 346	145	179	2	875	556	318	853	2 701	23
Liabilities and equity										
Accounts payable	550	1	3	–	3	1	39	2	42	–
Financial liabilities	28 796	144	176	2	872	555	279	851	2 659	23
Total liabilities and equity	29 346	145	179	2	875	556	318	853	2 701	23

	RMB Flexible Maturity Fund	RMB High Tide Fund	RMB Income Plus Fund	RMB International Cons FoF	RMB International Balanced FoF	RMB International Bond Fund	RMB International Equity Fund	RMB International Income Fund	RMB Maximum Income Fund
Assets									
Investment securities	32	381	2 215	139	160	61	347	60	1 601
Loans and receivables	2	12	36	–	–	–	2	–	40
Total assets	34	393	2 251	139	160	61	349	60	1 641
Liabilities and equity									
Accounts payable	1	–	14	–	–	–	–	–	19
Financial liabilities	33	393	2 237	139	160	61	349	60	1 622
Total liabilities and equity	34	393	2 251	139	160	61	349	60	1 641

16 INVESTMENTS IN ASSOCIATES (continued)

R million 2008	RMB Moderate FoF	RMB Money Market Unit Trust Fund	RMB Resources Fund	RMB SciTech FoF	RMB Sterling Income Fund
Assets					
Investment securities	255	7 307	281	23	29
Loans and receivables	3	465	23	–	1
Total assets	258	7 772	304	23	30
Liabilities and equity					
Accounts payable	1	67	14	–	–
Financial liabilities	257	7 705	290	23	30
Total liabilities and equity	258	7 772	304	23	30

	RMB Strategic Opportunities Fund	RMB Top 40 Index Fund	RMB USD Income Fund	RMB Value Fund	RMB Worldwide Flexible Fund	Stewart Absolute Return Blend FoF
Assets						
Investment securities	324	336	66	608	100	103
Loans and receivables	–	17	–	17	–	1
Total assets	324	353	66	625	100	104
Liabilities and equity						
Accounts payable	–	8	–	17	–	2
Financial liabilities	324	345	66	608	100	102
Total liabilities and equity	324	353	66	625	100	104

16 INVESTMENTS IN ASSOCIATES (continued)

R million 2008	Stewart Macro Equity FoF	Momentum Moderate Equity FoF	Momentum Dynamic Asset Allocator FoF	Momentum Global Builder FoF	Momentum Global Accumulator FoF	RMB Private Bank Global Flexible FoF	Advantage
Assets							
Investment securities	151	114	80	6	4	46	7 930
Loans and receivables	3	312	1	–	–	–	–
Total assets	154	426	81	6	4	46	7 930
Liabilities and equity							
Accounts payable	1	314	1	–	–	–	–
Financial liabilities	153	112	80	6	4	46	7 930
Total liabilities and equity	154	426	81	6	4	46	7 930

16 INVESTMENTS IN ASSOCIATES (continued)

2007 **R million**	**Total**	**Emira Property Fund**	**Freestone Property Fund**	**Momentum Short-term Insurance Company (Pty) Limited**	**Tembisa Plaza Share Block (Pty) Limited**	**Collective investment schemes**
Investment at fair value/cost less amounts written off	4 210	–	–	44	37	4 129
– Balance at the beginning of the year	1 294	–	192	12	37	1 053
– Reclassification from investments in subsidiaries	577	577	–	–	–	–
– Additional investment/fair value movement	2 497	(754)	–	32	–	3 219
– Disposal of shares in associates	(15)	(15)	–	–	–	–
– Merger of property associates	–	192	(192)	–	–	–
– Collective investment schemes consolidated	(143)	–	–	–	–	(143)
Income before tax	185	97	(87)	(19)	6	188
Share of tax of associates	6	–	–	6	–	–
Dividends received	(188)	–	–	–	–	(188)
Retained income for the year	3	97	(87)	(13)	6	–
Share of retained income at the beginning of the year	29	–	31	(8)	6	–
Reclassification from investments in subsidiaries	449	449	–	–	–	–
Merger of property associates	–	(56)	56	–	–	–
Listed property associate measured at fair value	(490)	(490)	–	–	–	–
Share of retained income at the end of the year	(9)	–	–	(21)	12	–
Total carrying value of associates carried at equity accounted value	4 201	–	–	23	49	4 129
Total carrying value of associates carried at fair value	1 945	1 945	–	–	–	–
Total carrying value of associates	6 146	1 945	–	23	49	4 129

16 INVESTMENTS IN ASSOCIATES (continued)

2007 R million	Total	Emira Property Fund	Freestone Property Fund	Momentum Short-term Insurance Company (Pty) Limited	Tembisa Plaza Share Block (Pty) Limited	Collective investment schemes
Movement in goodwill						
Opening balance	202	–	202	–	–	–
Merger of property associates	(202)	–	(202)	–	–	–
Closing balance	–	–	–	–	–	–
Valuation						
Listed investments at market value	6 074	1 945	–	–	–	4 129
Unlisted investments at fair value	72	–	–	23	49	–
Total valuation	6 146	1 945	–	23	49	4 129
Percentage holding as at 30 June 2007		37%	0%	50%	50%	Refer below
100% of profit	1 964	1 350	–	(26)	12	628

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

2007 R million	Total collective investment schemes	RMB Bond Fund	RMB Emerging Com-panies Fund	RMB Equity Fund	RMB Money Market Fund	RMB Strategic Oppor-tunities Fund	RMB Value Fund	RMB Conser-vative Fund of Funds	RMB Income Plus Fund of Funds	RMB Moderate Fund of Funds	FNB Balanced Fund	FNB Growth Fund	RMB Absolute Focus Fund	RMB Flexible Maturity Fund	RMB High Tide Fund
Investment at fair value	4 129	126	67	293	1 566	135	154	278	94	64	3	2	759	8	138
– Balance at the beginning of the year	1 053	31	42	151	547	33	71	12	11	12	–	–	–	–	–
– Additional investment/ fair value movement	3 219	95	25	142	1 019	102	83	266	83	52	3	2	759	8	138
– Collective investment schemes consolidated	(143)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total carrying value	4 129	126	67	293	1 566	135	154	278	94	64	3	2	759	8	138
Valuation															
Listed investments at market value	4 129	126	67	293	1 566	135	154	278	94	64	3	2	759	8	138
Percentage holding as at 30 June 2007		39%	22%	21%	33%	34%	31%	42%	18%	27%	2%	1%	33%	21%	24%
100% of profit	628	30	1	14	348	4	5	26	–	7	2	1	62	5	9

16 INVESTMENTS IN ASSOCIATES (continued)

The investment in collective investment schemes can be further broken down as follows:

2007 R million	RMB International Bond Fund	RMB International Equity Fund of Funds	RMB International Income Fund	RMB Maximum Income Fund	RMB Sterling Income Fund	RMB Top 40 Index Fund	RMB USD Income Fund	Other Collective Investment Schemes
Investment at fair value	6	36	3	312	3	79	3	–
– Balance at the beginning of the year	–	–	–	–	–	–	–	143
– Additional investment / fair value movement	6	36	3	312	3	79	3	–
– Collective investment schemes consolidated	–	–	–	–	–	–	–	(143)
Total carrying value	6	36	3	312	3	79	3	–
Valuation								
Listed investments at market value	6	36	3	312	3	79	3	–
Percentage holding as at 30 June 2007	17%	15%	6%	18%	20%	28%	5%	0%
100% of profit	1	–	1	106	–	5	1	–

16 INVESTMENTS IN ASSOCIATES (continued)

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

2007 R million	Emira Property Fund	Momentum Short-term Insurance (Pty) Limited	Tembisa Share Block (Pty) Limited	Collective investment schemes
Assets				
Financial assets	14	54	109	14 357
Loans and receivables	206	–	–	779
Derivative financial instruments	46	–	–	–
Investment properties	7 144	–	–	–
Deferred taxation	–	17	–	–
Total assets	7 410	71	109	15 136
Liabilities and equity				
Accounts payable	144	3	–	642
Other financial liabilities	1 310	–	42	–
Provisions	–	14	–	–
Deferred taxation	259	–	10	–
Total equity	5 697	54	57	14 494
Total liabilities and equity	7 410	71	109	15 136

16 INVESTMENTS IN ASSOCIATES (continued)

The assets and liabilities of the collective investment schemes treated as investments in associates can be further broken down as follows:

2007 R million	Total Collective Investment Schemes	RMB Bond Fund	RMB Emerging companies Fund	RMB Equity Fund	RMB Money Market Fund
Assets					
Financial assets	14 357	35	302	1 444	4 662
Loans and receivables	779	–	6	13	92
Total assets	15 136	35	308	1 457	4 754
Liabilities and equity					
Accounts payable	642	–	2	36	2
Total equity	14 494	35	306	1 421	4 752
Total liabilities and equity	15 136	35	308	1 457	4 754

R million	RMB Strategic Opportunities Fund	RMB Value Fund	RMB Conservative Fund of Funds	RMB Income Plus Fund of Funds	RMB Moderate Fund of Funds
Assets					
Financial assets	401	480	641	496	231
Loans and receivables	8	22	10	558	4
Total assets	409	502	651	1 054	235
Liabilities and equity					
Accounts payable	8	12	2	538	1
Total equity	401	490	649	516	234
Total liabilities and equity	409	502	651	1 054	235

R million	FNB Balanced Fund	FNB Growth Fund	RMB Absolute Focus Fund	RMB Flexible Maturity Fund	RMB High Tide Fund
Assets					
Financial assets	152	206	2 280	38	584
Loans and receivables	3	2	18	–	12
Total assets	155	208	2 298	38	596
Liabilities and equity					
Accounts payable	1	5	18	–	17
Total equity	154	203	2 280	38	579
Total liabilities and equity	155	208	2 298	38	596

16 INVESTMENTS IN ASSOCIATES (continued)

The assets and liabilities of the collective investment schemes treated as investments in associates can be further broken down as follows:

2007 R million	RMB International Bond Fund	RMB International Equity Fund of Funds	RMB International Income Fund	RMB Maximum Income Fund	RMB Sterling Income Fund	RMB Top 40 Index Fund	RMB USD Income Fund
Assets							
Financial assets	35	232	57	1 718	12	279	72
Loans and receivables	–	–	–	31	–	–	–
Total assets	35	232	57	1 749	12	279	72
Liabilities and equity							
Total equity	35	232	57	1 749	12	279	72
Total liabilities and equity	35	232	57	1 749	12	279	72

R million

17 PROPERTY AND EQUIPMENT

	2009			2008			2007		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Leased assets									
Computer equipment	37	(37)	–	37	(37)	–	37	(37)	–
Owned assets									
Land and buildings	29	(15)	14	93	(18)	75	20	(12)	8
– Buildings	18	(9)	9	93	(15)	78	20	(12)	8
– Sundries	11	(6)	5	–	(3)	(3)	–	–	–
Computer equipment	362	(311)	51	356	(300)	56	353	(287)	66
Office equipment	28	(16)	12	18	(14)	4	24	(20)	4
Furniture and fittings	124	(98)	26	117	(96)	21	119	(96)	23
Motor vehicles	11	(9)	2	10	(9)	1	10	(8)	2
Non-current assets held for sale	–	–	–	–	–	–	(45)	35	(10)
	554	(449)	105	594	(437)	157	481	(388)	93
Total	591	(486)	105	631	(474)	157	518	(425)	93

Leased assets
Movement in property and equipment – Cost

	Total	Land and buildings	Computer equipment
Cost at 1 July 2006	357	320	37
Additions	2	2	–
Disposals	(1)	(1)	–
Transfer to owner occupied buildings	(321)	(321)	–
Cost at 30 June 2007	37	–	37
Cost at 30 June 2008	37	–	37
Cost at 30 June 2009	37	–	37

R million

17 **PROPERTY AND EQUIPMENT** (continued)

Movement in property and equipment – Accumulated depreciation

	Total	Land and buildings	Computer equipment
Balance at 1 July 2006	92	55	37
Depreciation charge for the year	9	9	–
Disposals	(1)	(1)	–
Transfer to owner occupied buildings	(63)	(63)	–
Balance at 30 June 2007	37	–	37
Balance at 30 June 2008	37	–	37
Balance at 30 June 2009	37	–	37

Movement in land and buildings – Cost

	Land and buildings	Land	Buildings	Mechanical equipment	Electrical equipment	Sundries
Cost at 1 July 2006	320	31	191	23	15	60
Additions	2	–	2	–	–	–
Disposals	(1)	–	(1)	–	–	–
Transfer to owner occupied buildings	(321)	(31)	(192)	(23)	(15)	(60)
Cost at 30 June 2007	–	–	–	–	–	–
Cost at 30 June 2008	–	–	–	–	–	–
Cost at 30 June 2009	–	–	–	–	–	–

Movement in land and buildings – Accumulated depreciation

	Land and buildings	Land	Buildings	Mechanical equipment	Electrical equipment	Sundries
Balance at 1 July 2006	55	–	25	7	5	18
Depreciation charge for the year	9	–	4	1	1	3
Disposals	(1)	–	(1)	–	–	–
Transfer to owner occupied buildings	(63)	–	(28)	(8)	(6)	(21)
Balance at 30 June 2007	–	–	–	–	–	–
Balance at 30 June 2008	–	–	–	–	–	–
Balance at 30 June 2009	–	–	–	–	–	–

R million

17 **PROPERTY AND EQUIPMENT** (continued)

Owned Assets

Movement in property and equipment – Cost

	Total	Land and buildings	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles
Cost at 1 July 2006	536	18	302	23	181	12
Foreign currency adjustments	5	1	2	1	1	–
Listed property subsidiary changing to investment in associate	(52)	–	–	–	(52)	–
Additions	272	197	66	2	7	–
Disposals	(39)	–	(17)	(2)	(18)	(2)
Non-current assets held for sale	(45)	(5)	(27)	(8)	(5)	–
Transfer to owner occupied buildings	(196)	(196)	–	–	–	–
Cost at 30 June 2007	481	15	326	16	114	10
Foreign currency adjustments	2	1	1	–	–	–
Additions	111	77	29	2	3	–
Disposals	(2)	(2)	–	–	–	–
Other	2	2	–	–	–	–
Cost at 30 June 2008	594	93	356	18	117	10
Foreign currency adjustments	(3)	(1)	(2)	–	–	–
Additions	73	18	30	13	11	1
Disposals	(37)	(12)	(20)	(2)	(3)	–
Disposal of subsidiaries	(69)	(69)	–	–	–	–
Other	(4)	–	(2)	(1)	(1)	–
Cost at 30 June 2009	554	29	362	28	124	11

R million

17 **PROPERTY AND EQUIPMENT** (continued)

Owned Assets (continued)

Movement in property and equipment – Accumulated depreciation

	Total	Land and buildings	Computer equipment	Office equipment	Furniture and fittings	Motor vehicles
Balance at 1 July 2006	423	8	269	18	119	9
Foreign currency adjustments	3	–	2	1	–	–
Listed property subsidiary changing to investment in associate	(17)	–	–	–	(17)	–
Depreciation charge for the year	42	4	27	2	8	1
Disposals	(28)	–	(11)	(1)	(14)	(2)
Non-current assets held for sale	(35)	(2)	(22)	(7)	(4)	–
Balance at 30 June 2007	388	10	265	13	92	8
Foreign currency adjustments	1	–	1	–	–	–
Depreciation charge for the year	48	8	34	1	4	1
Balance at 30 June 2008	437	18	300	14	96	9
Foreign currency adjustments	(3)	(1)	(2)	–	–	–
Depreciation charge for the year	47	10	28	4	5	–
Disposals	(28)	(12)	(13)	(1)	(2)	–
Other	(4)	–	(2)	(1)	(1)	–
Balance at 30 June 2009	449	15	311	16	98	9

R million

17 **PROPERTY AND EQUIPMENT** (continued)

Movement in land and buildings – Cost

	Land and Buildings	Land	Buildings	Sundries
Cost at 1 July 2006	18	–	18	–
Foreign currency adjustments	1	–	1	–
Additions	197	10	187	–
Non-current assets held for sale	(5)	–	(5)	–
Transfer to owner occupied buildings	(196)	(10)	(186)	–
Cost at 30 June 2007	15	–	15	–
Foreign currency adjustments	1	–	1	–
Additions	77	–	77	–
Cost at 30 June 2008	93	–	93	–
Foreign currency adjustments	(1)	–	(1)	–
Additions	18	–	7	11
Disposals	(12)	–	(12)	–
Disposal of subsidiaries	(69)	–	(69)	–
Cost at 30 June 2009	29	–	18	11

Movement in land and buildings – Accumulated depreciation

	Land and buildings	Land	Buildings	Sundries
Balance at 1 July 2006	8	–	8	–
Depreciation charge for the year	4	–	4	–
Non-current assets held for sale	(2)	–	(2)	–
Balance at 30 June 2007	10	–	10	–
Depreciation charge for the year	8	–	8	–
Balance at 30 June 2008	18	–	18	–
Foreign currency adjustments	(1)	–	(1)	–
Depreciation charge for the year	10	–	5	5
Disposals	(12)	–	(12)	–
Balance at 30 June 2009	15	–	10	5

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the Companies' registered offices.

This information will be open for inspection in terms of the provisions of section 113 of the Companies Act, 1973.

R million

18 OWNER OCCUPIED BUILDINGS

Owned assets R million	2009 Cost	2009 Accumulated depreciation	2009 Net book value	2008 Cost	2008 Accumulated depreciation	2008 Net book value	2007 Cost	2007 Accumulated depreciation	2007 Net book value
Land and buildings									
– Land	41	–	41	41	–	41	41	–	41
– Buildings	376	(43)	333	376	(36)	340	378	(28)	350
– Mechanical	23	(10)	13	23	(9)	14	23	(8)	15
– Electrical	15	(8)	7	15	(7)	8	15	(6)	9
– Sundries	60	(27)	33	60	(24)	36	60	(21)	39
Total owner occupied buildings	515	(88)	427	515	(76)	439	517	(63)	454

Movement in owner occupied buildings – Cost

	Land and buildings	Land	Buildings	Mechanical equipment	Electrical equipment	Sundries
Cost at 1 July 2006	–	–	–	–	–	–
Transfer from property and equipment	517	41	378	23	15	60
Cost at 30 June 2007	517	41	378	23	15	60
Disposals	(2)	–	(2)	–	–	–
Cost at 30 June 2008	515	41	376	23	15	60
Cost at 30 June 2009	515	41	376	23	15	60

Movement in owner occupied buildings – Accumulated depreciation

	Land and buildings	Land	Buildings	Mechanical equipment	Electrical equipment	Sundries
Balance at 1 July 2006	–	–	–	–	–	–
Transfer from property and equipment	50	–	20	7	5	18
Depreciation charge for the year	13	–	8	1	1	3
Balance at 30 June 2007	63	–	28	8	6	21
Depreciation charge for the year	13	–	8	1	1	3
Balance at 30 June 2008	76	–	36	9	7	24
Depreciation charge for the year	12	–	7	1	1	3
Balance at 30 June 2009	88	–	43	10	8	27

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the Companies' registered offices.
This information will be open for inspection in terms of the provisions of section 113 of the Companies Act, 1973.

	R million	Group 2009	Group 2008	Group 2007
19	DEFERRED TAXATION			
	Deferred taxation asset	969	825	684
	Deferred taxation liability	(1 570)	(1 840)	(2 213)
		(601)	(1 015)	(1 529)
	Deferred tax			
	Balance at beginning of year	(1 015)	(1 529)	(1 273)
	Charge for the year	359	518	(281)
	Relating to current year	311	411	(305)
	Relating to prior years	48	91	24
	Relating to change in tax rate	–	16	–
	Subsidiary balances disposed of	51	–	–
	Other	4	(4)	25
	Balance at end of the year	(601)	(1 015)	(1 529)

2009

Deferred taxation comprises:	Opening balance	(Debit)/ credit to the income statement	(Debit)/ credit to statement of comprehensive income	Acquisitions and Disposals	Closing balance
Capital gains tax on unrealised investment surpluses	(947)	432	4	44	(467)
Provisions and accruals	59	40	–	–	99
Taxation losses	24	16	–	–	40
Deferred acquisition cost asset	(449)	(35)	–	–	(484)
Deferred revenue liability	79	18	–	–	97
Difference between published and statutory policyholder liabilities	590	40	–	–	630
Deferred tax on intangible assets as a result of business combinations	(351)	25	–	–	(326)
Other	(20)	(177)	–	7	(190)
	(1 015)	359	4	51	(601)

R million

19 **DEFERRED TAXATION** (continued)

2008

Deferred taxation comprises:	Opening balance	(Debit)/ credit to the income statement	(Debit)/ credit to statement of comprehensive income	Acquisitions and Disposals	Closing balance
Capital gains tax on unrealised investment surpluses	(1 404)	461	(4)	–	(947)
Provisions	64	(5)	–	–	59
Taxation losses	3	21	–	–	24
Deferred acquisition cost asset	(420)	(29)	–	–	(449)
Deferred revenue liability	73	6	–	–	79
Difference between published and statutory policyholder liabilities	502	88	–	–	590
Deferred tax on intangible assets as a result of business combinations	(384)	33	–	–	(351)
Other	37	(57)	–	–	(20)
	(1 529)	518	(4)	–	(1 015)

2007

Deferred taxation comprises:	Opening balance	(Debit)/ credit to the income statement	(Debit)/ credit to statement of comprehensive income	Debit to the intangible asset	Closing balance
Capital gains tax on unrealised investment surpluses	(1 166)	(373)	135	–	(1 404)
Provisions	111	(47)	–	–	64
Taxation losses	–	3	–	–	3
Deferred acquisition cost asset	(357)	(63)	–	–	(420)
Deferred revenue liability	65	8	–	–	73
Difference between published and statutory policyholder liabilities	453	49	–	–	502
Deferred tax on intangible assets as a result of business combinations	(381)	17	–	(20)	(384)
Other	2	35	–	–	37
	(1 273)	(371)	135	(20)	(1 529)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

The Momentum Group has recognised deferred tax on all deductible temporary differences, unused tax losses and unused tax credits.

	R million	Group 2009	Group 2008	Group 2007
20	**INTANGIBLE ASSETS**			
	Value of in force business	939	976	1 012
	Contractual customer relationships	1 880	1 803	1 681
	Agency force	14	16	18
	Computer software	33	34	35
		2 866	2 829	2 746
	Value of in force business (insurance intangible asset)			
	Cost	1 057	1 057	1 057
	Less: Accumulated amortisation and impairment	(118)	(81)	(45)
	Carrying amount at the end of the year	939	976	1 012
	Cost at the beginning of the year	1 057	1 057	1 057
	Movement for the year	–	–	–
	Cost at the end of the year	1 057	1 057	1 057
	Accumulated amortisation and impairment at the beginning of the year	81	45	18
	Amortisation for the year	37	36	27
	Accumulated amortisation and impairment at the end of the year	118	81	45

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

	Group 2009	Group 2008	Group 2007
Contractual customer relationships			
Contractual customer relationships acquired	152	197	231
Deferred acquisition cost asset	1 728	1 606	1 450
	1 880	1 803	1 681
Contractual customer relationships acquired			
Cost	286	286	286
Less: Accumulated amortisation and impairment	(134)	(89)	(55)
Carrying amount at the end of the year	152	197	231
Cost at the beginning of the year	286	286	261
Movement for the year	–	–	25
Cost at the end of the year	286	286	286

	R million	Group 2009	Group 2008	Group 2007
20	**INTANGIBLE ASSETS** (continued)			
	Accumulated amortisation and impairment at the beginning of the year	89	55	23
	Amortisation charged to the income statement	32	34	32
	Impairment charged to the income statement	13	–	–
	Accumulated amortisation and impairment at the end of the year	134	89	55

The contractual customer relationships acquired represents the contractual customer relationships in place at the acquiree immediately before an acquisition took place. These contracts with clients were valued on a discounted cash flow method taking into account the expected future cash flows on the contracts, discounted at the required rate of return. These contracts are amortised over its expected useful lives, which, at the time of the acquisitions amounted to 10 years. It will be fully amortised by 2016.

	Group 2009	Group 2008	Group 2007
Deferred acquisition cost asset			
Opening balance	1 606	1 450	1 236
Deferred acquisition costs on new business	414	521	327
Amortisation charged to the income statement	(292)	(365)	(113)
Net carrying value at the end of the year	1 728	1 606	1 450

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is recognised as an expense in profit or loss. Amortisation of the DAC is done separately for each policy contract. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

	Group 2009	Group 2008	Group 2007
Agency force			
Cost	22	22	22
Less: Accumulated amortisation and impairment	(8)	(6)	(4)
Carrying amount at the end of the year	14	16	18
Cost at the beginning of the year	22	22	22
Movement for the year	–	–	–
Cost at the end of the year	22	22	22
Accumulated amortisation and impairment at the beginning of the year	6	4	2
Amortisation for the year	2	2	2
Accumulated amortisation and impairment at the end of the year	8	6	4

	R million	Group 2009	Group 2008	Group 2007
20	**INTANGIBLE ASSETS** (continued)			

As a result of an acquisition Momentum carries an Agency Force intangible asset representing the value of the agency force acquired in the acquisition. The value of the agency force is determined by estimating the future value of the new business generated by the agents acquired. Momentum amortises the agency force over its expected useful life of ten years. The remaining period for amortisation is 6 years.

R million	Group 2009	Group 2008	Group 2007
Computer software			
Cost	116	114	108
Less: Accumulated amortisation and impairment	(83)	(80)	(73)
Carrying amount at the end of the year	33	34	35
Cost at the beginning of the year	114	108	114
Disposal of intangible asset	(4)	–	(17)
Capitalised expenditure	6	6	11
Cost at the end of the year	116	114	108
Accumulated amortisation and impairment at the beginning of the year	80	73	27
Amortisation for the year	7	7	13
Disposal of intangible asset	(4)	–	(15)
Impairment losses	–	–	48
Accumulated amortisation and impairment at the end of the year	83	80	73

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

	R million	Group 2009	Group 2008	Group 2007
21	**GOODWILL**			
	Gross amount less accumulated impairment at the beginning of the year	297	294	579
	Impairment of goodwill	(61)	–	(53)
	Acquisitions	–	3	34
	Exchange differences	–	–	1
	Non current assets held for sale	–	–	(267)
	Gross amount at the end of the year	236	297	294

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operational activity (business) to which it relates, and is therefore not combined at group level.

The CGU's to which the goodwill balance as at 30 June 2009 relates include Momentum Medical Scheme Administrators, African Life Health and Advantage Asset Managers.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to that segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

	R million	Group 2009	Group 2008	Group 2007
22	**INVESTMENT PROPERTIES**			
	Completed investment properties			
	Market value at the beginning of the year	3 808	2 356	6 061
	Properties owned by listed property subsidiary as at 30 June 2006 changing to an associated company as from 1 July 2006	–	–	(2 998)
	Reclassification of listed property equities to equity investments	–	–	(268)
	Disposal of subsidiary	(2 082)	–	–
	Additions – acquisitions	782	1 707	37
	Disposals	(458)	(375)	(988)
	Net gain from fair value adjustments	85	120	410
	Properties completed during the year	–	–	71
	Other	–	–	31
	Market value at the end of the year	2 135	3 808	2 356
	Investment properties under development			
	Balance at the beginning of the year	–	–	129
	Additions	21	–	–
	Capitalised subsequent expenditure	–	–	138
	Completed property transferred to owner occupied buildings	–	–	(196)
	Properties completed during the year	–	–	(71)
	Cost at the end of the year	21	–	–
	Total investment properties	2 156	3 808	2 356
	Investment properties can be split as follows:			
	Office buildings	1 749	1 903	1 507
	Shopping malls	325	1 797	627
	Industrial buildings	57	107	102
	Vacant land	22	–	117
	Other	3	1	3
		2 156	3 808	2 356

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

The valuation calculations are based on the aggregate of the net annual rentals receivable and associated costs, using the discounted cash flow method. The discounted cash flow method takes projected cash flows and discounts them at a rate which is consistent with comparable market transactions. The discount rates used vary between 10% and 20% (depending on the risks associated with the respective properties).

Investment properties are valued annually by Eris's registered valuators. The latest date of valuation was 30 June 2009.

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

	R million	Group 2009	Group 2008	Group 2007
22	**INVESTMENT PROPERTIES** (continued)			
	The carrying amount of unlet and vacant investment properties as at 30 June 2009 was R22 million (2008: R31 million) (2007: R96 million).			
	Schedules of freehold property and equity investments are open for inspection at the registered offices of the various group companies in terms of the provisions of the Companies' Act, 1973.			
	The following amounts have been included in the income statement			
	Net rental income	334	207	201
	Direct operating expenses arising from investment properties that generate rental income	248	190	171
	Direct operating expenses arising from investment properties that do not generate rental income	–	3	3
	The minimum future lease payments recievable under non-cancellable operating leases on these investment properties are set out below:			
	Not later than 1 year	161	392	185
	Later than 1 year and not later than 5 years	294	970	421
	Later than 5 years	154	668	28
	Nothing has been received as contingent rental in the financial period.			
	The lease agreements are subject to an annual escalation clause of 10%.			
23	**REINSURANCE ASSETS**			
	Balance at the beginning of the year	550	544	260
	Movement in reinsurer's share of insurance liabilities	25	6	284
	Reinsurance agreement entered into with Old Mutual	7 568	–	–
		8 143	550	544
	Maturity profile of reinsurance assets			
	Due within 1 year	7 854	250	216
	Due within 1 to 5 years	152	139	167
	Due within 5 to 10 years	47	161	161
	Due after 10 years	90	–	–
		8 143	550	544

	R million	Group 2009	Group 2008	Group 2007
24	**NON CURRENT ASSETS AND LIABILITIES HELD FOR SALE**			

2009

The following investment property has been transferred from investment properties to non current assets held for sale as the intention for this asset has changed. This property is currently held at fair value less costs to sell.

R million	Group 2009	Group 2008	Group 2007
6 Protea Place (South Block)	58	–	–
2007			
Non current asset held for sale	–	–	407
Non current liability held for sale	–	–	(109)
	–	–	298

At the beginning of the 2007 financial year, Momentum Group transferred its 100% shareholding in FirstRand International Asset Management (FRIAM) to the FirstRand Banking Group at the net asset value of R298 million. This amount was declared as a dividend in specie to FirstRand Limited in the 2008 financial year.

In terms of "IFRS 5 – Non-current assets held for sale and discontinued operations", the assets and liabilities attributable to FRIAM have been disclosed as separate lines on the group statement of financial position. The income statement does not reflect the results of FRIAM separately, as it does not meet the definition of a discontinued operation.

	R million	Group 2009	Group 2008	Group 2007
25	**ACCOUNTS PAYABLE**			
	Accrued benefit payments	1 276	1 352	1 380
	Insurance Contracts	635	672	704
	Investment Contracts	641	680	676
	Creditors	11 534	7 637	4 791
	Non current assets held for sale	–	–	(82)
		12 810	8 989	6 089

The total amount of accounts payable as at 30 June 2009, 30 June 2008 and 30 June 2007 is current.

	R million	Group 2009	Group 2008	Group 2007
26	**PROVISIONS**			
	Liability for auditors' remuneration	12	9	7
	Other	195	99	165
		207	108	172
	Liability for auditors' remuneration			
	Balance at the beginning of the year	9	7	8
	Additional liability	21	15	15
	Utilisation of liability	(18)	(13)	(16)
		12	9	7

The Momentum Group raises provisions in all circumstances where there is a present obligation that will probably lead to the outflow of resources embodying economic benefits and where the amount can be estimated reliably. It is estimated that this provision will be settled within three months after the financial year-end.

	Group 2009	Group 2008	Group 2007
Other			
Balance at the beginning of the year	99	165	73
Additional provision	196	17	146
Foreign exchange difference	–	–	1
Utilisation of provision	(42)	(44)	(55)
Unutilised amounts reversed	(58)	(39)	–
	195	99	165

The Momentum Group raises provisions in all circumstances where there is a present obligation that will probably lead to the outflow of resources embodying economic benefits and where the amount can be estimated reliably.

	R million	Group 2009	Group 2008	Group 2007
27	EMPLOYEE BENEFITS LIABILITIES			
	Post retirement medical aid liability	85	80	78
	Retirement benefit asset	(38)	(38)	(38)
	Provision for leave pay	49	45	38
	Provision for staff bonuses	68	77	90
	Provision for management bonuses	2	16	36
		166	180	204

Post-retirement medical aid liability

The Momentum Group provides for medical aid contributions beyond the date of normal retirement for all employees qualifying for this benefit (all employees employed before 1 July 1995). The present value of expected future medical aid contributions relating to existing pensioners has been determined and the liability provided. The present value of expected future medical aid contributions relating to current employees is charged against expenditure over the service period of such employees.

The post retirement medical aid liability is valued once a year. The latest valuation was done as at 30 June 2009.

	Group 2009	Group 2008	Group 2007
Present value of unfunded liability at the beginning of the year	80	78	76
Current service cost	–	–	1
Interest cost	10	10	6
Benefits paid	(5)	(8)	(5)
Present value of unfunded liability at the end of the year	85	80	78
The principal actuarial assumptions are:			
Discount rate	9.00%	11.00%	8.50%
Long-term increase in health costs	10.00%	9.75%	7.00%
Consumer price inflation	7.00%	8.25%	5.75%
Retirement age	60 years	62 years	62 years
Number of employees who selected early retirement	None	None	None
Sensitivity analysis			
1% increase in health care cost inflation (R million increase in liability)	10	9	9
1% decrease in health care cost inflation (R million decrease in liability)	8	7	7
Mortality assumption change from PA (90) with a 2 year adjustment to PA (90) with no adjustment (R million decrease in liability)	5	4	4
A 10% increase or decrease in the withdrawal assumption (% impact)	0.4%	0.4%	0.4%

	R million	Group 2009	Group 2008	Group 2007
27	**EMPLOYEE BENEFITS LIABILITIES** (continued)			
	Retirement benefit asset			
	The amounts recognised in the income statement are as follows:			
	Interest cost	(82)	(104)	(95)
	Expected return on plan assets	114	145	121
	Net actuarial (loss)/profit recognised in the year	(77)	(71)	43
	Settlement loss	–	(19)	–
	Movement for the year	(45)	(49)	69
	Deficit not recognised	45	49	(69)
	Movement in liability	–	–	–
	Present value at the beginning of the year	92	141	72
	Movement for the year as above	(45)	(49)	69
	Present value at the end of the year	47	92	141
	The principal actuarial assumptions are:			
	Discount rate	9.00%	11.00%	8.50%
	Expected return on plan assets	9.00%	14.20%	10.07%
	Future salary increases	7.00%	10.75%	5.75%
	Net interest rate used to value pensions, allowing for pension increases	3.00%	6.00%	2.60%
	Number of employees who selected early retirement	None	None	None

The actual return on plan assets was 2.2% (2008: 9.4%) (2007: 19.3%), which amounted to R28 million (2008: R138 million) (2007: R252 million).

Defined benefit pension fund asset

The following represents the value of the retirement benefit asset over six years:

	Group					
	2009	2008	2007	2006	2005	2004
Present value of funded liability	(931)	(1 282)	(1 236)	(1 172)	(668)	(695)
Fair value of plan assets	1 014	1 487	1 444	1 303	743	702
	83	205	208	131	75	7
Unrecognised actuarial (losses)/gains	(36)	(113)	(67)	(59)	(29)	31
Present value of net funded asset	47	92	141	72	46	38
Surplus not recognised	(9)	(54)	(103)	(34)	(8)	(38)
Defined benefit pension fund plan asset recognised in the statement of financial position *	38	38	38	38	38	–

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

R million

27 EMPLOYEE BENEFITS LIABILITIES (continued)

Staff pension funds

All full time employees in the Momentum Group are members of either defined benefit pension funds or defined contribution schemes that are governed by the Pension Funds Act. The Momentum Life Pension Fund, Southern Staff Pension Fund and Sage Group Pension Fund are final salary defined benefit plans and are valued by independent actuaries every three years. The latest actuarial valuations of the Momentum Life Pension Fund, Southern Staff Pension Fund and Sage Group Pension Fund were as at 30 June 2009, and all three funds were found to be in a sound financial position. The recommended employer contribution rate to the Momentum Life Pension Fund is 10% of pensionable salaries in order to meet the ongoing accrual of benefits.

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

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

	Group 2009		
	Momentum Life Pension Fund	Southern Staff Pension Fund	Sage Group Pension Fund
Bonds	0%	85%	10%
Equities	0%	5%	68%
Cash	100%	1%	4%
Properties	0%	0%	5%
Foreign investments	0%	9%	13%
Total	100%	100%	100%

Liability for leave pay	Group 2009	Group 2008	Group 2007
Balance at the beginning of the year	45	38	39
Additional liability	9	11	1
Utilisation of liability	(4)	(4)	(2)
Unutilised amounts reversed	(1)	–	–
	49	45	38

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

	R million	Group 2009	Group 2008	Group 2007
27	**EMPLOYEE BENEFITS LIABILITIES** (continued)			
	Provision for staff bonuses			
	Balance at the beginning of the year	77	90	58
	Additional provision	66	74	69
	Exchange rate difference	(2)	2	1
	Unutilised amounts reversed	–	(5)	(1)
	Utilisation of provision	(73)	(84)	(37)
		68	77	90

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

	R million	Group 2009	Group 2008	Group 2007
	Provision for management bonuses			
	Balance at the beginning of the year	16	36	22
	Additional provision	2	14	53
	Utilisation of provision	(14)	(34)	(39)
	Unutilised amounts reversed	(2)	–	–
		2	16	36

Momentum Group pays performance bonuses to senior employees of the group and thirteenth cheque bonuses to staff other than those who participate in the performance bonus scheme. Performance bonuses are based on certain objectives, taking into account past business experience and future strategic issues, agreed upon by the board of directors of the holding company. The Momentum Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

	R million	Group 2009	Group 2008	Group 2007
28	**FINANCE LEASES**			
	Balance at the beginning of the year	242	270	289
	Capital balance repaid	(242)	(28)	(19)
	Balance at the end of the year	–	242	270
	Current portion	–	40	28
	Total of minimum lease payments			
	Payable within:			
	One year	–	69	62
	Between one and five years	–	243	312
		–	312	374
	Present value of minimum lease payments			
	Payable within:			
	One year	–	40	28
	Between one and five years	–	202	242
		–	242	270

The capitalised lease commitments for 2008 were secured by assets with a net book value of R247 million (2007: R258 million) as disclosed in note 18 to this historical financial information.

29	**OTHER FINANCIAL LIABILITIES**			
	Secured long-term liabilities	4 334	2 917	3 220
	Non current assets held for sale	–	–	(3)
		4 334	2 917	3 217
	Unsecured long-term liabilities	1 127	884	1 066
		5 461	3 801	4 283
	Secured financial liabilities			
	FirstRand Bank Limited	4 334	2 908	2 529
	Other loans	–	9	688
	– Other loans	–	9	691
	– Non current assets held for sale	–	–	(3)
		4 334	2 917	3 217

Other than the above and the assets capitalised as a result of finance lease agreements in note 28, the Momentum Group has not pledged any other assets as security for its liabilities or contingent liabilities.

	R million	Group 2009	Group 2008	Group 2007
29	**OTHER FINANCIAL LIABILITIES** (continued)			
	FirstRand Bank Limited			
	Balance at the beginning of the year	2 908	2 529	664
	New liabilities entered into	4 334	2 908	2 169
	Listed property subsidiary changing to investment in associate as at 1 July 2006	–	–	(304)
	Capital balance repaid	(2 908)	(2 529)	–
		4 334	2 908	2 529

Included in the liability of R4 334 million is a carry position with FirstRand Bank amounting to R3 756 million. This transaction represents a sale and repurchase of assets in Momentum's annuity portfolio.

	Group 2009	Group 2008	Group 2007
Other loans			
Balance at the beginning of the year	9	688	8
New liabilities entered into	–	9	688
Capital balance repaid	(9)	(688)	(6)
Foreign exchange movements	–	–	1
Non current assets held for sale	–	–	(3)
	–	9	688
Unsecured long-term liabilities			
Debt component of compulsorily convertible debentures	–	–	60
Subordinated call notes	926	849	976
Other loans	201	35	30
	1 127	884	1 066
Debt component of compulsorily convertible debentures			
Balance at the beginning of the year	–	60	111
Capital balance repaid	–	(60)	(51)
	–	–	60

The debentures are convertible into 3% non-redeemable non-cumulative preference shares of the company at the option of the debenture holders at any time after 30 June 2008. Any debentures not converted by 30 June 2021 will be compulsorily converted on that date. The debentures bear interest, payable six monthly in arrears, at an effective rate of 18,3% per annum.

	R million	Group 2009	Group 2008	Group 2007
29	**OTHER FINANCIAL LIABILITIES** (continued)			
	Subordinated call notes			
	Balance at the beginning of the year	849	976	972
	Fair value movement for the year	54	(131)	(22)
	Interest accrued	23	4	26
		926	849	976
	Payable within:			
	One year	23	4	26
	Between five and ten years	903	–	–
	After ten years	–	845	950
		926	849	976

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

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

Momentum has hedged the fixed coupon rate on this liability by entering into a swap agreement with FirstRand Bank whereby Momentum earns interest at the same fixed coupon rate and pay interest at a floating rate. Both the interest rate swap (as disclosed under derivative financial instruments as “qualifying for hedge accounting” in note 12) and the principal instrument have been fair valued as at 30 June 2009.

R million	Group 2009	Group 2008	Group 2007
Other loans			
Balance at the beginning of the year	35	30	7
Capital balance repaid	(35)	(10)	–
Foreign exchange movement	–	–	1
New liabilities entered into	201	15	22
	201	35	30
Other loans represent the outstanding promissory notes on the owner occupied buildings. These loans are repayable in monthly instalments until March 2012			
Current portion	54	–	2
Non current portion	147	35	28
	201	35	30

R million

29 OTHER FINANCIAL LIABILITIES (continued)

Financial liabilities designated at fair value through profit or loss

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

2009				
	Fair value	Contractually payable at maturity	Change in fair value Due to credit risk Current period	Cumulative
Policyholder liabilities under investment contracts	110 227	110 227	–	–
Other financial liabilities	5 461	5 597	–	–
	115 688	115 824	–	–

2008				
	Fair value	Contractually payable at maturity	Change in fair value Due to credit risk Current period	Cumulative
Policyholder liabilities under investment contracts	111 116	111 116	–	–
Other financial liabilities	3 801	3 952	–	–
	114 917	115 068	–	–

2007				
	Fair value	Contractually payable at maturity	Change in fair value Due to credit risk Current period	Cumulative
Policyholder liabilities under investment contracts	111 335	111 335	–	–
Other financial liabilities	3 851	3 875	–	–
	115 186	115 210	–	–

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

	R million	Group 2009	Group 2008	Group 2007
30	POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS			
	Balance at beginning of year	41 982	45 875	39 965
	Reclassification to reinsurance assets	–	3	–
	Reclassification to policyholder liabilities under investment contracts	(42)	–	–
	Foreign currency movements	(1)	–	–
	Disposal of Namibian policyholder book[(i)]	–	(641)	–
	Transfer (from)/to policyholder liabilities under insurance contracts	(2 870)	(3 255)	5 910
	– Increase in retrospective liabilities	(3 227)	1 391	8 238
	– Unwind of discount rate	1 446	1 299	1 084
	– New business	1 083	232	296
	– Change in economic assumptions[(ii)]	1 127	(1 983)	58
	– Change in non economic assumptions	(126)	(301)	(39)
	– Expected cashflow	(3 381)	(3 616)	(3 035)
	– Expected release of margins	(883)	(703)	(633)
	– Experience variances	1 091	426	(59)
	Balance at the end of the year	39 069	41 982	45 875
	Insurance contracts with discretionary participation features	8 252	9 976	11 234
	Insurance contracts without discretionary participation features	30 817	32 006	34 641
		39 069	41 982	45 875
	Actuarial liabilities under unmatured policies comprise the following (%)			
	Linked (market related) business			
	Individual life	32.3	37.0	35.8
	Smoothed bonus business			
	Individual life	13.3	14.7	15.6
	With profits reversionary bonus business	7.8	9.0	8.8
	Non profit business			
	Individual life	–	1.9	1.6
	Employee benefits	3.9	4.0	3.5
	Annuity business	42.7	33.4	34.7
		100.0	100.0	100.0

The amounts above are based on the actuarial valuations of Momentum Group Limited as at 30 June 2009, 30 June 2008 and 30 June 2007.

(i) Momentum sold its Namibian policyholder book in the 2008 financial year. In return for this book and a cash payment, Momentum received a 35% stake in Swabou Life Assurance Limited.

(ii) The large change in economic assumptions changes arose mainly from whole life risk policies and guaranteed or structured products such as annuities, guaranteed endowments and PHI claims in payment. Liabilities on these product lines are very sensitive to movements in long term interest rates. The latter changed significantly over the 2008 financial year. However, it should be noted that Momentum matches liabilities on most of these product lines with assets that tend to react to changes in interest rates in the same manner as the liabilities do. Hence the net asset value is much less variable on account of interest rate changes (as opposed to the liabilities viewed in isolation).

30 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

Below are the main assumptions that were used in determining the liabilities in respect of insurance contracts.

Best estimate valuation assumptions

Economic assumptions

Risk-free return

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

ZAR ten-year zero-coupon risk-free yield: 9.28% per annum
(30 June 2008: 10.85% per annum) (30 June 2007: 8.44% per annum)

USD ten-year zero-coupon risk-free yield: 3.88% per annum
(30 June 2008: 3.97% per annum) (30 June 2007: 5.00% per annum)

Valuation interest rate

The gross valuation interest rate of 11.4% per annum for ZAR denominated business (30 June 2008: 13.0% per annum) (30 June 2007: 9.5% per annum) was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities, properties, gilt-edged stocks, corporate bonds and cash.

Notional portfolio used as at 30 June 2009:

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

Assumed performance of other asset classes relative to government bonds:

Equities (including overseas equities):	+3.5% per annum
Properties:	+1.0% per annum
Corporate bonds:	+0.5% per annum
Cash:	-1.0% per annum

Rounding to the nearest 0.25% was performed.

Using the same methodology, the gross valuation rate of 6.0% per annum (30 June 2008: 6.1% per annum) (30 June 2007: 6.25% per annum) was determined for US$ denominated business.

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

30 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

Inflation
An expense inflation rate of 7.2% per annum for ZAR denominated business was used to project future renewal expenses (2008: 9.5%) (2007: 6.5%). The ZAR inflation rate was derived by deducting the 10-year real return on CPI-linked government bonds of 2.87% (30 June 2008: 2.17%) (30 June 2007: 2.6%) from the risk-free rate and adding an allowance for salary inflation and increases in unit costs of 0.75% per annum. Rounding to the nearest 0.25% was performed. US$ inflation was assumed to be 1.8% per annum (30 June 2008: 2.6% per annum) (30 June 2007: 3.25% per annum), thus maintaining the same 2.5% margin relative to the valuation rate of return as with ZAR expense inflation.

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

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

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in June 2009. The investigations covered a period of five years, from 2004 to 2009. The experience on policies and annuities were analysed.

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

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

– Ages
– Waiting periods
– And duration since disability

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

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

where the years represent duration of disability.

Expenses
The sustainable annual renewal expense per policy was based on an analysis of budgeted expenses for the year ending 30 June 2010. The analysis distinguished between renewal and acquisition costs.

30 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

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

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

Policyholder bonuses

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

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

Compulsory margins

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

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

30 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

Discretionary margins

As described in the accounting policies, discretionary margins are used to prevent the premature capitalisation of profit. The specific discretionary margins that are added to the best-estimate assumptions are as follows:

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

	R million	Group 2009	Group 2008	Group 2007
31	**POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS**			
	Balance at the beginning of the year	111 676	111 335	93 630
	Reclassification from policyholder liability under insurance contracts	42	–	–
	Movement for the year	(1 491)	341	17 705
	Deposits received	30 465	33 852	30 163
	– Individual	10 687	12 079	10 775
	– Single premiums	7 538	9 039	7 959
	– Recurring premiums	3 149	3 040	2 816
	– Employee benefits	19 777	21 773	19 388
	– Single premiums	18 268	20 610	18 534
	– Recurring premiums	1 509	1 163	854
	Policyholder benefits on investment contracts	(26 769)	(36 032)	(30 304)
	– Individual	(9 499)	(10 872)	(8 179)
	– Employee benefits	(17 270)	(25 160)	(22 125)
	Fees on investment contracts	(1 283)	(1 460)	(1 768)
	Foreign exchange movements	35	88	(11)
	Fair value adjustment to policyholder liabilities under investment contracts	(3 939)	3 893	19 625
	Balance at the end of the year	110 227	111 676	111 335
	Investment contracts with discretionary participation features	13 264	14 494	14 296
	Investment contracts without discretionary participation features	96 963	97 182	97 039
	– With investment management service components	93 300	93 770	92 345
	– Without investment management service components	3 663	3 412	4 694
		110 227	111 676	111 335

The maturity profile of policyholder liabilities under investment contracts are set out below:

30 June 2009	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	56 892	8 806	18 622	6 390	23 074
Employee benefits	38 290	38 265	17	4	4
Smoothed bonus business					
Individual	7 094	461	2 855	1 462	2 316
Employee benefits	5 285	5 285	–	–	–
Non-profit business					
Individual	1 927	359	1 451	21	96
Annuity business	739	103	199	13	424
Total policyholder liabilities under investment contracts	110 227	53 279	23 144	7 890	25 914

R million

31 POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS (continued)

30 June 2008	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	59 089	7 402	21 354	6 683	23 650
Employee benefits	36 761	36 751	10	–	–
Smoothed bonus business					
Individual	8 039	752	2 524	2 068	2 695
Non-profit business					
Individual	1 752	623	963	29	137
Annuity business	823	95	156	12	560
Total policyholder liabilities under investment contracts	111 676	50 835	25 007	8 792	27 042

30 June 2007	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	54 713	7 114	19 656	6 861	21 082
Employee benefits	40 074	5 475	15 296	9 568	9 735
Smoothed bonus business					
Individual	8 458	1 045	2 429	2 215	2 769
Employee benefits	4 827	541	1 537	1 192	1 557
Non-profit business					
Individual	2 522	1 040	1 257	28	197
Annuity business	741	21	163	29	528
Total policyholder liabilities under investment contracts	111 335	15 236	40 338	19 893	35 868

	R million	Group 2009	Group 2008	Group 2007
32	**LIABILITIES ARISING TO THIRD PARTIES AS A RESULT OF CONSOLIDATING COLLECTIVE INVESTMENT SCHEMES**			
	Consolidated collective investment schemes			
	– RMB Balanced Fund	808	970	722
	– RMB Absolute Focus Fund	3	721	–
	– RMB Property Fund	159	146	178
	– RMB Maximum Income Fund	378	–	–
	– Global Houseview	2 698	4 015	–
	– US Money Market Fund	–	334	–
	– Money Market Fund	448	–	–
	– Large Cap Fund	218	–	–
	– Focus Equity Fund	539	–	–
	– High Growth Fund	433	–	–
	– MAP Funds	1 061	–	–
	– Momentum Global Fund	–	–	277
	– Momentum Money Market Fund	–	–	105
	Other funds	1 369	1 096	286
		8 114	7 282	1 568

	R million	Group 2009	Group 2008	Group 2007
33	DEFERRED REVENUE LIABILITY			
	Balance at the beginning of the year	296	255	248
	Amount recognised in the income statement during the year	(101)	(87)	(44)
	Deferred income relating to new business	127	128	61
	Non-current liabilities held for sale	–	–	(10)
	Balance at the end of the year	322	296	255

34 SHARE CAPITAL AND SHARE PREMIUM

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

R million	Group 2009	Group 2008	Group 2007
Share capital			
Authorised			
225 000 000 ordinary shares of 5 cents each	11	11	11
50 000 non redeemable, non cumulative, non participating preference shares of 5 cents each	–	–	–
4 104 000 convertible, participating, non-voting preference shares of 5 cents each	–	–	–
Issued			
189 695 508 ordinary shares of 5 cents each	9	9	9
50 000 non redeemable, non cumulative, non participating preference shares of 5 cents each	–	–	–

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

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

	Group 2009	Group 2008	Group 2007
Share premium	1 532	1 532	1 532
Ordinary shares	1 032	1 032	1 032
Non redeemable, non cumulative, non participating preference shares	500	500	500
Share capital and share premium	1 541	1 541	1 541

	R million	Group 2009	Group 2008	Group 2007
35	**RESERVES**			
	Distributable reserves			
	Distributable reserves at beginning of the year	4 521	4 396	4 842
	Transfer of opening balance of share based payments reserve	–	–	80
	Current year movement on equity settled share based payments	18	22	–
	Earnings attributable to ordinary shareholders	1 594	2 002	2 076
	Dividend for the year	(527)	(1 845)	(2 601)
	Transfer to non distributable reserves	–	(54)	(1)
	Distributable reserves at end of the year	5 606	4 521	4 396
	Non distributable reserves			
	Revaluation of investment assets	585	638	522
	Currency translation reserve	51	59	(23)
	Revaluation of properties	5	–	–
	Other	7	11	16
	Total non-distributable reserves	648	708	515
	Total reserves	6 254	5 229	4 911

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

The currency translation reserve represents the cumulative difference between the assets and liabilities of offshore subsidiaries that are translated at closing exchange rates and the equity that are translated at historical rates. This reserve reflects the cumulative movement since 1 July 2004, the date at which the reserve was reset to zero in terms of the IFRS 1 elections.

The other non-distributable reserves reflect the total of all the other reserves that are non-distributable.

	Group 2009	Group 2008	Group 2007
Movement for the year in non-distributable reserves			
Balance at the beginning of the year	708	595	710
Revaluation of investment assets	(53)	116	421
Profit on sale of available-for-sale assets transferred to the income statement	–	–	(567)
Revaluation of properties	5	–	–
Currency translation reserve	(8)	30	(6)
Transfer of share based payment reserve to distributable reserves	–	(80)	–
Transfer to distributable reserves	–	54	–
Movement in other reserves	(4)	(7)	37
Total non-distributable reserves	648	708	595

35 RESERVES (continued)

The Momentum Group is part of the FirstRand share incentive scheme, the FirstRand share appreciation right scheme, the FirstRand black employee trust and the FirstRand black non executive directors' trust. The following is a summary of the share incentive schemes:

The FirstRand Share Incentive Scheme

This scheme provides a facility to employees of Momentum Group to acquire shares in FirstRand Limited, the holding company of Momentum Group Limited. The primary purpose of this scheme is to appropriately attract, incentivise and retain managers within Momentum Group. This scheme is equity settled.

FirstRand Share Appreciation Right Scheme

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

The FirstRand Black Employee Trust

This trust has been set up specifically for the benefit of the black employees. The participation in this trust will be in addition to participation in any existing FirstRand share incentive scheme. After the initial allocation, the primary purpose of this scheme will be to appropriately attract, incentivise and retain black managers within the Momentum Group. This scheme is equity settled.

FirstRand Black Non Executive Directors' Trust

The beneficiaries of this trust are the black non executive and those executive directors who were non executives prior to becoming executives of Momentum Group companies. This scheme is equity settled and distribution to beneficiaries will take place on 31 December 2014.

Momentum's share of the IFRS 2 costs on these schemes amounted to R9 million (2008: R25 million) (2007: R78 million)

Listed below is a reconciliation in the movement of the options in force for the year ended 30 June 2009:

	FirstRand (FSR shares)	FirstRand Share Appreciation Right Scheme (FSR shares)	FirstRand Black Employee Trust	FirstRand black non executive directors' trust
Number of options in force at the beginning of the year (millions)	24.2	22.3	19.1	4.0
Granted at prices ranging between (cents)	608 – 1 787	1 566 – 2 053	1 228 – 2 234	1 228
Weighted average (cents)	1 135	1 821	1 581	1 228
Number of options granted during the year (millions)	–	18.3	–	–
Granted at prices ranging between (cents)	–	1 138 – 1 401	–	–
Weighted average (cents)	–	1 400	–	–
Number of options exercised/released during the year (millions)	(10.3)	–	–	–
Market value range at date of exercise/release (cents)	1 172 – 1 745	–	–	–
Weighted average (cents)	1 430	–	–	–

		FirstRand (FSR shares)	FirstRand Share Appreciation Right Scheme (FSR shares)	FirstRand Black Employee Trust	FirstRand black non executive directors' trust
35	**RESERVES** (continued)				
	Number of options cancelled/lapsed during the year (millions)	(0.4)	(4.4)	(1.5)	–
	Granted at prices ranging between (cents)	608 – 1 787	1 401 – 2 053	1 228 – 2 234	–
	Weighted average (cents)	1 354	1 771	1 567	–
	Number of options in force at the end of the year (millions)	13.5	36.2	17.6	4.0
	Granted at prices ranging between (cents)	1 050 – 1 787	1 138 – 2 053	1 228 – 2 234	1 228
	Weighted average (cents)	1 345	1 615	1 572	1 228
	Options are exercisable over the following periods (first date able to release)				
	Financial year 2007/2008 (millions)	1.1	–	–	–
	Financial year 2008/2009 (millions)	4.5	–	–	–
	Financial year 2009/2010 (millions)	5.2	3.3	–	–
	Financial year 2010/2011 (millions)	2.7	6.1	–	–
	Financial year 2011/2012 (millions)	–	12.1	–	–
	Financial year 2012/2013 (millions)	–	8.8	–	–
	Financial year 2013/2014 (millions)	–	5.9	–	–
	Financial year 2014/2015 (millions)	–	–	17.6	4.0
	Total	13.5	36.2	17.6	4.0
	Adjusted for Discovery unbundling				
	Options outstanding (by expiry date)				
	Financial year 2008/2009 (millions)	–	–	–	–
	Financial year 2009/2010 (millions)	5.3	–	–	–
	Financial year 2010/2011 (millions)	8.2	–	–	–
	Financial year 2011/2012 (millions)	–	9.8	–	–
	Financial year 2012/2013 (millions)	–	8.5	–	–
	Financial year 2014/2015 (millions)	–	17.9	17.6	4.0
	Total	13.5	36.2	17.6	4.0

		FirstRand (FSR shares)	FirstRand Share Appreciation Right Scheme (FSR shares)	FirstRand Black Employee Trust	FirstRand black non executive directors' trust
35	**RESERVES** (continued)				
	Total options outstanding – in the money (millions)	5.3	–	9.9	4.0
	Total options outstanding – out of the money (millions)	8.2	36.2	7.7	–
	Total (millions)	13.5	36.2	17.6	4.0
	Value of company loans to the share option trust at the beginning of the year (R million)	396	–	–	–
	Value of company loans to the share option trust at the end of the year (R million)	326	–	–	–
	Number of participants	257	391	1318	4

36 SCRIP LENDING ARRANGEMENTS

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

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

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

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

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

R million	Group 2009	Group 2008	Group 2007
Market value	6 100	8 747	10 446
Value of collateral	6 237	9 203	12 813
– cash	4 672	8 896	4 463
– investment securities	1 565	307	8 350
Collateral cover %	102%	105%	123%

The fair value of the collateral provided is determined in the same way as the fair value for similar instruments held by Momentum Group.

All the collateral is off statement of financial position, i.e. Momentum does not have the right to sell in the absence of default.

37 CONTINGENCIES AND COMMITMENTS

No material capital commitments existed at 30 June 2009 other than disclosed in the notes above and no material claims had been instituted against the Momentum Group Limited or any of its subsidiaries.

Commitments under derivative instruments

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

38 SUBSEQUENT EVENTS

Declaration of final dividend

On 2 September 2009, Momentum declared a final dividend of R338 million on ordinary shares (R1.78 per ordinary share) for the year ended 30 June 2009 (2008: R475 million or R2.50 per share) (2007: R1 100 million or R5.80 per share), which was not provided for in the historical financial information. On 21 August 2009, Momentum also declared a dividend of R21 million on preference shares (R420 per preference share) (2008: R26 million or R520 per preference share) (2007: R22 million or R431 per preference share), which was also not provided for in the historical financial information. FirstRand Limited owns 100% of the issued ordinary shares of Momentum Group Limited. Momentum claims the full subsidiary exemption on the portion of the dividends for which it does not have credits for the purpose of calculating the amount of STC payable. Therefore, no liability arises in Momentum Group Limited for STC.

Transfer of policies

On 8 September 2009, the Financial Services Board approved the transfer of 52 policies from Momentum Group Limited to Old Mutual Life Assurance Company South Africa Limited, in terms of section 37(2) of the Long-term Insurance Act. Momentum entered into a reinsurance agreement with Old Mutual, effective 1 June 2009, and an amount of R7 568 million was included in reinsurance assets as disclosed in note 23 relating to this reinsurance agreement, which moved off Momentum's statement of financial position after 30 June 2009 as a result of the approval granted by the Financial Services Board for the transfer of the policies.

39 COMPARATIVE INFORMATION

2008

During the financial year the following reclassifications were made mainly as a result of enhanced processes and systems adopted within Momentum, alignment of disclosures with industry practice and clearer understanding of interpretations of application of accounting standards. The detailed reclassifications involved has been noted below:

Statement of financial position R million	2008 As restated	2008 As originally stated	Restatement	Comment
ASSETS				
Cash and cash equivalents	4 919	5 006	(87)	(1)
Derivative financial instruments	10 892	18 100	(7 208)	(2)
Loans and receivables (including insurance receivables)	28 391	23 522	4 869	(3)
Investment securities				
– held-for-trading	15	15	–	
– held-to-maturity	460	460	–	
– available-for-sale	3 100	3 100	–	
– designated fair value through profit or loss	123 386	117 633	5 753	(4)
Investments in associates				
– designated fair value through profit or loss	6 666	6 666	–	
– at equity accounted value	275	275	–	
Property and equipment	157	596	(439)	(5)
Owner occupied buildings	439	–	439	(5)
Deferred tax asset	825	825	–	
Intangible assets	2 829	2 829	–	
Goodwill	297	297	–	
Investment properties	3 808	3 808	–	
Policy loans	753	193	560	(6)
Reinsurance assets	550	550	–	
Current income tax asset	24	24	–	
Total assets	187 786	183 899	3 887	
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable (including insurance payables)	8 989	5 202	3 787	(7)
Derivative financial instruments	4 190	9 190	(5 000)	(2)
Provisions	108	108	–	
Current income tax liabilities	434	434	–	
Employee benefits liabilities	180	180	–	
Deferred tax liability	1 840	1 840	–	
Finance leases	242	242	–	
Other financial liabilities	3 801	3 801	–	
Policyholder liabilities under insurance contracts	41 982	41 982	–	
Policyholder liabilities under investment contracts				
– with discretionary participation features	14 494	14 494	–	
– without discretionary participation features	97 182	96 622	560	(6)
Liabilities arising to third parties as a result of consolidating unit trusts	7 282	2 742	4 540	(8)
Deferred revenue liability	296	296	–	
Total liabilities	181 020	177 133	3 887	

	Statement of financial position R million	2008 As restated	2008 As originally stated	Restate- ment	Comment
39	**COMPARATIVE INFORMATION** (continued)				
	EQUITY				
	Share capital and share premium	1 541	1 541	–	
	Non-distributable reserves	708	708	–	
	Distributable reserves	4 521	4 521	–	
	Shareholders' funds	6 770	6 770	–	
	Minority interest	(4)	(4)	–	
	Total Equity	6 766	6 766	–	
	Total liabilities and equity	187 786	183 899	3 887	

(1) The restatement of R87 million against cash and cash equivalents relates to net off done by a subsidiary of Momentum Group Limited, in line with industry practice.

(2) Momentum's treatment for netting certain derivative financial assets and liabilities was changed in the current year and the comparative numbers were adjusted. This is the result of an enhancement of systems and processes to reliably match derivative transactions.

(3) The impact against loans and receivables can be split as follows:
- R4 343 million increase in money market investments as a result of the netting of derivative financial instruments.
- R321 million reduction in loans and receivables due to a net off done by a subsidiary of Momentum Group Limited, in line with industry practice.
- R847 million increase in loans and receivables due to the consolidation of the SICAV's.

(4) The impact against investment securities designated at fair value through profit or loss can be split as follows:
- R3 760 million increase due to the consolidation of the SICAV's.
- R4 046 million increase due to the gross up of scrip lending balances in order to align with industry practice on similar type investments.
- R2 053 million reduction as a result of the netting of derivative financial instruments.

(5) Owner occupied buildings are disclosed as a separate line on the statement of financial position.

(6) Momentum used to net off policy loans on investment policies against the policyholder liabilities under investment contracts. This treatment was changed in the current year, and the comparative was adjusted.

(7) The impact against accounts payable can be split as follows:
- R408 million reduction due to a net off done by a subsidiary of Momentum Group Limited, in line with industry practice.
- R4 046 million increase due to the gross up of scrip lending balances in order to align with industry practice on similar type investments.
- R149 million increase due to the consolidation of the SICAV's.

(8) The increase of R4 540 million in the liability arising to third parties as a result of consolidating unit trusts relates to the consolidation of the SICAV's for the first time in line with industry practice.

	R million	2008 As restated	2008 As originally stated	Restatement	Comment
39	**COMPARATIVE INFORMATION** (continued)				
	Income statement				
	Insurance premium revenue	5 971	5 971	–	
	Insurance premium ceded to reinsurers	(579)	(579)	–	
	Net insurance premium revenue	5 392	5 392	–	
	Fee income	2 862	2 862	–	
	Investment income	9 499	8 171	1 328	(1)
	Net realised gains on assets	28	28	–	
	Net fair value losses on assets at fair value through profit or loss	(4 240)	(2 906)	(1 334)	(2)
	Net income	13 541	13 547	(6)	
	Insurance benefits	(6 073)	(6 073)	–	
	Insurance benefits recovered from reinsurers	543	543	–	
	Transfer from policyholder liabilities under insurance contracts	3 255	3 255	–	
	Net insurance benefits and claims	(2 275)	(2 275)	–	
	Fair value adjustment to policyholder liabilities under investment contracts	(3 893)	(3 893)	–	
	Fair value adjustment to financial liabilities	258	(122)	380	(3)
	Expenses for the acquisition of insurance and investment contracts	(1 509)	(1 509)	–	
	Expenses for marketing and administration	(2 843)	(2 841)	(2)	(3)
	Expenses	(10 262)	(10 640)	378	
	Results of operating activities	3 279	2 907	372	
	Finance costs	(834)	(462)	(372)	(1)
	Share of income from associates	20	20	–	
	Profit before tax	2 465	2 465	–	
	Taxation	(469)	(469)	–	
	Profit for the year	1 996	1 996	–	
	Profit for the year attributable to	1 996	1 996	–	
	– Equityholders of the group	2 002	2 002	–	
	– Minority shareholders' interest	(6)	(6)	–	

(1) The restatement of investment income can be split as follows:
- R372 million restatement against investment income and finance costs relating to a gross up of interest received and paid on carry transactions, in order to align with industry practice on similar type transactions.
- (R37) million restatement between interest income and fair value losses.
- R993 million restatement due to the consolidation of the SICAV's.

(2) The restatement of net fair value losses on assets at fair value through profit or loss can be split as follows:
- R37 million restatement between interest income and fair value losses.
- (R1 371) million restatement due to the consolidation of the SICAV's.

(3) Restatements due to the consolidation of the SICAV's.

Restatement of 2007 figures during the 2008 financial year
2007
During the year under review, Momentum changed its new business definition relating to employee benefits business to exclude switches between portfolios. The impact on the comparatives is set out in the reconciliation of the policyholder liabilities under investment contracts below.

Policyholder liabilities under investment contracts	**As originally reported 2007**	**As restated 2007**	**Difference**
Balance at the beginning of the year	93 105	93 105	–
Movement in policy loans set off against policyholder liabilities under investment contracts	(42)	(42)	–
Subsidiary balances acquired	–	–	–
Movement for the year	17 705	17 705	–
Deposits received	32 976	30 163	2 813
– Individual	10 775	10 775	–
– Single premiums	7 959	7 959	–
– Recurring premiums	2 816	2 816	–
– Employee benefits	22 201	19 388	2 813
– Single premiums	21 347	18 534	2 813
– Recurring premiums	854	854	–
Policyholder benefits on investment contracts	(33 117)	(30 304)	(2 813)
– Individual	(8 179)	(8 179)	–
– Employee benefits	(24 938)	(22 125)	(2 813)
Fees on investment contracts	(1 768)	(1 768)	–
Foreign exchange movement	(11)	(11)	–
Fair value adjustment to policyholder liabilities under investment contracts	19 625	19 625	–
Balance at the end of the year	110 768	110 768	–

The net impact on profit is Rnil, and resulted merely in an equal decrease in single premiums and benefits paid regarding employee benefits business, amounting to R2 813 million.

Momentum changed the allocation of unclaimed VAT on acquisition costs from expenses for marketing and administration to expenses for the acquisition of insurance and investment contracts, as well as Financial Services Levy from expenses for marketing and administration to taxation. The impact on the comparatives is set out in the reconciliation below:

Expenses for the acquisition of insurance and investment contracts	**As originally reported 2007**	**As restated 2007**	**Difference**
Commission incurred for the acquisition of insurance contracts	1 058	1 184	(126)
Amortisation of deferred acquisition cost asset	114	114	–
Expenses for the acquisition of insurance and investment contracts	1 172	1 298	(126)
Indirect taxes (included under expenses for marketing and administration)			
– Value added taxation	185	59	126

Restatement of 2007 figures during the 2009 financial year
2007

During the financial year the following reclassifications were made mainly as a result of enhanced processes and systems adopted within Momentum, alignment of disclosures with industry practice and clearer understanding of interpretations of application of accounting standards. The detailed reclassifications involved has been noted below:

Statement of financial position R million	2007 As restated	2007 As originally stated	Restate-ment	Comment
ASSETS				
Cash and cash equivalents	4 038	4 088	(50)	(1)
Derivative financial instruments	8 861	17 385	(8 524)	(2)
Loans and receivables (including insurance receivables)	25 141	19 572	5 569	(3)
Investment securities				
– held-for-trading	–	–	–	
– loans and receivables	–	–	–	
– held-to-maturity	1 036	1 036	–	
– available-for-sale	1 589	1 589	–	
– designated fair value through profit or loss	128 784	126 512	2 272	(4)
Investments in associates				
– designated fair value through profit or loss	6 074	6 074	–	
– at equity accounted value	72	72	–	
Property and equipment	93	547	(454)	(5)
Owner occupied buildings	454	–	454	(5)
Deferred tax asset	684	684	–	
Intangible assets	2 746	2 746	–	
Goodwill	294	294	–	
Investment properties	2 356	2 356	–	
Policy loans	733	166	567	(6)
Reinsurance assets	544	544	–	
Current income tax asset	16	16	–	
Non current assets held for sale	407	407	–	
Total assets	183 922	184 088	(166)	
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable (including insurance payables)	6 089	3 141	2 948	(7)
Derivative financial instruments	4 868	8 549	(3 681)	(2)
Provisions	172	172	–	
Current income tax liabilities	210	210	–	
Employee benefits liabilities	204	204	–	
Deferred tax liability	2 213	2 213	–	
Finance leases	270	270	–	
Other financial liabilities	4 283	4 283	–	
Policyholder liabilities under insurance contracts	45 875	45 875	–	
Policyholder liabilities under investment contracts				
– with discretionary participation features	14 296	14 296	–	
– without discretionary participation features	97 039	96 472	567	(6)
Liabilities arising to third parties as a result of consolidating unit trusts	1 568	1 568	–	
Deferred revenue liability	255	255	–	
Non current liabilities held for sale	109	109	–	
Total liabilities	177 451	177 617	(166)	

	Statement of financial position R million	2007 As restated	2007 As originally stated	Restate- ment	Comment
39	**COMPARATIVE INFORMATION** (continued)				
	EQUITY				
	Share capital and share premium	1 541	1 541	–	
	Non-distributable reserves	595	595	–	
	Distributable reserves	4 316	4 316	–	
	Shareholders' funds	6 452	6 452	–	
	Minority interest	19	19	–	
	Total equity	6 471	6 471	–	
	Total liabilities and equity	183 922	184 088	(166)	

Restatement of 2007 figures during the 2009 financial year

(1) The restatement of R50 million against cash and cash equivalents relates to net off done by a subsidiary of Momentum Group Limited, in line with industry practice.

(2) Momentum's treatment for netting certain derivative financial assets and liabilities was changed in the current year and the comparative numbers were adjusted. This is the result of an enhancement of systems and processes to reliably match derivative transactions.

(3) The impact against loans and receivables can be split as follows:
- R2 410 million increase in money market investments as a result of the netting of derivative financial instruments.
- R3 184 million increase in loans and receivables due to the gross up of scrip lending balances in order to align with industry practice on similar type investments.
- R145 million reduction in loans and receivables due to a net off done by a subsidiary of Momentum Group Limited, in line with industry practice.
- R120 million increase in loans and receivables due to the consolidation of the SICAV's.

(4) The impact against investment securities designated at fair value through profit or loss can be split as follows:
- R2 470 million increase as a result of the netting of derivative financial instruments.
- R151 million decrease due to the consolidation of the SICAV's.
- R47 million decrease due to the gross up of scrip lending balances in order to align with industry practice on similar type investments.

(5) Owner occupied buildings are disclosed as a separate line on the statement of financial position.

(6) Momentum used to net off policy loans on investment policies against the policyholder liabilities under investment contracts. This treatment was changed in the current year, and the comparative was adjusted.

(7) The impact against accounts payable can be split as follows:
- R195 million reduction due to a net off done by a subsidiary of Momentum Group Limited, in line with industry practice.
- R3 137 million increase due to the gross up of scrip lending balances in order to align with industry practice on similar type investments.
- R6 million increase due to the consolidation of the SICAV's.

40 DETERMINATION OF FAIR VALUE

Momentum determines fair value with the maximum possible use of quoted market prices and/or observable market data as indicated in the accounting policy note. If market prices are not available or the market for a financial instrument is not active, fair value is determined by using valuation techniques that make maximum use of market inputs.

Where market inputs are not available, non-observable market inputs are used to determine the fair value, based on the group's best estimate. Such inputs include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Valuation techniques applied by the group and that incorporates non-observable market inputs include, *inter alia*, discounted cash flows, earnings multiples, the underlying net asset value of the business and recent similar transactions. Refer below for a description of the principle methods and assumptions used to determine the fair value of financial instruments.

Changes in the group's best estimate of the non-observable inputs could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the income statement. However, changing these inputs to reasonably possible alternatives is not likely to change the fair value significantly.

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

Investments securities

Unlisted equities

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

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

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

Negotiable certificates of deposit

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

Treasury Bills

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

Government, public and utility stocks

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

Other dated securities

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

40 DETERMINATION OF FAIR VALUE (continued)

Derivatives

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

Market prices are obtained from applicable trading exchanges.

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

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

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

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

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

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

Long-term liabilities

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

Liabilities arising the third parties as a result of consolidating collective investment schemes

The fair value of these liabilities is the quoted unit price for the collective investment scheme multiplied by the number of units held by third parties.

Policyholder liabilities under investment contracts

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

Financial instruments not measured at fair value

The following table indicates the fair value of financial instruments which are not measured at fair value on the statement of financial position.

40 DETERMINATION OF FAIR VALUE (continued)

Investment contracts with a discretionary participation feature ("DPF") as described in IFRS 4 have not been included in the table.

	2009		2008		2007	
R million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	48 033	48 112	34 523	34 580	24 862	25 025
Financial liabilities	13 587	13 588	8 989	8 989	3 201	3 201

The fair value has been determined with reference to the fair value of instruments with a similar maturity profile and credit risk.

Investment contracts with discretionary participation features

Momentum issues investment contracts with discretionary participation features, as defined in IFRS 4. The fair value of the DPF has not been determined as there is significant variability in the range of reasonable fair value estimates.

The carrying amount of DPF contracts has been included in note 31. These contracts are measured on the basis described in the accounting policies. The significant assumptions and estimates used in the valuation of these features have been described in note 1.

As there is no market for these instruments Momentum does not intend to dispose of these contracts but will make the required contractual payments under these contracts until their maturity date.

41 RISK MANAGEMENT PHILOSOPHY

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

Risk Management objectives

Momentum's key risk management objectives are to:

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

Risk appetite

Momentum's business as a financial intermediary is based on the identification, measurement, pricing, taking and management of risk. Momentum does not aim to eliminate risk entirely but to assume it deliberately in a measured, calculated and controlled fashion pursuant to its business objectives.

The level of risk Momentum is willing to take on – its risk appetite – is determined by the Board, which also assumes responsibility for ensuring that risks are adequately managed and controlled through the Board's Risk Committee and its sub-committees, as described in the Governance section.

Momentum's risk appetite finds its primary quantitative expression in the level of capitalisation it seeks to maintain as described in the Capital Management section.

risk appetite is calibrated against broader financial targets such as the level of dividend coverage, embedded value and earnings. As a function of the business environment and stakeholders' expectations and together with the primary risk appetite metrics, this provides firm boundaries for the organisation's chosen path of growth.

Capital Management

Allocating resources, including capital and risk capacity in terms of Momentum's risk appetite effectively and in a manner that maximises value for shareholders is a core competence and a key focus area for Momentum and, as such, sound capital management practices form an important component of its overall business strategy.

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory Capital Adequacy Requirement ("CAR") with cash or near-cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest bearing assets. RMB Asset Management manages the discretionary cash, held by the shareholders' portfolio, according to a conservative investment mandate.

Capital position

Momentum previously targeted an economic capitalisation level range of 1.7 – 1.9 times CAR. During 2008, the Actuarial Society of South Africa ("ASSA") issued revised professional guidance for the calculation of the regulatory minimum capital adequacy requirement. The revised CAR formulae, which now explicitly allow for credit and operational risks, applied to Momentum for the first time during the 2009 financial year. ASSA has also revised the professional guidance for the quantification of the capital required in respect of minimum investment return guarantees. In the past, Momentum allowed for these risks in its targeted economic capitalisation level.

Given that the revised CAR formulae now explicitly allow for operational and credit risks, Momentum had to reformulate its targeted economic capitalisation level. Under the new CAR formulae, the reformulated targeted economic capitalisation level range reduced to 1.4 – 1.6 times CAR. This targeted capitalisation level satisfies the same risk appetite towards capital as the previous targeted range.

41 RISK MANAGEMENT PHILOSOPHY (continued)

At 30 June 2009, Momentum's CAR was covered 1.8 times by the excess of assets over liabilities (on the statutory valuation basis).

R million	At 30 Jun 2009	At 30 Jun 2008 Pro-forma	At 30 Jun 2008 Post dividend	At 30 Jun 2008 Published	At 30 Jun 2007 Post dividend	At 30 Jun 2007 Before dividends
Statutory excess over liabilities	7 108	5 613	5 613	6 114	4 694	5 794
CAR	3 843	3 776	2 826	2 826	2 467	2 467
CAR cover rate (times)	1.8	1.6	2.0	2.2	1.9	2.3

Momentum's pro-forma capital position at 30 June 2008 (based on the revised CAR formulae), was 1.6 times CAR. At 31 December 2008, Momentum published a CAR cover level of 1.4 times CAR. This capital level was at the lower-end of the reformulated targeted range.

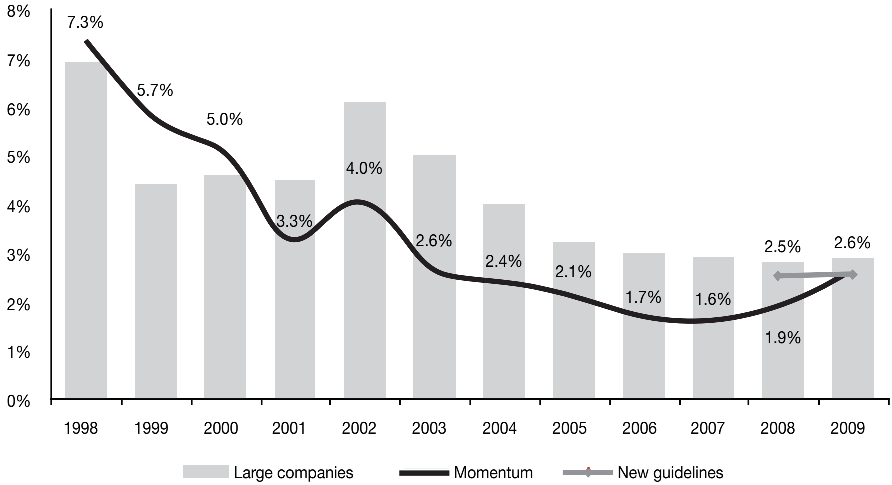
Over the six-month period from 30 June 2008 to 31 December 2008, the Global Financial Crisis resulted in equity markets reducing by almost 30%, long-term interest rates reduced by 3% and equity volatilities increased to near all-time highs. The combination of these events in effect represented a capital-stress scenario (i.e. an event in the "tail of the distribution"), and it was therefore expected that such an event would result in Momentum's capital position being close to the lower-end of its targeted range. The robustness of Momentum's capital structure and the efficiency of its capital management were reinforced by the Global Financial Crisis.

At 30 June 2009, Momentum's CAR cover amounted to 1.8 times CAR. Momentum's capital position therefore improved over the year under review. This is due to the larger proportional increase in excess assets compared to the increase in CAR over the year under review.

The increase in CAR was mainly due to an increase in the capital required in respect of minimum investment return guarantees. The increase in the excess assets resulted from the positive contribution by Momentum's attributable earnings, as well as the dividend holiday that Momentum was granted during the March 2009 dividend cycle.

The capital position at 30 June 2009 is above the upper-end of the reformulated targeted range, which allows Momentum to pay a final ordinary dividend (of R329.8 million) to FirstRand Limited in October 2009. This dividend represents a dividend cover of 2,5 times based on 50% of the F2009 normalised earnings.

41 RISK MANAGEMENT PHILOSOPHY (continued)



Following the payment of the proposed dividend (as well as the cost of STC thereon), Momentum's capital level will remain at 1.8 times CAR. Momentum's board deems it prudent to maintain a buffer above the upper-end of the range in recognition of the uncertain market conditions.

Capital efficiency

The graph below illustrates the improvements in Momentum's capital efficiency over the past number of years, as well as the impact of the revised CAR formulae at 30 June 2009. The capital efficiency is measured by expressing CAR as a percentage of Momentum's total policyholder liabilities. Not all the results of the large companies at 30 June 2009 were available at the time of writing. For those companies for which the results were not yet available, the ratio at 31 December 2008 was used.

The comparison in the graph above illustrates that, historically, Momentum's insurance business tended to be less capital intensive than the average of the large South African insurance companies.

The reduction in the CAR (as a percentage of liabilities), from 1998 to 2007 mainly resulted from a more capital-efficient liability mix, as well as the positive impact of good investment performance. The increase in the ratio in 2008 (from 1.6% in 2007 to 1.9% in 2008), was due to a reduction in policyholder bonus stabilisation accounts (given the relatively low growth in equity markets over this period), as well as the increased capital requirement for minimum benefits under certain products, in line with regulations that followed the Statement of Intent.

The introduction of the revised CAR formulae at 31 December 2008 has increased the absolute level of CAR, which will increase the ratio of CAR as a percentage of liabilities going forward. It is therefore not relevant to compare the ratio at 30 June 2009 to the historical ratios.
At 30 June 2009, the CAR as a percentage of liabilities amounted to 2.6%. The pro-forma ratio at 30 June 2008 (based on the revised CAR formulae), of 2.5%, is also shown in the graph above. The slight increase in the ratio over the twelve months to 30 June 2009 was mainly due to the reduction in the bonus stabilisation accounts, given the weak equity market performance over the year under review, as well as the increase in the capital held in respect of minimum investment guarantees.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Composition of regulatory capital

The Financial Services Board ("FSB") has not formally limited the extent to which South African life insurance companies can incur debt on their statements of financial position. In line with FirstRand's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 30 June 2009.

Regulatory capital R million	At 30 June 2009	%	At 30 June 2008 Post dividend	%	At 30 June 2007	%
Tier 1	6 102	86	4 577	82	4 758	82
– Core Tier 1 (i.e. equity capital)	5 642	79	4 077	73	4 258	73
– Non redeemable preference shares	460	7	500	9	500	9
Subordinated qualifying bond [1]	1 006	14	1 036	18	1 036	18
Qualifying statutory capital	7 108	100	5 613	100	5 794	100

1 This debt level is within the limit of 30%

Momentum's credit rating

As part of the ongoing management of Momentum's capital position, the annual review of Momentum's credit rating was conducted by FitchRatings ("Fitch") during November 2008.

Fitch affirmed Momentum's credit ratings on 31 March 2009. The National Insurer Financial Strength ("IFS") and National Long-term Ratings were affirmed at 'AA+(zaf)' and 'AA(zaf)', respectively (this is consistent with 2008 and 2007). The credit rating of Momentum's subordinated debt was also affirmed at 'AA-(zaf)'. The Outlooks for the IFS and National Long-term Ratings were, however, changed to Negative from Stable, which is consistent with the change in Outlooks of Momentum's main competitors that are also rated by Fitch.

Return on equity

The active management of Momentum's capital plays an important role to achieve the targeted return on capital set by FirstRand Limited. The return on equity ("ROE") for the twelve months ended 30 June 2009 amounted to 22.6% (based on normalised earnings, which are calculated as headline earnings adjusted for the impact of non operational items and accounting anomalies), compared to 30.8% in the comparative periods. The decrease in the RoE is mainly due to the impact of the adverse market conditions experienced during the period under review.

Risk governance

Momentum recognises that clear accountability is fundamental to the management of risk. The risk governance model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance.

Risk Management

Momentum's Board of Directors retains ultimate responsibility for the total process of risk management. Momentum's Chief Executive is accountable to the Board for the management of risks facing Momentum and is supported in the management of these risks by business unit executives and line management. Management and staff within each business unit are responsible for the identification, assessment, management, monitoring and reporting of risks arising within their respective areas.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Risk Oversight

The Statutory Actuary has a duty under the Long Term Insurance Act to ensure that the legal entity remains solvent and able to meet liabilities at all times. The Statutory Actuary reports on these matters to the Board, Independent Auditors and the Financial Services Board ("FSB"). An actuarial committee is also in operation at Momentum. The committee has been appointed by the Board to ensure that the highly technical actuarial aspects specific to insurance companies are debated and reviewed independently.

The Chief Risk Officer and the Enterprise Risk Management ('ERM') function provides objective oversight and co-ordinates the enterprise risk management process. Individual business units are supported in the execution of their risk management responsibilities by deployed risk management functions. The deployed risk management functions are overseen centrally by ERM.

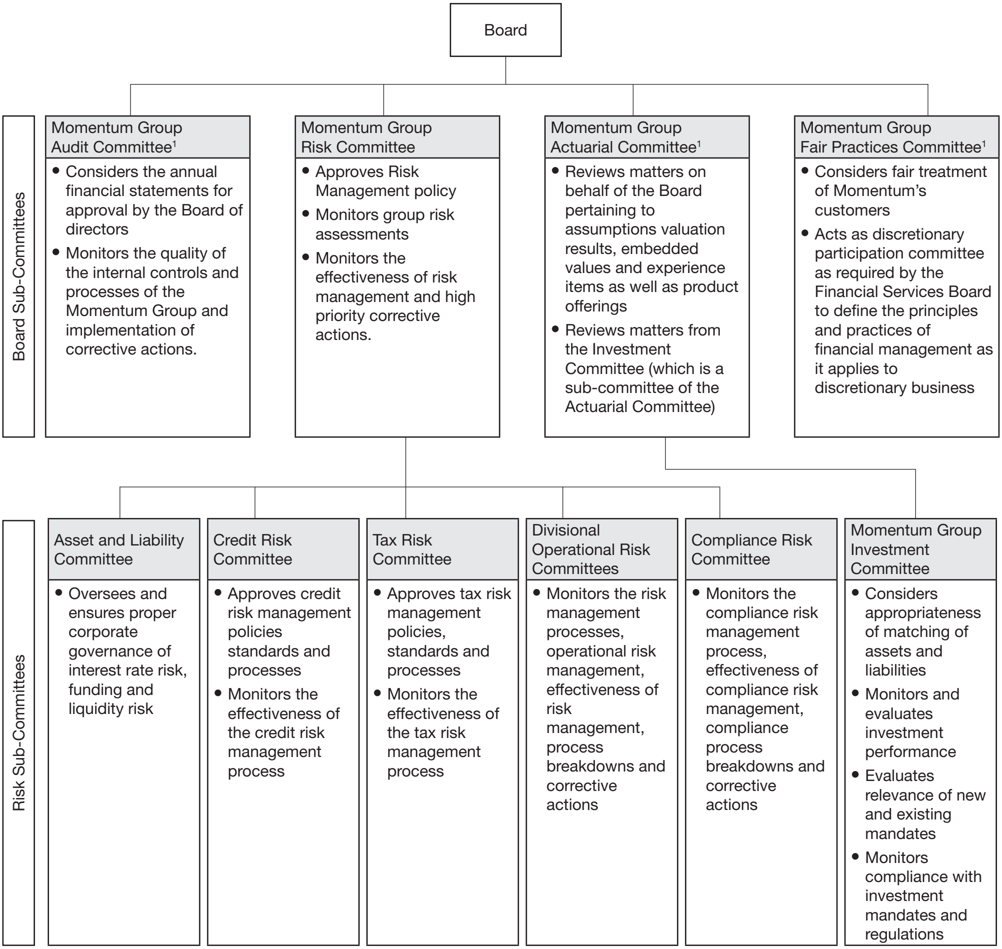
Independent assurance

Independent, objective assurance on the effectiveness of the management of risks across Momentum is provided to Momentum's Board through the FirstRand Group Internal Audit function, the external auditors and Momentum's Audit committee.

Committee structure

The Momentum Board retains ultimate responsibility for ensuring that risks are adequately identified, measured, managed and monitored across the group. The Board discharges it's duty through relevant policies and frameworks as well as four board committees and their respective sub-committees. The primary Board committee overseeing risk matters is the Momentum Risk committee. The Risk Committee has delegated responsibility for a number of specialist topics to a number of specialist risk sub-committees, as illustrated below:

41 RISK MANAGEMENT PHILOSOPHY (continued)



1 Chairperson is a board member

All subsidiaries, divisions and major business units of Momentum have appropriate governance forums where risk, compliance and audit matters are tabled. Momentum's audit committee and Momentum's risk committee have non-executive representation. Momentum's audit committee meetings are attended by representatives from the external and internal auditors and the independent risk management functions.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Risk management framework

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

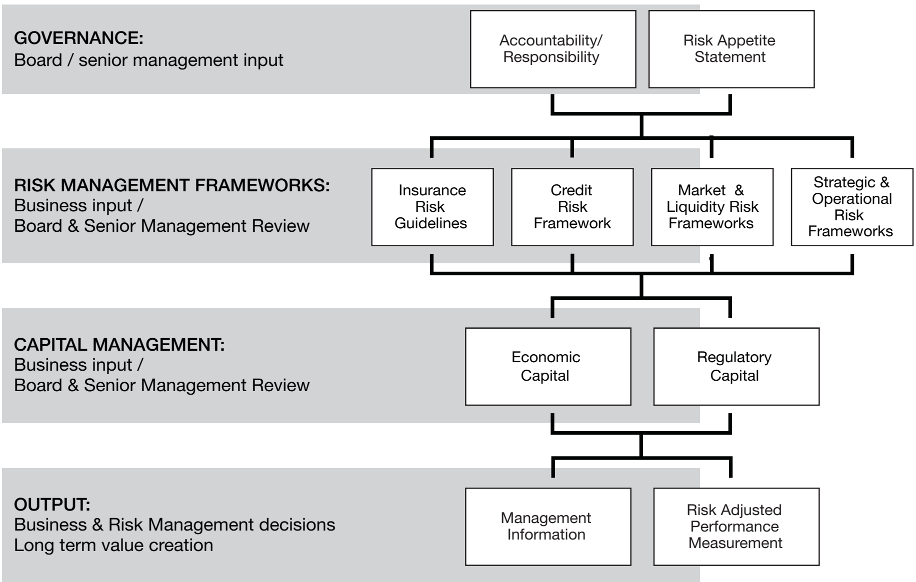
- Insurance risk;
- Credit risk;
- Market and Liquidity risk; and
- Strategic and Operational risk.

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

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

The diagram below describes the link between these elements.

RISK MANAGEMENT FRAMEWORK



The principles described in the Risk Management Framework and all of the supporting risk management frameworks apply to all of the Divisions, Business Units and Subsidiaries of the Momentum Group.

The following sections provide a detailed description of the approaches, methodologies, models and processes used in the identification and management of each major risk type. Each section also describes the applicable governance and policy framework.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Insurance risk

Introduction

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks.

Insurance risk governance

The Statutory Actuary has a duty under the Long Term Insurance Act to ensure that the legal entity remains solvent and able to meet liabilities at all times. The Statutory Actuary reports on these matters to the Board, Independent Auditors and the Financial Services Board (“FSB”). The Momentum actuarial committee supports the Statutory Actuary in his responsibility for the oversight of insurance risk. The committee has been appointed by the Board to ensure that the highly technical actuarial aspects specific to insurance companies are debated and reviewed independently.

Insurance risk management

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

Insurance events are by nature random and the actual number and amount of claims and benefits could be different from the number and amount of claims and benefits estimated. The larger the portfolio of contracts, the smaller the expected variation between actual and expected experience becomes. In addition, the more diversified a portfolio of risks, the smaller the impact of deviation of actual experience in a particular risk factor, compared to the assumption. The lack of diversification in respect of type and amount of risk can increase insurance risk.

R million

41 RISK MANAGEMENT PHILOSOPHY (continued)

The following table shows the statement of financial position of the insurance operations per type of contract:

At 30 June 2009	Linked/ Market related business	Reversionary and smoothed bonus business	Annuities and non participating business
Assets			
Financial Assets less non-policyholder liabilities	115 141	22 290	21 533
Policyholder liabilities	107 770	20 650	20 878
Policyholder liabilities under insurance contracts	12 630	8 228	18 212
Policyholder liabilities under investment contracts	95 140	12 422	2 666
Excess assets	7 371	1 640	655
Total	115 141	22 290	21 533

At 30 June 2008	Linked/ Market related business	Reversionary and smoothed bonus business	Annuities and non participating business
Assets			
Financial Assets less non-policyholder liabilities	117 318	23 396	19 150
Policyholder liabilities	110 882	23 169	19 047
Policyholder liabilities under insurance contracts	15 593	9 917	16 472
Policyholder liabilities under investment contracts	95 289	13 252	2 575
Excess assets	6 436	227	103
Total	117 318	23 396	19 150

At 30 June 2007	Linked/ Market related business	Reversionary and smoothed bonus business	Annuities and non participating business
Assets			
Financial Assets less non-policyholder liabilities	117 139	24 588	21 387
Policyholder liabilities	111 027	24 342	21 274
Policyholder liabilities under insurance contracts	16 805	11 058	18 012
Policyholder liabilities under investment contracts	94 222	13 284	3 262
Excess assets	6 112	246	113
Total	117 139	24 588	21 387

41 RISK MANAGEMENT PHILOSOPHY (continued)

Momentum is exposed to the following types of risks as a result of the insurance contracts it issues:

- Mortality, longevity and morbidity risk;
- Persistency risk;
- Expense risk; and
- Business volume risk

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

Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may be higher than what is assumed in pricing and valuation varies, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

i. Individual insurance business

Products are sold directly to individuals providing benefits on death and disability, including impairment, or in the event of suffering a critical illness. The main insurance risk relates to the possibility that rates of death or disability may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of insurance events;
- Incorrect assumptions regarding future experience;
- Natural catastrophes such as floods or earthquakes, and unnatural catastrophes such as acts of terrorism;
- The impact of HIV/AIDS or epidemics such as Avian Bird Flu;
- Anti-selection such as where a client who has a pre-existing condition or disease purchases a product where a benefit will be paid on death or in the event of contracting such a disease;
- The effect of selective withdrawal which means policyholders are less likely to withdraw voluntarily if they are more likely to need the cover in the foreseeable future;
- Economic conditions resulting in more disability claims; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms that reduce the risk accepted by Momentum. Therefore Momentum employs the following underwriting controls to ensure that only acceptable risks are accepted:

- Underwriting, which is the assessment of health risk, hazardous pursuits or financial risk, including the requirement of a negative HIV test as a condition for accepting risk, charging extra premiums or declining cover where applicable based on the outcome of the underwriting, and differentiating premiums for risk factors such as age and smoker status;
- Appropriate pricing including allowing for known risks based on actual claims experience, and making use of profit-testing techniques;
- Regular review of premium rates and approval of the approach to setting premium rates by the Statutory Actuary;
- A guarantee period shorter than the policy term applies to risk business, and enables Momentum to review premium rates on in-force contracts during the life of contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years; and
- Appropriate policy conditions, including setting appropriate maximum income replacement ratios in the case of products providing disability benefits, and approval of policy conditions by the Statutory Actuary.

41 RISK MANAGEMENT PHILOSOPHY (continued)

The following additional controls and measures are in place in order to ensure that Momentum manages it's exposure to mortality and morbidity risk:

- Claims assessment processes to ensure only valid claims are paid;
- Reserving for AIDS risk in accordance with the guidelines issued by the Actuarial Society of South Africa as set out in Professional Guidance Note ("PGN") 105;
- Reinsurance to limit Momentum's liability on particularly large claims or substandard risks. On all individual pure risk business, Momentum reinsures 30% of the mortality risk and 35% of the morbidity risk. The maximum retention on aggregate mortality and morbidity risks on any one life is R3 million. During the course of the financial year, the reinsurance agreement on individual pure risk business was altered for all new policies written. Under the new arrangement, 15% of mortality and morbidity risk is reinsured with maximum retention on aggregate for any one life of R5 million; and
- Concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance, as well as by taking out catastrophe reinsurance. Momentum's catastrophe reinsurance cover for the current financial year is R450 million in excess of R50 million for any single event involving three or more lives, in respect of both individual and group business, with a second layer of R35 million in excess of R15 million in respect of group business.

The following table shows the concentration of amounts at risk per life and in total, both gross and net of reinsurance as at 30 June 2009. Benefits include those payable on death, as well as both stand alone and accelerated dread disease and disability benefits.

30 June 2009 Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R million)	Total amount at risk net of reinsurance (R million)
0 – 50 000	247 884	2 869	2 354
50 001 – 100 000	50 633	3 991	3 275
100 001 – 200 000	84 053	12 585	10 009
200 001 – 500 000	195 620	68 846	51 051
500 001 – 1 000 000	183 533	135 894	97 707
More than 1 000 000	192 140	452 606	255 072
Total	953 863	676 791	419 468

30 June 2008 Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R million)	Total amount at risk net of reinsurance (R million)
0 – 50 000	233 480	2 252	2 006
50 001 – 100 000	46 579	3 739	3 090
100 001 – 200 000	86 258	12 957	10 171
200 001 – 500 000	202 295	70 956	51 244
500 001 – 1 000 000	178 437	131 219	91 526
More than 1 000 000	168 610	379 641	207 007
Total	915 659	600 764	365 044

41 **RISK MANAGEMENT PHILOSOPHY** (continued)

30 June 2007 Sum at risk per benefit	Number of benefits	Total amount at risk gross of reinsurance (R million)	Total amount at risk net of reinsurance (R million)
0 – 50 000	261 969	2 481	2 307
50 001 – 100 000	49 963	3 973	3 365
100 001 – 200 000	90 373	13 628	10 937
200 001 – 500 000	205 702	71 851	52 982
500 001 – 1 000 000	168 359	123 202	88 040
More than 1 000 000	142 095	304 863	175 920
Total	918 461	519 998	333 551

Before reinsurance 67% of the total amount at risk is for sums at risk exceeding R1 million per benefit at 30 June 2009. This reduces to 61% if reinsurance is taken into account.

ii. Group risk business

Employee benefit products provide life and disability cover to members of a group, such as employees of companies or members of trade unions. Typical benefits are:

- Life insurance (mostly lump sum, but some children and spouse's annuities)
- Disability insurance (lump sum and income protection)
- Dread disease cover
- Continuation of insurance option

The products are, as a rule, quite simple and mostly basic products with a one-year renewable term. In most cases the products are compulsory for all employees although it has become more common recently to provide members with a degree of choice when selecting risk benefits.

Underwriting on group business is much less stringent than for individual business as there is typically less scope for anti-selection. The main reason for this is that participation in Momentum's insurance programmes is normally compulsory, and as a rule members have limited choice in the level of benefits. Where choice in benefits and levels is offered, this is accompanied by an increase in the level of underwriting to combat anti-selection.

Groups are priced using standard mortality and morbidity tables plus an explicit AIDS loading. The price for an individual scheme is adjusted for the following risk factors:

- Region
- Salary structure
- Gender structure
- Industry

For large schemes (typically 200 or more members), a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience.

Rates are guaranteed for one year. Rates may be guaranteed for up to three years on request but will be subject to an additional loading. Momentum does not pay claims resulting from active participation in war or from atomic, biological or chemical weapon risks.

To manage the risk of anti-selection, there is an 'Actively at Work' clause, which requires members to be actively at work and attending to their normal duties for cover to take effect. This is waived if we take over a scheme from another insurer for all existing members. In addition, a pre-existing clause applies, which states that no disability benefit will be payable if a member knew about a disabling condition within a defined period before the cover commenced and the event takes place within a defined period after cover has commenced.

There is a standard reinsurance treaty in place covering group business.

Lump sum benefits in excess of R4 million and disability income benefits above R30 000 per month are reinsured.

There are some facultative arrangements in place on some schemes where a special structure is required, for example a very high free cover limit or high benefit levels.

41 RISK MANAGEMENT PHILOSOPHY (continued)

In addition, there is a catastrophe treaty in place for both group business and individual business. Such a treaty is particularly important for Momentum's "group risk" business as there are considerably more concentrations of risks compared to individual business. Momentum's catastrophe reinsurance cover for the current financial year is R450 million in excess of R50 million for any single event involving three or more lives, in respect of both individual and group business, with a second layer of R35 million in excess of R15 million in respect of group business.

An indication of the concentration risk in respect of group business can be obtained by noting that the five largest group schemes contribute 10% to the total risk exposure under group life cover in force at 30 June 2009 (2008:10%) (2007: 20%).

iii. Individual annuity business

Annuity contracts provide a specified regular income in return for a lump sum consideration. The income is normally provided for the life of the annuitant. In the case of a joint-life annuity, the income is payable until the death of the last survivor. The income may furthermore be paid for a minimum guaranteed period and may be fixed or increased at a fixed rate or in line with inflation. The mortality risk in this case is that the annuitants may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

Momentum manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. Momentum measures deviations of experience from assumptions bi-annually. Momentum also performs more detailed actuarial experience investigations (the last detailed investigation was performed in June 2007) and adjusts assumptions in pricing for new contracts and valuation of existing contracts when necessary. The next detailed investigation will be performed in September 2009.

The following table shows the distribution of number of annuities by total amount per annum.

			30 June 2009		30 June 2008		30 June 2007	
Income category p.a.			**Number of annuitants**	**Amount per annum (R million)**	**Number of annuitants**	**Amount per annum (R million)**	**Number of annuitants**	**Amount per annum (R million)**
0	to	10 000	60 752	256	62 405	258	67 260	277
10 001	to	50 000	26 246	565	25 890	555	28 754	611
50 001	to	100 000	4 189	288	4 071	280	4 257	293
100 001	to	200 000	1 699	229	1 631	218	1 628	218
200 001+			534	165	404	114	390	111
Total			**93 420**	**1 503**	**94 401**	**1 425**	**102 289**	**1 510**

The largest concentration in terms of the number of annuitants is for small amounts of income per annum. 89% of the total amount of income payable per year relates to income per annuity of R200 000 or less.

iv. Permanent health insurance business

Momentum also pays Permanent Health Insurance ("PHI") income to disabled employees, the bulk of which are from employee benefit insured schemes. The income payments continue to the earlier of death, recovery or retirement of the disabled employee. There is therefore the risk of lower recovery rates or lower mortality rates than assumed, resulting in claims being paid for longer periods. Claims in payment are reviewed annually to ensure claimants still qualify and rehabilitation is managed and encouraged.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Persistency risk

Persistency risk relates to the risk that policyholders may cease or reduce their contributions, or withdraw their benefits and terminate their contracts prior to the contractual maturity date of a contract. Expenses such as commission and acquisition expenses are largely incurred at outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract or premiums are terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred. As a result, the amount payable on withdrawal normally makes provision for recouping any outstanding expenses from intermediaries. However, losses may still occur if the expenses incurred exceed the value of a policy, which normally happens early on in the term of recurring premium policies, or where the withdrawal amount does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum applying, or because of product design.

The recovery of expenses is in line with the regulatory limitations introduced in 2006. Therefore, in addition to setting realistic assumptions with regards to termination rates (rates of withdrawal and lapse), based on Momentum's actual experience specific amounts are set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts. In addition, efforts are in place to actively retain customers at risk of departure due to lapse, surrender or maturity.

Effective 1 January 2009, industry commission regulations have been reformed such that the commission paid on many products with investment contracts is more closely aligned to premium collection and terms of the contract. This reduces the risk of non-recovery of commission on new policies subsequently cancelled or paid up.

Expense risk

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

Momentum performs expense investigations annually and sets pricing and valuation assumptions to be in line with actual experience, with allowance for inflation. The inflation assumption furthermore allows for the expected gradual shrinking of the number of policies arising from the run-off of books closed to new business arising from past acquisitions.

Business volume risk

There is a risk that Momentum may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes. The fixed cost component can be scaled down if there is an indication of a permanent decline in business volumes. A further mitigating factor is that the distribution channels used to generate new insurance and investment business are also used to distribute other product lines within Momentum, such as health insurance and short-term insurance.

Sensitivities

The following table sets out the impact on liabilities of changes in the key valuation assumptions relating to insurance risk. The numbers in the table demonstrate the impact on liabilities if experience deviates from our "best estimate" assumptions in all future years – not only in one given time period.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Liability sensitivities at 30 June 2009 R million	Liability	Renewal expenses decrease by 10%	Expense inflation decreases by 1%	Discon-tinuance rates decrease by 10%	Mortality and morbidity decrease by 10%	Invest-ment returns reduce by 1%
Insurance Business (as defined under IFRS4)						
Retail Insurance Business (excluding annuities)	20 843	20 692	20 750	20 846	20 293	20 903
Annuities (retail and employee benefits)	16 677	16 634	16 634	16 677	16 903	18 057
Employee Benefits Business	1 549	1 549	1 549	1 549	1 554	1 555
Investment Business (as defined under IFRS 4)	110 227	110 222	110 224	110 227	110 227	110 379
Total	**149 296**	**149 097**	**149 157**	**149 299**	**148 977**	**150 894**

Liability sensitivities at 30 June 2008 R million	Liability	Renewal expenses decrease by 10%	Expense inflation decreases by 1%	Discon-tinuance rates decrease by 10%	Mortality and morbidity decrease by 10%	Invest-ment returns reduce by 1%
Insurance Business (as defined under IFRS4)						
Retail Insurance Business (excluding annuities)	26 303	26 240	26 273	26 306	25 869	26 184
Annuities (retail and employee benefits)	13 999	13 744	13 620	13 999	14 290	15 337
Employee Benefits Business	1 680	1 680	1 680	1 680	1 680	1 680
Investment Business (as defined under IFRS 4)	111 116	111 047	111 052	111 116	111 086	111 268
Total	**153 098**	**152 711**	**152 625**	**153 101**	**152 925**	**154 469**

Liability sensitivities at 30 June 2007 R million	Liability	Renewal expenses increase by 10%	Expense inflation increases by 1%	Discon-tinuance rates decrease by 10%	Mortality and morbidity decrease by 10%	Invest-ment returns reduce by 1%
Insurance Business (as defined under IFRS4)						
Retail Insurance Business (excluding annuities)	28 556	28 700	28 708	28 461	29 506	28 570
Annuities (retail and employee benefits)	15 671	16 008	16 014	15 672	16 396	17 370
Employee Benefits Business	1 648	1 648	1 648	1 648	1 648	1 648
Investment Business (as defined under IFRS 4)	110 768	110 839	110 835	110 833	110 830	110 848
Total	**156 643**	**157 195**	**157 205**	**156 614**	**158 380**	**158 436**

41 RISK MANAGEMENT PHILOSOPHY (continued)

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

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

The table does not show the financial impact of variances in lump sum mortality and morbidity claims in respect of employee benefit business, because of the annually renewable nature of this class of insurance. An indication of the sensitivity of financial results to mortality and morbidity variances on this class of business can be obtained by noting that a 10% increase in mortality and morbidity lump sum benefits paid on employee benefits in any given year will result in a reduction of R73.7 million in the before-tax earnings of Momentum.

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

Credit risk

Introduction

Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty. It could also arise from the decrease in value of an asset subsequent to the downgrading of a counterparty.

Credit risk arises from the investment in corporate debt in the shareholders' and guaranteed portfolios as well as linked portfolios.

Credit risk governance

Credit risk in Momentum is managed in terms of the Credit Risk Management Framework, which is a sub framework of Momentum's Risk Management Framework. The governance of credit risk is comprehensively set out in the Credit Risk Charter. The overall responsibility for the effectiveness of credit risk management processes vests with the Board of directors. The operational responsibility has been delegated to Momentum's Risk committee, the Credit risk committee, executive management and the credit risk management function. The credit risk committee is also responsible for setting and monitoring the credit risk sections of mandates for linked policyholder portfolios.

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

- quality of the credit portfolio;
- stress quantification;
- credit defaults against expected losses;
- credit concentration risk;
- return on risk; and
- appropriateness of loss provisions and reserves.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Credit risk management
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 Credit Risk committee has formulated guidelines regarding the investment in corporate debt instruments, including a framework of limits based on Momentum's credit risk appetite, the nature of the exposure, a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry classification and other qualitative factors.

To achieve the above, an internal credit risk function performs ongoing risk management of the credit portfolio. This is made possible by 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.

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

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

Concentration risk
Concentration risk is managed at the credit portfolio level. The nature thereof differs according to segment. Concentration risk management in the credit portfolio is based on individual name limits and exposures (which are reported to and approved by the credit risk committee) 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.

Portfolio overview
The following represents Momentum's total exposure to credit risk (before taking into account any security held):

	2009			
R million	**Insurance**	**Asset management**	**Other**	**Total**
Maximum exposure to credit risk before taking into account any collateral held:				
Cash and short term funds and money market investments	40 825	86	56	40 967
Accounts receivable	6 244	104	37	6 385
– Premium debtors	446	–	–	446
– Commission debtors	136	–	–	136
– Reinsurance debtors	212	–	–	212
– Other	5 450	104	37	5 591
Investment Securities	33 569	94	–	33 663
Derivative Financial Instruments	9 455	–	–	9 455
Policy loans	604	–	–	604
Reinsurance Assets	8 143	–	–	8 143
Total	**98 840**	**284**	**93**	**99 217**

41 RISK MANAGEMENT PHILOSOPHY (continued)

R million	2008 Insurance	Asset management	Other	Total
Maximum exposure to credit risk before taking into account any collateral held:				
Cash and short term funds and money market investments	30 753	307	93	31 153
Accounts receivable	2 010	109	38	2 157
– Premium debtors	409	–	–	409
– Commission debtors	59	–	–	59
– Reinsurance debtors	184	–	–	184
– Other	1 358	109	38	1 505
Investment Securities	42 178	–	–	42 178
Derivative Financial Instruments	10 892	–	–	10 892
Policy loans	753	–	–	753
Reinsurance Assets	550	–	–	550
Total	**87 136**	**416**	**131**	**87 683**

R million	2007 Insurance	Asset management	Other	Total
Maximum exposure to credit risk before taking into account any collateral held:				
Cash and short term funds and money market investments	27 046	300	39	27 385
Accounts receivable	1 654	128	12	1 794
– Premium debtors	149	–	–	149
– Commission debtors	47	–	–	47
– Reinsurance debtors	212	–	–	212
– Other	1 246	128	12	1 386
Investment Securities	63 104	43	–	63 147
Derivative Financial Instruments	8 861	–	–	8 861
Policy loans	733	–	–	733
Reinsurance Assets	544	–	–	544
Total	**101 942**	**471**	**51**	**102 464**

Corporate and government debt

Momentum adopts a portfolio management approach to credit exposures. In order to achieve appropriate diversification, limits are applied at industry sector level, the number of single obligor exposures within rating categories, and the targeted weighted average rating of the portfolio.

Momentum's total exposure to corporate and government debt amounted to R33.7 billion at 30 June 2009 (2008: R42.2 billion) (2007: R63.1 billion):

41 RISK MANAGEMENT PHILOSOPHY (continued)

R million	Banks	RSA Govern-ment	Utilities	Mining	Other Sectors	Total
2009	2 325	14 503	2 295	–	14 540	33 663
2008	8 488	11 203	4 275	22	18 190	42 178
2007	11 500	12 914	–	–	38 733	63 147

The exposure to "other sectors" is spread across 29 industry sectors, with no single sector representing more than 5.6% of the total corporate debt exposure.

The exposure to banks represents debt, cash on deposit, derivative and other exposures to the largest A rated banks in South Africa. The largest counterparty exposure is to the RSA Government with R14.5 billion in exposure at 30 June 2009 (2008: R11.2 billion) (2007: R12.9 billion).

The total debt portfolio is spread as follows across the various ZAR rating categories (based on Standard and Poor's rating scale):

	2009					
R million	Cash and short term funds	Reinsur-ance Assets	Invest-ment securities	Scrip lending	Deriva-tives	Total
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	40 960	8 120	32 498	4 672	9 455	95 705
B+ to B- (B+ to B-)	6	–	–	–	–	6
Unrated	1	23	1 166	–	–	1 190
Total	**40 967**	**8 143**	**33 664**	**4 672**	**9 455**	**96 901**

	2008					
R million	Cash and short term funds	Reinsur-ance Assets	Invest-ment securities	Scrip lending	Deriva-tives	Total
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	31 154	549	42 177	8 897	10 829	93 606
B+ to B- (B+ to B-)	–	–	17	–	63	80
Unrated	–	1	–	–	–	1
Total	**31 154**	**550**	**42 194**	**8 897**	**10 892**	**93 687**

41 RISK MANAGEMENT PHILOSOPHY (continued)

R million	Cash and short term funds	Reinsurance Assets	Investment securities	Scrip lending	Derivatives	Total
	2007					
National scale mapping (International equivalent):						
AAA to BBB- (A to B+)	21 718	516	57 475	10 446	8 861	99 016
B+ to B- (B+ to B-)	–	–	2 725	–	–	2 725
Below B- (CCC)	–	28	2 391	–	–	2 419
Total	**21 718**	**544**	**62 591**	**10 446**	**8 861**	**104 160**

Investment grade

AAA to BBB-: These are obligations which are judged to be of a high credit quality and are subject to low credit risk.

BB+ to B-: These are obligations which are of a medium quality and are subject to moderate credit risk.

Below B-: These are obligations which have a low credit quality. They are considered to be riskier than the other classes.

Commission debtors

Commission debtors arise when upfront commission paid on recurring premium policies is clawed-back on a sliding scale within the first two years of origination.

An impairment of commission debits is made to the extent that these are not considered to be recoverable, and a legal recovery process commences.

The total provision for commission debtors amounted to R42 million at 30 June 2009 (2008: R26 million) (2007: R16 million), compared with total commission payments of R1 144 million for the year (2008: R1 475 million) (2007: R1 298 million).

Reinsurance

Momentum only enters into reinsurance treaties with reinsurers registered with the Financial Services Board. The reinsurers contracted represent subsidiaries of large international reinsurance companies, and no instances of default have yet been encountered.

Regular monthly reconciliations are performed regarding claims against reinsurers, and the payment of premiums to reinsurers.

41 **RISK MANAGEMENT PHILOSOPHY** (continued)

	2009		2008		2007	
Reinsurer	Reinsured proportion	International credit rating of reinsurer (Standard & Poors)	Reinsured proportion	International credit rating of reinsurer (Standard & Poors)	Reinsured proportion	International credit rating of reinsurer (Standard & Poors)
Swiss Re	47%	A+	48%	AA-	48%	AA-
General Cologne Re	24%	AA-	18%	AAA	17%	AAA
Hannover Re	19%	AAA	23%	AA-	24%	AA-
RGA Re	7%	AA-	8%	AA-	10%	AA-
Other	3%		3%		1%	

Policy loan debt
Momentum's policy is to automatically lapse a policy where the policy loan debt exceeds the fund value. There is therefore little risk that policy loan debt will remain irrecoverable. The policy is therefore considered to be collateral for the debt. The fair value of the collateral is considered to be the value of the policy as determined in accordance with the accounting policies.

Policy loans are secured by policies issued by Momentum. In terms of the regulations applicable to Momentum, the value of the policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which Momentum owns. The value of the collateral is the value of the policy which is determined as set out in Momentum's Accounting Policies.

Scrip lending
Momentum lends out listed equity holdings. At 30 June 2009 a total of R4 672 million (2008:R8 896 million) (2007: R10 446 million), or 8% (2008: 11%) (2007: 11%) of the total equity holding, was out on loan. Fees received for scrip lending are included in fee income.

Collateral, in the form of either cash or fixed interest government bonds, at least equal to the value of scrip on loan is retained on an ongoing basis in order to mitigate the risk of default.

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

Included in investment securities are amounts relating to corporate debt for which Momentum holds collateral. The fair value of the collateral is determined from time to time using valuation techniques generally accepted for the underlying assets.

Market risk
Introduction
Market risk is the risk that Momentum is unable to meet its obligations due to changes in the market value of the assets matching the liabilities, as well as a decrease in the net asset value due to a decline in the fair value of shareholder assets.

Market risk comprises the risk of changes in the market values of its assets and liabilities due to changes in rates of exchange of currency, interest rates, property prices and equity prices.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Market risk exists in all trading, banking and investment portfolios. For the purpose of this historical financial information market risk is considered to be fully contained within the trading portfolios. Substantially market risk within Momentum is managed in the investment management division in Momentum as this is where the market risk taking and management expertise lies.

Market risk governance
The Asset and Liability committee which is a sub committee of the Momentum Risk committee provides market risk oversight for interest rate risk, funding and liquidity risk assumed on Momentum's statement of financial position.

Momentum, with the assistance of the Momentum Investment committee, measures the exposure to financial risks by matching the assets held by Momentum with the liabilities payable by Momentum. In addition, the Momentum Investment committee monitors investment performance of all investment portfolios, compares performance against benchmarks and evaluates the appropriateness of investment mandates and benchmarks.

Market risk management
For each of the major components of market risk, described in more detail below, Momentum is in the process of improving policies and procedures to manage and monitor each of the major market risk components in terms of its overall risk appetite.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The majority of currency exposure within Momentum results from the offshore assets held by policyholders' portfolios to provide the desired international exposure, subject to the limitations imposed by the SARB. The largest portions of these assets back linked policyholders' liabilities. This results in the majority of the currency risk being passed on to the policyholder in terms of the policy agreement.

The following assets and liabilities, denominated in foreign currencies, where the currency risk resides with Momentum, are included in Momentum's statement of financial position:

Shareholders' assets and liabilities as at 30 June 2009	**GBP R million**	**US$ R million**	**Euro R million**	**Other R million**	**Total R million**
Assets					
Cash and short term funds	–	–	32	4	36
Investment securities	–	–	–	31	31
Accounts Receivable	–	–	13	9	22
Current income tax asset	–	–	–	2	2
Total assets	–	–	45	46	91
Liabilities					
Accounts payable	–	–	7	7	14
Total liabilities	–	–	7	7	14

41 RISK MANAGEMENT PHILOSOPHY (continued)

Assets backing policyholder liabilities as at 30 June 2009	GBP R million	US$ R million	Euro R million	Other R million	Total R million
Assets					
Cash and short term funds	134	–	26	6	166
Money market investments	311	429	–	–	740
Accounts Receivable	2	141	24	36	203
Investment securities	7 184	7 814	770	35	15 803
Property and equipment	3	–	–	3	6
Total assets	7 634	8 384	820	80	16 918
Liabilities					
Accounts payable (incl insurance payables)	36	52	29	38	155
Policyholder liabilities under investment contracts	–	–	701	–	701
Policyholder liabilities under insurance contracts	–	–	–	25	25
Total liabilities	36	52	730	63	881

Foreign exchange rates as at 30 June 2009	GBP	US$	Euro	Pula
Closing rate	12.7137	7.7280	10.8451	1.1484
Average rate	14.0767	8.8806	12.0724	1.2147

Shareholders' assets and liabilities as at 30 June 2008	GBP R million	US$ R million	Euro R million	Other R million	Total R million
Assets					
Cash and short term funds	41	–	–	6	47
Investment securities	–	–	–	31	31
Accounts Receivable	2	–	–	7	9
Deferred taxation	–	–	–	3	3
Total assets	43	–	–	47	90
Liabilities					
Provisions	24	–	–	2	26
Taxation	7	–	–	1	8
Deferred revenue liability	–	–	–	1	1
Total liabilities	31	–	–	4	35

41 RISK MANAGEMENT PHILOSOPHY (continued)

Assets backing policyholder liabilities as at 30 June 2008	GBP R million	US$ R million	Euro R million	Other R million	Total R million
Assets					
Cash and short term funds	178	116	53	9	356
Money market investments	11	254	22	–	287
Accounts Receivable	122	31	5	34	192
Investment securities	188	11 408	737	102	12 435
Property and equipment	13	–	–	4	17
Derivative financial instruments	–	2	–	–	2
Total assets	512	11 811	817	149	13 289
Liabilities					
Accounts payable (incl insurance payables)	153	33	–	13	199
Policyholder liabilities under investment contracts	100	696	227	–	1 023
Policyholder liabilities under insurance contracts	–	–	–	18	18
Total liabilities	253	729	227	31	1 240

Foreign exchange rates as at 30 June 2008	GBP	US$	Euro	Pula
Closing rate	15.6010	7.8226	12.3452	1.1949
Average rate	14.6642	7.3006	10.8654	1.1662

Shareholders' assets and liabilities as at 30 June 2007	GBP R million	US$ R million	Euro R million	Other R million	Total R million
Assets					
Cash and short term funds	331	148	3	42	524
Investment securities	11	11	–	–	22
Derivative assets	–	2	–	–	2
Accounts Receivable	76	27	4	22	129
Current income tax asset	1	–	–	–	1
Deferred taxation	–	–	–	2	2
Intangible assets	9	–	–	–	9
Property and equipment	21	–	–	4	25
Total assets	449	188	7	70	714
Liabilities					
Accounts payable	238	19	2	9	268
Provisions	9	–	–	–	9
Taxation	12	6	–	1	19
Employee benefit liabilities	17	–	–	–	17
Deferred revenue liability	10	–	–	–	10
Other financial liabilities	10	–	–	–	10
Total liabilities	296	25	2	10	333

41 RISK MANAGEMENT PHILOSOPHY (continued)

Assets backing policyholder liabilities as at 30 June 2007	GBP R million	US$ R million	Euro R million	Other R million	Total R million
Assets					
Cash and short term funds	–	–	–	43	43
Money market investments	86	1 272	339	3	1 700
Accounts Receivable	–	4	–	8	12
Investment Securities	102	10 076	411	199	10 788
Derivative financial instruments	1	1 045	2	–	1 048
Total assets	189	12 397	752	253	13 591
Liabilities					
Accounts payable (incl insurance payables)	–	5	–	20	25
Finance leases	–	–	–	3	3
Policyholder liabilities under investment contracts	–	615	–	–	615
Policyholder liabilities under insurance contracts	–	–	–	11	11
Total liabilities	–	620	–	34	654

Foreign exchange rates as at 30 June 2007	GBP	US$	Euro	Pula
Closing rate	14.1732	7.0700	9.5516	1.1489
Average rate	13.9869	7.2072	9.4483	1.1703

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates, which may result in mismatches between Momentum's assets and liabilities.

The following sections set out the areas where Momentum is exposed to interest rate risk, as well as how this is managed.

i. Non-profit annuity business

An annuity pays an income to the annuitant for life, in return for a lump sum consideration paid on origination of the annuity. 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.

Momentum guarantees this income and is therefore subject to interest rate risk, in addition to the risk of longer than anticipated life expectancy. In order to hedge against the interest rate risk, Momentum invests in an actively managed portfolio of government and corporate bonds, promissory notes from banks and swaps of the same duration as the liabilities. The mismatch risk is measured in terms of duration and convexity risk. The asset manager aims to minimise both of these risks. Index-linked annuities, which provide increases in line with inflation, are matched with index-linked bonds. Where perfect cash flow matching is not possible, interest rate risk is minimised by ensuring the values of assets and liabilities respond similarly to small changes in interest rates, and a mismatching liability is raised as a component of the investment stabilisation account. In a monthly meeting with the asset managers, the matching position of the portfolio is considered as well as the need for corrective action. The asset managers are motivated, by way of performance fees, to minimise any mismatching risk.

As an indication of the robustness of the asset-liability management, it is worth noting that a 25% horizontal shift in the risk-free yield curve as at 30 June 2009 would have resulted in a 1.6% (2008:1.4%) (2007: 0.8%) move in the liability relative to assets. Similar to the annuity portfolio, the liability for Permanent Health Insurance payments to disabled employees of insured group schemes is matched by fixed and index-linked bonds to protect Momentum against interest rate movements.

41 RISK MANAGEMENT PHILOSOPHY (continued)

ii. Guaranteed endowments and structured products
Momentum issues guaranteed endowment policies – the majority of these contracts are five-year single premium endowment policies providing guaranteed maturity values. In terms of these contracts, policyholders are not entitled to receive more than the guaranteed maturity value as guaranteed at inception. Momentum hedges the risk of being unable to meet the guaranteed maturity value by investing in assets that will provide the required yield at the relevant durations.

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

To demonstrate the interest rate hedging on guaranteed and structured endowments, it was calculated that, at 30 June 2009, a 25% horizontal shift in the yield curve would have resulted in a 0.34% (2008: 0.1%) (2007: 0.4%) move in liabilities relative to assets.

iii. Individual life risk products
These policies mainly represent whole life and term assurance contracts, which provide lump sum benefits on death and disability. The present value of the future fees (included in the premium rates) expected to be earned on this business is capitalized and offset against the liabilities. The present value of the future fees therefore represents an asset on Momentum's statement of financial position (i.e. the negative rand reserves). The long-term interest rate is used to calculate the present value of the future fees. Any changes in long-term interest rates would therefore result in a change in the value of the negative rand reserves.

iv. Other non-profit business
In addition to mortality risk, morbidity risk, expense risk and persistency risk, there is also the risk that investment return experienced may be lower than that assumed when the price of insurance business was determined. Momentum reduces this risk by investing in assets comparable to the nature of these liabilities, such as fixed interest investments.

v. Impact of changes in interest rates
The tables below 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.

30 June 2009 **R million**	**Total**	**Cash flow interest rate risk**	**Fair value interest rate risk**
Cash and short term funds	4 014	4 014	–
Money market investments	36 953	33 466	3 487
Investment securities	33 664	3 332	30 332
Total	74 631	40 812	33 819

41 **RISK MANAGEMENT PHILOSOPHY** (continued)

30 June 2008 **R million**	**Total**	**Cash flow interest rate risk**	**Fair value interest rate risk**
Cash and short term funds	4 919	4 919	–
Money market investments	26 234	19 946	6 288
Investment securities	42 194	–	42 194
Total	73 347	24 865	48 482

30 June 2007 **R million**	**Total**	**Cash flow interest rate risk**	**Fair value interest rate risk**
Cash and cash equivalents	4 038	4 038	–
Money market investments	23 347	22 941	406
Debt investment securities	62 591	–	62 591
Interest rate derivatives – assets	8 861	4 767	4 094
Policy loans	733	733	–
Total	99 570	32 479	67 091

The table below illustrates the amount where there is a contractual repricing of the coupon interest rate prior to the maturity date:

R million	**2009**	**2008**	**2007**
Government and public authority stocks	56	–	2 635
Debentures and other loans	–	–	120
	56	–	2 755

Refer to the section on liquidity risk for maturity profiles of interest bearing liabilities.

Property risk
Property risk is the risk that the value of investment properties will fluctuate as a result of changes in the rental market and interest rates.

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

The ability of Momentum to let investment property as well as the future fair value of investment properties may be affected by the impact of the global financial crisis and the current downturn in the property market. Momentum has limited its exposure to direct investment properties through the diversification of assets and ownership of participatory interests in property unit trusts rather than direct ownership of the properties.

Equity risk
Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market price.

Equity exposure arises from equity investments made on behalf of shareholders and policyholders, including equities backing guaranteed liabilities, minimum investment return guarantees in some universal life products, and as a result of fees charged as a percentage of policyholder assets that are invested in equities.

41 RISK MANAGEMENT PHILOSOPHY (continued)

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

Momentum manages its equity risk by employing the following procedures:

- mandating specialist equity fund managers to invest only in listed equities, where there is an active market and where access is gained to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce specific risk. Diversification is guided by the concentration rules imposed on admissible assets by the Long-Term Insurance Act;
- requiring these fund managers to maintain the overall equity exposure within the prudential investment guidelines set by the Financial Services Board; and
- considering the risk-reward profile of holding equities and assuming appropriate risk in order to obtain higher expected returns on assets.

i. Individual insurance and investment contracts with discretionary participation features

Momentum offers various product lines in this category. Some of these products have been closed to new business.

Assets are invested in a balanced mix of local and offshore equities, fixed interest assets, property and cash, according to the asset manager's best investment view. The Investment Committee regularly monitors the asset mix and performance to ensure that the expected returns are in line with policyholders' expectations. Separate investment portfolios are managed for smoothed bonus products.

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

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

- To assume lower bonuses will be declared in future in valuing the liabilities;
- To actually declare lower bonuses;
- A portion of bonuses declared is not guaranteed and in the event of a fall in the market value of assets, Momentum has the right to remove previously declared non-guaranteed bonuses. This will only be done if it is believed that markets will not recover in the short term;
- A market value adjuster may be applied in the event of voluntary withdrawal to ensure that withdrawal benefits do not exceed the market values. This is to protect remaining policyholders;
- The use of short-term derivative hedging strategies to protect the funding level against further deterioration due to poor investment performance;
- Using funds in the Additional Bonus Stabilisation Account to temporarily or permanently top up the BSA on recommendation of the Actuarial Committee and approval from the Board of Directors. This is a general bonus stabilisation account set aside as a buffer to support all smoothed bonus business. This account is not attributable to any specific class of smoothed bonus business and is not intended for distribution under normal market conditions; and
- In very extreme circumstances, funds may be transferred from the shareholder portfolio into the BSA on a temporary or permanent basis.

ii. Individual contracts offering investment guarantees

Momentum has a book of universal life business that is closed to new business, which offers minimum maturity values based on a specified rate of investment return. This guaranteed rate is around 4.5% p.a. for the bulk of business. This applies to smoothed bonus portfolios as well as certain market-linked portfolios. On some smoothed-bonus portfolios, there is also a guarantee to policyholders that the annual bonus rate will not be less than a contractual minimum (also around 4.5% per year).

41 RISK MANAGEMENT PHILOSOPHY (continued)

Momentum no longer automatically offers these guarantees on new business. Policyholders do, however, have the option to purchase a minimum guaranteed return of up to 3.5% per annum. The guarantee charge is set at a level that will cover the expected cost of guarantees, including the opportunity cost of additional capital held in respect of these guarantees. Only selected portfolios qualify for this guarantee and the guarantee also applies only for specific terms.

Momentum manages the risk of being unable to meet guarantees by holding a specific liability for minimum maturity values and other guaranteed benefits arising from minimum contractual investment returns in accordance with local actuarial guidance. A stochastic model is used to quantify the reserve required to finance possible shortfalls in respect of minimum maturity values and other guaranteed benefits. The model is calibrated to market data and the liability is calculated every six months. Momentum also holds statutory capital in respect of the guarantee risk. The amount of capital is calculated to be sufficient to cover the cost of guarantees in the event of a 30% fall in market value of equities and an adverse move of 25% in interest rates.

iii. Group contracts with discretionary participation features (“DPF”)
The Momentum Secure Bonus (“MSB”), Momentum Structured Growth (“MSG”) and Momentum Capital Plus (“MCP”) portfolios are offered to institutional investors and provide a continuous guarantee on capital and declared bonuses. Bonuses are fully vesting and are declared monthly in advance.
No market value adjuster applies but allowance is made for the payment of benefits over a period of up to 12 months if large collective outflows may prejudice remaining investors. Extensive use is made of derivative instruments to minimise downside market risk in the group DPF portfolios. Because of this strategy, bonus stabilisation accounts in respect of group DPF business are small, relative to the bonus stabilisation accounts on individual (retail) business.
Under adverse circumstances the bonus stabilisation account (BSA) may become negative. To protect equity between different generations of policyholders, the Additional Bonus Stabilisation Account may be utilised to temporarily or permanently top up the BSA on recommendation of the Actuarial Committee and approval from the Board.

iv. Market-related/unit-linked business
Market related or unit-linked contracts are those invested in portfolios where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. These may be investment contracts or insurance contracts, and include universal life contracts which also provide cover on death or disability.
Policyholders carry the investment risk; however, Momentum carries a risk of reduced income from fees where these are based on investment returns or the underlying fund value, or where investment conditions affect its ability to recoup expenses incurred. There is furthermore also the reputational risk if actual investment performance is not in line with policyholders’ expectations. These risks are managed through the rigorous investment research process applied by Momentum’s investment managers, which is supported by technical as well as fundamental analysis.

Sensitivity to market risk
Momentum’s profit and net asset value is sensitive to market risk as a result of the following:
- Insurance contracts issued;
- Investment contract business; and
- Investments made using the shareholder free reserves.

The following table represents the effect on net profit and equity as a result of plausible changes in market factors which give rise to market risk for each of the categories identified above.
The sensitivities were chosen to be in line with industry practice and sensitivities already performed for other purposes

41 RISK MANAGEMENT PHILOSOPHY (continued)

	2009						
	Equity prices		Interest Rates		Exchange rates		
	Increase by 10%	Decrease by 10%	Increase by 100 bps	Decrease by 100 bps	Improve by 10%	Worsen by 10%	Combined scenario[1]
Net profit after tax for the year	1 594	1 594	1 594	1 594	1 594	1 594	1 594
Change in profit from insurance contracts as a result of the reasonably plausible change[1]	146	(146)	–	(62)	(25)	25	(158)
Change in profit from investment contracts as a result of the reasonably plausible change	82	(82)	7	(11)	(22)	22	(58)
Change in profits attributable to asset manager operations	30	(31)	(4)	4	1	(1)	(36)
Change in profit from shareholders free assets as a result of the change:							
– Returns on shareholders assets	–	–	39	(39)	–	–	39
– Gains on available-for-sale financial instruments recycled from equity	–	–	–	–	–	–	–
Net change in profit for the year before stabilisation	258	(259)	42	(108)	(46)	46	(213)
Impact of Stabilisation	(146)	146	(3)	68	25	(25)	154
Net change in profit for the year after stabilisation	112	(113)	39	(40)	(21)	21	(59)
Net profit for the year after the plausible change	1 706	1 481	1 633	1 554	1 573	1 615	1 535
Effect on equity of the reasonably plausible change							
Available-for-sale reserve	–	–	–	–	–	–	–
Foreign Currency translation reserve	–	–	–	–	(23)	23	23
Retained earnings							
– Net profit	112	(113)	39	(40)	(21)	21	(58)
– Dividends	(45)	45	(15)	16	8	(8)	23
Equity	67	(68)	23	(24)	(35)	35	(12)

41 **RISK MANAGEMENT PHILOSOPHY** (continued)

2008	Equity prices		Interest Rates		Exchange rates		
	Increase by 10%	Decrease by 10%	Increase by 100 bps	Decrease by 100 bps	Improve by 10%	Worsen by 10%	Combined scenario[1]
Net profit after tax for the year	2 002	2 002	2 002	2 002	2 002	2 002	2 002
Change in profit from insurance contracts as a result of the reasonably plausible change[1]	–	–	(48)	48	–	–	(48)
Change in profit from investment contracts as a result of the reasonably plausible change	87	(94)	(13)	10	(33)	31	(76)
Change in profits attributable to asset manager operations	33	(33)	(2)	2	(7)	7	(28)
Change in profit from shareholders free assets as a result of the change:							
– Returns on shareholders assets	–	–	21	(21)	–	–	21
– Gains on available-for-sale financial instruments recycled from equity	–	–	–	–	–	–	–
Net change in profit for the year as a result of the reasonably plausible change	120	(127)	(42)	39	(40)	38	(131)
Net profit for the year after the plausible change	2 122	1 875	1 960	2 041	1 962	2 040	1 871
Effect on equity of the reasonably plausible change							
Available for sale reserve	–	–	–	–	–	–	–
Foreign Currency translation reserve	–	–	–	–	–	–	–
Retained earnings							
– Net profit	120	(127)	(42)	39	(40)	38	(131)
– Dividends	(48)	51	17	(16)	16	(15)	53
Equity	72	(76)	(25)	23	(24)	23	(78)

2007	Equity prices		Interest Rates		Exchange rates		
	Increase by 10%	Decrease by 10%	Increase by 100 bps	Decrease by 100 bps	Improve by 10%	Worsen by 10%	Combined scenario[1]
Net profit after tax for the year	2 076	2 076	2 076	2 076	2 076	2 076	2 076
Change in profit from insurance contracts as a result of the reasonably plausible change[1]	–	–	(54)	55	–	–	(54)
Change in profit from investment contracts as a result of the reasonably plausible change	84	(86)	–	(4)	(27)	26	(60)
Change in profits attributable to asset manager operations	39	(39)	(1)	1	(6)	6	(35)
Change in profit from shareholders free assets as a result of the change:							
– Returns on shareholders assets	–	–	23	(23)	–	–	23
– Gains on available-for-sale financial instruments recycled from equity	–	–	–	–	–	–	–

41 RISK MANAGEMENT PHILOSOPHY (continued)

Net change in profit for the year as a result of the reasonably plausible change	123	(125)	(32)	29	(33)	32	(125)
Net profit for the year after the reasonably plausible change	2 199	1 951	2 044	2 105	2 043	2 108	1 951
Effect on equity of the reasonably plausible change							
Retained earnings							
– Net profit	123	(125)	(32)	29	(32)	32	(125)
– Dividends	(49)	50	13	(12)	13	(13)	50
Equity	74	(75)	(19)	18	(19)	19	(75)

1. Equity prices decrease by 10%, interest rates increase by 100bps, property values decrease by 10% and exchange rates worsen by 10%.

The sensitivity ranges represent estimates of a range of plausible (although not equally likely) changes within a twelve month period from the reporting date are prescribed by actuarial professional guidance. It is current market practice in South Africa to disclose these sensitivities.

Using the same sensitivities for the IFRS7 disclosure requirements facilitates comparison with other industry participants.

Market risk sensitivities have been applied as an event on the statement of financial position date, 30 June 2009. The change factors were applied to:

- assets at the statement of financial position date
- policyholder liabilities at the statement of financial position date
- income and expenditure over a twelve month period

Assets at the statement of financial position date were impacted as follows:

- equities and property were revalued, using the relevant market price sensitivities
- bonds were revalued, using the relevant interest rate sensitivities (parallel shift in the yield curve)
- all offshore asset classes were revalued, using the relevant exchange rate sensitivities
- strategic subsidiaries, which are shown at fair value in the company accounts, have been revalued to reflect the relevant equity and interest rate sensitivities

The impact of the sensitivities on policyholder liabilities was quantified as follows:

- Investment accounts were adjusted.
- Changes were made to the expected future investment returns and the rate at which cash flows are discounted in the liability calculation.
- Policyholder options and guarantees (including investment guarantees) as described in actuarial professional guidance note PGN110 were revalued.

In determining the impact of the sensitivities on income and expenses over twelve months, the following items were considered:

- fee income that is a function of investment returns
- asset management fee income that is a function of the amount of assets under management
- asset management expenditure that is a function of the amount of assets under management
- interest income
- revaluation of shareholder assets (fair value adjustment)

In line with current Momentum practices, the profits from insurance contracts were stabilised. This is particularly relevant for asset price movements away from the long term average, provided that the investment stabilisation accounts have a positive balance.

The calculations were performed in isolation for the separate categories of business and aggregated to indicate the overall effect on Momentum.

The following assumptions are specific to the scenarios presented above:

41 **RISK MANAGEMENT PHILOSOPHY** (continued)

Equity market value sensitivity:
- The change in equity prices was assumed to be a once-off change;
- Future dividend yields were assumed to remain unchanged;
- No change was assumed in expected future returns and discount rates used in valuing liabilities as a result of changes to equity prices.

Interest rate sensitivity:
- The expected future real rates of return were assumed to remain unchanged;
- Future inflation rates were assumed to change in line with interest rates.

Exchange rate sensitivity:
- The value of foreign currency denominated assets were assumed to change as a result of changes in the exchange rates; and
- No changes were assumed in respect of expected future returns and discount rates used in valuing liabilities as a result of changes in the exchange rates.

Liquidity risk

Introduction

Liquidity risk is the risk that Momentum will encounter difficulty in raising funds to meet commitments to policyholders under policy contracts and in respect of other obligations.

Liquidity risk governance

The Asset and Liability committee which is a sub committee of the Momentum Risk committee provides market risk oversight for interest rate risk, funding and liquidity risk assumed on Momentum's statement of financial position.

Investments are made in assets which are expected to provide cash flows that match liability outflows as and when they are expected to occur - this is monitored by the Momentum Investment committee.

Liquidity risk management

Guaranteed policyholder benefits

Where possible, the expected liability outflow is matched by assets that provide the required cash flows as and when they become payable. Examples of guaranteed benefits that are matched by suitable assets include annuities and guaranteed endowments.

Unitised and smoothed-bonus policyholder benefits

These benefits are determined mainly by the market value of underlying assets. On maturity of policy contracts, assets are disposed of in the market, but only to the extent that cash flows into the fund are insufficient to cover the outflow. Assets are generally easy to realise, as they consist mainly of large listed equity counters, government securities or funds on deposit.

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

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

Other policyholder benefits

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

41 RISK MANAGEMENT PHILOSOPHY (continued)

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

Shareholder funds
The only significant shareholders' liability is the callable bond issued during 2005. Momentum shareholders' funds include sufficient cash resources to fund the coupon payments under this bond, and the nominal amount, which is callable in 2014, will be funded from cash resources at that time.

Liquidity risk – policyholders
The following tables indicate the liquidity needs in respect of obligations arising under long-term insurance and investment contracts (as defined under IFRS4). The amounts in the table represent the excess of claims and expenses over premium income, expressed in present value terms (i.e. adjusted for the time value of money). Only contractual expected cash flows from the current in-force book have been modelled. Future new business has been ignored. Non-contractual cash flows (e.g. those arising from early terminations of policy contracts) have also been ignored.
Cash flows relating to specific policy contract types have been apportioned between future time periods in the following manners:

i. Annuities, guaranteed endowments and PHI claims in payment
These contracts have clearly defined future payment dates. The present values of expected future payments, taking into account expected future life expectancy and guarantee terms, have been apportioned according to when they become payable.

ii. Unitised and smoothed-bonus savings contracts
These contracts provide mainly savings benefits, but may contain elements of death or disability cover. The savings benefits mostly have clearly defined maturity dates. They make up the bulk of the liability in respect of this class of business. Policyholder liabilities at the reporting date have therefore been apportioned according to contractual maturity dates of the savings benefits. For policies without defined maturity dates, the liability has been apportioned according to the earliest possible date when benefits can be paid without regulatory restrictions.
Early termination payments and lump sum risk benefits have not been treated as contractual obligations.
On this class of business, death or disability before the contractual maturity will cause acceleration of the maturity payment. Such contingent benefit payments have been ignored, as their timing is uncertain and they comprise only a small portion of the total liability on this class of business.

iii. Employee Benefits investment business
Liabilities have been classified as being payable in less than one year.

iv. Employee Benefits risk business
These are mostly short-term contracts. It has been assumed that all future liabilities will be extinguished between one and five years from the reporting date.

v. Individual risk policies
The bulk of this class of business comprises whole life policies, providing lump sum death or disability benefits. The liabilities in respect of this class of business have been assumed to fall due between five and ten years after the reporting date.

vi. Credit life and funeral policies
Claims on these classes of business are mostly met from future premium inflows. Liabilities are small, relative to risk exposure, and have been assumed to fall due within one year. The following maturity profiles have been presented as discounted and estimated analysis in accordance with the management of these financial instruments:

41 RISK MANAGEMENT PHILOSOPHY (continued)

The maturity profile of policyholder liabilities under insurance contracts is set out below:

Period when cash flow becomes due (insurance contracts) 30 June 2009 R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	12 630	648	3 027	2 477	6 478
Smoothed bonus business					
Individual	8 228	391	1 915	1 755	4 167
Non profit business					
Individual	(16)	188	88	(849)	557
Employee benefits	1 550	–	1 550	–	–
Annuity business	16 677	1 203	7 517	2 916	5 041
Total policyholder liabilities under insurance contracts	39 069	2 430	14 097	6 299	16 243

Period when cash flow becomes due (insurance contracts) 30 June 2008 R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	15 547	817	3 580	2 643	8 507
Employee benefits	46	46	–	–	–
Smoothed bonus business					
Individual	9 917	548	2 095	2 144	5 130
Non profit business					
Individual	817	131	62	61	563
Employee benefits	1 677	–	1 677	–	–
Annuity business	13 978	1 075	5 995	2 398	4 510
Total policyholder liabilities under insurance contracts	41 982	2 617	13 409	7 246	18 710

Period when cash flow becomes due (insurance contracts) 30 June 2007 R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years	Longer than 10 years
Linked (market related) business					
Individual	16 760	914	3 627	3 389	8 830
Employee benefits	45	45	–	–	–
Smoothed bonus business					
Individual	11 058	565	2 185	2 441	5 867
Non profit business					
Individual	738	123	66	75	474
Employee benefits	1 603	–	1 603	–	–
Annuity business	15 671	1 243	6 440	2 773	5 215
Total policyholder liabilities under insurance contracts	45 875	2 890	13 921	8 678	20 386

41 RISK MANAGEMENT PHILOSOPHY (continued)

The maturity profile of policyholder liabilities under investment contracts is set out below:

Period when cash flow becomes due (investment contracts) 30 June 2009 R million	**Total**	**Shorter than 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Longer than 10 years**
Linked (market related) business					
Individual	56 893	8 806	18 622	6 390	23 075
Employee benefits	38 290	38 265	17	4	4
Smoothed bonus business					
Individual	7 094	461	2 855	1 462	2 316
Employee benefits	5 285	5 285	–	–	–
Non profit business					
Individual	1 927	359	1 451	21	96
Annuity business	738	103	199	13	423
Total policyholder liabilities under investment contracts	110 227	53 279	23 144	7 890	25 914

Period when cash flow becomes due (investment contracts) 30 June 2008 R million	**Total**	**Shorter than 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Longer than 10 years**
Linked (market related) business					
Individual	59 089	7 402	21 355	6 683	23 649
Employee benefits	36 760	36 751	9	–	–
Smoothed bonus business					
Individual	8 040	753	2 524	2 068	2 695
Employee benefits	5 212	5 212	–	–	–
Non profit business					
Individual	1 752	623	963	29	137
Annuity business	823	95	156	12	560
Total policyholder liabilities under investment contracts	111 676	50 836	25 007	8 792	27 041

Period when cash flow becomes due (investment contracts) 30 June 2007 R million	**Total**	**Shorter than 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Longer than 10 years**
Linked (market related) business					
Individual	54 713	7 114	19 656	6 861	21 082
Employee benefits	40 074	5 475	15 296	9 568	9 735
Smoothed bonus business					
Individual	8 458	1 045	2 429	2 215	2 769
Employee benefits	4 827	541	1 537	1 192	1 557
Non profit business					
Individual	2 522	1 040	1 257	28	197
Annuity business	741	21	163	29	528
Total policyholder liabilities under investment contracts	111 335	15 236	40 338	19 893	35 868

41 RISK MANAGEMENT PHILOSOPHY (continued)

Net cash outflows expected in respect of insurance and investment contracts					
30 June 2009	149 296	55 709	37 241	14 189	42 157
30 June 2008	153 658	53 453	38 416	16 038	45 751
30 June 2007	157 210	18 126	54 259	28 571	56 254

The maturity profile of other accounting liabilities is set out below:

30 June 2009 R million	Total	Shorter than 1 year	Between 1 and 5 years	Longer than 5 years
Accounts payable (including insurance payables)	12 810	11 524	1 286	–
Derivative financial instruments	1 853	1 002	309	542
Provisions	207	164	38	5
Current income tax liability	71	71	–	–
Employee benefits liabilities	166	119	1	46
Deferred tax liability	1 570	68	695	807
Other financial liabilities	5 461	3 838	149	1 474
Liabilities arising to third parties as a result of consolidating unit trusts	8 114	8 114	–	–
Deferred revenue liability	322	72	250	–
Total	**30 574**	**24 972**	**2 728**	**2 874**

30 June 2008 R million	Total	Shorter than 1 year	Between 1 and 5 years	Longer than 5 years
Accounts payable (including insurance payables)	8 989	8 285	704	–
Derivative financial instruments	4 190	3 884	235	71
Provisions	108	108	–	–
Current income tax liability	434	392	42	–
Employee benefits liabilities	180	98	82	–
Deferred tax liability	1 840	51	1 508	281
Finance leases	242	40	202	–
Other financial liabilities	3 801	2 921	25	855
Liabilities arising to third parties as a result of consolidating unit trusts	7 282	7 282	–	–
Deferred revenue liability	296	21	275	–
Total	**27 362**	**23 082**	**3 073**	**1 207**

30 June 2007 R million	Total	Shorter than 1 year	Between 1 and 5 years	Longer than 5 years
Accounts payable (including insurance payables)	6 089	5 424	665	–
Derivative financial instruments	4 868	2 571	1 383	914
Provisions	172	7	165	–
Current income tax liability	210	210	–	–
Employee benefits liabilities	204	126	78	–
Deferred tax liability	2 213	61	1 814	338
Finance leases	270	29	241	–
Other financial liabilities	4 283	2 944	381	958
Liabilities arising to third parties as a result of consolidating unit trusts	1 568	1 568	–	–
Deferred revenue liability	255	4	251	–
Non current liabilities held for sale	109	109	–	–
Total	**20 241**	**13 053**	**4 978**	**2 210**

41 RISK MANAGEMENT PHILOSOPHY (continued)

The maturity profile of assets is set out below:

30 June 2009 R million	Total	Shorter than 1 year	Between 1 and 5 years	Longer than 5 years
Cash and cash equivalents	4 014	4 014	–	–
Derivative financial instruments	9 455	1 915	2 905	4 635
Loans and receivables (including insurance receivables)	43 338	34 370	6 250	2 718
Investment securities	107 167	82 088	11 280	13 799
Investments in associates	8 078	–	–	8 078
Property and equipment	105	4	9	92
Owner occupied buildings	427	–	–	427
Deferred tax asset	969	136	201	632
Intangible assets and goodwill	3 102	207	1 977	918
Investment properties	2 156	–	–	2 156
Policy loans	604	–	604	–
Reinsurance assets	8 143	7 854	152	137
Current income tax asset	40	40	–	–
Non current assets held for sale	58	58	–	–
Total	**187 656**	**130 686**	**23 378**	**33 592**

30 June 2008 R million	Total	Shorter than 1 year	Between 1 and 5 years	Longer than 5 years
Cash and cash equivalents	4 919	4 919	–	–
Derivative financial instruments	10 892	1 324	6 945	2 623
Loans and receivables (including insurance receivables)	28 391	23 992	4 103	296
Investment securities	126 961	82 453	10 321	34 187
Investments in associates	6 941	–	93	6 848
Property and equipment	157	22	–	135
Owner occupied buildings	439	–	–	439
Deferred tax asset	825	123	111	591
Intangible assets and goodwill	3 126	354	1 817	955
Investment properties	3 808	6	3 273	529
Policy loans	753	–	753	–
Reinsurance assets	550	250	139	161
Current income tax asset	24	24	–	–
Total	**187 786**	**113 467**	**27 555**	**46 764**

41 RISK MANAGEMENT PHILOSOPHY (continued)

30 June 2007 R million	Total	Shorter than 1 year	Between 1 and 5 years	Longer than 5 years
Cash and cash equivalents	4 038	4 038	–	–
Derivative financial instruments	8 861	2 205	4 481	2 175
Loans and receivables (including insurance receivables)	25 141	24 735	308	98
Investment securities	131 409	104 637	13 634	13 138
Investments in associates	6 146	–	49	6 097
Property and equipment (incl. owner occupied buildings)	547	20	299	228
Deferred tax asset	684	102	92	490
Intangible assets and goodwill	3 040	274	1 765	1 001
Investment properties	2 356	–	1 940	416
Policy loans	733	–	733	–
Reinsurance assets	544	216	167	161
Current income tax asset	16	16	–	–
Non current assets held for sale	407	407	–	–
Total	**183 922**	**136 650**	**23 468**	**23 804**

Undiscounted maturity analysis

The following table represents the contractual undiscounted amounts payable in respect of liabilities at the earliest date on which those liabilities are payable for all liabilities, except policyholder liabilities under insurance and investment contracts which have been included in the section on liquidity risk for policyholders.

	2009 Period when Cash Flow Becomes Due			
R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
LIABILITIES				
Accounts Payable (including insurance payable)	12 810	11 524	1 286	–
Liabilities arising to third parties as a result of consolidating unit trusts	8 114	8 114	–	–
Derivative financial instruments	1 853	1 002	309	542
Other financial liabilities	6 005	3 838	167	2 000
Off statement of financial position commitments	142	18	95	29
Total	28 924	24 496	1 857	2 571

41 RISK MANAGEMENT PHILOSOPHY (continued)

	2008			
	Period when Cash Flow Becomes Due			
R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
LIABILITIES				
Accounts Payable (including insurance payable)	9 426	8 722	704	–
Liabilities arising to third parties as a result of consolidating unit trusts	7 282	7 282	–	–
Derivative financial instruments	6 636	3 998	1 866	772
Other financial liabilities	4 538	2 930	25	1 583
Finance leases	312	69	243	–
Off statement of financial position commitments	305	126	179	–
Total	28 499	23 127	3 017	2 355

	2007			
	Period when Cash Flow Becomes Due			
R million	Total	Shorter than 1 year	Between 1 and 5 years	Between 5 and 10 years
LIABILITIES				
Accounts Payable (including insurance payables)	6 089	5 424	665	–
Liabilities arising to third parties as a result of consolidating unit trusts	1 568	1 568	–	–
Derivative financial instruments	4 868	2 571	1 383	914
Other financial liabilities	4 283	2 944	381	958
Finance leases	374	62	312	–
Total	17 182	12 569	2 741	1 872

The balances in the table above will not agree directly with the balances on the statement of financial position for the following reasons:

- The amounts included in the table above are contractual undiscounted amounts whereas the statement of financial position is prepared using the discounted amounts where relevant;
- The table includes contractual cash flows with respect to off-statement of financial position items which have not been recorded on the statement of financial position;
- All instruments held for economic trading purposes are included in the "call to 3 months" bucket and are not by contractual maturity because trading instruments are typically held for short periods of time; and
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

Financial risk inherent in consolidated collective and fund of alternative funds investment schemes

Momentum consolidates a number of collective and fund of alternative funds investment schemes as a result of exercising control over these schemes, and therefore Momentum's Risk Management Framework is applicable to the risk management of the schemes.

Because of the specific nature of the business of the schemes the risk management principles may be applied differently to managing the risks relevant to the schemes to how the overall financial risks of Momentum is managed. This section describes how the financial risk management of the schemes is different from the financial risk management for Momentum overall.

The management company of the scheme has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolios' risk appetite over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the Chief Operating Officer of the management company.

41 RISK MANAGEMENT PHILOSOPHY (continued)

When considering any new investment for a scheme, 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.

A portfolio's market risk appetite is measured as a function of current market conditions and a benchmark which translates into a targeted tracking error which is monitored by the independent risk unit.

Credit and liquidity risk are mitigated through diversification of issuers in line with the policy.

All amounts disclosed include amounts attributable to the consolidated collective and fund of alternative funds investment schemes.

Strategic and business risk

Introduction

Strategic risk is defined as the risk that the current or prospective earnings will be negatively impacted as a result of adverse business decision or the improper implementation of such decisions. The risk of choosing an inappropriate strategy or failing to execute the chosen strategy appropriately is a risk inherent in all business endeavours. Momentum's objective is to minimise this risk in the normal course of business.

Business Risk is defined as the risk that the earnings and capital will be negatively affected as a result of potential changes in the business environment, client behaviour and technological progress. Business risk, i.e. the risk that volumes and margins may be insufficient to cover Momentum's cost base due to factors unrelated to and not captured in other risk types is considered as a potential outcome in the strategic planning process carried out across the businesses. It is Momentum's objective to develop and maintain a portfolio profile that delivers sustainable earnings.

Strategic risk governance

The development and execution of business level strategy is the responsibility of the individual business areas subject to approval by the Board, which sets Momentum's overall strategy and ensures that strategic objectives set at a business level are consistent with the overall Momentum strategy. This includes the approval of any subsequent material changes to strategic plans, the approval of acquisitions, significant equity investments and new strategic alliances.

Strategic risk management

Business unit and executive management as well as the central ERM function review the external environment, industry trends, potential emerging risk factors, competitors' actions and regulatory changes as part of the strategic planning process. Through this review Momentum assesses the risk to its earnings and thus the level of potential Business Risk it faces. Reports on the results of such exercises are discussed at various business, risk and Board committees and are ultimately taken into account in the setting of risk appetite and in potential revisions to existing strategic plans.

Operational risk

Introduction

Momentum defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Operational risk governance

Ownership of and accountability for operational risk management is of primary importance. Management and staff at every level of the business are accountable for the day-to-day identification, management and monitoring of operational risks.

ERM provides oversight of the effectiveness of Momentum's operational risk management processes and assists business unit managers by facilitating the identification and assessment of risks within the business units and subsidiaries.

Independent assurance is provided on the management of operational risks by the FirstRand Internal Audit team. The FirstRand Internal audit function follows a risk-based audit approach.

41 **RISK MANAGEMENT PHILOSOPHY** (continued)

Operational risk is managed in terms of the Operational Risk Management Framework ("ORMF"), which is a sub framework of the Risk Management Framework.
The Risk forums in the business units of Momentum are established to oversee the operational risk management process. Monitoring of operational risk occurs through a number of functions across Momentum.

Operational risk management
A number of operational risk management methodologies have been developed to deal with the practical implementation of operational risk management challenges. These methodologies are supplemented by a number of risk tools. These include:
- Risk Self Assessments – self assessment to identify and assess risks within the business processes in the business units and subsidiaries;
- Internal operational loss data and incident reporting – a process to record and analyse the root cause of losses and incidents; and
- Key Risk Indicators ("KRI's") – a process whereby measurable, quantifiable metrics are tracked to assess the level of operational risk and provide early warning indications of potential breakdowns.

Operational risk quantification and capital calculation
The Actuarial Society of South Africa issued revised professional guidance, applicable from 31 December 2008, which addresses the shortcomings in the old statutory capital adequacy requirement ("CAR") formulae. The revised CAR formulae allow explicitly for credit and operational risks.
The profession guidance note requires the statutory actuary to use his professional judgement in the quantification of the operational risk capital requirements. The amount of capital required for operational risks is determined using the formulae suggested in the fourth Quantitative Impact Study ("QIS4") conducted by the authors of the new Solvency II capital regime that will apply to insurers in the European Union.
Momentum is currently busy with the development of an internal model for quantifying operational risk based on a combination of statistical distribution models (for frequency and severity) applied to internal data and statistical models derived from extreme risk scenarios. The requirements of the Solvency II draft directive are also being taken into account during the development of this model.
As indicated in a preceding section, the ERM function also oversees a number of areas closely related to or integrated with the operational risk management processes. These are described in the following sub sections.

Business continuity management
Business continuity management in Momentum focuses on improving the resilience of business operations in order to withstand unexpected disruptions and disasters. Business continuity management is an ongoing process of assessing needs, identifying weaknesses and single points of failure, developing strategies and keeping plans current and tested. The approach involves following a well-established annual cycle of actions, designed to ensure plans and associated measures are kept relevant and tested.
These risks are monitored by Risk forums within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

Information risk
Momentum defines information risk as the possibility of harm being caused to a business as a result of a loss of confidentiality, integrity or availability of information.
Information risk management establishes appropriate good practice and control measures to protect the information assets of Momentum and to ensure confidentiality, integrity and availability of Momentum's information. Information risk management assists and drives business entities of Momentum to establish appropriate good practice and control measures to protect the information assets of Momentum.
The Information Technology Governance and Information Security Framework ("IT Risk Management Framework") is a customisation of ISACA's Control Objectives for Information and related Technology (COBIT®) framework and the Information Security Forum's Standard of Good Practice for Momentum.
Due to the changing nature of information risk and information security, Momentum constantly faces new threats and challenges. The risk management structure for information risk is specifically structured to enable and support the measurement of status and the resolution of issues.

41 RISK MANAGEMENT PHILOSOPHY (continued)

These risks are monitored by Risk forums within the business units and subsidiaries and are escalated to the Momentum Risk committee as appropriate.

Fraud and security risks
Momentum is committed to creating an environment that safeguards its people, customers and assets through policies and actions.
Momentum operates in an environment where we adopt a "zero tolerance" stance to criminal activities. Momentum enhances this environment with robust control structures and policies to safeguard the employees, clients and assets of Momentum.
In this regard Momentum relies on line management and formal structures that include risk management as well as forensic services to enforce the "zero tolerance" attitude. This attitude is further completely underwritten by the Momentum senior management and Board. An independently and externally managed best practice fraud hotline (0800 737678) is also in place to provide the means to ensure that actual and/or suspected fraud or irregularities are confidentially and promptly reported.
To reach these goals, Momentum has not only a code of expected conduct that applies to all staff, but also various mechanisms to create anti-crime awareness, as well as mechanisms that assist in the detection of and formal prosecution of offenders.

Legal risk
Momentum defines legal risk as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed (implemented changes are dealt with as part of compliance risk).
Legal risk is managed in terms of the Legal Risk Management Framework and through activities such as monitoring of new legislation, awareness initiatives, identifying significant legal risks and by managing and monitoring the impact of these risks through appropriate processes and procedures.

Risk insurance
Risk insurance is defined as the risk that material unexpected operational losses, arising from non-trading risks, are not identified and/or adequately covered by appropriate insurance risk financing structures.
Momentum forms part of FirstRand's global insurance risk financing programme with cover limits that are commensurate with the size and stature of Momentum. The risks written into the programme are Bankers Blanket Bond, Computer Crime, Professional Indemnity, Directors & Officers Liability, Assets and various Liabilities.
Momentum will continue to monitor developments and ensure that the insurance financing programme is adapted accordingly where appropriate.

Compliance risk
Introduction
Momentum defines compliance risk as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the group may suffer as a result of its failure to comply with applicable laws, regulations, codes of conduct and standards of good practice.

Compliance risk governance
Compliance Risk Management is an integral part of managing the risks inherent in Momentum. Compliance risk is managed in terms of Momentum's Compliance Risk Management Framework. The Compliance Risk Management function retains an independent reporting line to the Board through the designated sub-committees.
Momentum has also established a Fair Practices committee, and where appropriate, compliance matters are escalated to this forum in addition to the above structures.

41 RISK MANAGEMENT PHILOSOPHY (continued)

Compliance risk management

The Compliance Risk Management function has implemented appropriate structures, policies, processes and procedures to identify regulatory risks, monitor the management thereof and report on the status of compliance risk management in Momentum to the Board and the regulatory authorities. This includes:

- risk identification through documenting which laws, regulations and supervisory requirements are applicable to Momentum;
- risk measurement through the development of compliance risk management plans;
- risk monitoring and review of remedial actions;
- risk reporting; and
- providing advice on compliance related matters.

To support the Compliance Risk Management Framework, a Momentum compliance manual has been drafted to assist the business in addressing all material compliance risks.

Although independent of other risk management and governance functions, the Compliance Risk Management function works closely with Internal Audit, Enterprise Risk Management, external audit, internal and external legal advisors, group tax, forensics, and the Company Secretariat to ensure the effective functioning of the compliance processes.

Risks arising from fiduciary activities

Momentum provides investment management and advisory services to third parties. These services result in Momentum making allocation, purchase and sale decisions in respect of a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in the historical financial information. These arrangements expose Momentum to the risk that it may be accused of misadministration or under-performance.

The asset management subsidiaries of Momentum are required to comply with the risk management framework of Momentum. These subsidiaries employ risk management techniques which are considered best practice in the industry and constantly monitor actual performance against benchmarks and investigate differences.

	R million	Group 2009	Group 2008	Group 2007
42	**CASH GENERATED BY OPERATIONS**			
	Profit for the year	1,589	1,996	2,072
	Profit attributable to minority shareholders	5	6	4
	Profit attributable to equity holders	1,594	2,002	2,076
	Adjustments:			
	Net fair value gains on assets through profit or loss	16,731	3,812	(22,641)
	Dividends received	(2,483)	(2,038)	(921)
	Interest received	(9,413)	(7,254)	(6,269)
	Interest paid	852	834	569
	Transfer (to)/from policyholder liabilities under insurance contracts	(2,870)	(3,255)	5,910
	Movement in policyholder liabilities under investment contracts (excl fair value movements)	2,447	(3,633)	17,663
	Fair value adjustment to policyholder liabilities under investment contracts	(3,939)	3,893	–
	Depreciation	59	61	51
	Amortisation of intangible assets	109	79	74
	Impairment of intangible assets	13	–	48
	Impairment of goodwill	54	–	53
	Profit on sale of available assets	–	–	(567)
	Profit on sale of property, plant and equipment	(7)	–	–
	Other non-cash movements	(269)	63	(494)
	Direct taxation	179	469	1,307
	Indirect taxation	213	237	204
	Cash movements on investments made for operating purposes	(12,611)	(254)	6,372
	Changes in operating assets and liabilities	(355)	1,283	(1,679)
	– Net (increase) / decrease in loans and receivables	(4,246)	(546)	831
	– Net increase / (decrease) in current liabilities	3,891	1,829	(2,510)
	Cash utilised by operations	(9,696)	(3,701)	1,756
43	**TAXATION PAID**			
	Balance at beginning of the year	(410)	(194)	(351)
	Taxation for the current year	(695)	(1,224)	(1,127)
	Taxation charged in the income statement	(179)	(469)	(1,140)
	Non current assets held for sale	–	–	13
	Deferred tax in the income statement	(303)	(518)	–
	Indirect taxes	(213)	(237)	–
	Balance at end of the year	31	410	194
	Taxation paid	(1,074)	(1,008)	(1,284)

	R million	Group 2009	Group 2008	Group 2007
44	DIVIDENDS PAID			
	Final dividend declared on:			
	– 3 September 2008 in respect of the year ended 30 June 2008	(475)	–	–
	– 28 August 2007 in respect of the year ended 30 June 2007	–	(1,100)	–
	– 9 October 2006 in respect of the year ended 30 June 2006	–	–	(1,039)
	– Dividend in specie included in dividend above	–	176	–
	Interim dividend declared on:			
	– 20 February 2008 in respect of the period ended 31 December 2007	–	(700)	–
	– Dividend in specie included in dividend above	–	298	–
	– 15 March 2007 in respect of the period ended 31 December 2006	–	–	(1,524)
	Preference dividend declared on:			
	– 29 August 2006	–	–	(18)
	– 19 February 2007	–	–	(20)
	– 6 August 2008	(26)	–	–
	– 22 August 2007	–	(21)	–
	– 30 January 2009	(26)	–	–
	– 3 April 2008	–	(24)	–
	Dividends paid	(527)	(1,371)	(2,601)

45 RELATED PARTIES

Holding company

The holding company of Momentum Group Limited is FirstRand Limited, which in turn has two major shareholders being Remgro Limited and RMB Holdings Limited. The most significant related parties of Momentum Group Limited are FirstRand Bank Holdings Limited, RMB Asset Management (Pty) Limited, Momentum International MultiManagers (Pty) Limited, Momentum Administration Services (Pty) Limited, Momentum Property Investments (Pty) Limited, AdviceAtWork (Pty) Limited, Momentum Ability (Pty) Limited, Momentum Medical Schemes Administrators (Pty) Limited, Advantage Asset Managers (Pty) Limited, Emira Property Fund, RMB Asset Management International, Momentum Short-term Insurance Limited, Swabou Life Assurance Company Limited and RMB International Investment Services. Subsidiaries and associated companies of these companies are also related parties.

Assets under management

RMB Asset Management (Pty) Limited, a subsidiary of Momentum Group Limited, has been mandated to manage assets on behalf of certain related parties of the group. The total assets under management on behalf of related parties amounted to R66 501 million at 30 June 2009 (2008: R81 783 million) (2007: R76 281 million). Advantage Asset Managers (Pty) Limited, a subsidiary of Momentum Group Limited, managed assets on behalf of related parties amounting to R15 953 million as at 30 June 2009 (2008: R17 910 million) (2007: R27 296 million).

Fair value hedge with FirstRand Bank

As disclosed in notes 12 and 29 in this historical financial information, Momentum entered into a swap agreement with FirstRand Bank whereby Momentum earns fixed interest and pays variable interest. Momentum therefore effectively converted the fixed interest nature of the unsecured call notes issued into a floating interest nature in order to match the variable nature of the investment income earned on the shareholders' portfolio.

45 RELATED PARTIES (continued)

Dividends paid to FirstRand Limited

During the financial year, Momentum declared and paid a total amount of R475 million in ordinary dividends (R2.50 per ordinary share) and R52 million in preference dividends (R1 040 per preference share), to FirstRand Limited, its holding company, compared to R1 800 million in ordinary dividends (R9.49 per ordinary share) and R45 million in preference dividends (R900 per preference share) in the previous financial year.

Momentum declared a final ordinary dividend of R338 million (R1.78 per ordinary share) for the year ended 30 June 2009 (2008: R475 million or R2.50 per ordinary share) (2007: R1 100 million or R5.80 per ordinary share), and a preference dividend of R21 million (R420 per preference share) for the year ended 30 June 2009 (2008: R26 million or R520 per preference share) (2007: R22 million or R431 per preference share), which was not provided for in the historical financial information.

Other transactions with FirstRand Bank

Momentum invests in interest bearing instruments as part of the normal course of business in order to match policyholder liabilities with assets that provide the appropriate returns required. As the FirstRand Banking Group is one of the four largest banks in South Africa, a proportion of these assets are held with the FirstRand Banking Group. FirstRand Bank Holdings Limited is a 100% owned subsidiary of FirstRand Limited, and is therefore a related party of the Momentum Group.

Listed below is a summary of the assets and liabilities on Momentum's statement of financial position with the FirstRand Banking Group:

R million Assets	2009	2008	2007
Interest bearing and derivative financial assets			
Balance at the beginning of the year	9,561	7,413	7,504
Net movement for the year	2,283	2,148	(91)
	11,844	9,561	7,413
Derivative and other financial liabilities			
Balance at the beginning of the year	4,115	2,827	5,083
Net movement for the year	(685)	1,288	(2,256)
Balance at the end of the year	3,430	4,115	2,827

Intergroup income with the FirstRand Group amounted to R833 million (2008: R182 million) (2007: R212 million), and intergroup expenses with the FirstRand Group amounted to R343 million (2008: R242 million) (2007: R240 million).

Key management information

Key management personnel have been defined as follows:

All directors and executive committee members of FirstRand Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

All directors and executive committee members of Momentum Group Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

45 RELATED PARTIES (continued)

Directors of FirstRand Limited

LL Dippenaar
VW Bartlett
JP Burger
DJA Craig
L Crouse
PM Goss
NN Gwagwa
PK Harris
G Moloi
AP Nkuna
SE Nxasana
AT Nzimande
D Premnarayen
KB Schoeman
KC Shubane
RK Store
BJ van der Ross
JH van Greuning
F van Zyl Slabbert
MH Visser

Executive committee of FirstRand Limited

PK Harris
JP Burger
DN Carstens
M Jordaan
NAS Kruger
MT Lategan
E Maepa
SA Moss
Y Narsai
SE Nxasana
A Pullinger
B Riley
W Roos

Directors of Momentum Group Limited

LL Dippenaar
DJ Botes
JP Burger
RB Gouws
PK Harris
RJ Hutchison
JD Krige
NAS Kruger
NB Langa-Royds
HM Madima
PV Mjoli
SE Nxasana
P Nzimande
JJ Sieberhagen
S Sithole
FJC Truter
BJ van der Ross
T van Wyk

Executive committee of Momentum Group Limited

NAS Kruger
DJ Botes
NJ Dunkley
J le Roux
H du Preez
D Moyane
M Mthombeni
AP Naidu
JP Burger
D Gouws
D Cooper

45 **RELATED PARTIES** (continued)

Directors' emoluments

R'000	Fees for services as directors	Basic salary	Perform-ance payments	Other benefits	Pension contribu-tions	Total
Executive directors	–	5 274	9,831	254	818	16 177
NAS Kruger (appointed January 2009)	–	1 452	774	57	75	2 358
DJ Botes	–	1 528	2 747	75	299	4 649
EB Nieuwoudt (resigned December 2008)	–	1 448	4 706	76	353	6 583
JJ Sieberhagen (resigned as executive September 2008)	–	481	1 104	25	43	1 656
PV Mjoli (resigned as executive September 2008)	–	365	500	21	48	934
Non executive directors	4 501	–	–	–	–	4 501
LL Dippenaar (chairman)	810	–	–	–	–	810
GT Ferreira (resigned December 2008)	116	–	–	–	–	116
RB Gouws	619	–	–	–	–	619
RJ Hutchison	312	–	–	–	–	312
JD Krige	195	–	–	–	–	195
NB Langa-Royds	402	–	–	–	–	402
HM Madima	195	–	–	–	–	195
P Nzimande	287	–	–	–	–	287
JJ Sieberhagen (appointed October 2008)	120	–	–	–	–	120
S Sithole	195	–	–	–	–	195
FJC Truter	405	–	–	–	–	405
BJ van der Ross	507	–	–	–	–	507
T van Wyk	191	–	–	–	–	191
PV Mjoli (appointed October 2008)	147	–	–	–	–	147
Total	4 501	5 274	9 831	254	818	20 678

45 RELATED PARTIES (continued)

Directors' share options	Opening balance	Strike prices	Share options awarded	Strike prices	Strike dates	Share options exercised	Prices exercised	Options forfeited on resignation	Closing balance	Strike prices
Executive directors										
NAS Kruger (appointed January 2009)	827,380	10.50 to 20.53	300,000	14.01	1 Oct 2004 to 3 Nov 2008	–	N/a	–	1,127,380	10.50 to 20.53
DJ Botes	932,649	6.08 to 20.53	300,000	14.01	16 Sep 2003 to 3 Nov 2008	105,269	6.08	–	1,127,380	10.50 to 20.53
EB Nieuwoudt (resigned December 2008)	2,242,140	6.08 to 20.53	–	N/a	16 Sep 2003 to 1 Oct 2007	526,347	6.08 to 12.32	1,715,793	–	N/a
JJ Sieberhagen (resigned as executive September 2008)	866,855	6.08 to 20.53	–	N/a	16 Sep 2003 to 1 Oct 2007	171,062	6.08 to 16.50	695,793	–	N/a
MV Mjoli (resigned as executive September 2008)	1,530,000	12.28 to 20.53	–	N/a	8 Apr 2005 to 1 Oct 2007	–	N/a	530,000	1,000,000	12.28
Non executive directors										
NB Langa-Royds	1,000,000	12.28	–	N/a	8 April 2005	–	N/a	–	1,000,000	12.28
P Nzimande	1,000,000	12.28	–	N/a	8 April 2005	–	N/a	–	1,000,000	12.28
S Sithole	1,000,000	12.28	–	N/a	8 April 2005	–	N/a	–	1,000,000	12.28
PV Mjoli (appointed October 2008)	1,000,000	12.28	–	N/a	8 April 2005	–	N/a	–	1,000,000	12.28

R million

45 **RELATED PARTIES** (continued)

Directors' emoluments (continued)

2008

	Services as directors of Momentum Group subsidiaries	Salaries	Performance payments	Company contributions to pension and medical aid funds	Share based payment	Total
Executive directors	–	7	10	1	1	19
Non executive directors	3	–	–	–	1	4
Total	3	7	10	1	2	23

2007

	Services as directors of Momentum Group subsidiaries	Salaries	Performance payments	Company contributions to pension and medical aid funds	Share based payment	Total
Executive directors	–	8	8	1	1	18
Non executive directors	2	–	–	–	1	3
Total	2	8	8	1	2	21

All the directors have a notice period of 1 month, or with the permission of the other directors a shorter period, after he has given notice in writing of his intention to resign.

Directors have to retire from their positions at the age of 70 years.

Other information in respect of key management personnel

During 2007 year a co-investments arrangement was established whereby certain key executives and decision makers of FirstRand are allowed to co-invest with FirstRand in certain pre-defined portfolios.

The rationale for the co-investment arrangement includes:

- Alignment of management and shareholder interests;
- Retention of key employees and decision makers; and
- Attract new talent in a highly competitive market.

The participants who co-invest with FirstRand buy into the existing portfolios at the disclosed fair values, are required to place capital at risk and receive no additional gearing from FirstRand.

Participants share in future profits to the extent of their capital as a percentage of the total capital at risk in the portfolios.

Where losses are incurred, participants share in the losses to the full extent of their capital committed and profits made on other portfolios.

The co-investment arrangement encourages a long-term perspective and commitment from employees.

The arrangement also encourages executives to remain in the employment of the FirstRand group of companies in excess of three years, as the value of the underlying investments are expected to realize over a longer time frame.

The FirstRand Remuneration Committee determines annually:

- The portfolios in which co-investment will be allowed:
- The level of co-investment allowed; and
- Which key executives and decision makers qualify for co-investment.

During the financial year under review key management personnel of Momentum invested Rnil (2008: R0.4 million) (2007: R5million) worth of capital in the co-investment arrangement.

45 RELATED PARTIES (continued)

The return on this investment amounted to R0.1 million (2008: R0.3 million) (2007: R0.6 million) for the year ended 30 June 2009. A total amount of R1.6 million (2008: R1.3 million) (2007: Rnil) was distributed to Momentum participants to the co-investments arrangement during the year ended 30 June 2009, and an amount of R3.5 million was taken out of the co-investment arrangement due to exiting participants.

The aggregate compensation of the Momentum Group Limited directors and executive committee members paid by the company or on behalf of the company is set out below:

	2009 R'000	2008 R'000	2007 R'000
Salaries and performance payments	26 093	19 091	17 637
Company contributions to pension and medical aid funds	1 890	1 631	1 734
Directors' fees, salaries, performance payments and contributions	21 534	23 244	20 458
Share-based payments	1 190	3 159	7 855
Total compensation	50 707	47 125	47 684

Aggregate details of insurance and investment transactions between Momentum Group Limited, any of its subsidiaries, associates or joint ventures, and key management personnel, their families (as defined in IAS24) and entities significantly influenced or controlled by key management personnel:

	Fund value			Aggregate life and disability cover			Deposits/ premiums			Withdrawals/ claims		
	2009 R'000	2008 R'000	2007 R'000	2009 R'000	2008 R'000	2007 R'000	2009 R'000	2008 R'000	2007 R'000	2009 R'000	2008 R'000	2007 R'000
Insurance	N/A	N/A	N/A	60 019	34 428	23 949	1 031	784	239	–	–	–
Investment	501 413	927 464	919 675	N/A	N/A	N/A	403 444	106 280	64 246	592 343	58 842	6 878

In aggregate, Momentum Group Limited and its subsidiaries earned fees and charges totaling R3.8 million (2008: R5.1 million) (2007: R4.2 million) on the insurance and investment products set out above.

46 ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Subsidiaries (directly held):	Effective % holding 2009 %	2008 %	2007 %	Investment by holding company: Amounts owing by/(to) subsidiaries 2009 R million	2008 R million	2007 R million	Group carrying amount 2009 R million	2008 R million	2007 R million	Carrying amount (including loan account) 2009 R million	2008 R million	2007 R million	Nature of business	Country of incorporation	Issued ordinary share capital R million
Listed															
Collective investment schemes	Various	Various	Various	–	–	–	20 201	6 159	1 558	20 201	6 159	1 558	Unit trusts	South Africa	–
Collective investment schemes	Various	Various	Various	–	–	–	5 531	9 480	5 311	5 531	9 480	5 311	Unit trusts	UK	–
Unlisted															
Momentum Property Investments (Pty) Limited	100	100	100	1 696	855	434	645	877	849	2 341	1 732	1 283	Property investments	South Africa	–
Momentum Life Assurers Limited	100	100	100	(36)	(36)	(36)	36	36	36	–	–	–	Dormant	South Africa	3
Momentum Administration Services (Pty) Limited	100	100	100	219	125	75	18	13	60	237	138	135	Investment administration	South Africa	–
Momentum Medical Scheme Administrators (Pty) Limited	100	100	100	526	553	476	(82)	(109)	(19)	444	444	457	Health administration	South Africa	–
Community Property Holdings Limited	–	100	100	–	1 781	518	–	333	146	–	2 114	664	Property investments	South Africa	2
Momentum Collective Investments (Pty) Limited	–	–	100	–	–	5	–	–	(5)	–	–	–	Administration of unit trusts	South Africa	6
Momentum Ability Limited	100	100	100	–	–	–	29	23	18	29	23	18	Long-term insurance	South Africa	10
FirstLife Assurance (Pty) Limited	100	100	100	5	22	18	34	27	16	39	49	34	Long-term insurance	Botswana	3
AdviceAtWork (Pty) Limited	100	100	70	66	44	26	(43)	(63)	47	23	(19)	73	Employee benefits	South Africa	–
Momentum International Multimanagers (Pty) Limited	100	100	95	19	54	77	225	305	196	244	359	273	Multi-management services	South Africa	–
Momentum Netherlands BV	100	100	100	–	3	(4)	–	–	280	–	3	276	Investment administration	Netherlands	–
RMB Asset Management (Pty) Limited	100	100	100	24	38	34	1 867	2 399	3 061	1 891	2 437	3 095	Asset management	South Africa	–
Other unlisted investments in Subsidiaries	Various	Various	Various	1 252	878	599	230	305	(97)	1 482	1 183	502	Various	Various	Various
				3 771	4 317	2 222	28 691	19 785	11 457	32 462	24 102	13 679			

46 ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Investment by holding company														
	Effective % holding			Amounts owing by/(to) subsidiaries			Group carrying amount			Carrying amount (including loan account)					Issued ordinary share capital
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007		Country of	
Subsidiaries (directly held):	%	%	%	R million	R million	R million	R million	R million	R million	R million	R million	R million	Nature of business	incorporation	R million
Associates:															
Listed															
Emira Property Fund	35	37		–	–	–	1 744	1 482	1 945	1 744	1 482	1 945	Property investment fund	South Africa	–
Collective investment schemes treated as associates	Refer note 16	Refer note 16		–	–	–	6 171	5 184	4 129	6 171	5 184	4 129	Unit trusts	South Africa	–
Unlisted															
Momentum Short-Term Insurance Limited	50	50		–	–	–	40	28	23	40	28	23	Short-term insurance	South Africa	–
Swabou Life Assurance Company Ltd	35	35		–	–	–	123	153	–	123	153	–	Long-term insurance	Namibia	10
				–	–	–	8 078	6 847	6 097	8 078	6 847	6 097			

	R million	Group 2009	Group 2008	Group 2007
47	TRUST ACTIVITIES			
	Market value of assets held or placed on behalf of customers in a fiduciary capacity	113 707	159 905	178 588
	Income received from trust and fiduciary activities	581	960	1 072

The group provides administration and investment management services to third parties in a fiduciary capacity.
These assets are not included on the statement of financial position of Momentum Group Limited.

	R million	Group 2009	Group 2008	Group 2007
48	EARNINGS AND DIVIDENDS PER SHARE			
	Reconciliation between earnings attributable to equity holders and headline earnings			
	Earnings attributable to equity holders	1 594	2 002	2 076
	Impairment of intangible assets and goodwill, net of deferred tax	64	–	101
	Profit on sale of Southern Life Namibia book	–	(22)	–
	Profit on sale of subsidiary	–	(1)	–
	Profit on sale of available-for-sale assets	–	–	(567)
	Headline earnings	1 658	1 979	1 610
	Earnings per share (cents per share)	813	1 032	1 074
	Headline earnings per share (cents per share)	847	1 020	829
	Dividends per ordinary share (cents per share)	251	949	1 351
	Preference dividends per preference share (cents per share)	103 024	90 887	77 268
49	NET ASSET VALUE AND TANGIBLE NET ASSET VALUE PER SHARE			
	Net asset value per ordinary share	3 846	3 305	3 138
	Tangible net asset value per ordinary share	2 210	1 657	1 535

	R million	Group 2009	Group 2008	Group 2007
50	MOMENTUM'S SHARE IN SUBSIDIARY EARNINGS			
	Momentum International Insurance PCC	3	4	7
	RMB Investment Services	12	8	4
	Momentum Administration Services	–	53	41
	Momentum Collective Investments	–	9	33
	RMB Unit Trusts	66	90	35
	Momentum Investment Consulting	5	–	–
	RMB Asset Management	31	129	188
	RMB Asset Management Namibia	–	–	(1)
	RMB Asset Management International	6	51	19
	FirstRand Alternative Investment Management	2	3	–
	FirstRand International Asset Management	–	–	48
	Momentum Ability	6	5	5
	AdviceAtWork	19	(41)	(17)
	Advantage	(64)	31	38
	Momentum International Multimanagers	5	3	1
	Momentum Medical Scheme Administrators	(82)	(26)	53
	African Life Health	60	8	(94)
	Momentum Interactive	(42)	(57)	–
	Momentum Africa	(83)	(20)	(14)
	First Life Assurance Botswana	9	11	6
	Momentum Finance Company	19	4	–
	Momentum Specialised Insurance	–	1	2
	Momentum BV	(10)	(23)	(1)
	Other small subsidiaries	3	–	11
		(35)	243	364

	2009	Carrying amount	Current	Non current
51	CURRENT / NON CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION			
	ASSETS			
	Cash and cash equivalents	4 014	4 014	–
	Derivative financial instruments	9 455	1 915	7 540
	Loans and receivables (including insurance receivables)	43 338	34 370	8 968
	Investment securities	107 167	82 088	25 079
	Investments in associates	8 078	–	8 078
	Property and equipment	105	4	101
	Owner occupied buildings	427	–	427
	Deferred tax asset	969	136	833
	Intangible assets and goodwill	3 102	207	2 895
	Investment properties	2 156	–	2 156
	Policy loans	604	–	604
	Reinsurance assets	8 143	7 854	289
	Current income tax asset	40	40	–
	Non-current assets held for sale	58	58	–
	Total assets	187 656	130 686	56 970

	2009 R million	Carrying amount	Current	Non current
51	**CURRENT / NON CURRENT SPLIT OF AMOUNTS**			
	RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION (continued)			
	LIABILITIES AND EQUITY			
	LIABILITIES			
	Accounts payable (including insurance payables)	12 810	11 524	1 286
	Derivative financial instruments	1 853	1 002	851
	Provisions	207	164	43
	Current income tax liabilities	71	71	–
	Employee benefits liabilities	166	119	47
	Deferred tax liability	1 570	68	1 502
	Other financial liabilities	5 461	3 838	1 623
	Policyholder liabilities under insurance contracts	39 069	2 446	36 623
	Policyholder liabilities under investment contracts	110 227	53 279	56 948
	Liabilities arising to third parties as a result of consolidating unit trusts	8 114	8 114	–
	Deferred revenue liability	322	72	250
	Total liabilities	179 870	80 697	99 173
	EQUITY			
	Share capital and share premium	1 541	–	1 541
	Non-distributable reserves	648	–	648
	Distributable reserves	5 606	–	5 606
	Minority interest	(9)	(9)	–
	Total equity	7 786	(9)	7 795
	Total liabilities and equity	187 656	80 688	106 968
	2008			
	ASSETS			
	Cash and cash equivalents	4 919	4 919	–
	Derivative financial instruments	10 892	1 324	9 568
	Loans and receivables (including insurance receivables)	28 391	23 992	4 399
	Investment securities	126 961	82 453	44 508
	Investments in associates	6 941	–	6 941
	Property and equipment	157	22	135
	Owner occupied buildings	439	–	439
	Deferred tax asset	825	123	702
	Intangible assets and goodwill	3 126	354	2 772
	Investment properties	3 808	6	3 802
	Policy loans	753	–	753
	Reinsurance assets	550	250	300
	Current income tax asset	24	24	–
	Total assets	187 786	113 467	74 319

	2008 R million	Carrying amount	Current	Non current
51	**CURRENT / NON CURRENT SPLIT OF AMOUNTS**			
	RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION (continued)			
	LIABILITIES AND EQUITY			
	LIABILITIES			
	Accounts payable (including insurance payables)	8 989	8 285	704
	Derivative financial instruments	4 190	3 884	306
	Provisions	108	108	–
	Current income tax liabilities	434	392	42
	Employee benefits liabilities	180	98	82
	Deferred tax liability	1 840	51	1 789
	Finance leases	242	40	202
	Other financial liabilities	3 801	2 921	880
	Policyholder liabilities under insurance contracts	41 982	2 593	39 389
	Policyholder liabilities under investment contracts	111 676	50 836	60 840
	Liabilities arising to third parties as a result of consolidating unit trusts	7 282	7 282	–
	Deferred revenue liability	296	21	275
	Total liabilities	181 020	76 511	104 509
	EQUITY			
	Share capital and share premium	1 541	–	1 541
	Non-distributable reserves	708	–	708
	Distributable reserves	4 521	–	4 521
	Minority interest	(4)	(4)	–
	Total equity	6 766	(4)	6 770
	Total liabilities and equity	187 786	76 507	111 279

	2007 R million	Carrying amount	Current	Non current
51	**CURRENT / NON CURRENT SPLIT OF AMOUNTS**			
	RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION (continued)			
	ASSETS			
	Cash and cash equivalents	4 038	4 038	–
	Derivative financial instruments	8 861	2 205	6 656
	Loans and receivables (including insurance receivables)	25 141	24 735	406
	Investment securities	131 409	104 637	26 772
	Investments in associates	6 146	–	6 146
	Property and equipment	93	20	73
	Owner occupied buildings	454	–	454
	Deferred tax asset	684	102	582
	Intangible assets and goodwill	3 040	274	2 766
	Investment properties	2 356	–	2 356
	Policy loans	733	–	733
	Reinsurance assets	544	216	328
	Current income tax asset	16	16	–
	Non current assets held for sale	407	407	–
	Total assets	183 922	136 650	47 272
	LIABILITIES AND EQUITY			
	LIABILITIES			
	Accounts payable (including insurance payables)	6 089	5 424	665
	Derivative financial instruments	4 868	2 571	2 297
	Provisions	172	7	165
	Current income tax liabilities	210	210	–
	Employee benefits liabilities	204	126	78
	Deferred tax liability	2 213	61	2 152
	Finance leases	270	29	241
	Other financial liabilities	4 283	2 944	1 339
	Policyholder liabilities under insurance contracts	45 875	1 559	44 316
	Policyholder liabilities under investment contracts	111 335	15 236	96 099
	Liabilities arising to third parties as a result of consolidating unit trusts	1 568	1 568	–
	Deferred revenue liability	255	4	251
	Non current liabilities held for sale	109	109	–
	Total liabilities	177 451	29 848	147 603
	EQUITY			
	Share capital and share premium	1 541	–	1 541
	Non-distributable reserves	515	–	515
	Distributable reserves	4 396	–	4 396
	Minority interest	19	19	–
	Total equity	6 471	19	6 452
	Total liabilities and equity	183 922	29 867	154 055

52 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

	Momentum will comply with the following new standards and interpretations applicable to its business from the stated effective date.	**Effective date**
IFRIC 15 Amendments	**Real Estate Sales** The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is not applicable to Momentum.	Annual periods commencing on or after 1 January 2009
IFRIC 16	**Hedges of a Net Investment of a Foreign Operation** The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the Group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation. Momentum does not currently apply hedge accounting to net investments in foreign operations.	Annual periods commencing on or after 1 October 2008
IFRIC 17	**Distribution of Non-cash Assets to Owners** The interpretation clarifies how an entity should measure distribution of assets other than when it pays cash dividends to its owners. At present there is diversity in practice when accounting for these dividends payable. These assets will be measured at their fair value, and the difference between the fair value and the carrying value will be recorded in the profit or loss for the period. The impact of this interpretation on Momentum is not considered to be significant.	Annual periods commencing on or after 1 July 2009
IFRIC 18	**Transfers of Assets from Customer** The interpretation clarifies how an entity should treat items of property, plant and equipment from its customers that must be used to connect those customers to a network and provide them with ongoing access to a supply of commodities such as electricity, gas or water. An entity could also receive cash from customers for the acquisition or construction of such items of property, plant and equipment. This Interpretation applies to the accounting for such transfers. This amendment is not expected to impact Momentum's results significantly.	Annual periods commencing on or after 1 July 2009
IFRS 1 and IAS 27 (revised)	**Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** The amendments to IFRS 1 allow first-time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment will not impact Momentum as Momentum adopted IFRS in full in the financial year ending 30 June 2006. Consequently, IFRS 1 is no longer appropriate.	Annual periods commencing on or after 1 January 2009

52 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 2 (amended)	**Vesting Conditions and Cancellations**	
	The amendments to IFRS 2 clarify that vesting conditions are performance conditions and service conditions only. The amendment also clarifies that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact Momentum's results significantly.	Annual periods commencing on or after 1 January 2009
IFRS 2 (amended)	**Group Cash-settled Share-based Payment Transactions**	
	The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that: An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment is not expected to impact Momentum's results significantly.	Annual periods commencing on or after 1 January 2010
IFRS 3 and IAS 27 (revised)	**Revision to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements**	
	The revised IFRS 3 retains the current basic requirements. The most significant amendments are that the acquisition related costs will now be recognised as an expense in the income statement when incurred, rather than including it in goodwill. The revised IFRS 3 also states that contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in the income statement rather than by adjusting goodwill. The amendment to IAS 27 requires that changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity. The amendments are expected to affect the Group's accounting for business combinations that arise after the effective date. The amendment to IAS 27 requires that transactions with minorities be accounted for in equity, will require a prospective change in accounting policy for the Group in line with the amended transitional provisions.	Annual periods commencing on or after 1 July 2009
IFRS 7	**Financial Instruments: Disclosures**	
	The amendments to IFRS 7 will require enhanced disclosures about fair value measurements and liquidity risk. The amendment addresses disclosure in the historical financial information and will not affect recognition and measurement.	Annual periods commencing on or after 1 January 2009

52 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IFRS 8	**Operating Segments** IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable operating segments. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The standard addresses disclosure in the historical financial information and will not affect recognition and measurement. Momentum will adopt IFRS8 as the scope is wider than IAS14. Additional disclosure is expected.	Annual periods commencing on or after 1 January 2009
IAS 1 (revised)	**Presentation of Financial Statements** The main change in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances. The amendments will not affect the financial position or results of Momentum but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the company. For the purpose of the Revised Listing Particulars and the historical financial information , it was agreed with the JSE Limited to present primary statements in accordance with IAS 1 (R) to enhance comparability through the document.	Annual periods commencing on or after 1 January 2009
IAS 23 (amended)	**Borrowing Costs** The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost of such assets is therefore now required. Momentum's accounting policy is to capitalise borrowing costs on a qualifying asset. The amendment will therefore not have an effect on Momentum's results.	Annual periods commencing on or after 1 January 2009
IAS 32 (amended)	**Financial Instruments Puttable at Fair value** The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro-rata share of the entity only on liquidation as equity. The amendments sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have an impact on Momentum.	Annual periods commencing on or after 1 January 2009
IAS 39 (amended)	**Eligible Hedged Items** The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cash flows of a recognised financial instrument. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non-financial item and to improve effectiveness, an entity is allowed to exclude the time value of money from the hedging instrument. This amendment is not expected to have a significant impact on Momentum.	Annual periods commencing on or after 1 July 2009

Annual Improvements	**Annual Improvements Project** As part of its annual improvements projects, the IASB has issued its editions of annual improvements. The annual improvement projects aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement.	
	Annual improvements project undertaken in the 2008 calendar year.	Annual periods commencing on or after 1 January 2009
	Annual improvements project undertaken in the 2009 calendar year.	Annual periods commencing on or after 1 January 2010
	There are no significant changes in either of the improvement projects that are expected to affect Momentum.	

ANNEXURE C

INTERIM FINANCIAL INFORMATION OF MOMENTUM

The interim financial information of Momentum for the six months ended 31 December 2009 set out below has been provided by Momentum and is the responsibility of the Momentum Directors. The report of the independent reporting accountants on the interim financial information of Momentum is presented in Annexure E.

MOMENTUM GROUP

The Momentum Group comprises the operations of Momentum Group Limited, its subsidiaries and associates, including Momentum Medical Scheme Administrators (Pty) Limited ("MMSA"), Momentum Africa, RMB Asset Management (Pty) Limited ("RMBAM"), RMB Unit Trusts ("RMBUT"), FirstRand Alternative Investment Management ("FRAIM"), RMB Asset Management International ("RMBAMI"), 85% of Advantage Asset Managers ("Advantage"), AdviceAtWork (Pty) Limited, 50% of Momentum Short Term Insurance ("MSTI") and 49% of Momentum Namibia (previously Swabou Life).

Financial highlights	31 December 2009
Normalised earnings (R million)	**850**
Value of new business (R million)	**332**
Return on equity based on normalised earnings (annualised %)	**22**
Return on embedded value (annualised %)	**28**

SALIENT FEATURES

Momentum's results for the six months ended 31 December 2009 were characterised by the following:

- the positive impact of a recovery in equity markets and a reduction in market volatility;
- sound expense management resulting in only a marginal increase in expenses;
- an exceptional performance from FNB Insurance;
- pleasing growth in retail lump sum inflows;
- lower recurring premium savings new business and institutional inflows;
- new business margin maintained in a challenging environment;
- a strong return on embedded value supported by a solid operational performance and improved equity markets;
- return on equity ahead of the group target; and
- a further strengthening of Momentum's capital position.

Summarised results R million	31 December 2009
Normalised earnings[1]	850
– Group operating profit	721
– Investment income on shareholders' assets	129
Group headline earnings	845
New business volumes	29 096
– Retail clients	17 037
– Employee benefits clients	670
– Institutional clients	11 389
Value of new business	332
Embedded value	17 835
New business margin[2] (%)	2.2
Return on equity (%)	22.1
Return on embedded value[3] (%)	27.6
CAR cover (times)	2.0

1. *Normalised earnings represent group headline earnings adjusted for the impact of non operational items and accounting anomalies. The details relating to these items are set out in the earnings table on page 364.*
2. *Calculated as the value of new business as % of present value of future premiums.*
3. *Represents the embedded value profit as % of opening embedded value.*

BUSINESS UNIT PERFORMANCE

Momentum's normalised earnings increased to R850 million for the six months ended 31 December 2009. The return on equity of 22% remained ahead of the group's targeted return, whilst the capitalisation level strengthened from 1.8 times to 2.0 times the Capital Adequacy Requirement (CAR) since 30 June 2009.

The group operating profit growth reflects the positive impact of the recovery in equity markets. The operating profit of FNB Insurance increased significantly due to the growth in new business sales.

Initiatives to improve efficiencies are starting to bear fruit, with group administration expenses increasing only marginally.

The reduction in new business inflows is mainly due to lower institutional asset management and employee benefits lump sum inflows. Retail new business inflows increased due to an increase in retail lump sum inflows, and strong sales of FNB Insurance products.

The new business margin was maintained at 2.2%, which is pleasing given the challenging economic environment.

Momentum's embedded value showed a healthy increase to R17.8 billion from R16.1 billion at 30 June 2009. The particularly satisfying return on embedded value of 28% (annualised) was impacted positively by both a strong operational performance and improved equity market returns.

Momentum's CAR cover of 2.0 times (1.9 times after payment of the interim dividend) at 31 December 2009 exceeds the targeted range of 1.4 to 1.6 times CAR. Momentum's board however remains of the opinion that maintaining a buffer above the targeted range is appropriate in the current economic conditions.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of group earnings:

Reconciliation of earnings **R million**	**31 December 2009**
Earnings attributable to equity holders	840
Adjusted for:	
Impairment of goodwill	5
Headline earnings	**845**
Adjusted for:	
IFRS 2 share based payment expense	5
Normalised earnings	**850**

The main contributors to the normalised earnings are set out in the following table:

Normalised earnings **R million**	**31 December 2009**
Group operating profit	721
Momentum	530
FNB Insurance	191
Investment income on shareholders' assets	129
Normalised earnings	**850**

Group operating profit

Group operating profit amounted to R721 million. The recovery in equity markets compared with the prior period, together with a reduction in the volatility of these markets, resulted in increased asset based fees and a reduction in the liability held for minimum maturity guarantees. Underwriting profits in the employee benefits business improved from the lower levels of the comparative period. The healthcare administration business benefited from the take on of a new restricted scheme effective 1 January 2009, and the conversion to a single administration platform. Growth in the FNB Insurance operating profit is due to the excellent growth in new business.

The following table summarises the new business generated by Momentum operations:

New business **R million**	**31 December 2009**
Recurring premiums	1 037
– Retail	544
– Employee benefits	208
– FNB Insurance	285
Lump sums	28 059
– Retail	16 208
– Employee benefits	462
– Asset management	11 389
Total new business inflows	**29 096**
Annualised new business inflows[1]	**3 843**

1. *Represents new recurring premium inflows plus 10% of lump sum inflows.*

New recurring premium volumes declined, mainly as a result of lower retail volumes. Whilst individual risk products continue to enjoy good demand, retail volumes were negatively impacted by a reduction in savings and retirement annuity sales due to the change in commission regulations on savings and retirement products on 1 January 2009, as well as prevailing economic conditions. There was however a slight recovery in recurring savings product sales in the second quarter to December 2009. The employee benefits new business was characterised by lower group risk sales. The excellent increase in new business from FNB Insurance is due to improved credit life penetration of the retail lending base of FNB.

Retail lump sum sales showed a solid increase, driven mainly by improved sales of lump sum endowments, discretionary linked investments and guaranteed annuities. Although a large proportion of inflows continue to be channelled toward money market funds, inflows into equity based funds increased toward the latter half of the period under review.

Momentum's healthcare business administered a total of 531 200 lives at 31 December 2009. The Momentum Health open scheme membership, which is included in the overall lives under administration, totalled 180 400 at 31 December 2009.

Momentum's growth into Africa is progressing well, with the total lives under administration increasing to over 100 000 at 31 December 2009. The business is also focusing on expanding the product offering to life and employee benefits products in the countries in which the business already operates.

Although asset management inflows decreased to R11.4 billion, these flows are volatile and can fluctuate significantly from period to period. The investment performance of the asset management businesses over the short-term continues to improve.

Investment income on shareholders' assets

The investment income earned on shareholders' assets amounted to R129 million. It is lower compared to the comparative period due to the impact of declining interest rates on the portfolio, which comprises cash and near-cash investments.

Administration expenses

Group administration expenses increased marginally to R1.6 billion. The rationalisation of multiple administration platforms in both the employee benefits and health administration businesses resulted in improved efficiencies. In addition, tighter expense control generally in the group has also assisted in limiting the overall level of expenses.

CAPITAL MANAGEMENT

Momentum's CAR increased from R3 843 million at 30 June 2009 to R3 856 million at 31 December 2009. The statutory surplus increased from R7 108 million at 30 June 2009 to R7 699 million at 31 December 2009, resulting in a CAR cover of 2.0 times at 31 December 2009, compared with a CAR cover of 1.8 times at 30 June 2009. Momentum therefore remains adequately capitalised. The board of Momentum has decided to recommend the payment of an interim dividend of R340 million to FirstRand, which will result in a post-dividend CAR cover of 1.9 times.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased from R16.1 billion at 30 June 2009 to R17.8 billion at 31 December 2009. A solid operational performance was complemented by the positive impact of a recovery in equity markets. The analysis of the main components of the embedded value is reflected in the following table:

Embedded value **R million**	**31 December 2009**
Ordinary shareholders' net worth	**9 138**
Net value of in-force insurance business	**8 697**
• Present value of future profits	**10 414**
• Cost of capital at risk	**(1 717)**
Embedded value attributable to ordinary shareholders	**17 835**

The following table reflects a breakdown of the movement in embedded value for the period:

Embedded value movement **R million**	**31 December 2009**
Embedded value at 1 July 2009	**16 086**
Embedded value profit	**2 132**
– Factors related to operational performance[1]	**944**
– Factors related to market conditions[2]	**1 188**
Embedded value earnings of non covered business	**(45)**
Dividends paid	**(338)**
Embedded value at 31 December 2009	**17 835**

1. *Includes the value of new business, the expected return on in-force business and operating experience variations.*
2. *Includes the investment return on the adjusted net worth, investment variations and economic assumption changes.*

The annualised return on embedded value amounts to 28% on the opening embedded value. The pleasing contribution from the operational performance (including positive operating experience variances) was supported by positive investment experience over the period. The overall directors' valuation of strategic subsidiaries remained largely unchanged over the period.

The value of new business increased marginally to R332 million. The new business margin for the six months ended 31 December 2009 amounted to 2.2%, which is gratifying given the current economic conditions.

GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R308.7 billion at 31 December 2009, compared with R301.4 billion at 30 June 2009. The following table provides an analysis of the assets managed or administered:

Assets under management or administration **R billion**	**31 December 2009**
Assets included in statement of financial position	**191.4**
Segregated third party funds	**72.0**
Collective investment scheme assets managed	**23.1**
Assets under management	**286.5**
Linked product assets under administration	**22.2**
Total assets under management or administration	**308.7**

NET FLOW OF FUNDS

The net outflow of funds during the six months amounted to R7.5 billion (excluding the transfer of Futuregrowth assets referred to below). Retail and employee benefits net inflows remained positive at R1.4 billion and R289 million respectively. Net outflows in the asset management business include the following:

- An amount of R7.6 billion in assets transferred to another long term insurer in terms of section 37 of the Long Term Insurance Act. These assets represent fund policies written by Futuregrowth Asset Management on Momentum's life license, which were transferred to another long term insurer pursuant to the sale of the Futuregrowth business;
- A withdrawal of R5.9 billion by a client of the multimanager business; and
- Net member withdrawals from existing pension fund clients due to the prevailing economic conditions.

BASIS OF PRESENTATION

Momentum prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34: Interim financial reporting. The accounting policies applied are consistent with those applied in preparation of previous financial statements, with the exception of IAS 1(R) and IFRS 8 that became effective for the first time in the period under review.

Momentum believes that normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies. Details of the nature of these adjustments can be found on page 364.

CONSOLIDATED INCOME STATEMENT

R million	Notes	6 months ended 31 December 2009
Insurance premium revenue	1	3 756
Insurance premium ceded to reinsurers	1	(412)
Net insurance premium revenue		**3 344**
Fee income	2	1 438
Investment income	3	5 099
Net realised gains on assets		37
Net fair value gains on assets at fair value through profit or loss	4	10 575
Net income		**20 493**
Insurance benefits	5	(3 609)
Insurance benefits recovered from reinsurers	5	256
Transfer to policyholder liabilities under insurance contracts	15	(1 951)
Net insurance benefits and claims		**(5 304)**
Fair value adjustment to policyholder liabilities under investment contracts		(10 239)
Fair value adjustment to financial liabilities		(796)
Expenses for the acquisition of insurance and investment contracts	6	(816)
Expenses for marketing and administration	7	(1 613)
Expenses		**(18 768)**
Results of operating activities		1 725
Finance costs		(306)
Share of income from associate companies		16
Profit before tax		**1 435**
Tax	8	(597)
Profit for the period		**838**
Profit for the period attributable to:		
– Equity holders of the group		840
– Non controlling interest		(2)
Profit for the period		**838**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	6 months ended 31 December 2009
Profit for the period	**838**
Other comprehensive income	
Fair value movement on available-for-sale financial assets	129
Exchange differences on translating of foreign operations	(12)
Other comprehensive income for the period before tax	**117**
Deferred tax relating to available-for-sale financial assets	(1)
Other comprehensive income for the period	**116**
Total comprehensive income for the period	**954**
Total comprehensive income for the period attributable to:	
– Equity holders of the group	956
– Non controlling interest	(2)
Total comprehensive income for the period	**954**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	Notes	31 December 2009
ASSETS		
Cash and cash equivalents		4 079
Derivative financial instruments	9	7 857
Loans and receivables (including insurance receivables)	10	35 680
Investment securities	11	
– held-for-trading		10
– loans and receivables		19
– held-to-maturity		55
– available-for-sale		3 685
– designated fair value through profit or loss		123 064
Investments in associates	12	
– designated fair value through profit or loss		8 419
– at equity accounted value		253
Property and equipment		109
Owner occupied buildings		457
Deferred tax asset		951
Intangible assets		2 901
Goodwill		231
Investment properties		2 274
Policy loans		616
Reinsurance assets		635
Current income tax asset		63
Total assets		**191 358**
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable (including insurance payables)	13	11 570
Derivative financial instruments	9	1 016
Provisions		208
Current income tax liability		25
Employee benefits liabilities		138
Deferred tax liability		1 806
Other financial liabilities at fair value through profit or loss	14	5 763
Policyholder liabilities under insurance contracts	15	41 019
Policyholder liabilities under investment contracts	16	
– with discretionary participation features		13 880
– without discretionary participation features		99 591
Liabilities arising to third parties as a result of consolidating unit trusts		7 601
Deferred revenue liability		345
Total liabilities		**182 962**
EQUITY		
Share capital and share premium		1 541
Reserves attributable to equity holders		6 865
Capital and reserves attributable to the group's equity holders		**8 406**
Non-controlling interest		(10)
Total equity		**8 396**
Total liabilities and equity		**191 358**

CONSOLIDATED CASH FLOW STATEMENT

R million	Notes	6 months ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash utilised by operations before working capital changes	17	(1 092)
Working capital changes		2 464
Cash generated by operations		1 372
Dividends received		567
Interest received		4 434
Interest paid		(306)
Tax paid	18	(516)
Dividends paid	19	(359)
Insurance investment activities		(4 745)
Net cash inflow from operating activities		**447**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in associates		(577)
Property and equipment acquired		(71)
Proceeds from sale of equipment		6
Intangible assets acquired		(13)
Net cash outflow from investing activities		**(655)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings		301
Payment for retirement benefit liabilities		(28)
Net cash inflow from financing activities		**273**
Net increase in cash and cash equivalents		65
Cash and cash equivalents at the beginning of the period		4 014
Cash and cash equivalents at the end of the period		**4 079**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2009

R million	Ordinary share capital	Share premium	Preference share capital	Distributable reserves	Revaluation reserve	Currency translation reserve	Other non distributable reserves	Total shareholders' funds	Non controlling interest	Total equity
Balance at 1 July 2009	**9**	**1 032**	**500**	**5 606**	**590**	**51**	**7**	**7 795**	**(9)**	**7 786**
Total comprehensive income for the period	–	–	–	840	128	(12)	–	956	(2)	954
Current year movement on equity settled share based payments	–	–	–	14	–	–	–	14	1	15
Final dividend – Cash	–	–	–	(338)	–	–	–	(338)	–	(338)
Preference dividends	–	–	–	(21)	–	–	–	(21)	–	(21)
Balance at 31 December 2009	**9**	**1 032**	**500**	**6 101**	**718**	**39**	**7**	**8 406**	**(10)**	**8 396**

SEGMENTAL REPORTING

Momentum has identified six reportable segments within the business, these include Retail, Investments, Group, FNB Insurance, Capital centre and Other. A description of the types of products and services provided by these segments are provided below.

Retail
The activities of this segment are to perform all of the distribution and administration activities for the existing policy book and new individual life recurring premium policies. In addition to these services this segment provides the broker distribution and agency sales channels for all of the other segments. There are no significant subsidiaries included in this segment as much of these operations are undertaken by Momentum Group Limited.

Investments
This segment comprises all the businesses that provide investment management services for fees. Subsidiaries which are included in this segment include Momentum Administration Services, RMB Asset Management, RMB Asset Management International, FirstRand Alternative Investment Management, RMB Investment Services and Advantage Asset Management.

Group
This segment performs all of the activities in relation to employee benefits business and performs healthcare administration. The primary focus of this segment is to provide products and services that have a focus on groups of employees. The results of Momentum Ability, AdviceAtWork, Momentum Medical Scheme Administrators, Momentum Africa and Momentum Life Assurance Namibia are included in this segment.

FNB Insurance
FNB Insurance distributes credit life, funeral, personal accident and law-on-call products mainly to the lower income clients of FirstRand Bank.

Capital centre
This segment is responsible for the management of Momentum's capital and includes the head office accounting and corporate actuarial functions.

Other
This segment represents all the income and expenses of subsidiaries held in policyholder portfolios, as well as all the consolidation adjustments.

In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% of the entity's revenue. The Momentum Group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported in terms of IFRSs, the above mentioned amounts are adjusted in the Other segment. All consolidation adjustments have also been recorded in the Other segment.

IFRS 8 describes the chief operating decision maker as the function in the organisation whose responsibility it is to allocate resources to and assess the performance of the operating segments of an entity. The Standard specifically states that the chief executive officer is often the chief operating decision maker of a group. Based on the description of a chief operating decision maker provided by IFRS 8 and the reporting lines within Momentum, Momentum has selected as its chief operating decision maker, the chief executive officer, Nicolaas Kruger.

The segmental income statement of Momentum Group for the 6 months ended 31 December 2009 is presented below:

R million	Total	Retail	Investments	Group	FNB Insurance	Capital centre	Other
Insurance premium revenue	3 756	2 250	–	1 016	490	–	–
Insurance premium ceded to reinsurers	(412)	(345)	–	(70)	–	–	3
Net insurance premium revenue	**3 344**	**1 905**	**–**	**946**	**490**	**–**	**3**
Fee income	1 438	381	580	547	–	81	(151)
Investment income	5 099	1 326	2 358	721	20	295	379
Net realised gains on assets	37	–	–	–	–	–	37
Net fair value gains on assets at fair value through profit or loss	10 575	4 488	2 368	3 019	–	377	323
Net income	**20 493**	**8 100**	**5 306**	**5 233**	**510**	**753**	**591**
Insurance benefits	(3 609)	(2 359)	–	(1 145)	(105)	–	–
Insurance benefits recovered from reinsurers	256	234	–	26	–	–	(4)
Transfer to policyholder liabilities under insurance contracts	(1 951)	(939)	(1 284)	106	(70)	236	–
Net insurance benefits and claims	**(5 304)**	**(3 064)**	**(1 284)**	**(1 013)**	**(175)**	**236**	**(4)**
Fair value adjustment to policyholder liabilities under investment contracts	(10 239)	(3 209)	(3 043)	(3 600)	–	(387)	–
Fair value adjustment to financial liabilities	(796)	–	–	–	–	–	(796)
Expenses for the acquisition of insurance and investment contracts	(816)	(621)	(94)	(62)	(39)	–	–
Expenses for marketing and administration	(1 613)	(528)	(464)	(572)	(36)	(198)	185
Expenses	**(18 768)**	**(7 422)**	**(4 885)**	**(5 247)**	**(250)**	**(349)**	**(615)**
Results of operating activities	1 725	678	421	(14)	260	404	(24)
Finance costs	(306)	(1)	(169)	(5)	–	(135)	4
Share of income from associated companies	16	–	–	20	–	(4)	–
Profit before tax	**1 435**	**677**	**252**	**1**	**260**	**265**	**(20)**
Taxation	(597)	(376)	(92)	(7)	(69)	(42)	(11)
Profit for the period	**838**	**301**	**160**	**(6)**	**191**	**223**	**(31)**

R million	Total	Retail	Invest-ments	Group	FNB Insurance	Capital centre	Other
The income statement includes:							
Depreciation	37	13	2	11	–	11	–
Amortisation	39	–	6	1	–	32	–
Impairment charges	5	–	–	5	–	–	–
Other non cash provisions	46	–	7	17	–	22	–
Other measures:							
New business	29 096	572	27 597	670	257	–	–
Normalised earnings before shareholders' tax	1 058	347	219	6	265	221	–
Headcount	5 202	2 180	658	1 935	85	344	–
Segment assets	191 358	51 713	64 582	39 418	462	27 362	7 821
Reconciliation of new business to net insurance premium revenue							
New business	29 096						
Annualised premium income included in new business	(1 037)						
Recurring premium cashflows	5 121						
Transfers from off-statement of financial position	904						
Deposits received on investment contracts	(15 242)						
Off-statement of financial position flows	(15 498)						
Net insurance premium revenue	**3 344**						
Reconciliation of normalised earnings before shareholders tax to profit before tax							
Normalised earnings before shareholders' tax	1 058						
Impairment of goodwill	(5)						
IFRS 2 share based payment expense	(5)						
Tax on policyholder portfolios	389						
Non controlling interest	(2)						
Profit before tax	**1 435**						

SEGMENTAL REPORTING (continued)

Geographical information

R million	Total	South Africa	Other
Insurance premium revenue, fee income and investment income	9 881	9 645	236
Investments in associates	8 672	8 672	–
Property and equipment and owner occupied buildings	566	560	6
Intangible assets and goodwill	3 132	3 132	–
Investment properties	2 274	2 274	–

KEY NOTES TO THE FINANCIAL STATEMENTS

	R million	Group 31 December 2009
1.	NET INSURANCE PREMIUM REVENUE	
	Insurance premium revenue	
	Individual life	2 783
	Single premiums	27
	Recurring premiums	2 458
	Annuities	298
	Employee benefits	886
	Single premiums and investment lump sums	458
	Recurring premiums	428
	Health insurance contracts	
	Recurring premiums	87
	Insurance premium revenue	3 756
	Insurance premium ceded to reinsurers	
	Individual life	(379)
	Employee benefits	(33)
	Insurance premium ceded to reinsurers	(412)
	Net insurance premium revenue	3 344
2.	FEE INCOME	
	Fees for asset manager services rendered	913
	Recognition of deferred revenue	51
	Fees for health administration	240
	Other fees	234
	Total fee income	**1 438**
3.	INVESTMENT INCOME	
	Dividend Income	567
	Dividends on listed shares	448
	Dividends on unlisted shares	119
	Interest Income	4 434
	Listed	1 408
	Unlisted	3 026
	Rental income from investment properties	98
	Total investment income	**5 099**
4.	NET FAIR VALUE GAINS ON ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	
	Investment securities	10 558
	Revaluation of fair value hedges	(33)
	Investment properties	50
	Total net fair value gains on assets at fair value through profit or loss	**10 575**

	R million	Group 31 December 2009
5.	**INSURANCE BENEFITS**	
	Insurance benefits	
	Individual life	1 857
	Death	636
	Disability	212
	Maturities	573
	Surrenders	436
	Lump sum annuities	613
	Annuities paid	566
	Commutations	47
	Total benefits in respect of individual life business	2 470
	Employee benefits	
	Death	349
	Disability	204
	Scheme terminations and member withdrawals	437
	Annuities	90
	Health benefits	59
	Total benefits in respect of employee benefits business	1 139
	Total insurance benefits on long term insurance contracts	3 609
	Insurance benefits recovered from reinsurers	
	Individual life	(234)
	Employee benefits	(22)
	Total insurance benefits recovered from reinsurers	(256)
	Total net insurance benefits	3 353
6.	**EXPENSES FOR THE ACQUISITION OF INSURANCE AND INVESTMENT CONTRACTS**	
	Commission incurred for the acquisition of insurance contracts	508
	Commission incurred for the acquisition of investment contracts	195
	Amortisation of deferred acquisition cost asset	113
	Expenses for the acquisition of insurance and investment contracts	816
7.	**EXPENSES FOR MARKETING AND ADMINISTRATION**	
	Expenses by nature are as follows:	
	Auditors' remuneration	
	Audit fees	16
	– Current year	12
	– Underprovision prior year	4
	Fees for other services	2
	– Technical advice	–
	– Other	2
	Total auditors' remuneration	18

	R million	Group 31 December 2009
7.	**EXPENSES FOR MARKETING AND ADMINISTRATION** (continued)	
	Professional fees	
	Legal	5
	Actuarial	2
	Other	44
	Total professional fees	51
	Amortisation of intangible assets	
	Value of in force	20
	Contractual customer relationships	14
	Agency force	1
	Computer software	4
	Total amortisation of intangible assets	39
	Depreciation	
	Own assets	
	Land and buildings	8
	Computer equipment	23
	Office equipment	3
	Furniture and fittings	3
	Motor vehicles	–
	Total depreciation	37
	Operating lease charges	
	Land and buildings	62
	Equipment	3
	Total operating lease charges	65
	Staff costs	
	Salaries, wages and allowances	756
	Defined contribution pension fund contributions	51
	Contributions to medical aid funds	36
	Social security levies	4
	Staff and management bonuses	19
	Share based expenses – employees	14
	Leave pay	3
	Training	49
	Recruitment fees	11
	Temporary staff	20
	Contractors	12
	Retrenchment costs	4
	Other	5
	Total staff costs	984
	Impairment of assets	
	Goodwill	5

	R million	Group 31 December 2009
7.	**EXPENSES FOR MARKETING AND ADMINISTRATION** (continued)	
	Other expenses for marketing and administration	
	Bank charges	13
	Communications	41
	Computer expenses	128
	Motor vehicle expenses	24
	Office expenses	37
	Short-term insurance	6
	Printing and stationary	14
	Public relations	21
	Furniture and equipment	27
	Travel	16
	– Local	13
	– International	3
	Entertainment	10
	Donations	12
	Policy services	14
	Advertising	11
	General expenses	(9)
	Indirect taxes: Value added taxation	49
	Total other expenses for marketing and administration	414
	Total expenses for marketing and administration	1 613

8.	**TAX**	
	Direct taxation	
	South African normal tax	361
	Current tax	329
	Current year	319
	Adjustment for prior years	10
	Deferred tax	32
	Current year	18
	Adjustment for prior years	14
	Deferred capital gains tax	221
	Foreign company and withholding tax	1
	Share of taxation of associated companies	3
	Financial Services Levy	11
	Total direct tax	597

	R million	Group 31 December 2009
8.	**TAX** (continued)	
	In addition to the total direct tax as set out above, the Momentum Group incur the following indirect taxes, which were included under expenses for the acquisition of insurance and investment contracts (note 6) and expenses for marketing and administration (note 7) in the financial statements.	
	Total indirect tax: Value added taxation	103
	The direct tax can be further split as follows according to the four funds tax dispensation for long-term insurers:	
	Total direct tax on the shareholders' portfolio	208
	Total direct tax on the 3 policyholders' portfolios	389
	Total direct tax	597

9. Derivative financial instruments

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

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

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

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

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

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

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

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

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedges

The Momentum Group has one fair value hedge in place.

The hedged item are the callable notes as disclosed in note 14.

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

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

	Group 31 December 2009
Carrying amount of swap	59
Gains or losses for the period arising form the change in fair value of fair value hedges:	
– on hedging instrument	21
– on hedged items attributable to the hedged risk	(21)
Ineffective portion	–

	2009			
	Assets		**Liabilities**	
	Notional	**Fair value**	**Notional**	**Fair value**
Momentum utilises the following derivatives for hedging and trading purposes:				
Qualifying for hedge accounting				
Fair value hedges				
Interest rate derivatives				
– Swaps	–	–	1 000	59
Total fair value hedges	–	–	1 000	59
Total qualifying for hedge accounting	–	–	1 000	59

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2009			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Held for trading				
Interest rate derivatives	(103 613)	1 081	114 028	738
– Swaps	26 013	935	(13 190)	551
– Options	1 016	27	(1 972)	34
– Forward rate agreement	(130 642)	119	129 190	153
Equity derivatives	918	331	49	173
– Futures	578	71	(93)	9
– Options	340	260	142	164
Credit derivatives	5 809	5 920	–	–
Bonds – swaps	862	44	822	46
Bonds – options	429	479	–	–
Currency derivatives – futures	–	2	–	–
Total held for trading	(95 595)	7 857	114 899	957
Total derivatives	(95 595)	7 857	115 899	1 016

	2009					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Held for trading						
Interest rate derivatives	–	–	(103 613)	1 081	(103 613)	1 081
Equity derivatives	352	62	566	269	918	331
Currency derivatives	–	2	–	–	–	2
Bonds	1 291	523	–	–	1 291	523
Credit derivatives	1 836	1 910	3 973	4 010	5 809	5 920
Total	3 479	2 497	(99 074)	5 360	(95 595)	7 857

	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Fair value hedges	–	–	1 000	59	1 000	59
Interest rate derivatives	–	–	1 000	59	1 000	59
Held for trading	1 042	48	113 857	909	114 899	957
Interest rate derivatives	–	–	114 028	738	114 028	738
Bonds	822	46	–	–	822	46
Equity derivatives	220	2	(171)	171	49	173
Total	1 042	48	114 857	968	115 899	1 016

	R million	Group 31 December 2009
10.	**LOANS AND RECEIVABLES (INCLUDING INSURANCE RECEIVABLES)**	
	Money market investments	32 999
	Trade and other debtors	449
	Premium debtors	332
	Insurance contracts	207
	Investment contracts	125
	Reinsurance debtors – insurance contracts	157
	Commission debtors	106
	Prepayments	39
	Accrued investment income	48
	Unsettled trades	1 550
	Total loans and receivables	**35 680**

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

11. INVESTMENT SECURITIES

The table below provides an analysis of the investment securities of Momentum Group per category.

R million	Held for trading	Loans and receivables	Held to maturity	Available for sale	Designated at fair value through profit or loss	Total
Listed Investments	–	–	–	3	45 372	45 375
– Government and Government guaranteed	–	–	–	–	12 397	12 397
– Dated securities	–	–	–	–	13 477	13 477
– Undated securities	–	–	–	–	12	12
– Listed equities	–	–	–	3	19 486	19 489
Unlisted Investments	10	19	55	3 682	77 692	81 458
– Negotiable certificate of deposits	–	–	–	–	707	707
– Government and Government guaranteed	–	–	55	–	458	513
– Dated securities	–	–	–	247	8 661	8 908
– Undated securities	–	12	–	788	70	870
– Unlisted equities	–	–	–	2 647	6 775	9 422
– Offshore equities	–	–	–	–	561	561
– Units in collective investment schemes at quoted prices (held as minority holder)	–	–	–	–	18 392	18 392
– Units in collective investment schemes at quoted prices (held by consolidated schemes)	–	–	–	–	42 014	42 014
– Other	10	7	–	–	54	71
Total investment securities	**10**	**19**	**55**	**3 685**	**123 064**	**126 833**

	R million	Group 31 December 2009
12.	**INVESTMENTS IN ASSOCIATES**	
	At fair value	
	Collective investment schemes	6 671
	Emira Property Fund	1 748
		8 419
	At cost	
	Momentum Short-term Insurance Company Limited	44
	Momentum Life Assurance Namibia Limited	209
		253
	Total investments in associates	**8 672**

	R million	Group 31 December 2009
13.	**ACCOUNTS PAYABLE**	
	Accrued benefit payments	1 335
	Insurance contracts	618
	Investment contracts	717
	Creditors	10 235
	Total accounts payable	**11 570**

The total amount of accounts payable as at 31 December 2009 is current.

	R million	Group 31 December 2009
14.	**OTHER FINANCIAL LIABILITIES**	
	Secured long term liabilities	4 658
	Unsecured long-term liabilities	1 105
	Total other financial liabilities	**5 763**
	Secured financial liabilities	
	FirstRand Bank Limited	4 658
		4 658
	FirstRand Bank Limited	
	Balance at the beginning of the period	4 334
	New liabilities entered into	4 658
	Capital balance repaid	(4 334)
	Total secured financial liabilities	**4 658**

The liability of R4 658 million is a carry position with FirstRand Bank. This transaction represents a sale and repurchase of assets in Momentum's annuity portfolio.

	Unsecured financial liabilities	
	Subordinated call notes	927
	Other loans	178
	Total unsecured financial liabilities	**1 105**

	R million	Group 31 December 2009
14.	**OTHER FINANCIAL LIABILITIES** (continued)	
	Subordinated call notes	
	Balance at the beginning of the period	926
	Fair value movement for the year	1
	Total subordinated call notes	**927**
	Payable within:	
	One year	25
	Between five and ten years	902
		927

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

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

Momentum has hedged the fixed coupon rate on this liability by entering into a swap agreement with FirstRand Bank whereby Momentum earns interest at the same fixed coupon rate and pay interest at a floating rate. Both the interest rate swap (as disclosed under derivative financial instruments as "qualifying for hedge accounting" in note 9) and the principal instrument have been fair valued as at 31 December 2009.

	R million	Group 31 December 2009
	Other loans	
	Balance at the beginning of the period	201
	Capital balance repaid	(23)
	Total other unsecured loans	**178**

	R million	Group 31 December 2009
15.	**POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS**	
	Balance at beginning of the period	39 069
	Exchange differences	(1)
	Transfer to policyholder liabilities under insurance contracts	1 951
	– Increase in retrospective liabilities	3 980
	– Unwind of discount rate	470
	– New business	230
	– Change in economic assumptions	(312)
	– Change in non economic assumptions	(28)
	– Expected cashflow	(1 765)
	– Expected release of margins	(406)
	– Experience variances	(218)
	Balance at the end of the period	**41 019**
	Insurance contracts with discretionary participation features	8 140
	Insurance contracts without discretionary participation features	32 879
	Total policyholder liabilities under insurance contracts	**41 019**

Actuarial liabilities under unmatured policies comprise the following:	%
Linked (market related) business	
Individual life	35.3
Smoothed bonus business	
Individual life	12.3
With profits reversionary bonus business	7.4
Non profit business	
Individual life	0.3
Employee benefits	4.1
Annuity business	40.6
	100.0

The amounts above are based on the actuarial valuations of Momentum Group Limited as at 31 December 2009.

Best estimate valuation assumptions

Economic assumptions

Risk-free return

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

15. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

ZAR ten-year zero-coupon risk-free yield: 9.52% per annum
(30 June 2009: 9.28% per annum)

USD ten-year zero-coupon risk-free yield: 3.38% per annum
(30 June 2009: 3.88% per annum)

Valuation interest rate

The gross valuation interest rate of 11.70% per annum for ZAR denominated business (30 June 2009: 11.40% per annum) was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities, properties, gilt-edged stocks, corporate bonds and cash.

Notional portfolio used as at 30 June 2009:

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

Assumed performance of other asset classes relative to government bonds:

Equities (including overseas equities):	+3.5% per annum
Properties:	+1.0% per annum
Corporate bonds:	+0.5% per annum
Cash:	-1.0% per annum

Rounding to the nearest 0.1% was performed.

Using the same methodology, the gross valuation rate of 5.50% per annum (30 June 2009: 6.00% per annum) was determined for US$ denominated business.

Liabilities in the annuity portfolio were valued at the risk-free zero-coupon yield curve. CPI linked annuities were valued at a risk free real yield curve.

Inflation

An expense inflation rate of 7.00% per annum for ZAR denominated business was used to project future renewal expenses (30 June 2009: 7.20%). The ZAR inflation rate was derived by deducting the 10-year real return on CPI-linked government bonds of 3.27% (30 June 2009: 2.83%) from the risk-free rate and adding an allowance for salary inflation and increases in unit costs of 0.75% per annum. Rounding to the nearest 0.1% was performed. US$ inflation was assumed to be 0.80% per annum (30 June 2009: 1.80% per annum).

Tax

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

15. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

Mortality, morbidity and terminations

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

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in June 2009. The investigations covered a period of five years, from 2004 to 2009. The experience on policies and annuities were analysed.

Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Allowance for AIDS was made according to professional guidance note PGN 105: Minimum Requirements for deriving AIDS Extra Mortality Rates, issued by the Actuarial Society of South Africa.

PHI termination of claim rates

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

- Ages
- Waiting periods
- And duration since disability

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

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

where the years represent duration of disability.

	R million	Group 31 December 2009
16.	**POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS**	
	Balance at the beginning of the period	110 227
	Movement for the year	3 244
	Deposits received	15 242
	– Individual	6 112
	– Single premiums	4 560
	– Recurring premiums	1 552
	– Employee benefits	9 130
	– Single premiums	8 071
	– Recurring premiums	1 059
	Policyholder benefits on investment contracts	(13 985)
	– Individual	(5 333)
	– Employee benefits	(8 652)
	Fees on investment contracts	(684)
	Transfer of Futuregrowth Asset Management assets to other long term insurer	(7 568)
	Fair value adjustment to policyholder liabilities under investment contracts	10 239
	Balance at the end of the period	**113 471**
	Investment contracts with discretionary participation features	13 880
	Investment contracts without discretionary participation features	99 591
	– With investment management service components	94 688
	– Without investment management service components	4 903
	Total policyholder liabilities under investment contracts	**113 471**

	R million	Group 31 December 2009
17.	**CASH UTILISED BY OPERATIONS**	
	Profit for the period	840
	Add back normal taxation	700
	Net profit before taxation	1 540
	Adjustments:	
	Net fair value gains on assets through profit or loss	(10 662)
	Dividends received	(567)
	Interest received	(4 434)
	Interest paid	306
	Transfer to policyholder liabilities under insurance contracts	1 951
	Movement in policyholder liabilities under investment contracts (excluding fair value movements)	10 812
	Depreciation	37
	Amortisation of intangible assets	39
	Impairment of goodwill	5
	Profit on sale of property, plant and equipment	(6)
	Share based payments on equity settled shares	14
	Deferred Revenue Liability	23
	Deferred Acquisition Cost	(60)
	Reserve accounting	(12)
	Reinsurance asset	(60)
	Earnings from associated companies	(13)
	Fair value movement on associates	(4)
	Minority interest	(1)
	Cash utilised by operations	**(1 092)**
18.	**TAX PAID**	
	Balance at beginning of the period	(31)
	Taxation for the current period	(447)
	Taxation charged in the income statement	(597)
	Deferred tax in the income statement	253
	Indirect taxes	(103)
	Balance at end of the period	(38)
	Tax paid	**(516)**

	R million	Group 31 December 2009
19.	**Dividends paid**	
	Final ordinary dividend declared on:	
	– 9 October 2009 in respect of the year ended 30 June 2009	(330)
	– 27 November 2009 in respect of the year ended 30 June 2009	(8)
	Final preference dividend declared on:	
	– 21 August 2009	(21)
	Dividends paid	**(359)**

20. RELATED PARTIES

Holding company

The holding company of Momentum Group Limited is FirstRand Limited, which in turn has two major shareholders being Remgro Limited and RMB Holdings Limited. The most significant related parties of Momentum Group Limited are FirstRand Bank Holdings Limited, RMB Asset Management (Pty) Limited, Momentum International MultiManagers (Pty) Limited, Momentum Administration Services (Pty) Limited, Momentum Property Investments (Pty) Limited, AdviceAtWork (Pty) Limited, Momentum Ability (Pty) Limited, Momentum Medical Schemes Administrators (Pty) Limited, Advantage Asset Managers (Pty) Limited, Emira Property Fund, RMB Asset Management International, Momentum Short-term Insurance Limited, Momentum Life Assurance Namibia (Pty) Limited and RMB International Investment Services. Subsidiaries and associated companies of these companies are also related parties.

Assets under management

RMB Asset Management (Pty) Limited, a subsidiary of Momentum Group Limited, has been mandated to manage assets on behalf of certain related parties of the group. The total assets under management on behalf of related parties amounted to R72 914 million at 31 December 2009. Advantage Asset Managers (Pty) Limited, a subsidiary of Momentum Group Limited, managed assets on behalf of related parties amounting to R22 748 million as at 31 December 2009.

Fair value hedge with FirstRand Bank

As disclosed in notes 9 and 14 in these financial statements, Momentum entered into a swap agreement with FirstRand Bank whereby Momentum earns fixed interest and pay variable interest. Momentum therefore effectively converted the fixed interest nature of the unsecured call notes issued into a floating interest nature in order to match the variable nature of the investment income earned on the shareholders' portfolio.

Dividends paid to FirstRand Limited

During the financial period, Momentum declared and paid a total amount of R338 million in ordinary dividends (R1.78 per ordinary share) and R21 million in preference dividends (R423 per preference share), to FirstRand Limited, its holding company.

Momentum declared an interim ordinary dividend of R340 million (R1.79 per ordinary share) for the period ended 31 December 2009 and a preference dividend of R17 million (R342 per preference share) for the period ended 31 December 2009, which was not provided for in the financial statements.

20. RELATED PARTIES (continued)

Other transactions with FirstRand Bank

Momentum invests in interest bearing instruments as part of the normal course of business in order to match policyholder liabilities with assets that provide the appropriate returns required. As the FirstRand Banking Group is one of the four largest banks in South Africa, a proportion of these assets are held with the FirstRand Banking Group. FirstRand Bank Holdings Limited is a 100% owned subsidiary of FirstRand Limited, and is therefore a related party of the Momentum Group.

Listed below is a summary of the assets and liabilities on Momentum's statement of financial position with the FirstRand Banking Group:

	Group 31 December 2009
Intergroup assets	
Balance at the beginning of the period	11 844
Net movement for the period	(4 389)
Balance at the end of the period	7 455
Intergroup liabilities	
Balance at the beginning of the period	3 430
Net movement for the period	390
Balance at the end of the period	3 820

Intergroup income with the FirstRand Group amounted to R255 million, and intergroup expenses with the FirstRand Group amounted to R164 million.

Key management information

Key management personnel have been defined as follows:

All directors and executive committee members of FirstRand Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

All directors and executive committee members of Momentum Group Limited, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management personnel.

20. RELATED PARTIES (continued)

Directors of FirstRand Limited

LL Dippenaar	SE Nxasana
VW Bartlett	AT Nzimande
JP Burger	D Premnarayen
DJA Craig	KB Schoeman
L Crouse	KC Shubane
PM Goss	RK Store
NN Gwagwa	BJ van der Ross
PK Harris	JH van Greuning
G Moloi	F van Zyl Slabbert
AP Nkuna	MH Visser

Executive committee of FirstRand Limited

PK Harris	SA Moss
JP Burger	Y Narsai
DN Carstens	SE Nxasana
M Jordaan	A Pullinger
NAS Kruger	B Riley
MT Lategan	W Roos
E Maepa	

Directors of Momentum Group Limited

LL Dippenaar	HM Madima
DJ Botes	PV Mjoli
JP Burger	SE Nxasana
RB Gouws	P Nzimande
PK Harris	JJ Sieberhagen
RJ Hutchison	S Sithole
JD Krige	FJC Truter
NAS Kruger	BJ van der Ross
NB Langa-Royds	T van Wyk

Executive committee of Momentum Group Limited

NAS Kruger	M Mthombeni
DJ Botes	AP Naidu
NJ Dunkley	JP Burger
J le Roux	D Gouws
H du Preez	D Cooper
D Moyane	

20. RELATED PARTIES (continued)

Directors' emoluments R'000	Fees for services as directors	Basic salary	Performance payments	Other benefits	Pension contributions	Total
Executive directors	–	2 147	3 587	110	287	6 131
NAS Kruger (appointed January 2009)	–	1 360	1 863	67	121	3 411
DJ Botes	–	787	1 724	43	166	2 720
Non-executive directors	2 101	–	–	–	–	2 101
LL Dippenaar (chairman)	496	–	–	–	–	496
RB Gouws	265	–	–	–	–	265
RJ Hutchison	138	–	–	–	–	138
JD Krige	84	–	–	–	–	84
NB Langa-Royds	165	–	–	–	–	165
HM Madima	84	–	–	–	–	84
P Nzimande	124	–	–	–	–	124
JJ Sieberhagen	84	–	–	–	–	84
S Sithole	84	–	–	–	–	84
FJC Truter	163	–	–	–	–	163
BJ van der Ross	222	–	–	–	–	222
T van Wyk	84	–	–	–	–	84
PV Mjoli	108	–	–	–	–	108
Total	2 101	2 147	3 587	110	287	8 232

All the directors have a notice period of 1 month, or with the permission of the other directors a shorter period, after he has given notice in writing of his intention to resign. The Momentum directors who are executive directors at FirstRand (SE Nxasana and JP Burger), are not paid directors' fees for their services as directors of Momentum Group Limited.

Directors have to retire from their positions at the age of 70 years.

20. RELATED PARTIES (continued)

Directors' share options	Opening balance	Strike price	Share options awarded	Strike prices	Strike dates	Share options exercised	Prices exercised	Closing balance	Strike prices
Executive directors									
NAS Kruger	1 127 380	10.50 to 20.53	348 101	–	1 Oct 2004 to 16 Sep 2009	197 380	16.20	1 278 101	0.00 to 20.53
DJ Botes	1 127 380	10.50 to 20.53	242 658	–	1 Oct 2004 to 17 Sep 2009	197 380	15.05	1 172 658	0.00 to 20.53
Non-executive directors									
NB Langa-Royds	1 000 000	12.28	–	N/A	8 April 2005	–	N/A	1 000 000	12.28
P Nzimande	1 000 000	12.28	–	N/A	8 April 2005	–	N/A	1 000 000	12.28
S Sithole	1 000 000	12.28	–	N/A	8 April 2005	–	N/A	1 000 000	12.28
PV Mjoli (appointed October 2008)	1 000 000	12.28	–	N/A	8 April 2005	–	N/A	1 000 000	12.28

20. RELATED PARTIES (continued)

Other information in respect of key management personnel

The aggregate compensation of the Momentum Group Limited directors and executive committee members paid by the company or on behalf of the company is set out below:

	Group 31 December 2009 R'000
Salaries and performance payments	13 709
Company contributions to pension and medical aid funds	927
Directors' fees, salaries, performance payments and contributions	8 232
Share-based payments	4 427
Total compensation	27 295

Aggregate details of insurance and investment transactions between Momentum Group Limited, any of its subsidiaries, associates or joint ventures, and key management personnel, their families (as defined in IAS24) and entities significantly influenced or controlled by key management personnel:

	Fund value 2009 R'000	Aggregate life and disability cover 2009 R'000	Deposits/ premiums 2009 R'000	Withdrawals/ claims 2009 R'000
Insurance	N/A	151 827	596	–
Investment	535 535	N/A	14 277	15 089

In aggregate, Momentum Group Limited and its subsidiaries earned fees and charges totalling R4.1 million on the insurance and investment products set out above.

	R million	Group 31 December 2009
21.	**EARNINGS AND DIVIDENDS PER SHARE**	
	Reconciliation between earnings attributable to equity holders and headline earnings	
	Earnings attributable to equity holders	840
	Impairment of goodwill	5
	Headline earnings	845
	Earnings per share (cents per share)	432
	Headline earnings per share (cents per share)	434
	Dividends per ordinary share (cents per share)	178
	Preference dividends per preference share (cents per share)	42 309
22.	**NET ASSET VALUE AND TANGIBLE NET ASSET VALUE PER SHARE**	
	Net asset value per share (cents per share)	4 168
	Tangible net asset value per share (cents per share)	2 517
23.	**MOMENTUM'S SHARE IN SUBSIDIARY EARNINGS**	
	Momentum International Insurance PCC	1
	RMB Investment Services	4
	Momentum Administration Services	21
	RMB Unit Trusts	38
	Momentum Investment Consulting	2
	RMB Asset Management	29
	RMB Asset Management Namibia	1
	RMB Asset Management International	14
	FirstRand Alternative Investment Management	2
	Momentum Ability	2
	AdviceAtWork	(17)
	Advantage	(6)
	Momentum International Multimanagers	3
	Momentum Medical Scheme Administrators	(6)
	African Life Health	(2)
	Momentum Interactive	(8)
	Momentum Africa	(14)
	First Life Assurance Botswana	5
	Momentum Finance Company	25
	Other small subsidiaries	1
		94

24. SHARE OPTIONS

The Momentum Group is part of the FirstRand share incentive scheme, the FirstRand share appreciation right scheme, the FirstRand black employee trust, the FirstRand black non executive directors' trust, the forfeitable share plan, the conditional share plan and the Momentum sales scheme. The following is a summary of the share incentive schemes:

The FirstRand Share Incentive Scheme

This scheme provides a facility to employees of Momentum Group to acquire shares in FirstRand Limited, the holding company of Momentum Group Limited. The primary purpose of this scheme is to appropriately attract, incentivise and retain managers within Momentum Group. This scheme is equity settled.

FirstRand Share Appreciation Right Scheme

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

The FirstRand Black Employee Trust

This trust has been set up specifically for the benefit of the black employees. The participation in this trust will be in addition to participation in any existing FirstRand share incentive scheme. After the initial allocation, the primary purpose of this scheme will be to appropriately attract, incentivise and retain black managers within the Momentum Group. This scheme is equity settled.

FirstRand Black Non Executive Directors' Trust

The beneficiaries of this trust are the black non executive and those executive directors who were non executives prior to becoming executives of Momentum Group companies. This scheme is equity settled and distribution to beneficiaries will take place on 31 December 2014.

Forfeitable Share Plan

The forfeitable share plan is a remuneration scheme that grants selected employees full free shares which will vest over a period of two years. Selected employees are awarded shares which are forfeited if the employee leaves the employment of the Momentum Group before the end of the vesting period of two years. During the two year vesting period the shares are held in trust for the employees and all dividends accrue to the employees for the duration of the vesting period. This scheme is cash settled.

Conditional Share Plan

The conditional award comprises a number of full free shares that will vest conditionally over a period of three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards will be made annually and vesting will be subject to specified financial and non financial performance, which will be set annually by the remuneration committee. This scheme is cash settled.

Momentum Sales Scheme

The Momentum sales scheme was set up specifically for the benefit of the sales staff. Allocations are made twice a year to financial planners reaching a certain minimum production level. The qualification criteria will be reviewed annually. This scheme is cash settled.

Momentum's share of the IFRS 2 costs on these schemes amounted to R15 million for the six months to 31 December 2009.

Listed below is a reconciliation in the movement of the options in force for the six months ended 31 December 2009:

24. SHARE OPTIONS (continued)

	FirstRand (FSR shares)	FirstRand Share Apprecia-tion Right Scheme (FSR shares)	FirstRand Black Employee Trust	FirstRand Black Non Executive Directors' Trust	Forfeitable Share Plan	Conditional Share Plan	Momentum Sales Scheme
Number of options in force at the beginning of the period (millions)	13.5	36.2	17.6	4.0	–	–	–
Granted at prices ranging between (cents)*	1 050 – 1 787	1 138 – 2 053	1 228 – 2 234	1 228	–	–	–
Weighted average (cents)	1 345	1 615	1 572	1 228	–	–	–
Number of options granted during the period (millions)	–	0.4	–	–	2.3	6.4	2.4
Granted at prices ranging between (cents)	–	1 356	–	–	–	–	1 648
Weighted average (cents)	–	1 356	–	–	–	–	1 648
Number of options exercised/released during the period (millions)	(5.9)	–	–	–	–	–	–
Market value range at date of exercise/ release (cents)	1 500 – 1 850	–	–	–	–	–	–
Weighted average (cents)	1 102	–	–	–	–	–	–
Number of options cancelled/lapsed during the period (millions)	(0.1)	(0.5)	(0.5)	–	–	–	(0.1)
Granted at prices ranging between (cents)	1 050 – 1 533	1 401 – 2 053	1 228 – 2 234	–	–	–	1 648
Weighted average (cents)	1 485	1 681	1 886	–	–	–	–
Number of options transferred during the period (millions)	–	0.1	–	–	–	–	–
Granted at prices ranging between (cents)	–	1 401 – 2 053	–	–	–	–	–
Weighted average (cents)	–	1 834	–	–	–	–	–
Number of options in force at the end of the period (millions)	7.5	36.2	17.1	4.0	2.3	6.4	2.3
Granted at prices ranging between (cents)	1 533 – 1 787	1 138 – 2 053	1 228 – 2 234	1 228	–	–	1 648
Weighted average (cents)	1 537	1 614	1 572	1 228	–	–	–

24. SHARE OPTIONS (continued)

	FirstRand (FSR shares)	FirstRand Share Appreciation Right Scheme (FSR shares)	FirstRand Black Employee Trust	FirstRand Black Non Executive Directors' Trust	Forfeitable Share Plan	Conditional Share Plan	Momentum Sales Scheme
Options are exercisable over the following periods (first date able to release)							
Financial year 2008/2009 (millions)	2.3	–	–	–	–	–	–
Financial year 2009/2010 (millions)	2.5	3.2	–	–	–	–	–
Financial year 2010/2011 (millions)	2.7	6.1	–	–	–	–	–
Financial year 2011/2012 (millions)	–	12.2	–	–	–	–	–
Financial year 2012/2013 (millions)	–	8.8	–	–	–	6.4	0.8
Financial year 2013/2014 (millions)	–	5.9	–	–	–	–	0.8
Financial year 2014/2015 (millions)	–	–	17.1	4.0	2.3	–	0.7
Total	7.5	36.2	17.1	4.0	2.3	6.4	2.3
* Adjusted for Discovery unbundling							
Options outstanding (by expiry date)							
Financial year 2009/2010 (millions)	–	–	–	–	–	–	–
Financial year 2010/2011 (millions)	7.5	–	–	–	–	–	–
Financial year 2011/2012 (millions)	–	9.7	–	–	–	–	–
Financial year 2012/2013 (millions)	–	8.6	–	–	–	6.4	–
Financial year 2014/2015 (millions)	–	17.9	17.1	4.0	2.3	–	2.3
Total	7.5	36.2	17.1	4.0	2.3	6.4	2.3
Total options outstanding – in the money (millions)	7.5	– **	9.6	4.0	2.3	6.4	2.3
Total options outstanding – out of the money (millions)	–	36.2	7.5	–	–	–	–
Total (millions)	7.5	36.2	17.1	4.0	2.3	6.4	2.3
Value of company loans to the share option trust at the beginning of the year (R million)	326	–	–	–	–	–	–
Value of company loans to the share option trust at the end of the year (R million)	217	–	–	–	–	–	–
Number of participants	235	391	1150	4	23	413	206

– ** Vesting conditions unlikely to be achieved

ANNEXURE D

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF MOMENTUM

"The Board of Directors
Momentum Group Limited
268 West Avenue
Centurion
0157

27 August 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF MOMENTUM GROUP LIMITED ("MOMENTUM") FOR THE YEARS ENDED 30 JUNE 2007, 30 JUNE 2008 AND 30 JUNE 2009

Introduction

Metropolitan Holdings Limited ("Metropolitan") is issuing Revised Listing Particulars to its shareholders ("the Revised Listing Particulars") regarding the proposed merger between Momentum and Metropolitan and the unbundling of Metropolitan shares by FirstRand Holdings Limited ("the Transaction").

At your request and for the purpose of the Revised Listing Particulars to be dated on or about 27 August 2010, we have audited the historical financial information of Momentum presented in the Report of Historical Financial Information which comprises the consolidated statements of financial position of Momentum as at 30 June 2007, 30 June 2008 and 30 June 2009, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes ("the Financial Information"), as presented in Annexure B to the Revised Listing Particulars, in compliance with the JSE Limited ("JSE") Listings Requirements.

Responsibility

Directors' Responsibility
The directors of Metropolitan and Momentum are responsible for the preparation, contents and presentation of the Revised Listing Particulars including the Financial Information. The directors of Momentum are responsible for the fair presentation of the Financial Information in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility
Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Financial Information is free from material misstatement.

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

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

Opinion

In our opinion, the Financial Information of Momentum as set out in Annexure B to the Revised Listing Particulars, presents fairly, in all material respects, for the purposes of the Revised Listing Particulars, the consolidated financial position of Momentum at 30 June 2007, 30 June 2008 and 30 June 2009, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements.

PricewaterhouseCoopers Inc
A du Preez
PwC Director
Accredited Auditor

Sunninghill"

ANNEXURE E

REVIEW REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE INTERIM FINANCIAL INFORMATION OF MOMENTUM

"The Board of Directors
Momentum Group Limited
268 West Avenue
Centurion
0157

27 August 2010

Dear Sirs

REVIEW REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF MOMENTUM GROUP LIMITED AND ITS SUBSIDIARIES ("MOMENTUM") FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Introduction

Metropolitan Holdings Limited ("Metropolitan") is issuing Revised Listing Particulars to its shareholders ("the Revised Listing Particulars") regarding the proposed merger between Momentum and Metropolitan and the unbundling of Metropolitan shares by FirstRand Holdings Limited ("the Transaction").

At your request and for the purpose of the Revised Listing Particulars to be dated on or about 27 August 2010, we present our report on the condensed consolidated statement of financial position of Momentum as of 31 December 2009 and the related condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six month period then ended ("the Condensed Consolidated Interim Financial Information"), presented in Annexure C of the Revised Listing Particulars, in compliance with the JSE Limited ("JSE") Listings Requirements.

Directors' Responsibility

The directors of Metropolitan and Momentum are responsible for the preparation, contents and presentation of the Revised Listing Particulars including the Condensed Consolidated Interim Financial Information. The directors of Momentum are responsible for the preparation and the fair presentation of the Condensed Consolidated Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Their responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Information presented in Annexure C to the Revised Listing Particulars based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", which applies to a review of interim financial information performed by the independent auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Condensed Consolidated Interim Financial Information as presented in Annexure C does not include information for the comparative six month period ended 31 December 2008 relating to the condensed statement of financial position, condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows, as required by International Accounting Standard 34, "Interim Financial Reporting".

Qualified Conclusion

Based on our review, except for the omission of information noted in the preceding paragraph, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Information for the six months ended 31 December 2009 as set out in Annexure C to the Revised Listings Particulars, has not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and in compliance with the JSE Listings Requirements.

PricewaterhouseCoopers Inc
Director: A du Preez
Accredited Auditor

Sunninghill"

ANNEXURE F

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF MMI

The unaudited *pro forma* statement of financial position, embedded value and income statement of MMI for the year ended 31 December 2009 are provided below and have been prepared for illustrative purposes only to reflect the *pro forma* results of MMI after the proposed Transaction and the Specific Repurchase of the Unallocated Shares.

Because of their nature, the unaudited *pro forma* statement of financial position, embedded value and income statement may not fairly present MMI's financial position, changes in equity, results of operations or cash flows. The unaudited *pro forma* statement of financial position, embedded value and income statement are the responsibility of the Metropolitan Directors.

The unaudited *pro forma* financial information is based on the accounting policies adopted by MMI, which are in accordance with IFRS, except for embedded value information which is in accordance with the embedded value guidance of the Actuarial Society of South Africa (Practice Guidance Note 107).

The independent reporting accountants' limited assurance report on the unaudited *pro forma* financial information of MMI for the year ended 31 December 2009 is set out in Annexure G to this document.

UNAUDITED *PRO FORMA* STATEMENT OF FINANCIAL POSITION

The *pro forma* statement of financial position as at 31 December 2009 has been prepared on the assumption that the Transaction and the Specific Repurchase of the Unallocated Shares were effected on 31 December 2009.

All figures are in R million unless otherwise stated

Notes	Metro-politan (1)	Momen-tum (2)	Change in account-ing policy (3)	Reallo-cations (4)	Trans-action costs (5)	Metro-politan Shares held by Momen-tum (6)	Fair value adjust-ments and purchase consid-eration (7)	MMI *pro forma*
ASSETS								
Intangible assets	464	3 132					8 411	12 007
Goodwill	154	231					139	524
Other intangibles	310	2 901					8 272	11 483
Owner-occupied properties	690	457	451					1 598
Property and equipment	202	109						311
Investment properties	3 193	2 274						5 467
Investment in associates	856	8 672		(816)				8 712
Employee benefit assets	232		83					315
Financial instrument assets	56 201	135 412		10 171		(133)	42	201 693
Insurance and other receivables	1 579	35 574		(32 999)				4 154
Deferred income tax	10	951						961
Reinsurance contracts	242	635						877
Current income tax assets	200	63						263
Cash and cash equivalents	7 702	4 079		23 644	(38)		(32)	35 355
Total assets	**71 571**	**191 358**	**534**	**–**	**(38)**	**(133)**	**8 421**	**271 713**
EQUITY								
Capital and reserves attributable to ordinary shareholders	6 612	7 906	357		(38)	(133)	6 052	20 756
Non-redeemable, non-cumulative, non-participative preference shares		500						500
Share capital and reserves	6 612	8 406	357	–	(38)	(133)	6 052	21 256
Non-controlling interests	167	(10)					81	238
Total equity	**6 779**	**8 396**	**357**	**–**	**(38)**	**(133)**	**6 133**	**21 494**
LIABILITIES								
Insurance contract liabilities								
Long-term insurance contracts	35 807	41 019						76 826
Capitation contracts	2							2
Financial instrument liabilities								
Investment contracts	23 471	113 471						136 942
– with discretionary participation features	12 022	13 880						25 902
– designated as fair value through income	11 449	99 591						111 040
Other financial instrument liabilities	2 308	14 380					(29)	16 659
Deferred income tax	394	1 806	139				2 366	4 705
Employee benefit obligations	202	138	38	61				439
Other payables	2 601	11 915		(61)			(49)	14 406
Provisions		208						208
Current income tax liabilities	7	25						32
Total liabilities	**64 792**	**182 962**	**177**	**–**	**–**	**–**	**2 288**	**250 219**
Total liabilities and equity	**71 571**	**191 358**	**534**	**–**	**(38)**	**(133)**	**8 421**	**271 713**
Net asset value attributable to ordinary shareholders	6 612	7 906	357	–	(38)	(133)	6 052	20 756
Tangible net asset value attributable to ordinary shareholders[9]	6 148	4 774	357	–	(38)	(133)	(2 359)	8 749
Number of ordinary shares in issue (million)[10]	548					(10)	951	1 489
Basic								
Net asset value per ordinary share (cents)	1 207							1 394
Net tangible asset value per ordinary share (cents)	1 122							588

Notes to the statement of financial position:

1. The "Metropolitan" column represents Metropolitan's financial information as at 31 December 2009, and has been extracted, without adjustment from the published audited 2009 annual financial statements of Metropolitan.

2. The "Momentum" column represents Momentum's financial information as at 31 December 2009 and has been extracted, without adjustment, from the reviewed interim results of Momentum as presented in this document.

3. The "Change in accounting policy" column represents adjustments which have been made to the Momentum accounting policies to align the accounting policies to the accounting policies to be adopted by MMI:

   3.1 Owner-occupied properties in Momentum were previously carried using the cost model and Metropolitan applied the fair value model. MMI has elected to apply the fair value model and therefore the value of the property was adjusted with R451 million to owner-occupied properties and a deferred tax liability increase of R126 million. Equity was increased by R325 million. The property was valued by a professional valuator.

   3.2 Momentum previously accounted for actuarial gains and losses relating to employee benefit funds, using the corridor method. The corridor method defers actuarial gains and losses and recognises it over the service lives of the employees. Metropolitan recognises actuarial gains and losses immediately in the income statement and this accounting policy will be applied by MMI. As a result the employee benefit asset increased by R83 million of which R45 million relates to the additional accrual of an asset and R38 million was reallocated from the employee benefit obligations. This resulted in an adjustment of R32 million to equity and R13 million to deferred taxation.

4. The "Reallocations" column represents certain reallocations between assets and liabilities in order to align the disclosure of Metropolitan and Momentum to the disclosure elected for MMI. The reallocations relate to:

   4.1 Momentum reclassified money market instruments of R32 999 million from insurance and other receivables to financial instrument assets (R9 355 million) and cash and cash equivalents (R23 644 million).

   4.2 Momentum reclassified collective investments scheme assets of R816 million, where less than 20% of the scheme is held, from investment in associates to financial instrument assets.

   4.3 Metropolitan reclassified leave pay provision of R61 million from other payables to employee benefit obligations.

5. The "Transaction costs" column represents non-recurring transaction costs directly associated with the Merger. Total estimated transaction costs of the accounting acquirer, Momentum (R38 million), have been expensed in terms of IFRS 3 (Revised) - Business combinations. The total estimated transaction costs incurred by Metropolitan (R32 million) have been accounted for as part of the preliminary purchase price allocation to the extent they are incurred pre-acquisition (refer note 7). The Metropolitan transaction costs detailed in section 22 (total of R34 million) were adjusted post the Last Practicable Date but have not been updated in the *pro forma* financial information. The impact of the R2 million adjustment is negligible.

6. The "Metropolitan Shares held by Momentum" column represents the adjustment for internally held Metropolitan Shares after the Merger. At 31 December 2009, Momentum held 10 million Metropolitan Shares as policyholder assets. These shares are now treated as Treasury Shares and the market value at year end of R133 million has been reversed against equity. The tax impact is immaterial. This column also includes the reduction of the number of shares in issue as a result of these Treasury Shares.

7. The Merger will be accounted for as a reverse acquisition under IFRS 3 (Revised) – Business combinations. This is on the basis that the Momentum shareholders (i.e. current FirstRand Shareholders) own a greater portion of MMI's issued shares subsequent to the Merger. Guidance in IFRS 3 (Revised) suggests that this is a reverse acquisition and therefore that Momentum is the accounting acquirer and Metropolitan is the accounting acquiree for IFRS 3 purposes. Therefore, for consolidation purposes, a preliminary purchase price allocation has been performed on Metropolitan. The "Fair value adjustments and purchase consideration" column represents the impact of the reverse business acquisition of Metropolitan by Momentum and the terms of the Merger Agreement.

The following adjustments are included in this column:

i. Assets, liabilities and shareholders' equity of Momentum are carried forward into MMI at their historic values, except for adjustments specifically referred to above. The assets and liabilities of Metropolitan are consolidated at fair value based on a preliminary purchase price allocation as discussed below.

ii. The issue of the Consideration Shares in exchange for the Momentum Shares.

iii. The non-controlling interest adjustment of R81 million represents the portion of the value of business acquired relating to the insurance companies in Metropolitan that have outside shareholders.

iv. The deemed acquisition value of Metropolitan is R12 007 million (with reference to Metropolitan's published embedded value at 31 December 2009).

v. The Metropolitan acquisition value of R12 007 million less the reported net asset value of Metropolitan assets and liabilities of R6 612 million, amounts to R5 395 million based on a preliminary purchase price allocation and is allocated as follows:

		R million
Other intangible assets		8 272
Value of in-force business acquired	5 766	
Customer relations	1 488	
Brand	939	
Broker network	101	
Reversal of existing deferred acquisition costs	(58)	
Fair value adjustment of software	36	
Goodwill		139
Goodwill recognised as a result of the Transaction	293	
Reversal of existing goodwill (Metropolitan)	(154)	
Other fair value adjustments		
– Loans and receivables		42
– Financial instrument liabilities carried at amortised cost		29
Transaction costs incurred pre-acquisition		(32)
Non-controlling interest on fair value adjustments		(81)
Deferred tax recognised on fair value adjustments and intangibles		(2 366)
Reversal of existing deferred revenue liability		49
		6 052
Adjustment to equity as a result of the Transaction		
– Equity component of Preference Shares		(657)
		5 395

A preliminary purchase price allocation has been performed by management for purposes of the preparation of the *pro forma* financial information. A formal valuation of Metropolitan assets and liabilities will be performed at the acquisition date. This will impact the eventual fair value and nature of identified assets, intangible assets and the value of the resulting goodwill, if any, as applicable. These assets will be subject to normal impairment testing.

The following assumptions have been made:

i. The fair value of the purchase price consideration has been assumed to be the published embedded value of Metropolitan at 31 December 2009.

ii. The effective date of the Transaction is 31 December 2009 and the purchase price allocation was performed on this date (the actual purchase price allocation will be performed on the effective date of the Transaction).

iii. Deferred tax has been recognised on all temporary differences arising as a result of the Transaction. The deferred tax is calculated based on the tax rates applicable in the relevant jurisdictions and the different tax funds (for insurance companies). The deferred tax liability raised as a liability at the acquisition date in accordance with IFRS 3 (Revised) is made up as follows:

	R million
Value of business acquired	1 605
Customer relations	459
Brand	250
Broker network	28
Fair value adjustment of software and loans and receivables	16
Net employee benefit asset	8
Deferred tax liability adjustment	2 366

8. Metropolitan and Momentum have certain staff share incentive schemes in place with reference to Metropolitan and FirstRand shares, respectively. Amendments to the share incentive schemes are subject to future management decisions, and the impact of any potential changes has not been included in the *pro forma* adjustments.

9. Tangible net asset value is the net asset value less goodwill and other intangible assets.

10. The number of ordinary shares in issue before the Transaction and the Specific Repurchase of the Unallocated Shares represents the number of shares Metropolitan had in issue at 31 December 2009 (excluding the Share Purchase Scheme shares and the Share Incentive Scheme shares). The number of ordinary shares in issue after the Transaction and the Specific Repurchase of the Unallocated Shares includes the Consideration Shares adjusted for the 10 million Metropolitan Shares held by Momentum at 31 December 2009.

UNAUDITED PROFORMA EMBEDDED VALUE

The *pro forma* embedded value as at 31 December 2009 has been prepared on the assumption that the Transaction and the Specific Repurchase of the Unallocated Shares were effected on 31 December 2009.

All figures are in R million unless otherwise stated

Notes	Metro-politan (1)	Momen-tum (2)	Change in accounting policy (3)	Impact of profit share arrange-ment with FirstRand (4)	Trans-action costs (5)	MMI *pro forma*
Embedded value	12 007	17 835	32	(615)	(70)	29 189
Diluted number of shares in issue (million)	663					1 594
Embedded value per share (cents)	1 811					1 831

Notes to the embedded value:

1. The "Metropolitan" column represents Metropolitan's embedded value as at 31 December 2009, and has been extracted, without adjustment from the published 2009 annual report of Metropolitan.

2. The "Momentum" column represents Momentum's embedded value as at 31 December 2009 and has been extracted, without adjustment, from the published 2009 interim results of FirstRand.

3. The "change in accounting policy" column represents the impact of the accounting policy changes made to align the accounting policies to the accounting policies to be adopted by MMI.

4. The "impact of profit share arrangement with FirstRand" represents an adjustment relating to specific terms included in the FNB Strategic Relationship Agreement. FirstRand will receive 90% of the earnings of FNB Insurance, a division of Momentum. This adjustment represents 90% of the embedded value of FNB Insurance at 31December 2009, as included in the FNB Strategic Relationship Agreement.

5. The "Transaction costs" column represents the impact of the Metropolitan and Momentum transaction costs, directly associated with the Transaction, on embedded value.

6. The diluted number of ordinary shares before the Transaction and Specific Repurchase of the Unallocated Shares represents the diluted number of shares at 31 December 2009 (including the Share Purchase Scheme Shares and the Share Incentive Scheme Shares). The diluted number of ordinary shares after the Transaction and Specific Repurchase of the Unallocated Shares excludes the Unallocated Shares.

UNAUDITED *PRO FORMA* INCOME STATEMENT

The *pro forma* income statement for the year ended 31 December 2009 has been prepared on the assumption that the Transaction and the Specific Repurchase of the Unallocated Shares were effected on 1 January 2009.

All figures are in R million unless otherwise stated

	Metro-politan (1)	Momen-tum (2)	Change in account-ing policy (3)	Impact of profit share arrange-ment with FirstRand (4)	Transac-tion costs (5)	Metro-politan Shares held by Momen-tum (6)	Additional amortisa-tion of merger-related intangible assets (7)	MMI *pro forma*
Net insurance premiums received	10 240	6 896						17 136
Fee income	1 185	2 867						4 052
Investment income	3 995	12 116			(6)	(15)		16 090
Net realised and fair value gains	4 642	2 936				(11)		7 567
Net income	20 062	24 815	–	–	(6)	(26)	–	44 845
Net insurance benefits and claims	8 466	6 268						14 734
Change in liabilities	4 565	(817)						3 748
Change in insurance contract liabilities	3 852	(793)						3 059
Change in investment contracts with DPF liabilities	747	–						747
Change in reinsurance provision	(34)	(24)						(58)
Fair value adjustments on investment contract liabilities	1 235	10 728						11 963
Fair value adjustments on collective investment scheme liabilities	7	383						390
Depreciation, amortisation and impairment expenses	148	261	11				526	946
Employee benefit expenses	1 549	1 879	122					3 550
Sales remuneration	987	1 493						2 480
90% of FNB insurance profit to FirstRand				529				529
Other expenses	1 271	1 277			38			2 586
Expenses	**18 228**	**21 472**	**133**	**529**	**38**	**–**	**526**	**40 926**
Results of operations	1 834	3 343	(133)	(529)	(44)	(26)	(526)	3 919
Share of profit of associates	3	26						29
Finance costs	(168)	(888)						(1 056)
Profit/(loss) before tax	1 669	2 481	(133)	(529)	(44)	(26)	(526)	2 892
Income tax credits/(expenses)	(523)	(806)	34	148	2		143	(1 002)
Earnings	**1 146**	**1 675**	**(99)**	**(381)**	**(42)**	**(26)**	**(383)**	**1 890**
Attributable to:								
Ordinary shareholders	1 129	1 635	(99)	(381)	(42)	(26)	(370)	1 846
Non-controlling interests	17	(7)	–	–	–	–	(13)	(3)
Preference shareholders		47						47
	1 146	**1 675**	**(99)**	**(381)**	**(42)**	**(26)**	**(383)**	**1 890**

	Metro-politan (1)	Momen-tum (2)	Change in account-ing policy (3)	Impact of profit share arrange-ment with FirstRand (4)	Transac-tion costs (5)	Metro-politan Shares held by Momen-tum (6)	Additional amortisa-tion of merger-related intangible assets (7)	MMI *pro forma*
BASIC								
Earnings	1 129	1 635	(99)	(381)	(42)	(26)	(370)	1 846
Goodwill impairment and adjustments relating to equity accounted associates	61	59						120
Impairment of intangible assets		10						10
Headline earnings	1 190	1 704	(99)	(381)	(42)	(26)	(370)	1 976
Net realised and fair value losses/ (gains) on excess	(466)		88					(378)
Basis and other changes and investment variances	92	(64)						28
Amortisation of intangible assets relating to business combinations		55					370	425
Core headline earnings	**816**	**1 695**	**(11)**	**(381)**	**(42)**	**(26)**	**–**	**2 051**
DILUTED								
Earnings	1 129	1 635	(99)	(381)	(42)	(26)	(370)	1 846
Finance costs – preference shares	118							118
Diluted earnings	1 247	1 635	(99)	(381)	(42)	(26)	(370)	1 964
Goodwill impairment and adjustments relating to equity accounted associates	61	59						120
Impairment of intangible assets		10						10
Headline earnings	1 308	1 704	(99)	(381)	(42)	(26)	(370)	2 094
Net realised and fair value losses/ (gains) on excess	(466)		88					(378)
Basis and other changes and investment variances	92	(64)						28
Dilutory effect of subsidiaries	(1)							(1)
Investment income on treasury shares – contract holders	1					15		16
Amortisation of intangible assets relating to business combinations		55					370	425
Core headline earnings [9]	**934**	**1 695**	**(11)**	**(381)**	**(42)**	**(11)**	**–**	**2 184**
Number of shares								
Weighted average number of shares in issue (millions)[10]	529				951	(10)		1 470
Diluted weighted average number of shares in issue (millions)[11],[12]	663				941	(10)		1 594
Earnings per share								
Ordinary								
Earnings per ordinary share (cents)	214							126
Headline earnings per ordinary share (cents)	225							134
Core headline earnings per ordinary share (cents)	154							140
Diluted								
Diluted earnings per ordinary share	188							123
Diluted headline earnings per ordinary share	197							131
Diluted core headline earnings per ordinary share	141							137

Notes to the income statement:

1. The "Metropolitan" column represents Metropolitan's financial information for the year ended 31 December 2009, and has been extracted, without adjustment from the published audited 2009 annual financial statements of Metropolitan.

2. The "Momentum" column represents Momentum's financial information for the year ended 31 December 2009 and has been extracted, without adjustment, from the reviewed 12 month results of Momentum, which are available for inspection.

3. The "Change in accounting policy" column represents adjustments which have been made to the Momentum accounting policies to align the accounting policies to the accounting policies to be adopted by MMI:

   3.1 Owner-occupied properties in Momentum were previously carried using the cost model and Metropolitan applied the fair value model. MMI has elected to apply the fair value model and therefore additional depreciation on the fair value adjustment to the value of R11 million is recorded in the income statement based on an amortisation period of 41 years.

   3.2 Momentum previously accounted for actuarial gains and losses relating to employee benefit funds, using the corridor method. The corridor method defers actuarial gains and losses and recognises it over the service lives of the employees. Metropolitan recognises actuarial gains and losses immediately in the income statement and this accounting policy will be applied by MMI. This adjustment results in a R122 million increase in employee benefit expenses.

   3.3 The above two changes result in a deferred tax adjustment of R34 million.

4. The "Impact of profit share arrangement with FirstRand" column represents an adjustment relating to specific terms included in the FNB Strategic Relationship Agreement. As a consequence of the Transaction, FirstRand will receive 90% of the earnings of FNB Insurance, a division of Momentum. For purposes of the *pro forma* adjustments, this has been treated as an adjustment of R381 million (after income tax at 28%) to net profit, based on the actual earnings relating to FNB Insurance included in Momentum earnings in 2009. There is no adjustment for any interest lost as the fee is assumed to be paid at the end of the year. The mechanism for this arrangement has not yet been finalised, however, the impact on net profit is not expected to exceed the current adjustment.

5. The "Transaction costs" column represents non-recurring transaction costs directly associated with the Merger. Total estimated transaction costs of R38 million of the accounting acquirer, Momentum, have been expensed in terms of IFRS 3 (Revised) – Business combinations. The total estimated transaction costs incurred by Metropolitan have been accounted for as part of the preliminary purchase price allocation to the extent they are incurred pre-acquisition. Interest lost of R6 million, based on an assumed 8% interest before tax (net of tax R4 million) on both Metropolitan and Momentum's estimated transaction costs, has also been taken into account. The Metropolitan transaction costs detailed in section 22 (total of R34 million) were adjusted post the Last Practicable Date but have not been updated in the *pro forma* financial information. The impact of the R2 million adjustment is negligible.

   This column also includes the issue of the Consideration Shares in exchange for the Momentum Shares net of the Unallocated Shares.

6. The "Metropolitan Shares held by Momentum" column represents the adjustment for internally held Metropolitan Shares after the Merger. At 31 December 2009, Momentum held 10 million Metropolitan Shares as policyholder assets. These shares are now treated as Treasury Shares and the effect of the reversal of dividend income, any realised and unrealised gains on the shares is shown in this column. The impact of tax is immaterial. This column also includes the reduction in the number of shares in issue as a result of these Treasury Shares.

7. The "Additional amortisation of merger-related intangible assets" column represents an adjustment relating to intangible assets recognised in terms of the fair value adjustments to Metropolitan assets and liabilities in terms of the reverse acquisition of Metropolitan by Momentum and the preliminary purchase price allocation.

Intangible assets were provisionally fair valued and additional intangible assets were identified as part of the preliminary purchase price allocation exercise performed. This adjustment represents the effect of additional amortisation for the year. The material amortisation periods and amounts are as follows:

Intangible recognised	**Amortisation period and method**	**Amortisation net of tax and minorities R million**
Value of business acquired	Over the term of the contract as the profits are released	210
Customer relations	10 years on a straight-line basis	103
Software	2 to 10 years on a straight-line basis	8
Brand	20 years on a straight-line basis	34
Broker network	5 years on a straight-line basis	15
		370

Deferred tax of R143 million has been released in line with the above amortisation periods.

The R13 million impact of non-controlling interests relates to adjustments in entities where outside shareholders share in the adjustments above.

8. Metropolitan and Momentum have certain staff share incentive schemes in place with reference to Metropolitan and FirstRand shares, respectively. Amendments to the share incentive schemes are subject to future management decisions, and the impact of any potential changes has not been included in the *pro forma* adjustments.

9. Core headline earnings are a measure of the performance that has been used by Metropolitan historically in addition to earnings and headline earnings as it is seen by the directors of Metropolitan as an appropriate measure. Core headline earnings eliminate items of both a once-off and an inherently volatile nature, such as changes to the valuation basis, investment variances, capital appreciation/depreciation and the amortisation of any intangible assets recognised due to business combinations.

10. The weighted average number of ordinary shares after the Transaction and the Specific Repurchase of the Unallocated Shares assumes that the Consideration Shares were issued on 1 January 2009 and is also adjusted for the 10 million Metropolitan Shares held by Momentum.

11. The diluted weighted average number of ordinary shares before the Transaction and the Specific Repurchase of the Unallocated Shares represents the diluted weighted average number of shares at 31 December 2009 (including the Share Purchase Scheme shares and the Share Incentive Scheme shares). The diluted weighted average number of ordinary shares after the Transaction and the Specific Repurchase of the Unallocated Shares excludes the Unallocated Shares.

12. It was assumed that all the Preference Shares would convert into ordinary shares on a one-for-one basis. This represents the fully diluted effect of these Preference Shares.

ANNEXURE G

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

"Board of Directors
Metropolitan Holdings Limited
Parc du Cap 7
Mispel Road
Bellville
7530

27 August 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF METROPOLITAN HOLDINGS LIMITED ("METROPOLITAN") AFTER ITS MERGER WITH MOMENTUM GROUP LIMITED ("MOMENTUM") (TOGETHER "MMI") AND THE SPECIFIC REPURCHASE OF THE UNALLOCATED SHARES

Introduction

Metropolitan is issuing a circular and Revised Listing Particulars to its shareholders ("the Circular" and "the Revised Listing Particulars") regarding the proposed merger between Momentum and Metropolitan and the unbundling of Metropolitan shares by FirstRand Holdings Limited ("the Transaction") and the specific repurchase of the Unallocated Shares.

At your request and for the purposes of the Circular and the Revised Listing Particulars to be dated on or about 3 September 2010, we present our report on the unaudited *pro forma* statement of financial position, embedded value, income statement and financial effects ("the unaudited *pro forma* financial information") of MMI presented in Annexure F of the Revised Listing Particulars and paragraph 5 to the Circular.

The unaudited *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the Transaction and the specific repurchase of the Unallocated Shares might have affected the reported historical financial information presented, had the Transaction and the specific repurchase of the Unallocated Shares been undertaken at the commencement of the period or date of the unaudited *pro forma* statement of financial position being reported on.

Responsibilities

The directors of Metropolitan are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in the Revised Listing Particulars and the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information contained in the Revised Listing Particulars and the Circular has been properly compiled on the basis stated; the basis is consistent with the accounting policies of MMI; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the Revised Listing Particulars and the Circular. We conducted our assurance engagement in accordance with ISAE 3000: *International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Revised Guide* on *Pro forma Financial Information* issued by the South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information of Metropolitan and Momentum with the source documents, considering the *pro forma* adjustments in light of the accounting policies of MMI, considering the evidence supporting the unaudited *pro forma* adjustments and discussing the adjusted unaudited *pro forma* financial information with the directors of Metropolitan and Momentum in respect of the Transaction and the specific repurchase of the Unallocated Shares that is the subject of the Revised Listing Particulars and the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Metropolitan and Momentum and other information from various public, financial and industry sources.

Whilst the work we performed involved an analysis of the historical financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information in accordance with the *International Standards on Auditing* or the *International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Opinion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of MMI, and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Sections 8.17 and 8.30 of the JSE Listings Requirements.

PricewaterhouseCoopers Inc
Director: HD Nel
Accredited Auditor"

ANNEXURE H

TRADING HISTORY OF METROPOLITAN SHARES ON THE JSE

			High	Low	Close	Value Traded	Volume
			(cents)	(cents)	(cents)	(R million)	(Millions)
Quarterly							
	2007	Third Quarter	1550	1314	1520	1 419	95.70
		Fourth Quarter	1635	1408	1509	1 461	94.58
	2008	First Quarter	1520	1141	1340	1 413	105.27
		Second Quarter	1458	1080	1093	1 380	109.94
		Third Quarter	1367	1009	1100	1 036	87.75
		Fourth Quarter	1205	890	1080	1 090	104.31
	2009	First Quarter	1295	941	1050	1 225	109.07
		Second Quarter	1228	1010	1165	955	85.89
Monthly							
	2009	August	1361	1232	1361	469	36.10
		September	1395	1251	1279	315	24.27
		October	1362	1230	1330	554	42.71
		November	1395	1275	1321	413	30.58
		December	1385	1240	1342	299	23.14
	2010	January	1352	1291	1333	147	11.13
		February	1410	1310	1399	279	20.70
		March	1688	1377	1688	494	33.29
		April	1707	1550	1696	409	25.33
		May	1705	1550	1585	872	54.32
		June	1731	1520	1606	523	32.26
		July	1770	1600	1729	315	18.83
Daily							
	2010	26 July	1760	1737	1760	5.54	0.32
		27 July	1768	1744	1760	9.24	0.53
		28 July	1770	1721	1746	15.89	0.91
		29 July	1749	1726	1749	4.07	0.23
		30 July	1744	1715	1729	26.07	1.51
		2 August	1750	1730	1750	8.60	0.49
		3 August	1762	1711	1720	35.90	2.07
		4 August	1730	1708	1715	26.78	1.56
		5 August	1729	1697	1700	6.94	0.41
		6 August	1730	1676	1694	6.77	0.40
		10 August	1711	1676	1676	6.87	0.41
		11 August	1683	1628	1633	8.63	0.52
		12 August	1642	1609	1642	7.66	0.47
		13 August	1651	1631	1636	5.99	0.37
		16 August	1636	1610	1621	7.27	0.45
		17 August	1644	1619	1636	5.54	0.34
		18 August	1642	1606	1606	6.73	0.41
		19 August	1637	1610	1625	8.26	0.51
		20 August	1630	1594	1594	5.53	0.34
		23 August	1625	1600	1620	6.41	0.40
		24 August	1622	1595	1615	11.00	0.68
		25 August	1610	1590	1590	6.33	0.40
		26 August	1640	1592	1615	16.57	1.03

ANNEXURE I

EXTRACTS FROM THE ARTICLES OF ASSOCIATION

Votes of members

55. Subject to the provisions of Section 195 of the Act and of these articles, and to any special terms as to voting upon which any share may be issued or may for the time being be held, on a show of hands, every member present in person or by proxy and entitled to vote shall have one vote and, upon a poll, every member present in person or by proxy and entitled to vote shall have one vote for every share held by him.

56. Any corporation holding shares conferring the right to vote may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of holders of any class of shares of the Company, as provided by Section 188 of the Act and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. The directors may but shall not be obliged to require proof to their satisfaction of the appointment or authority of such representative to act.

57. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register or in the case of persons entitled to a share by transmission the order in which their names were given in the notice to the Company of the fact of the transmission.

Modification of rights

32. (e) The Company may from time to time by special resolution:
vary, modify or amend any rights attached to any shares whether issued or not, including the conversion of any shares into preference shares, subject to any consent or sanction required from the holders of that and/or any other class of shares.

32. (f) Subject to compliance with the requirements of the Statutes, and the listings requirements of any Stock Exchange on which the shares or debentures of the Company are listed or quoted, approve the acquisition of shares or debentures issued by the Company of, if the Company is a subsidiary, approve the acquisition of shares issued by its holding company, up to the maximum, if any, provided in the Act or the aforesaid listings requirements, which approval may be a general approval subject to the provisions of the Statutes, or a specific approval for a particular transaction.

35. Subject to the provisions of Section 102 of the Act and to the provisions of these articles, if at any time the share capital of the Company is divided into different classes of shares, all or any of the rights and privileges for the time being attaching to any class of shares for the time being issued may from time to time, whether or not the Company is being wound up, be varied, modified or abrogated by agreement between the Company and any person purporting to contract on behalf of the class provided such agreement is either authorised or ratified in writing by the holders of at least three-fourths of the nominal amount of the issued shares of that class, or is confirmed by a resolution passed at a separate general meeting of the holders of the shares of such class, and the provisions of Section 199 of the Act and all the provisions hereinafter contained as to general meetings shall *mutatis mutandis* apply to the said resolution and meeting as if the resolution were a special resolution.

Any issue of shares not ranking *pari passu* in all respects with, any shares for the time being issued, whether as regards rate of dividend or any other term of issue shall for the purpose of this article be deemed to constitute a separate class of shares, except in the case of shares issued for the purpose of the Metropolitan Staff Share Purchase Scheme constituted on 18 July 1985 and the Metropolitan Share Incentive Scheme constituted on 29 November 1994. All the provisions of these articles relating to general meetings of the Company shall *mutatis mutandis* apply to any such separate general meeting, but so that the necessary quorum, unless the class has only one member, shall be two persons at least holding or representing by proxy not less than one-third of the issued shares of the class, but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present in person or by proxy shall be a quorum, and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each share of the class of which he is the holder.

36. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

General meetings

37. The Company shall hold a general meeting as its annual general meeting as provided in Section 179 of the Act at such time and place as the directors may determine.

Qualification of directors

64. (b) (vi) The directors and executive management should include persons having sufficient insurance, actuarial, legal and accounting experience and expertise for the purposes of the Company's business.

Refer to Annexure K of these Revised Listing Particulars.

Appointment of directors

64. (a) Until otherwise from time to time determined by the Company in general meeting, the number of directors shall be not less than four not more than twenty. Those directors holding office as such at the date of adoption of these articles shall continue in office upon and subject to the provisions of these articles.

67. A director may hold any other office or place of profit under or position with the Company, or may be employed as a director or employee of a subsidiary company, except that of auditor, in conjunction with his office of director for such period and on such terms as to remuneration, in addition to the remuneration to which he may be entitled as a director, and otherwise, as a disinterested quorum of directors may determine.

68. Save as otherwise provided in these articles, a director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and, except insofar as otherwise decided by the directors, he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.

76. Subject to the provisions of article 64 the Company may in general meeting elect any person to be a director either to fill a casual vacancy or as an additional director, but so that the total number of directors shall not exceed at any time the maximum number fixed by or in accordance with the articles. The Company in general meeting may also subject to the provisions of article 64 from time to time increase or reduce the number of directors, and may also determine in what rotation such increased or reduced number is to go out of office.

Remuneration

64. (c) The directors shall be entitled to such remuneration as the Company by ordinary resolution in general meeting may from time to time determine, which remuneration shall be divided among the directors in such proportion as they may agree, or in default of such agreement equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period during which he has held office during the year.

65. Any director who serves on any executive or other committee or who devotes special attention to the business of the Company or who goes or resides outside South Africa for any purposes of the Company, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration, in addition to the remuneration to which he may be entitled as a director, as a disinterested quorum of directors may determine. The directors shall also be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company and in attending meetings of the directors or of committees of the directors or of the Company.

5. (d) The directors on behalf of the Company may pay a gratuity or pension or allowance on retirement or other benefit to any director or ex-director or other officer or employee of the Company, its holding company, or any subsidiary of the Company whether or not he has held any other salaried office or place of profit with the Company, or to his widow or dependants and make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits.

87. The remuneration payable by the Company to a director appointed to any position or executive office shall be in addition to or in substitution for any ordinary remuneration as a director of the Company and shall from time to time be fixed by a disinterested quorum of directors where possible.

Retirement

78. Subject to article 86 hereof, at the first annual general meeting all of the directors for the time being, and at every subsequent annual general meeting one-third of the directors for the time being or if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office. The directors so to retire at every subsequent annual general meeting shall be those who have been longest in office since their last election, but as between persons who become or were last elected directors on the same day, those to retire shall, unless they otherwise agree amongst themselves, to be determined by lot: Provided that notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of three years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire in pursuance of the aforegoing, or additionally thereto. The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected. A director retiring at a meeting shall retain office until the close or adjournment of the meeting.

79. Retiring directors shall be eligible for re-election but no person, other than a director retiring at the meeting shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless not more than thirty but at least six clear days before the day appointed for the meeting, there shall have been left at the office, a notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also a notice in writing signed by the person to be proposed of his willingness to be elected, but so that period of days shall not include the day on which the notices are left at the office, or the day appointed for the meeting.

80. Subject to the last preceding article, the Company at the meeting at which a director retires in the manner aforesaid, may fill the vacated office by electing a person thereto and in default the retiring director, if willing to continue to act, shall be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office, or unless a resolution for the re-election of such director shall have been put to the meeting, and lost.

Borrowing powers

81. The Company may create and issue secured or unsecured debentures, and subject to the listings requirements of any Stock Exchange on which the shares of the Company are listed or quoted and to any regulations from time to time made by the Company in general meetings, the directors may borrow funds for the purposes of the Company and secure the payment of such sums as they think fit, and may secure the repayment or payment of any such borrowings by bond, mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures or otherwise as they may think fit, and may make such regulations regarding the transfer of debentures, the issuing of certificates therefor, subject *mutatis mutandis* to article 11 hereof, and all such other matters incidental to debentures as they may think fit; provided that no special privileges as to the allotment of shares in the Company, attending and voting at general meetings, appointment of directors or otherwise, shall be given to the holders of debentures of the Company save with the sanction of the Company in general meeting.

Interests of directors

70. A director who is in any way whether directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with Sections 234, 235, 237 and 238 of the Act.

72. (a) A director shall not vote at a directors meeting nor be counted in the quorum and if he shall do so his vote shall not be counted on any resolution for his own appointment to any other office or place of profit under the Company or in respect of any contract or arrangement in which he is interested, but this prohibition shall not apply to:

(i) any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company, or

(ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the director has himself guaranteed or secured; or

(iii) any contract by a director to subscribe for or underwrite shares or debentures of the Company; or

(iv) any contract or arrangement with a company in which he is interested by reason only of being a director, officer, creditor or member of such company;

and these prohibitions may at any time be suspended or relaxed to any extent either generally, or in respect of any particular contract or arrangement, by the Company in general meeting.

(b) Where proposals under consideration concerning the appointment, including fixing or varying the terms of appointment, of two or more directors to offices of employment with the Company or any company in which the Company is interested, such proposals may be separated and considered in relation to each director separately, and in such cases each of the directors concerned shall be entitled to vote, and be counted in the quorum, in respect of each resolution except that concerning his own appointment.

(c) If any question shall arise at any directors meeting as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other director shall be final and conclusive, except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.

73. The directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or voting or providing for the payment of remuneration to the directors or officers of such other company; and any director of the Company may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or about to become, a director or other officer of such other company and as such, or in any other manner, is or may be interested in the exercise of such voting rights in manner aforesaid.

Dividends

100. Subject to the provisions of the Statutes and the requirements of any Stock Exchange upon which any shares of the Company are listed or quoted, the Company in general meeting or the directors may make payments to its members from time to time.

101. The Company in general meeting (subject to obtaining the declaration of the directors referred to in article 102) or the directors may from time to time declare a dividend to be made to members or other payment to be made to the members or any third person for no consideration in such manner as the Company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the aforegoing, that any payment as aforesaid shall be made out of profits or reserves (whether realised or not) and/or share premium and/or by distribution of specific assets or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment the directors may settle same as they consider appropriate.

103. No notice of change of address or instructions as to payment given after the determination of a dividend or other payment by the Company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the Company in general meeting or the directors so determine at the time the dividend or other payment is approved.

104. All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed, provided that any dividend to members remaining unclaimed for a period of not less than three years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the Company.

105. The Company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the Company's bankers from time to time.

106. Dividends shall be declared payable to members registered as such on a date at least fourteen days after the date of the declaration of the dividend.

107. No larger dividend shall be declared by the Company in general meeting than is recommended by the directors.

Winding up

127. If the Company shall be wound up the liquidator may, with the sanction of a special resolution of the members divide among the members in specie or kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon any asset and may determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members or any of them as the liquidator, with the like sanction, shall think fit. Any such resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing rights, but each member shall in that event have a right of dissent and other ancillary rights in the same manner as if such resolution were a special resolution passed pursuant to Section 390 of the Act.

133. Of the shares under the control of the directors as aforesaid, the directors are empowered to allot and issue such shares as may from time to time be necessary for the purposes of the Metropolitan Staff Share Purchase Scheme constituted on 18 July 1985 and for the purposes of the Metropolitan Share Incentive Scheme constituted on 29 November 1994 to the participants under those Schemes. The shares so allotted and issued rank *pari passu* in all respects with the remaining ordinary shares of the Company, save that-

(a) the dividends payable from time to time in respect of the shares issued to the participants under the Metropolitan Staff Share Purchase Scheme, prior to their release thereof to the participants under such Scheme, shall be variable and shall be in such amounts as may be determined from time to time by the directors, and

(b) those shares are not listed on either the JSE or the Namibian Stock Exchange prior to their release to the participants under such Scheme.

Preference Shares

135. TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE "A1" MET PREFS

135.1 Notwithstanding anything to the contrary in the articles, the following terms and conditions shall attach to the variable rate convertible cumulative redeemable preference shares of 0,0001 cent each in the issued share capital of the Company.

135.3 "A1" Met Preference Dividends

135.3.1 The "A1" Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company prior to the provision for, or declaration or payment of, any dividends or capital of any nature whatsoever on any ordinary share in the capital of the Company, a 6 monthly cumulative preferential cash dividend which shall accrue on a daily basis and which shall be determined in the manner set out in articles 135.3.2 and 135.3.4 below.

135.3.2 The "A1" Met Preference Dividends shall be due and payable 6 monthly in arrear on the Dividend Dates to Holders of "A1" Met Prefs registered on the Business Day immediately preceding each Dividend Date.

135.3.3 The Company shall pay any preference dividends on the "A1" Met Prefs into the "A1" and "A2" Redemption Reserve Account in accordance with the Priority of Payments provisions in respect of the "A1" SPV Prefs.

135.3.4 The Holders of the "A1" Met Prefs shall have the right to receive and be paid, on each Dividend Date in respect of each "A1" Met Pref held by it, an "A1" Met Preference Dividend for the Dividend Period preceding such Dividend Date, determined as follows:

$$MPD = \frac{A \times B \times C}{365}$$

Where:

MPD = the "A1" Met Preference Dividend per "A1" Met Pref;
A = the Dividend Rate;
B = the Issue Price per "A1" Met Pref; and
C = the number of days in the period for which the "A1" Met Preference Dividend is payable.

135.4 Additional Dividends

135.4.1 In addition to the "A1" Met Preference Dividend, the Holders of the "A1" Met Prefs shall be entitled to:

135.4.1.1 an initial special dividend of R2 713 600.00 payable to the Holder of the "A1" Met Prefs on the Effective Date; and

135.4.1.2 in the event that the SPV becomes obliged to pay to the holder of any "A1" SPV Pref any additional dividend or increased dividend or any other amount pursuant to the provisions of article 39.4 (*Adjustment Events*) of the articles of the SPV ("Increased Amount"), such additional dividend ("Additional Dividend") or increased dividend or other amount as will place the SPV in the same net after-tax position after the payment of the Increased Amount as it would have been in had it not become obliged to pay the Increased Amount, within 3 Business Days after receipt of the SPV's written demand in the case of an Additional Dividend or other amount and on the next succeeding Dividend Date in the case of an increased dividend. This obligation shall endure notwithstanding the redemption of the "A1" Met Prefs in full.

135.5 Redemption

135.5.1 The amount at which the Company shall redeem each "A1" Met Pref in terms of article 135.5.3 shall be an amount equal to:

135.5.1.1 the Issue Price;

135.5.1.2 any accrued, but unpaid "A1" Met Preference Dividends; and

135.5.1.3 any arrear "A1" Met Preference Dividends which at the date of redemption are still unpaid in respect of each "A1" Met Pref, on the basis that a dividend will be deemed to be in arrear and unpaid if at any earlier dividend payment date the "A1" Met Preference Dividend was neither declared nor paid or if declared, was not paid; plus

135.5.1.4 any additional dividend detailed in article 135.4 to which the Holder is entitled but not yet been paid by the Company.

135.5.2 The Company shall make provision for the redemption of the "A1" Met Prefs from its share premium account as contemplated in S76(3)(c) of the Act.

135.5.3 Subject to the further provisions of the Act and the provisions of article 135.6 below, the Company shall redeem the "A1" Met Prefs in full for the Redemption Amount, on the Redemption Date against either:

135.5.3.1 surrender to the Company of the certificates in respect of the "A1" Met Prefs; or

135.5.3.2 if such certificates are lost, receipt of a suitable written indemnity from the holder that the certificates have not been alienated or pledged.

135.5.4 If either the "A1" Met Preference Dividend, any Additional Dividend or the Redemption Amount is not paid on the date upon which it is due and payable in terms of this article 135 then, for so long as the amount due by the Company in respect of either the "A1" Met Preference Dividend, Additional Dividend or the Redemption Amount remains in arrears, the amount due by the Company in respect of the arrear "A1" Met Preference Dividend, Additional Dividend or the Redemption Amount (as the case may be) shall be increased by an amount arrived at by applying a rate which is 200 basis points above the Prime Rate to the amount of the arrear "A1" Met Preference Dividend, Additional Dividend or the Redemption Amount, on the same basis as set out in article 135.3.4, *mutatis mutandis*, from and including the due date for payment thereof to, but excluding, the actual date of actual payment.

135.6 Redemption on Default

135.6.1 ***Default event requiring written notification from SPV***
Notwithstanding anything to the contrary herein contained, all the issued "A1" Met Prefs shall be redeemed in full for the Redemption Amount, if:

135.6.1.1 the Company should have failed to declare any dividend on the "A1" Met Prefs on the Dividend Date, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date; or

135.6.1.2 if the Company should fail to redeem any of the "A1" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds on redemption of the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date;

and the SPV has given the Company written notice that it requires redemption of such "A1" Met Prefs.

135.6.2 ***Default events requiring immediate redemption***
135.6.2.1 any default under the terms of "A1" SPV Prefs resulting in the SPV being called upon or otherwise obliged to redeem the "A1" SPV Prefs; or

135.6.2.2 if the Company commits an act of insolvency which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or

135.6.2.3 if the Company should be placed into liquidation or under judicial management or wound-up, in any case whether provisionally or finally and whether voluntarily or compulsorily; or

135.6.2.4 if the Company should give any notice or take any steps to convene a meeting of its shareholders to adopt a resolution placing it in liquidation or under judicial management, in either case whether provisionally or finally; or

135.6.2.5 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors.

135.7 Meetings

The Holder shall be entitled to receive notice of, and to be present at, any general meeting of the Company and shall (in its capacity as holder) be entitled to vote, either in person, by representation or by proxy, at any such meeting as if the Holder is an ordinary shareholder of the Company holding as many ordinary shares of the Company as it holds "A1" Met Prefs, but subject to the following conditions imposed by the Listings Division of the JSE:

135.7.1 the exercise of the voting rights of the "A1" Met Prefs is entirely subject to the conditions of approval issued by the Listings Division of the JSE;

135.7.2 no further issue of "A1" Met Prefs may be made without the written consent of the JSE; and

135.7.3 the Holder may not veto any resolution of the Company that would otherwise have been passed by the holders of ordinary shares together with Holders of the "A1" Met Prefs.

135.8 Rights of Conversion

135.8.1 The Holder may, upon written notice to the secretary of the Company after 3 years and one day after the Issue Date, but prior to the Redemption Date and subject to the written consent of the Bank Consortium, request the Company to convert the "A1" Met Prefs into ordinary shares of the Company, on the basis of a conversion of one "A1" Met Pref for one such ordinary share ranking *pari passu* in all respects with the then existing ordinary shares of the Company, with effect from the date of receipt by the secretary of the said notice together with the written consent of the Bank Consortium.

135.8.2 Upon such conversion the Holder of the "A1" Met Prefs shall deliver to the Company certificates in respect of the number of "A1" Met Prefs converted and details of their Central Securities Depository Participant to hold the uncertificated ordinary shares of the Company against payment of all costs incurred by the Company to issue such ordinary shares to the Company, whereafter the Company shall apply for the listing of such converting "A1" Met Prefs on the JSE.

135.9 General

135.9.1 The Company shall not be liable to the Holders for Interest on any unclaimed "A1" Met Preference Dividend or distribution of redemption monies. The Company shall retain all unclaimed monies until they are claimed; provided that any amount remaining unclaimed for a period of 12 years shall be forfeited by the Holder to the Company.

136. TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE "A2" MET PREFS

Notwithstanding anything to the contrary in this article, the following terms and conditions shall attach to the variable rate convertible cumulative "A2" redeemable preference shares of 0,0001 cent each in the issued share capital of the Company.

136.2 "A2" Met Preference Dividends

136.2.1 The "A2" Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company, which right shall rank *pari passu* with the rights of all other holder of Met Prefs but prior to the provision for, or declaration or payment of, any dividends or capital of any nature whatsoever on any ordinary share in the capital of the Company, a 6 monthly cumulative preferential cash dividend which shall accrue on a daily basis and which shall be determined in the manner set out in 136.2.2 and 136.2.4 below.

136.2.2 The "A2" Met Preference Dividends shall be due and payable 6 monthly in arrear on the Dividend Dates to the Holder of "A2" Met Prefs registered on the Business Day immediately preceding each Dividend Date.

136.2.3 The Company shall pay any "A2" Met Preference Dividends on the "A2" Met Prefs into the "A1" and "A2" Redemption Reserve Account in accordance with the Priority of Payments provisions in respect of the "A2" SPV Prefs.

136.2.4 The Holders of the "A2" Met Prefs shall have the right to receive and be paid, on each Dividend Date in respect of each "A2" Met Pref held by it, an "A2" Met Preference Dividend for the Dividend Period preceding such Dividend Date, determined as follows:

$$MPD = \frac{A \times B \times C}{365}$$

Where:

MPD = the "A2" Met Preference Dividend per "A2" Met Pref;

A = the Dividend Rate;

B = the Issue Price per "A2" Met Pref; and

C = the number of days in the period for which the "A2" Met Preference Dividend is payable.

136.2.5 The Holders of the "A2" Met Prefs shall be entitled to:

136.2.5.1 an initial special dividend of R1 165 900.00 payable to the Holder of the "A2" Met Prefs on the Effective Date; and

136.2.5.2 in the event that the SPV becomes obliged to pay to the holder of any "A2" SPV Pref any additional dividend or increased dividend or any other amount pursuant to the provisions of article 42.4 (Adjustment Events) of the articles of the SPV ("Increased Amount"), such additional dividend ("Additional Dividend") or increased dividend or other amount as will place the SPV in the same net after-tax position after the payment of the Increased Amount as it would have been in had it not become obliged to pay the Increased Amount, within 3 Business Days after receipt of the SPV's written demand in the case of an Additional Dividend or other amount and on the next succeeding Dividend Date in the case of an increased dividend. This obligation shall endure notwithstanding the redemption of the "A2" Met Prefs in full.

136.3 Redemption

136.3.1 The amount at which the Company shall redeem each "A2" Met Pref in terms of 136.3.3 shall be an amount equal to:

136.3.1.1 the Issue Price;

136.3.1.2 any accrued, but unpaid "A2" Met Preference Dividends; and

136.3.1.3 any arrear "A2" Met Preference Dividends which at the date of redemption are still unpaid in respect of each "A2" Met Pref, on the basis that a dividend will be deemed to be in arrear and unpaid if at any earlier dividend payment date the "A2" Met Preference Dividend was neither declared nor paid or if declared, was not paid; plus

136.3.1.4 any additional dividend detailed in article 136.2.5 to which the Holder is entitled but not yet been paid by the Company.

136.3.2 The Company shall make provision for the redemption of the "A2" Met Prefs from its share premium account as contemplated in s76(3)(c) of the Act.

136.3.3 Subject to the further provisions of the Act and the provisions of 136.4 below, the Company shall redeem the "A2" Met Prefs in full for the Redemption Amount, on the Redemption Date against either:

136.3.3.1 surrender to the Company of the certificates in respect of the "A2" Met Prefs; or

136.3.3.2 if such certificates are lost, receipt of a suitable written indemnity from the holder that the certificates have not been alienated or pledged.

136.3.4 If either the "A2" Met Preference Dividend, any Additional Dividend or the Redemption Amount is not paid on the date upon which it is due and payable in terms of this article 136 then, for so long as the amount due by the Company in respect of either the "A2" Met Preference Dividend or the Redemption Amount remains in arrears, the amount due by the Company in respect of the arrear "A2" Met Preference Dividend, Additional Dividend or the Redemption Amount (as the case may be) shall be increased by an amount arrived at by applying a rate which is 200 basis points above the Prime Rate to the amount of the arrear "A2" Met Preference Dividend, Additional Dividend or the Redemption Amount, on the same basis as set out in article 136.2.4, *mutatis mutandis*, from and including the due date for payment thereof to, but excluding, the actual date of actual payment.

136.4 Redemption on Default

136.4.1 ***Default events requiring written notification from SPV***
Notwithstanding anything to the contrary herein contained, all the issued "A2" Met Prefs shall be redeemed in full, if:

136.4.1.1 the Company should have failed to declare any dividend on the "A2" Met Prefs on the Dividend Dates, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date; or

136.4.1.2 if the Company should fail to redeem any of the "A2" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds on redemption of the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date; and

the SPV has given the Company written notice that it requires redemption of such "A2" Met Prefs.

136.4.2 ***Default events requiring immediate redemption***

136.4.2.1 any default under the terms of "A2" SPV Prefs resulting in the SPV being called upon or otherwise obliged to redeem the "A2" SPV Prefs; or

136.4.2.2 if the Company commits an act which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or

136.4.2.3 if the Company should be placed into liquidation or under judicial management or wound-up, in any case whether provisionally or finally and whether voluntarily or compulsorily; or

136.4.2.4 if the Company should give any notice or take any steps to convene a meeting of its shareholders to adopt a resolution placing it in liquidation or under judicial management, in either case whether provisionally or finally; or

136.4.2.5 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors.

136.5 Meetings

The Holder shall be entitled to receive notice of, and to be present at, any general meeting of the Company and shall (in its capacity as holder) be entitled to vote, either in person, by representation or by proxy, at any such meeting as if the Holder is an ordinary shareholder of the Company holding as many ordinary shares of the Company as it holds "A2" Met Prefs, but subject to the following conditions imposed by the Listing Division of the JSE:

136.5.1 the exercise of the voting rights of the "A2" Met Prefs is entirely subject to the conditions of approval issued by the Listing Division of the JSE, in particular that the Holder be a black person or company;

136.5.2 no further "A2" Met Prefs may be issued without the written consent of the JSE; and

136.5.3 the Holder may not veto any resolutions of the Company that would otherwise have been passed by the holders of Met Ords together with the Holder of the "A2" Met Prefs.

136.6 Rights of Conversion

136.6.1 The Holder may, upon written notice to the secretary of the Company after 3 years and one day after the Issue Date but prior to the Redemption Date and subject to the written consent of the Bank Consortium, request the Company to convert the "A2" Met Prefs into ordinary shares of the Company, on the basis of a conversion of one "A2" Met Pref for one such ordinary share ranking *pari passu* in all respects with the then existing ordinary shares of the Company, with effect from the date of receipt by the secretary of the Company of the said notice together with written consent of the Bank Consortium.

136.6.2 Upon such conversion the Holder of the "A2" Met Prefs shall deliver to the Company certificates in respect of the number of "A2" Met Prefs converted and details of their Central Securities Depositary Participant to hold the uncertificated Met Ords against payment of all costs incurred by the Company to issue such Met Ords, whereafter the Company shall apply for the listing of such converted "A2" Met Prefs on the JSE.

136.7 General

136.7.1 The Company shall not be liable to the Holders for interest on any unclaimed "A2" Met Preference Dividend or distribution of redemption monies. The Company shall retain all unclaimed monies until they are claimed; provided that any amount remaining unclaimed for a period of 12 years shall be forfeited by the Holder to the Company.

137. TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE "A3" MET PREFS

Notwithstanding anything to the contrary in this article, the following terms and conditions shall attach to the variable rate convertible cumulative "A3" redeemable preference shares of 0,0001 cent (Zero comma Zero Zero Zero One Cent) each in the issued share capital of the Company.

137.2 **Preference Dividends**

137.2.1 The "A3" Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company, which right shall rank *pari passu* with the rights of all other holders of Met Prefs but prior to the provision for, or declaration or payment of, any dividends or capital of any nature whatsoever on any ordinary share in the capital of the Company, a 6 (six) monthly cumulative preferential cash dividend which shall accrue on a daily basis and which shall be determined in the manner set out in 137.2.2 and 137.2.4 below.

137.2.2 The "A3" Met Preference Dividends shall be due and payable 6 (six) monthly in arrear on the Dividend Dates to Holders of "A3" Met Prefs registered on the Business Day immediately preceding each Dividend Date.

137.2.3 The Company's obligation to pay the "A3" Met Preference Dividend shall at all times be discharged by direct payment of such preference dividends to the Managing Agent.

137.2.4 The "A3" Met Pref shall confer on the Holder the right to receive out of the profits of the Company a dividend calculated in accordance with the following formula:

$$MPD = \frac{(A + B + C) \times D \times E}{365}$$

Where:

MPD = the "A3" Met Preference Dividend per "A3" Met Pref;
A = the Coupon Rate as determined in 137.3 below;
B = the Initial Rate of 0,5%;
C = the Out Performance Rate as determined in 137.4 below;
D = the Issue Price;
E = the number of days of the relevant period in respect of which the "A3" Met Preference Dividend is payable.

137.3 **Coupon Rate**

The Coupon Rate shall be calculated in arrear in accordance with the following formula:

A = G x PR

Where:

A = the Coupon Rate;
G = 72% or such other percentage applicable as contemplated in article 137.5 below;
PR = the Prime Rate.

137.4 **The Out Performance Rate**

137.4.1 The Company shall determine the Average of the growth of the following key financial ratios ("the Basket") of the Methold Group at the end of each interim and annual financial period of the Methold Group, in comparison to the corresponding previous interim or annual financial period, namely, the growth in:

137.4.1.1 dividend per ordinary share;

137.4.1.2 value of new business for the period concerned;

137.4.1.3 fully diluted core headline earnings per share.

137.4.2 An additional rate of dividend ("the Out Performance Rate") shall accrue to the Holders in accordance with 137.4.3 below if the Average growth is in excess of 9%. If there is negative growth in one of the rates constituting the Basket, it shall be deemed to be zero for the purpose of calculating the Average growth in the Basket.

137.4.3 The first Out Performance Rate shall be calculated for the period 1 July 2005 to 31 December 2005 and will be included in the March 2006 "A3" Met Preference Dividend calculation. The Out Performance Rate shall commence at zero and then increase by an additional percentage as determined in 137.4.4.

137.4.4 The Out Performance Rate shall increase by the addition of the percentage indicated in the following table opposite the Average growth in the Basket.

Average Growth in the Basket	Increase in dividend rate of "A3" Met Prefs
9% and below 0%	0%
greater than 9% and less than or equal to 10%	0,5%
greater than 10% and less than or equal to 11%	0,505%
greater than 11% and less than or equal to 12%	0,515%
greater than 12% and less than or equal to 13%	0,535%
greater than 13% and less than or equal to 14%	0,570%
greater than 14% and less than or equal to 15%	0,625%
greater than 15% and less than or equal to 16%	0,705%
greater than 16% and less than or equal to 17%	0,815%
greater than 17% and less than or equal to 18%	0,960%
greater than 18% and less than or equal to 19%	1,145%
greater than 19% and less than or equal to 20%	1,325%
greater than 20%	1.655%

137.4.5 Once the Out Performance Rate has increased it shall remain at that level for the purposes of the formula in 137.2.4 until conversion or redemption of the Met Prefs unless it is increased by further growth in the Basket.

137.5 Additional Dividends

In addition to the Met Preference Dividend, the Holders of the Met Prefs shall be entitled to payment of additional dividends in such amounts as may be required by the SPV from time to time to pay an additional rate of dividend to the holders of the "A3" SPV Prefs in accordance with clause 7 of Schedule 1 of the "A3" SPV Subscription Agreement, which amounts shall be payable within 7 (seven) days after receipt of the SPV's written demand.

137.6 Redemption

137.6.1 The amount at which the Company shall redeem each "A3" Met Pref in terms of 137.6.3 shall be an amount equal to:

137.6.1.1 the Issue Price; plus

137.6.1.2 any arrear "A3" Met Preference Dividends which at the date of redemption are still unpaid in respect of each Met Pref, on the basis that a dividend will be deemed to be in arrear and unpaid if at any earlier dividend payment date the "A3" Met Preference Dividend was neither declared nor paid or if declared, was not paid; plus

137.6.1.3 an amount in respect of each "A3" Met Pref calculated in accordance with the formula in 137.2.4 above for the period from the last Dividend Date to the date of redemption; plus

137.6.1.4 interest on arrear "A3" Met Preference Dividends calculated daily at the Prime Rate plus 2%, from the due date for payment of the "A3" Met Preference Dividend up to (but excluding) the Redemption Date, compounded monthly.

137.6.2 The Company shall make provision for the premium payable on redemption of the "A3" Met Prefs from its share premium account as contemplated in s76(3)(c) of the Act.

137.6.3 Subject to the further provisions of the Act and the provisions of 137.7 below, the Company shall redeem the "A3" Met Prefs in full for the Redemption Amount, on the Redemption Date against either:

137.6.3.1 surrender to the Company of the certificates in respect of the "A3" Met Prefs; or

137.6.3.2 if such certificates are lost, receipt of a suitable written indemnity from the holder that the certificates have not been alienated or pledged.

137.6.4 Should the Redemption Amount not be paid on due date, then such amount shall bear interest at the Prime Rate plus 2% from the due date until date of payment.

137.7 Redemption Events

137.7.1 ***Redemption events requiring written notification from SPV***
Notwithstanding anything to the contrary herein contained, all the issued "A3" Met Prefs shall be redeemed in full, subject to the condition that if:

137.7.1.1 the Company should have failed to declare any dividend on the "A3" Met Prefs on the Dividend Dates, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor; or

137.7.1.2 the Company should have failed to declare any dividend on the Met Prefs on the date that a dividend is due on such Met Prefs or, having declared any dividend on such Met Prefs, should have failed to pay such dividend on the due date of payment therefor; and

137.7.1.3 the SPV has given the Company written notice that it requires redemption of such "A3" Met Prefs.

137.7.2 ***Redemption events requiring immediate redemption***
Notwithstanding anything to the contrary herein contained, all the "A3" Met Prefs shall become immediately redeemable and shall be redeemed in full conditional upon the occurrence of any one or more of the following events after the Issue Date, namely:

137.7.2.1 if the Company should fail to redeem any of the "A3" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds of redemption on the due date of payment therefor; or

137.7.2.2 if the Company should fail to redeem any of the Met Prefs on their dates of redemption or fail to pay the holder thereof the full proceeds of redemption on the due date of payment therefor;

137.7.2.3 if the Company commits an act which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or

137.7.2.4 if the Company should be placed into liquidation or under judicial management or wound-up, in any case whether provisionally or finally and whether voluntarily or compulsorily; or

137.7.2.5 if the Company should give any notice or take any steps to convene a meeting of its shareholders to adopt a resolution placing it in liquidation or under judicial management, in either case whether provisionally or finally; or

137.7.2.6 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors; or

137.7.2.7 if any asset of the Company is attached for a judgement in excess of R5 000 000 (Five Million Rand) and the Company fails to set such attachment aside within 60 (sixty) days; or

137.7.2.8 any default under the terms of "A3" SPV Prefs resulting in the SPV being called upon to redeem the "A3" SPV Prefs; or

137.7.2.9 any acts committed by the Company which are *ultra vires* the Company's objects as contained in its memorandum and articles of association; or

137.7.2.10 any repudiation by the Company of its obligations under the terms of this article 137, or if the Company causes to be done any act or thing which, in the reasonable opinion of the Managing Agent, evidences an intention to repudiate the Agreement.

137.8 Meetings

The Holder shall be entitled to receive notice of, and to be present at, any general meeting of the Company and shall (in its capacity as holder) be entitled to vote, either in person, by representation or by proxy, at any such meeting as if the Holder is an ordinary shareholder of the Company holding as many ordinary shares of the Company as it holds "A3" Met Prefs, but subject to the following conditions imposed by the Listing Division of the JSE:

137.8.1 the exercise of the voting rights of the "A3" Met Prefs are entirely subject to the conditions of approval issued by the Listings Division of the JSE, in particular that the Holder be a black person or company;

137.8.2 no further issue of "A3" Met Prefs may be made without the written consent of the JSE; and

137.8.3 the Holder may not veto any resolutions of the Company that would otherwise have been passed by the holders of Met Ords together with the Holder of the "A3" Met Prefs.

137.9 Rights of Conversion

137.9.1 The Holder may, upon written notice to the secretary of the Company in the period 3 (three) years and one day after the Issue Date but prior to the Redemption Date and subject to the written consent of the Finance Consortium, request the Company to convert the "A3" Met Prefs into ordinary shares of the Company, ranking *pari passu* in all respects with the then existing ordinary shares of the Company, with effect from the date of receipt by the secretary of the Company of the said notice together with the written consent of the Finance Consortium.

137.9.2 Upon such conversion the Holder of the "A3" Met Prefs shall deliver to the Company certificates in respect of the number of Met Prefs converted and details of their Central Securities Depositary Participant to hold the uncertificated Met Ords against payment of all costs incurred by the Company to issue such Met Ords, whereafter the Company shall apply for the listing of such converted Met Prefs on the JSE.

137.10 General

137.10.1 The Company shall not be liable to the Holders for interest on any unclaimed "A3" Met Preference Dividend or distribution of redemption monies. The Company shall retain all unclaimed monies until they are claimed; provided that any amount remaining unclaimed for a period of 12 (twelve) years shall be forfeited by the Holder to the Company.

137.10.2 The Managing Agent shall be entitled, but not obliged, to give notice on behalf of the SPV to any party in terms of this article.

ANNEXURE J

CORPORATE GOVERNANCE OF METROPOLITAN

BOARD OF DIRECTORS

Role and function of the board of directors

The Metropolitan Board is ultimately responsible and accountable for the affairs and performance of the Company and ensuring sustainability of the group's existence into the future. The Metropolitan Board executes this responsibility by delegating authority to board committees and management. The functions of the board committees are described comprehensively in the terms of reference of these committees while powers delegated to management are prescriptive and include defined financial decision-making capacity without prior approval by the board. The board's role includes but is not limited to the following:

- Ensuring that appropriate systems and procedures are in place to enable the group to conduct its business in an honest, ethical and responsible manner;
- Ensuring that effective audit, risk management and compliance measures are in place across all businesses;
- Reviewing, assessing and guiding management in setting group strategy and business plans;
- Reviewing and approving all strategic and significant investment acquisitions and disinvestments as well as other substantial capital expenditure of the group;
- Reviewing and approving corporate plans, financial policies and operating budgets as well as monitoring financial performance;
- Ensuring accurate, concise, transparent and timely reporting to shareholders;
- Exercising overriding control over the business of the group; and
- Exercising independent judgement on issues facing the group.

Composition of the board of directors

The group chief executive, assisted by executive directors and an executive management team, is responsible for the day-to-day management of the group. The roles of chairman and chief executive are segregated in accordance with the principles of good corporate governance.

- The chairman manages the board and provides effective leadership in setting strategic direction.
- Appropriate governance principles are adopted and implemented at board meetings and conflicts of interest are managed properly. The board has also appointed a lead director to, amongst other duties, chair the board meetings when the chairman is conflicted.
- The board meets at least six times a year. Apart from those scheduled, additional meetings are convened as circumstances dictate.
- All the members of the board's audit committee will be non-executive directors. In addition, the majority of the directors serving on all the other committees will be independent.
- Non-executive directors do not hold service contracts and their remuneration is subject to shareholder approval.
- All directors have access to the services of the company secretary and are entitled, at the group's expense and after consultation with the group chairman, to seek independent expert advice on the affairs of the group.

Appointment and re-election of directors

The nominations and directors' affairs committee follows a formal and transparent procedure for the appointment of prospective directors and provides guidance on succession planning. All appointments are approved by the board, subject to shareholder confirmation at the following annual general meeting. Because continuity is imperative, all non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the Articles of Association.

Induction and training of directors

An orientation programme for new directors is in place to ensure that they are adequately trained and have the required knowledge of the group's structure, operations and policies to enable them to fulfil their fiduciary duties and responsibilities.

Board committees

The board has seven committees that assist it in discharging its duties. The committees meet independently and the chairmen report findings and recommendations back to the board. Each committee has formal terms of reference that clearly define its roles and responsibilities, taking into account legislative and regulatory requirements and adopting codes of good practice. All board-delegated authorities are reviewed and updated annually. The board sub-committees are as follows:

Audit committee

The chairman and all the members are independent non-executive directors. The executive directors, the corporate governance executive, the statutory actuary, the external auditors, the chief internal auditor and members of the group's financial management team attend committee meetings. The audit committee meets at least six times a year.

In addition to overseeing the financial reporting process, the group audit committee's principal objectives include:
- Satisfying the board that adequate internal, financial and operating controls are addressed and monitored by management, and that material financial risks have been identified and are being contained and monitored;
- Reviewing the financial statements before submission to the board for approval;
- Providing the respective boards with an assessment of the effectiveness and independence of the external auditors and the effectiveness of the internal audit function; and
- Dealing appropriately with any financial complaints received relating to the group's accounting policies, internal audit, the content of the group's financial and/or auditing statements and the group's internal financial controls.

The board has approved a policy governing the provision of non-audit services by the group's external auditor. The policy limits the combined fees for non-audit services in any year to 50% of the external audit fee, an amount that must be approved by the audit committee. Each individual assignment within specified parameters is subject to pre-approval by the audit committee. Any further scope of changes to be undertaken requires the committee's approval as well.

The audit committee will consider the appropriateness of the expertise and experience of the financial director when such appointment is made following the approval by the Competition Authorities. This will be assessed on an annual basis.

The members of the audit committee are Marius Smith (Chairman), Syd Muller and Fatima Jakoet.

Actuarial committee

Chaired by an independent non-executive director of the board, this committee includes one executive and one independent non-executive director. Actuaries assist the board in actuarial matters and conduct the actuarial valuations of the life companies in the group. Actuaries are subject to professional governance by the Actuarial Society of South Africa. The statutory actuary appointed in accordance with the Long-Term Insurance Act has specific responsibilities relating to the solvency of a life company as well as the interests of policyholders. This committee meets five times a year.

The primary objectives of the committee are to:
- Review the actuarial reporting process and results;
- Review the systems of internal control and management of actuarial risks;
- Review the appropriateness and consistency of actuarial assumptions and methodology for all the life companies in the group; and
- Review the principles and practices of financial management of discretionary participation policies and the communication thereof to policyholders.

Human resources and empowerment committee

Chaired by an independent non-executive director, this committee includes one executive, one non-executive and two independent non-executive directors. Members of senior management also attend committee meetings by invitation. The committee, which meets at least three times a year, is responsible for managing and monitoring the group's human capital, employment equity and transformation initiatives. It is also tasked with ensuring that the group's succession planning is dealt with appropriately and adequately.

Investment committee

Chaired by an independent non-executive director, this committee includes two executive and two independent non-executive directors. The group's asset portfolios, each with its own unique investment mandate managed by Metropolitan Asset Managers and other outsourced managers, follow an investment strategy approved by this committee. The committee regularly reviews the group's investment performance, including the attainment of performance benchmarks and compliance with mandates. It also reviews and assesses capital investment in respect of the property portfolio. Members of senior management attend committee meetings by invitation. The group and statutory actuaries are integral to the process to ensure appropriate asset matching for policyholder liabilities and shareholder investments. This committee meets four times a year.

Nominations and directors' affairs committee

Chaired by a non-executive director, the committee is responsible for identifying fit and proper candidates who could be appointed to the board, and evaluating them against the specific disciplines and areas of expertise required. The interests of different stakeholders are also considered. Proposals are presented to the board for a final decision. This committee meets four times a year.

Remuneration committee

Meeting three times a year, this committee sets remuneration policy for all staff members. It comprises an independent non-executive director as chairman, one non-executive director and two independent non-executive directors. Members of senior management also attend meetings. Guidelines, balanced scorecards and key performance indicators (KPIs) have been set to assist the directors and members of the committee in evaluating the key individuals. The remuneration committee also deals with all aspects of the remuneration of directors and executive management, including share incentive arrangements. The committee's principal objectives are to:

- Review the group's compensation and benefits policies and procedures;
- Set remuneration levels for executive directors as well as the chairman and non-executive directors, subject to board approval;
- Review and approve general proposals for salary and benefit adjustments for all staff;
- Ensure that effective, affordable and equitable compensation practices are implemented across the wider group;
- Consider the guaranteed remuneration and annual performance bonuses of executive management;
- Review and approve proposals for adjustments to standard conditions of employment;
- Devise and implement appropriate short- and long-term incentive schemes across the group for executive directors and management;
- Evaluate the group's performance and then approve the performance bonus pool and long-term incentive scheme grants;
- Review the performance measures and criteria to be applied for annual incentive payments; and
- Ensure compliance with applicable legislation and regulations.

Risk committee

The board has delegated the design, implementation and monitoring of the quality, integrity and reliability of the group's risk management processes to the Metropolitan Holdings risk committee. The objective of the committee is to assist the board in the discharge of its duties relating to corporate accountability and the associated risks in terms of management, assurance and reporting. This committee meets four times a year. The risk committee's principal objectives include:

- Reviewing all RISCO reports detailing the adequacy and overall effectiveness of the group's risk management function and its implementation by management, reporting on internal controls and any related recommendations, and confirming that appropriate action has been taken;
- Reviewing the overall process of risk management across the group and determining the group's risk appetite;
- Reviewing the risk philosophy, strategy and policies recommended by RISCO and considering reports by RISCO as well as ensuring compliance with such policies and with the overall risk profile of the group;
- Reviewing risk identification and measurement methodologies reviewing the adequacy of insurance coverage;
- Reviewing procedures to deal with the disclosure of information to clients, as well as any legal matters that could have a significant impact on the group's business;
- Reviewing the effectiveness of the system of monitoring compliance with the relevant laws and regulations of those legislative frameworks within which the group's businesses operate; and
- Exercising due regard for the principles of governance and codes of best practice.

ANNEXURE K

DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

1. DIRECTOR PROFILES

1.1. Metropolitan Directors

The current directors of Metropolitan are set out below:

Name	Position
Wilhelm van Zyl*	Chief Executive Officer
Phillip Matlakala*	Chief Executive: Retail
Preston Speckmann*	Group Finance Director
Johnson ("JJ") Njeke*	Chairman
Fatima Jakoet*	Independent non-executive
Zanele ("Joyce") Matlala	Non-executive
Syd Muller	Independent non-executive
John Newbury	Independent non-executive
Bulelwa Paledi	Independent non-executive
Marius Smith	Independent non-executive
Johan van Reenen	Independent non-executive
Mary Vilakazi	Independent non-executive

* Also a director of Metropolitan Life Limited.

1.2. Momentum Directors

The current directors of Momentum are set out below:

Name	Position
Nicolaas Kruger	Chief Executive Officer
Laurie Dippenaar	Chairman
Danie Botes	Executive
Johan Burger	Non-executive
Blignault Gouws	Independent non-executive
Paul Harris	Non-executive
Rowan Hutchison	Independent non-executive
Jacob Krige	Independent non-executive
Nomalizo Langa-Royds	Independent non-executive
Hope Madima	Non-executive
Sizwe Nxasana	Non-executive
Phindile Nzimande	Independent non-executive
Kobus Sieberhagen	Non-executive
Sipho Sithole	Independent non-executive
Frans Truter	Independent non-executive
Benedict van der Ross	Independent non-executive
Theodore van Wyk	Non-executive

2. SENIOR MANAGEMENT

The MMI senior management team will comprise of existing Metropolitan and Momentum senior management teams as set out below:

2.1. Metropolitan senior management

Wilhelm van Zyl	
Title/Position	Chief Executive Officer, Managing Director (Metropolitan Holdings)
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BCom, Fellow of the Institute of Actuaries, AMP (Harvard)
Experience	Wilhelm was appointed as managing director of Metropolitan Odyssey in 1999 following the acquisition of Commercial Union Life and Protea Life. Thereafter he was appointed as group actuary in 2001 before becoming head of the group's corporate business in 2006. His appointment as group chief executive has been effective since April 2008. Wilhelm chairs the group's executive committee and is the managing director of Metropolitan Life Limited.
Directorships in the last five years	**Current** Metropolitan Holdings Ltd, Metropolitan Life, Metropolitan International, Metropolitan Asset Managers, True South Actuaries & Consultants, Metropolitan Card Operations, Metropolitan Retirement Administrators, Metropolitan Health, UBA Metropolitan Life Insurance, Association for Savings and Investment South Africa (ASISA).
Phillip Matlakala	
Title/Position	Chief Executive: Retail
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BJuris, BProc, Programme in Taxation and Financial Planning for Life Assurance Consultants
Experience	Phillip was appointed chief executive of retail in 2007. Prior to his appointment, he was senior manager: National Key Account Marketing at Norwich and thereafter national sales executive manager at Fedsure. He was the general manager for Group schemes and thereafter executive general manager for Metropolitan Life. He is responsible for the retail business which develops, distributes, administers and services individual life investment and risk products, targeting the lower and middle income markets in particular, with a niche focus on the upper income market.
Directorships in the last five years	**Current** Metropolitan Holdings, Metropolitan Life, Union Life, Direct Fin Solutions
Preston Speckmann	
Title/Position	Group Finance Director
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BCompt (Hons), CA(SA)
Experience	Preston was appointed as group finance director of Metropolitan in 1999. He has served on the Metropolitan board since 1999 and is a member of the executive committee. He was previously an audit partner at Coopers & Lybrand and held a senior position at Old Mutual where he was responsible for the accounting aspects of their demutualisation and listing.
Directorships in the last five years	**Current** Metropolitan Life Ltd, Metropolitan Health, Metropolitan Collective Investments **Former** Pepkor Group, Seagram SA

Mervyn Cookson	
Title/Position	Chief Executive: International
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BSc (Elec Eng) Honours, Master of Business Administration, UCT Executive Leadership Programme
Experience	Mervyn joined Metropolitan Life in 1993 as a senior manager and general manager in several divisions in Metropolitan Life including corporate services and marketing services. He later worked at Pro Sano Medical Scheme and Sigma Health Fund Managers as a national marketing manager and executive principal officer. In 2005 he joined Safcor Panalpina (Bidvest Group) for four years as a regional director working internationally and in Africa before rejoining Metropolitan in 2009 as a group executive and chief executive officer for Metropolitan International.
Blum Khan	
Title/Position	Chief Executive: Health Business
Business Address	61 Town Square, St. George's Mall, Cape Town, South Africa
Nationality	South Africa
Qualification	CTA UCT, CA(SA)
Experience	Blum spent 10 years in Australia from 1983 to 1993 where he was involved in large scale oil and gas operations and in the property/financial services industry whilst working with Lend Lease Corporation. He joined Bankmed's administration division in 1996 which was eventually disposed of to Metropolitan in 2000. Blum was appointed chief executive officer of Bankmed and appointed chief executive for the health business in 2001.
John Melville	
Title/Position	Chief Executive: Corporate
Business Address	Metropolitan Offices, 4 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BBus.Science (Acc.Sc.), Fellow of the Institute of Actuaries, PGD: Actuarial Science, MCR Management Programme, IMD Switzerland
Experience	John joined Metropolitan in 1994 in its Corporate Actuarial division. Shortly after joining, Metropolitan established an Employee Benefits (EB) business and he was appointed to its founding senior management team, as EB actuary. In this capacity until 2000, he led a range of actuarial functions in the business before being appointed as general manager for Operations (in the EB business) in July 2000. He was appointed as chief executive officer of Metropolitan Retirement Administrators (MRA) in 2007 and chief executive officer of Metropolitan's Corporate business unit in 2008, which comprises Employee Benefits and MRA. This division is responsible for providing products and services to groups of employees, including retirement fund administration, group insurance, investments, annuities and actuarial consulting.
Robert Walton	
Title/Position	Managing Director: Asset Management
Business Address	Metropolitan Offices, 4 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	CA(SA), CIMA, various executive management courses at Harvard Business School and Stanford, IMD Switzerland
Experience	Robert Walton is the managing director of Metropolitan Asset Management since July 2007 and is responsible for the strategic direction and operational efficiency of the business. Robert started his career as a senior financial manager at Atlantis Diesel Engines in 1995 on secondment by the Industrial Development Corporation, where he spent three years. He has been the managing director of Metropolitan Collective Investments ("MetCI") since 2000. Under his leadership MetCI has been a pioneer in the industry by providing collective investment services portfolios to various top-performing niche investment managers, and as such is a leading provider of white-label or third-party branded unit trusts in South Africa by number of funds.

Wiebke Lusted	
Title/Position	Group Executive: Group People Services
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	German
Qualification	BCom, BAcc.Science, CA(SA)
Experience	Wiebke joined Metropolitan in 1990. She was appointed to her current position as group executive, Group People Services in 2006. Wiebke is in charge of Group People Services which is responsible for the full spectrum of people management services, including recruitment, skills development, remuneration, incentivisation, leadership development and succession planning, payroll administration, employee wellness and transformation. Wiebke was previously chief accountant responsible for the annual and interim reports, treasury functions, management and statutory reporting.
Thobeka Sishuba-Mashego	
Title/Position	Group Executive: Corporate Governance
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BCom (Honours), Masters in Tax Law
Experience	Thobeka joined Metropolitan in 2003 as an executive manager in taxation. She was appointed to the executive committee in 2009 where she is responsible for corporate governance as well as the management of risk, forensics, compliance, legal, tax, sustainable development, social responsible investment and related matters. Prior to Metropolitan, Thobeka worked at Old Mutual as a tax consultant from 2000 to 2003.
Nkosinathi Chonco(1)	
Title/Position	Group Executive: Group Empowerment and Corporate Affairs
Business Address	Metropolitan Offices, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, South Africa
Nationality	South African
Qualification	BA, MPhil (Business Ethics)
Experience	Nathi joined the executive committee in 2005 as group executive for empowerment and corporate affairs. He is responsible for group brand, transformation and corporate affairs, including brand strategy; internal & external communication, sponsorships, CSI and selected key account management. Nathi has worked for Metropolitan for 11 years. Prior to Metropolitan, he worked in the publishing industry for the Longman Publishing Group as an executive director for human resources.

Note:

1. *Nkosinathi Chonco has a loan from Metropolitan of R162 000*

2.2. Momentum senior management

Nicolaas Kruger	
Title/Position	Chief Executive Officer
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	BCom, FFA, FASSA, Advanced Management and Leadership Programme (Oxford)
Experience	Nicolaas started his career at Momentum as an actuarial assistant in July 1991. He was appointed as chief actuary of Momentum in 1997 and held this statutory role for 10 years up to the beginning of 2007. In addition to his role as chief actuary, he was divisional chief executive officer of the Financial and Actuarial Solutions (FAS) profit centre in 2003 and 2004. FAS is responsible for various corporate services, including the umbrella financial, actuarial and risk management of Momentum Group. He was divisional chief executive officer of Momentum group benefits in 2005 and 2006. Nicolaas became chief financial officer of Momentum Group in 2007. He was appointed chief executive officer of Momentum Group with effect from 1 January 2009.
Directorships in the last five years	**Current** Advantage Asset Managers (Pty) Limited, AdviceAtWork (Pty) Limited, Momentum Administration Services (Pty) Limited, Momentum Africa (Pty) Limited, Momentum Group Limited, Momentum Investment Consulting (Pty) Limited, Momentum Medical Scheme Administrators (Pty) Limited, Momentum Short Term Insurance Company Limited, Overvlei Lodge Walkersons, RMB Asset Management (Pty) Limited, RMB Unit Trusts Limited, Savings and Investment Association – South Africa **Deregistration Process** Life Offices Association **Former** Momentum Ability, Momentum Interactive Board (Pty) Limited, Momentum Finance Company (Pty) Limited
Nigel Dunkley	
Title/Position	Group Chief Financial Officer
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	BCompt, CA(SA), Advanced Tax Certificate, Advanced Management and Leadership Programme (Oxford)
Experience	Nigel started his career at Momentum in 1991 as a taxation accountant. He was appointed group financial manager in 1993. In 1995, he founded and was chief executive officer of Momentum Corporate Advisory Services and was appointed group chief financial officer in 2009.
Danie Botes	
Title/Position	Chief Executive Officer: Momentum Group Business
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	BCompt (Hons)
Experience	Danie is an accountant by training. He has been employed at Momentum for 21 years. He has held several executive positions and has vast operational experience. Danie is chief executive officer of the Momentum Group Business which includes the group benefits and healthcare administration businesses.

Asokan Naidu	
Title/Position	Chief Executive Officer: Momentum New Markets
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	CA(SA), Master of Business Administration
Experience	Asokan has been the chief executive officer of Momentum New Markets since June 2007. Prior to this appointment, Asokan was chief financial officer of Momentum for two and a half years. Asokan is in charge of Momentum New Markets which includes the South African entry level market initiative, as well as alternative distribution channels. Prior to Momentum, Asokan worked as managing director at Johannesburg Metropolitan Bus Services.
Morris Mthombeni	
Title/Position	Chief Executive Officer: Momentum Investments
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	BJuris, BProc, LLB, Master of Business Administration (Finance)
Experience	Morris is involved in Momentum's retail and institutional wealth creation businesses, which focus on meeting the needs of retail and institutional clients through RMB Asset Management, FirstRand Alternative Investments, Momentum Wealth and Advantage Asset Managers. Morris has more than seventeen years experience in insurance-based financial services. His functional and general management experience comprises of product development, legal services, administration, business development, strategy formulation and sales in the retail, employee benefits, health care and investment management industries. In addition to his core responsibilities Morris engages regularly with regulators on behalf of Momentum and is Momentum's formally appointed Employment Equity Manager.
Directorships in the last five years	**Current** Advantage Asset Managers (Pty) Limited, Advantage AM Collective Investments (Pty) Limited, AdviceAtWork (Pty) Limited, Association for Savings and Investments SA, Collective Capital Holdings, FSB Pension Funds Adjudicator (PFA) Committee, FirstRand Alternative Investment Management (Pty) Ltd, Inno-Phemba Investments (Pty) Limited, Joint Forum on Retirement Fund Reform, Momentum Administration Services (Pty) Limited, Momentum International MultiManagers (Pty) Limited, Momentum Investment Consulting (Pty) Limited, Momentum Private Client (Pty) Limited, Participate Empower Navigate, RMB Asset Management (Pty) Limited, RMB Asset Management International, RMB Unit Trusts (Pty) Limited **Deregistration Final** Advantage Asset Administration (Pty) Limited, Advantage Life (Pty) Limited, Advantage Master Management Company (Pty) Limited, Advantage Master Management Company II (Pty) Limited, Advantage Master Manager Company III (Pty) Limited, Advantage Master Management Company IV (Pty) Limited, Advantage Master Management Company VI (Pty) Limited, Advantage Master Manager (Pty) Limited, Advantage Structured Products (Pty) Limited, Collective Capital Holdings (Pty) Limited, Contra Information Services CC, Jayanda Investment Holdings (Pty) Ltd, Newshelf 631 (Pty) Limited, Newshelf 632 (Pty) Limited **Former** Mcubed Asset Management (Pty) Limited, NUMSA Investment Company (Pty) Limited
Johann le Roux	
Title/Position	Chief Executive Officer: Retail
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	BSc (Actuarial Science, Mathematical Statistics (Honours), Mathematics), Master of Business Administration
Experience	Johann joined Momentum in 1998. Prior to Momentum he worked at Sanlam for nine years.

Deon Gouws	
Title/Position	Chief Executive Officer: RMB Asset Management
Business Address	RMB Asset Management Offices, 7 Merchant Place, Corner Fredman Drive and Rivonia Road, Johannesburg, South Africa
Nationality	South African
Qualification	BCom (Accountancy Honours, Computer Science) MCom, CFA
Experience	Deon joined RMB Asset Management in 2007 as chief investment officer. He was later appointed chief executive officer of RMB Asset Management and director and member of Momentum's Executive Committee. Prior to Momentum, Deon worked at Sanlam as executive director and chief investment officer of Sanlam Multi-manager International.
Chris Kruger	
Title/Position	Chief Technology Officer
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	MSc (Computer Science)
Experience	Chris has seventeen years experience in leading technology at Momentum. Prior to Momentum, he worked at Atomic Energy Corporation and Altech Group.
Daniel Moyane	
Title/Position	Group Communication Executive
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	Management Advancement Programme, Global Executive Development Programme
Experience	Daniel has been the Group Communication Executive at Momentum since July 2009 when he joined. He has worked in the radio broadcasting industry for eleven years in Mozambique and for seventeen years in South Africa at radio 702 and SA fm.
Hannelie du Preez	
Title/Position	Human Capital Executive
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	South African
Qualification	BComm (Honours)
Experience	Hannelie is the human capital executive at Momentum. She previously worked as head of Human Resources for Momentum Services and as a Human Resources Consultant for Momentum Distribution Services.
Dana Cooper	
Title/Position	Brand Executive
Business Address	Momentum Offices, 268 West Avenue, Centurion, South Africa
Nationality	Indian
Qualification	BA, Harvard executive course
Experience	Dana began her working career with the then Lever Brothers. She spent several years working in the FMCG industry in companies including Colgate Palmolive and Premier Petfood. Before joining Momentum, Dana worked independently as a strategic marketing and brand consultant, advising numerous Blue Chip companies. Dana joined Momentum in June 2009.

3. MMI DIRECTORS

The MMI Board will initially consist of not more than twenty directors. Subject to the Transaction becoming unconditional, the following Metropolitan Directors have indicated that they will resign with effect from the Merger Implementation Date:

- Bulelwa Paledi
- Marius Smith
- Phillip Matlakala

The following directors will be appointed to the MMI Board with effect from the Merger Implementation Date:

- Laurie Dippenaar (Chairman)*
- Johan Burger*
- Blignault Gouws#
- Paul Harris*
- Nicolaas Kruger
- Jabu Moleketi#
- Morris Mthombeni
- Sizwe Nxasana*
- Khehla Shubane#
- Frans Truter#
- Benedict van der Ross#

The chairman and deputy chairman will automatically retire one year after the Merger Implementation Date. Pursuant to the resignations and appointments contemplated above, the MMI Board will consist of the following twenty directors:

- Johan Burger*
- Laurie Dippenaar (Chairman)*
- Blignault Gouws#
- Paul Harris*
- Fatima Jakoet#
- Nicolaas Kruger
- Zanele ("Joyce") Matlala*
- Jabu Moleketi#
- Morris Mthombeni
- Syd Muller#
- John Newbury#
- JJ Njeke (Deputy Chairman)*
- Sizwe Nxasana*
- Khehla Shubane#
- Preston Speckmann
- Frans Truter#
- Benedict van der Ross#
- Johan van Reenen#
- Wilhelm van Zyl
- Mary Vilakazi#

** Non-executive*
 # Independent non-executive

In terms of the KTI Relationship Agreement, for so long as KTI maintains an effective beneficial shareholding of:

- between 5% and 15% of the issued Metropolitan Shares, Metropolitan has undertaken, if requested to do so by KTI, to use reasonable endeavours to convene a meeting of its nominations committee to appoint 2 nominees of KTI as directors of Metropolitan;
- 15% and more of the issued Metropolitan Shares, Metropolitan has undertaken, if requested to do so by KTI, to use reasonable endeavours to convene a meeting of its nominations committee to appoint an additional director to ensure that 3 nominees of KTI are appointed as directors of Metropolitan, and a fourth nominee as an alternate to such Metropolitan directors; and
- the aforementioned entitlement of KTI to request the nomination of directors in terms of the KTI Relationship Agreement is subject to the nominations committee's discretion and the provisions of the Companies Act or the Listings Requirements.

Wilhelm van Zyl, Preston Speckmann, Nicolaas Kruger and Morris Mthombeni whose profiles are set out in paragraph 2.1 and 2.2 of Annexure K are members of the MMI Board. The profiles of the other MMI Directors are set out below:

Johan Burger	
Age	51
Business Address	FirstRand Offices, 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Johannesburg, South Africa
Nationality	South African
Function	Non-executive director
Principal Activities	Chief Financial Officer, Chief Operating Officer, FirstRand
Qualification	BCom (Hons), CA(SA)
Experience	Johan Burger graduated from Rand Afrikaans University in 1983 and qualified as a chartered accountant after serving articles with PricewaterhouseCoopers Inc. He joined Rand Merchant Bank in 1986 and was appointed an executive director in 1995. Following the formation of FirstRand in 1998, he was appointed financial director of the FirstRand Banking Group. In January 2009 he was appointed to the board of FirstRand Limited as financial director and assumed the additional role of group chief operating officer in June 2009.
Directorships in the last five years	**Current** FirstRand Limited, FirstRand Bank Limited, FirstRand Investment Holdings (Proprietary) Limited, First National Bank, Momentum Group Limited, Rand Merchant Bank, FirstShelf 4 Investments (Proprietary) Limited, FirstRand EMA Holdings Limited, Bernalk Investments (Proprietary) Limited, Business Venture Investments No 43 (Proprietary) Limited **Former** FirstRand Finance Company Limited, 3 Merchant Place (Proprietary) Limited, RMB Finance Company (Proprietary) Limited
Laurie Dippenaar	
Age	61
Business Address	FirstRand Offices, 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Johannesburg, South Africa
Nationality	South African
Function	Chairman
Principal Activities	Chairman of FirstRand
Qualification	MCom, CA(SA)
Experience	Laurie Dippenaar qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years with the Industrial Development Corporation before becoming a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he became an executive director. He was appointed managing director of RMB in 1988 which position he held until 1992 when RMB Holdings ("RMBH") acquired a controlling interest in Momentum Life Assurers ("Momentum"). He served as executive chairman of that company from 1992 until the formation of FirstRand in 1998. He was appointed as the first chief executive of FirstRand and held this position until the end of 2005 when he assumed a non executive role. He was elected to the position of chairman of FirstRand Limited in November 2008.
Directorships in the last five years	**Current** Momentum Group Limited, FirstRand Group, First National Bank, FirstRand Bank Holdings (Proprietary) Limited, FirstRand STI Holdings Limited, Rand Merchant Bank Limited, RMB Asset Management (Pty) Limited and RMB Holdings Limited **Former** Discovery Holdings Limited, Discovery Life Limited, Business Venture Investments No. 470 (Pty) Limited, First National Insurance Co. Limited, FirstRand International Limited, Move-on-Up 38 (Pty) Limited, Newshelf 656 (Pty) Limited, Outsurance Insurance Co. Limited, Saambou Bank Limited, Vitality Lifestyle (Pty) Limited

Blignault Gouws	
Age	67
Business Address	No 55 Waterkloof 101 Estate, Johann Rissik Drive, Waterkloof Ridge, Pretoria
Nationality	South African
Function	Independent non-executive director
Principal Activities	Self-employed
Qualification	B.Science, Fellow of the Faculty of Actuaries in Scotland, AMP (Oxford), Fellow of the Actuarial Society of South Africa
Experience	Blignault started his career in 1964 in the actuarial department of Sanlam. He later joined DJ Malan & Partners, actuarial consultants and became a partner. He joined Momentum Life in 1983 as a general manager and later became a managing director in 1985. He previously served as a member of the Council and also as President of the Actuarial Society in South Africa. He was a managing director of Lifegro, a subsidiary of Momentum Life and became executive deputy chairman of Momentum Life following the take-over of Lifegro in 1988. Blignault has also served on the management committee of the Life Offices' Association of South Africa. He was also the deputy chairman of the management committee of the Life Offices Association of SA and the Government's Pension Fund Advisory Committee.
Directorships in the last five years	**Current** Aardklop Nasionale Kunstefees, Attfund Limited, Ernst & Co Vineyards (Pty) Limited, Momentum Advisory Services Nominees (Pty) Limited, Momentum Group Limited, Momentum Medical Scheme Administrators (Pty) Limited, Momentum Wealth Nominees (Pty) Limited, Quickstep 139 (Pty) Limited **Former** Swiss Re Life and Health Africa Limited, Damhoek Share Block (Pty) Limited, Swiss Re Africa Limited, Waterkloof 101 Home Owners Association
Paul Harris	
Age	59
Business Address	FirstRand Offices, 3 Merchant Place, Corner Fredman Drive and Rivonia Road, Johannesburg, South Africa
Nationality	South African
Function	Non-executive director
Principal Activities	Director of companies
Qualification	MComm
Experience	Paul Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation. He was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as chief executive officer. Subsequent to the formation of FirstRand, he was appointed chief executive officer of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed chief executive officer of FirstRand. He retired from his executive position at the end of December 2009.
Directorships in the last five years	**Current** FirstRand Group Limited, FirstRand Bank Holdings, FirstRand Investment Holdings (Pty) Limited, First National Bank, Momentum Group Limited, Rand Merchant Bank, RMB Asset Management (Pty) Limited

Fatima Jakoet	
Age	50
Business Address	53 Rokeby Rd, Rondebosch East
Nationality	South African
Function	Independent non-executive director
Principal Activities	Business consultant and director of companies
Qualification	BSc, CA(SA)
Experience	Fatima Jakoet runs her own business consulting practice. She was formerly a general manager at both Denel and Eskom.
Directorships in the last five years	**Current** SA Reserve Bank Group, MTN Group (West Africa Region), Clicks Group, Tongaat Hulett, Metropolitan Health, Qualsa Healthcare, Metropolitan International **Former** Impala Platinum
Zanele ("Joyce") Matlala	
Age	46
Business Address	Kagiso, PO Box 55276, Northlands, 2116
Nationality	South African
Function	Non-executive director
Principal Activities	Group Financial Officer, Kagiso Trust Investments
Qualification	BCom, BCompt (Hons), CA(SA)
Experience	Joyce Matlala is currently the group financial director of KTI, a position she has held since 2006. Prior to that she spent four years with the Development Bank of Southern Africa, initially as an investments executive and ultimately in the capacity of chief financial officer.
Directorships in the last five years	**Current** Merafe Resources, Gold Reef Resorts, Kagiso Media, Infrastructure Finance Corporation
Jabu Moleketi	
Age	53
Business Address	2nd Floor, 9 Ficker Road, Illovo Boulevard, Illovo
Nationality	South African
Function	Independent non-executive director
Principal Activities	Deputy Minister of Finance of the Republic of South Africa, Gauteng MEC of Finance and Economic Affairs, member of National Executive Committee of the ANC
Qualification	AMP (USA), Master of Science degree in Financial Economics (University of London), Post Graduate diploma in Economic Principles (University of London), Senior Military Management Course (up to Guerrilla Bridge Commander) USSR
Experience	Jabu was a founding member of BlueIQ, which included the Gautrain project. He was responsible for setting up of Gauteng Shared Services from concept to actual operation. In 2004, he was appointed chairman of Public Investment Corporation and served for 4 years. He is currently the chairman of Harith Fund Management Company. He was the South African government representative in the SA Customs Union (SACU) ministerial meeting for four years. He was the Alternate Governor of the IM representing RSA from 2004 to 2008. He is a member of the FIFA 2010 Local Organising Committee (LOC) Board and the Executive Committee of the LOC Board. He is also the chairman of the finance and procurement committee of the LOC board of directors.
Directorships in the last five years	**Current** Harith Fund Managers, FIFA World Cup Organising Committee SA, Brait (non-executive chairman), Vodacom, Remgro (Pty) Limited. Development Bank of South Africa (DBSA) (non-executive chairman) **Former** Nedbank Limited

Syd Muller	
Age	61
Business Address	2 Swift Lane, Steenberg Estate, Tokai Road, Tokai, 7945
Nationality	South African
Function	Independent non-executive director
Principal Activities	Director of companies
Qualification	BCom (Hons), CA(SA), Master of Business Administration, AMP (Harvard)
Experience	Syd Muller was formerly the chairman of Woolworths Holdings and a director of other companies in the Wooltru group. He serves on the board of Metropolitan International and on the audit, investment and human resources and empowerment subcommittees of Metropolitan. He is also active on the boards of a number of private companies.
Directorships in the last five years	**Current** Metropolitan International and is active on the boards of a number of private companies **Former** Woolworths Holdings
John Newbury	
Age	67
Business Address	PO Box 911, Northlands, 2116
Nationality	South African
Function	Independent non-executive director
Principal Activities	Director of companies
Qualification	–
Experience	John Newbury serves on the boards of various companies, including Super Group, Tracker, SAIL Group, InVenFin, National Airways Corporation and Metropolitan Health.
Directorships in the last five years	**Current** Super Group, Tracker, SAIL Group, InVenFin, National Airways Corporation, Metropolitan Health
Johnson ("JJ") Njeke	
Age	52
Business Address	Kagiso, PO Box 55276, Northlands, 2116
Nationality	South African
Function	Deputy Chairman
Principal Activities	Chairman, Silver Unicorn Trading
Qualification	BCom, BCompt (Hons), CA(SA), HDip Tax
Experience	JJ Njeke is the former group managing director of Kagiso Trust Investments and is currently involved with Silver Unicorn Trading as Chairman. He is the past chairman of the South African Institute of Chartered Accountants and of its education committee. He was an audit partner at PricewaterhouseCoopers for six years.
Directorships in the last five years	**Current** ArcelorMittal (SA), Metropolitan Holdings Limited, NM Rothschild (SA), Resilient Property Income Fund, MTN Group Limited, Council of the University of Johannesburg, Barloworld and Sasol

Sizwe Nxasana	
Age	52
Business Address	FirstRand Offices, 3 Merchant Place, Corner Fredman Drive and Rivonia Road, Johannesburg, South Africa
Nationality	South African
Function	Non-executive director
Principal Activities	Chief Executive Officer, FirstRand
Qualification	BCom, BCompt (Hons), CA(SA)
Experience	Sizwe Nxasana started his career at Unilever. In 1989 he established Sizwe & Co, the first black-owned audit practice in Kwa-Zulu Natal. In 1996 he became the founding partner of Nkonki Sizwe Ntsaluba, the first black owned national firm of accountants, and was national managing partner until 1998 when he joined Telkom SA as chief executive officer. He held this position until August 2005. His experience in the financial services industry includes being a non-executive director of NBS Boland Bank from 1995 to 1998, a non-executive director of the Development Bank of Southern Africa from 1995 to 1998 and chairman of Msele-Hoskens Insurance Group from 1994 to 1996. He joined the board of FirstRand Bank Holdings in 2003 and was appointed chief executive officer with effect from January 2006. In February 2006 he was appointed as an executive director of FirstRand. Sizwe was appointed CEO of FirstRand Limited in January 2010.
Directorships in the last five years	**Current** FirstRand Limited, FirstRand Bank Limited, FirstRand Bank Holdings Limited, FirstRand Foundation, FirstRand Investment Holdings (Pty) Limited, Momentum Group Limited, Rand Merchant Bank, The Banking Association of South Africa, Thuthuka Bursary Fund of SAICA, Sisters of Mercy Educational Trust, St Augustine's College of SA, Zenex Foundation, Zenex Trust, Masibulele Investments (Pty) Limited **Former** NBS Boland Bank, Development Bank of South Africa, Mesele-Hoskens Insurance Group
Khehla Shubane	
Age	54
Business Address	14 Cole Street, Kensington
Nationality	South African
Function	Independent non-executive director
Principal Activities	Self employed as a development consultant
Qualification	BA (Hons), Master of Business Administration
Experience	Khehla is currently a subcontractor in local governments and low income housing, limited to research. He is employed at the BusinessMap Foundation, a monitoring and research organisation focusing on Black Economic Empowerment (BEE). Khehla joined Simeka, a general management consultancy firm. He simultaneously set up a consulting business in the financial services area, specifically focusing on asset management. He also worked for the Nelson Mandela Foundation as chief executive officer. Khehla became a member of the Soweto Civic Association, a body representing the local community in opposition to the official local government institutions.
Directorships in the last five years	**Current** RMB Holdings, Endress & Hausser, Sangonet (section 21 company), The Johannesburg Roads Agency, Nurcha (section 21 company)

Frans Truter	
Age	54
Business Address	197 Canopus Street, Waterkloof Ridge, Pretoria
Nationality	South African
Function	Independent non-executive director
Principal Activities	Acts as a non-executive director and committee member in the Momentum Group as well as the FirstRand Banking Group
Qualification	BCom (Hons), CA(SA) AMP (Oxford)
Experience	Frans was an associate director at Deloitte, and spent some time at the SA Reserve Bank. He joined Momentum in 1988 as chief financial officer and was involved with the transactions to acquire Lifegro (1988), Southern Life (1998), Sage (2004) and Sovereign Health (2005). He has also served as executive director of strategic investments at Momentum. Frans resigned as an executive from Momentum Group in 2007. Frans is involved in certain private equity investments.
Directorships in the last five years	**Current** Advantage Asset Managers (Pty) Limited, AdviceAtWork (Pty) Limited, Anali Investments (Pty) Limited, Business Venture No. 976 (Pty) Limited, Dispack Packaging (Pty) Limited, FirstRand Asset Management (Pty) Limited, FirstRand Insurance Services Company (Pty) Limited, Hyphen Technology (Pty) Limited, Momentum Ability Limited, Momentum Administration Services (Pty) Limited, Momentum Africa Investments (Pty) Limited, Momentum Alternative Insurance Limited, Momentum Group Limited, Momentum Medical Scheme Administrators (Pty) Limited, Momentum Structured Insurance Limited, Natsure Limited, Natsure Holdings Company (Pty) Limited, RMB Asset Management (Pty) Limited, RMB Unit Trusts Limited, Turquoise Moon Trading 568 (Pty) Limited **Deregistration Final** Lekana Financial Services (Pty) Limited **Former** Momentum International MultiManagers (Pty) Limited, TBH Properties (Pty) Limited, Vector Nominees (Pty) Limited, Bubbletree (Pty) Limited, Momentum International PCC, Momentum Healthcare (Pty) Limited, Momentum Netherlands BV, Futuregrowth, African Life Assurance Co. Limited, First National Asset Management Trust Co
Benedict van der Ross	
Age	62
Business Address	FirstRand Offices, 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Johannesburg, South Africa
Nationality	South African
Function	Independent non-executive director
Principal Activities	Director of companies
Qualification	Dip Law (UCT)
Experience	Benedict van der Ross has a diploma in Law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and conveyancer. He practiced for his own account for 16 years. He became an executive director with the Urban Foundation for five years up to 1990 and thereafter of the Independent Development Trust where he was deputy chief executive officer from 1995 to 1998. He acted as chief executive officer of the South African Rail Commuter Corporation from 2001 to 2003 and as chief executive officer of Business South Africa from 2003 to 2004. He served on the board of The Southern Life Association from 1986 until the formation of the FirstRand Group in 1998.
Directorships in the last five years	**Current** FirstRand Group, First National Bank, FirstRand Bank Holdings Limited, Makalani Holdings Limited, Momentum Medical Scheme Administrators (Proprietary) Limited, Momentum Group Limited, RMB Asset Management (Proprietary) Limited, Strategic Real Estate Management (Proprietary) Limited, Corridor Infrastructure Developments (Proprietary) Limited, Distell Group Limited, Lewis Group Limited, Naspers Limited, Pick ‘n’ Pay Stores Limited

Johan van Reenen	
Age	54
Business Address	PO Box 12588, Die Boord, Stellenbosch, 7613
Nationality	South African
Function	Independent non-executive director
Principal Activities	Investment professional and director of companies
Qualification	BSc (Hons), Master of Business Administration
Experience	Currently executive director of Imalivest, Johan has a wealth of expertise and experience in investment banking and asset management, both locally and internationally.
Directorships in the last five years	**Current** Metropolitan Asset Managers, Metropolitan International, Metropolitan Capital
Mary Vilakazi	
Age	32
Business Address	11 Hillrise Road, Pinelands, 7405
Nationality	South African
Function	Independent non-executive director
Principal Activities	Chief Financial Officer, Mineral Services Group
Qualification	BCom (Honours), HDip Auditing, CA(SA)
Experience	Mary is the chief financial officer of the Mineral Services (MS) Group, where she is also a director of some of the group subsidiaries. She also serves as the CEO of the Zenzele Development Trust, a trust founded by the MS Group. Prior to joining the MS Group, Mary was an audit partner at PricewaterhouseCoopers until September 2008, where she gained extensive experience in the audit of financial services companies. Mary is a member of the Council of the SA Institute of Chartered Accountants (Southern Region). At present she serves on the Minister of Finance's Long-term Insurance Advisory Committee as well as on the audit committee of the Council of Conciliation, Mediation and Arbitration (CCMA).
Directorships in the last five years	**Current** Metropolitan

4. DIRECTORS' SERVICE CONTRACTS

As at the Last Practicable Date, there were no fixed-term service contracts for Metropolitan Directors and no restraints of trade.

5. DIRECTORS' REMUNERATION

5.1. Metropolitan Directors

Non-Executive Directors

Non-executive directors receive a fee for their contribution to the respective boards and board committees of which they are members. Fee structures are recommended to the Metropolitan Board by the chairman of the remuneration committee, based on market research on trends and levels of directors' remuneration. The fees are approved in advance by shareholders. The table below outlines the non-executives directors' fees and allowances for the financial year ended 31 December 2009.

Director *All figures are in R'000*	Board fees	Committee fees	Subsidiary committees	Total[6][7]
Fatima Jakoet	260	171	479	910
Peter Lamprecht[1]	260	604	65	929
Prof Wiseman Nkuhlu[2]	162	-	-	162
Syd Muller	260	213	135	608
Bulelwa Paledi	260	121	65	446
John Newbury	260	303	191	754
JJ Njeke	260	182	93	535
Andile Sangqu[3]	244	142	85	471
Marius Smith	260	349	116	725
Franklin Sonn[4]	217	101	54	372
Johan van Reenen	260	264	246	770
Mary Vilakazi[5]	43	29	-	72
	2 746	**2 479**	**1 529**	**6 754**

1. *Resigned 14 April 2010*
2. *Resigned 17 March 2009*
3. *Resigned 8 December 2009*
4. *Retired 11 October 2009*
5. *Appointed 2 November 2009*
6. *No payments for management consulting, technical or other fees, including payments to management companies were made to non-executive directors during fiscal year 2008 and 2009*
7. *No other fees were paid or accrued to a third party in lieu of directors' fees*

The director fees for JJ Njeke are paid directly to KTI. There have been no fees paid or accrued as payable to a third party in lieu of directors' fees.

Executive Directors

Remuneration packages, including short-term and long-term incentives, are reviewed annually by the remuneration committee, with due regard to individual performance and market rates. Executive directors do not participate in discussions of their remuneration. Their appraisal focuses on the implementation of policies and strategies adopted by the board, operational performance and leadership. Appraisal results are reviewed and discussed by the remuneration committee and are used in determining the group chief executive's remuneration.

The table below outlines the remuneration details for executive directors of Metropolitan for the financial year ended 31 December 2009.

Director *All figures are in R'000*	Annual Package	Bonus	Pension Fund	Total
Phillip Matlakala	1 918	2 225	213	4 356
Preston Speckmann	2 079	2 526	232	4 837
Wilhelm van Zyl	3 120	2 924	353	6 397
	7 117	**7 675**	**798**	**15 590**

5.2. Momentum Directors

Executive Directors

The table below outlines the remuneration details for executive directors of Momentum for the twelve month period ended 31 December 2009.

Director *All figures are in R'000*	Annual Package	Bonus	Pension Fund	Total
NAS Kruger	2 967	2 637	196	5 800
DJ Botes	1 696	2 645	316	4 657
	4 663	**5 282**	**512**	**10 457**

Non-Executive Directors

The table below outlines the non-executives directors' fees and allowances for the twelve month period ended 31 December 2009.

Director *All figures are in R'000*	Board fees	Committee fees	Total[(2)(3)]
LL Dippenaar	745	215	960
RB Gouws	155	357	512
RJ Hutchison	155	111	266
JD Krige	155	8	163
NB Langa-Royds	155	166	321
HM Madima	155	8	163
P Nzimande	155	85	240
JJ Sieberhagen	155	8	163
S Sithole	155	8	163
FJC Truter	155	160	315
BJ van der Ross	155	274	429
T van Wyk	155	8	163
P Mjoli[(1)]	155	49	204
Total	**2 605**	**1 457**	**4 062**

1. *Resigned 23 February 2010*
2. *No payments for management consulting, technical or other fees, including payments to management companies were made to non-executive directors during fiscal year 2008 and 2009*
3. *No other fees were paid or accrued to a third party in lieu of directors' fees*

6. DIRECTORS' INTERESTS IN SECURITIES

As at the Last Practicable Date, the Metropolitan Directors and MMI Directors had the following direct and indirect interests in Metropolitan and MMI's issued ordinary share capital, respectively:

6.1. Metropolitan Directors

The shareholdings reflected below are the existing directors' shareholdings as at the Last Practicable Date, before the implementation of the Transaction and the Specific Repurchase of the Unallocated Shares.

	Beneficial		
	Direct '000	Indirect '000	Total '000
Non-executive			
Johan van Reenen	–	315	315
Marius Smith	–	105	105
John Newbury	45	2	47
Balance at 1 January 2009	–	–	–
Trades in 2009	45	2	47
Executive			
Wilhelm van Zyl	400	–	400
Phillip Matlakala	–	–	–
Balance at 1 January 2009	388	–	388
Trades in 2009	(388)	–	(388)
Total listed shares	**445**	**422**	**867**

In addition, the executive directors are beneficiaries of the management trust, which has an indirect shareholding of 5% in Metropolitan. KTI of which JJ Njeke and Joyce Matlala (2008: JJ Njeke and Andile Sangqu) are executive directors, has the following strategic empowerment holdings in the group:

- 18% in Metropolitan Health Corporate (Proprietary) Limited; and
- a 75% interest in the entity that holds 100 million (2008: 123 million) preference shares and 36 million (2008: 35 million) ordinary shares in Metropolitan, together comprising 20.9% (2008: 23.8%) of the total issued shares.

6.2. MMI Directors

The shareholdings reflected below are the shareholdings of the MMI Directors based on the assumption that the Transaction and the Specific Repurchase of the Unallocated Shares had been implemented on the Last Practicable Date.

	Beneficial		
	Direct '000	Indirect '000	Total '000
Non-executive			
Blignault Gouws	–	312	312
John Newbury	45	2	47
Balance at 1 January 2009	–	–	–
Trades in 2009	45	2	47
Johan van Reenen	–	315	315
Khehla Shubane	–	7	7
Frans Truter	44	421	465
Executive			
Wilhelm van Zyl	400	–	400
Total listed shares	**489**	**1 057**	**1 546**

7. DIRECTORS' INTEREST IN THE TRANSACTION AND THE SPECIFIC REPURCHASE OF THE UNALLOCATED SHARES

7.1. Metropolitan Directors

The Metropolitan Directors have no indirect or direct beneficial interest in the Transaction nor the Specific Repurchase of the Unallocated Shares (other than their interest as Metropolitan Shareholders), nor in any transactions that were effected by Metropolitan during the current or immediately preceding financial year, or during an earlier financial year which remain in any respect outstanding or unperformed, other than the KTI preference share refinancing transaction detailed in the material contracts in Annexure M and the KTI board members as mentioned in paragraph 6.1 above who, via KTI, have a small holding of approximately 2% in FirstRand.

7.2. MMI Directors

The MMI Directors have no indirect or direct beneficial interest in the Transaction nor the Specific Repurchase of the Unallocated Shares (other than their interest as Metropolitan Shareholders or FirstRand Shareholders), nor in any transactions that were effected by Metropolitan during the current or immediately preceding financial year, or during an earlier financial year which remain in any respect outstanding or unperformed, other than as detailed in paragraph 7.1 above.

7.3. Directors' individual share options

No Metropolitan Directors have any share options.

8. DIRECTORS' DECLARATIONS

All Metropolitan Directors have completed and signed directors' declarations in terms of Schedule 21 of the Listings Requirements relating to the appointment of new directors. Copies of the declarations are available for inspection as detailed in section 25 of these Revised Listing Particulars. All MMI Directors who have not signed declarations will complete and sign directors' declarations in terms of Schedule 21 of the Listings Requirements once they have been appointed following the approval by the regulatory authorities.

No payments have been made to any director, either directly or indirectly, by Metropolitan or any other person in the 3 years preceding the date of these Revised Listing Particulars to induce him/her to become, or to qualify him/her as a director or otherwise for services rendered by him/her or by the associate's company or the associate entity in connection with the promotion or formation of Metropolitan. No loans have been made by Metropolitan to any of its directors nor has any security been furnished by Metropolitan on behalf of any of its directors or senior management other than as disclosed in paragraph 2.1 above. None of the Metropolitan Directors have:

- been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- entered into any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such directors are or were directors with an executive function during the preceding 12 months;
- entered into any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such directors are or were partners during the preceding 12 months;
- entered into any receiverships of any assets of such directors or of a partnership of which the directors are or were a partner during the preceding 12 months;
- been adjudged bankrupt, insolvent, or sequestrated in any jurisdiction;
- been a party to a scheme of arrangement or made any other form of compromise with their creditors;
- been found guilty in disciplinary proceedings, by an employer or regulatory body, due to dishonest activities;
- been barred from entry into any profession or occupation;
- been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act, nor has a company of which they were directors or alternate directors or officers at the time;
- been the subject of public criticisms by statutory or regulatory authorities, including recognised professional bodies; and
- been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of the company.

The businesses of MMI and its subsidiaries are not managed and will not be managed by a third party under a contract of arrangement.

ANNEXURE L

PRINCIPAL IMMOVABLE PROPERTIES OWNED AND LEASED

Details of the immovable property owned by Metropolitan (excluding policyholder owned properties) at the Last Practicable Date are set out below.

Location	Building name	Tenure	Approximate area (M^2)
Bellville, South Africa	Parc du Cap 6	Freehold	16 968
Bellville, South Africa	Parc du Cap 7 & 8	Freehold	13 473
Bellville, South Africa	Parc du Cap 2	Freehold	4 500
Bellville, South Africa	Parc du Cap 4	Freehold	4 808
Bellville, South Africa	Parc du Cap 5	Freehold	4 780
Bellville, South Africa	Parc du Cap 9	Freehold	3 500
Durban, South Africa	Metlife Building	Freehold	7 861
Johannesburg, South Africa	Fox Street	Freehold	7 611
Bloemfontein, South Africa	Bloemfontein Regional	Freehold	1 711
Durbanville, South Africa	Union Life Building	Freehold	1 898

Details of the principal immovable property leased by Metropolitan, (including policyholder owned properties that are occupied by Metropolitan) at the Last Practicable Date are set out below.

Lessee	Lessor	Description of property and location	Total area occupied (M^2)	Total monthly rental (R'000)	Expiry
Metropolitan Life Ltd.	Botken	Nedbank Building 345 Main Road, Paarl	373	50	31/11/2012
Metropolitan Life Ltd.	Dreamworld Investments	Metropolitan House, Cnr Ehmke & Russel Streets, Nelspruit	439	59	31/7/2011
Metropolitan Life Ltd.	Growthpoint Properties	Cnr 14th Avenue & Hendrik Potgieter Road, Weltevreden Park, Roodepoort	590	58	Monthly lease
Metropolitan Life Ltd.	Local Finance & Investment Corp	Metropolitan Building, Cnr Smith & Hermitage Streets, 391 Smith Street, Ground Floor, Durban	247	125	Monthly lease
Metropolitan Life Ltd.	Metropolitan Properties	Metropolitan Building, Cnr Smith & Hermitage Streets, 391 Smith Street, Durban	2 193	143	Monthly lease
Metropolitan Life Ltd.	Metropolitan Properties	Metropolitan Centre, Block A, Ground Floor, 281 Cape Road, Greenacres	1 471	112	Monthly lease
Metropolitan Life Ltd.	Prominent Properties	Block B, 2 Cullinan Close, Cullinan Place, Ground Floor, Cnr Cullinan Close & Rivonia Road, Morningside	679	107	30/9/2012
Metropolitan Life Ltd.	Metropolitan Properties	Metropolitan Building, 1st Floor, 96 Henry Street, Bloemfontein	1 431	140	Monthly lease
Metropolitan Life Ltd.	Metropolitan Properties	1064 Arcadia Street, Hatfield, Pretoria	620	90	Monthly lease
Metropolitan Life Ltd.	Metropolitan Properties	Metropolitan Building, 108 Fox Street, Johannesburg	2 824	196	Monthly lease

Lessee	Lessor	Description of property and location	Total area occupied (M²)	Total monthly rental (R'000)	Expiry
Metropolitan Life Ltd.	Metropolitan Properties	Metropolitan Building, 13 Cnr Tillard & Robinson Streets, Mafikeng	1 326	69	Monthly lease
Metropolitan Life Ltd.	Metropolitan Properties	51 Market Street, Metropolitan Centre, Ground Floor, Polokwane	1 007	110	Monthly lease
Metropolitan Life Ltd.	Prop@T	GA Keyser Center, Simon Van Der Stel Square, George	327	62	Monthly lease
Metropolitan Life Ltd.	True Group	20 Drury Lane, East London	1 100	130	31/7/2013
Metropolitan Life Ltd.	Zenprop	Metropolitan Building, 224 Pretorius Street, Floors Ground, Mezzanine, 1st, 2nd, 5th & 6th, Pretoria	1 839	204	Monthly lease
UBA Metropolitan Life Insurance Ltd.	UBA PLC	Part of Floor Four, 57 Marina, Lagos	755	66	31/03/2012
UBA Metropolitan Life Insurance Ltd.	Forteville Ltd	Four flats at Block xxv, Plot 23/24 Oniru Layout, Oniru Estate, VI Lagos	–	105(1)	Monthly lease(2)
Metropolitan Life of Botswana Ltd.	RDC Properties	Plot 1124 1st Floor Standard House Building Main Mall, Gaborone	343	62	31/12/2010
Metropolitan Life of Botswana Ltd.	RDC Properties	Plot 1124, 30 Ground Floor Standard House Building Main Mall, Gaborone	860	169	30/11/2014
Metlife Insurance Ghana Ltd.	SSNIT (Broll Ghana)	Head office, Accra	506	58	Quarterly lease

Notes:
1. Total for all properties
2. Three flats are monthly leases and 1 flat has 13 months remaining

Details of the immovable property owned by Momentum (excluding policyholder owned properties) at the Last Practicable Date are set out below.

Location	Building name	Tenure	Approximate area (M²)
Gauteng, South Africa	Lockhoff vacant land	Freehold	21 394
Gauteng, South Africa	Momentum Head Office Phase 1	Freehold	21 000
Gauteng, South Africa	Momentum Head Office Phase 2	Freehold	14 000
Gauteng, South Africa	4 Merchant Place	Freehold	18 092
Gauteng, South Africa	Botha Avenue	Freehold	3 363

Details of the principal immovable property leased by Momentum, (including policyholder owned properties that are occupied by Momentum) at the Last Practicable Date are set out below.

Lessee	Lessor	Description of property and location	Total area occupied (M^2)	Total monthly rental (R'000)	Expiry
Momentum Group Ltd.	Sanlam Life Insurance	4th Floor Office 04, Roodepoort, Constantia Kloof Boulevard	608	72	30/06/2010
Momentum Group Ltd.	Tuscan Park Trust	Left side & Right side of Loft, Building B, Tuscan Park, Cnr Old Oak and Twist Street, Bellville	594	50	30/11/2010
Momentum Group Ltd.	Momentum Property Investments	5th, 7th, 9th, 10th and 11th Floor of the Sage Life House, 21 Field Street, Durban	3 040	130	31/12/2010
Momentum Group Ltd.	Black River Park Investments (Pty) Ltd.	The Terraces Building, Black River Park, Fir Road, Observatory, Erf 27961	989	139	30/04/2011
Momentum Group Ltd.	Inclub Properties	Inanda Building 8, Ground and 1st Floor, Inanda Greens Office Park, 54 Wierda Road, Corner Albertyn and Wierda Road West, Wierda Valley	2 540	349	30/06/2011
Momentum Medical Scheme Administrators (Pty) Ltd.	Roprops No. 1 (Pty) Ltd.	1 – 3 Canegate Road, La Lucia Ridge, Durban	8 361	1 148	30/09/2016
Momentum Africa	Erf 1135 Houghton Johannesburg	19 West Street, Houghton	1 101	132	29/02/2012
Momentum Group Ltd.	Emira Property Fund	Ground Floor and 1st Floor, 309 Brooks Street, Menlo Park, Pretoria	630	65	31/12/2010

ANNEXURE M

MATERIAL CONTRACTS OF METROPOLITAN

Refinancing of the BEE transaction with KTI

In 2004 and 2005, Metropolitan entered into transactions with KTI, SPV, Off the Shelf Investments 109 (Proprietary) Limited ("Newco") and the Metropolitan Empowerment Trust in order to implement its broad-based black economic empowerment ownership strategy and to facilitate meaningful participation in Metropolitan by black South Africans. In terms of the transactions (referred to as the phase I and II transactions), KTI and the Metropolitan Empowerment Trust, via SPV and Newco, acquired a strategic combined interest in Metropolitan of approximately 17.3%, mainly through their holdings of the Preference Shares. By August 2009, their combined interest had increased to approximately 21%.

The final redemption dates of the A1 and A2 Preference Shares were 30 September 2009 and 5 December 2009, respectively. These Preference Shares needed to be refinanced before such dates in order to avoid a dilution of KTI and the Metropolitan Empowerment Trust's shareholdings in Metropolitan, and hence Metropolitan's black economic credentials. To this end and in June 2009, Metropolitan entered into a further transaction with the relevant parties and a bank consortium in order to regularise the position ("the phase III transaction").

The material terms of the phase III transaction were:

- the extension of the final redemption date of the A1 Preference Shares from 30 September 2009 to 30 October 2012;
- the extension of the final redemption date of the A2 Preference Shares from 5 December 2009 to 5 December 2012;
- the coupon rate of the dividend payable on the A1 Preference Shares and A2 Preference Shares was reduced; and
- SPV pledged, as security for its obligations to the bank consortium, the A1 Preference Shares and A2 Preference Shares.

Full details of the phase III transaction are set out in the Metropolitan circular to Metropolitan Shareholders dated 4 August 2009.

ANNEXURE N

MATERIAL LOANS PAYABLE AND INTER-COMPANY LOANS

Material Loans Payable

Material loans payable of Metropolitan

Name of lender	Amount (R million)	Security		Interest rate and loan repayment terms	Expiry	Reason for borrowings
		Description	Current fair value (R million)			
Various	501	Subordinated redeemable debt	472	Fixed interest rate of 9.25% per annum	The holder has an option to redeem the debt from 15 December 2014 and the ultimate maturity date is 15 December 2019	Debt issue

Material loans payable of Momentum

Name of lender	Amount (R million)	Security		Interest rate and loan repayment terms	Expiry	Reason for borrowings
		Description	Current fair value (R million)			
Various	927	Unsecured	927	The fixed interest rate is 8.5% per annum, until the first call date on 15 September 2015. At the first call date, a step-up of 80% of the initial credit spread will apply and interest will convert from fixed to floating, payable quarterly on 15 March, 15 June, 15 September and 15 December	The legal maturity date is 15 September 2020 and the first call date is 15 September 2015	The borrowing arose as a mechanism to fund new business strain

Material Inter-company Loans

Material inter-company loans receivable of Metropolitan

Borrower	Amount (R millions)	Terms and conditions
Metropolitan Health Holdings (Pty) Ltd.	268	Interest free, unsecured and payable on demand
Metropolitan Capital (Pty) Ltd.	29	Interest rate of 10% per annum nacs
Metropolitan Capital (Pty) Ltd.	22	Interest rate of 10% per annum nacs. Repayment date of 1 August 2013
Metropolitan International (Pty) Ltd.	220	Interest free, unsecured and payable on demand

Material inter-company loans payable of Metropolitan

Lender	Amount (R millions)	Terms and conditions
Metropolitan Odyssey (Pty) Ltd.	25	Interest free, unsecured and payable on demand

Material inter-company loans receivable of Momentum

Borrower	Amount (R millions)	Terms and conditions
Hawley Road Development (Pty) Ltd.	148	No interest charged, no fixed terms for repayment
FirstRand Asset Management (Pty) Ltd.	107	No interest charged, no fixed terms for repayment
Momentum Life Assurers Ltd.	36	No interest charged, no fixed terms for repayment
RMB Asset Management (Pty) Ltd.	30	No interest charged, no fixed terms for repayment
Futuregrowth (Pty) Ltd.	26	No interest charged, no fixed terms for repayment

Material inter-company loans payable of Momentum

Lender	Amount (R millions)	Terms and conditions
Momentum Property Investments (Pty) Ltd.	1 640	Interest charged and repayments as agreed from time to time
Momentum Finance Company (Pty) Ltd.	822	No interest charged, no fixed terms for repayment
Momentum Medical Scheme Administrators (Pty) Ltd.	562	No interest charged, no fixed terms for repayment
Momentum Intercative (Pty) Ltd.	198	No interest charged, no fixed terms for repayment
Momentum Africa Ltd.	134	No interest charged, no fixed terms for repayment
Momentum Administration Services (Pty) Ltd.	94	Interest charged and repayments as agreed from time to time
AdviceAtWork (Pty) Ltd.	86	No interest charged, no fixed terms for repayment
FirstRand Alternative Investment Management (Pty) Ltd.	48	No interest charged, no fixed terms for repayment
Advantage Asset Managers (Pty) Ltd.	34	No interest charged, no fixed terms for repayment

ANNEXURE O

LOANS RECEIVABLE FOR METROPOLITAN

Entity	Borrower	Amount (R million)	Reasons for loan	Method of valuation	Interest and repayment terms	Period	Security		Directors
							Description	Current fair value (R million)	
Metropolitan	Off the shelf investments 127 (Pty) Ltd.	136	Black economic empowerment	Amortised cost	80% of prime. Repayment date of between five and ten years	Repayable from December 2009	“A” ordinary shares in Metropolitan Health Corporate	120	–
Metropolitan	Pinnacle Business Investments (Pty) Ltd.	34	Black economic empowerment	Amortised cost	Prime less 1%	30 November 2012	Shares in Metropolitan Life (Namibia) Ltd.	32	Mr RM Mbetjiha Mrs V Kauaria
Metropolitan Capital Economic Fund (Pty) Ltd.	Mettle Investments (Pty) Ltd.	20	To provide working capital	Amortised cost	Prime – interest payable monthly	15 July 2011	Tantamount to a shareholder loan	20	–

ANNEXURE P

DETAILS OF MAJOR SUBSIDIARIES AND INVESTMENTS

List of Major Subsidiaries of Metropolitan

Subsidiary	Year acquired	Share capital	Amount owing (to)/by subsidiaries	% Held	Registration number	Country of incorporation	Nature of business
Metropolitan Life Ltd.	1979	R624m	R2m	100	1949/032491/06	South Africa	Life insurance company
Metropolitan Odyssey Ltd.	1999	R35m	(R25.0m)	100	1993/007525/06	South Africa	Life insurance company
Union Life Ltd.(1)	2007	R24m	–	50	1935/007508/06	South Africa	Life insurance provider
Metropolitan International (Pty) Ltd.	1998	(2)	R220m	100	1952/001639/07	South Africa	To make international investments and to render administrative services to international entities and some strategic local holdings
Subsidiaries							
UBA Metropolitan Life Insurance Ltd.	Joint venture in 2007 and became a subsidiary in 2009	R120m	–	50	RC 605083	Nigeria	Life insurance and employee benefits
Metropolitan Life Insurance Kenya Ltd.	2002	R35m	–	100	C97820	Kenya	Life insurer
Metropolitan Life Insurance Ghana Ltd.	2006	R40m	–	80	CA 13748	Ghana	Life assurance, investment of funds, pension funds management services
Metropolitan Life Insurance Swaziland Ltd.	2008	R30m	–	100	1165 of 2007	Swaziland	Life insurance provider
Metropolitan Life International Ltd.	1999	R40m	–	100	1991/05540/06	South Africa	Life insurer
Metropolitan Life (Namibia) Ltd.	1996	R56m	–	82	89/327	Namibia	Life insurer
Metropolitan Life of Botswana Ltd.	1997	R28m	–	76	96/1957	Botswana	Life insurer
Metropolitan Lesotho Ltd.	2003	R120m	–	100	2003/22	Lesotho	Life insurer
Metropolitan Retirement Administrators (Pty) Ltd.	2007	(2)	–	80	2006/020384/07	South Africa	Provision of administration services
DirectFin Solutions (Pty) Ltd.	2007	(2)	–	70	2002/020109/07	South Africa	Telemarketing company focusing on financial services products
Metropolitan Asset Managers Ltd.	1999	R148k	–	100	1943/016651/06	South Africa	Investment management
Metropolitan Collective Investments Ltd.	1991	R13m	–	100	1991/003741/06	South Africa	Unit trusts administration
Metropolitan Property Services (Pty) Ltd.	2002	(2)	–	100	2001/022931/07	South Africa	To administer and manage property

Subsidiary	Year acquired	Share capital	Amount owing (to)/by subsidiaries	% Held	Registration number	Country of incorporation	Nature of business
Metropolitan Capital (Pty) Ltd.	2007	–	R125m	100	2006/020007/07	South Africa	Focus on alternative investments
Metropolitan Health Holdings (Pty) Ltd.	2000	(2)	R268m	100	1999/027578/07	South Africa	An investment holding company
Subsidiary							
Metropolitan Health Corporate (Pty) Ltd.	2000	R63m	–	100	1999/027531/07	South Africa	Administration of medical schemes

Notes

1. The company owns 50% of the voting rights, but has control through appointment of the chairman with a casting vote
2. The issued share capital of these companies is less than R1 000

Profit and Losses from Subsidiaries and Associates of Metropolitan

Metropolitan has no joint ventures. The aggregate amount of profit and losses, after tax before goodwill impairment of subsidiaries and the income from associates is detailed below:

Investment	Profit (R million)	Loss (R million)
Subsidiaries	1 416	(100)
Associates	8	(5)

List of Major Subsidiaries of Momentum

Subsidiary	Year acquired	Share capital	Amount owing (to)/by subsidiaries	% Held	Registration number	Country of incorporation	Nature of business
Momentum Property Investments (Pty) Ltd.	1966	–	R1 696m	100	1965/005252/07	South Africa	Property investments
Momentum Administration Services (Pty) Ltd.	1995	–	R219m	100	1995/008800/07	South Africa	Investment administration
Momentum Medical Scheme Administrators (Pty) Ltd.	1998	–	R526m	100	1969/016884/07	South Africa	Health administration
Momentum Ability Ltd.	1999	R10m	–	100	1999/005364/06	South Africa	Long-term insurance
FirstLife Assurance (Pty) Ltd.	2003	R3m	R5m	100	2003/2023	Botswana	Long-term insurance
AdviceAtWork (Pty) Ltd.	2002	–	R66m	100	2002/027693/07	South Africa	Employee benefits
Momentum International Multimanagers (Pty) Ltd.	1998		R19m	100	1998/009807/07	South Africa	Multi-management services
RMB Asset Management (Pty) Ltd.	1987	–	R24m	100	1987/004655/07	South Africa	Asset management

ANNEXURE Q

MATERIAL ACQUISITIONS AND DISPOSALS

Disposal by Momentum

Momentum sold the asset listed below to the FirstRand Banking Group which forms part of FirstRand. FirstRand is located at 4 Merchant Place, Sandton and does not have any controlling shareholders.

On 1 July 2007 Momentum sold its 100% shareholding in FirstRand International Asset Management ("FRIAM") to the FirstRand Banking Group for a cash consideration of R298 million, which is equal to the net asset value of FRIAM added to the goodwill Momentum carried on its balance sheet in respect of its shareholding in FRIAM.

ANNEXURE R

SALIENT TERMS OF THE FNB STRATEGIC RELATIONSHIP AGREEMENT

1. Momentum, FirstRand Bank Limited ("**FirstRand Bank**") and FirstRand entered into the FNB Strategic Relationship Agreement ("**the Agreement**") for purposes of recording and regulating their existing and anticipated future working relationship. The Agreement is subject to the merger between Momentum, FirstRand and Metropolitan becoming unconditional.

2. In terms of the Agreement the parties agreed on the following:

   2.1 Momentum shall be a product provider, through its division FNB Life, to First National Bank ("**FNB**") for purposes of embedded credit life insurance and single need life insurance products for a period of at least 3 years following the merger. The parties shall enter into a profit sharing arrangement in respect of this business in terms whereof FNB will be entitled to 90% of the profits. Upon expiry of the 3 year period, FNB shall be entitled to move the business away from Momentum provided that it compensates Momentum fairly for the intellectual property introduced to the business and any costs incurred as a result of the termination of the business.

   2.2 FirstRand Bank granted a right of first refusal to Momentum for a period of 3 years following expiry of the initial 3 year period mentioned above in respect of all the long-term insurance product requirements of FNB, other than those products which FNB may source from an underwriter in the FirstRand Group.

   2.3 Momentum shall make use of FirstRand Bank's transactional bank accounts for a period of at least 3 years following the merger and FNB and Wesbank will continue to provide staff loans to staff of the Momentum group of companies on existing terms until renewal.

   2.4 The names of those asset management subsidiaries of Momentum using the name "*RMB*" and "*FirstRand*" will be changed not later than 6 months following the merger. FirstRand and FirstRand Bank will not launch any asset management operations using the RMB brand within a period of 1 year following the merger and FirstRand Bank granted a 3 year right of first refusal to Momentum in terms whereof it will first approach an asset manager within the Momentum group of companies for purposes of obtaining asset management services other than those which FirstRand Bank can provide. The Momentum's annuity portfolio currently managed by FirstRand Treasury will be migrated to Momentum. FirstRand Bank agrees not to employ any of the asset management staff of Momentum for a period of 2 years following the merger.

   2.5 The parties will not appoint any divisional exco members of each other for a period of 18 months following the merger. Momentum will assume responsibility for all group services currently performed by FirstRand on behalf of Momentum within a commercially reasonable period after the merger;

   2.6 Momentum will be entitled to use FirstRand Bank's credit risk capability for a period of 1 year following the merger. To the extent that securities held by FirstRand Bank are not transferred to Momentum in respect of assets transferred to Momentum, FirstRand Bank indemnifies Momentum against any losses which it may suffer as a consequence of any potential credit default, limited to the amount which would have been realised by Momentum had it held the security.

   2.7 The existing outsource agreement between Momentum and FirstRand Bank in respect whereof internal audit functions are provided to Momentum will be terminated within a period of 6 months following the merger.

   2.8 The liability of FirstRand and FirstRand Bank in respect of the services rendered following the merger as mentioned in paragraphs 2.5, 2.6 and 2.7 will be limited to losses or claims resulting from the gross negligent or intentional acts on the part of FirstRand, FirstRand Bank or any of their employees, officers or agents.

2.9 RMB Asset Management International Limited and FirstRand Bank London, the London branch of FirstRand Bank shall continue their current co-operation until 2013.

3. As regard future arrangements, the parties have agreed to negotiate in good faith to reach consensus on the following matters:

3.1 To allow FNB Wealth, a division of FirstRand Bank and FNB Brokers, a division of FirstRand Bank, to use Momentum's LISP open architecture platform for a period of at least 3 years following the merger;

3.2 For Momentum Wealth, a division of Momentum, and FNB Wealth to co-operate to provide advisory services targeting the clients of both parties in the wealth management segment for a period of at least 3 years following the merger;

3.3 For FNB Corporate, a division of FirstRand Bank, to introduce its corporate clients to Momentum for purposes of providing long-term insurance products for a period of at least 3 years following the merger;

3.4 To enter into a joint venture for a period of at least 10 years in respect of the joint marketing of Momentum's wellness and loyalty programmes (Save Thru Spend and Multiply) and FNB's eBucks loyalty programme;

3.5 For the parties to continue their collaboration in Africa for at least a period of 3 years following the merger and to expand their operations to other African countries;

3.6 For Momentum to grant to FirstRand Bank a right of first refusal in respect of all banking products to be used by Momentum as enablers for insurance products;

3.7 To agree on the terms subject to which Momentum may use FirstRand Bank's infrastructure in respect of the Oracle Human Resources project, MyWorkSpace, Procurement, SIPP;

3.8 To formulise the parties' business arrangement in respect of foreign exchange, deal pricing and processes for all foreign exchange trades.

4. The parties have also granted confidentiality undertakings to each other in respect of information provided to and shared between the parties for purposes of the Agreement.

5. The Agreement further provides for arbitration in respect of any disputes which may arise pursuant and in relation to the Agreement.