momentum
METROPOLITAN

Group Annual Financial Statements

Audited results for the financial year ended 30 June 2023

MOMENTUM METROPOLITAN
Audited Annual Financial Statements

for the year ended 30 June 2023

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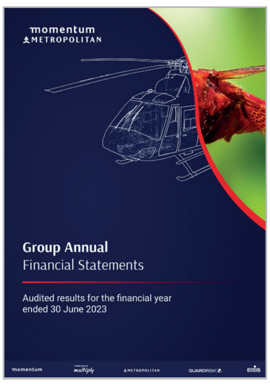
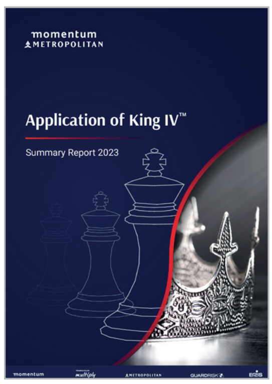
The preparation of the Group's audited consolidated results was supervised by the Group Finance Director, Risto Ketola (FIA, FASSA, CFA Charterholder).

Our reporting for the year ended 30 June 2023

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





Directors' responsibility and approval

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

To enable the Board to meet these responsibilities:

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

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

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

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

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

APPROVAL OF AFS

The AFS, presented on pages 34 to 249, were approved by the Board of directors on 11 September 2023 and are signed on its behalf by:

Paul Baloyi	***Jeanette Marais (Cilliers)***	***Hillie Meyer***
Chair	*Group Chief Executive Officer*	*Executive Director*
Centurion, 11 September 2023	Centurion, 11 September 2023	Centurion, 11 September 2023

CEO and Finance Director confirmation of financial controls

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

a) the AFS set out on pages 34 to 249, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the AFS false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;

d) the internal financial controls are adequate and effective and can be relied upon in compiling the AFS, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

e) where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and

f) we are not aware of any fraud involving directors.

Jeanette Marais (Cilliers)
Group Chief Executive Officer

Centurion, 11 September 2023

Hillie Meyer
Executive Director

Centurion, 11 September 2023

Risto Ketola
Group Finance Director

Centurion, 11 September 2023

Certificate by the Group Company Secretary

In accordance with the provisions of section 88(2)(e) of the Companies Act, I certify that for the year ended 30 June 2023 the companies have lodged with the registrar of companies all such returns as are required of a company in terms of the Companies Act, and that all such returns are true, correct and up to date.

Gcobisa Tyusha
Group Company Secretary

Centurion, 11 September 2023

Independent auditor's report

TO THE SHAREHOLDERS OF MOMENTUM METROPOLITAN HOLDINGS LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Momentum Metropolitan Holdings Ltd and its subsidiaries ('the Group') and Company set out on pages 34 to 238, which comprise of the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

Key Audit Matter continued	How the matter was addressed in the audit continued
2. VALUATION OF COMPLEX AND ILLIQUID ASSETS *This key audit matter applies to the audit of the consolidated financial statements.*	
The extent of judgement applied by management in valuing the Group's investments varies with the nature of securities held, the markets in which they are traded, and the valuation methodology applied. Observable inputs are not readily available for some of the Group's invested assets and a mark-to-model valuation is applied as a result. The Level 3 assets amount to: R2 885 million of owner-occupied properties as disclosed in note 4; R8 807 million of investment properties as disclosed in note 5; and R5 910 million of financial assets as disclosed in note 7. We consider the valuation of the diverse portfolio of Level 3 assets to be a key auditing matter given: i) that the assumptions determined by management are largely based on non-observable inputs, are highly judgemental and consider a diverse range of sector information. ii) the extent of effort required in assessing the completeness and accuracy of data utilised in the valuation models due to the diverse and large portfolio.	Our audit included the following procedures with the assistance of our internal valuation specialists: • we obtained an understanding of management's process for determining the fair value of Level 3 assets and liabilities and evaluated the design effectiveness of key controls (including IT general controls) relevant to the valuation of these Level 3 assets. • we assessed the appropriateness of the valuation methodologies applied by management with reference to relevant accounting standards and industry guidance. • we tested the completeness and accuracy of data inputs used in the valuation model by agreeing them on a sample basis to source (including the underlying contracts) or comparing them to available market benchmarks. • we evaluated and challenged the key assumptions applied in determining fair value by making a comparison to our own understanding of the market, comparable evidence relied upon by management and to industry benchmarks. • we involved our internal valuation specialist to perform independent valuations on a sample basis and we compare the output to the modelled valuations produced by management or third parties, as applicable. • we considered the completeness and accuracy of valuation adjustments applied by management to exposures of leveraged entities that may be adversely affected by the economic uncertainty in terms of their ability to service interest and capital. • with the assistance of our internal valuation specialists, we corroborated key inputs to models and validated significant assumptions on a sample basis with reference to relevant industry market valuation considerations, with a particular focus on discount rates and credit risk.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 250-page document titled "Momentum Metropolitan Group Annual Financial Statements – Audited results for the financial year ended June 2023", which includes the Directors' report, the Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa and the following:

- Directors' responsibility and approval
- CEO and Finance Director confirmation of financial controls
- Certificate by the Group Company Secretary
- Report on Group embedded value
- Directors' report
- Report of the Audit Committee
- Annexure A
- Annexure B
- Shareholder profile
- Stock exchange performance
- Shareholder diary
- Administration
- Sustainability report 2022
- Stewardship report (latest version from 2022)
- Task Force on Climate-related Financial Disclosures Report (latest version from 2022)
- Momentum Metropolitan Integrated Report 2023
- Application of KING IV Summary Report F2023

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young Inc.

Director: J.C. de Villiers

Registered Auditor

102 Rivonia Road
Sandton

12 September 2023

Review report on Group embedded value

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

INTRODUCTION

We have reviewed the accompanying Report on Group embedded value (the Report) of Momentum Metropolitan Holdings Ltd for the year ended 30 June 2023, as set out on pages 11 to 24, and the basis of accounting as set out on page 11. Management is responsible for the preparation and fair presentation of the Report in accordance with the basis of accounting set out on page 11. Our responsibility is to express a conclusion on the Report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of financial information consists of making enquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report for the year ended 30 June 2023 is not prepared, in all material respects in accordance with the basis of accounting set out on page 11.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

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

Ernst & Young Inc.

Director: J.C. de Villiers

Registered Auditor

102 Rivonia Road
Sandton

12 September 2023

Report on Group embedded value

At 30 June 2023

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

MOMENTUM METROPOLITAN LIFE LTD REQUIRED CAPITAL

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

OTHER COVERED BUSINESS

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

ASSETS BACKING REQUIRED CAPITAL

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

Report on Group embedded value continued

At 30 June 2023

Embedded value results	2023 Rm	2022 Rm
Covered business		
Equity attributable to owners of the parent	**26 764**	24 620
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	**(1 608)**	(2 015)
Net assets – non-covered business within life insurance companies	**(4 246)**	(3 394)
Net assets – non-covered business outside life insurance companies	**(7 362)**	(6 631)
Diluted adjusted net worth – covered business	**13 548**	12 580
Net value of in-force business	**22 152**	20 650
Diluted embedded value – covered business	**35 700**	33 230
Non-covered business		
Net assets – non-covered business within life insurance companies	**4 246**	3 394
Net assets – non-covered business outside life insurance companies	**7 362**	6 631
Consolidation adjustments[1]	**(956)**	(1 548)
Adjustments for dilution[2]	**1 541**	1 422
Diluted adjusted net worth – non-covered business	**12 193**	9 899
Write-up to directors' value	**1 142**	2 299
Non-covered business	**4 303**	5 247
Holding company expenses[3]	**(1 824)**	(1 839)
International holding company expenses[3]	**(1 337)**	(1 109)
Diluted embedded value – non-covered business	**13 335**	12 198
Diluted adjusted net worth	**25 741**	22 479
Net value of in-force business	**22 152**	20 650
Write-up to directors' value	**1 142**	2 299
Diluted embedded value	**49 035**	45 428
Required capital – covered business (adjusted for qualifying debt)[4]	**6 144**	6 633
Free surplus – covered business	**7 404**	5 947
Diluted embedded value per share (cents)	**3 375**	2 977
Diluted adjusted net worth per share (cents)	**1 772**	1 473
Diluted number of shares in issue (million)[5]	**1 453**	1 526
Return on embedded value (%) – annualised internal rate of return	**14.1**	11.6

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

2 Adjustments for dilution are made up as follows:
- Treasury shares held on behalf of contract holders: R453 million (30.06.2022: R407 million);
- Liabilities related to iSabelo transaction: R826 million (30.06.2022: R763 million); and
- Liability – MMH convertible preference shares issued to KTH: R262 million (30.06.2022: R252 million).

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

4 The required capital for in-force covered business amounts to R10 443 million (30.06.2022: R10 936 million) and is adjusted for qualifying debt of R4 299 million (30.06.2022: R4 303 million).

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

Analysis of net value of in-force business	2023 Rm	2022 Rm
Momentum Life	**10 471**	9 832
Gross value of in-force business	**10 862**	10 585
Less cost of required capital	**(391)**	(753)
Momentum Investments[1]	**1 930**	1 410
Gross value of in-force business	**2 326**	1 794
Less cost of required capital	**(396)**	(384)
Metropolitan Life	**3 772**	3 950
Gross value of in-force business	**4 255**	4 425
Less cost of required capital	**(483)**	(475)
Momentum Corporate	**3 317**	2 948
Gross value of in-force business	**4 446**	4 080
Less cost of required capital	**(1 129)**	(1 132)
Momentum Metropolitan Africa	**2 662**	2 510
Gross value of in-force business	**3 045**	2 885
Less cost of required capital	**(383)**	(375)
Net value of in-force business	**22 152**	20 650

[1] Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R357 million (30.06.2022: R160 million).

Embedded value detail	Adjusted net worth[2] Rm	Net value of in-force Rm	2023 Rm	2022 Rm
Covered business				
Momentum Life	1 950	10 471	**12 421**	12 432
Momentum Investments[1]	1 666	1 930	**3 596**	3 117
Metropolitan Life	1 750	3 772	**5 522**	5 750
Momentum Corporate	3 750	3 317	**7 067**	6 548
Momentum Metropolitan Africa	1 327	2 662	**3 989**	3 739
Operating segments	10 443	22 152	**32 595**	31 586
Qualifying Debt	(4 299)	–	**(4 299)**	(4 303)
Free Surplus	7 404	–	**7 404**	5 947
Total covered business	13 548	22 152	**35 700**	33 230

[1] Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R357 million (30.06.2022: R160 million).

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

Report on Group embedded value continued

At 30 June 2023

Embedded value detail	Adjusted net worth[2] Rm	Write-up to directors' value Rm	2023 Rm	2022 Rm
Non-covered business				
Momentum Life	291	(678)	**(387)**	(464)
Momentum Multiply	274	(678)	**(404)**	(476)
Other	17	–	**17**	12
Momentum Investments	1 321	1 511	**2 832**	2 582
Investment and savings	1 227	1 534	**2 761**	2 479
Other	94	(23)	**71**	103
Metropolitan Life	11	–	**11**	9
Other	11	–	**11**	9
Momentum Corporate	159	–	**159**	109
Other	159	–	**159**	109
Momentum Metropolitan Health	590	728	**1 318**	1 066
Health	590	728	**1 318**	1 066
Non-life Insurance	4 469	1 914	**6 383**	6 622
Non-life insurance	1 670	38	**1 708**	2 002
Cell captives	2 799	1 876	**4 675**	4 620
Momentum Metropolitan Africa	332	(1 210)	**(878)**	(568)
Life insurance	61	12	**73**	18
Health	309	62	**371**	383
Non-life insurance	74	8	**82**	87
Other	(112)	45	**(67)**	53
International holding company expenses[1]	–	(1 337)	**(1 337)**	(1 109)
New Initiatives	1 521	701	**2 222**	2 242
New initiatives India	1 444	701	**2 145**	2 143
Other	77	–	**77**	99
Shareholders	3 499	(1 824)	**1 675**	600
Other	3 499	–	**3 499**	2 439
Holding company expenses[1]	–	(1 824)	**(1 824)**	(1 839)
Total non-covered business	12 193	1 142	**13 335**	12 198
Total embedded value	25 741	23 294	**49 035**	45 428

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

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

Analysis of changes in Group embedded value	Notes	Covered business Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2023 Total EV Rm	12 mths to 30.06.2022 Total EV Rm
Profit from new business		(926)	1 898	(287)	**685**	689
Embedded value from new business	A	(926)	1 813	(287)	**600**	626
Expected return to end of period	B	–	85	–	**85**	63
Profit from existing business		3 797	(1 033)	283	**3 047**	3 137
Expected return – unwinding of RDR	B	–	2 351	(378)	**1 973**	1 639
Release from the cost of required capital	C	–	–	513	**513**	488
Expected (or actual) net of tax profit transfer to net worth	D	3 466	(3 466)	–	**–**	–
Operating experience variances	E	680	171	–	**851**	(27)
Development expenses	F	(66)	–	–	**(66)**	(52)
Operating assumption changes	G	(283)	(89)	148	**(224)**	1 089
Embedded value profit/(loss) from operations		2 871	865	(4)	**3 732**	3 826
Investment return on adjusted net worth	H	903	–	–	**903**	246
Investment variances	I	1 075	689	219	**1 983**	(617)
Economic assumption changes	J	398	(422)	127	**103**	214
Exchange rate movements	K	17	33	(5)	**45**	5
Embedded value profit – covered business		5 264	1 165	337	**6 766**	3 674
Transfer of business to non-covered business	L	–	–	–	**–**	–
Other capital transfers	M	(926)	–	–	**(926)**	518
Dividend paid		(3 370)	–	–	**(3 370)**	(860)
Change in embedded value – covered business		968	1 165	337	**2 470**	3 332
Non-covered business						
Change in directors' valuation and other items					**(128)**	687
Change in holding company expenses					**(213)**	426
Embedded value (loss)/profit – non-covered business					**(341)**	1 113
Transfer of business from covered business	L				**–**	–
Other capital transfers	M				**926**	(518)
Dividend received					**1 776**	125
Allowance for shareholder flows related to iSabelo transaction					**63**	85
Shares repurchased					**(1 250)**	–
Finance costs – preference shares					**(37)**	(37)
Change in embedded value – non-covered business					**1 137**	768
Total change in Group embedded value					**3 607**	4 100
Total embedded value profit					**6 425**	4 787
Return on embedded value (%) – annualised internal rate of return					**14.1**	11.6

Report on Group embedded value continued

At 30 June 2023

Analysis of changes in Group embedded value	Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Momentum Life					
Embedded value from new business	(334)	321	(56)	**(69)**	(20)
Expected return – unwinding of RDR	–	947	(70)	**877**	633
Release from the cost of required capital	–	–	137	**137**	173
Expected (or actual) net of tax profit transfer to net worth	1 264	(1 264)	–	**–**	–
Operating experience variances	247	103	–	**350**	(125)
Development expenses	(34)	–	–	**(34)**	(30)
Operating assumption changes	172	139	206	**517**	846
Embedded value profit from operations	1 315	246	217	**1 778**	1 477
Investment return on adjusted net worth	102	–	–	**102**	61
Investment variances	598	325	96	**1 019**	(208)
Economic assumption changes	–	(229)	49	**(180)**	100
Embedded value profit – covered business	2 015	342	362	**2 719**	1 430
Momentum Investments					
Embedded value from new business	119	430	(83)	**466**	346
Expected return – unwinding of RDR	–	179	(36)	**143**	91
Release from the cost of required capital	–	–	90	**90**	60
Expected (or actual) net of tax profit transfer to net worth	312	(312)	–	**–**	–
Operating experience variances	10	(46)	–	**(36)**	174
Development expenses	(9)	–	–	**(9)**	(1)
Operating assumption changes	(15)	(101)	12	**(104)**	190
Embedded value profit/(loss) from operations	417	150	(17)	**550**	860
Investment return on adjusted net worth	183	–	–	**183**	58
Investment variances	81	376	(4)	**453**	(227)
Economic assumption changes	–	5	8	**13**	11
Embedded value profit/(loss) – covered business	681	531	(13)	**1 199**	702
Metropolitan Life					
Embedded value from new business	(302)	502	(46)	**154**	244
Expected return – unwinding of RDR	–	434	(44)	**390**	310
Release from the cost of required capital	–	–	96	**96**	88
Expected (or actual) net of tax profit transfer to net worth	886	(886)	–	**–**	–
Operating experience variances	(121)	(119)	–	**(240)**	(188)
Development expenses	(21)	–	–	**(21)**	(20)
Operating assumption changes	(272)	(110)	–	**(382)**	52
Embedded value profit/(loss) from operations	170	(179)	6	**(3)**	486
Investment return on adjusted net worth	71	–	–	**71**	32
Investment variances	71	2	(14)	**59**	(113)
Economic assumption changes	–	6	–	**6**	(2)
Embedded value profit/(loss) – covered business	312	(171)	(8)	**133**	403

Analysis of changes in Group embedded value	Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Momentum Corporate					
Embedded value from new business	(200)	343	(76)	**67**	68
Expected return – unwinding of RDR	–	557	(171)	**386**	449
Release from the cost of required capital	–	–	190	**190**	167
Expected (or actual) net of tax profit transfer to net worth	597	(597)	–	**–**	–
Operating experience variances	757	171	–	**928**	325
Development expenses	(2)	–	–	**(2)**	(1)
Operating assumption changes	(78)	(37)	(70)	**(185)**	(40)
Embedded value profit/(loss) from operations	1 074	437	(127)	**1 384**	968
Investment return on adjusted net worth	142	–	–	**142**	60
Investment variances	111	(20)	130	**221**	(161)
Economic assumption changes	7	(114)	–	**(107)**	53
Embedded value profit – covered business	1 334	303	3	**1 640**	920
Momentum Metropolitan Africa					
Embedded value from new business	(209)	217	(26)	**(18)**	(12)
Expected return – unwinding of RDR	–	319	(57)	**262**	219
Expected (or actual) net of tax profit transfer to net worth	407	(407)	–	**–**	–
Operating experience variances	(10)	62	–	**52**	(159)
Operating assumption changes	(90)	20	–	**(70)**	41
Embedded value profit/(loss) from operations	98	211	(83)	**226**	89
Investment return on adjusted net worth	150	–	–	**150**	131
Investment variances	169	6	11	**186**	17
Economic assumption changes	391	(90)	70	**371**	52
Exchange rate movements	17	33	(5)	**45**	5
Embedded value profit/(loss) – covered business	825	160	(7)	**978**	294
Shareholders					
Operating experience variances	(203)	–	–	**(203)**	(54)
Embedded value loss from operations	(203)	–	–	**(203)**	(54)
Investment return on adjusted net worth	255	–	–	**255**	(96)
Investment variances	45	–	–	**45**	75
Embedded value profit/(loss) – covered business	97	–	–	**97**	(75)

A. VALUE OF NEW BUSINESS (VNB)

In determining the VNB for retail and traditional corporate business:

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

Reconciliation of lump sum inflows	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Total lump sum inflows	**46 817**	41 593
Inflows not included in value of new business	**(11 359)**	(6 723)
Wealth off-balance sheet business	**12 355**	15 270
Term extensions on maturing policies	**189**	242
Automatically Continued Policies	**1 577**	1 510
Non-controlling interests and other adjustments	**38**	(7)
Single premiums included in value of new business	**49 617**	51 885

A. VALUE OF NEW BUSINESS (VNB) CONTINUED

Value of new business[1, 2, 3]	Momentum Life Rm	Momentum Investments[4] Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2023						
Value of new business	(69)	466	154	67	(18)	600
Gross	(13)	549	200	143	8	887
Less cost of required capital	(56)	(83)	(46)	(76)	(26)	(287)
New business premiums	3 625	40 027	3 673	5 392	1 424	54 141
Recurring premiums	1 094	205	1 681	1 093	451	4 524
Protection	477	–	1 197	284	219	2 177
Long-term savings	617	181	477	436	232	1 943
Annuities and structured products	–	24	7	373	–	404
Single premiums	2 531	39 822	1 992	4 299	973	49 617
Protection	–	–	–	–	108	108
Long-term savings	2 531	32 960	406	3 669	325	39 891
Annuities and structured products	–	6 862	1 586	630	540	9 618
New business premiums (APE)	1 347	4 187	1 881	1 523	549	9 487
Protection	477	–	1 197	284	230	2 188
Long-term savings	870	3 477	518	803	265	5 933
Annuities and structured products	–	710	166	436	54	1 366
Present value of new business premiums (PVNBP)	7 601	40 656	7 201	10 485	2 930	68 873
Profitability of new business as a percentage of APE	(5.1)	11.1	8.2	4.4	(3.3)	6.3
Profitability of new business as a percentage of PVNBP	(0.9)	1.1	2.1	0.6	(0.6)	0.9
12 mths to 30.06.2022						
Value of new business	(20)	346	244	68	(12)	626
Gross	35	404	317	133	14	903
Less cost of required capital	(55)	(58)	(73)	(65)	(26)	(277)
New business premiums	3 255	41 854	3 555	5 789	2 039	56 492
Recurring premiums	1 053	205	1 710	1 239	400	4 607
Protection	459	–	1 219	784	148	2 610
Long-term savings	594	189	483	453	252	1 971
Annuities and structured products	–	16	8	2	–	26
Single premiums	2 202	41 649	1 845	4 550	1 639	51 885
Protection	–	–	–	1	105	106
Long-term savings	2 202	36 129	474	4 521	886	44 212
Annuities and structured products	–	5 520	1 371	28	648	7 567
New business premiums (APE)	1 273	4 370	1 894	1 694	565	9 796
Protection	459	–	1 219	784	159	2 621
Long-term savings	814	3 802	530	905	341	6 392
Annuities and structured products	–	568	145	5	65	783
Present value of new business premiums (PVNBP)	7 291	42 476	7 160	12 276	3 470	72 673
Profitability of new business as a percentage of APE	(1.6)	7.9	12.9	4.0	(2.1)	6.4
Profitability of new business as a percentage of PVNBP	(0.3)	0.8	3.4	0.6	(0.3)	0.9

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

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

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

4 Included in covered business is Wealth business not deemed to be long-term insurance business with value of new business of R77 million (30.06.2022: R68 million).

A. VALUE OF NEW BUSINESS (VNB) CONTINUED

Changes in bases and assumptions

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

Assumptions

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

Principal assumptions (South Africa)[1, 2]	30.06.2023 %	30.06.2022 %
Pre-tax investment return		
Equities	**16.0**	15.5
Properties	**13.5**	13.0
Government stock	**12.5**	12.0
Other fixed-interest stocks	**13.0**	12.5
Cash	**11.5**	11.0
Risk-free return[3]	**12.5**	12.0
Risk discount rate (RDR)[4]	**14.8**	14.4
Investment return (before tax) – balanced portfolio[3]	**14.7**	14.2
Renewal expense inflation rate[5]	**7.1**	7.7

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

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

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

4 The risk discount rate applied for covered business in South Africa is derived based on a weighted average cost of capital approach. The assumptions with regards the beta used to derive the cost of equity, the equity risk premium and the relative weighting between debt and equity funding are reviewed annually and has remained unchanged from that assumed at 30 June 2022 (the parameters used to derive the cost of debt has been updated to reflect the current market inputs and expectations).

5 For the retail businesses an inflation rate of 6.0% p.a. is used over the planning horizon (three years) where after the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. An addition to the expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off. The 7.1% above represents the 10-year point of the yield curves.

Non-economic

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

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

B. EXPECTED RETURN

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

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

E. OPERATING EXPERIENCE VARIANCES

Operating experience variances	Notes	12 mths to 30.06.2023 ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	12 mths to 30.06.2022 EV Rm
Momentum Life		**247**	**103**	**–**	**350**	(125)
Mortality and morbidity	1	134	13	–	147	(272)
Terminations, premium cessations and policy alterations	2	84	99	–	183	218
Expense variance		26	–	–	26	27
Other		3	(9)	–	(6)	(98)
Momentum Investments		**10**	**(46)**	**–**	**(36)**	174
Mortality and morbidity	3	(10)	(5)	–	(15)	117
Terminations, premium cessations and policy alterations	4	14	(62)	–	(48)	(39)
Expense variance		(47)	–	–	(47)	39
Credit risk variance		27	–	–	27	47
Other	5	26	21	–	47	10
Metropolitan Life		**(121)**	**(119)**	**–**	**(240)**	(188)
Mortality and morbidity	6	97	16	–	113	16
Terminations, premium cessations and policy alterations	7	(237)	(119)	–	(356)	(272)
Expense variance		(16)	–	–	(16)	(2)
Credit risk variance		46	–	–	46	25
Other		(11)	(16)	–	(27)	45
Momentum Corporate		**757**	**171**	**–**	**928**	325
Mortality and morbidity	8	754	–	–	754	317
Terminations, premium cessations and policy alterations	9	54	171	–	225	27
Expense variance		(165)	–	–	(165)	(78)
Credit risk variance		6	–	–	6	11
Other	10	108	–	–	108	48
Momentum Metropolitan Africa		**(10)**	**62**	**–**	**52**	(159)
Mortality and morbidity	11	66	7	–	73	(117)
Terminations, premium cessations and policy alterations	12	(9)	47	–	38	(64)
Expense variance		(68)	–	–	(68)	(4)
Other		1	8	–	9	26
Shareholders		**(203)**	**–**	**–**	**(203)**	(54)
Total operating experience variances		**680**	**171**	**–**	**851**	(27)

Notes

1. The mortality variance largely stems from the improvement in the Protection and Traditional businesses as well as a release from the Covid-19 provisions.
2. Largely driven by better than expected lapse experience on the Protection business and net positive contribution from alterations experience, in particular with regards voluntary premium growth.
3. The annuity book of business experienced reduced mortality profits due to the easing of the Covid-19 pandemic and the release of an IBNR reserve.
4. Reprice of contracts, fee changes and drawdowns on living annuities.
5. Mainly due to new business premium variance and tax relief impacts.
6. The mortality variance largely stems from the improvement in funeral business and a release from the Covid-19 provisions.
7. The deterioration in persistency and alteration experience includes once-off operational impacts and deterioration observed in the lapse experience.
8. The ANW was positively impacted by morbidity experience on the PHI book as well as positive mortality experience on the Group Risk book and a release from the Covid-19 provisions.
9. The ANW impact mainly relates to the release of reserves on the transfer of certain investments into market-related portfolios, which offer reduced guarantees. The VIF impact relates to positive retention over the period.
10. Mainly relates to admin fees exceeding expectations.
11. Positive mortality experience due to improved Covid experience and a release from the Covid-19 provisions.
12. Higher premiums received than expected on Group Risk business resulting in a positive VIF contribution.

F. DEVELOPMENT EXPENSES

Business development expenses within segments.

G. OPERATING ASSUMPTION CHANGES

		12 mths to 30.06.2023				12 mths to 30.06.2022
Operating assumption changes	Notes	ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	EV Rm
Momentum Life		172	139	206	517	846
Mortality and morbidity assumptions	1	45	7	–	52	(64)
Termination assumptions	2	97	314	–	411	(121)
Renewal expense assumptions		(12)	(103)	–	(115)	182
Modelling, methodology and other changes	3, 4	42	(79)	206	169	849
Momentum Investments		(15)	(101)	12	(104)	190
Mortality and morbidity assumptions		–	–	–	–	–
Termination assumptions	5	(58)	41	–	(17)	(10)
Renewal expense assumptions		(57)	(155)	–	(212)	300
Modelling, methodology and other changes	4, 6	100	13	12	125	(100)
Metropolitan Life		(272)	(110)	–	(382)	52
Mortality and morbidity assumptions	7	270	62	–	332	196
Termination assumptions	8	(190)	(96)	–	(286)	(99)
Renewal expense assumptions		(440)	40	–	(400)	(48)
Modelling, methodology and other changes	9	88	(116)	–	(28)	3
Momentum Corporate		(78)	(37)	(70)	(185)	(40)
Mortality and morbidity assumptions	10	36	224	–	260	246
Termination assumptions		(5)	3	–	(2)	–
Renewal expense assumptions		(2)	(270)	–	(272)	(332)
Modelling, methodology and other changes	4, 11	(107)	6	(70)	(171)	46
Momentum Metropolitan Africa		(90)	20	–	(70)	41
Mortality and morbidity assumptions		23	(19)	–	4	(36)
Termination assumptions	12	–	39	–	39	(44)
Renewal expense assumptions		(150)	(1)	–	(151)	44
Modelling, methodology and other changes	13	37	1	–	38	77
Total operating assumption changes		(283)	(89)	148	(224)	1 089

Notes

1. No mortality basis changes were implemented other than the release of the remaining Covid-19 provisions. Morbidity provisions were strengthened for Protection business.
2. Persistency assumptions for Protection business were revised in line with experience.
3. Methodology changes relate mostly to changes to the modelling of Protection business ancillary benefits.
4. Cost of capital impact mainly due to an adjustment in the capital allocation basis between segments.
5. Termination assumptions for Capital Protector were updated in line with experience.
6. Largely due to methodology changes on Capital Protector.
7. Funeral mortality basis assumptions updated in line with experience. The new mortality basis includes an enhancement to differentiate between more durations.
8. Termination basis assumptions have been adjusted in line with experience.
9. Various modelling and methodology changes.
10. The increase in ANW and VIF can mainly be attributed to the increase in profit assumptions relating to lump sum death benefits.
11. The decrease in ANW can mainly be attributed to the strengthening of the recovery assumptions in respect of income disability benefits, offset by the release of the remaining Covid-19 provisions.
12. Persistency assumptions for Group business were revised in line with experience.
13. Release of non-modelled reserves in preparation for IFRS 17 implementation.

H. INVESTMENT RETURN ON ADJUSTED NET WORTH

Investment return on adjusted net worth	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Investment income	823	491
Capital appreciation and other[1]	80	(245)
Investment return on adjusted net worth	**903**	246

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

I. INVESTMENT VARIANCES

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

J. ECONOMIC ASSUMPTION CHANGES

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

K. EXCHANGE RATE MOVEMENTS

The impact of foreign currency movements on International covered businesses.

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

Transfer of business between covered and non-covered business.

M. OTHER CAPITAL TRANSFERS

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

Sensitivity of the in-force value and the VNB

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

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

		In-force business			New business written		
Covered business: sensitivities – 30.06.2023	**Adjusted net worth Rm**	**Net value Rm**	**Gross value Rm**	**Cost of required capital[3] Rm**	**Net value Rm**	**Gross value Rm**	**Cost of required capital[3] Rm**
Base value	**13 548**	**22 152**	**24 934**	**(2 782)**	**600**	**887**	**(287)**
1% increase in risk discount rate		20 523	23 609	(3 086)	475	791	(316)
% change		(7)	(5)	11	(21)	(11)	10
1% reduction in risk discount rate		23 987	26 431	(2 444)	743	997	(254)
% change		8	6	(12)	24	12	(11)
10% decrease in future expenses		24 057	26 839	(2 782)	784	1 071	(287)
% change[1]		9	8	–	31	21	–
10% decrease in lapse, paid-up and surrender rates		22 768	25 550	(2 782)	773	1 060	(287)
% change		3	2	–	29	20	–
5% decrease in mortality and morbidity for assurance business		25 234	28 016	(2 782)	752	1 039	(287)
% change		14	12	–	25	17	–
5% decrease in mortality for annuity business		21 764	24 546	(2 782)	554	841	(287)
% change		(2)	(2)	–	(8)	(5)	–
1% reduction in gross investment return, inflation rate and risk discount rate	13 661	22 049	24 831	(2 782)	619	906	(287)
% change[2]	1	–	–	–	3	2	–
1% reduction in inflation rate		23 115	25 897	(2 782)	694	981	(287)
% change		4	4	–	16	11	–
10% fall in market value of equities and properties	13 415	21 137	23 919	(2 782)			
% change[2]	(1)	(5)	(4)	–			
10% reduction in premium indexation take-up rate		21 338	24 120	(2 782)	563	850	(287)
% change		(4)	(3)	–	(6)	(4)	–
10% decrease in non-commission-related acquisition expenses					745	1 032	(287)
% change					24	16	–
1% increase in equity/property risk premium		22 660	25 442	(2 782)	635	922	(287)
% change		2	2	–	6	4	–

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

2 Bonus rates are assumed to change commensurately.

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

Directors' report

The Board is pleased to present the audited financial statements of Momentum Metropolitan Holdings Ltd (MMH or the Company) and its subsidiaries (collectively Momentum Metropolitan or the Group) for the year ended 30 June 2023. The Board is of the opinion that the Group is in compliance with the Companies Act as well as the Company's Memorandum of Incorporation. The material risk factors applicable to the Group can be found in the Integrated Report which is available online in PDF format at https://www.momentummetropolitan.co.za.

NATURE OF ACTIVITIES

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

CORPORATE EVENTS

Acquisitions

On 1 July 2022, the Group, through its 100% owned subsidiary, Guardrisk Group (Pty) Ltd (Guardrisk Group), completed a step-up acquisition to acquire an additional 25% of the shares in Partner Risk Solutions (Pty) Ltd (PRS), resulting in the Group exercising control and thus consolidating PRS from that date. Guardrisk Group originally acquired a 26% equity share in PRS in 2019, following which the investment was equity accounted. The step-up acquisition was executed through the exercise of a call option for cash consideration of R9 million.

During March 2023, the Group, through its wholly owned subsidiary, Momentum Global Investments Management Ltd (MGIM), acquired 100% of the shares in Crown Agents Investment Management Ltd (CAIM) for a purchase consideration of £2.90 million (R64 million). The purchase consideration consisted of an initial cash payment of £2.13 million (R47 million) and £0.77 million (R17 million) contingent consideration.

Disposals and dilution

During July 2022, the Group, through its wholly owned subsidiary, Metropolitan International Holdings (Pty) Ltd, disposed of its entire shareholding in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. A loss on disposal of R112 million was recognised.

During October 2022, the Group's holding in Aditya Birla Health Insurance Company Ltd (ABHI) was diluted from 49% to 44.1% with the introduction of a new shareholder as a partner in the business. As a result, a gain on deemed disposal of R563 million was recognised.

Share buyback programme

The Group bought back a total of 73 million shares (for a cost of R1 250 million including transaction costs) during the current year. These shares were cancelled prior to 30 June 2023.

PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

SOLVENCY ASSESSMENT AND GOING CONCERN

The Group is pleased by the solid earnings achieved during a challenging period. The positive mortality experience variances in the Group's main life insurance segments continue to suggest that the Coronavirus disease of 2019 (Covid-19) pandemic has reached its endemic phase. The Group is profitable, with robust levels of capital and liquidity and a strong regulatory solvency position. The Board, through the Audit Committee and Actuarial Committee, has received reports and updates on the operational and financial performance. The Board is satisfied of the Group's solvency, taking into account its ability to withstand impacts from the continuously evolving environment, and its ability to continue as a going concern.

CORPORATE GOVERNANCE

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

PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group is party to legal proceedings and appropriate provisions are made when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and that amount is measured reliably. The Group is not aware of capital commitments at 30 June 2023 that were not in the ordinary course of business other than what is disclosed in note 32.

RESULTS OF OPERATIONS

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

Group basic earnings and headline earnings attributable to equity holders for the year under review were R4 333 million (2022: R3 711 million) and R4 297 million (2022: R4 233 million) respectively. Group normalised headline earnings were R5 079 million (2022: R4 383 million) and normalised headline earnings per share 342.3 cents (2022: 287.2 cents). Refer to note 1 for a reconciliation of basic earnings to normalised headline earnings.

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

	2023		2022	
Analysis of normalised headline earnings	**Rm**	**% of total**	**Rm**	**% of total**
Momentum Life	**1 935**	**37**	1 110	25
Momentum Investments	**904**	**18**	938	21
Metropolitan Life	**307**	**6**	672	15
Momentum Corporate	**1 330**	**26**	1 174	27
Momentum Metropolitan Health	**290**	**6**	209	5
Non-life Insurance	**232**	**5**	461	11
Momentum Metropolitan Africa	**596**	**12**	118	3
New Initiatives	**(428)**	**(8)**	(466)	(11)
Shareholders	**(87)**	**(2)**	167	4
Total	**5 079**	**100**	4 383	100

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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SHARE CAPITAL

Share issue and repurchase

During the current and prior year, no A3 preference shares were converted into ordinary shares. The Group concluded its share buyback programmes during the current financial year. Refer to note 16 for more details.

Share options

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

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

SHAREHOLDER DIVIDEND

MMH – ordinary shares

During the current year, interim ordinary dividends of 50 cents per share were declared in March 2023 and a final ordinary dividend of 70 cents per share was declared on 11 September 2023 by the Board, resulting in a total ordinary dividend of 120 cents per share. In the prior year, an interim ordinary dividend of 35 cents per share was declared in March 2022 and a final ordinary dividend of 65 cents per share was declared in September 2022 by the Board.

The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 6 October 2023, and will be paid on Monday, 9 October 2023. The dividend will be subject to local dividend withholding tax (DWT) at a rate of 20% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. This will result in a net final dividend of 56 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.

The last day to trade cum dividend will be Tuesday, 3 October 2023. The shares will trade ex dividend from the start of business on Wednesday, 4 October 2023. Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2023 and Friday, 6 October 2023, both days inclusive. The number of ordinary shares in issue at the declaration date was 1 424 779 972. MMH's income tax number is 975 2050 147.

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

Preference shares

Dividends of R18.5 million (2022: R18.5 million) (132 cents per share p.a.) were declared on the unlisted A3 MMH preference shares as determined by the Company's Memorandum of Incorporation.

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

The A3 MMH preference shares are redeemable on 30 September 2023 (after extending it by 10 months in the current year) at a redemption value of R9.18 per share unless converted into MMH ordinary shares on a one-for-one basis prior to that date. Refer to note 12.2.3 for more details.

SHAREHOLDERS

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

Directors' report continued

DIRECTORATE, SECRETARY AND AUDITOR

The Group had the following directors at 30 June 2023:

PC Baloyi (Chair)	Independent non-executive
HP Meyer (Group Chief Executive)	Executive
JC Marais (Cilliers) (Deputy Chief Executive)	Executive
RS Ketola (Group Finance Director)	Executive
P Cooper	Independent non-executive
L de Beer	Independent non-executive
NJ Dunkley	Independent non-executive
T Gobalsamy	Independent non-executive
SC Jurisich	Independent non-executive
AF Leautier	Independent non-executive
P Makosholo	Non-independent non-executive
P Matlakala	Independent non-executive
DJ Park	Independent non-executive
TD Soondarjee	Independent non-executive

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

	Appointments	Resignations
P Cooper[1]		1 July 2022
PC Baloyi[1]	1 July 2022	
V Nkonyeni *(retired)*		24 November 2022
S McPherson		31 December 2022
LM Chiume		31 May 2023
AF Leautier	1 June 2023	
P Matlakala	1 June 2023	
TD Soondarjee	1 June 2023	

[1] P Cooper acted as interim Chair until the appointment of PC Baloyi as Chair on 1 July 2022.

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

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

DIRECTORS' INTEREST

KTH, of which Mr P Makosholo is an executive director, has a direct holding of 7.9% interest in the Group (28 million MMH preference shares and 86 million listed MMH ordinary shares).

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

DIRECTORS' SHAREHOLDING

The aggregate direct and indirect holdings in MMH of the directors of the Company at 30 June 2023 are set out below:

	Direct Beneficial '000	Indirect Beneficial '000	Total 2023 '000	Total 2022 '000
Listed				
Executive directors	509	519	1 028	863
Non-executive directors	574	952	1 526	1 526
	1 083	1 471	2 554	2 389

The above directors' effective MMH shareholding amounts to 0.18% (2022: 0.16%).

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

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

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

DIRECTORS' REMUNERATION

The executive directors have standard employment contracts with the Company or its subsidiaries with a minimum of a one month notice period. The aggregate remuneration of the MMH directors for the period ended 30 June 2023 is set out below. The detail in terms of the Listings Requirements of the JSE is set out in note 45.

	Fees R'000	Salary R'000	Short-term incentive payments[1] R'000	Retirement fund R'000	Medical aid R'000	Long-term incentive payment R'000	Total 2023 R'000	Total 2022 R'000
Executive	–	18 344	10 700	561	126	16 433	46 164	27 102
Non-executive	20 070	–	–	–	–	–	20 070	19 291
Total	20 070	18 344	10 700	561	126	16 433	66 234	46 393

[1] Bonus payments relate to the 2022 financial year's bonus.

BORROWING POWERS

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

EVENTS AFTER THE REPORTING PERIOD

In July 2023, the Group's holding in ABHI was diluted from 44.1% to 44.087% following an additional share issue to the shareholder introduced during October 2022.

HP Meyer retired as Group Chief Executive Officer on 31 July 2023. On 1 August 2023, JC Marais (Cilliers) was appointed as Group Chief Executive Officer. On 30 September 2023, HP Meyer will retire from the Board.

In line with the Group's capital management framework and in consideration of the strong capital and liquidity position, the Board has approved a further R500 million for the share buyback programme of the Group's ordinary shares.

MMH concluded a sale agreement with OUTsurance Group (previously Rand Merchant Investment Holdings Ltd (RMI)) in terms of which MMH will acquire RMI's share in the RMI Investment Managers Group. The transaction is subject to customary terms and conditions for transactions of this nature, including approval by the competition authorities.

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

Report of the Audit Committee

The Audit Committee (the Committee) of Momentum Metropolitan Holdings Group (MMH/the Group) herewith presents its report for the financial year ended 30 June 2023. The Group consists of Momentum Metropolitan Holdings Ltd (the Company) and its subsidiaries, which includes the Momentum Metropolitan Life Group.

Towards the end of the 2023 financial year, Lisa Chiume resigned from the Board of Momentum Metropolitan Holdings Ltd (the Board) and hence, the Committee. Lisa, who initially only attended the Audit Committee meetings as an observer, as she was not classified as independent while Rand Merchant Investment Holdings Ltd (RMI) was a shareholder of the Group, was appointed as a member of the Committee on 1 July 2022, subsequent to the divestment of RMI. Lisa made a significant contribution to the work of the Committee, with extensive knowledge of the industry, a meticulous level of preparation and thoughtful input. The Committee is grateful for her contribution and wish her well with her future endeavours. Tyrone Soondarjee was appointed to the Board and as a member of the Committee on 1 June 2023. Tyrone has extensive financial services experience at an executive and non-executive director level and we are grateful for his appointment.

FUNCTION OF THE COMMITTEE

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

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

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

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

An overview of the Committee's responsibilities, focus areas for the current year and 2024 objectives are included on pages 107 to 111 of the Group's 2023 Integrated Report. This report does not elaborate on the complete list of responsibilities of the Committee, as set out in its terms of reference, but instead, focuses on the more pertinent matters and required assessments, sign offs and attestations by the Committee.

COMMITTEE COMPOSITION, ATTENDEES AND MEETINGS

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

The Committee's composition during the year was as follows:
Linda de Beer (Chair)
David Park
Nigel Dunkley
Seelan Gobalsamy
Tyrone Soondarjee (appointed 1 June 2023)
Lisa Chiume (resigned 31 May 2023)

A brief profile of the current members can be viewed on pages 95 to 97 of the 2023 Integrated Report and the Group's website at www.momentummetropolitan.co.za.

The Committee had five scheduled meetings during the year. An additional three meetings were held to consider information for purposes of trading updates, with one meeting held to discuss matters pertaining to the new regulations published by the Prudential Authority in respect of joint audits, and the proposed way forward in the implementation thereof. Member attendance is reflected on pages 95 to 97 of the 2023 Integrated Report, which is available on the Group's website.

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

KEY FOCUS AREAS OF THE COMMITTEE FOR THE YEAR

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

- Ongoing monitoring of the Group's readiness for the implementation of IFRS 17 – *Insurance contracts.*
- Monitoring the Group's readiness to implement the joint audit requirements. This also entailed a realignment of the various assurance providers in the Group.
- Continued focus on developments in the regulatory environment to monitor that controls and processes are in place to ensure compliance.
- Understanding the investment philosophy of the Group, as well as management's judgements and assumptions in respect of venture capital investments and the valuation thereof.

This year, the Committee also initiated a workshop with the Finance fraternity in the various business segments, to focus on removing stumbling blocks and putting actions in place to address pervasive themes identified in respect of reporting bottlenecks, quality enhancements and internal controls that required attention. In light of the adoption of IFRS 17 in 2024, and the additional time this will require from the Finance teams in the business segments and Group Finance, it was considered important to enhance existing processes in respect of financial reporting. The actions identified in this regard is ongoing.

ANNUAL CONFIRMATIONS BY THE COMMITTEE

On an annual basis the Committee assesses the following:

Group financial reporting practice processes and annual financial statements

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

Furthermore, the Committee considered all related guidance and requirements issued by the JSE, including its 2022 Proactive Monitoring Report and the impact thereof on the Group.

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

Going concern

The Committee considered management's assessment of the ability of the Group to continue as a going concern, including key assumptions, forecasts, current and future liquidity, solvency and capital adequacy and has made a recommendation to the Board in accordance with this assessment. The Board's statement on the going concern status is included on page 1 of the AFS.

Group Finance Director and Finance function

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

Integrated Report

The Committee reviewed the Group's 2023 Integrated Report to satisfy itself as to the integrity thereof, including an appropriate and consistent view of the Group's position and performance relative to operational and financial information known to the Committee. The Integrated Report was recommended to the Board for approval.

External audit quality and independence

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

The Committee is also satisfied that EY, with Cornea de Villiers as the designated auditor, satisfactorily fulfilled their responsibilities as the external auditor and designated auditor, respectively, as required by the JSE Listings Requirements, during the financial year.

External audit fees are disclosed on page 117 within note 26 to the AFS. All the non-audit services (disclosed on page 117, note 26 of the AFS) provided by the external auditors were approved by the Committee in accordance with the policy for the provision of non-audit services.

Internal audit

Otsile Sehularo, Chief Audit Executive (CAE), oversees the Group Internal Audit function and the internal audit co-sourced relationship with KPMG. The Committee annually assesses the performance of the CAE and Group Internal Audit and remains satisfied that the co-sourced internal audit model with KPMG results in the appropriate independence of Group Internal Audit, provides access to subject matter assurance expertise and has the authority to fulfil its duties as per its mandate, which is outlined in the internal audit charter. During the year the Committee approved the renewal of KPMG's contract in this regard for a term of five years, ending 31 December 2027.

The charter and the risk-based internal audit plan are reviewed annually and approved by the Committee. Progress in terms of the internal audit plan is monitored by the Committee. Similarly, the Committee requires business units where cause for concern findings in respect of specific internal controls are raised by the Group Internal Audit Function, to a meeting of the Committee to better understand the remedial action(s) put in place, and progress made to enhance internal controls.

Combined assurance and internal financial control assessment

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

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

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

Details of the Group's combined assurance framework and the results of the assurance work in 2023 is provided on pages 42 to 43 of the Integrated Report.

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

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

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

The Committee considers these matters as follows:

Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is a critical focus area for the Committee. The Committee considers the key judgements and assumptions applied, as well as other adjustments and changes to valuation methods and accounting policies, to understand the impact it would have on the valuations.

As in the past, the Committee relied on the Board's Actuarial Committee to interrogate the consistency and appropriateness of the actuarial assumptions, methodology and modelling applied in determining the appropriate level of provisioning, and the reasonableness of basis changes, as these involve complex and significant judgements about future events, both internal and external to the business, for which small changes can result in a material impact to the resultant valuation. Feedback from the Chair of the Actuarial Committee was given to the Committee.

Comfort on the accuracy and completeness of the actuarial data is obtained through the Group's combined assurance model, supported by the various assurance functions and service providers.

The Committee is satisfied that the valuation of insurance contract liabilities was adequately considered.

Valuation of complex and illiquid assets and liabilities

The Committee has considered the appropriateness and consistency of the methodology applied, as well as the assumptions and judgements made by management in order to determine the fair value of its property portfolio, investment in non-listed entities and credit exposure in respect of lending activities. In particular, the Committee spent time better understanding the investment philosophy as well as management judgements and assumptions in respect of venture capital investments and the valuation thereof. To this end, in compliance with the measurement requirements of International Financial Reporting Standards, the Committee was comfortable with these valuations and that the related judgements in this regard are adequately considered and disclosed.

PLANNED KEY FOCUS AREAS OF THE COMMITTEE FOR 2024

In 2024, the Committee intends to focus on the following, in addition to its ongoing responsibilities in terms of the Committee Terms of Reference:

- IFRS 17 implementation, with specific focus on opening balances and disclosures.
- External Audit transition to implement joint audits.
- Monitor enhancement of the technical finance skills and capacity within the business units.
- Focus on additional non-financial measurements and reporting, such as environmental, social, and corporate governance, in collaboration with the Social, Ethics and Transformation Committee.

Linda de Beer
Chair: Audit Committee

11 September 2023

Statement of financial position

at 30 June

	Notes	2023 Rm	Restated 2022[1] Rm	Restated 1 July 2021[1] Rm
Assets				
Intangible assets	3	**7 976**	8 747	9 939
Owner-occupied properties	4	**3 049**	3 016	3 033
Fixed assets		**478**	478	404
Investment properties	5	**8 825**	9 051	8 938
Properties under development		**172**	162	163
Investments in associates and joint ventures	6	**1 907**	1 447	1 105
Employee benefit assets		**400**	460	697
Financial assets at fair value through profit and loss (FVPL)	7.1	**549 397**	489 511	468 767
Financial assets at amortised cost	7.2	**9 292**	8 735	7 083
Reinsurance contract assets	8	**12 483**	14 748	6 818
Deferred income tax	14	**984**	880	756
Insurance and other receivables	7.3	**6 685**	7 799	6 779
Current income tax assets		**82**	81	456
Non-current assets held for sale	46	**56**	14	171
Cash and cash equivalents	7.4	**35 013**	28 720	36 822
Total assets		**636 799**	573 849	551 931
Equity				
Equity attributable to owners of the parent		**26 764**	24 577	21 524
Share capital	16	**12 828**	12 769	12 737
Other components of equity	17	**2 000**	1 409	1 418
Retained earnings		**11 936**	10 399	7 369
Non-controlling interests		**387**	365	348
Total equity		**27 151**	24 942	21 872
Liabilities				
Insurance contract liabilities				
Life insurance contracts	9.1	**134 111**	126 202	128 918
Non-life insurance contracts	9.2	**19 512**	22 152	13 563
Capitation contracts		**8**	8	7
Investment contracts		**377 194**	321 609	311 722
– with discretionary participation features (DPF)	10.1	**3 267**	2 994	19 222
– designated at FVPL	10.2	**373 927**	318 615	292 500
Financial liabilities at FVPL	12.1	**44 830**	48 141	48 005
Financial liabilities at amortised cost	12.2	**3 969**	4 336	4 164
Reinsurance contract liabilities	13	**2 795**	2 299	2 347
Deferred income tax	14	**2 531**	2 601	2 729
Employee benefit obligations	15.1	**1 749**	1 438	1 148
Other payables	12.3	**21 397**	19 598	17 003
Provisions	33	**380**	307	283
Current income tax liabilities		**1 172**	216	170
Total liabilities		**609 648**	548 907	530 059
Total equity and liabilities		**636 799**	573 849	551 931

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

Income statement

for the year ended 30 June

	Notes	2023 Rm	Restated 2022[1] Rm
Insurance premiums		**66 391**	59 520
Insurance premiums ceded to reinsurers		**(22 911)**	(20 627)
Net insurance premiums	18	**43 480**	38 893
Fee income	19	**10 349**	9 267
Contract administration		**3 794**	3 533
Health administration		**2 425**	2 246
Trust and fiduciary services		**1 381**	1 252
Cell captive commission		**1 972**	1 496
Other fee income		**777**	740
Investment income	20	**30 769**	25 513
Amortised cost		**1 994**	1 394
Other investment income		**28 775**	24 119
Net realised and unrealised fair value gains/(losses)	21	**40 429**	(3 516)
Net income		**125 027**	70 157
Insurance benefits and claims		**41 678**	53 472
Insurance claims recovered from reinsurers		**(11 619)**	(23 096)
Net insurance benefits and claims	22	**30 059**	30 376
Change in actuarial liabilities and related reinsurance		**4 225**	(6 605)
Change in life insurance contract liabilities		**5 708**	(3 303)
Change in non-life insurance contract liabilities		**(107)**	(126)
Change in investment contracts with DPF liabilities		**274**	(1 644)
Change in reinsurance assets	8	**(1 637)**	(874)
Change in reinsurance liabilities	13	**(13)**	(658)
Fair value adjustments on investment contract liabilities	10.2	**48 657**	10 884
Fair value adjustments on collective investment scheme (CIS) liabilities		**3 526**	894
Depreciation, amortisation and impairment expenses	23	**1 503**	1 680
Employee benefit expenses	24	**7 946**	7 157
Sales remuneration	25	**7 776**	7 432
Other expenses	26	**9 922**	8 498
Expenses		**113 614**	60 316
Results of operations		**11 413**	9 841
Share of equity accounted loss on associates and joint ventures	6	**(147)**	(243)
Profit on deemed disposal/sale of associates and joint ventures		**563**	246
Finance costs	27	**(2 556)**	(2 327)
Profit before tax		**9 273**	7 517
Income tax expense	28	**(4 847)**	(3 709)
Earnings for the year		**4 426**	3 808
Attributable to:			
Owners of the parent	1	**4 333**	3 711
Non-controlling interests		**93**	97
		4 426	3 808
Basic earnings per ordinary share (cents)	1	**313.3**	260.6
Diluted earnings per ordinary share (cents)	1	**306.9**	256.9

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

Statement of comprehensive income

for the year ended 30 June

	Notes	2023 Rm	Restated 2022[1] Rm
Earnings for the year		**4 426**	3 808
Other comprehensive income/(loss), net of tax		**516**	(29)
Items that may subsequently be reclassified to income		**479**	96
Exchange differences on translating foreign operations[2, 3]		**362**	37
Share of other comprehensive income of associates		**117**	59
Items that will not be reclassified to income		**37**	(125)
Own credit losses on financial liabilities designated at FVPL	12	**(6)**	(26)
Land and building revaluation	17	**31**	(138)
Remeasurements of post-employee benefit funds	17	**10**	(8)
Income tax relating to items that will not be reclassified	17	**2**	47
Total comprehensive income for year		**4 942**	3 779
Total comprehensive income attributable to:			
Owners of the parent		**4 852**	3 682
Non-controlling interests		**90**	97
		4 942	3 779

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

2 In the current year, included in Exchange differences on translating foreign operations is a R32 million loss and a R11 million profit which represents the foreign currency translation reserve (FCTR) release on the sale of Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd, as well as the dilution of ABHI respectively. As a result, a net income of R21 million was recognised in the income statement.

3 The movement in the current year is primarily caused by the weakening of the ZAR against the USD, GBP, EUR and INR but was offset by the strengthening of the ZAR against the GHS. In the prior year, the movement was primarily caused by the strengthening of the ZAR against the GBP, BWP, GHS, KES and USD.

Statement of changes in equity

	Notes	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 July 2021		9	12 728	1 469	7 369	21 575	348	21 923
Investment in associate FCTR[1]		–	–	(51)	–	(51)	–	(51)
Restated opening balance		9	12 728	1 418	7 369	21 524	348	21 872
Total comprehensive (loss)/income		–	–	(3)	3 685	3 682	97	3 779
Income statement		–	–	–	3 711	3 711	97	3 808
Other comprehensive loss		–	–	(3)	(26)	(29)	–	(29)
Dividend declared/paid		–	–	–	(735)	(735)	(58)	(793)
Equity-settled share-based payments	17.6	–	–	52	–	52	–	52
Net movement in treasury shares held on behalf of contract holders	16	–	32	–	–	32	–	32
Transfer to retained earnings from other reserves		–	–	(58)	58	–	–	–
Increase relating to transactions with owners[2]		–	–	–	151	151	38	189
Decrease relating to transactions with owners[3]		–	–	–	(129)	(129)	(60)	(189)
Restated balance at 1 July 2022		**9**	**12 760**	**1 409**	**10 399**	**24 577**	**365**	**24 942**
Total comprehensive income		**–**	**–**	**525**	**4 327**	**4 852**	**90**	**4 942**
Income statement		**–**	**–**	**–**	**4 333**	**4 333**	**93**	**4 426**
Other comprehensive income/(loss)		**–**	**–**	**525**	**(6)**	**519**	**(3)**	**516**
Dividend declared/paid		**–**	**–**	**–**	**(1 594)**	**(1 594)**	**(73)**	**(1 667)**
Equity-settled share-based payments	17.6	**–**	**–**	**52**	**–**	**52**	**–**	**52**
Net movement in treasury shares held on behalf of contract holders	16	**–**	**59**	**–**	**–**	**59**	**–**	**59**
Business combinations	30	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Transfer to other reserves from retained earnings		**–**	**–**	**14**	**(14)**	**–**	**–**	**–**
Increase relating to transactions with owners[4]		**–**	**–**	**–**	**–**	**–**	**33**	**33**
Decrease relating to transactions with owners		**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
Release of put option on minority interest[4]		**–**	**–**	**–**	**70**	**70**	**–**	**70**
Shares repurchased and cancelled		**–**	**–**	**–**	**(1 250)**	**(1 250)**	**–**	**(1 250)**
Sale of subsidiary		**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
Balance at 30 June 2023		**9**	**12 819**	**2 000**	**11 936**	**26 764**	**387**	**27 151**

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

2 This related to a strategic restructuring which resulted in the Group's effective interest in Momentum Health Solutions (Pty) Ltd (MHS) declining by 27% from 100% to 73%.

3 This related to a strategic restructuring which resulted in the Group's effective interest in Metropolitan Health Corporate (Pty) Ltd increasing from 51% to 70.5%.

4 Relates primarily to the put option liability in relation to Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. The put option lapsed unexercised during the current year.

Statement of cash flows

for the year ended 30 June

	Notes	2023 Rm	Restated 2022[1] Rm
Cash flow from operating activities			
Cash utilised in operations	29.1	**(6 928)**	(22 349)
Interest received		**19 368**	16 019
Dividends received		**4 216**	6 190
Income tax paid	29.2	**(4 076)**	(3 484)
Interest paid	29.3	**(2 586)**	(1 986)
Net cash inflow/(outflow) from operating activities		**9 994**	(5 610)
Cash flow from investing activities			
Net investments in subsidiaries	30	**(18)**	–
Contingent consideration related to business combinations		**–**	(64)
Proceeds on sale of associate		**–**	147
Proceeds on sale of joint venture and intangibles included in non-current assets held for sale		**–**	291
Investment in associates and joint ventures		**(9)**	(647)
Capital injection on associate held in non-current assets held for sale		**–**	(69)
Net proceeds from disposal of subsidiary	29.5	**(29)**	–
Loans advanced to related parties		**(364)**	–
Loan repayments from related parties		**2**	150
Purchases of owner-occupied properties		**(30)**	(256)
Purchase of property and equipment		**(247)**	(279)
Proceeds from disposal of fixed assets		**22**	–
Purchases of computer software		**(104)**	–
Proceeds from disposal of computer software		**–**	(58)
Dividends from associates		**73**	37
Net cash outflow from investing activities		**(704)**	(748)
Cash flow from financing activities			
Subordinated call notes issued	29.4.1	**–**	1 000
Subordinated call notes repaid	29.4.1	**(980)**	(87)
Net proceeds/(repayment) from/(of) carry positions[2]	29.4.2	**1 344**	(913)
Preference shares proceeds[2]	29.4.3	**55**	38
Preference shares repaid[2]	29.4.3	**(28)**	(62)
Proceeds from other borrowings measured at fair value[2]	29.4.4	**30**	796
Repayment of other borrowings measured at fair value[2]	29.4.4	**(801)**	(936)
Proceeds from other borrowings measured at amortised cost[2]	29.4.5	**176**	263
Repayment of other borrowings measured at amortised cost[2]	29.4.5	**(649)**	(390)
Dividends paid to equity holders		**(1 594)**	(735)
Dividends paid to non-controlling interest shareholders		**(73)**	(58)
Purchase of treasury shares held on behalf of contract holders[2]		**(204)**	(332)
Proceeds from disposal of treasury shares held on behalf of contract holders[2]		**263**	364
Shares purchased from non-controlling interest shareholders		**(1)**	(347)
Shares issued to non-controlling interest shareholders		**5**	347
Shares repurchased		**(1 250)**	–
Net cash outflow from financing activities		**(3 707)**	(1 052)
Net cash flow		**5 583**	(7 410)
Cash resources and funds on deposit at beginning		**28 720**	36 822
Foreign currency translation		**710**	(692)
Cash resources and funds on deposit at end		**35 013**	28 720
Made up as follows:			
Cash and cash equivalents	7.4	**35 013**	28 720

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

2 These line items were previously disclosed on a net basis and have subsequently been disaggregated to enhance comparability and usefulness.

The Group has access to a R400 million committed preference share facility concluded on 29 June 2023. No drawdowns have been effected in the current year.

Basis of preparation

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

FAIR VALUE

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

OTHER MEASUREMENT BASIS

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

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

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

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

PUBLISHED STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR JUNE 2023 FINANCIAL PERIOD

The following published standards are mandatory for the Group's accounting period beginning on or after 1 July 2022 and have been implemented in accordance with the transitional provisions of these standards:

- Reference to the Conceptual Framework: Amendments to IFRS 3
- Proceeds before intended use: Amendments to IAS 16
- Costs of fulfilling a contract: Amendments to IAS 37
- International Tax Reform – Pillar Two model rules: IAS 12 (Amendments)[1]

The International Accounting Standards Board made amendments to IFRS 9 – *Financial instruments* as part of their annual improvements project. These amended standards had no financial impact on the Group's earnings or net asset value.

[1] The amendments are effective immediately upon issuance (May 2023). The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The legislation relating to Pillar Two has not yet been enacted in South Africa. It is anticipated that it will only apply from 2025 onwards. The impact is not known at this stage.

Critical judgements and accounting estimates

PREPARATION OF FINANCIAL STATEMENTS

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

APPLICATION OF ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Group. Management applies judgement in determining best estimates of future experience. Judgements are based on historical experience and management's best-estimate expectations of future events. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying amount of the affected assets and liabilities. The critical judgements and estimates made in applying the Group's accounting policies are detailed in the notes to the AFS, as listed below:

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

Notes to the financial statements

1 NORMALISED HEADLINE EARNINGS

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

	Basic earnings[1]		Diluted earnings	
Group earnings per ordinary share attributable to owners of the parent	**2023**	**2022**	**2023**	**2022**
Earnings (cents per share)	**313.3**	260.6	**306.9**	256.9
Headline earnings (cents per share)	**310.7**	297.3	**304.4**	292.7
Normalised headline earnings (cents per share)			**342.3**	287.2

	Basic earnings		Diluted earnings	
	2023	**2022**	**2023**	**2022**
Weighted average number of ordinary shares in issue (million)[1]	**1 383**	1 424	**1 383**	1 424
Adjustments for				
Employee share scheme[2]			**13**	7
Assumed conversion of 28 million preference shares (weighted)			**28**	28
Weighted average – earnings and headline earnings (million)[1]			**1 424**	1 459
Employee share scheme[2]			**(13)**	(7)
Treasury shares held on behalf of contract holders			**28**	29
Treasury shares held on behalf of employees			**45**	45
Weighted average – normalised headline earnings (million)[3]			**1 484**	1 526

	Basic earnings		Diluted earnings	
Reconciliation of headline earnings attributable to owners of the parent	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Earnings – equity holders of the Group	**4 333**	3 711	**4 333**	3 711
Finance costs – convertible preference shares			**37**	37
Diluted earnings			**4 370**	3 748
Adjustments within equity-accounted earnings	**3**	16	**3**	16
Profit on dilution of associate[4]	**(563)**	–	**(563)**	–
Intangible asset impairments[5]	**478**	709	**478**	709
Tax on intangible asset impairments	**–**	4	**–**	4
Gain on sale of associate and joint venture[6]	**–**	(246)	**–**	(246)
Loss on sale of subsidiaries[7]	**112**	–	**112**	–
FCTR reversal on dilution of associate[4]	**11**	–	**11**	–
FCTR reversal on sale of foreign subsidiaries[7]	**(32)**	–	**(32)**	–
Loss on sale of fixed assets	**1**	–	**1**	–
Net (reversal of impairment)/impairment of owner-occupied property below cost[8]	**(46)**	35	**(46)**	35
Tax on net impairment of owner-occupied property below cost	**–**	4	**–**	4
Headline earnings[9]	**4 297**	4 233	**4 334**	4 270
B-BBEE costs			**16**	11
Adjustments for iSabelo[10]			**200**	(54)
Adjustments for MMH shares held by policyholder funds			**141**	(134)
Amortisation of intangible assets relating to business combinations			**350**	290
Impairment of loans to subsidiaries following the Group's disinvestment			**38**	–
Normalised headline earnings[11]			**5 079**	4 383

1 NORMALISED HEADLINE EARNINGS CONTINUED

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

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

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

[4] Relates to the dilution of the Group's shareholding in ABHI from 49% to 44.1% in the New Initiatives segment.

[5] The current and prior year impairments relate mainly to:
Goodwill recognised as part of the acquisition of the Alexander Forbes Short-term Insurance business (Non-life Insurance segment). The business was subsequently integrated with Momentum Short-term Insurance and referred to as Momentum Insure. The recoverable amount (R1 708 million) of the cash-generating unit (Momentum Insure) is determined based on value-in-use calculations with reference to directors' valuations (DVs). The impairment is a consequence of a revision to the five-year earnings forecast that reflects a weaker medium-term growth outlook. This follows a challenging year in terms of claims experience, which will take some time to normalise. The remaining goodwill balance after the impairment is Rnil (2022: R478 million).

[6] Related to the sale of aYo Holdings Ltd (aYo), the related intellectual property sold as part of the disposal, as well as the sale of Aluwani Capital Partners (Pty) Ltd (Aluwani).

[7] Relates to the sale of Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd in the Momentum Metropolitan Africa segment.

[8] The net impairment in the current and prior year mainly relates to the Marc, Tower 2. The impairment in the prior year was largely attributed to the decline in market rental rates for office property in Sandton, as well as the weak property market outlook as a result of the Covid-19 pandemic. In the current year, the market has improved which resulted in a partial reversal of the previous impairment recognised.

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

[10] This mainly includes the fair value gain (2022: loss) on the preference shares issued to the iSabelo special purpose vehicle, the add back of the IFRS 2 expense incurred as a result of the employee share ownership scheme, as well as the investment income earned on the preference shares.

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

2 SEGMENTAL REPORT

The Group's reporting view reflects the following segments:

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

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

The Executive Committee of the Group assesses the performance of the operating segments based on normalised headline earnings.

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

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

Reconciliation of management information to IFRS

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

Notes to the financial statements continued

2 SEGMENTAL REPORT CONTINUED

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	Total[2] Rm
12 mths to 30.06.2023													
Revenue													
Net insurance premiums	2.4	10 532	36 726	8 561	18 705	1 258	15 246	4 911	–	–	95 939	(52 459)	43 480
Recurring premiums		9 738	951	6 568	14 441	1 258	12 133	4 033	–	–	49 122	(14 965)	34 157
Single premiums		794	35 775	1 993	4 264	–	3 113	878	–	–	46 817	(37 494)	9 323
Fee income		1 194	3 915	24	1 566	2 541	2 188	158	210	617	12 413	(2 064)	10 349
Fee income	2.3, 2.4	1 151	3 099	24	1 565	2 477	2 194	159	115	45	10 829	(480)	10 349
Intergroup fee income		43	816	–	1	64	(6)	(1)	95	572	1 584	(1 584)	–
Expenses													
Net payments to contract holders													
External payments		10 167	26 882	6 412	19 740	810	7 798	3 252	–	–	75 061	(45 002)	30 059
Other expenses[3]		3 521	3 886	3 232	1 923	2 493	5 920	1 666	499	806	23 946	3 201	27 147
Sales remuneration		1 302	1 088	1 086	127	78	3 480	571	44	–	7 776	–	7 776
Administration expenses		1 970	2 017	1 961	1 486	2 005	2 110	909	297	1 431	14 186	3 436	17 622
Asset management, direct property and other fee expenses		76	296	–	–	6	–	4	2	16	400	1 349	1 749
Intergroup expenses		173	485	185	310	404	330	182	156	(641)	1 584	(1 584)	–
Income tax		443	1 304	211	645	91	1 969	104	(1)	44	4 810	37	4 847
Normalised headline earnings	2.1	1 935	904	307	1 330	290	232	596	(428)	(87)	5 079	–	5 079
Operating profit/(loss)[4]		2 520	968	327	1 627	397	405	529	(446)	89	6 416	–	6 416
Tax on operating profit/(loss)		(696)	(232)	(90)	(439)	(110)	(217)	(21)	8	(200)	(1 997)	–	(1 997)
Investment return		134	209	86	173	4	56	122	11	7	802	–	802
Tax on investment return		(23)	(41)	(16)	(31)	(1)	(12)	(34)	(1)	17	(142)	–	(142)
Covered	2.2	2 015	636	305	1 330	–	–	740	–	49	5 075	–	5 075
Non-covered	2.2	(80)	268	2	–	290	232	(144)	(428)	(136)	4	–	4
		1 935	904	307	1 330	290	232	596	(428)	(87)	5 079	–	5 079
Basis changes and investment variances[5]		770	66	(201)	40	–	–	470	–	45	1 190	–	1 190
Actuarial liabilities		80 810	226 006	38 535	117 571	211	49 272	18 149	–	271	530 825	–	530 825

1 Reconciling items include investment contract business premiums and claims; intergroup fee income and expenses; direct property (R520 million) and asset management fees for all entities (R829 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business (R2 937 million); the amortisation of intangible assets relating to business combinations (R468 million); expenses relating to consolidated CISs and other minor adjustments to expenses and fee income.

2 The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R20 619 million, and the total of such non-current assets located in other countries is R1 788 million.

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

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

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

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	Total[2] Rm
Restated													
12 mths to 30.06.2022[3]													
Revenue													
Net insurance premiums	2.4	9 889	30 732	8 239	17 509	1 186	14 035	5 620	–	–	87 210	(48 317)	38 893
Recurring premiums		9 392	869	6 450	12 798	1 186	10 907	4 015	–	–	45 617	(14 328)	31 289
Single premiums		497	29 863	1 789	4 711	–	3 128	1 605	–	–	41 593	(33 989)	7 604
Fee income		1 274	3 689	70	1 237	2 315	1 685	189	123	546	11 128	(1 861)	9 267
Fee income	2.3, 2.4	1 233	2 976	70	1 234	2 261	1 685	189	83	–	9 731	(464)	9 267
Intergroup fee income		41	713	–	3	54	–	–	40	546	1 397	(1 397)	–
Expenses													
Net payments to contract holders													
External payments		11 250	27 035	6 485	19 917	724	6 373	3 418	–	–	75 202	(44 826)	30 376
Other expenses[4]		3 350	3 579	3 072	1 611	2 320	5 445	1 747	215	775	22 114	2 653	24 767
Sales remuneration		1 324	998	1 160	85	83	3 070	675	37	–	7 432	–	7 432
Administration expenses		1 783	1 927	1 748	1 222	1 826	2 099	830	105	1 381	12 921	2 888	15 809
Asset management, direct property and other fee expenses		53	286	–	–	7	–	2	1	15	364	1 162	1 526
Intergroup expenses		190	368	164	304	404	276	240	72	(621)	1 397	(1 397)	–
Income tax		347	920	169	498	67	1 522	69	1	118	3 711	(2)	3 709
Normalised headline earnings	2.1	1 110	938	672	1 174	209	461	118	(466)	167	4 383	–	4 383
Operating profit/(loss)[5]		1 395	1 145	845	1 475	295	450	22	(467)	(285)	4 875	–	4 875
Tax on operating profit/(loss)		(419)	(275)	(239)	(426)	(83)	(51)	(14)	(1)	(4)	(1 512)	–	(1 512)
Investment return		143	83	71	134	(4)	70	137	2	535	1 171	–	1 171
Tax on investment return		(9)	(15)	(5)	(9)	1	(8)	(27)	–	(79)	(151)	–	(151)
Covered	2.2	1 164	680	670	1 172	–	–	202	–	(17)	3 871	–	3 871
Non-covered	2.2	(54)	258	2	2	209	461	(84)	(466)	184	512	–	512
		1 110	938	672	1 174	209	461	118	(466)	167	4 383	–	4 383
Basis changes and investment variances[6]		307	136	95	399	–	–	39	–	75	1 051	–	1 051
Actuarial liabilities		74 637	190 001	36 265	106 861	108	45 052	16 899	–	148	469 971	–	469 971

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

2 The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is Restated R22 767 million, and the total of such non-current assets located in other countries is Restated R134 million.

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

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

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

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

2 SEGMENTAL REPORT CONTINUED

	Notes	Change %	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
2.1 Change in normalised headline earnings				
Momentum Life		74	1 935	1 110
Momentum Investments		(4)	904	938
Metropolitan Life		(54)	307	672
Momentum Corporate		13	1 330	1 174
Momentum Metropolitan Health		39	290	209
Non-life Insurance		(50)	232	461
Momentum Metropolitan Africa		>100	596	118
Normalised headline earnings from operating segments		19	5 594	4 682
New Initiatives		8	(428)	(466)
Shareholders		<(100)	(87)	167
Total normalised headline earnings	2	16	5 079	4 383

2.2 Segmental analysis

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Share-holders Rm	Total Rm
12 mths to 30.06.2023											
Covered											
Protection		1 432	–	131	900	–	–	578	–	–	3 041
Long-term savings		165	(42)	(14)	169	–	–	(20)	–	–	258
Annuities and structured products		–	549	72	141	–	–	99	–	–	861
Traditional		256	–	67	–	–	–	(3)	–	–	320
Other[1]		60	(13)	(21)	(22)	–	–	6	–	(161)	(151)
Investment return		102	142	70	142	–	–	80	–	210	746
Total	2	2 015	636	305	1 330	–	–	740	–	49	5 075
Non-covered											
Investment and savings	2.2.1	–	242	–	–	–	–	–	–	–	242
Life insurance		–	–	–	–	–	–	(57)	–	–	(57)
Health	2.2.2	–	–	–	–	287	–	(1)	–	–	286
Momentum Multiply		(77)	–	–	–	–	–	–	–	–	(77)
Non-life insurance	2.2.3	–	–	–	–	–	(341)	20	–	–	(321)
Cell captives	2.2.3	–	–	–	–	–	529	–	–	–	529
Holding company expenses		–	–	–	–	–	–	(104)	–	(138)	(242)
New initiatives India	2.2.4	–	–	–	–	–	–	–	(251)	–	(251)
Other[2]		(12)	–	2	–	–	–	(10)	(187)	188	(19)
Investment return		9	26	–	–	3	44	8	10	(186)	(86)
Total	2	(80)	268	2	–	290	232	(144)	(428)	(136)	4
Normalised headline earnings		1 935	904	307	1 330	290	232	596	(428)	(87)	5 079

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

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

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

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

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

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

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.1 Momentum Investments – non-covered business

	Notes	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Revenue		**1 832**	1 714
Fee income		**1 742**	1 645
Investment income		**70**	53
Fair value gains		**20**	16
Expenses and finance costs		**(1 514)**	(1 428)
Other expenses		**(1 465)**	(1 391)
Finance costs		**(49)**	(37)
Share of profit of associates		**32**	37
Profit before tax		**350**	323
Income tax expense		**(72)**	(60)
Non-controlling interest		**(10)**	(5)
Normalised headline earnings		**268**	258
Operating profit before tax	2.2	**309**	309
Tax on operating profit	2.2	**(67)**	(60)
Investment return		**27**	10
Tax on investment return		**(1)**	(1)
Normalised headline earnings		**268**	258

Notes to the financial statements continued

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

	Notes	Momentum Metropolitan Health Rm	Momentum Metropolitan Africa Rm	Total Rm
2.2.2 Health – non-covered business				
12 mths to 30.06.2023				
Revenue		3 812	738	4 550
Net insurance premiums		1 258	724	1 982
Fee income		2 481	–	2 481
Investment income		62	14	76
Intergroup fees		11	–	11
Expenses and finance costs		(3 312)	(761)	(4 073)
Net payments to contract holders		(810)	(562)	(1 372)
Change in actuarial liabilities		13	–	13
Other expenses		(2 512)	(199)	(2 711)
Finance costs		(3)	–	(3)
Share of profit of associates		23	28	51
Profit before tax		523	5	528
Income tax expense		(136)	(9)	(145)
Non-controlling interest		(97)	14	(83)
Normalised headline earnings		290	10	300
Operating profit before tax	2.2	397	4	401
Tax on operating profit	2.2	(110)	(5)	(115)
Investment return		4	14	18
Tax on investment return		(1)	(3)	(4)
Normalised headline earnings		290	10	300
Closed schemes		60	10	70
Open scheme		154	–	154
Other		76	–	76
		290	10	300

	Principal members	Lives
Momentum Metropolitan Health principal members	1 240 225	
Momentum Metropolitan Africa lives		417 159

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.2 Health – non-covered business continued

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

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

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

	Notes	Non-life business Rm	Cell captive business Rm	Momentum Metropolitan Africa Rm	Total Rm
2.2.3 Non-life Insurance					
12 mths to 30.06.2023					
Gross written premiums		3 108	–	268	3 376
Net insurance premiums		2 956	–	196	3 152
Fee income		8	1 353	75	1 436
Management fees		–	698	–	698
Investment fees		–	160	–	160
Underwriting fees		–	478	–	478
Other fee income		8	17	75	100
Investment income		117	219	77	413
Total income		3 081	1 572	348	5 001
Expenses and finance costs		(3 357)	(843)	(298)	(4 498)
Net payments to contract holders		(2 267)	–	(81)	(2 348)
Change in actuarial liabilities		–	–	(2)	(2)
Acquisition costs[1]		(293)	–	(52)	(345)
Other expenses		(797)	(823)	(163)	(1 783)
Finance costs		–	(20)	–	(20)
(Loss)/Profit before tax		(276)	729	50	503
Income tax expense		(28)	(193)	(13)	(234)
Non-controlling interest		–	–	(10)	(10)
Normalised headline earnings		(304)	536	27	259
Operating (loss)/profit before tax	2.2	(323)	729	29	435
Tax on operating (loss)/profit	2.2	(18)	(200)	(9)	(227)
Investment return		48	8	7	63
Tax on investment return		(11)	(1)	–	(12)
Normalised headline earnings		(304)	536	27	259
Momentum Insure (including Admin)		(304)	–	–	(304)
Guardrisk Group		–	536	–	536
Momentum Insurance (Namibia)		–	–	17	17
Momentum Short-term Insurance (Namibia)		–	–	10	10
Cannon Short-term		–	–	–	–
		(304)	536	27	259

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

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

2.2.3 Non-life Insurance continued

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

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

2 SEGMENTAL REPORT CONTINUED

2.2 Segmental analysis continued

		Notes	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
2.2.4	**India – non-covered business**[1]			
	Gross written premiums		**5 941**	3 522
	Net earned premiums		**4 019**	2 426
	Fee income		**31**	21
	Net incurred claims		**(2 599)**	(1 688)
	Total management expenses		**(1 950)**	(1 545)
	Net commission expenses		**(314)**	(39)
	Underwriting loss		**(813)**	(825)
	Investment income		**241**	145
	Operating loss		**(572)**	(680)
	Investment income on excess		**98**	48
	Loss before and after tax		**(474)**	(632)
	MMH share of results[2]		**(225)**	(310)
	Group support costs		**(40)**	(32)
	Group IT and IT services		**14**	4
	Normalised headline earnings	2.2	**(251)**	(338)
	Number of lives		**20 853 206**	18 789 363

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

[2] During October 2022, the Group's holding was diluted from 49% to 44.1% with the introduction of a new shareholder as a partner in the business.

		Notes	Total revenue in scope of IFRS 15					
			Contract administration Rm	Trust and fiduciary services Rm	Health administration Rm	Cell captive commission Rm	Other fee income Rm	Total fee income Rm
2.3	**Segment IFRS 15 – *Revenue from contracts with customers***							
	12 mths to 30.06.2023							
	Momentum Life		**906**	**73**	**–**	**–**	**172**	**1 151**
	Momentum Investments		**1 647**	**1 270**	**–**	**–**	**182**	**3 099**
	Metropolitan Life		**10**	**–**	**–**	**–**	**14**	**24**
	Momentum Corporate		**1 025**	**487**	**–**	**–**	**53**	**1 565**
	Momentum Metropolitan Health		**1**	**–**	**2 425**	**–**	**51**	**2 477**
	Non-life Insurance		**163**	**–**	**–**	**1 972**	**59**	**2 194**
	Momentum Metropolitan Africa		**42**	**34**	**–**	**–**	**83**	**159**
	New Initiatives		**–**	**–**	**–**	**–**	**115**	**115**
	Shareholders[1]		**–**	**–**	**–**	**–**	**45**	**45**
	Segmental total		**3 794**	**1 864**	**2 425**	**1 972**	**774**	**10 829**
	Reconciling items		**–**	**(483)**	**–**	**–**	**3**	**(480)**
	Total	2	**3 794**	**1 381**	**2 425**	**1 972**	**777**	**10 349**
	12 mths to 30.06.2022							
	Momentum Life		1 043	20	–	–	170	1 233
	Momentum Investments		1 561	1 243	–	–	172	2 976
	Metropolitan Life		–	–	–	–	70	70
	Momentum Corporate		759	431	–	–	44	1 234
	Momentum Metropolitan Health		–	–	2 246	–	15	2 261
	Non-life Insurance		121	–	–	1 496	68	1 685
	Momentum Metropolitan Africa		49	26	–	–	114	189
	New Initiatives		–	–	–	–	83	83
	Segmental total		3 533	1 720	2 246	1 496	736	9 731
	Reconciling items		–	(468)	–	–	4	(464)
	Total	2	3 533	1 252	2 246	1 496	740	9 267

[1] This relates to structuring and origination fees earned that was previously allocated to operating segments.

2 SEGMENTAL REPORT CONTINUED

	Notes	SA Rm	Non-SA Rm	Total revenue Rm
2.4 Segment revenue per geographical basis				
12 mths to 30.06.2023				
Momentum Life		**11 683**	**–**	**11 683**
Momentum Investments		**39 013**	**812**	**39 825**
Metropolitan Life		**8 585**	**–**	**8 585**
Momentum Corporate		**20 270**	**–**	**20 270**
Momentum Metropolitan Health		**3 735**	**–**	**3 735**
Non-life Insurance		**16 549**	**891**	**17 440**
Momentum Metropolitan Africa		**–**	**5 070**	**5 070**
New Initiatives		**115**	**–**	**115**
Shareholders		**45**	**–**	**45**
Segmental total		**99 995**	**6 773**	**106 768**
Reconciling items		**(51 545)**	**(1 394)**	**(52 939)**
Total	2	**48 450**	**5 379**	**53 829**
12 mths to 30.06.2022				
Momentum Life		11 122	–	11 122
Momentum Investments		33 020	688	33 708
Metropolitan Life		8 309	–	8 309
Momentum Corporate		18 743	–	18 743
Momentum Metropolitan Health		3 447	–	3 447
Non-life Insurance		14 840	880	15 720
Momentum Metropolitan Africa		–	5 809	5 809
New Initiatives		83	–	83
Segmental total		89 564	7 377	96 941
Reconciling items		(47 105)	(1 676)	(48 781)
Total	2	42 459	5 701	48 160

3 INTANGIBLE ASSETS

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

		2023 Rm	2022 Rm
3.1	**Goodwill**	**1 364**	1 775
3.2	**Value of in-force business acquired (VOBA)**	**2 796**	3 034
3.3	**Customer relationships**	**488**	577
3.4	**Brands**	**500**	562
3.5	**Broker network**	**266**	310
3.7	**Deferred acquisition costs (DAC) on long-term investment business**	**1 948**	1 992
3.8	**Computer software**	**311**	283
3.9	**DAC on short-term insurance business**	**303**	214
		7 976	8 747

3 INTANGIBLE ASSETS CONTINUED

	2023 Rm	2022 Rm
3.1 Goodwill		
Cost	**3 036**	2 969
Accumulated impairment	**(1 672)**	(1 194)
Carrying amount	**1 364**	1 775
Carrying amount at beginning	**1 775**	2 489
Business combinations (refer to note 30)	**18**	1
Impairment charges[1]	**(478)**	(717)
Exchange differences	**49**	2
Carrying amount at end	**1 364**	1 775
Cash-generating units (CGUs)		
Momentum Insure – Non-life Insurance	**–**	478
Guardrisk – Non-life Insurance	**674**	660
Eris Property Group – Momentum Investments	**191**	191
Ex-Metropolitan Group – Metropolitan Life (Metropolitan/Momentum merger)	**170**	170
MGIM – Momentum Investments	**195**	142
MHS – Momentum Metropolitan Health	**116**	116
Other	**18**	18
	1 364	1 775

[1] R478 million (2022: R707 million) impairment relates to the goodwill recognised as part of the acquisition of the Alexander Forbes Short-term Insurance business (Non-life Insurance segment). The business was subsequently integrated with Momentum Short-term Insurance and referred to as Momentum Insure. The recoverable amount (R1 708 million (2022: R2 002 million)) of the CGU (Momentum Insure) is determined based on value-in-use calculations with reference to DVs. The impairment is a consequence of a revision to the five-year earnings forecast that reflects a weaker medium-term growth outlook. This follows a challenging year in terms of claims experience, which will take some time to normalise. The remaining goodwill balance after the impairment is Rnil (2022: R478 million).

Critical accounting estimates and judgements

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

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

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

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

3 INTANGIBLE ASSETS CONTINUED

3.1 Goodwill continued

Critical accounting estimates and judgements continued

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

	2023	2022
Risk-free rate (long-term)	12.5%	12.0%
Equity risk premium	3.5%	3.5%
Risk premium applied to unlisted equity investments	2.3%	2.3%
Total (central rate)	**18.3%**	17.8%

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

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

	2023		Restated 2022[1]	
	RDR %	Long-term growth rate %	RDR %	Long-term growth rate %
Assumptions				
Momentum Insure	20	7	20	7
Guardrisk	18	7	18	7
Eris Property Group	18	7	18	7
Ex-Metropolitan Group	15	7	14	8
MGIM	13	4	13	3
MHS	18	7	18	7

1 The prior year has been restated for a correction to the RDR percentages. Momentum Insure changed from 18% to 20%. Guardrisk changed from 16% to 18%. Eris Property Group changed from 16% to 18%. MHS changed from 16% to 18%.

A higher discount rate applies to Momentum Insure, due to a higher uncertainty in its earnings forecasts, following recent volatility in claims experience.

MGIM has a lower RDR, commensurate with lower United Kingdom (UK) interest rates, compared to South Africa.

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

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

3 **INTANGIBLE ASSETS** CONTINUED

		2023 Rm	2022 Rm
3.2 VOBA			
Acquisition of insurance and investment contracts with DPF			
Cost		**6 667**	6 667
Accumulated amortisation		**(3 712)**	(3 474)
Accumulated impairment		**(159)**	(159)
Carrying amount		**2 796**	3 034
Carrying amount at beginning		**3 034**	3 261
Amortisation charges		**(238)**	(237)
Impairment reversals		**–**	10
Carrying amount at end		**2 796**	3 034
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Metropolitan/Momentum merger			
Metropolitan Life	2037	**1 945**	2 092
Momentum Corporate	2037	**398**	428
Momentum Metropolitan Africa	2026	**31**	47
Sage – Shareholders	2032	**258**	286
Momentum Namibia – Momentum Metropolitan Africa	2037	**141**	152
Guardrisk – Non-life Insurance	2029	**23**	29
		2 796	3 034

As a result of certain insurance contract acquisitions, the Group carries intangible assets representing the present value of in-force covered business (VIF) acquired.

Critical accounting estimates and judgements

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

In the prior year, VOBA relating to the Sage acquisition (Shareholders) had a reversal of prior year impairments of R10 million by comparing the carrying amount with the recoverable amount. This was due to positive investment experience on the Sage products. Value in use was used to calculate the recoverable amount by incorporating valuation assumptions and economic bases of the Sage product liabilities, including a RDR of 14.83% (2022: 14.36%). Refer to note 11 for additional information regarding assumptions and estimates used for contract holder liabilities. The Sage book of business is in run-off and depending on the rate of run-off impacting on the VIF relative to the amortisation of the carrying amount, future consideration of impairment might be required.

3 INTANGIBLE ASSETS CONTINUED

3.3 Customer relationships

		2023 Rm	2022 Rm
Cost[1]		**3 766**	3 883
Accumulated amortisation[1]		**(3 248)**	(3 256)
Accumulated impairment[1]		**(30)**	(50)
Carrying amount		**488**	577
Carrying amount at beginning		**577**	697
Business combinations (refer to note 30)		**14**	–
Amortisation charges		**(104)**	(120)
Exchange differences		**1**	–
Carrying amount at end		**488**	577
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Metropolitan/Momentum merger			
Investment contracts – Momentum Corporate	2030	**278**	322
Guardrisk – Non-life Insurance	2024	**20**	57
Momentum Insure – Non-life Insurance	2030	**85**	98
MGIM – Momentum Investments	2031	**94**	83
Other		**11**	17
		488	577

[1] The cost, accumulated amortisation and impairment of fully amortised/impaired assets have been written off.

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

3.4 Brands

		2023 Rm	2022 Rm
Cost		**1 260**	1 257
Accumulated amortisation		**(752)**	(687)
Accumulated impairment		**(8)**	(8)
Carrying amount		**500**	562
Carrying amount at beginning		**562**	628
Business combinations (refer to note 30)		**3**	–
Amortisation charges		**(65)**	(66)
Carrying amount at end		**500**	562
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Metropolitan brand – Metropolitan Life (Metropolitan/Momentum merger)	2031	**400**	453
Guardrisk brand – Non-life Insurance	2034	**42**	46
Momentum Insure brand – Non-life Insurance	2035	**34**	38
Momentum Insurance (Namibia) brand – Momentum Metropolitan Africa	2031	**14**	16
Other		**10**	9
		500	562

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

3 INTANGIBLE ASSETS CONTINUED

		2023 Rm	2022 Rm
3.5 Broker network			
Cost[1]		**560**	766
Accumulated amortisation[1]		**(271)**	(433)
Accumulated impairment		**(23)**	(23)
Carrying amount		**266**	310
Carrying amount at beginning		**310**	365
Amortisation charges		**(44)**	(55)
Carrying amount at end		**266**	310
The carrying amount is made up as follows:	**To be fully amortised by year:**		
Guardrisk (non-life) – Non-life Insurance	2029	**103**	121
Momentum Insure – Non-life Insurance	2030	**91**	105
Guardrisk (life) – Non-life Insurance	2029	**36**	41
MGIM – Momentum Investments	2041	**34**	36
Other		**2**	7
		266	310

[1] The cost and accumulated amortisation of fully amortised assets have been written off.

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

3.6 Sensitivity analysis of intangible assets acquired in business combinations

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

The Group currently recognises goodwill, VOBA, customer relationships and brands relating to the Metropolitan/Momentum merger. The current recoverable amount of these assets is R2 290 million (2022: R2 040 million) higher than the carrying amount and has 42% (2022: 37%) headroom available before the Group would need to consider impairing any of the associated goodwill.

For Guardrisk, the Group currently recognises goodwill, VOBA, customer relationships and brands on the statement of financial position. The current recoverable amount of these assets is R1 608 million (2022: R1 800 million) higher than the carrying amount and has 35% (2022: 40%) headroom available before the Group would need to consider impairing any of the associated goodwill. Future revenue and expenses included in the risk-adjusted cash flow projections will need to decrease by 15% (2022: 20%) and increase by 29% (2022: 35%) respectively, for the recoverable amount to equate the carrying amount.

During the current year, the VOBA relating to Sage decreased due to amortisation charges to its recoverable amount of R258 million (2022: R286 million). Any further reduction in the recoverable amount will result in an additional impairment.

The current recoverable amount of the assets included within the MGIM CGU, which includes the full integration of the Seneca Investment Managers Ltd business that began in the previous financial year following the acquisition in 2021, is R84 million (2022: R63 million) higher than the carrying amount and has 8% (2022: 9%) headroom available before the Group would need to consider impairing any of the associated goodwill. All else equal, an increase in RDR from 12.5% to 13.3% will cause the recoverable amount to equal the carrying amount. This represents a scenario where the RDR increases on account of an increase in real interest rates. If real interest rates and real growth remain stable (growth and inflation increase in tandem with nominal interest rates), the recoverable excess can withstand a much bigger increase in RDR. Future revenue and expenses included in the risk-adjusted cash flow projections will need to decrease by 2% (2022: 2%) and increase by 3% (2022: 3%) respectively in order for the recoverable amount to equate to the carrying amount.

In aggregate, if the recoverable amounts of all the CGUs under consideration were to decrease by 10%, it would result in an impairment of intangible assets of R191 million (2022: R192 million). Should the recoverable amounts decrease by 20%, an impairment of R314 million (2022: R510 million) will be required, with R155 million (2022: R326 million) of this relating to Momentum Insure intangible assets, R129 million (2022: R85 million) relating to MGIM goodwill, Rnil (2022: R70 million) relating to MHS goodwill, R2 million (2022: Rnil) relating to Momentum Short-term Insurance (Namibia) broker network and R28 million (2022: R29 million) relating to the VOBA from Momentum Namibia.

3 INTANGIBLE ASSETS CONTINUED

	2023 Rm	2022 Rm
3.7 DAC on long-term investment business		
Carrying amount at beginning	**1 992**	2 002
Additions	**354**	390
Amortisation charges	**(402)**	(411)
Impairment reversals	**–**	9
Exchange differences	**4**	2
Carrying amount at end	**1 948**	1 992

Critical accounting estimates and judgements

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

	2023 Rm	2022 Rm
3.8 Computer software		
Cost[1]	**972**	858
Accumulated amortisation[1]	**(660)**	(445)
Accumulated impairment[1]	**(1)**	(130)
Carrying amount	**311**	283
Carrying amount at beginning	**283**	303
Additions	**104**	58
Disposals	**–**	(3)
Sale of business	**(1)**	–
Amortisation charges	**(75)**	(73)
Impairment charges	**–**	(2)
Carrying amount at end	**311**	283

[1] The cost, accumulated amortisation and impairment of fully amortised/impaired assets have been written off.

Internally developed software

Included in computer software is a carrying amount of R42 million (2022: R56 million) representing internally developed software. The decrease in internally developed software relates to R14 million (2022: R23 million) amortisation charges.

Material computer software

The Non-life Insurance segment has computer software of R166 million (2022: R159 million) relating to Momentum Insure's line of business system, which will be fully amortised by 2031. For impairment testing purposes, a RDR of 14% (2022: 14%) and a growth rate of 6% (2022: 8%) was used to present value the future economic benefits of the software. No impairment was required.

The Momentum Life segment has computer software of R34 million (2022: R41 million) relating to the wellness and rewards platform, which will be fully amortised by 2028. No impairment was required.

The Momentum Metropolitan Africa segment has computer software of R30 million (2022: R6 million) relating to a new insurance policy administration system which will be fully amortised by 2035. No impairment was required.

Computer software of R27 million (2022: R4 million) is used as a reporting tool for capturing trades, treasury and risk management by various segments. This will be fully amortised by 2028. No impairment was required.

3 INTANGIBLE ASSETS CONTINUED

		2023 Rm	2022 Rm
3.9	**DAC on short-term insurance business**		
	Carrying amount at beginning	**214**	194
	Net movement in DAC	**89**	20
	Acquisition costs paid on unexpired policies	**1 956**	1 612
	Acquisition costs incurred on unexpired policies (expensed to income statement)	**(1 867)**	(1 592)
	Carrying amount at end	**303**	214

4 OWNER-OCCUPIED PROPERTIES

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

		2023 Rm	2022 Rm
4.1	**Owned owner-occupied properties**	**2 885**	2 870
	Right-of-use assets	**164**	146
		3 049	3 016
4.1	**Owned owner-occupied properties**		
	Owner-occupied properties – at fair value	**2 885**	2 870
	Historical carrying amount – cost model	**1 782**	1 808
	Fair value at beginning	**2 870**	2 857
	Additions	**30**	256
	Sale of business	**(27)**	–
	Revaluations	**38**	(138)
	Depreciation charges	**(51)**	(50)
	Net impairment charges reversed/(charged) to income statement	**46**	(35)
	Transfer to investment properties	**(22)**	(23)
	Other	**–**	2
	Exchange differences	**1**	1
	Fair value at end	**2 885**	2 870

In the prior year, the revaluation decrease mainly related to a revaluation loss of R152 million on the Centurion head office (Shareholders segment) due to a decline in market rental rates per square metre.

Of the net impairment, positive R43 million (2022: negative R51 million) relates to the Marc, Tower 2 (Shareholders segment). The impairment in the prior year was largely attributed to the decline in market rental rates for office property in Sandton, as well as the weak property market outlook as a result of the Covid-19 pandemic. The prior year valuation further took the expected vacancy into account. In the current year, there has been a slight recovery to the property market.

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

Owner-occupied properties are classified as level 3.

4 OWNER-OCCUPIED PROPERTIES CONTINUED

4.1 Owned owner-occupied properties continued

Critical accounting estimates and judgements

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

				Change in fair value	
Assumptions	**Valuation technique**	**Base assumption**	**Change in assumption**	**Decrease in assumption Rm**	**Increase in assumption Rm**
2023					
Capitalisation rate					
Office buildings	DCF & income capitalisation	**8.72% – 9.10%**	**100bps**	**259**	**(207)**
Parkade	Income capitalisation	**9.25%**	**100bps**	**9**	**(7)**
Discount rate					
Office buildings	DCF	**13.06% – 13.36%**	**100bps**	**86**	**(81)**
2022					
Capitalisation rate					
Office buildings	DCF & income capitalisation	8.56% – 9.50%	100bps	252	(205)
Parkade	Income capitalisation	9.00%	100bps	9	(7)
Discount rate					
Office buildings	DCF	13.09% – 13.44%	100bps	94	(75)

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

The property market is still in a recovery phase post-Covid-19 and is also impacted by the current electricity crisis. Therefore, a conservative take up of the vacant space has been assumed, likewise a conservative view has been taken on probable market rentals. Market rental growth has not been adjusted in the current year. In the prior year, it was adjusted downward from an industry average of 5% to 4% – 4.5%.

5 INVESTMENT PROPERTIES

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

		2023 Rm	2022 Rm
5.1	**Owned investment properties**	**8 807**	9 031
	Right-of-use assets	**18**	20
		8 825	9 051

5 INVESTMENT PROPERTIES CONTINUED

	2023 Rm	2022 Rm
5.1 Owned investment properties		
At 30 June, investment properties comprised the following property types:		
Shopping malls	**3 950**	3 954
Office buildings	**3 858**	4 193
Industrial	**759**	638
Hotels	**260**	248
Vacant land	**231**	223
Other	**128**	155
Property at valuation	**9 186**	9 411
Accelerated rental income (refer to note 7.3)	**(379)**	(380)
	8 807	9 031
Investment properties under development		
Fair value at beginning	**–**	–
Capitalised development expenditure	**198**	–
Fair value at end	**198**	–
Completed properties		
Fair value at beginning	**9 031**	8 918
Capitalised subsequent expenditure	**44**	118
Additions	**5**	22
Disposals	**(64)**	(5)
Revaluations charged to income statement	**(264)**	(26)
Change in accelerated rental income	**1**	(21)
Transfer from owner-occupied properties[1]	**22**	23
Non-current assets held for sale	**(56)**	(14)
Sale of business	**(122)**	–
Exchange differences	**12**	13
Other	**–**	3
Fair value at end	**8 609**	9 031

[1] The current year relates to changes in tenancy of the Marc, Tower 2 (only a portion of the building), the property in Umhlanga, the Pietersburg Met Centre and the Riverwalk Shopping Centre. The prior year related to Meersig.

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

Investment properties are classified as level 3.

Critical accounting estimates and judgements

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

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

5 INVESTMENT PROPERTIES CONTINUED

5.1 Owned investment properties continued

Critical accounting estimates and judgements continued

Assumptions	Valuation technique	Base assumption	Change in assumption	Change in fair value: Decrease in assumption Rm	Change in fair value: Increase in assumption Rm
2023					
Capitalisation rate				**637**	**(510)**
Shopping malls	DCF	**8.69% – 9.81%**	**100bps**	**298**	**(235)**
Office buildings	DCF & income capitalisation	**8.70% – 9.27%**	**100bps**	**291**	**(232)**
Industrial	DCF	**9.15% – 9.71%**	**100bps**	**31**	**(30)**
Hotels	DCF	**8.50%**	**100bps**	**17**	**(13)**
Discount rate				**410**	**(391)**
Shopping malls	DCF	**13.04% – 14.30%**	**100bps**	**199**	**(186)**
Office buildings	DCF	**13.19% – 14.00%**	**100bps**	**170**	**(161)**
Industrial	DCF	**13.18% – 13.59%**	**100bps**	**24**	**(28)**
Hotels	DCF	**13.00%**	**100bps**	**17**	**(16)**
Vacancy rate				**63**	**(70)**
Shopping malls	DCF	**1.53% – 3.33%**	**100bps**	**30**	**(31)**
Office buildings	DCF & income capitalisation	**1.40% – 3.51%**	**100bps**	**32**	**(32)**
Industrial	DCF	**1.76% – 2.17%**	**100bps**	**–**	**(6)**
Hotels	DCF	**1.00%**	**100bps**	**1**	**(1)**
2022					
Capitalisation rate				638	(503)
Shopping malls	DCF	7.54% – 9.49%	100bps	393	(306)
Office buildings	DCF	8.10% – 10.97%	100bps	190	(153)
Industrial	DCF	9.51% – 10.00%	100bps	38	(31)
Hotels	DCF	9.00%	100bps	17	(13)
Discount rate				405	(379)
Shopping malls	DCF	12.39% – 14.45%	100bps	218	(204)
Office buildings	DCF	13.07% – 14.98%	100bps	140	(130)
Industrial	DCF	13.51% – 14.00%	100bps	30	(29)
Hotels	DCF	13.00%	100bps	17	(16)
Vacancy rate				61	(61)
Shopping malls	DCF	1.40% – 3.99%	100bps	36	(36)
Office buildings	DCF	1.52% – 5.33%	100bps	21	(20)
Industrial	DCF	1.00% – 1.51%	100bps	3	(4)
Hotels	DCF	1.00%	100bps	1	(1)

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

Office sector – Higher vacancies (due to tenant fall-off as well as downsizing) has been experienced, resulting in a continued oversupply of office space. The decrease in demand has led to downwards asking (and achieved) rentals, as well as stubborn vacancies which has inevitably led to an associated drop in valuations.

Retail sector – Rural retail had a strong year-on-year performance and is continuing to perform well. Urban retail experienced some lease fall-off but this was mostly attributable to tenants who were already experiencing difficulties prior to Covid-19. The ability to re-let has somewhat improved over last year. Capitalisation rates and discount rates have remained stable due to nodal performance and rentals achieved.

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

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	2023 Rm	Restated 2022[1] Rm
Carrying amount at beginning	**1 447**	1 156
Investment in associate FCTR	**–**	(51)
Restated carrying amount at beginning	**1 447**	1 105
Additions[2]	**9**	647
Disposals[3]	**–**	(84)
Gain on dilution of associate[4]	**563**	–
Transfer to subsidiary (refer to note 30)	**(7)**	–
Share of loss	**(147)**	(243)
Dividends declared	**(73)**	(37)
Sale of business	**(2)**	–
Exchange differences	**117**	59
Carrying amount at end – non-current	**1 907**	1 447

[1] Refer to note 47 for more information on the restatements.
[2] The prior year included:
- Workers Health Investment (Pty) Ltd acquired 30% in Homeville Holdings (Pty) Ltd for R17 million in cash.
- MMSI made capital injections to ABHI for R584 million in cash.
- MML made capital injections to South African Student Accommodation Impact Investments (Pty) Ltd (SASAII) for R46 million in cash.

In the prior year, a capital contribution was made to aYo while the investment was classified as held for sale (R69 million), therefore the amount was not presented as an additions in this note.
[3] The disposals related to the sale of Aluwani in the prior year.
[4] This relates to the dilution of the Group's shareholding in ABHI from 49% to 44.1%.

The DVs of investment in associates and joint ventures exceed the carrying amounts.

Equity-accounted associates and joint ventures*	%**	Carrying amount Rm	Assets# Rm	Liabilities# Rm	Revenue# Rm	(Loss)/ profit for the year# Rm	Earnings^ Rm
2023							
Associates							
ABHI	**44.1%**	**1 405**	**7 765**	**(4 889)**	**4 019**	**(478)**	**(226)**
Methealth Namibia Administrators (Pty) Ltd (MHNA)	**49%**	**177**	**84**	**(28)**	**223**	**57**	**28**
SASAII[1]	**17%**	**74**	**1 021**	**(398)**	**10**	**(8)**	**(1)**
2Cana Solutions (Pty) Ltd (2Cana)	**30%**	**69**	**251**	**(22)**	**182**	**34**	**10**
RMI Investment Managers Affiliates 2 (Pty) Ltd (RMIA)	**49%**	**93**	**355**	**(73)**	**65**	**46**	**23**
Other		**83**	*****	*****	*****	*****	**20**
		1 901					**(146)**
Joint ventures							
MRKT Energy Holdings (Pty) Ltd (MRKT)	**50%**	**6**	**75**	**(67)**	**11**	**(3)**	**(1)**
Restated 2022[2]							
Associates							
ABHI[3]	49%	954	3 794	(2 711)	2 426	(635)	(311)
MHNA	49%	175	82	(29)	211	53	26
SASAII[1]	17%	69	512	(122)	25	32	6
2Cana	30%	64	217	(20)	153	25	7
RMIA	49%	71	336	(86)	26	(13)	(6)
Aluwani	0%	–	–	–	–	–	10
Other[3]		105	***	***	***	***	25
		1 438					(243)
Joint ventures							
MRKT	50%	9	85	(66)	10	–	–

* All entities' principal place of business is in South Africa unless otherwise stated.
** Effective group percentage held.
*** This amount consists of various associates' financial information.
# This represents the actual assets, liabilities, revenue and profit or loss of the associate or joint venture at the end of the financial year. ABHI has a financial year end of 31 March and as such the summarised financial information disclosed for ABHI represents the financial information at 31 March 2023.
^ Group's share of equity accounted earnings.
[1] Despite the Group holding less than 20% of the ordinary shares, the Group exerts significant influence as a result of decision making rights to which the Group remains entitled.
[2] Refer to note 47 for more information on the restatements.
[3] The ABHI line previously included the results of Aditya Birla Wellness Private Ltd (ABW). ABW has now been reallocated from this line to the Other line in order to present the isolated results of ABHI following the dilution. As a result, the carrying amount of the ABHI line has reduced by R20 million and the Other line has increased by R20 million. The earnings of the ABHI line has reduced by R2 million and the Other line has increased by R2 million.

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

- ABHI is a health insurance business and was formed by MMSI, which held 49% of ordinary shares, and Aditya Birla Capital Ltd (incorporated in India), which held 51% of ordinary shares. Voting rights are proportional to ordinary shareholding, with Aditya Birla Capital Ltd being able to outvote MMSI, appoint the CEO of ABHI, who in turn appoints the executive team and therefore directing the relevant activities of the business. MMSI does not have control over this entity. During October 2022, the Group's holding in ABHI was diluted from 49% to 44.1% with the introduction of a new shareholder as a partner in the business. As a result a gain on deemed disposal has been recognised. The carrying amount of the associate includes further capital injections advanced to the Company in addition to the capital acquired. The principal place of business is in India.
- MHNA is an entity engaged in the administration of medical aid schemes and operates principally in Namibia.
- SASAII is a fund that will engage in the development of student accommodation and the purchase and refurbishment of existing student accommodation. This will either be done directly by the fund or by the fund investing in another proprietary limited company. MML holds 17% in this fund and does not have control over this fund, as the relevant activities of the fund are not under the direction of MML.
- 2Cana has been responsible for the development of the MHS IT platform which maintains its data on the Oracle system. MHS identified this outsourced function as a potential strategic risk and viewed the acquisition of 2Cana as a way to secure the protection of the intellectual property maintained in the system.
- RMIA is an investment company that invests in asset management business held by MMSI. MMSI does not have control over this entity, as the relevant activities of the entity is not under the direction of MMSI.
- MRKT has a predefined business scope, which centres around the ownership and operation of solar energy systems and the identification of future prospective energy-related assets and opportunities. RKT Energy (Pty) Ltd and MML are both equal shareholders in MRKT.
- Aluwani is an asset management services company that was 40% held by MMSI in the Momentum Investments segment. MMSI sold Aluwani during April 2022.

6.1 Detail of investment in ABHI

	2023 Rm	2022 Rm
Summarised financial information		
Revenue	**4 019**	2 426
Loss after taxation	**(478)**	(635)
Assets		
Non-current assets	**7 123**	3 402
Current assets	**642**	392
Liabilities		
Non-current liabilities	**(2 502)**	(1 435)
Current liabilities	**(2 387)**	(1 276)
Net asset value	**2 876**	1 083
Effective holding[1]	**44.1%**	49.0%
Calculated carrying amount	**1 268**	531
Capital contributions[2]	**–**	286
Goodwill	**137**	137
Carrying amount of investment in associate	**1 405**	954

1 During October 2022, the Group's holding was diluted from 49% to 44.1% with the introduction of a new shareholder as a partner in the business.

2 Capital contributions made to ABHI are recognised by the Group as and when contributions occur. As a result of the three-month lag applied to the results of ABHI, the NAV of ABHI does not reflect capital contributions made by the Group during the last three months of the financial year and as such is disclosed as a reconciling item.

7 FINANCIAL ASSETS

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

The Group classifies its financial assets into the following categories:

- Financial assets at FVPL
- Financial assets at amortised cost

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

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

Critical judgements and estimates

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

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

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

		2023 Rm	Restated 2022[1] Rm
	The Group's financial assets are summarised below:		
7.1	**Financial assets at FVPL**	**549 397**	489 511
7.2	**Financial assets at amortised cost**	**9 292**	8 735
7.3	**Insurance and other receivables (excluding accelerated rental income, prepayments and other)**	**5 833**	6 917
7.4	**Cash and cash equivalents**	**35 013**	28 720
	Total financial assets	**599 535**	533 883
7.1	**Financial assets at FVPL**		
	Unit-linked investments	**216 300**	184 886
	Debt securities[2]	**182 649**	174 848
	Equity securities	**114 352**	96 646
	Carry positions[3]	**56**	1 124
	Funds on deposit and other money market instruments[2]	**33 695**	30 093
	Derivative financial assets	**2 345**	1 914
		549 397	489 511
	Open-ended	**285 805**	277 371
	Current[2]	**109 668**	61 515
	Non-current	**153 924**	150 625
	1 to 5 years[2]	**63 715**	60 705
	5 to 10 years[2]	**22 292**	23 015
	> 10 years[2]	**67 917**	66 905
		549 397	489 511

1 Refer to note 47 for more information on the restatements except for those disclosed in footnote 2.

2 Upon further investigation it was concluded that Funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL. Further, R60 million previously disclosed in Current should have been disclosed as R55 million Non-current (1 to 5 years) and R5 million Non-current (>10 years).

3 The Group invests into Qualified Investor Hedge funds that, as a result of the requirements in IFRS 10 – *Consolidated financial statements* are consolidated. During the current year, one such fund changed their exposure from directly held fixed income positions to a participatory holding in a unit trust.

7 FINANCIAL ASSETS CONTINUED

7.1 Financial assets at FVPL continued

General

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

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

	2023		2022	
Derivative financial instruments	**Assets Rm**	**Liabilities Rm**	**Assets Rm**	**Liabilities Rm**
Held for trading	**2 345**	**3 336**	1 914	3 039

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

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

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

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

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

7 FINANCIAL ASSETS CONTINUED

7.1 Financial assets at FVPL continued

	2023			2022		
	Effective exposure Rm	Assets Rm	Liabilities Rm	Effective exposure Rm	Assets Rm	Liabilities Rm
Derivatives held for trading						
Equity derivatives		421	44		222	83
Options, OTC	–	12	12	5	4	–
Options, exchange traded	596	389	–	330	216	1
Futures, OTC	395	–	–	–	–	–
Futures, exchange traded	1 498	9	1	1 792	1	2
Swaps, OTC	(21)	11	31	(80)	–	80
CFD, OTC	504	–	–	814	1	–
Interest rate derivatives		1 828	2 081		1 683	2 058
Options, OTC	1	3	2	–	–	–
Futures, exchange traded	–	–	–	(5)	–	5
Swaps, OTC	(262)	1 819	2 066	(308)	1 658	1 958
Forward rate agreement, OTC	(7)	6	13	(91)	25	95
Bonds		45	131		3	140
Options, exchange traded	149	–	–	82	–	–
Futures, OTC	(3 809)	40	130	3 285	–	139
Futures, exchange traded	6 026	5	1	(81 728)	3	1
Credit derivatives		–	17		–	16
Swaps, OTC	(17)	–	17	(16)	–	16
Currency derivatives		51	1 063		6	742
Options, OTC	(281)	46	82	–	–	–
Futures, OTC	695	7	–	727	6	–
Futures, exchange traded	(786)	–	7	(205)	–	18
Swaps, OTC	(971)	(1)	972	(724)	–	724
CFD, OTC	–	(1)	2	–	–	–
Options, Exchange Traded	(233)	–	–	–	–	–
Commodity derivatives		–	–		–	–
Futures, exchange traded	548 334	–	–	120	–	–
Total derivative financial instruments		**2 345**	**3 336**		1 914	3 039

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

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

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

7 FINANCIAL ASSETS CONTINUED

7.1 Financial assets at FVPL continued

Offsetting

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

	2023 Rm	2022 Rm
Derivative financial assets		
Gross and net amounts of recognised financial assets	**2 345**	1 914
Related amounts not set off in the statement of financial position		
Financial instruments	**(1 434)**	(1 281)
Cash collateral received	**(385)**	(141)
Net amount	**526**	492
Derivative financial liabilities		
Gross and net amounts of recognised financial liabilities	**3 336**	3 039
Related amounts not set off in the statement of financial position		
Financial instruments	**(1 430)**	(1 281)
Cash collateral issued	**(677)**	(814)
Net amount	**1 229**	944

7.2 Financial assets at amortised cost

	2023 Rm	Restated 2022[1] Rm
Financial assets at amortised cost		
Unsettled trades	**2 859**	1 896
Accounts receivable	**3 626**	3 422
Less: provision for impairment	**(155)**	(143)
Debt securities	**411**	481
Less: provision for impairment	**(106)**	–
Funds on deposit and other money market instruments	**234**	294
Less: provision for impairment	**(53)**	(31)
Loans	**2 476**	2 816
Related party loans		
Empowerment partners	**264**	262
Loans due from associates	**53**	54
Preference shares	**36**	36
Staff loans	**61**	55
Other related party loans	**189**	139
Less: provision for impairment	**(87)**	(51)
Other loans		
Policy loans	**1 004**	1 004
Due from agents, brokers and intermediaries	**398**	443
Less: provision for impairment	**(71)**	(84)
Other[2]	**629**	958
Total financial assets at amortised cost	**9 292**	8 735
Open-ended	**90**	215
Current	**8 280**	7 520
Non-current	**922**	1 000
	9 292	8 735

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

2 Includes loans advanced of R157 million (2022: R294 million) of which the largest (R139 million) relates to drawdowns made from an account to fund a property development by a subsidiary, R272 million (2022: R268 million) in respect of underlying assets in a credit fund classified as a CIS, and R76 million (2022: R99 million) relates to fully secured loans advanced to clients with investment holdings.

7 **FINANCIAL ASSETS** CONTINUED

7.2 **Financial assets at amortised cost** continued

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

Reconciliation of expected credit losses	**Accounts receivable Rm**	**Related party loans Rm**	**Due from agents, brokers and inter-mediaries Rm**	**Debt Securities Rm**	**Funds on deposit and other money market instruments Rm**	**Total Rm**
2023						
Balance at beginning	**(143)**	**(51)**	**(84)**	**–**	**(31)**	**(309)**
Additional provision	**(21)**	**(40)**	**–**	**(101)**	**(20)**	**(182)**
Reversed to the income statement	**5**	**1**	**18**	**–**	**–**	**24**
Sale of business	**10**	**–**	**–**	**–**	**–**	**10**
Other[1]	**(6)**	**3**	**(5)**	**(5)**	**(2)**	**(15)**
Balance at end	**(155)**	**(87)**	**(71)**	**(106)**	**(53)**	**(472)**
2022						
Balance at beginning	(127)	(42)	(73)	–	(31)	(273)
Additional provision	(29)	(11)	(9)	–	–	(49)
Reversed to the income statement	11	2	2	–	–	15
Other[1]	2	–	(4)	–	–	(2)
Balance at end	(143)	(51)	(84)	–	(31)	(309)

[1] Includes FCTR movements, foreign exchange gains/losses, and amounts written off as bad debt.

Terms and conditions of material loans

- The loans to empowerment partners is R264 million (2022: R262 million) at 30 June 2023, which relates to preference shares acquired on 2 December 2011 in Off the Shelf Investments (Pty) Ltd (a KTH subsidiary) for R316 million. Given the financial substance of the KTH subsidiary and the commercial terms attached to the funding arrangement, there is sufficient security in the Company that the Group does not carry and has not carried the risks and rewards of the shares that are funded by the loan. The loan is therefore not accounted for as an option under IFRS 2 – *Share-based payment* and is recognised as a receivable carried at amortised cost. Interest is charged at 85% of the prime interest rate of South Africa and the preference shares have a repayment date of 30 September 2023 (after extending the terms for a further 10 months in the current year). The modification did not constitute a significant modification and therefore this was accounted for as a change in the expected future cash flows.

  In 2019, the Company subscribed for a cumulative, redeemable preference share in Off The Shelf Investment 108 (Pty) Ltd which is linked to the A3 preference shares, first acquired in 2011. This is accounted for as a financial asset at FVPL.

- Policy loans are limited to and secured by the underlying value of the unpaid policy benefits. These loans attract interest at rates greater than the current prime rate but limited to 11.86% (2022: 9%) and have no fixed repayment date. Policy loans are tested for impairment against the surrender value of the policy.

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

7 FINANCIAL ASSETS CONTINUED

	2023 Rm	Restated 2022[1] Rm
7.3 Insurance and other receivables		
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 764**	6 820
Insurance contract holders	**2 354**	2 512
Cell captives	**1 753**	1 950
Due from reinsurers	**1 807**	2 478
Investment contract holders with DPF	**11**	28
Less: provision for impairment	**(161)**	(148)
Other	**69**	97
Total included in financial assets	**5 833**	6 917
Accelerated rental income	**380**	380
Other (not included in financial assets)[2]	**–**	263
Prepayments	**472**	239
Total insurance and other receivables	**6 685**	7 799
Current	**5 846**	6 807
Non-current	**839**	992
	6 685	7 799

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

2 In the prior year Other included R263 million relating to value added tax receivables

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

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

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

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

	2023 Rm	2022 Rm
7.4 Cash and cash equivalents		
Bank and other cash balances	**15 929**	13 370
Funds on deposit and other money market instruments – maturity < 90 days	**19 084**	15 350
	35 013	28 720

Expected credit loss on cash and cash equivalents is immaterial.

7 FINANCIAL ASSETS CONTINUED

Financial assets summarised by measurement category in terms of IFRS 9	FVPL					
	Mandatorily Rm	Designated[1] Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
7.5 Financial assets measurement						
2023						
Unit-linked investments	**216 300**	**–**	**216 300**	**–**	**–**	**216 300**
Debt securities	**40 495**	**142 154**	**182 649**	**305**	**–**	**182 954**
Equity securities[2]	**114 352**	**–**	**114 352**	**–**	**–**	**114 352**
Carry positions	**–**	**56**	**56**	**–**	**–**	**56**
Funds on deposit and other money market instruments	**15 814**	**17 881**	**33 695**	**181**	**–**	**33 876**
Derivative financial assets	**2 345**	**–**	**2 345**	**–**	**–**	**2 345**
Financial assets at amortised cost	**–**	**–**	**–**	**8 806**	**–**	**8 806**
Insurance and other receivables (excluding accelerated rental and prepayments)	**–**	**–**	**–**	**–**	**5 833**	**5 833**
Cash and cash equivalents	**–**	**–**	**–**	**35 013**	**–**	**35 013**
Total financial assets	**389 306**	**160 091**	**549 397**	**44 305**	**5 833**	**599 535**
Restated						
2022[3]						
Unit-linked investments	184 886	–	184 886	–	–	184 886
Debt securities[4]	45 401	129 447	174 848	481	–	175 329
Equity securities[2]	96 646	–	96 646	–	–	96 646
Carry positions	–	1 124	1 124	–	–	1 124
Funds on deposit and other money market instruments[4]	13 427	16 666	30 093	263	–	30 356
Derivative financial assets	1 914	–	1 914	–	–	1 914
Financial assets at amortised cost	–	–	–	7 991	–	7 991
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	6 917	6 917
Cash and cash equivalents	–	–	–	28 720	–	28 720
Total financial assets	342 274	147 237	489 511	37 455	6 917	533 883

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

2 Equity securities are classified as FVPL at inception.

3 Refer to note 47 for more information on the restatements except for those disclosed in footnote 4.

4 Upon further investigation it was concluded that Funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

7 FINANCIAL ASSETS CONTINUED

7.5 Financial assets measurement continued

Business model assessment

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

Life insurance companies

Financial assets mandatorily at FVPL

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

Financial assets designated at FVPL

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

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

Other companies

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

Consolidated CISs

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

Impairment

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

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk

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

Credit risk exposure

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

	2023 Rm	Restated 2022[1] Rm
Financial assets at FVPL		
Debt securities	**182 649**	174 848
Stock and loans to government and other public bodies	**91 834**	91 417
Other debt instruments[2, 3]	**90 815**	83 431
Funds on deposit and other money market instruments[2, 3]	**33 695**	30 093
Unit-linked investments (categorised as interest-bearing and money market – refer to note 43)	**14 703**	8 360
CISs[4]	**13 192**	6 807
Other unit-linked investments[4]	**1 511**	1 553
Derivative financial assets – held for trading	**2 345**	1 914
Carry positions	**56**	1 124
Financial assets at amortised cost	**9 292**	8 735
Unsettled trades	**2 859**	1 896
Accounts receivable	**3 471**	3 279
Debt securities	**305**	481
Funds on deposit and other money market instruments	**181**	263
Loans	**2 476**	2 816
Insurance and other receivables		
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 764**	6 820
Cash and cash equivalents	**35 013**	28 720
Total assets bearing credit risk	**283 517**	260 614

1 Refer to note 47 for more information on the restatements except for those disclosed in footnote 3.

2 Amandla Renewable Energy Fund (Pty) Ltd holds collateral in respect of preference shares held by the associated special purpose vehicle, Amandla Ilanga (RF) (Pty) Ltd (Amandla Ilanga), in an investment company. The security has subsequently been ceded to the holder of the senior preference shares issued by the special purpose vehicle as part of initially securing the senior funding. The material terms of the security cession include that the bare dominium in respect of the asset remains with the cedent and the cessionary only receives the right to sell the security upon default as well as only to the extent that value is owed by the cedent in terms of the cession agreement. The fair value of the security ceded is R606 million (2022: R600 million). The investment company which issued the preference shares, with a carrying amount of R477 million, breached its Project Life Cover Ratio covenant during the year and has not yet remedied the breach. Amandla Ilanga has the ability to agree a timeframe with the company within which the company is required to remedy the breach. Additional rights may then arise should the company not remedy the breach within the agreed timeframe. Amandla Ilanga has not taken any formal action with respect to the breach.

3 Upon further investigation it was concluded that Funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

4 Please refer to note 43.1 for more information on these restatements

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2023				
Financial assets at amortised cost				
Unsettled trades	**2 859**	**–**	**–**	**2 859**
Accounts receivable	**3 352**	**80**	**194**	**3 626**
Provision for impairment	**(62)**	**(1)**	**(92)**	**(155)**
Debt securities	**75**	**–**	**336**	**411**
Provision for impairment[1]	**–**	**–**	**(106)**	**(106)**
Funds on deposit and other money market instruments[2]	**43**	**–**	**191**	**234**
Provision for impairment[2]	**–**	**–**	**(53)**	**(53)**
Policy loans	**1 004**	**–**	**–**	**1 004**
Due from agents, brokers and intermediaries	**207**	**1**	**190**	**398**
Provision for impairment	**(23)**	**–**	**(48)**	**(71)**
Other	**1 100**	**1**	**131**	**1 232**
Provision for impairment	**–**	**–**	**(87)**	**(87)**
	8 555	**81**	**656**	**9 292**
Restated 2022[3]				
Financial assets at amortised cost				
Unsettled trades	1 896	–	–	1 896
Accounts receivable	3 158	76	188	3 422
Provision for impairment	(51)	(2)	(90)	(143)
Debt securities	481	–	–	481
Funds on deposit and other money market instruments	149	–	145	294
Provision for impairment	–	–	(31)	(31)
Policy loans	1 004	–	–	1 004
Due from agents, brokers and intermediaries	260	–	183	443
Provision for impairment	(76)	–	(8)	(84)
Other	1 425	–	79	1 504
Provision for impairment	–	–	(51)	(51)
	8 246	74	415	8 735

1 The gross carrying amount for debt securities (stage 3) has increased by R336 million while the associated credit loss has increased by R106 million. The increase in expected credit loss (R106 million) is driven by deteriorating economic conditions in Ghana due to a prevailing debt crisis in the country.

2 The gross carrying amount for funds on deposit and other money market instruments (stage 3) has increased by R46 million while the expected credit loss has increased by R22 million. The increase in expected credit loss (R22 million) is driven by deteriorating economic conditions in Ghana due to a prevailing debt crisis in the country. In the prior year, an impairment was raised in respect of promissory notes held, determined based on 22% of the gross carrying amount. As a result of partial redemptions in the current year, the expected credit loss provision represents 29% of the gross carrying amount as at 30 June 2023.

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

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

- Funds on deposit and other money market instruments totalling R114 million (2022: R145 million), included in stage 3, and associated impairment of R31 million (2022: R31 million), issued by a B-rated counterparty;
- Funds on deposit and other money market instruments totalling R14 million (2022: R23 million), included in stage 1, issued by a B-rated counterparty;
- Funds on deposit and other money market instruments totalling R78 million (2022: Rnil), included in stage 3, and associated impairment of R22 million (2022: Rnil), issued by a CCC-rated counterparty;
- Funds on deposit and other money market instruments totalling R28 million (2022: R126 million), included in stage 1, issued by a CCC-rated counterparty;
- Debt securities totalling R336 million (2022: Rnil), included in stage 3, and associated impairment of R106 million (2022: Rnil), which relates to government stock issued by a country with a sovereign rating of CCC; and
- Debt securities totalling R75 million (2022: R455 million), included in stage 1, which relates to government stock issued by a country with a sovereign rating of CCC.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Reconciliation of expected credit losses	12 month expected credit losses (Stage 1) Rm	Lifetime expected credit losses (Stage 2) Rm	Lifetime expected credit losses (Stage 3) Rm	Total Rm
2023				
Accounts receivable				
Opening balance	(51)	(2)	(90)	(143)
Transfer between stages	10	(1)	(9)	–
Movement recognised in the income statement	(21)	2	3	(16)
Other	–	–	4	4
Closing balance	(62)	(1)	(92)	(155)
Related party loans				
Opening balance	–	–	(51)	(51)
Other	–	–	3	3
Movement recognised in the income statement	–	–	(39)	(39)
Closing balance	–	–	(87)	(87)
Due from agents, brokers and intermediaries				
Opening balance	(76)	–	(8)	(84)
Movement recognised in the income statement	47	–	(29)	18
Other	6	–	(11)	(5)
Closing balance	(23)	–	(48)	(71)
Debt Securities				
Opening balance	–	–	–	–
Movement recognised in the income statement	–	–	(101)	(101)
Other	–	–	(5)	(5)
Closing balance	–	–	(106)	(106)
Funds on deposit and other money market instruments				
Opening balance	–	–	(31)	(31)
Movement recognised in the income statement	–	–	(21)	(21)
Other	–	–	(1)	(1)
Closing balance	–	–	(53)	(53)
2022				
Accounts receivable				
Opening balance	(47)	(5)	(75)	(127)
Transfer between stages	(1)	–	1	–
Movement recognised in the income statement	(5)	3	(16)	(18)
Other	2	–	–	2
Closing balance	(51)	(2)	(90)	(143)
Related party loans				
Opening balance	(8)	–	(34)	(42)
Transfer between stages	5	–	(5)	–
Movement recognised in the income statement	3	–	(12)	(9)
Closing balance	–	–	(51)	(51)
Due from agents, brokers and intermediaries				
Opening balance	(18)	(5)	(50)	(73)
Transfer between stages	–	5	(5)	–
Movement recognised in the income statement	(53)	–	46	(7)
Other	(5)	–	1	(4)
Closing balance	(76)	–	(8)	(84)
Funds on deposit and other money market instruments				
Opening and closing balance	–	–	(31)	(31)

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

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Staging definitions

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

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

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

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

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

Credit quality

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

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Credit quality continued

	AAA Rm	AA Rm	A Rm	BBB Rm	BB Rm	B Rm	CCC Rm	C Rm	Unrated Rm	Total Rm
2023										
Financial assets at FVPL										
Debt securities										
Stock and loans to government and other public bodies	77 807	6 210	4 831	228	982	477	155	97	1 047	91 834
Other debt instruments	24 578	52 413	8 381	2 006	101	188	101	–	3 047	90 815
Derivative financial assets	206	1 736	18	7	23	–	–	–	355	2 345
Carry positions	–	–	–	–	–	–	–	–	56	56
Debt securities and funds on deposit and other money market instruments at amortised cost[2]	–	–	–	–	–	97	389	–	–	486
Cash and cash equivalents and funds on deposit and money market instruments	14 587	46 526	5 045	1 272	117	52	–	–	1 109	68 708
Other unrated instruments										
Other financial assets at amortised cost	–	–	–	–	–	–	–	–	8 806	8 806
Insurance and other receivables	–	–	–	–	–	–	–	–	5 764	5 764
Unit-linked investments	–	–	–	–	–	–	–	–	14 703	14 703
	117 178	106 885	18 275	3 513	1 223	814	645	97	34 887	283 517
Restated 2022[1]										
Financial assets at FVPL										
Debt securities										
Stock and loans to government and other public bodies	76 998	6 926	5 091	222	825	644	312	145	254	91 417
Other debt instruments[2]	9 876	57 788	10 289	1 819	233	282	105	–	3 039	83 431
Derivative financial assets	180	1 509	10	5	20	–	–	–	190	1 914
Carry positions	–	–	–	–	–	–	–	–	1 124	1 124
Debt securities and funds on deposit and other money market instruments at amortised cost	–	–	–	–	–	137	581	–	26	744
Cash and cash equivalents and funds on deposit and money market instruments[2]	11 490	39 364	5 558	1 072	107	133	–	–	1 089	58 813
Other unrated instruments								–		
Other financial assets at amortised cost	–	–	–	–	–	–	–	–	7 991	7 991
Insurance and other receivables	–	–	–	–	–	–	–	–	6 820	6 820
Unit-linked investments	–	–	–	–	–	–	–	–	8 360	8 360
	98 544	105 587	20 948	3 118	1 185	1 196	998	145	28 893	260 614

1 Refer to note 47 for more information on the restatement except for those disclosed in footnote 2.

2 Upon further investigation it was concluded that Debt securities and funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

7 FINANCIAL ASSETS CONTINUED

7.6 Credit risk continued

Credit quality of reinsurers

In respect of the amount due from reinsurers of R1 807 million (2022: R2 478 million) (included in note 7.3), this table provides a proportionate split of reinsurance business by reinsurance counterparty, as well as their respective national scale credit ratings issued by rating agencies, or national scale ratings generated by an internal model where rating agency ratings are not available.

	2023		2022	
Reinsurer	Reinsured portion – %	Credit rating	Reinsured portion – %	Credit rating
Swiss Re	23%	AA-	31%	AA-
General Cologne Re	13%	AA+	18%	AA+
Hannover Re	0%	AA-	3%	AA-
RGA Re	11%	AA-	15%	AA-
Munich Re	44%	AA-	26%	AA-
SCOR Re	8%	AA-	5%	AA-
Other	1%	A	2%	A
	100%		100%	

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

	0 – 90 days Rm	90 days – 1 year Rm	1 – 5 years Rm	> 5 years Rm	Total Rm
2023					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	672	312	520	17	1 521
2022					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	709	126	457	157	1 449

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

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy

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

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2023				
Securities at FVPL	386 882	156 605	5 910	549 397
Unit-linked investments				
CISs[1]				
Local unlisted or listed quoted	126 990	1 525	–	128 515
Local unlisted unquoted	–	98	–	98
Foreign unlisted or listed quoted	69 729	361	66	70 156
Foreign unlisted unquoted	–	1 645	43	1 688
Other unit-linked investments				
Local unlisted or listed quoted	3 615	–	–	3 615
Local unlisted unquoted	–	7 880	2 621	10 501
Foreign unlisted or listed quoted	469	–	–	469
Foreign unlisted unquoted	–	20	1 238	1 258
Debt securities				
Stock and loans to government and other public bodies				
Local listed	69 911	8 819	–	78 730
Foreign listed	2 722	4 697	–	7 419
Unlisted	–	4 236	1 449	5 685
Other debt instruments				
Local listed	–	42 003	43	42 046
Foreign listed	36	9 499	64	9 599
Unlisted	–	39 123	47	39 170
Equity securities				
Local listed	68 688	–	2	68 690
Foreign listed	44 639	772	36	45 447
Unlisted	–	38	177	215
Funds on deposit and other money market instruments	6	33 689	–	33 695
Carry positions	–	56	–	56
Derivative financial assets – held for trading	77	2 144	124	2 345
	386 882	156 605	5 910	549 397

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

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

Notes to the financial statements continued

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy continued

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Restated				
2022				
Securities at FVPL	338 720	144 603	6 188	489 511
Unit-linked investments				
CISs[1]				
Local unlisted or listed quoted[2]	113 653	1 214	–	114 867
Local unlisted unquoted	–	16	–	16
Foreign unlisted or listed quoted[3]	53 273	270	55	53 598
Foreign unlisted unquoted[3]	–	1 901	58	1 959
Other unit-linked investments				
Local unlisted or listed quoted[2]	3 555	1	–	3 556
Local unlisted unquoted[2, 4]	–	6 635	2 652	9 287
Foreign unlisted or listed quoted[5]	204	–	–	204
Foreign unlisted unquoted[4, 5]	259	96	1 044	1 399
Debt securities				
Stock and loans to government and other public bodies				
Local listed[6]	70 362	10 785	1	81 148
Foreign listed[6]	1 590	3 656	2	5 248
Unlisted[7]	–	3 650	1 371	5 021
Other debt instruments				
Local listed[6, 7, 8]	1	38 798	3	38 802
Foreign listed[6, 7]	10	8 037	64	8 111
Unlisted[6, 7]	–	36 057	461	36 518
Equity securities				
Local listed	60 522	3	1	60 526
Foreign listed	35 221	567	146	35 934
Unlisted	–	27	159	186
Funds on deposit and other money market instruments[8]	–	30 093	–	30 093
Carry positions	–	1 124	–	1 124
Derivative financial assets – held for trading	70	1 673	171	1 914
	338 720	144 603	6 188	489 511

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

2 R206 million was inappropriately classified as CIS Local unlisted or listed quoted included in level 1, of which R191 million should have been classified as Other unit-linked investments Local unlisted or listed quoted included in level 1 and R15 million should have been classified as Other unit-linked investments Local unlisted unquoted included in level 2. June 2022 has been restated accordingly.

3 CISs of R372 million was incorrectly classified as Foreign unlisted or listed quoted included in level 1 and should have been classified as Foreign unlisted unquoted included in level 2. June 2022 has been restated accordingly.

4 Other unit-linked investments of R480 million was incorrectly classified as Local unlisted unquoted included in level 3 and should have been classified as Foreign unlisted unquoted included in level 3. June 2022 has been restated accordingly.

5 Upon further interrogation it was noted that R259 million Foreign unlisted or listed quoted Other unit-linked investments included in level 1 was inappropriately classified as such and should have been classified as Foreign unlisted unquoted Other unit-linked investments included in level 1. June 2022 has been restated accordingly.

6 When an inward listed instrument is deemed foreign by the SARB, the Group will classify it as foreign for IFRS reporting purposes. In 2020, the SARB issued a circular that deemed all inward listed debt as local whereas previously this was deemed to be foreign. The SARB has subsequently reissued a final circular in February 2022 following industry engagement deeming all inward listed debt type instruments to be foreign. The Group has therefore restated the June 2022 figures accordingly to consistently treat all inward listed debt type instruments as foreign. Therefore, R4 538 million Other debt instruments previously classified as Local listed has been appropriately classified as Foreign listed and R4 million Stock and Loans to government and other public bodies previously classified as Local listed has been appropriately classified as Foreign listed. This treatment is in accordance with the SARB February 2022 circular.

7 Upon further investigation it was concluded that R563 million was incorrectly classified as Other debt instruments Local listed included in level 2, of which:
- R218 million should have been classified as Other debt instruments Foreign listed included in level 2;
- R340 million should have been classified as Other debt instruments Unlisted included in level 2; and
- R5 million should have been classified as Other debt instruments Unlisted included in level 3 .

June 2022 has been restated accordingly.

8 Further investigation noted that R62 million included in Funds on deposit and other money market instruments level 2 and R5 million included in Funds on deposit and other money market instruments level 3, totalling R67 million, should have been classified as Other debt instruments level 2. June 2022 has been restated accordingly.

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

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy continued

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

	At FVPL					
	Unit-linked investments Rm	Debt securities Rm	Equity securities Rm	Funds on deposit and other money market instruments Rm	Derivative financial assets Rm	Total Rm
2023						
Opening balance	**3 809**	**1 902**	**306**	**–**	**171**	**6 188**
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	**26**	**29**	**(56)**	**–**	**–**	**(1)**
Unrealised gains/(losses)	**292**	**(13)**	**49**	**–**	**(74)**	**254**
Foreign exchange adjustments	**10**	**–**	**4**	**–**	**27**	**41**
Accrued interest in investment income in the income statement	**–**	**64**	**–**	**–**	**–**	**64**
Purchases	**479**	**485**	**59**	**–**	**–**	**1 023**
Sales	**(611)**	**(827)**	**(32)**	**–**	**–**	**(1 470)**
Settlements	**(37)**	**(147)**	**–**	**–**	**–**	**(184)**
Transfers into level 3 from level 1	**–**	**–**	**1**	**–**	**–**	**1**
Transfers into level 3 from level 2[1]	**–**	**116**	**7**	**–**	**–**	**123**
Transfers out to level 2[2]	**–**	**(6)**	**(123)**	**–**	**–**	**(129)**
Closing balance	**3 968**	**1 603**	**215**	**–**	**124**	**5 910**
Restated[3] 2022						
Opening balance	2 992	1 978	234	–	178	5 382
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised (losses)/gains	107	17	(49)	–	–	75
Unrealised gains/(losses)	998	(39)	39	–	3	1 001
Foreign exchange adjustments	(3)	–	1	–	2	–
Accrued interest in investment income in the income statement	–	56	–	–	–	56
Other	(4)	(3)	–	–	–	(7)
Purchases	459	865	176	–	–	1 500
Sales	(284)	(917)	(133)	–	–	(1 334)
Settlements	(464)	(68)	–	–	(12)	(544)
Transfers into level 3 from level 2	8	13	69	–	–	90
Transfers out to level 2[2]	–	–	(31)	–	–	(31)
Closing balance	3 809	1 902	306	–	171	6 188

1 Debt securities (R116 million) were transferred from level 2 to level 3 as the instrument's price was stale for more than 30 days. This is as a result of the debt crisis in Ghana.

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

3 R5 million was incorrectly classified as Funds on deposit and other money market instruments and should have been classified as Debt securities. June 2022 has been restated.

The amount of total gains and losses for the year included in net realised and unrealised fair value gains in the income statement for assets held at the end of the year is R253 million (Restated 2022: R1 076 million) for the Group.

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

7 FINANCIAL ASSETS CONTINUED

7.7 Financial assets hierarchy continued

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

	At FVPL	
	Unit-linked investments Rm	Debt securities Rm
2023		
Carrying amount	**3 968**	**1 603**
Assumption change	**10% increase/ (decrease) in unit price**	**1% increase/ (decrease) in discount rates**
Effect of increase in assumption	**397**	**(12)**
Effect of decrease in assumption	**(397)**	**16**
Restated 2022[1, 2]		
Carrying amount	3 809	1 902
Assumption change	10% increase/ (decrease) in unit price	1% increase/ (decrease) in discount rates
Effect of increase in assumption	381	19
Effect of decrease in assumption	(381)	(20)

1 The assumption changes were not applied to certain Debt securities which resulted in an increase and decrease of R8 million respectively. June 2022 has been restated accordingly.

2 Upon further investigation, it was noted that there was an elimination error that was not appropriately reflected in the sensitivity analysis. This resulted in an increase and decrease of R15 million respectively. June 2022 has been restated accordingly.

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

	2023		Restated 2022[1]	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets at amortised cost	**9 292**	**9 306**	8 735	8 735
Unsettled trades	**2 859**	**2 859**	1 896	1 896
Accounts receivable	**3 471**	**3 471**	3 279	3 279
Debt securities	**305**	**305**	481	481
Funds on deposit and other money market instruments	**181**	**181**	263	263
Loans	**2 476**	**2 490**	2 816	2 816
Insurance and other receivables (excluding accelerated rental income and prepayments)	**5 833**	**5 833**	6 917	6 917
Cash and cash equivalents	**35 013**	**35 013**	28 720	28 720
	50 138	**50 152**	44 372	44 372

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

Calculation of fair value

- For unsettled trades, accounts receivable, debt securities, funds on deposit and other money market instruments, loans, insurance and other receivables and cash and cash equivalents, the carrying amount approximates fair value due to their short-term nature.
- For policy loans, the fair value of R996 million (2022: R958 million) is the discounted amount of the estimated future cash flows to be received, based on monthly repayments of between 15 and 30 months. The expected cash flows are discounted using a rate of 12.52% (2022: 12.02%). The fair value for policy loans are level 2.

8 REINSURANCE CONTRACT ASSETS

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

	2023 Rm	Restated 2022[1] Rm
Reinsurance asset relating to cell captive business	**6 573**	10 671
Reinsurance asset relating to life insurance	**4 745**	3 001
Prepaid reinsurance	**1 165**	1 076
	12 483	14 748
Balance at beginning	**14 748**	6 849
Movement charged to income statement	**1 637**	874
Attributable to non-cell captive business	**1 950**	753
Attributable to cell captive business	**(313)**	121
Sale of business	**(189)**	–
First-party cell captives	**369**	(179)
Third-party cell captives	**17**	711
Promoter[2]	**(4 271)**	6 638
Other	**145**	(176)
Exchange differences	**27**	31
Balance at end	**12 483**	14 748
Current	**8 711**	13 053
Non-current	**3 772**	1 695
	12 483	14 748

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

2 Promoter business includes contingency policies, and policies where the Group accepts insurance and reinsurance inwards risks directly.

In the prior year, a significant claim of R6.9 billion was received following the floods in KwaZulu-Natal during April 2022. This claim was fully reinsured. During the year, an amount of R3.7 billion (2022: R1.7 billion) was received from the reinsurer and paid to the client. At 30 June 2023, the outstanding gross claim estimate is R1.5 billion (2022: R5.2 billion).

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

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

9 INSURANCE CONTRACTS

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

		2023 Rm	Restated 2022[1] Rm
9.1	**Life insurance contracts**		
9.1.1	**Life insurance contract liabilities**	**130 629**	123 613
9.1.2	**Liabilities to third-party cell captive owners**	**3 482**	2 589
		134 111	126 202
	Current	**40 801**	38 885
	Non-current	**93 310**	87 317
		134 111	126 202
	Movement in life insurance contracts		
9.1.1	**Life insurance contract liabilities**		
	Balance at beginning	**123 613**	125 899
	Transfer to/(from) policyholder liabilities under insurance contracts	**6 803**	(2 388)
	Increase/(decrease) in retrospective liabilities	**3 519**	(548)
	Unwind of discount rate	**6 082**	3 625
	Expected release of margins	**(3 650)**	(3 408)
	Expected cash flows	**(8 100)**	(7 243)
	Change in economic assumptions	**(1 635)**	(176)
	Change in non-economic assumptions	**2 797**	(352)
	New business	**9 448**	6 862
	Experience variances	**(896)**	(1 033)
	Change in financial reinsurance	**(420)**	(112)
	Other	**(342)**	(3)
	Other	**151**	136
	Sale of business	**(78)**	–
	Exchange differences	**140**	(34)
	Balance at end	**130 629**	123 613
9.1.2	**Liabilities to third-party cell captive owners**		
	Balance at beginning	**2 589**	3 019
	Charge to the income statement	**(1 094)**	(915)
	Net insurance-related cash flows	**7 732**	6 079
	Dividends paid to cell owners	**(2 974)**	(3 358)
	Changes in share capital and other items relating to cell captives[2]	**(2 771)**	(2 236)
	Balance at end	**3 482**	2 589

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

2 Relates mainly to cell captive expenses including binder fees, administration fees and commission and includes net proceeds in share issues of R45 million (2022: R143 million).

9 INSURANCE CONTRACTS CONTINUED

		2023 Rm	2022 Rm
9.2	**Non-life insurance contracts**		
9.2.1	**Unearned premium provision**	**9 173**	7 749
9.2.2	**Outstanding claims**	**7 035**	11 413
9.2.3	**Liabilities to third-party cell captive owners**	**3 304**	2 990
		19 512	22 152
	Current	**15 249**	18 905
	Non-current	**4 263**	3 247
		19 512	22 152
	Movement in non-life insurance contracts		
9.2.1	**Unearned premium provision**		
	Balance at beginning	**7 749**	6 664
	Premium income received	**12 710**	9 199
	Recognition of premium income	**(11 214)**	(8 049)
	Sale of business	**(78)**	–
	Other	**–**	(77)
	Exchange differences	**6**	12
	Balance at end	**9 173**	7 749
9.2.2	**Outstanding claims**		
	Balance at beginning	**11 413**	4 055
	(Decrease)/increase in outstanding claims	**(4 181)**	7 272
	Sale of business	**(210)**	–
	Other	**(17)**	58
	Exchange differences	**30**	28
	Balance at end	**7 035**	11 413

In the prior year, a significant claim of R6.9 billion was received following the floods in KwaZulu-Natal during April 2022. This claim was fully reinsured. During the year, an amount of R3.7 billion (2022: R1.7 billion) was received from the reinsurer and paid to the client. At 30 June 2023, the outstanding gross claim estimate is R1.5 billion (2022: R5.2 billion).

		2023 Rm	2022 Rm
9.2.3	**Liabilities to third-party cell captive owners**		
	Balance at beginning	**2 990**	2 845
	Charge to the income statement	**(107)**	(97)
	Cell tax	**(403)**	(275)
	Net fair value gains on assets at FVPL	**296**	178
	Cell captive income	**1 644**	1 103
	Net cash flows	**198**	182
	Dividends paid	**(1 474)**	(1 080)
	Exchange differences	**53**	37
	Balance at end	**3 304**	2 990

Refer to note 11 for the assumptions and estimates used.

10 INVESTMENT CONTRACTS

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

	2023 Rm	Restated 2022[1] Rm
10.1 Investment contracts with DPF	**3 267**	2 994
10.2 Investment contracts designated at FVPL	**373 927**	318 615
10.2.1 Investment contract liabilities designated at FVPL	**360 103**	307 904
10.2.2 Liabilities to first-party cell captive owners	**13 824**	10 711
	377 194	321 609
Movement in investment contracts with DPF		
10.1 Investment contracts with DPF		
Balance at beginning	**2 994**	19 222
Reclassification to investment contracts designated at FVPL[2]	**–**	(14 584)
Transfer to/(from) policyholder liabilities under investment contracts with DPF	**274**	(1 644)
Increase/(decrease) in retrospective liabilities	**159**	(1 511)
Unwind of discount rate	**30**	30
Expected release of margins	**(38)**	(40)
Expected cash flows	**8**	8
Change in economic assumptions	**(3)**	–
Change in non-economic assumptions	**126**	(141)
New business	**3**	1
Experience variances	**(11)**	9
Other	**(1)**	–
Balance at end	**3 267**	2 994
Current	**1 282**	1 586
Non-current	**1 985**	1 408
	3 267	2 994
Movement in investment contracts designated at FVPL		
10.2 Investment contracts designated at FVPL		
10.2.1 Investment contract liabilities designated at FVPL		
Balance at beginning	**307 904**	283 414
Contract holder movements	**51 973**	9 633
Deposits received[3]	**51 627**	46 731
Contract benefit payments	**(44 124)**	(44 240)
Fees on investment contracts	**(3 555)**	(3 308)
Fair value adjustment to policyholder liabilities under investment contracts[4]	**48 235**	10 711
Other[3]	**(210)**	(261)
Reclassification from investment contracts with DPF[2]	**–**	14 584
Sale of business	**(86)**	–
Exchange differences	**312**	273
Balance at end	**360 103**	307 904

1 Refer to note 47 for more information on the restatements, except for footnote 3 below.

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

3 Negative R508 million was incorrectly classified as Other instead of Deposits received. June 2022 has been restated accordingly.

4 The year-on-year increase is mainly due to the increase in fair value gains on the assets backing the investment contract policies.

10 INVESTMENT CONTRACTS CONTINUED

10.2 Investment contracts designated at FVPL continued

	2023 Rm	Restated 2022[1] Rm
10.2.2 Liabilities to first-party cell captive owners		
Balance at beginning	**10 711**	9 086
Contract holder movements	**2 434**	1 463
Deposits received	**832**	1 078
Contract benefit payments	**(878)**	(586)
Fees on investment contracts	**(132)**	(101)
Fair value adjustment to policyholder liabilities under investment contracts	**422**	173
Cell captive income	**(298)**	(89)
Changes in share capital, dividends and other items relating to cell captives[2]	**2 488**	988
Exchange differences	**679**	162
Balance at end	**13 824**	10 711
Current	**371 287**	312 865
Non-current	**2 640**	5 750
	373 927	318 615

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

2 Includes net proceeds in share issues of R454 million (2022: R299 million) and dividend distributions of R277 million (2022: R25 million) and other items relating to cell captives of R2 311 million (2022: R962 million). The year-on-year increase in other items relating to cell captives is due to an increase in the net assets of the first party cells, which is a function of the results thereof.

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

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

Refer to note 11 for the assumptions and estimates used.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES

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

The assumptions are set as follows:

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

The liabilities at 30 June 2023 would have been R7 398 million (2022: R6 854 million) lower for the Group without the discretionary margins. This impact is shown gross of transfer tax.

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

Demographic assumptions

- Mortality, morbidity and persistency assumptions are primarily based on internal investigations into past experience. Where internal data is not sufficiently credible, external sources are used, such as industry, national or reinsurer data. Experience variances are monitored on an ongoing basis and are the primary indicator of the need for an updated experience investigation. Experience investigations are carried out at most annually, or less frequently where experience is in line with the current basis, or variances are not material. The periods of investigation typically range from two to five years, and are set according to the nature of the assumption being measured (e.g. short term or long term) and the need for credible analysis. Where appropriate, past experience unlikely to be relevant for the future is excluded and account is taken of future expectations (for example, the effect of expected premium reviews on lapse experience). Appropriate allowance is made for the impact of AIDS on mortality and morbidity rates and in the case of annuity business, explicit allowance is made for mortality improvements. The impact of Covid-19 has been excluded when setting long-term mortality assumptions.

Expenses

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

- Provision for future renewal expenses starts at a level consistent with the forecast expenses for the current financial year, increased at the approved expense inflation rate and adjusted for known changes. Allowance is made for escalation at the assumed expense inflation rate over the term of the projection.
- Asset management expenses are expressed as an annual percentage of assets under management.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Investment returns and inflation

- Market-related information is used to derive assumptions in respect of investment returns, discount rates used in calculating contract holder liabilities and renewal expense inflation.
- These assumptions take into account the notional long-term asset mix backing each liability type and are suitably adjusted for tax and investment expenses.
- Yields of appropriate duration from an appropriate market-related yield curve as at the valuation date are used to discount expected cash flows at each duration. The yield curve used is based on fixed or CPI-linked risk-free securities and, depending on the nature of the corresponding liability, adjusted for credit and liquidity spreads of the assets actually held in the underlying portfolio.
- Investment returns for other asset classes are set as follows:
  - Equity rate: gilt rate +3.5% (2022: +3.5%)
  - Property rate: gilt rate +1.0% (2022: +1.0%)
  - Corporate bonds: gilt rate +0.5% (2022: +0.5%)
  - Cash rate: gilt rate -1.0% (2022: -1.0%)
- An inflation rate of 6% p.a. (2022: 5% p.a.) for ZAR-denominated business is used to project future renewal expenses over the planning horizon (three years) whereafter the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. The 7.1% (2022: 7.7%) in the table below represents the difference at the 10-year point on the yield curves. An addition to the expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.
- The main best-estimate investment assumptions, gross of tax, used in the valuation are:

	2023	2022
RDR	**14.8%**	14.4%
Gilt rate – risk-free investment return	**12.5%**	12.0%
Assumed investment return for individual smoothed bonus business	**14.7%**	14.2%
Renewal expense inflation rate	**7.1%**	7.7%

Future bonuses

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

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Investment guarantees (APN 110)

- Market-consistent stochastic models were calibrated using market data as at 30 June 2023. The value of the investment guarantee liabilities was calculated as at this date.
- APN 110 prescribes specific disclosure in respect of the market-consistent stochastic models that were used to calculate the liabilities. The disclosure is set out below.

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

Year	1	2	3	4	5	10	15	20	25	30	35	40
2023	**7.8**	**8.5**	**9.1**	**9.8**	**10.3**	**12.4**	**13.7**	**14.3**	**14.7**	**14.8**	**14.9**	**14.8**
2022	6.8	7.6	8.3	9.1	9.7	12.1	12.8	13.0	12.9	12.6	12.3	11.9

The following instruments have been valued by the model:

	2023		2022	
Instrument	Price (% of nominal)	Volatility	Price (% of nominal)	Volatility
A 1-year at-the-money (spot) put on the Financial Times Stock Exchange (FTSE)/JSE Top 40 index	**5.9%**	**20.6%**	8.3%	26.0%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a 0.8 (2022: 0.8) of spot	**1.5%**	**24.5%**	2.8%	30.2%
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.0452 (2022: 1.0357)	**7.7%**	**19.9%**	9.7%	25.2%
A 5-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**4.7%**	**22.3%**	5.9%	23.6%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^5$ (2022: $(1.04)^5$) of spot	**8.9%**	**20.9%**	10.9%	22.4%
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 1.4534 (2022: 1.4152)	**15.5%**	**19.7%**	17.0%	21.6%
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**0.2%**	**26.3%**	0.4%	25.0%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to $(1.04)^{20}$ (2022: $(1.04)^{20}$) of spot	**1.5%**	**25.2%**	2.3%	24.0%
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to a forward of 9.1627 (2022: 7.2514)	**25.3%**	**23.7%**	24.7%	23.0%
A 5-year put, with a strike price equal to $(1.04)^5$ (2022: $(1.04)^5$) 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	**3.2%**	**13.9%**	4.2%	13.9%
A 20-year put on an interest rate with a strike price equal to the present 5-year forward rate at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike price	**0.1%**	**N/A**	0.1%	N/A

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Tax

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

Provisions for Covid-19

Covid-19 is now regarded as endemic and short-term provisions are no longer deemed necessary. All remaining Covid-19 short-term provisions were released at 30 June 2023.

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

Non-life insurance claims

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

The overall exposure relating to Covid-19 for Momentum Insure business interruption claims as accounted for at the end of June 2022 was approximately R38 million, this has reduced completely to zero at the end of June 2023 after all outstanding claims were settled during the financial year.

Basis and other changes

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

- Basis and other changes decreased the excess of assets over liabilities at 30 June 2023 by R77 million (2022: R647 million) for the Group. The major contributors to this change were as follows:
  - Actuarial methodology changes and corrections (other changes) – positive R158 million (2022: positive R869 million). Methodology changes consist mainly of reserve release as a result of a number of modelling improvements and refinements as well as a net positive impact from a number of parameter and assumption updates.
  - Experience basis changes – negative R449 million (2022: negative R174 million). The experience basis changes are in respect of withdrawal, expense and mortality assumptions.
  - Economic assumption changes – positive R367 million (2022: negative R47 million). The economic assumption changes are in respect of future investment returns, bonus and inflation assumptions as well as the difference between actual and expected investment returns on non-profit business.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Sensitivity analysis

The sensitivity of the value of contract holder liabilities to movement in the assumptions is shown in the table below. In each instance, the specified assumption changes while all the other assumptions remain constant. Changes in the Insurance, Investment with DPF and Investment liabilities will result in an equal but opposite change in the profit and loss.

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

	Liability Rm	Renewal expenses decrease by 10% Rm	Expense inflation decreases by 1% Rm	Discontinu-ance rates decrease by 10% Rm	Mortality and morbidity decrease by 5% Rm	Investment returns reduce by 1% Rm
2023						
Insurance business						
Retail insurance business (excluding annuities)	**66 203**	**64 648**	**65 126**	**66 586**	**62 238**	**68 142**
Annuities (retail and employee benefits)	**63 468**	**63 271**	**63 307**	**63 468**	**64 046**	**66 425**
Employee benefits business (excluding annuities)	**2 171**	**2 168**	**2 170**	**2 172**	**2 180**	**2 205**
Investment with DPF business	**3 267**	**3 248**	**3 258**	**3 269**	**3 268**	**3 300**
Investment business	**345 043**	**345 024**	**345 033**	**345 047**	**345 043**	**347 853**
Subtotal	**480 152**	**478 359**	**478 894**	**480 542**	**476 775**	**487 925**
Cell captive and non-life business	**50 673**					
Total	**530 825**	**478 359**	**478 894**	**480 542**	**476 775**	**487 925**
Restated 2022[1]						
Insurance business						
Retail insurance business (excluding annuities)	63 551	61 945	62 319	64 031	60 101	65 413
Annuities (retail and employee benefits)	58 178	57 997	58 024	58 178	58 762	60 913
Employee benefits business (excluding annuities)	2 277	2 273	2 275	2 277	2 281	2 304
Investment with DPF business	2 994	2 976	2 985	2 994	2 994	3 002
Investment business	296 389	296 370	296 380	296 393	296 388	299 100
Subtotal	423 389	421 561	421 983	423 873	420 526	430 732
Cell captive and non-life business	46 582					
Total	469 971	421 561	421 983	423 873	420 526	430 732

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

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

The sensitivities were chosen because they represent the main assumptions regarding future experience that the Group employs in determining its insurance liabilities. The magnitudes of the variances were chosen to be consistent with the sensitivities shown in the Group's published 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 benefits business because of the annually renewable nature of this class of insurance. An indication of the sensitivity of financial results to mortality and morbidity variances in this class of business can be obtained by noting that a 5% (2022: 5%) increase in mortality and morbidity lump sum benefits paid on employee benefits business in any given year will result in a reduction of R116 million (2022: R164 million) in the before-tax earnings of the Group.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Sensitivity analysis continued

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

For cell captive business the only sensitivity is where underwriting risk is taken. IBNR is considered to be the most sensitive to changes in the assumed development pattern and assumed independent loss estimates therefore a sensitivity analysis is performed. Changes in the IBNR will result in an equal but opposite change in the profit and loss.

Should assumed future development patterns be 5% accelerated from assumed development patterns, then the net IBNR reserve would decrease by approximately 7.4% (2022: 8.1%) and an increase of profit and loss of R33 million (2022: R30 million). Conversely a 5% slowdown from assumed development patterns will increase the net IBNR reserve by approximately 19.8% (2022: 21.9%) and a decrease of profit and loss of R80 million (2022: R65 million).

Increasing assumed independent loss ratio estimates by a relative 5% would increase the net IBNR reserve by approximately 2.7% (2022: 3.6%) and decrease in profit and loss of R13 million (2022: R14 million). A decrease of 5% in assumed loss ratio estimates would decrease that net IBNR reserve by approximately 3.3% (2022: 3.6%) and increase in profit and loss of R13 million (2022: R14 million).

12 FINANCIAL LIABILITIES

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

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

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

		2023 Rm	Restated 2022[1] Rm
	The Group's financial liabilities are summarised below:		
12.1	**Financial liabilities at FVPL**	**44 830**	48 141
12.2	**Financial liabilities at amortised cost**	**3 969**	4 336
12.3	**Other payables (excluding premiums paid in advance and deferred revenue liability (DRL))**	**19 679**	17 847
		68 478	70 324
12.1	**Financial liabilities at FVPL**		
	CIS liabilities	**27 683**	30 782
	Subordinated call notes	**4 300**	5 327
	Carry positions	**9 080**	7 723
	Derivative financial liabilities (refer to note 7.1)	**3 336**	3 039
	Preference shares issued by subsidiaries	**366**	337
	Other borrowings	**65**	933
		44 830	48 141
	Current	**37 172**	40 217
	Non-current	**7 658**	7 924
		44 830	48 141

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

12 FINANCIAL LIABILITIES CONTINUED

12.1 Financial liabilities at FVPL continued

- The change in the fair value of financial liabilities designated at FVPL due to own credit risk amounted to a loss of R6 million (2022: a loss of R26 million), cumulatively the movement in fair value amounts to R54 million (2022: R47 million). This was calculated by measuring the daily changes in the instrument's credit spreads against the equivalent risk-free assets and then accumulating the impact of the changes in the market value for the period. The difference between the fair value of the subordinated call notes and the contractual amount required to pay at maturity is R29 million (2022: R77 million).
- CIS liabilities – certain CISs have been classified as investments in subsidiaries; refer to note 42. Consequently, scheme interests not held by the Group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value.
- Subordinated call notes (unsecured) – the Prudential Authority (PA) granted approval for MML to raise debt issuances. MML has sufficient cash to cover the debt. In the prior year, MML listed two new subordinated debt instruments to the combined value of R1 billion on the JSE Ltd. A fair value gain of R24 million (2022: a gain of R134 million) was recognised in profit or loss. During the current year, R6 million (2022: a loss of R26 million) fair value loss was recognised on the subordinated call notes which has been accounted for in other comprehensive income. These fair value losses were offset by other market factors. Refer to note 36 for more detail. *(cash flow interest rate risk)*
- Carry positions (secured) – Relates to carry positions reported to the Group that represents a sale and repurchase of assets in specific group annuity portfolios. These carry positions are secured by government stock with a value of R8 074 million (2022: R8 491 million). Offsetting has not been applied. *(fair value interest rate risk)*
- The preference shares issued by subsidiaries primarily relate to senior variable rate cumulative redeemable preference shares (senior preference shares) issued to external parties by Amandla Ilanga which is a subsidiary of Amandla Renewable Energy Fund (Pty) Ltd, an asset holding entity. These preference shares are measured at fair value in order to eliminate an accounting mismatch. The contractual amount required to pay on maturity is R302 million (2022: R302 million). There is no recourse to MMH in case of default on these preference shares. *(cash flow interest rate risk)* The senior preference shares were used by Amandla Ilanga to fund an investment in a project company. The company that was funded breached its Project Life Cover Ratio covenant during the year, which has not yet been remedied. As a consequence, Amandla Ilanga breached its Preference Share Life Cover ratio covenant in respect of the senior preference shares, which has a carrying amount of R292 million. The breach has not yet been remedied. The holder of the senior preference shares has the ability to agree a timeframe with Amandla Ilanga within which Amandla Ilanga is required to remedy the breach. Additional rights for the holder may then arise should Amandla Ilanga not remedy the breach within the agreed timeframe. The holder has not taken any formal action with respect to the breach.
- Amandla Renewable Energy Fund (Pty) Ltd holds collateral in respect of preference shares held by the associated special purpose vehicle, Amandla Ilanga (RF) (Pty) Ltd. The security has subsequently been ceded to the holder of the senior preference shares issued by the special purpose vehicle as part of initially securing the senior funding. The material terms of the security cession include that the bare dominium in respect of the asset remains with the cedent and the cessionary only receives the right to sell the security upon default as well as only to the extent that value is owed by the cedent in terms of the cession agreement. The fair value of the security ceded is R606 million (2022: R600 million).
- Other borrowings – During July 2022, the Group, through its wholly owned subsidiary, Metropolitan International Holdings (Pty) Ltd, disposed of its entire shareholding in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. The Group recognised a financial liability of R94 million in 2022, being the present value of the estimated purchase price for exercising this option. The Group consolidated 96% of the subsidiaries' results prior to the disposal. The put option lapsed unexercised during the current year.
  Other borrowings also include outstanding contingent consideration of R25 million (2022: R33 million) relating to the acquisition of subsidiaries. R17 million relates to the acquisition of CAIM completed in the current year and R8 million relates to the acquisition of Inniu Underwriting Services (Pty) Ltd completed in 2021. In the prior year, the majority of the balance related to the acquisition of Seneca Investment Managers Ltd, however the remaining criteria for the payment of deferred consideration payable was not met. As such, the contingent consideration is valued at Rnil in the current year. *(no interest rate risk)*
  Other borrowings also include financed trades of Rnil (2022: R337 million), short positions in respect of government stock of R16 million (2022: R383 million) and equity positions of R22 million recognised as a result of the Group's investment into Qualified Investor Hedge funds that, as a result of the requirements in IFRS 10 – *Consolidated financial statements*, are consolidated. There is no recourse to MMH in case of default. *(fair value interest rate risk)*
- In the current year, these instruments, excluding 'Derivative financial liabilities', would have been disclosed as at amortised cost under IFRS 9 had they not been designated at FVPL. In the prior year, these instruments, excluding 'Other borrowings' and 'Derivative financial liabilities', would have been disclosed as at amortised cost under IFRS 9 had they not been designated at FVPL.

12.2 Financial liabilities at amortised cost

	2023 Rm	2022 Rm
Term loans	**1 503**	1 541
Cumulative redeemable preference shares[1]	**1 625**	2 025
Lease liabilities	**199**	188
Cumulative redeemable convertible preference shares	**262**	252
Property development loan	**80**	–
Other[2]	**300**	330
	3 969	4 336
Current	**1 227**	818
Non-current	**2 742**	3 518
	3 969	4 336

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

[2] Includes R221 million (2022: R247 million) related to the class A preference shares issued by Momentum Metropolitan iSabelo (RF) (Pty) Ltd that funded the purchase of MMH shares for the Employee Share Ownership Plan.

12 FINANCIAL LIABILITIES CONTINUED

12.2 Financial liabilities at amortised cost continued

12.2.1 Term loans

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

- A R452 million (2022: R475 million) loan from Standard Bank Ltd relates to a developed property held by a subsidiary, 129 Rivonia Road (Pty) Ltd. Interest on the loan is levied at the three-month JIBAR plus 1.85%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*
- A R217 million (2022: R234 million) loan from FirstRand Bank Ltd in order to develop property held by a subsidiary, 102 Rivonia Road (Pty) Ltd. Interest on the loan is levied at a fixed rate of 11%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R155 million (2022: R167 million) loan from Standard Bank Ltd in order to develop property held by a subsidiary, Momentum Metropolitan Umhlanga (Pty) Ltd. Interest on the loan is levied at JIBAR plus 1.90%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*
- A R220 million (2022: R224 million) loan from ABSA Bank Ltd in order to develop property held by a subsidiary, Chuma Mall (Pty) Ltd. Interest on the loan is levied at a fixed rate of 9.63%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- Rnil (2022: R20 million) loan from ABSA Bank Ltd in order to develop property held by a subsidiary, Umgeni Developments 4 (Pty) Ltd. Interest on the loan is levied at a fixed rate of 7.95%. The loan was settled during the year with proceeds from the sale of the property. *(no interest rate risk)*
- A R74 million (2022: R82 million) loan from Nedbank Ltd in order to develop property held by a subsidiary, Rilarex (Pty) Ltd. Interest on the loan is levied at a fixed rate of 10.98%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R153 million (2022: R142 million) loan from Rand Merchant Bank (RMB) to fund the acquisition of Seneca Investment Managers Ltd by MGIM (100% held subsidiary of MML). Interest on the loan is levied at a fixed rate of 6.31%. The loan is secured by MGIM and there is no recourse to MMH in case of default. *(no interest rate risk)*
- A R79 million (2022: R86 million) loan from Nedbank Ltd relates to a developed property held by a subsidiary, Taung Mall (Pty) Ltd. Interest on the loan is levied at a variable rate equal to 0.75% below prime rate. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*
- The remaining term loans of R153 million (2022: R111 million) relate to property entities within the Group and bear interest at fixed rates. There is no recourse to the Group in the event of default for these loans. *(no interest rate risk)*

12.2.2 Cumulative redeemable preference shares

On 26 June 2014, MMSI issued 1 000 cumulative redeemable preference shares at R1 million per share to FirstRand Bank Ltd. The declaration of preference dividends is calculated at 72% of JIBAR plus 180 basis points. During June 2020 300 redeemable preference shares were redeemed, the remaining 700 redeemable preference shares had a redemption date of 29 June 2023. During the current year 400 redeemable preference shares were redeemed. The remaining 300 redeemable preference shares have a redemption date of 29 June 2026 (after extending the redemption date by 36 months in the current year). The declaration of preference dividends of the remaining 300 shares is calculated at 73% of JIBAR plus 168 basis points from date of extension. The modification loss was deemed immaterial. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to voluntarily redeem the preference shares. *(cash flow interest rate risk)*

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

On 28 April 2020, MMSI issued 300 cumulative redeemable preference shares at R1 million per share to Sanlam Alternative Income Fund. The declaration of preference dividends is calculated at 73% of three-month JIBAR plus 165 basis points and has a scheduled redemption date of 30 April 2026 (after extending it by 36 months in the current year). The modification gain was deemed immaterial. Dividends are payable on 31 March and 30 September of each year. The issuer has an option to voluntarily redeem the preference shares. *(cash flow interest rate risk)*

12 FINANCIAL LIABILITIES CONTINUED

12.2 Financial liabilities at amortised cost continued

12.2.3 Cumulative redeemable convertible preference shares

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

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

The current redemption date of the A3 preference shares is 30 September 2023 (after extending it by 10 months in the current year). In the prior year the redemption date was also extended by 5 months to be redeemed on 30 November 2022. The extension in the current and prior year did not constitute a significant modification, the extinguishment of the liability or result in the recognition of a new liability and have therefore been accounted for as a change in the expected future cash flows. The change in the expected cash flows resulted in a R10 million loss recognised in profit or loss in the current year (2022: R6 million loss). In addition, the change in the expected cash flows before and after the extension resulted in an IFRS 2 – *Share-based payment* B-BBEE expense of R16 million being recognised in the current year (2022: R11 million). *(no interest rate risk)*

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

12.2.4 Property development loans

A R80 million (2022: Rnil) loan from Absa Bank Ltd in order to develop property held by a subsidiary, MMH Rosslyn Development (Pty) Ltd. Interest on the loan is levied at 11.5%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(cash flow interest rate risk)*

12.3 Other payables

	2023 Rm	Restated 2022[1] Rm
Payables arising from insurance contracts and investment contracts with DPF	**6 954**	6 953
Claims in process of settlement		
Insurance contracts	**4 958**	5 405
Investment contracts with DPF	**111**	121
Due to reinsurers	**1 885**	1 427
Payables arising from investment contracts	**3 295**	3 088
Financial instruments	**9 430**	7 806
Unsettled trades	**2 526**	1 467
Commission creditors	**639**	708
Health saver liability	**308**	295
Other payables	**5 957**	5 336
Total included in financial liabilities	**19 679**	17 847
Premiums paid in advance	**1 087**	1 172
Deferred revenue liability	**631**	579
Total other payables	**21 397**	19 598
Current	**20 837**	18 642
Non-current	**560**	956
	21 397	19 598

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

12 FINANCIAL LIABILITIES CONTINUED

12.3 Other payables continued

	2023 Rm	Restated 2022 Rm
Reconciliation of deferred revenue liability		
Balance at beginning	**579**	551
Deferred income relating to new business	**125**	136
Amount recognised in income statement[1]	**(73)**	(108)
Balance at end	**631**	579
Current[2]	**88**	76
Non-current	**543**	503
1 to 5 years[2]	**292**	257
5 to 10 years[2]	**188**	182
> 10 years[2]	**63**	64
	631	579

[1] Majority of the fees recognised in the current year were included in the opening balance.

[2] R255 million was incorrectly classified as Current instead of 1 to 5 years (R166 million), 5 to 10 years (R53 million) and > 10 years (R36 million). June 2022 has been restated accordingly.

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

12.4 Financial liabilities measurement

Financial liabilities summarised by measurement category in terms of IFRS 9	FVPL Mandatorily Rm	FVPL Designated Rm	FVPL Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
2023						
Investment contracts with DPF	**–**	**–**	**–**	**–**	**3 267**	**3 267**
Investment contracts designated at FVPL	**–**	**373 927**	**373 927**	**–**	**–**	**373 927**
CIS liabilities	**–**	**27 683**	**27 683**	**–**	**–**	**27 683**
Subordinated call notes	**–**	**4 300**	**4 300**	**–**	**–**	**4 300**
Carry positions	**–**	**9 080**	**9 080**	**–**	**–**	**9 080**
Preference shares	**–**	**366**	**366**	**–**	**–**	**366**
Derivative financial liabilities	**3 336**	**–**	**3 336**	**–**	**–**	**3 336**
Other borrowings	**3**	**62**	**65**	**–**	**–**	**65**
Financial liabilities at amortised cost	**–**	**–**	**–**	**3 770**	**199**	**3 969**
Other payables (excluding premiums in advance and deferred revenue liability)	**–**	**–**	**–**	**12 725**	**6 954**	**19 679**
Total financial liabilities	**3 339**	**415 418**	**418 757**	**16 495**	**10 420**	**445 672**
Restated 2022[1]						
Investment contracts with DPF	–	–	–	–	2 994	2 994
Investment contracts designated at FVPL	–	318 615	318 615	–	–	318 615
CIS liabilities	–	30 782	30 782	–	–	30 782
Subordinated call notes	–	5 327	5 327	–	–	5 327
Carry positions	–	7 723	7 723	–	–	7 723
Preference shares	–	337	337	–	–	337
Derivative financial liabilities	3 039	–	3 039	–	–	3 039
Other borrowings	878	55	933	–	–	933
Financial liabilities at amortised cost	–	–	–	4 148	188	4 336
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	10 894	6 953	17 847
Total financial liabilities	3 917	362 839	366 756	15 042	10 135	391 933

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

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy

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

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2023				
Investment contracts designated at FVPL	–	373 916	11	373 927
Financial liabilities at FVPL	27 714	16 776	340	44 830
CIS liabilities	27 671	–	12	27 683
Subordinated call notes	–	4 300	–	4 300
Carry positions	–	9 080	–	9 080
Preference shares	–	56	310	366
Derivative financial liabilities – held for trading	2	3 334	–	3 336
Other borrowings	41	6	18	65
	27 714	390 692	351	418 757
Restated 2022[1]				
Investment contracts designated at FVPL	–	318 605	10	318 615
Financial liabilities at FVPL	31 577	16 142	422	48 141
CIS liabilities	30 768	–	14	30 782
Subordinated call notes	–	5 327	–	5 327
Carry positions	–	7 723	–	7 723
Preference shares	–	43	294	337
Derivative financial liabilities – held for trading	3	3 036	–	3 039
Other borrowings	806	13	114	933
	31 577	334 747	432	366 756

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

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

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy continued

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

	At FVPL				
	Investment contracts designated at FVPL Rm	CIS liabilities Rm	Preference shares Rm	Other borrowings Rm	Total Rm
2023					
Opening balance	**10**	**14**	**294**	**114**	**432**
Business combinations	**–**	**–**	**–**	**17**	**17**
Total losses/(gains) in net realised and unrealised fair value losses in the income statement					
Realised gains	**(2)**	**–**	**–**	**(22)**	**(24)**
Unrealised losses/(gains)	**3**	**(4)**	**16**	**–**	**15**
Issues	**–**	**2**	**–**	**–**	**2**
Lapsed unexercised	**–**	**–**	**–**	**(94)**	**(94)**
Exchange differences	**–**	**–**	**–**	**3**	**3**
Closing balance	**11**	**12**	**310**	**18**	**351**
2022					
Opening balance	23	18	313	201	555
Total gains in net realised and unrealised fair value gains in the income statement					
Unrealised gains	(2)	(1)	(13)	(61)	(77)
Issues	–	4	–	35	39
Sales	–	(4)	–	–	(4)
Settlements	–	(3)	(6)	(64)	(73)
Contract holder movements					
Benefits paid	(11)	–	–	–	(11)
Exchange differences	–	–	–	3	3
Closing balance	10	14	294	114	432

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

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

Sensitivity: The final calculation of the deferred consideration payable by MGIM as a result of the initial acquisition of Seneca Investment Managers Ltd has been valued at Rnil during the current year as a result of the remaining criteria for payment not being met. In the prior year, increasing/decreasing the assets under management growth rate by 10% would decrease/increase the carrying amount of the contingent consideration, included in Other borrowings, in level 3 by R1.1 million and R1.1 million respectively. In respect of the contingent consideration recognised as a result of the acquisition in the current year, increasing/decreasing the assets under management growth rate by 0.18% would decrease/increase the carrying amount of the contingent consideration, included in Other borrowings, in level 3 by R1.5 million and R1.5 million respectively.

12 **FINANCIAL LIABILITIES** CONTINUED

12.5 **Financial liabilities hierarchy** continued

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

	2023		Restated 2022[1]	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Investment contracts with DPF	**3 267**	**3 267**	2 994	2 994
Financial liabilities at amortised cost	**3 969**	**4 214**	4 336	4 484
Cumulative redeemable preference shares	**1 625**	**1 625**	2 025	2 025
Property development loan	**80**	**80**	–	–
Cumulative redeemable convertible preference shares	**262**	**507**	252	400
Term loans	**1 503**	**1 503**	1 541	1 541
Lease liabilities	**199**	**199**	188	188
Other	**300**	**300**	330	330
Other payables (excluding premiums in advance and deferred revenue liability)	**19 679**	**19 679**	17 847	17 847
Payables arising from investment contracts	**3 295**	**3 295**	3 088	3 088
Other	**16 384**	**16 384**	14 759	14 759
	26 915	**27 160**	25 177	25 325

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

Calculation of fair value

- The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which has been used as an approximation for the fair value of this financial liability. There is no intention to dispose of these financial instruments.
- The estimated fair value of the cumulative redeemable preference shares is determined by referencing similar preference shares that could be obtained with the same maturity profile and an interest rate linked to a 72% three-month JIBAR. The carrying amount approximates fair value as the terms of the current arrangement are market-related. *(level 2)*
- The estimated fair value of the cumulative redeemable convertible preference shares is based on the market value of the listed ordinary shares, adjusted for the differences in the estimated dividend cash flows between the valuation and conversion dates. As the preference shares are already convertible, the market value is deemed to be the minimum value. In 2023, the expected cash flows were discounted at a current market rate of 15% (2022: 14%). The conversion of the preference shares is at the option of the preference shareholder; the date of conversion was estimated based on the most beneficial dividend stream to the holder. *(level 2)*
- For lease liabilities the fair value is not disclosed as this is not required by IFRS. For other liabilities at amortised cost, payables arising from investment contracts and other payables, the carrying amount approximates fair value due to their short-term nature.

13 REINSURANCE CONTRACT LIABILITIES

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

	2023 Rm	2022 Rm
Balance at beginning	**2 299**	2 347
Change in liabilities under reinsurance agreements	**(13)**	(658)
New financial reinsurance agreements	**3 127**	680
Repayments	**(2 352)**	(727)
Change in liabilities due to release of rebate	**(788)**	(680)
Change in estimates	**–**	69
Reinsurance premium rebate received	**788**	680
Reinsurance ceded	**(279)**	(70)
Balance at end	**2 795**	2 299
Current	**264**	128
Non-current	**2 531**	2 171
	2 795	2 299

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

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

14 DEFERRED INCOME TAX

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

	2023 Rm	2022 Rm
Deferred tax asset	**984**	880
Deferred tax liability	**(2 531)**	(2 601)
	(1 547)	(1 721)
Deferred tax is made up as follows:		
Accruals and provisions	**106**	134
Accelerated wear and tear	**(133)**	(123)
Revaluations	**(1 083)**	(1 071)
Properties[1]	**(237)**	(255)
Financial instruments[1]	**(681)**	(646)
Other[1]	**(165)**	(170)
Deferred tax on intangible assets as a result of past business combinations	**(1 092)**	(1 193)
Deferred revenue liability	**6**	(15)
Difference between published and statutory policyholder liabilities	**4**	4
Tax losses	**805**	816
Negative rand reserves	**(127)**	(254)
DAC	**(16)**	(19)
Other	**(17)**	–
	(1 547)	(1 721)
Current	**513**	477
Non-current	**(2 060)**	(2 198)
	(1 547)	(1 721)

[1] These line items were previously disclosed on a aggregated basis as Revaluations and have subsequently been disaggregated to enhance comparability and usefulness.

14 DEFERRED INCOME TAX CONTINUED

	2023 Rm	2022 Rm
Movement in deferred tax		
Balance at beginning	**(1 721)**	(1 973)
Charge to the income statement	**175**	196
Change in tax rate	**–**	60
Accruals and provisions	**(38)**	34
Accelerated wear and tear	**(10)**	26
Revaluations	**(4)**	12
Properties[1]	**26**	(29)
Financial instruments[1]	**(35)**	138
Other[1]	**5**	(97)
Deferred tax movement on intangible assets as a result of past business combinations	**101**	136
Deferred revenue liability	**21**	(22)
Difference between published and statutory policyholder liabilities	**–**	1
Tax losses	**(11)**	(184)
Negative rand reserves	**127**	132
DAC	**3**	–
Prepayments	**(3)**	1
Other	**(11)**	–
Charge to other comprehensive income (refer to note 17)[2]	**2**	47
Other	**(2)**	7
Exchange differences	**(1)**	2
Balance at end	**(1 547)**	(1 721)
Unused tax losses for which no deferred tax has been recognised	**4 127**	3 294
Potential tax benefit	**1 115**	889

1 These line items were previously disclosed on a aggregated basis as Revaluations and have subsequently been disaggregated to enhance comparability and usefulness.

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

Creation of deferred tax assets and recognition of deferred tax liabilities

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

Included in the deferred tax asset of R805 million (2022: R816 million) raised due to tax losses, is a deferred tax asset of R117 million (2022: R151 million), the utilisation of which depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the subsidiary has suffered a loss in either the current or preceding year. Based on approved budgets prepared by management of these subsidiaries, the Group considers it probable that the deferred tax asset will be used against future taxable profits. The deferred tax assets on losses are calculated after considering the assessed loss utilisation limitation of 80%. The limitation effectively defers the utilisation of the assessed loss to future periods.

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

Potential tax benefits due to unused tax losses will expire should an entity cease to trade. Deferred tax assets have not been recognised in this respect. Included in the potential tax benefit is Rnil (2022: R104 million) attributable to Metropolitan Life International Ltd, which ceased trading during the last 12 months. The tax benefit expired on 30 June 2023.

No deferred tax liability is recognised on temporary differences of R2 213 million (2022: R1 925 million) relating to the unremitted earnings of international subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

14 DEFERRED INCOME TAX CONTINUED

Creation of deferred tax assets and recognition of deferred tax liabilities continued

In the prior year, during his budget speech on the 23rd of February 2022, the Minister of Finance announced a decrease in the corporate income tax rate from 28% to 27% for the years of assessment ending on or after 31 March 2023. IAS 12 requires that deferred tax assets and liabilities be measured at the tax rate applicable when the assets are realised or liabilities are settled, based on the tax rates that are enacted or substantively enacted at the end of the reporting period. The rate change was regarded as substantively enacted and as such the deferred tax balances as at 30 June 2022 were redetermined based on a rate of 27%.

Critical accounting estimates and judgements

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

15 EMPLOYEE BENEFIT OBLIGATIONS

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

		2023 Rm	2022 Rm
15.1	**Employee benefit obligations**		
15.1.1	**Post-retirement medical benefits**	**87**	101
15.1.2	**Cash-settled arrangements**	**428**	195
	Other employee benefit obligations[1]	**1 234**	1 142
	Total employee benefit obligations	**1 749**	1 438
	Current	**1 458**	1 255
	Non-current	**291**	183
		1 749	1 438

[1] Other employee benefit obligations relate to a leave pay liability of R383 million (2022: R355 million) and staff and management bonuses of R851 million (2022: R787 million).

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

		2023 Rm	2022 Rm
15.1.1	**Post-retirement medical benefits**		
	Balance at beginning – unfunded	**101**	108
	Current service costs	**1**	2
	Interest expense	**11**	10
	Actuarial losses – other comprehensive income	**(20)**	(10)
	Settlements	**–**	(1)
	Benefits paid and transferred	**(6)**	(8)
	Balance at end – unfunded	**87**	101
	Current	**14**	12
	Non-current	**73**	89
		87	101

Valuation methodology

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

15 **EMPLOYEE BENEFIT OBLIGATIONS** CONTINUED

15.1 **Employee benefit obligations** continued

	2023 Rm	2022 Rm
15.1.2 Cash-settled arrangements		
Retention and remuneration schemes		
Balance at beginning	**195**	288
Additional provisions[1]	**382**	63
Benefits paid	**(151)**	(156)
Exchange differences	**2**	–
Balance at end	**428**	195
Current	**210**	101
Non-current	**218**	94
	428	195

[1] The significant increase in the current year is attributable to increases in the share price in the current year, a higher allocation of units in October 2022 and overall higher performance vesting probabilities.

MMH share schemes

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

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

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

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

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

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

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

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

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

The SAR performance units vested in October 2022. On vesting the performance units were converted into retention units with settlement dates of October 2022, October 2023, and October 2024.

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

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Employee benefit obligations continued

15.1.2 Cash-settled arrangements continued

	MMH LTIP				MMH SAR	
	Retention units '000	Performance units '000	Deferred bonus units '000	MSPS '000	Performance units '000	Retention units '000
Units in force at 1 July 2021	204	24 754	13 520	2 645	21 807	–
Units granted during year	16	10 812	5 761	562	–	–
Units exercised/released during year	(198)	(2)	(7 320)	(746)	–	–
Units cancelled/lapsed during year	(22)	(2 999)	(555)	(128)	(1 341)	–
Units in force at 1 July 2022	**–**	**32 565**	**11 406**	**2 333**	**20 466**	**–**
Units granted during year	**–**	**16 233**	**17 733**	**752**	**–**	**–**
Units converted to retention units	**–**	**–**	**–**	**–**	**(13 651)**	**1 475**
Units exercised/released during year	**–**	**(2 158)**	**(6 358)**	**(627)**	**–**	**(487)**
Units cancelled/lapsed during year	**–**	**(6 320)**	**(1 013)**	**(106)**	**(6 815)**	**(42)**
Units in force at 30 June 2023	**–**	**40 320**	**21 768**	**2 352**	**–**	**946**

Market value of range at date of exercise/release	2023 Cents	2022 Cents
MMH LTIP		
Retention units	**–**	1 519 – 1 947
Performance units	**1 706 – 1 810**	1 519
Deferred bonus units	**1 650 – 1 957**	1 519 – 2 076
MSPS	**1 609 – 1 986**	1 427 – 1 966
MMH SAR		
Retention units	**1 706 – 1 810**	–
Performance units	**1 706 – 1 810**	–

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

	MMH LTIP				MMH SAR	
	Retention units '000	Performance units '000	Deferred bonus units '000	MSPS '000	Performance units '000	Retention units '000
2023						
Financial year 2023/2024	**–**	**6 040**	**9 022**	**537**	**–**	**–**
Financial year 2024/2025	**–**	**9 426**	**7 278**	**534**	**–**	**473**
Financial year 2025/2026	**–**	**12 013**	**5 468**	**606**	**–**	**473**
Financial year 2026/2027	**–**	**8 113**	**–**	**426**	**–**	**–**
Financial year 2027/2028	**–**	**4 728**	**–**	**249**	**–**	**–**
Total outstanding shares	**–**	**40 320**	**21 768**	**2 352**	**–**	**946**
2022						
Financial year 2022/2023	–	3 624	6 020	631	6 822	–
Financial year 2023/2024	–	7 509	3 578	570	6 822	–
Financial year 2024/2025	–	10 855	1 808	567	6 822	–
Financial year 2025/2026	–	7 231	–	379	–	–
Financial year 2026/2027	–	3 346	–	186	–	–
Total outstanding shares	–	32 565	11 406	2 333	20 466	–

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

16 SHARE CAPITAL AND SHARE PREMIUM

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

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

Authorised share capital of MMH

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

Issued share capital

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

	2023 Rm	2022 Rm
Balance at beginning	**12 769**	12 737
Net decrease in treasury shares held on behalf of contract holders	**59**	32
	12 828	12 769
Share capital	**9**	9
Share premium	**12 819**	12 760
	12 828	12 769

Number of ordinary shares in issue (prior to weighting)	2023 Million	2022 Million
Total ordinary shares in issue	**1 425**	1 498
Treasury shares held on behalf of contract holders	**(25)**	(29)
Treasury shares held on behalf of employees	**(45)**	(45)
Basic number of shares in issue	**1 355**	1 424
Adjustment to employee share scheme shares	**11**	7
Convertible redeemable preference shares	**28**	28
Diluted number of shares in issue	**1 394**	1 459
Adjustment to employee share scheme shares	**(11)**	(7)
Treasury shares held on behalf of contract holders	**25**	29
Treasury shares held on behalf of employees	**45**	45
Diluted number of shares in issue for normalised headline earnings purposes	**1 453**	1 526

Refer to note 17.6 for more details on the employee share ownership plan.

MML had 190 million ordinary shares in issue at 30 June 2022 (2021: 190 million).

Reconciliation of basic number of shares in issue	Million	Million
Balance at beginning	**1 424**	1 422
Share repurchased and cancelled	**(73)**	–
Movement in treasury shares held on behalf of contract holders	**4**	2
Balance at end	**1 355**	1 424

Preference shares

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

Share buyback programme

The Group concluded its share buyback programme on 31 May 2023. 73 million shares (R1 250 million including transaction costs) were bought back. The shares were cancelled and reverted to authorised but unissued status.

17 OTHER COMPONENTS OF EQUITY

		2023 Rm	Restated 2022[1] Rm
17.1	**Land and building revaluation reserve**	**330**	311
17.2	**FCTR**	**414**	(60)
17.3	**Non-distributable reserve**	**78**	73
17.4	**Employee benefit revaluation reserve**	**64**	23
17.5	**Fair value adjustment for preference shares issued by MMH**	**940**	940
17.6	**Equity-settled share-based payment arrangements**	**174**	122
		2 000	1 409
	Movements in other reserves		
17.1	**Land and building revaluation reserve**		
	Refer to note 48.5 for the accounting policies relating to this note.		
	Balance at beginning	**311**	409
	Earnings directly attributable to other components of equity	**21**	(91)
	Revaluation	**31**	(138)
	Deferred tax on revaluation	**(10)**	47
	Transfer to retained earnings	**(2)**	(7)
	Balance at end	**330**	311
17.2	**FCTR**		
	Refer to note 48.3 for the accounting policies relating to this note.		
	Balance at beginning	**(60)**	(157)
	Currency translation differences	**482**	96
	Transfer (to)/from retained earnings	**(8)**	1
	Balance at end	**414**	(60)
17.3	**Non-distributable reserve**		
	Balance at beginning	**73**	66
	Transfer from retained earnings	**5**	7
	Balance at end	**78**	73
17.4	**Employee benefit revaluation reserve**		
	Refer to note 48.19 for the accounting policies relating to this note.		
	Balance at beginning	**23**	84
	Earnings directly attributable to other components of equity	**22**	(8)
	Remeasurement of post-employment benefit obligations	**10**	(8)
	Deferred tax on remeasurement	**12**	–
	Transfer from/(to) retained earnings[2]	**19**	(53)
	Balance at end	**64**	23
17.5	**Fair value adjustment for preference shares issued by MMH**		
	Equity component of preference shares issued	**940**	940
	This represents the write-up of the carrying amount of the preference shares issued by MMH to KTH to fair value, as part of the fair value exercise performed on Metropolitan as a result of the merger with Momentum in December 2010.		
17.6	**Equity-settled share-based payment arrangements**		
	B-BBEE share-based payment reserve		
	Balance at beginning	**122**	76
	Transfer to retained earnings	**–**	(6)
	Share schemes – value of services provided	**52**	52
	Balance at end	**174**	122

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

[2] In the current year, the Metropolitan Staff Retirement Fund was liquidated and R19 million was transferred from Retained earnings to the Employee Benefit Fund Reserve. In the prior year, the Metropolitan Staff Pension Fund was liquidated and R53 million was transferred from the Employee Benefit Fund Reserve to Retained earnings.

17 OTHER COMPONENTS OF EQUITY CONTINUED

17.6 Equity-settled share-based payment arrangements continued

A3 Preference shares

The Company issued A3 preference shares to Off The Shelf Investments 108 (Pty) Ltd (a subsidiary of KTH) in 2011. In 2019, the Company subscribed for a cumulative, redeemable preference share in Off The Shelf Investments 108 (Pty) Ltd which is linked to the A3 preference shares acquired in 2011. The dividends on the Off The Shelf Investments preference share aligns the A3 preference shares dividend to the ordinary dividends. The redemption date was extended by 10 months to 30 September 2023 in the current year. In the prior year, the redemption date was extended by 5 months to 30 November 2022. As a result of this, an IFRS 2 – *Share-based payment* B-BBEE expense of R16 million (2022: R10 million) was recognised.

iSabelo Trust

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

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

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

Employees will retain the proportional vesting of units for the portion of the seven years they were employed by Momentum Metropolitan, however if they leave within the first year of the scheme they will forfeit their entire allocation. Units will be granted annually to new permanent South African based employees of the Group who have joined between the period of 1 March 2021 to 28 February 2026, under the same terms as above. No further units will be allocated to any new employees after April 2026. Units were granted to new employees on 24 April 2023.

The fair value used in determining the allocation is based on the unit price on grant date, adjusted for various variables. Refer to note 45 for more details regarding the valuation assumptions. The total unit allocation costs relating to the current period for the iSabelo Trust amounting to R36 million (2022: R42 million) (refer to note 24) has been included in the income statement. As at 30 June 2023, the total value of the units was R240 million (2022: R264 million). There were no modifications to the scheme in the current period.

The valuation model used to determine the grant date fair value at June 2021 had been refined during the prior year.

The following refinements were incorporated:

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

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

17 OTHER COMPONENTS OF EQUITY CONTINUED

17.6 Equity-settled share-based payment arrangements continued

iSabelo Trust continued

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

	Grant date[1, 2, 3]	Redemption date	Weighted average remaining contractual life	Grant date fair value	Number of units '000
Units awarded F2021	22-Apr-21	12-Apr-31	7.8 years	64	359 479
Units awarded F2022	29-Apr-22	28-Apr-32	8.8 years	48	72 410
Units awarded F2023	24-Apr-23	24-Apr-33	9.8 years	36	76 458

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

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

[3] Units were allocated to employees on 24 April 2023. The IFRS 2 grant date for employees is 24 April 2023 as at this date there was a shared understanding of the terms and conditions of the arrangement.

	Average price Cents	Number of units '000
Movements on units awarded:		
As at 1 July 2020	–	–
Units awarded	64	359 479
Awarded units lapsed due to resignation	64	(14 529)
As at 1 July 2021		344 950
Units awarded	48	72 410
Awarded units lapsed due to resignation	63	(69 505)
As at 1 July 2022		347 855
Units awarded	36	76 458
Awarded units lapsed due to resignation	55	(68 656)
Awarded units cancelled due to non-acceptance[1]	45	(34 898)
As at 30 June 2023		**320 759**

[1] The iSabelo Trustees resolved that where units were allocated and not accepted within a reasonable period of time, as stipulated in the allocation letter or by written confirmation, such units shall lapse. This was implemented for the first time in the current financial year.

18 NET INSURANCE PREMIUMS

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

	2023 Rm	Restated 2022[1] Rm
Premiums received	**66 391**	59 520
Life insurance contracts	**44 475**	39 947
Non-life insurance contracts	**19 897**	17 725
Investment contracts with DPF	**747**	770
Health premiums	**1 272**	1 078
Premiums received ceded to reinsurers	**(22 911)**	(20 627)
	43 480	38 893
Included in the above is the following relating to cell captives:		
Premiums received	**27 554**	24 151
Non-life insurance contracts	**16 458**	14 306
Life insurance contracts	**11 096**	9 845
Premiums received ceded to reinsurers	**(18 951)**	(17 245)
	8 603	6 906

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

19 FEE INCOME

Refer to note 48.24 for the accounting policies relating to this note.

	2023 Rm	2022 Rm
Contract administration	**3 794**	3 533
Investment contract administration	**3 687**	3 409
Release of deferred front-end fees	**107**	124
Health administration	**2 425**	2 246
Trust and fiduciary services	**1 381**	1 252
Asset management	**664**	639
Retirement fund administration	**508**	446
Asset administration	**209**	167
Cell captive commission	**1 972**	1 496
Other fee income	**777**	740
Momentum Multiply fee income	**161**	166
Administration fees received	**26**	6
Other	**590**	568
	10 349	9 267

Revenue disaggregation

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

20 INVESTMENT INCOME

Refer to note 48.24 for the accounting policies relating to this note.

	2023 Rm	Restated 2022[1] Rm
Interest income	**22 913**	17 896
At FVPL	**20 919**	16 502
At amortised cost using the effective interest rate method		
Cash and cash equivalents	**1 709**	1 089
Financial assets at amortised cost	**230**	182
Funds on deposit and other money market instruments	**30**	34
Debt securities	**25**	89
Dividend income at FVPL[2]	**6 529**	6 317
Listed	**3 089**	3 107
Unlisted	**3 440**	3 210
Rental income	**1 316**	1 289
Investment properties	**1 306**	1 278
Owner-occupied properties	**10**	11
Other income	**11**	11
	30 769	25 513

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

2 Certain financial assets at FVPL were incorrectly classified as Listed as opposed to Unlisted. The classification of the underlying instruments was corrected to Unlisted as well as the associated dividend income at FVPL, resulting in a restatement of R37 million from Listed to Unlisted.

21 NET REALISED AND UNREALISED FAIR VALUE GAINS/(LOSSES)

Refer to note 48.6, 48.7 and 48.11 for the accounting policies relating to this note.

	2023 Rm	Restated 2022[1] Rm
Financial assets	**40 650**	(3 706)
Designated at FVPL	**38 864**	(2 579)
Mandatorily at FVPL	**1 452**	(1 493)
Net derivative financial instruments – income	**262**	329
Net realised and unrealised foreign exchange differences on financial instruments not at FVPL	**72**	37
Investment property	**(263)**	(47)
Valuation losses	**(264)**	(26)
Change in accelerated rental income	**1**	(21)
Financial liabilities	**154**	221
At amortised cost	**10**	–
Designated at FVPL	**144**	221
Other investments[2]	**(112)**	16
	40 429	(3 516)

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

2 Included in the current year is the loss on sale of subsidiaries.

The increase in net realised and unrealised fair value gains for the period mainly relates to local and global equity performance.

22 NET INSURANCE BENEFITS AND CLAIMS

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

	2023 Rm	Restated 2022[1] Rm
Life insurance contracts	**28 398**	31 711
Death and disability claims	**15 028**	19 190
Maturity claims	**4 182**	4 121
Annuities	**6 172**	5 422
Surrenders	**2 575**	2 524
Terminations, disinvestments and withdrawal benefits	**441**	454
Non-life insurance benefits incurred	**15 772**	12 701
Investment contracts with DPF	**728**	816
Terminations, disinvestments and withdrawal benefits	**10**	30
Maturity claims	**253**	316
Surrenders	**371**	359
Annuities	**84**	87
Death and disability claims	**10**	24
Health and capitation benefits incurred	**982**	973
Non-life insurance change in provision for outstanding claims[2]	**(4 202)**	7 271
	41 678	53 472
Amounts recovered from reinsurers	**(11 619)**	(23 096)
	30 059	30 376

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

2 In the prior year, a significant claim of R6.9 billion was received following the floods in KwaZulu-Natal during April 2022. This claim was fully reinsured. During the current year, an amount of R3.7 billion (2022: R1.7 billion) was received from the reinsurer and paid to the client. This has resulted in the change in provision for outstanding claims decreasing in the current year. At 30 June 2023, the outstanding gross claim estimate is R1.5 billion (2022: R5.2 billion).

23 DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES

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

	2023 Rm	2022 Rm
Depreciation	**369**	358
Owner-occupied properties (refer to note 4.1)	**51**	50
Equipment	**224**	205
Right-of-use assets	**94**	103
Amortisation (refer to note 3)	**526**	551
VOBA	**238**	237
Customer relationships	**104**	120
Brands	**65**	66
Broker network	**44**	55
Computer software	**75**	73
Impairment losses/(reversals) of intangible assets (refer to note 3)	**478**	709
Goodwill	**478**	717
Computer software	**–**	2
VOBA	**–**	(10)
(Reversals of impairments)/impairment of owner-occupied properties (refer note 4.1)	**(46)**	35
Impairment of financial assets (refer to note 7.2)	**176**	27
	1 503	1 680

24 EMPLOYEE BENEFIT EXPENSES

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

	2023 Rm	2022 Rm
Salaries	**6 633**	6 215
Defined contribution retirement fund	**436**	419
Contributions to medical aid funds	**242**	235
Share-based payment expenses – Cash-settled arrangements (refer to note 15.1.2)	**382**	63
Training costs	**152**	122
Retirement fund assets	**(40)**	(42)
Share-based payment expenses – Equity-settled arrangements (refer to note 17.6)	**36**	42
Post-retirement medical benefits	**12**	14
Defined benefit retirement fund	**–**	1
Other	**93**	88
	7 946	7 157

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

25 SALES REMUNERATION

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

	2023 Rm	Restated 2022[1] Rm
Commission incurred for the acquisition of insurance contracts[2]	**6 402**	6 345
Commission incurred for the acquisition of investment contracts[2]	**905**	660
DAC long-term – Acquisition costs incurred	**398**	400
Net movement in DAC (long-term)	**44**	10
Additions (refer to note 3.7)	**354**	390
DAC short-term – Expense	**89**	20
Acquisition costs paid	**1 956**	1 612
Acquisition costs incurred	**(1 867)**	(1 592)
Impairment (reversals)/losses of amounts due from agents, brokers and intermediaries (refer to note 7.2)	**(18)**	7
	7 776	7 432

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

[2] In 2022, R330 million was incorrectly classified as Commission incurred for the acquisition of investment contracts, which should have been classified as Commission incurred for the acquisition of insurance contracts. June 2022 has been restated accordingly.

26 OTHER EXPENSES

Refer to note 48.25 for the accounting policies relating to this note.

	2023 Rm	Restated 2022[1] Rm
Asset management fees	**4 088**	3 423
Consulting fees	**1 075**	943
Information technology expenses	**1 149**	1 003
Direct property operating expenses on investment property	**629**	544
Office costs	**439**	457
Marketing costs	**687**	536
Other indirect taxes	**433**	381
Momentum Multiply benefit payments	**78**	53
Travel expenses	**269**	151
Auditors' remuneration	**146**	105
Audit fees	**139**	98
Fees for other services	**7**	7
Bank charges	**111**	101
Bad debts written off[2]	**9**	36
Lease charges[3]	**36**	39
Policy services	**191**	266
Other expenses	**582**	460
	9 922	8 498

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

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

[3] Included in Lease charges is R25 million (2022: R24 million) relating to short-term leases and R11 million (2022: R15 million) relating to variable lease payments.

27 FINANCE COSTS

Refer to note 48.25 for the accounting policies relating to this note.

	2023 Rm	2022 Rm
Interest expense on financial liabilities		
Unsecured subordinated call notes	**383**	345
Cost of carry positions	**422**	347
Redeemable preference shares at amortised cost	**188**	145
Cost of trading positions	**1 298**	1 286
Lease liabilities	**13**	13
Other[1]	**252**	191
	2 556	2 327
Designated at FVPL	**2 103**	1 978
Amortised cost	**453**	349
	2 556	2 327

[1] Included are the following items: interest on term loans R131 million (2022: R104 million); and interest on late payment of claims R88 million (2022: R58 million).

28 INCOME TAX EXPENSE

Refer to note 48.13 for the accounting policies relating to this note.

	2023 Rm	2022 Rm
Income tax expenses/(credits)		
Current taxation	**5 022**	3 905
Shareholder tax		
South African normal tax – current year	**2 131**	1 505
South African normal tax – prior year	**5**	(5)
Foreign countries – normal tax	**109**	73
Foreign withholding tax	**182**	170
Contract holder tax		
Tax on contract holder funds – current year	**700**	625
Tax on contract holder funds – prior year	**23**	13
Tax attributable to cell captive owners	**1 872**	1 524
Deferred tax	**(175)**	(196)
Shareholder tax		
South African normal tax – current year	**(93)**	(101)
Foreign countries – normal tax	**7**	(1)
Foreign withholding tax	**(18)**	19
Contract holder tax		
Tax on contract holder funds – current year	**28**	(112)
Tax attributable to cell captive owners	**(99)**	(1)
	4 847	3 709

28 INCOME TAX EXPENSE CONTINUED

Tax rate reconciliation	2023 %	2022 %
Tax calculated at standard rate of South African tax on earnings	27.0	28.0
Capital gains tax	–	(1.1)
Change in tax rate	–	(0.8)
Prior year adjustments	0.1	(0.2)
Taxation on contract holder funds	16.0	14.3
Foreign taxes differential due to different statutory rates	(1.3)	(1.0)
Non-taxable income[1]	(3.4)	(9.5)
Non-deductible expenses[2]	2.2	9.9
Tax losses for which no deferred tax asset was recognised	2.3	1.7
Cell captive tax – to be recovered from cell owners	8.3	8.9
Derecognition/(recognition) of deferred tax assets relating to prior year losses	1.1	(0.9)
Effective rate	52.3	49.3

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

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

29 CASH FLOWS

	2023 Rm	Restated 2022[1] Rm
29.1 Cash utilised in operations		
Profit before tax	9 273	7 517
Adjusted for		
Items separately disclosed		
Dividend income	(6 529)	(6 317)
Interest income	(22 913)	(17 896)
Finance costs	2 556	2 327
Adjustments to reconcile profit before tax to net cash flows		
Share of losses of associates and joint ventures	147	243
Depreciation and amortisation expenses	895	909
Impairment charges	590	778
Profit on sale of investment in associate and non current asset held for sale	–	(246)
Gains and losses on foreign exchange differences and fair value gains and losses relating to investing and financing activities	(674)	457
Profit on deemed disposal of investment in associate	(563)	–
Loss on disposal of subsidiary	112	–
Equity-settled share-based payments	52	52
Cash flow from operating assets and liabilities		
Movements in financial assets and liabilities	(56 040)	(19 222)
Properties under development	(10)	1
Insurance and other receivables	1 060	(1 563)
Employee benefit assets and obligations	378	561
Net insurance and investment contract liabilities	60 086	15 283
Intangible assets related to insurance and investment contracts	(23)	(8)
Investment properties	82	(96)
Reinsurance assets and liabilities	2 599	(7 916)
Other operating liabilities	1 994	2 787
Cash utilised in operations	(6 928)	(22 349)

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

29 CASH FLOWS CONTINUED

	2023 Rm	2022 Rm
29.2 Income tax paid		
(Payable)/receivable due at beginning	**(135)**	286
Charged to income statement	**(5 022)**	(3 905)
Business combinations	**(9)**	–
Payable due at end	**1 090**	135
	(4 076)	(3 484)
29.3 Interest paid		
Redeemable preference shares at amortised cost	**(188)**	(129)
Unsecured subordinated call notes	**(414)**	(252)
Cost of trading positions	**(1 298)**	(1 258)
Cost of carry positions	**(422)**	(347)
Other	**(264)**	–
	(2 586)	(1 986)
29.4 Liabilities arising from financing activities		
29.4.1 Subordinated call notes	**4 299**	5 327
29.4.2 Carry positions	**9 080**	7 723
29.4.3 Preference shares	**366**	337
29.4.4 Other borrowings	**65**	933
29.4.5 Financial liabilities at amortised cost	**3 969**	4 336
	17 779	18 656
29.4.1 Subordinated call notes		
Due at beginning	**5 327**	4 429
Subordinated call notes issued	**–**	1 000
Accrued interest	**383**	345
Interest paid	**(414)**	(252)
Subordinated call notes repaid	**(980)**	(87)
Fair value movement	**(23)**	(134)
Own credit gains included in other comprehensive income	**6**	26
Due at end	**4 299**	5 327

	2023 Rm	Restated 2022[1] Rm
29.4.2 Carry positions		
Due at beginning	**7 723**	8 684
Net proceeds/(repayment) from/(of) carry positions	**1 344**	(913)
Accrued interest	**422**	347
Interest paid	**(401)**	(347)
Fair value movement	**(8)**	(48)
Due at end	**9 080**	7 723

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

29 **CASH FLOWS** CONTINUED

29.4 Liabilities arising from financing activities continued

	2023 Rm	2022 Rm
29.4.3 Preference shares		
Due at beginning	**337**	357
Preference shares proceeds	**55**	38
Preference shares repaid	**(28)**	(62)
Accrued interest	**(1)**	145
Interest paid	**–**	(129)
Fair value movement	**3**	(12)
Due at end	**366**	337
29.4.4 Financial liabilities at FVPL: Other borrowings		
Due at beginning	**933**	1 170
Proceeds from other borrowings	**30**	796
Repayment of other borrowings	**(801)**	(936)
Business combinations	**17**	(64)
Fair value movement	**(116)**	(27)
Exchange differences	**2**	(6)
Due at end	**65**	933
29.4.5 Financial liabilities at amortised cost		
Due at beginning	**4 336**	4 164
New leases entered into	**104**	65
Accrued interest on leases	**12**	13
Interest paid on leases	**(7)**	(13)
Payments of leases	**(107)**	(103)
Modifications	**1**	3
Exchange differences on leases	**8**	1
Modification of preference shares	**10**	6
Preference shares interest repaid	**(188)**	(129)
Preference shares interest accrued	**188**	131
Proceeds from other borrowings	**176**	263
Repayment of capital portion of term loans	**(88)**	(23)
Repayment of other borrowings	**(454)**	(121)
Accrued interest on other borrowings	**94**	79
Interest paid on other borrowings	**(119)**	–
Exchange differences on other borrowings	**27**	–
Sale of business	**(24)**	–
Due at end	**3 969**	4 336

29 CASH FLOWS CONTINUED

	2023 Rm	2022 Rm
29.5 Disposal of subsidiary recon		
Assets/(liabilities) disposed of:		
Financial assets at FVPL	309	–
Investment properties	122	–
Cash and cash equivalents	29	–
Other assets	287	–
Life insurance contracts	(78)	–
Investment contracts designated at FVPL	(86)	–
Other liabilities	(442)	–
Net assets sold	141	–
Non-controlling interests disposed of	(29)	–
Loss on sale of subsidiary	(112)	–
Cash flow from sale of subsidiary	–	–
Cash outflow recon		
Cash disposed of included in net assets of subsidiary	(29)	–
Net cash outflow from sale of subsidiary	(29)	–

During July 2022, the Group, through its wholly owned subsidiary, Metropolitan International Holdings (Pty) Ltd, disposed of its entire shareholding in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. A loss on disposal of R112 million was recognised.

30 BUSINESS COMBINATIONS

June 2023

Partner Risk Solutions

On 1 July 2022, the Group, through its 100% owned subsidiary, Guardrisk Group completed a step-up acquisition to acquire an additional 25% of the shares in Partner Risk Solutions (Pty) Ltd (PRS), resulting in the Group exercising control and thus consolidating PRS from that date. Guardrisk Group originally acquired a 26% equity share in PRS in 2019, following which the investment was equity accounted. The step-up acquisition was executed through the exercise of a call option for cash consideration of R9 million.

Crown Agents Investment Management Limited

During March 2023, the Group, through its wholly owned subsidiary, MGIM, acquired 100% of the shares in CAIM for a purchase consideration of £2.90 million (R64 million). The purchase consideration consisted of an initial cash payment of £2.13 million (R47 million) and £0.77 million (R17 million) contingent consideration. The contingent consideration is made up of two future payments. The first contingent consideration payment is dependent upon the brand being registered by MGIM and will result in a payment of £0.12 million. If the brand is not registered the payment will be £nil. The second contingent payment is dependant on certain performance targets of new business being met. If new business is above the target, the payment will equal 20% of the difference between the actual new business amount and the target. If no targets are met, the payment will be £nil.

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

June 2022

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

30 BUSINESS COMBINATIONS CONTINUED

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

	PRS Rm	CAIM Rm	Total 2023 Rm	2022 Rm
Purchase consideration in total	16	64	**80**	–
Fair value of net assets				
Intangible assets	–	17	**17**	–
Tangible assets	–	1	**1**	–
Financial instrument assets	–	24	**24**	–
Insurance and other receivables	1	–	**1**	–
Cash and cash equivalents[1]	3	35	**38**	–
Other liabilities	(1)	(17)	**(18)**	–
Net identifiable assets acquired	3	60	**63**	–
Goodwill recognised	14	4	**18**	–
Contingent liability payments	–	(17)	**(17)**	–
Previously held investment in associate derecognised	(7)	–	**(7)**	–
NCI recognised	(1)	–	**(1)**	–
Purchase consideration in cash	9	47	**56**	–
Revenue since acquisition	11	18	**29**	–
Earnings since acquisition	1	1	**2**	–

[1] Net cash outflow of R18 million relating to the purchase of subsidiaries is made up of negative R56 million relating to the purchase consideration in cash and positive R38 million relating to cash and cash equivalents recognised as part of the net assets acquired.

The above acquisitions resulted in a total of R18 million goodwill being recognised attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes. If the acquisitions was made on 1 July 2022, additional revenue of R56 million and loss after tax of R5 million would have been recognised.

31 RELATED PARTY TRANSACTIONS

31.1 Major shareholders and group companies

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

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

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

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

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

31.2 Transactions with directors and key management personnel and their families

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

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

	2023 Rm	2022 Rm
Salaries and other short-term employee benefits	**46**	27
Post-employment benefits	**1**	1
Share-based payment expense	**46**	2
Directors' fees	**20**	19
	113	49

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

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

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

	2023		2022	
	Insurance Rm	Investment Rm	Insurance Rm	Investment Rm
Fund value	**–**	**92**	–	69
Aggregate life and disability cover	**34**	**N/A**	30	N/A
Deposits/premiums for the year	**1**	**7**	–	1
Withdrawals/claims for the year	**–**	**(1)**	(5)	(1)

In aggregate, the Group earned fees and charges totalling R1.1 million (2022: R4.3 million) on the insurance and investment products set out above.

31 RELATED PARTY TRANSACTIONS CONTINUED

31.3 B-BBEE partner

The Group's B-BBEE partner, KTH, of which Mr P Makosholo is an executive director, has a direct holding of 7.9% interest in the Group. The Group has entered into the following transactions with KTH:

- MMH issued preference shares to KTH and subscribed to a preference share in KTH as disclosed in note 12.2.3.
- KTH has certain strategic empowerment holdings in the Group. Refer to the directors' report for more details.
- Dividends of R38 million (2022: R38 million) were paid to KTH on the A3 MMH preference shares.

31.4 Contract administration

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

31.5 Transactions with associates

Transactions with associates relate to loans advanced and preference share investments (refer to note 7.2). Loans to associates are not material and therefore the disclosures in accordance with IAS 24.18 on the amount of the outstanding balance and associated ECL have not be provided for each associate.

31.6 Transactions with significant shareholders

MMH dividend declarations:

In the prior year R140 million of the ordinary dividends declared in March 2022 were attributable to RMI. As a result of RMI unbundling its shareholding in MMH on 25 April 2022, RMI is no longer a related party as of that date.

31.7 Post-employment benefit plans

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

32 CAPITAL AND LEASE COMMITMENTS

	2023 Rm	2022 Rm
Capital commitments		
Authorised but not contracted	**203**	687
Authorised and contracted	**35**	80
	238	767
The above commitments, which are in respect of computer software, building refurbishments, and new business opportunities, will be financed from internal sources. The Group has also made capital commitments of R274 million for 2024 for the India and other new initiatives, and R50 million for Non-life Insurance.		
Lease commitments		
The minimum future lease payments relating to short-term leases, low-value asset leases and variable lease payments payable under non-cancellable leases on property and equipment:		
Less than 1 year	**1**	4
	1	4
The minimum future lease payments receivable under non-cancellable operating leases on investment properties:		
Less than 1 year	**457**	413
Between 1 to 2 years	**374**	351
Between 2 to 3 years	**337**	310
Between 3 to 4 years	**301**	294
Between 4 to 5 years	**97**	283
More than 5 years	**598**	749
	2 164	2 400

33 PROVISIONS AND CONTINGENT LIABILITIES

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

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

	Reinter-mediation Rm	Other Rm	Total Rm
2023			
Beginning of period	**237**	**70**	**307**
Additional provisions made in the period	**15**	**105**	**120**
Amounts utilised	**(9)**	**(10)**	**(19)**
Unused amounts reversed during the period	**(68)**	**38**	**(30)**
Other[1]	**24**	**(22)**	**2**
Total provisions	**199**	**181**	**380**
2022			
Provisions			
Beginning of period	245	38	283
Additional provisions made in the period	12	30	42
Amounts utilised	–	(6)	(6)
Unused amounts reversed during the period	(26)	–	(26)
Other	6	6	12
Exchange differences	–	2	2
Total provisions	237	70	307

[1] In the current year, Other includes increases arising due to the passage of time and the effect of changes in the discount rate

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

34 EVENTS AFTER THE REPORTING PERIOD

In July 2023, the Group's holding in ABHI was diluted from 44.1% to 44.087% following an additional share issue to the shareholder introduced during October 2022.

In line with the Group's capital management framework and in consideration of the strong capital and liquidity position, the Board has approved a further R500 million for the share buyback programme of the Group's ordinary shares.

MMH concluded a sale agreement with OUTsurance Group (previously RMI) in terms of which MMH will acquire RMI's share in the RMI Investment Managers Group. The purchase consideration includes an upfront cash consideration and a deferred consideration based on the continued performance of the business. The transaction is subject to customary terms and conditions for transactions of this nature, including approval by the competition authorities.

35 FINANCIAL RISK MANAGEMENT

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

Life insurance risk: Life insurance risk is the risk of loss or adverse change in the value of life insurance contracts resulting from changes in the timing, frequency, or severity of current or expected future risk claims or policyholder persistency. This can be through the realisation of an operating experience loss or the change in insurance liabilities. It therefore relates to risk exposures across mortality, morbidity (including disability), retrenchment, longevity, and policy terminations and alterations. The Group also has exposure to health insurance risk in India and its African subsidiaries outside South Africa.

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

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

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

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

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

36 CAPITAL MANAGEMENT

36.1 Capital management objectives

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

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

36 CAPITAL MANAGEMENT CONTINUED

36.2 Capital management framework

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

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

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

  The table below shows the total capital for the Group as at 30 June 2023 and the comparative amount as at 30 June 2022.

Capital type	2023 Rm	2022 Rm
IFRS NAV	**27 151**	24 942
Subordinated debt	**4 299**	5 327
Total	**31 450**	30 269

- **Own Funds and Solvency Capital Requirements**
  The regulatory capital coverage is determined as the ratio of own funds to the SCR. The calculation of the own funds and SCR are in accordance with the technical specifications of the Prudential Standards applicable to all of the Group's local insurance entities.
- **Capital coverage**
  The Group specifies capital coverage ratios and ranges for the Group and its regulated insurance entities, which are defined under its risk appetite framework.
- **Capital allocation**
  As a general principle, subsidiaries are capitalised to ensure medium-term regulatory solvency while additional capital is held centrally to support the long-term regulatory solvency of the entities. MML houses MMH's shareholder assets, therefore, MML is capitalised in excess of what its own covered business requires.
- **Investment of assets backing shareholder capital**
  The assets held in the shareholder capital portfolios, housed within MML, are financial assets that are in excess of the assets required to meet policyholder obligations and are directly attributable to the Group's shareholders. These assets back the Group's minimum required capital, approved capital buffers, the subordinated debt programme, as well as discretionary capital. The assets backing shareholder capital portfolios are invested in line with approved risk appetite and mandates.
- **Capital planning process**
  The Group's capital planning process facilitates value creation by aligning corporate strategy, capital allocation and performance measurement. This process is conducted on a forward-looking basis through regular solvency and liquidity projections that take into account capital sourcing requirements, strategic capital deployment and subsidiary capital requirements.
- **Dividends**
  The Group's dividend policy is to grow dividends in line with normalised headline earnings growth. The Group targets a 2.5x normalised headline earnings dividend cover with a 2.0x to 3.0x target coverage range. This implies a pay-out ratio of c.40% to c.50% of normalised headline earnings per annum.
- **Alignment of capital with subsidiaries**
  The Group provides the over-arching guiding principles regarding capital management for all subsidiaries as it is the main provider of capital to these subsidiaries.

36.3 Overview of capital management developments

36.3.1 Changes in capital structure

Subordinated debt raising and settlement

On 12 August 2022, MML redeemed the subordinated debt instrument MMIG05 with a nominal amount of R980 million. The redemption was executed on the contractual call date of the bond. The redemption was refinanced by the proceeds from the MML05 and MML06 bonds which were issued on 25 May 2022 for a total nominal amount of R1 000 million. The MML05 bond is a 5 year floating rate note maturing on 25 May 2027 and the MML06 bond is a 7 year fixed rate note maturing on 25 May 2029.

36 CAPITAL MANAGEMENT CONTINUED

36.3 Overview of capital management developments continued

36.3.2 Subordinated debt profile

The table below shows a summary of the MML subordinated debt profile, which relates to unsecured callable notes currently in issue at 30 June 2023:

Instrument code	Amount issued (Rm)	Coupon rate	Tenor	Date issued	Interest rate
MMIG04	270	11.30%	10 years	Aug-15	Fixed
MMIG06	750	JIB03 + 220bps	6 years	Oct-17	Floating
MMIG07	750	JIB03 + 175bps	5.5 years	Mar-19	Floating
MML01	290	JIB03 + 175bps	7 years	Dec-19	Floating
MML02	460	9.29%	7 years	Dec-19	Fixed
MML03	300	JIB03 + 194bps	7.1 years	Feb-21	Floating
MML04	450	7.89%	7.1 years	Feb-21	Fixed
MML05	865	JIB03 + 160bps	5 years	May-22	Floating
MML06	135	10.01%	7 years	May-22	Fixed
Total	**4 270**				

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

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

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

The table below shows the maturity profile of Momentum Metropolitan's subordinated debt at 30 June 2023:

Bond code	Bond Issue Amount (Rm)	Date Issued	Outstanding Tenor	Year of maturity
MMIG04	270	Aug-15	2.1 years	2025
MMIG06[1]	750	Oct-17	0.3 years	2023
MMIG07	750	Mar-19	1.2 years	2024
MML01	290	Dec-19	3.4 years	2026
MML02	460	Dec-19	3.4 years	2026
MML03	300	Feb-21	4.7 years	2028
MML04	450	Feb-21	4.7 years	2028
MML05	865	May-22	3.9 years	2027
MML06	135	May-22	5.9 years	2029
Total	**4 270**			

[1] MMIG06 will mature in October 2023.

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

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

36 CAPITAL MANAGEMENT CONTINUED

36.4 Capital coverage

MML has adopted a target range for regulatory solvency cover of 1.6 to 2.0 times the SCR. This makes allowance for the capital required to support the covered business against a range of severe but plausible scenarios, as well as the wider strategic investments of the Group. The SCR of MML was met at 30 June 2023 and throughout the financial year.

The Prudential Authority (PA) has designated Momentum Metropolitan as an insurance group. The Group has received approval to calculate its group solvency position using the Accounting Consolidation method (for MML, Momentum Insure Company Ltd and the Asset Holding Intermediaries held by these entities) as well as certain additional methodology approvals that have a minor impact on group solvency.

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

36.5 Credit ratings

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

In February 2023 and March 2023, Moody's updated their credit opinion for Guardrisk and MML respectively. In those credit opinion reports, Moody's affirmed the MML and Guardrisk credit ratings and maintained the stable credit rating outlook. The table below shows the relevant Momentum Metropolitan entity credit ratings as at 30 June 2023.

		National scale		Global scale		
Entity	Type	30 June 2023	30 June 2022	30 June 2023	30 June 2022	Outlook
MML						
MML	Insurance Financial Strength (IFS)	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba1 (BB+)**	Ba1 (BB+)	**Stable**
MML	Issuer rating	**Aa1.za (AA+)**	Aa1.za (AA+)	**Ba2 (BB)**	Ba2 (BB)	**Stable**
Subordinated debt	N/A	**Aa3.za (AA-)**	Aa3.za (AA-)	**Ba3 (BB-)**	Ba3 (BB-)	**Stable**
Guardrisk						
Guardrisk Insurance Company Ltd	IFS	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba2 (BB)**	Ba2 (BB)	**Stable**
Guardrisk Life Insurance Company Ltd	IFS	**Aaa.za (AAA)**	Aaa.za (AAA)	**Ba2 (BB)**	Ba2 (BB)	**Stable**
Guardrisk International Ltd PCC	IFS	**N/a**	N/a	**Ba2 (BB)**	Ba2 (BB)	**Stable**

On MML, in the February 2023 report, Moody's commented that "Momentum Metropolitan Life Limited's (MML) Ba1 global scale and Aaa.za national scale, Insurance Financial Strength (IFS) ratings reflect the insurer's top tier market position in South Africa, its solid capital position and its flexible product characteristics, which serve to reduce the impact on the Group from potential stresses related to credit pressures at the sovereign level." They further noted: "These strengths are partially offset by the Group's exposure to South Africa, both in the form of its invested assets and revenues, which are susceptible to the pressure on the domestic economy, and challenges meeting profitability objectives in recent years."

On Guardrisk, in the March 2023 report, Moody's commented that "The Ba2 global scale IFS ratings, with stable outlook, assigned to entities in the Guardrisk Group – as well as the Aaa.za national scale IFS ratings assigned to the South African entities – reflect its good market position as the largest cell captive insurer in the South African market, low underwriting risk due to its predominantly fee-based model, diverse product mix across life insurance and short-tailed non-life insurance lines, and strong profitability. These strengths are partially offset by its investment portfolio's concentrated exposure to the South African economy and banking system. Also, Guardrisk entities have low capital ratios under the South African Solvency Assessment and Management framework (SAM), albeit this framework does not recognise excess capital in individual cells, and is exposed to corporate credit risk through its reliance on cell-owners to recapitalise cells in the event needed. Deterioration in the local economy will lead to rising corporate credit risk."

37 INSURANCE AND INVESTMENT BUSINESS

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

	Insurance Rm	Investment with DPF Rm	Investment Rm	Total Rm
2023				
Individual contracts with market exposure	**54 930**	**3 267**	**221 638**	**279 835**
Market-related business	**16 058**	**1 116**	**219 147**	**236 321**
Smoothed bonus business	**28 442**	**1 263**	**722**	**30 427**
Smoothed bonus – fully vesting	**–**	**888**	**1 769**	**2 657**
Conventional with-profit business	**10 430**	**–**	**–**	**10 430**
Group contracts with market exposure	**11 533**	**–**	**119 074**	**130 607**
Market-related business	**(17)**	**–**	**103 240**	**103 223**
Smoothed bonus business	**–**	**–**	**15 303**	**15 303**
Smoothed bonus – fully vesting	**–**	**–**	**531**	**531**
Conventional with-profit business	**11 550**	**–**	**–**	**11 550**
Other business	**65 379**	**–**	**4 330**	**69 709**
Non-profit annuity business	**51 918**	**–**	**1 516**	**53 434**
Guaranteed endowments	**–**	**–**	**2 805**	**2 805**
Other non-profit business	**13 461**	**–**	**9**	**13 470**
Subtotal	**131 842**	**3 267**	**345 042**	**480 151**
Liabilities in cell captive and non-life business	**21 789**	**–**	**28 885**	**50 674**
Total contract holder liabilities	**153 631**	**3 267**	**373 927**	**530 825**
Restated 2022[1]				
Individual contracts with market exposure	52 999	2 998	188 672	244 669
Market-related business	16 184	1 040	186 260	203 484
Smoothed bonus business	27 026	1 120	735	28 881
Smoothed bonus – fully vesting	–	838	1 677	2 515
Conventional with-profit business	9 789	–	–	9 789
Group contracts with market exposure	11 729	1	102 264	113 994
Market-related business	(6)	–	88 091	88 085
Smoothed bonus business	–	–	13 545	13 545
Smoothed bonus – fully vesting	–	–	628	628
Conventional with-profit business	11 735	1	–	11 736
Other business	59 278	(5)	5 453	64 726
Non-profit annuity business	46 443	–	1 630	48 073
Guaranteed endowments	–	–	3 786	3 786
Other non-profit business	12 835	(5)	37	12 867
Subtotal	124 006	2 994	296 389	423 389
Liabilities in cell captive and non-life business	24 356	–	22 226	46 582
Total contract holder liabilities	148 362	2 994	318 615	469 971

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.1 Classes of life insurance and investment business

The different classes of business are discussed below:

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

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

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

Individual and group contracts with market exposure: Discretionary participation business

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

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.1 Classes of life insurance and investment business continued

Individual and group contracts with market exposure: Discretionary participation business continued

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

Non-profit annuity business

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

Guaranteed endowments (insurance and financial instrument business)

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

Other non-profit business

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

Investment guarantees

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Life insurance risk

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

Life insurance risk management

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

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

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

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

37.2.1 Demographic risks

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

- The HAFs are required to evaluate and provide advice to the Board on the actuarial soundness of the terms and conditions of insurance contracts (Insurance Act, 18 of 2017, GOI 3).
- Regular experience investigations are conducted and used to set premium rates and valuation assumptions.
- Reinsurance arrangements are negotiated in order to limit the risk from any individual contract or aggregation of contracts. These include company-wide catastrophe reinsurance. MML's catastrophe reinsurance cover for the current financial year is R1 billion (2022: R1 billion) in excess of R20 million of the total retained sum assured for any single event involving three or more lives.

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

Individual insurance business

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Life insurance risk continued

37.2.1 Demographic risks continued

Individual insurance business continued

- Demographic risks are managed as follows:
  - Risk premiums on most with-cover smoothed bonus and market-related contracts may be adjusted within the terms and conditions of the contracts. The ability of the Group to adjust these charges so that on average they reflect actual mortality experience reduces mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures and client expectation management.
  - To reduce cross-subsidisation of risks and the possibility of anti-selection, premium rates differentiate on the basis of some or all of age, gender, occupation, smoker status, education, income level, geographic region and the results of underwriting investigations. Experience investigations have shown that these are reliable indicators of the risk exposure.
  - A guarantee period shorter than the policy term applies to most risk business, and enables the Group to review premium rates on in-force contracts during the life of the contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years.
  - All policy applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
  - Compulsory testing for the human immunodeficiency virus (HIV) is carried out in all cases where the applications for risk cover exceed limits specified for a product. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.
  - Underwriting is done to identify non-traditional risks and take appropriate action, such as applying additional premium loadings or altering benefit terms.
  - Additional provisions are held in respect of the potential deterioration of the mortality experience of supplementary benefits and direct marketing business.
  - Reinsurance agreements are used to limit the risk on any single policy and aggregation of policies. A primary objective of reinsurance is to align the risk profile with the Group's risk strategy and risk appetite. Each business unit determines its own reinsurance programme in line with its scale and the types of business written. The primary approach used, for protection business, is proportional cover, with a percentage of risk ceded and a maximum retention. There is no reinsurance in place for funeral products. Quota share plus surplus treaties are in place in respect of legacy savings business Facultative arrangements are used for substandard lives and large sums assured.
  - Concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance, as well as by company-wide catastrophe reinsurance.

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

	2023			2022		
Sums insured per benefit (Rands)	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**
0 – 20 000	**3 402 046**	**33 387**	**31 569**	4 087 721	35 182	33 262
20 001 – 50 000	**943 866**	**47 920**	**47 024**	1 010 741	50 934	49 894
50 001 – 100 000	**372 955**	**40 598**	**37 835**	394 207	41 841	38 921
100 001 – 200 000	**120 817**	**19 536**	**14 722**	128 787	20 518	15 665
200 001 – 500 000	**199 312**	**76 496**	**47 926**	207 693	78 808	49 619
500 001 – 1 000 000	**218 762**	**127 463**	**95 041**	224 635	128 758	95 904
> 1 000 000	**520 110**	**1 250 716**	**683 609**	511 861	1 195 717	654 929
Subtotal	**5 777 868**	**1 596 116**	**957 726**	6 565 645	1 551 758	938 194
Cell captive business	**8 115 984**	**681 515**	**304 657**	7 517 206	669 283	269 132
Total	**13 893 852**	**2 277 631**	**1 262 383**	14 082 851	2 221 041	1 207 326

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Life insurance risk continued

37.2.1 Demographic risks continued

Group insurance business

- These are contracts that provide life and/or disability cover to members of a group (e.g. clients or employees of a specific company).
- Typical benefits are:
  - Life insurance (mostly lump sum, but including some children and spouse's annuities)
  - Disability insurance (lump sum and income protection)
  - Dread disease cover
  - Continuation of insurance option
- Factors affecting these risks and how they are managed:
  - Contracts are similar to individual insurance contracts but there is greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry; hence a higher degree of concentration risk exists.
  - The products are mostly simple designs with a one-year renewable term. In most cases the products are compulsory for all employees although it has become more common recently to provide members with a degree of choice when selecting risk benefits.
  - Underwriting on group business is much less stringent than for individual business as there is typically less scope for anti-selection. The main reason for this is that participation in the Group's insurance programmes is normally compulsory, and as a rule members have limited choice in the level of benefits. Where choice in benefits and levels is offered, this is accompanied by an increase in the level of underwriting to limit anti-selection.
  - Groups are priced using standard mortality and morbidity tables. The price for an individual scheme is adjusted for the following risk factors:
    - Age structure
    - Region
    - Salary structure
    - Gender structure
    - Industry
  - For large schemes (typically 400 or more members), a scheme's past experience is an important input in setting rates for the scheme. The larger the scheme, the more weight is given to the scheme's past experience.
  - Acquired immunodeficiency syndrome (AIDS) risk is no longer material, given the impact of anti-retrovirals and the reduction in AIDS cases.
  - To manage the risk of anti-selection, there is an "actively at work" clause, which requires members to be actively at work and attending to their normal duties for cover to take effect. This could be waived if the Group takes over a scheme from another insurer for all existing members. In addition, a pre-existing clause may apply, which states that no disability benefit will be payable if a member knew about a disabling condition within a defined period before the cover commenced and the event takes place within a defined period after cover has commenced.
  - There is a standard proportional reinsurance treaty in place covering group business. There are also some facultative arrangements in place on some schemes that are particularly large and can have a significant impact on profit and loss. Death claims significantly reduced in 2022 and 2023, so we have recaptured a large number of facultative schemes over this period so that we don't pass on excess mortality profits to the reinsurers.
  - Furthermore, there is a company-wide catastrophe reinsurance treaty in place. The catastrophe reinsurance is particularly important for group risk business as there are considerably more concentrations of risks compared to individual business.

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

Lives covered by scheme	2023	2022
0 – 1 000	**8 055**	7 855
1 001 – 5 000	**362**	372
> 5 000	**243**	243
Subtotal	**8 660**	8 470
Cell captive business	**84**	95
Total	**8 744**	8 565

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Life insurance risk continued

37.2.1 Demographic risks continued

Annuity business

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

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

	2023		2022	
Annuity amount per annum (Rands)	Number of annuitants	Total amount per annum Rm	Number of annuitants	Total amount per annum Rm
0 – 10 000	**57 367**	**254**	57 958	259
10 001 – 50 000	**44 592**	**1 086**	42 703	1 008
50 001 – 100 000	**14 258**	**1 008**	12 523	887
100 001 – 200 000	**9 410**	**1 330**	8 040	1 134
> 200 000	**7 634**	**3 032**	6 241	2 445
Subtotal	**133 261**		127 465	
Cell captive business	**1 292**	**75**	1 479	104
Total	**134 553**		128 944	

Permanent health insurance business

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

37.2.2 Contract persistency risk

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.2 Life insurance risk continued

37.2.2 Contract persistency risk continued

Factors affecting the risk:

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

How risks are managed:

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

37.2.3 Retrenchment risk

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

37.2.4 Expense risk

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

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

37.2.5 Business volume risk

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk

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

Guardrisk

Guardrisk transacts in all classes of non-life insurance business. Insurance is provided to corporate clients (through first-party cells and contingency policies) and to the general public (through third-party cell owners). Insurance contracts are issued for monthly, annual and multi-year periods and include the following classes of risk: motor, property, agriculture, engineering, marine, aviation, transport, rail, legal expense, liability, consumer credit, trade credit, guarantee, accident and health, travel, miscellaneous as well as reinsurance on all the classes above. Premiums charged for risks are regularly monitored by the underwriting and actuarial teams and, where necessary, adjustments are made to the office premium to take into account competition, the underwriting cycle, reinsurance and capital requirements.

- Guardrisk transacts in all classes of non-life insurance business, primarily as a cell captive and alternative risk transfer insurer, focusing on both the corporate and retail market.
- There are currently two distinct types of cell captive arrangements, which are described in detail within Annexure A.
- First party cell arrangements where the risks that are being insured relate to the cell owner's own operations or operations within the cell owner's group of companies. First party cell arrangements meet the definition of a financial instrument and is accounted for as such and premium, claims and other insurance expenses are not included in the statement of comprehensive income. The fair value gains/losses on financial assets and investment income are accounted for in the statement of comprehensive income but the amount owing to cells will be recorded as an expense as a fair value adjustment to financial liabilities at FVPL – amounts due to cell owners.
- All agreements for services provided in respect of third-party arrangements are transacted between Guardrisk and the third party. All transactions with third parties and policyholders are recorded in the income statement, with the third-party cell owner being a reinsurer of the net result. The impact of this application on the Group's financial statements is that the results of the cell captive arrangements have no direct impact on the Group's earnings, except for fee income earned by the promoter cell.
- In a number of cases, the promoter cell shares in the emerging underwriting experience of selected cell arrangements. In such cases the remaining risk in the cell could be further reinsured to external reinsurers. In addition to the fee income earned from the cell, the promoter cell also earns underwriting profits on the risk retained for these cells. Guardrisk also underwrites specific niche corporate and commercial business for its own account. Risk retention is managed with appropriate reinsurance.
- The Group's statement of comprehensive income includes several income and expense items related to insurance business written through cell arrangements. In particular all transactions relating to third-party cell arrangements are recorded. However, these transactions are transferred back to the third-party cell owner and therefore the net impact on the Group's earnings is limited to the net result of transactions relating to the promoter cell only. Assets and liabilities from cell captive arrangements are recognised in the statement of financial position. Except for the impact of contingency policies, as well as the fees earned by the promoter cell and income on the promoter cell's own assets, cell arrangements have no impact on the Group's earnings.

37.3.1 Non-life insurance risk management

The Group has similar governance structures in place for non-life insurance as those that are in place for long-term insurance. This includes a HAF who follows the reporting structure and support process as explained in note 37.2.

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

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk continued

37.3.1 Non-life insurance risk management continued

Guardrisk

Guardrisk has an Audit and Risk Committee and an Investment Committee. These Board subcommittees oversee the risk universe from general operations and investments respectively. Operational management of risk is delegated to the Guardrisk Executive Committee with operational committees tasked in specific areas. New and existing product development initiatives are considered by the Product Management Committees for appropriateness and viability that conforms to regulatory, legal, tax and accounting requirements.

For each cell or policy accepted by Guardrisk, a business take-on process is followed that utilises multidisciplinary teams to determine major exposures to insurance risk. This take-on process varies in extent and detail depending on the significance of the new cell facility. Where the business take-on process identifies significant down-side risk, measures are put in place to manage the residual retained risks to remain within risk appetite.

Premiums charged for risks are regularly monitored by the underwriting and actuarial teams and, where necessary, adjustments are made to the office premium to take into account competition, the underwriting cycle, reinsurance and capital requirements.

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

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

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

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

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

	2023 Rm	2022 Rm
Premiums	**19 897**	17 725
Claims	**11 570**	19 972

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk continued

37.3.1 Non-life insurance risk management continued

Guardrisk

Cell captive arrangements

The cell owner shareholders' agreements protect the Group from losses arising from business conducted in cells due to the rights and obligations of both parties set out in the various cell owner shareholders agreements. Individual cells not meeting capital requirements pose a solvency risk that is monitored on a monthly basis and, if required, additional capital is requested from such cell owners. This risk is managed by an assessment of potential cell owners' creditworthiness based on the ability to meet the responsibility and obligations in terms of the shareholders agreement. Solvency of cells are assessed monthly to manage the solvency support provided from the promoter within the Board approved solvency support framework.

The Group's exposure to risk on this business is a credit risk of the cell owner, if a cell owner does not meet its contractual solvency obligations set out in the cell owner shareholders agreement, with respect to third-party cell arrangements. Based on current economic conditions, and reviewing specific facilities, a probability of default is applied to cells in deficit. The Group's underwriting strategy is directed at a portfolio of underwritten risks that are well diversified in terms of risk, industry and geography.

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

Guardrisk

Contingency policy business

This business is usually written for a one-year period with the policies covering multiple risks. The risks underwritten are those of a corporate entity (i.e. first-party business) and are generally either in respect of primary layers of the corporate's insurance programme or for risks that are difficult to insure in a traditional insurance product. The corporate insured in a contingency policy is entitled to a share in the underwriting result if there is favourable claims experience.

Subject matter experts in the business provide input to develop suitable policy and cover limits as well as retention limits for reinsurance where applicable. Reinsurance is generally structured above the layer provided by the contingency policy.

Guardrisk

Risk participation with cell shareholders

Guardrisk, through the promoter cell, shares in the emerging underwriting experience of selected cell arrangements. Before entering into new risk sharing agreements with cell owners, internal processes covering all disciplines are executed with a recommendation to the Guardrisk Product Management Committee for decision-making if within delegated mandate, otherwise the decision is escalated to the Guardrisk Board. In addition, the company utilises independent underwriting managers to undertake risk taking on behalf of the company with profit share agreements.

Reinsurance

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

37 INSURANCE AND INVESTMENT BUSINESS CONTINUED

37.3 Non-life insurance risk continued

37.3.1 Non-life insurance risk management continued

Guardrisk

The key objective when placing reinsurance is to optimise capital requirements and protection of the retained lines of both Guardrisk and the cell owners. The reinsurers selected are in accordance with Guardrisk's reinsurance vetting procedures. These are presented to and approved by the Guardrisk Board. These procedures include limiting individual cessions and accumulations per reinsurer in accordance with their credit rating.

Other than sourcing capacity for both first and third-party business, reinsurance is arranged to protect the net retention of the promoter on both a proportional and non-proportional basis. The net retention of both Guardrisk and the cells will determine the non-proportional programmes whereas estimated premium income and loss ratios determine retention on proportional programmes. The non-proportional reinsurance arrangements include per risk and/or per event excess-of-loss coverage. Proportional reinsurance arrangements are predominantly quota share treaties with limited use of surplus treaties.

Concentrations of insurance risk

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

Guardrisk

Risks relating to the cell captive business are adequately spread across the major classes of insurance risk and is spread geographically.

Exposure to catastrophes and policies mitigating this risk

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

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

38 LIQUIDITY RISK

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

Liquidity risk governance

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

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

Liquidity risk management

The principal risk relating to liquidity comprises the Group's exposure to policyholder behaviour, e.g. unanticipated benefit withdrawals or risk-related claims. The insurance and investment contract liabilities comprise 87% (2022: 86%) of the liabilities of the Group. Management of the liquidity risk thereof is described below in terms of policyholder benefits.

38 LIQUIDITY RISK CONTINUED

Liquidity risk management continued

Policyholder liabilities

Guaranteed endowment and structured product benefits

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

Non-profit annuity policyholder benefits

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

Conventional with-profit and smoothed bonus policyholder benefits

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

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

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

When a particular policyholder fund is shrinking (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.

Linked and market-related policyholder benefits

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

38 LIQUIDITY RISK CONTINUED

Liquidity risk management continued

Policyholder liabilities continued

Other policyholder benefits

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

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

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

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

Shareholder funds

The significant shareholder liabilities of the Group are the cumulative convertible redeemable preference shares issued by the Company, the carry positions, the subordinated call notes issued by MML and the cumulative redeemable preference shares issued by Momentum Metropolitan Strategic Investments (MMSI).

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

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

Liquidity profile of assets

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

	2023		Restated 2022[4]	
Total asset liquidity	**%**	**Rm**	**%**	**Rm**
High[1]	**72**	**455 672**	70	398 068
Medium[2]	**25**	**156 900**	26	151 146
Low/illiquid[3]	**4**	**22 407**	4	22 901
Other assets not included above				
– employee benefit assets		**400**		460
– accelerated rental income		**380**		380
– deferred income tax		**984**		880
– non-current assets held for sale		**56**		14
Total assets		**636 799**		573 849

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

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

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

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

38 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities

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

2023 Rm	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)[2]	**153 631**	**153 630**	**29 781**	**26 276**	**37 739**	**24 611**	**35 223**
Linked (market-related) business							
Individual	16 058	16 058	2 081	1 636	3 986	3 623	4 732
Employee benefits	(17)	(17)	–	(2)	(7)	(8)	–
Smoothed bonus business							
Individual	28 442	28 442	1 518	3 416	9 739	6 352	7 417
Conventional with-profit business	10 430	10 430	7 032	369	373	126	2 530
Non-profit business							
Individual	11 273	11 273	1 756	796	1 112	632	6 977
Employee benefits	2 188	2 187	65	1 261	253	186	422
Annuity business	63 468	63 468	12 008	6 595	18 227	13 513	13 125
Cell captive and non-life business	21 789	21 789	5 321	12 205	4 056	187	20
Investment contracts with DPF (DCFs)[2]	**3 267**	**3 267**	**962**	**320**	**768**	**520**	**697**
Linked (market-related) business							
Individual	1 116	1 116	7	134	414	259	302
Smoothed bonus business							
Individual	1 263	1 263	67	186	354	261	395
Smoothed bonus – fully vesting							
Individual	888	888	888	–	–	–	–
Investment contracts (undiscounted cash flows)	**373 927**	**375 727**	**368 575**	**2 712**	**1 567**	**1 654**	**1 219**
Linked (market-related) business							
Individual	219 147	219 147	218 212	106	311	305	213
Employee benefits	103 240	103 240	103 143	5	17	16	59
Smoothed bonus business							
Individual	722	722	722	–	–	–	–
Employee benefits	15 303	15 303	15 303	–	–	–	–
Smoothed bonus – fully vesting							
Individual	1 769	1 769	1 769	–	–	–	–
Employee benefits	531	531	531	–	–	–	–
Guaranteed endowments	2 805	3 346	–	2 049	299	998	–
Non-profit business							
Individual	10	10	10	–	–	–	–
Annuity business	1 516	2 775	1	552	940	335	947
Cell captive and non-life business	28 884	28 884	28 884	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	**530 825**	**532 624**	**399 318**	**29 308**	**40 074**	**26 785**	**37 139**

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

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

Notes to the financial statements continued

38 **LIQUIDITY RISK** CONTINUED

Maturity profile of liabilities continued

2023 Rm	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Total policyholder liabilities under insurance and investment contracts (continued)	530 825	532 624	399 318	29 308	40 074	26 785	37 139
Financial liabilities at FVPL	44 830	43 034	27 705	10 295	4 478	358	198
CIS liabilities	27 683	27 683	27 683	–	–	–	–
Subordinated call notes	4 300	5 496	–	1 125	4 222	149	–
Carry positions	9 080	9 080	–	9 080	–	–	–
Derivative financial liabilities[2]	3 336	–	–	–	–	–	–
Preference shares	366	525	–	56	100	201	168
Other borrowings	65	250	22	34	156	8	30
Financial liabilities at amortised cost	3 923	4 344	–	1 685	2 212	403	44
Cumulative redeemable preference shares	1 625	1 674	–	731	943	–	–
Cumulative redeemable convertible preference shares	262	262	–	262	–	–	–
Property development loan	80	80	–	80	–	–	–
Lease liabilities	199	264	–	64	140	16	44
Other	300	340	–	83	–	257	–
Term loans	1 503	1 724	–	465	1 129	130	–
Other payables[3]	19 679	20 972	4	20 691	189	51	37
Reinsurance contract liabilities	2 795	2 794	–	264	1 153	1 315	62
Other liabilities[4]	7 550	–	–	–	–	–	–
Total liabilities	**609 602**	**603 768**	**427 027**	**62 243**	**48 106**	**28 912**	**37 480**

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

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

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

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

38 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

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

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

Financial liabilities at FVPL:

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

Financial liabilities carried at amortised cost:

- Financial liabilities at amortised cost recognised in the statement of financial position are disclosed in note 12.2.

Notes to the financial statements continued

38 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Restated 2022[1] Rm	Carrying amount	Total	Open-ended	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)	148 362	148 362	27 723	30 075	34 820	22 370	33 374
Linked (market-related) business							
Individual	16 184	16 184	2 342	1 590	3 821	3 511	4 920
Employee benefits	(6)	(6)	–	(1)	(2)	(3)	–
Smoothed bonus business							
Individual	27 026	27 026	1 338	2 843	9 514	5 967	7 364
Conventional with-profit business	9 789	9 789	6 466	289	264	134	2 636
Non-profit business							
Individual	10 552	10 552	2 008	1 172	1 089	557	5 726
Employee benefits	2 283	2 282	12	1 264	307	193	507
Annuity business	58 178	58 178	10 636	6 730	16 595	11 996	12 221
Cell captive and non-life business	24 356	24 356	4 921	16 188	3 232	15	–
Investment contracts with DPF (DCFs)	2 994	2 994	1 399	151	631	355	458
Linked (market-related) business							
Individual	1 040	1 040	9	91	410	247	283
Smoothed bonus business							
Individual	1 120	1 120	556	60	221	108	175
Employee benefits	1	1	1	–	–	–	–
Smoothed bonus business – fully vesting							
Individual	838	838	838	–	–	–	–
Non-profit business							
Individual	(5)	(5)	(5)	–	–	–	–
Investment contracts (undiscounted cash flows)	318 615	320 161	310 469	2 396	3 796	833	2 667
Linked (market-related) business							
Individual	186 260	186 260	185 333	104	302	349	172
Employee benefits	88 091	88 090	86 287	24	106	166	1 507
Smoothed bonus business							
Individual	735	735	735	–	–	–	–
Employee benefits	13 545	13 545	13 545	–	–	–	–
Smoothed bonus business – fully vesting							
Individual	1 677	1 677	1 677	–	–	–	–
Employee benefits	628	628	628	–	–	–	–
Guaranteed endowments	3 786	4 075	–	1 628	2 447	–	–
Non-profit business							
Employee benefits	37	37	37	–	–	–	–
Annuity business	1 630	2 888	1	640	941	318	988
Cell captive and non-life business	22 226	22 226	22 226	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	469 971	471 517	339 591	32 622	39 247	23 558	36 499
Financial liabilities at FVPL	48 141	47 025	30 805	9 705	5 195	1 099	221
CIS liabilities	30 782	30 782	30 782	–	–	–	–
Subordinated call notes	5 327	6 892	–	1 393	4 525	974	–
Carry positions	7 723	7 723	–	7 723	–	–	–
Derivative financial liabilities	3 039						
Preference shares	337	482	–	77	91	117	197
Other borrowings	933	1 146	23	512	579	8	24
Financial liabilities at amortised cost	4 336	4 813	26	1 893	2 429	415	50
Cumulative redeemable preference shares	2 025	2 076	–	1 050	1 026	–	–
Cumulative redeemable convertible preference shares	252	252	–	252	–	–	–
Lease liabilities	188	237	–	63	113	11	50
Other	330	425	26	68	82	249	–
Term loans	1 541	1 823	–	460	1 208	155	–
Other payables	17 847	17 904	1	16 787	1 116	–	–
Reinsurance contract liabilities	2 299	2 299	–	128	1 080	949	142
Other liabilities	6 313	–	–	–	–	–	–
Total liabilities	548 907	543 558	370 423	61 135	49 067	26 021	36 912

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

38 LIQUIDITY RISK CONTINUED

Maturity profile of derivative financial instruments

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

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

	Carrying amount Rm	Total Rm	0 to 1 year Rm	1 to 5 years Rm	> 5 years Rm
2023					
Derivatives held for trading					
Equity derivatives	**377**	**(13)**	**(13)**	**–**	**–**
Interest rate derivatives	**(253)**	**(199)**	**26**	**(415)**	**190**
Bond derivatives	**(86)**	**(80)**	**10**	**(90)**	**–**
Credit derivatives	**(17)**	**(4)**	**–**	**(4)**	**–**
Currency derivatives	**(1 012)**	**(1 049)**	**(123)**	**(884)**	**(42)**
Total net undiscounted cash flow projections	**(991)**	**(1 345)**	**(100)**	**(1 393)**	**148**
Derivative financial instruments					
Assets	**2 345**				
Liabilities	**(3 336)**				
	(991)				
2022					
Derivatives held for trading					
Equity derivatives	139	(77)	(77)	–	–
Interest rate derivatives	(375)	(329)	(336)	199	(192)
Bond derivatives	(137)	(178)	(178)	–	–
Credit derivatives	(16)	(1)	6	(3)	(4)
Currency derivatives	(736)	(675)	45	(335)	(385)
Total net undiscounted cash flow projections	(1 125)	(1 260)	(540)	(139)	(581)
Derivative financial instruments					
Assets	1 914				
Liabilities	(3 039)				
	(1 125)				

Notes to the financial statements continued

39 MARKET RISK

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

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

	Carrying amount				
	2023 Rm	Restated 2022[1] Rm	Market price risk	Interest rate risk	Currency risk
Assets					
Carried at FVPL					
Unit-linked investments	**216 300**	184 886	✓✓	✓	✓
Debt securities[2]	**182 649**	174 848	✓	✓✓	✓
Equity securities	**114 352**	96 646	✓✓		✓
Carry positions	**56**	1 124	✓	✓✓	
Funds on deposit and other money market instruments	**33 695**	30 093	✓	✓✓	✓
Derivative financial assets	**2 345**	1 914	✓✓	✓✓	✓
Carried at amortised cost					
Unsettled trades	**2 859**	1 896			✓
Accounts receivable[1]	**3 471**	3 279		✓	✓
Debt securities	**305**	481		✓✓	✓✓
Funds on deposit and other money market instruments	**181**	263		✓✓	✓✓
Loans	**2 476**	2 816		✓✓	✓
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 764**	6 820		✓	✓
Other	**69**	97			
Cash and cash equivalents	**35 013**	28 720		✓✓	✓
Other non-financial assets	**37 264**	39 966	N/A	N/A	N/A
Total assets	**636 799**	573 849			
Liabilities					
Carried at FVPL					
Investment contracts					
Designated at FVPL	**373 927**	318 615	✓✓	✓✓	✓
CIS liabilities	**27 683**	30 782	✓✓	✓	✓
Subordinated call notes	**4 300**	5 327	✓	✓✓	
Carry positions	**9 080**	7 723	✓	✓✓	
Derivative financial liabilities	**3 336**	3 039	✓✓	✓✓	✓
Preference shares	**366**	337	✓	✓✓	
Other borrowings	**65**	933	✓	✓	✓
Carried at amortised cost					
Property development loans	**80**	–		✓✓	
Term loans	**1 503**	1 541		✓✓	
Cumulative redeemable preference shares	**1 625**	2 025		✓✓	
Cumulative redeemable convertible preference shares	**262**	252		✓✓	
Lease liabilities	**199**	188		✓✓	✓
Other	**300**	330		✓	
Other payables (excluding premiums received in advance and deferred revenue liabilities)					
Payables arising from insurance contracts and investment contracts with DPF	**6 954**	6 953			✓
Payables arising from investment contracts	**3 295**	3 088			✓
Unsettled trades	**2 526**	1 467			✓
Commission creditors	**639**	708		✓	✓
Other	**6 255**	5 631		✓	✓
Insurance contract liabilities	**153 631**	148 362	*	*	*
Investment contracts with DPF liabilities	**3 267**	2 994	✓✓	✓✓	✓✓
Other non-financial liabilities	**10 345**	8 612	N/A	N/A	N/A
Total liabilities	**609 638**	548 907			

✓✓ High exposure
✓ Medium/low exposure
* These liabilities are not financial instruments and the risks to which they are subject to are explained in note 37.
1 Refer to note 47 for more information on the restatements other than footnote 2.
2 Upon further investigation it was concluded that Funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL.

39 MARKET RISK CONTINUED

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

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

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

For non-profit business (notably including annuities and long-term protection business), shareholders carry the market risk to the extent that policyholder benefits are contractually guaranteed over the term of the policies.

Shareholders carry the market risk in respect of the performance of investments backing shareholder capital portfolios (such as the shareholder fund).

Market risk governance

Shareholder market risk is managed according to the Momentum Metropolitan Shareholder Market Risk Policy while the Client Investment Policy governs the management of policyholder market risk.

The Momentum Metropolitan CIC is responsible for the Group's market risk management relative to risk appetite needs. Segmental Product Management Committees are responsible for residual market risk exposures deriving from product design features and product management processes. The Board Risk Capital and Compliance committee provides oversight over all market risks assumed on behalf of shareholders.

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

For policyholder liabilities, the financial instruments backing each major line of business are segregated to ensure that they are used exclusively to provide benefits for the relevant contract holders. The valuation of these financial instruments is subject to various market risks, particularly interest rate and price risk. Each portfolio consists of an asset mix deemed appropriate for the specific product.

Market risk management per product

Market-related/unit-linked business

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

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

Individual and group contracts with DPF

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

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

A portion of smoothed bonus fund values are deemed vested and thereby constitutes a form of investment guarantee in certain circumstances. Similarly, on reversionary bonus business, an investment guarantee in the form of sum assured and declared reversionary bonuses is given.

39 MARKET RISK CONTINUED

Market risk management per product continued

Individual and group contracts with DPF continued

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

- Lower bonuses are declared.
- For those contracts where a portion of bonuses declared is not vested, the Group has the right to remove previously declared non-vested bonuses in the event of a fall in the market value of assets.
- A market value adjuster may be applied in the event of voluntary withdrawal in cases where the withdrawal benefit exceeds the market value. For some group contracts, an alternative option is to pay out the termination value over an extended term (usually 10 years). These measures are primarily to protect the remaining policyholders.
- Short-term derivative hedging or other partial derisking strategies can be used to protect the funding level against further deterioration due to poor investment performance.
- Funds may be transferred from the shareholder portfolio into the BSA on a temporary or permanent basis.

Individual and group contracts with DPF and continuous guarantees

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

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

Individual contracts offering investment guarantees

The Group has books of universal life business that offer minimum maturity values, based on a specified rate of investment return. These guaranteed rates range from 0% to 4.5% p.a. for the bulk of business. This applies to smoothed bonus portfolios as well as certain market-linked portfolios (the latter mostly closed to new business). On some smoothed bonus portfolios, there is also a guarantee to policyholders that the average annual bonus rate, measured over the lifetime of the contract, will not be less than a contractual minimum (around 4.5% p.a.).

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

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

Investment Guarantee risk management

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

39 MARKET RISK CONTINUED

Market risk management per product continued

Non-profit annuity business

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

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

The impact of a 1% reduction in yields on the annuity portfolio will generate a mismatch loss of R14 million (2022: R24 million) for MML.

The liability valuation calculation for MML annuities is based on the risk-free yield curve. The average rate that produces the same result is 12.8% (2022: 12.5%).

Guaranteed endowments and structured products

The Group issues guaranteed endowment policies. The majority of these contracts are five-year single premium endowment policies providing guaranteed maturity values. In terms of these contracts, policyholders are entitled to receive the guaranteed maturity value as assured at inception. The interest rate exposure on these policies is hedged through appropriate interest sensitive instruments.

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

Other non-profit business

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

Shareholder cash flows in respect of individual contracts with investment components

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

39 **MARKET RISK** CONTINUED

39.1 Market risk management per risk factor

Equity risk

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

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

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

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

Unlisted equity investment risks are managed as follows:

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

Refer to the sensitivity analysis in note 39.5.

39.2 Interest rate risk

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

Exposure of financial instruments to interest rates

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

39 MARKET RISK CONTINUED

39.2 Interest rate risk continued

Exposure of financial instruments to interest rates continued

Instrument class	Carrying amount Rm	Cash flow interest rate risk Rm	Fair value interest rate risk Rm	No interest rate risk Rm	Weighted average rate %
2023					
At FVPL					
Debt securities	**182 649**	**69 566**	**108 722**	**4 361**	**8.2**
Funds on deposit and other money market instruments	**33 695**	**15 869**	**17 792**	**34**	**8.0**
Derivative financial assets	**2 345**	**–**	**2 345**	**–**	**N/A**
Derivative financial liabilities	**(3 336)**	**–**	**(3 336)**	**–**	**N/A**
Carry positions	**56**	**–**	**–**	**56**	**–**
At amortised cost					
Debt securities	**305**	**–**	**–**	**305**	**7.0**
Funds on deposit and other money market instruments	**181**	**–**	**–**	**181**	**2.8**
Loans and receivables at amortised cost	**8 806**	**2 198**	**44**	**6 564**	**10.1**
Cash and cash equivalents	**35 013**	**30 881**	**–**	**4 132**	**6.1**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**5 764**	**–**	**–**	**5 764**	**–**
	265 478	**118 514**	**125 567**	**21 397**	
Restated 2022[1]					
At FVPL					
Debt securities[2]	174 848	67 794	103 493	3 561	8.2
Funds on deposit and other money market instruments[2]	30 093	19 949	10 132	12	5.9
Derivative financial assets	1 914	–	1 914	–	N/A
Derivative financial liabilities	(3 039)	–	(3 039)	–	N/A
Carry positions	1 124	–	–	1 124	–
At amortised cost					
Debt securities	481	25	–	456	12.4
Funds on deposit and other money market instruments	263	23	–	240	2.8
Loans and receivables at amortised cost	7 991	2 283	96	5 612	7.0
Cash and cash equivalents	28 720	25 139	–	3 581	4.3
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	6 820	–	–	6 820	–
	249 215	115 213	112 596	21 406	

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

2 Upon further investigation it was concluded that Funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL.

Liability exposure to interest rates is reflected in note 12.

39 MARKET RISK CONTINUED

39.3 Currency risk

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

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

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

Details of currency risk contained in investments in local CIS that are not subsidiaries have not been included in the table on the following page as the look-through principle was not applied.

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

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

	Africa Rm	UK £ Rm	US $ Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
2023							
Closing exchange rate		***24.0136***	***18.8915***	***20.6059***			
Investment securities							
At FVPL							
Unit-linked investments	**28**	**7 946**	**38 931**	**2 611**	**10**	**50**	**49 576**
Equity securities	**345**	**2 211**	**28 059**	**4 987**	**5 585**	**3 750**	**44 937**
Debt securities	**1 357**	**252**	**5 719**	**1 508**	**628**	**206**	**9 670**
Funds on deposit and other money market instruments	**273**	**2**	**1 648**	**7**	**–**	**–**	**1 930**
Derivative financial assets	**–**	**342**	**61**	**–**	**2**	**1**	**406**
At amortised cost							
Debt securities	**412**	**–**	**–**	**–**	**–**	**–**	**412**
Funds on deposit and other money market instruments	**105**	**–**	**–**	**–**	**–**	**–**	**105**
Loans and accounts receivable	**–**	**106**	**1 804**	**22**	**2**	**18**	**1 952**
Cash and cash equivalents	**328**	**557**	**5 472**	**969**	**97**	**117**	**7 540**
Insurance and other receivables	**8**	**–**	**310**	**–**	**–**	**–**	**318**
	2 856	**11 416**	**82 004**	**10 104**	**6 324**	**4 142**	**116 846**
2022							
Closing exchange rate		*19.9009*	*16.3864*	*17.1352*			
Investment securities							
At FVPL							
Unit-linked investments	9	6 814	29 429	2 046	8	85	38 391
Equity securities	244	1 798	21 678	3 475	4 649	3 332	35 176
Debt securities	993	140	3 249	1 184	149	338	6 053
Funds on deposit and other money market instruments	190	1	197	–	–	–	388
Derivative financial assets	–	168	50	1	1	3	223
At amortised cost							
Debt securities	–	–	–	–	–	456	456
Funds on deposit and other money market instruments	126	–	–	–	–	–	126
Loans and accounts receivable	6	88	770	8	16	6	894
Cash and cash equivalents	325	460	4 330	573	61	751	6 500
Insurance and other receivables	–	–	275	–	–	59	334
	1 893	9 469	59 978	7 287	4 884	5 030	88 541

39 MARKET RISK CONTINUED

39.3 Currency risk continued

The assets on the previous page generally back policyholder liabilities, reducing the currency risk exposure for shareholders.

African exchange rates representing material balances above are:

Closing exchange rate	Botswana	Ghana	Kenya
2023	**1.3973**	**1.6626**	**N/A**
2022	1.3183	2.0314	0.1390

39.4 Property risk

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

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

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

	2023 Rm	Restated 2022[1] Rm
Investment properties	**8 825**	9 051
Owner-occupied properties	**3 049**	3 016
Properties under development	**172**	162
CIS (refer to note 43)	**4 455**	4 412
Other unit-linked investments	**973**	722
	17 474	17 363
Percentage of total assets	**2.7%**	2.9%

[1] Other unit-linked investments were included as part of exposure to property holdings in the current year. June 2022 has been aligned accordingly.

Refer to note 5 for the concentration risk regarding types of properties relating to investment properties. Owner-occupied properties mainly comprise office buildings.

The Group is also exposed to tenant default and unlet space within the investment property portfolio. There were no material long outstanding debtors relating to tenants at 30 June 2023. The carrying amount of unlet and vacant investment property as at 30 June 2023 was R1 186 million (2022: R1 380 million).

39.5 Sensitivity to market risk

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

	Equity prices		Interest rates	
	Increase by 10% Rm	Decrease by 10% Rm	Increase by 100bps Rm	Decrease by 100bps Rm
2023				
Increase/(decrease) in earnings and equity	**425**	**(312)**	**392**	**(180)**
2022				
Increase/(decrease) in earnings and equity	406	(404)	488	(300)

The impact of the projected cash flows as a result of the basis changes and the current shape and level of the yield curve affected the market risk exposure for the year.

39 MARKET RISK CONTINUED

39.5 Sensitivity to market risk continued

Sensitivity ranges

- The upper and lower limits of the sensitivity ranges are management's best judgement of the range of probable changes within a 12-month period from the reporting date. Extreme or irregular events that occur sporadically, 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 impacts were produced using 31 March 2023 policy and economic data, but adjusted for material differences in the Group's investment stabilisation reserve at balance sheet date.
- The liability valuation includes allowance for management actions relating to the review of premiums for whole life risk contracts in response to enduring interest rate risk in accordance with policy conditions and fair treatment of customers. Allowance for premium reviews amounting to Rnil in the interest rate decrease scenario (2022: R487 million) is included in the results presented.
- In line with the Group's current practice and accounting policy, the investment variances from insurance contracts were stabilised. As at 30 June 2023, the Group's investment stabilisation reserve had a balance of R413 million (2022: R179 million).
- The change in equity prices was assumed to be a permanent change.
- Future dividend yields were assumed to remain unchanged.
- No change was assumed in expected future returns and discount rates used in valuing liabilities as a result of changes in equity prices.
- The expected future real rates of return were assumed to remain unchanged.
- Future inflation rates were assumed to change in line with interest rates.
- Sensitivities on expected taxation have not been provided.

Mitigation

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

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

Currency sensitivity

The impact of changes in currency on earnings and equity for the Group is not considered to be material. Refer to note 39.3 for more details on the Group's currency exposure.

40 CREDIT RISK

This is the risk of losses arising out of the failure of a counterparty to meet their financial and contractual obligations when due.

Credit risk also arises from the decrease in value of an asset because of a deterioration of creditworthiness (which may give rise to the downgrading of counterparties). Areas where the Group is exposed to credit are: Investments in debt securities, funds on deposit and other money market instruments, unit-linked investments, derivative financial instruments, reinsurance debtors, loans to policyholders and other loans and receivables in the shareholder and guaranteed portfolios as well as linked portfolios.

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

40 CREDIT RISK CONTINUED

Credit risk governance

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

The CIC is a subcommittee of the Group Executive Committee. This committee reports to the Group's Executive Committee on the effectiveness of credit risk management and provides an overview of the Group's shareholder credit portfolio. The CIC and its subcommittee are responsible for the approval of relevant credit policies and the ongoing review of the Group credit exposure.

Regarding shareholder credit risk management, the Committee should ensure that:

- Momentum Metropolitan's credit management framework, methodology and capabilities are adequate.
- Momentum Metropolitan's credit risk appetite and limits in the shareholder portfolio are clearly understood, communicated and monitored.
- The disciplines and tools that are used to measure, monitor, and manage Momentum Metropolitan's credit risk exposure and limits are adequate and robust.

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

Managing credit risk

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

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

The following are taken into account in the approval process:

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

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

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

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

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

Concentration risk

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

40 **CREDIT RISK** CONTINUED

Unit-linked investments

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

Derivative contracts

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

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

Scrip lending

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

Scrip lending agreements are governed by the Global Master Securities Lending Agreement (GMSLA).

The main risk in scrip lending activities is the risk of default by the borrower of securities, i.e. the borrower fails to return the borrowed securities. Borrower default risk is mitigated by either requiring borrowers to post adequate levels of high-quality collateral and/or by the use of indemnity guarantees from the borrowers.

Where collateral is received, the Group monitors collateral levels on a daily basis and the status of collateral coverage is reported to the executive BSM on a quarterly basis. This collateral serves as security for the scrip lending arrangements in the event of default by the borrowers. Where the borrower default risk is mitigated by means other than collateral, the Group monitors the counterparty credit exposure to be within approved limits and the Group ensures that credit risk capital is held against counterparty credit exposure.

Financial assets at amortised cost

Due from agents, brokers and intermediaries

Commission debtors arise when upfront commission paid on recurring premium policies is clawed back on a sliding scale within the first two years of origination. As the largest portion of the Group's new business premiums arises from brokerages that are subsidiaries of A-rated South African banks, the risk of default is low, and relates mainly to independent intermediaries.

Refer to note 7.6 for impairment details.

Policy loans

The Group's policy is to lapse a policy automatically where the policy loan debt exceeds the surrender value of the policy. There is therefore little risk that policy loan debt will remain irrecoverable. Consequently, the policy is considered to be collateral for the debt. The fair value of the collateral is considered to be the value of the policy.

Policy loans are secured by policies issued by the Group. In terms of the regulations applicable to the Group, the value of policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which the Group owns.

40 CREDIT RISK CONTINUED

Financial assets at amortised cost continued

Reinsurance

Under the terms of a reinsurance contract, the Group is compensated by the reinsurer for losses on a defined set of contracts issued by the Group. Consequently, the Group is exposed to the credit risk of the reinsurer. The Group only enters into reinsurance treaties with reinsurers registered with the PA. The credit rating of the reinsurance company is assessed when placing the business and when there is a change in the status of the reinsurer.

Regular monthly reconciliations are performed regarding claims against reinsurers, and the payment of premiums to reinsurers.

Financial Assets credit risk exposure

For the Group's maximum exposure to credit risk refer to note 7.6.

Financial liabilities designated at FVPL

The current fair value movements, on financial liabilities that would have otherwise been classified as at amortised cost or fair value through other comprehensive income (FVOCI) under IFRS 9, but which have been designated at FVPL, includes a R6 million (2022: R26 million) loss attributable to change in own credit risk.

In February 2023 and March 2023, Moody's updated their credit opinion for Guardrisk and MML respectively. In those credit opinion reports, Moody's affirmed the MML and Guardrisk credit ratings and maintained the stable credit rating outlook. In the Moody's credit opinion, MML's IFS ratings were Ba1 on a global scale and Aaa.za on a national scale.

On Guardrisk, in the March 2023 report, Moody's commented that "The Ba2 global scale IFS ratings, with stable outlook, assigned to entities in the Guardrisk Group – as well as the Aaa.za national scale IFS ratings assigned to the South African entities – reflect its good market position as the largest cell captive insurer in the South African market, low underwriting risk due to its predominantly fee-based model, diverse product mix across life insurance and short-tailed non-life insurance lines, and strong profitability. These strengths are partially offset by its investment portfolio's concentrated exposure to the South African economy and banking system. Also, Guardrisk Group entities have low capital ratios under the South African SAM, albeit this framework does not recognise excess capital in individual cells, and is exposed to corporate credit risk through its reliance on cell-owners to recapitalise cells in the event needed. Deterioration in the local economy will lead to rising corporate credit risk.

Security and credit enhancements

In terms of the credit risk associated with the instruments above, the following collateral is held in order to mitigate the credit risk:

Debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments

For debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments, the credit risk is managed through the Group's credit risk exposure policy described in this note.

Linked notes

The Group has put options with RMB against the linked notes listed and issued by RMB for the guaranteed capital amounts invested for when the market value of the underlying instruments supporting the notes decreases below the guaranteed amounts. The carrying amount of these investments included in other debt securities at FVPL was R315 million at 30 June 2023 (2022: R503 million).

Transfers of financial assets

The Group is involved in the transfer of financial assets through scrip lending and sale and repurchase of assets agreements. Refer below for detail on scrip lending arrangements as well as related security and credit enhancements. Also refer to the accounting policies for more details on the nature of the arrangements.

The Group's assets include assets such as script lending and sell and buyback transactions. Where the financial instruments are sold to a counterparty for cash, with a commitment to repurchase at a later date, the financial instrument is not derecognised and shown on the Statement of financial position.

40 CREDIT RISK CONTINUED

Security and credit enhancements continued

Transfers of financial assets continued

The Group sells the contractual rights to cash flows, it does not have the right to use the transferred asset during the term. There is collateral of R3 012 million (2022: R1 239 million) on the script lent. The carrying amount of scrip on loan in the current year was R2 624 million (2022: R1 051 million) and consisted of local listed equity securities. Fair value of the asset transferred, and the associated liability are tabled below:

	2023 Rm	2022 Rm
Carry position Liability	**9 080**	7 723
Underlying assets	**9 063**	8 491

Financial assets at amortised cost

The receivables arising from investment contracts are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

Policy loans of R1 004 million (2022: R1 004 million) are limited to and secured by the underlying value of the unpaid policy benefits. For further details refer to note 7.6. The underlying value of the policy benefits exceeds the policy loan value.

Other receivables

Amounts receivable in terms of life insurance contracts and investment contracts with DPF are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

41 FINANCIAL RISK INHERENT IN CONSOLIDATED COLLECTIVE INVESTMENT SCHEMES AND OTHER INVESTMENT PRODUCTS

The Group consolidates a number of CIS and other investment products. Refer to note 42 for information on the schemes consolidated.

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

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

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

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

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

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

The CIS and other investment products not consolidated are included in note 43 as CIS and Investments in associates. These are designated at FVPL.

42 SIGNIFICANT SUBSIDIARY COMPANIES

Companies	Country of incorporation, where not South Africa	Interest held 2023 %	Interest held 2022 %	Cost 2023 Rm	Cost 2022 Rm	Loans to subsidiaries[1] 2023 Rm	Loans to subsidiaries[1] 2022 Rm
42.1 Interest in significant subsidiary companies							
42.1.1 Significant companies							
Momentum Metropolitan Life Ltd		**100**	100	**17 741**	17 741		
Subsidiary companies							
Momentum Asset Management (Pty) Ltd		**100**	100				
Subsidiary company							
Momentum Outcome-Based Solutions (Pty) Ltd[2]		**100**	100				
Momentum Global Investment Management Ltd	UK	**100**	100				
Momentum Wealth (Pty) Ltd		**100**	100				
Momentum Wealth International Ltd	Guernsey	**100**	100				
Subsidiary company							
Momentum International Insurance PCC Ltd	Guernsey	**100**	100				
102 Rivonia Road (Pty) Ltd		**80**	80				
Momentum Multiply (Pty) Ltd		**100**	100				
Metropolitan International Holdings (Pty) Ltd		**100**	100	**2 358**	2 358	**–**	–
Subsidiary companies							
Momentum Metropolitan Namibia Ltd	Namibia	**99.2**	99.2				
Metropolitan Cannon Life Assurance Ltd	Kenya	**–**	96				
Metropolitan Cannon General Insurance Ltd	Kenya	**–**	96				
Metropolitan Life Insurance Ghana Ltd	Ghana	**100**	100				
Metropolitan International Support (Pty) Ltd		**100**	100				
Momentum Mozambique LDA	Mozambique	**66.7**	66.7				
Momentum Metropolitan Finance Company (Pty) Ltd		**100**	100	**600**	600	**3**	3
Metropolitan Life of Botswana Ltd	Botswana	**100**	100	**73**	73		
Metropolitan Lesotho Ltd	Lesotho	**100**	100	**120**	120		
MET Collective Investments (RF) (Pty) Ltd		**100**	100	**34**	34		
Eris Property Group (Pty) Ltd		**77.0**	76.9	**407**	407		
Momentum Metropolitan Infrastructure and Operations (Pty) Ltd		**100**	100	**352**	352		
Momentum Trust Ltd		**100**	100	**76**	76		
Momentum Metropolitan Strategic Investments (Pty) Ltd		**100**	100	**6 670**	6 446		
Subsidiary companies							
Momentum Health Solutions (Pty) Ltd		**73**	73				
Metropolitan Health Corporate (Pty) Ltd		**70.5**	70.5				
Momentum Consult (Pty) Ltd		**100**	100				
Momentum Insurance Company Ltd		**100**	100				
MMI Short Term Insurance Administration (Pty) Ltd		**100**	100				
Momentum Securities (Pty) Ltd		**100**	100				
Guardrisk Group (Pty) Ltd		**100**	100				
Subsidiary companies							
Guardrisk Life Ltd		**100**	100				
Guardrisk Insurance Company Ltd		**100**	100				
Guardrisk International Ltd PCC		**100**	100				
Momentum Metropolitan Holdings (UK) Ltd	UK	**100**	100				
Subsidiary companies							
Anthemis Exponential Ventures LLP	UK	**100**	100				
Euroguard Insurance Company PCC Ltd	Gibraltar	**100**	100				
Equity-settled shared-based payments Investment[3]				**96**	63		
Less: impairments (refer to note 42.1.2)				**(611)**	(614)		
Total interest in subsidiary companies				**27 916**	27 656	**3**	3

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

2 Was a subsidiary of Momentum Metropolitan Strategic Investments (Pty) Ltd in the prior year.

3 The investment in subsidiaries is as a result of the iSabelo share-based transaction, for which the Company has the responsibility to settle the liability raised in the respective subsidiaries with its own shares. Please refer to Note 17.6 for the Share-based payment disclosures.

42 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

42.1 Interest in significant subsidiary companies continued

		2023 Rm	2022 Rm
42.1.2	**Subsidiary cumulative impairments**		
	Metropolitan International Holdings (Pty) Ltd	**25**	25
	Momentum Metropolitan Finance Company (Pty) Ltd	**384**	395
	MET Collective Investments (RF) (Pty) Ltd	**34**	27
	Momentum Metropolitan Infrastructure and Operations (Pty) Ltd	**92**	91
	Momentum Trust Ltd	**76**	76
		611	614
42.1.3	**Other loans to/(from) significant subsidiaries**		
	Momentum Metropolitan Strategic Investments (Pty) Ltd	**2**	–
	Metropolitan Capital (Pty) Ltd	**268**	252
		270	252
	Less: impairments	**(11)**	(2)
	Loans to subsidiary companies	**259**	250
	Momentum Metropolitan Life Ltd	**(598)**	(699)
	Loans from subsidiary companies	**(598)**	(699)

42 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

42.2 Interest in CIS subsidiaries

42.2.1 Significant CIS subsidiaries

At 30 June, the following CISs were significant subsidiaries of the Group:

	Interest held		Carrying amount	
	2023 %	**2022 %**	**2023 Rm**	**2022 Rm**
Momentum GF Global Equity Fund	**90.6**	92.6	**23 291**	20 314
Momentum GF Global Sustainable Equity Fund *(previously the Momentum GF Global Enhanced Index Fund)*	**96.6**	97.3	**10 609**	6 585
Momentum Money Market Fund	**63.8**	54.8	**8 993**	7 777
Momentum SA Flexible Fixed Interest Fund	**91.0**	93.1	**7 230**	7 129
Momentum Bond Fund	**100.0**	96.7	**7 196**	8 451
Momentum Income Plus Fund	**62.1**	50.0	**5 854**	5 305
Momentum Thematic Growth Equity Fund	**100.0**	**	**5 734**	**
Momentum Focus 6 Fund of Funds	**89.1**	86.6	**5 138**	4 624
Momentum Enhanced Yield Fund	**61.0**	58.4	**4 566**	4 714
Momentum Ultra Long-Term Value Fund	**91.7**	90.8	**3 983**	3 494
Momentum GF Global Emerging Markets Equity Fund	**99.8**	100.0	**3 825**	3 251
Momentum Global Growth Fund IC Ltd	**93.6**	94.5	**3 422**	2 961
Momentum High Growth Fund	**100.0**	100.0	**2 991**	2 658
Momentum Macro Value Fund	**100.0**	100.0	**2 602**	2 416
Momentum Opportunistic Equity Fund	**99.5**	100.0	**2 549**	2 542
Momentum Core Equity Fund	**77.9**	78.6	**2 355**	2 399
Momentum Capped SWIX Index Fund	**90.0**	92.5	**2 352**	2 365
Momentum Focus 7 Fund of Funds	**84.2**	82.4	**2 163**	1 760
Momentum GF Global Fixed Income Fund	**96.8**	99.9	**2 067**	991
Momentum Trending Equity Fund	**100.0**	99.5	**1 916**	2 088
Momentum Global Managed Fund IC Ltd	**88.2**	89.8	**1 819**	1 599
Momentum Focus 5 Fund of Funds	**75.5**	77.2	**1 688**	1 047
Momentum Diversified Income Fund	**65.3**	64.9	**1 437**	1 415
Momentum Emerging Manager Growth Fund	**100.0**	100.0	**1 265**	1 214
Momentum Equity Fund	**35.6**	34.2	**1 303**	1 181
Momentum Value Equity Fund	**100.0**	99.0	**1 022**	1 117
Momentum Macro Growth Fund	**100.0**	100.0	**955**	910
Momentum MoM Property Equity Fund	**93.4**	92.2	**885**	872
Momentum RCIS Multi-Managed ZAR Capi Alpha QI Hedge Fund	**100.0**	100.0	**873**	758
Momentum RCIS Rubix QI Hedge Fund	**100.0**	100.0	**846**	731
Momentum RCIS Multi-Managed ZAR Equity Hedge QI Hedge Fund	**99.5**	99.4	**791**	664
Momentum Real Growth Property Fund	**87.4**	86.4	**765**	701
Momentum International Equity Feeder Fund	**47.5**	**	**649**	**
Momentum Real Return Fund	**100.0**	**	**620**	**
Momentum Managed Bond Fund	**100.0**	100.0	**597**	575
Momentum Flexible Income Fund	**72.0**	**	**565**	**
Momentum RCIS ZAR Diversified QI Fund of Hedge Funds	**100.0**	**	**556**	**
Momentum SA Real Growth Property Fund	*	100.0	*	522
Total			**125 472**	105 130

* The fund is no longer a significant subsidiary.

** The funds are only a significant subsidiary in the current year.

42.2.2 Domicile

Fund name	Domicile
Momentum GF Global Equity Fund	Luxembourg
Momentum GF Global Sustainable Equity Fund *(previously the Momentum GF Global Enhanced Index Fund)*	Luxembourg
Momentum GF Global Emerging Markets Equity Fund	Luxembourg
Momentum Global Growth Fund IC Ltd	Guernsey
Momentum Global Managed Fund IC Ltd	Guernsey
Momentum GF Global Fixed Income Fund	Luxembourg

43 UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The Group considers certain CISs and other unit-linked investments to be structured entities. This note provides information on significant unconsolidated structured entities in which the Group holds an interest.

43.1 CISs and other unit-linked investments

Unit-linked investments comprise local and foreign CISs as well as other unit-linked investments. CISs are categorised into property, equity, money market, mixed assets and interest-bearing instruments based on the Association for Savings and Investment South Africa (ASISA) classification of the South Africa regulated CIS portfolios.

The category of unit-linked investments with no ASISA classification has been assessed based on the mandate and objective of the fund, with reference to the ASISA classification guidelines. Where the Group is the contract holder of investment contracts at another institution, but does not have title to the underlying investment assets, it has been allocated to the class of underlying asset composition/exposure that exceeds 80%. If no single asset composition exceeds 80%, it has been allocated to the mixed asset class.

Unlisted and unquoted unit-linked instruments are mainly exposed to equity, comprising investments in hedge funds and private equity funds, or interest-bearing instruments, comprising mezzanine funding and structured guaranteed income products. It includes investments where the exposure is subject to the underlying investments, comprising investments in pooled funds as well as investments backing policies where the Group is the policyholder of an investment contract issued by other insurance companies.

	2023 Rm	Restated 2022 Rm
CISs		
Local and foreign	**200 457**	170 440
Equity[1]	**60 919**	54 792
Interest-bearing[1, 2]	**8 975**	4 539
Property	**4 455**	4 412
Mixed[1, 2]	**121 608**	104 113
Money market	**4 217**	2 268
Commodity	**283**	316
Other unit-linked investments		
Local and foreign	**15 843**	14 446
Equity[3]	**6 249**	5 687
Interest-bearing[1, 3]	**841**	914
Property	**973**	722
Mixed[2]	**6 912**	6 315
Money market	**670**	639
Commodity	**198**	169
At FVPL: unit-linked investments	**216 300**	184 886

1 The following classification and reporting errors were noted:

- CIS Equity were understated by R5 million.
- CIS Interest-bearing were understated by R24 million.
- CIS Mixed were understated by R74 million.
- Other unit-linked investments Interest-bearing were overstated by R61 million.

June 2022 has been restated accordingly.

2 It was also noted that R208 million was incorrectly classified as CIS Mixed, of which R2 million should have been classified as CIS Interest-bearing and R206 million should have been classified as Other unit-linked investments Mixed. June 2022 has been restated accordingly.

3 Upon further investigation it was noted that Other unit-linked investments of R56 million was inappropriately classified as Equity and should have been classified as Interest-bearing. June 2022 has been restated accordingly.

43.2 Investments in associates at FVPL

The Group holds a significant investment in the following associates at FVPL:

	Carrying amount Rm	% interest held	Nature of relationship	Principal place of business
2023				
Momentum Africa Real Estate Fund	**578**	**32.4%**	**Standard investment**	**London**
2022				
Momentum Africa Real Estate Fund	480	32.2%	Standard investment	London

43 UNCONSOLIDATED STRUCTURED ENTITIES CONTINUED

43.2 Investments in associates at FVPL continued

Summarised financial information relating to the associates on the previous page:

	Momentum Africa Real Estate Fund Rm
2023	
Current assets	**1 551**
Non-current assets	**241**
Current liabilities	**8**
Non-current liabilities	**1 783**
Revenue	**50**
Profit	**24**
2022	
Current assets	1 260
Non-current assets	240
Current liabilities	7
Non-current liabilities	1 493
Revenue	32
Profit	8

43.3 Other unconsolidated structured entities

The table below provides information on significant other unconsolidated structured entities in which the Group holds an interest:

				Carrying amount[1]		Income received[2]	
Name of entity	**Investment type**	**Nature and purpose of business**	**How is the entity financed?**	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
The Thekwini Fund 16 (RF) Ltd	Floating rate note/ vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**528**	469	**29**	22
The Thekwini Fund 17 (RF) Ltd	Floating rate note/ vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**711**	856	**34**	15
The Thekwini Fund 18 (RF) Ltd	Floating rate note/ vanilla bonds	Special purpose vehicle set up by South African Home Loans (Pty) Ltd to finance mortgage loans	Funding received from the South African capital market	**665**	*	**24**	*
Blue Diamond X Investments (RF) Ltd	Floating rate notes/ fixed rate notes	The Issuer will use the proceeds from the issue of the notes for the purpose of acquiring and/or investing in participating assets	Funding received from the South African capital market	**528**	*	**15**	*
The Thekwini Warehousing Conduit (RF) Ltd	Fixed rate notes	Asset Backed Commercial Paper set up by South African Home Loans (Pty) Ltd to fund pools of home loans pursuant to a securitisation scheme	The issuance of fixed and/or floating rate, asset-based commercial paper	**739**	*	**–**	*
				3 171	1 325	**102**	37

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

1 Included in securities at FVPL in the statement of financial position. The carrying amount represents the Group's maximum exposure.

2 Consists of interest income and fair value gains/(losses).

The Group has not sponsored any significant unconsolidated structured entities in which it holds an interest.

44 VALUATION TECHNIQUES

The Group's in-house valuation experts perform the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held at least bi-annually, in line with the Group's bi-annual reporting dates.

The valuation of the Group's assets and liabilities has been classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities *(level 1)*
- Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices) *(level 2)*
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) *(level 3)*

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

Instruments classified as level 1 have been valued using published price quotations in an active market and include the following classes of financial assets and liabilities:

- Local and foreign listed equity securities
- Stock and loans to government and other public bodies, excluding stock and loans to other public bodies listed on the JSE interest rate market
- Local and foreign listed and unlisted quoted CISs (this also refers to the related CIS liabilities)
- Derivative financial instruments, excluding OTC derivatives

Critical accounting estimates and judgements

For venture capital fund investments that are classified as unit-linked investments, the Group applies the International Private Equity and Venture Capital (IPEV) valuation guidelines, which have been prepared with the goal that the derived fair value measurements are compliant with IFRS. The IPEV guidelines allow for adjustments post the valuation date for uncertainty related to time elapsing between the measurement dates of the fund manager and the investor, changes in market dynamics or other economic conditions, and facts or circumstances that may impact the valuation of start-up businesses. Management applies judgement if an adjustment is needed for any of these reasons.

44 VALUATION TECHNIQUES CONTINUED

44.1 Fair value classification on level 2 instruments

The following are the methods and assumptions for determining the fair value when a valuation technique is used in respect of instruments classified as level 2. Refer to note 7.7 for details of the instruments split into the different levels.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
– Listed, local and foreign	DCF, earnings multiple, published prices	Cost of capital, earnings multiple, consumer price index, budgets, cash flow forecasts
Stock and loans to other public bodies		
– Listed, local	Published yield of benchmark bond	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
	Published price quotation	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
– Listed, foreign	Published price quotation	Nominal bond curve, credit spread, currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread
Other debt securities		
– Listed, local	Published prices, DCF	Nominal bond curve, real bond curve, swap curve, consumer price index, credit spread, JIBAR rate, yield curve, issue spread, money market curve
– Listed, foreign	Published prices, DCF	Nominal bond curve, credit spread and currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, currency rates, issue spread, money market curve, graded non-convertible debenture quotes
	DCF, Black-Scholes model	Yield curves, discount rates, volatilities
Funds on deposit and other money market instruments		
– Listed	DCF	Money market curve
	Published prices	Money market curve, credit spread
	Published yield of benchmark bond	Money market curve, credit spread
– Unlisted	DCF	Money market curve, nominal bond curve, swap curve, credit spread, inflation curve
Unit-linked investments	Adjusted NAV or NAV	Underlying asset and liability values
Derivative assets and liabilities	Black-Scholes model (European options), binomial tree (American/Bermudan options), DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, volatility, forward equity, currency rates
Subordinated call notes (Liability)	Published yield quotations	Nominal bond curve, real bond curve
Carry position assets and liabilities	DCF	Nominal bond curve, repo rates
Investment contracts designated at FVPL	Asset and liability matching method	Asset value

There were no significant changes in the valuation methods applied since the prior year.

44 VALUATION TECHNIQUES CONTINUED

44.2 Fair value classification on level 3 instruments

Information about fair value measurements using significant unobservable inputs *(level 3)*

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Securities at FVPL				
Equity securities				
Foreign listed	Published prices	Adjustments for low liquidity or inactivity	Liquidity discount: 0% to 30% (2022: 0% to 30%)	The higher the liquidity discount rate, the lower the fair value
Unlisted	NAV	Underlying property valuations impacted by capitalisation rates, vacancy rates and potential capitalisation of project costs	Could vary significantly based on the value of the underlying properties[1]	The higher the capitalisation rate the lower the value of the property and the fair value. The higher the vacancy rate the lower the value of the property and the fair value[1]
	Adjusted NAV or NAV	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
	DCF	Discount rate	Multiple unobservable inputs[1]	The higher the discount rate, the lower the fair value of the assets
Debt securities				
Stock and loans to government and other public bodies				
Unlisted	DCF	Discount rate	8% to 13.07% (2022: 8% to 13.07%)	The higher the discount rate, the lower the fair value of the assets
Listed	Published prices	Adjustments for recoverability and credit risk determined by collection rates of performing and non-performing loans	Multiple unobservable inputs[1]	The lower the collection rates, the lower the fair value
Other debt instruments				
Unlisted	DCF, Black-Scholes model	Discount rate, volatilities, yield curve	Multiple unobservable inputs[1]	Could vary significantly based on multiple inputs[1]. The higher the discount rate, the lower the fair value of the assets. A normal yield curve will result in a high fair value and a downward-sloping curve will result in lower fair values
	DCF	Discount rate	10.45% to 15.65% (2022: 9.90% to 11.19%); 9.37% to 16.00% (2022: 6.41% to 17.92%)	The higher the discount rate, the lower the fair value of the assets
	Last quoted price multiplied by number of units held	Price per unit	78c (2022: 78c)	The higher the price per unit, the higher the fair value

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

44 VALUATION TECHNIQUES CONTINUED

44.2 Fair value classification on level 3 instruments continued

Information about fair value measurements using significant unobservable inputs *(level 3) continued*

Financial assets continued	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unit-linked investments				
CISs				
Foreign unlisted unquoted	Unit price of underlying assets/ liabilities multiplied by number of units held	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Other unit-linked investments				
Local unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Foreign unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Derivative financial assets	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Financial liabilities				
Other borrowings	DCF	Assets under management (AUM) growth rate	18% (2022: 3.25%)	The higher the rate, the higher the fair value
Preference shares	DCF	Discount rate	13.17% to 15.65% (2022: 3%)	The higher the discount rate, the lower the fair value of the liability

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

There were no significant changes in the valuation methods applied since the prior year.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION

45.1 Cash-settled arrangements

45.1.1 Valuation assumptions relating to outstanding MMH LTIP units at 30 June

	Units granted during the current year								
	Performance units								
2023	**21st tranche[1,2]**	**22nd tranche[1,2]**	**23rd tranche[1,2]**	**24th tranche[1]**	**25th tranche[1]**	**26th tranche[2]**	**27th tranche[2]**	**28th tranche**	**29th tranche**
Award date	01-Oct-19	01-Apr-20	06-Apr-20	01-Oct-20	01-Apr-21	01-Oct-21	01-Apr-22	01-Oct-22	01-Apr-23
Vesting date	01-Oct-22	01-Oct-22	06-Apr-23	01-Oct-23	01-Apr-24	01-Oct-24	01-Apr-25	01-Oct-25	01-Apr-26
Units granted (thousands)[3]	285	2	2	768	19	679	4	14 069	112
Valuation assumptions include:									
Outstanding tranche period in years	0.00	0.00	0.00	0.25	0.75	1.25	1.75	2.25	2.75
Take-up rate on units outstanding	0%	0%	0%	98%	95%	93%	90%	87%	84%
Current vesting probability excluding attrition	100%	100%	100%	56%	56%	37%	37%	79%	79%
Share price at year-end	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06

	Units granted during the prior year									
	Performance units							Deferred bonus units		
Restated 2022	**21st tranche[1]**	**22nd tranche[1]**	**23rd tranche[1]**	**24th tranche[1]**	**25th tranche[1]**	**26th tranche[2]**	**27th tranche[2]**	**6th tranche[1]**	**9th tranche[1]**	**11th tranche[1]**
Award date	01-Oct-19	01-Apr-20	06-Apr-20	01-Oct-20	01-Apr-21	01-Oct-21	01-Apr-22	01-Oct-19	01-Apr-20	01-Oct-20
Vesting date	01-Oct-22	01-Oct-22	06-Apr-23	01-Oct-23	01-Apr-24	01-Oct-24	01-Apr-25	01-Oct-22	01-Apr-23	01-Oct-22
Units granted (thousands)[3]	284	1	2	302	7	9 958	81	63	2	46
Valuation assumptions include:										
Outstanding tranche period in years	0.25	0.25	0.75	1.25	1.75	2.25	2.75	0.25	0.75	0.25
Take-up rate on units outstanding	98%	98%	95%	93%	90%	87%	84%	98%	95%	98%
Current vesting probability excluding attrition	41%	41%	41%	41%	41%	17%	17%	100%	100%	100%
Share price at year-end	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26

1 This relates to dividend offers made during the year.

2 In terms of the MMH LTIP rules, the date at which the achievement of performance conditions is measured, is prior to the ultimate vesting date. After year 3 of the scheme, the measurement of performance and the vesting percentage in respect of all units is confirmed. Vesting and settlement then takes place one third on this date, one third a year thereafter, and one third two years thereafter.

3 This relate to units granted during the year that are still outstanding at year end.

4 This is due to admin related issues and was excluded in the prior year. June 2022 has been restated accordingly.

Vesting rate assumptions regarding performance units in the table above

As stated on page 108, the performance units in the MMH LTIP are subject to performance criteria.

There are currently three LTIP schemes in flight which were awarded in October 2020, October 2021 and the latest LTIP tranche was issued in October 2022.

The October 2020 LTIP tranche's performance criteria are weighted 50% to business unit specific targets and 50% to Group level targets. The Group level targets have four components, of which two are linked to NHE growth over the vesting period, while the third is linked to Return on Equity (ROE) and the fourth is linked to MMH's TSR relative to its listed peers. Similarly, for business units, two of the four vesting conditions are based on cumulative NHE over the vesting period while the third component is liked to a business unit specific financial measure. Where applicable, business units have been given a ROE target for June 2023. The LTIP liability for the October 2020 LTIP tranche as at 30 June 2023 was calculated assuming 56% (2022: 41%) of units issued in October 2020 (vesting in 2023 with settlement dates in 2023, 2024 and 2025) will vest.

Units granted during the current year

Deferred bonus units

12th tranche	15th tranche	18th tranche	23rd tranche	24th tranche	26th tranche	27th tranche	28th tranche	29th tranche	30th tranche	31st tranche	32nd tranche
01-Oct-20	01-Apr-21	01-May-21	01-Oct-21	01-Oct-21	01-Apr-22	01-Apr-22	01-Oct-22	01-Oct-22	01-Apr-23	01-Apr-23	01-Apr-23
01-Oct-23	01-Apr-24	01-May-24	01-Oct-23	01-Oct-24	01-Apr-24	01-Apr-25	01-Oct-24	01-Oct-25	01-Apr-24	01-Apr-25	01-Apr-26
114	1	1	121	121	1	5 389	5 389	5 389	79	79	79
0.25	0.75	0.83	0.25	1.25	1.75	0.25	1.25	2.25	0.75	1.75	2.75
98%	95%	95%	98%	93%	90%	98%	93%	87%	95%	90%	85%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06	R18.06

Units granted during the prior year

Deferred bonus units

12th tranche[1]	14th tranche[1]	15th tranche[1]	17th tranche[1]	18th tranche[1]	19th tranche[1]	20th tranche	21st tranche	22nd tranche	23rd tranche	24th tranche	25th tranche[4]	26th tranche[4]	27th tranche[4]
01-Oct-20	01-Apr-21	01-Apr-21	01-May-21	01-May-21	30-Sep-21	30-Sep-21	30-Sep-21	01-Oct-21	01-Oct-21	01-Oct-21	01-Apr-22	01-Apr-22	01-Apr-22
01-Oct-23	01-Apr-23	01-Apr-24	01-May-23	01-May-24	30-Sep-22	30-Sep-23	30-Sep-24	01-Oct-22	01-Oct-23	01-Oct-24	01-Apr-23	01-Apr-24	01-Apr-25
46	0	0	1	1	9	9	9	1 799	1 799	1 799	9 780	9 782	9 782
1.25	0.75	1.75	0.83	1.83	0.25	1.25	2.25	0.25	1.25	2.25	0.75	1.75	2.75
93%	95%	90%	95%	89%	98%	93%	87%	98%	93%	87%	95%	90%	85%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26	R14.26

The LTIP tranche issued in October 2021 performance criteria is 100% weighted to the Group's total shareholder return outperforming an equally weighted basket of lister peers (Discovery, Old Mutual and Sanlam). As at 30 June 2023 the LTIP liability for October 2021 was calculated assuming 37% (2022: 19%) of units issued in October 2021 (vesting in 2024 with settlement dates in 2024, 2025, 2026) will vest.

The LTIP tranche issued in October 2022 performance criteria is 100% weighted to the Group's total shareholder return outperforming an equally weighted basket of lister peers (Discovery, Old Mutual and Sanlam). As at 30 June 2023 the LTIP liability for October 2022 was calculated assuming 79% of units issued in October 2022 (vesting in 2025 with settlement dates in 2025, 2026, 2027) will vest.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.1 Cash-settled arrangements continued

45.1.2 Valuation assumptions relating to outstanding MSPS units at 30 June:

	Units granted during the current year		
2023	**37th tranche**	**38th tranche**	**39th tranche**
Award date	01-Nov-22	01-Nov-22	01-Nov-22
Vesting date	01-Nov-25	01-Nov-26	01-Nov-27
Units granted (thousands)[1]	248 897	248 897	248 872
Valuation assumptions include:			
Outstanding tranche period in years	2.40	3.40	4.40
Take-up rate on units outstanding	100%	100%	100%
Current vesting probability excluding attrition	95%	95%	95%

	Units granted during the prior year		
2022	**34th tranche**	**35th tranche**	**36th tranche**
Award date	01-Nov-21	01-Nov-21	01-Nov-21
Vesting date	01-Nov-24	01-Nov-25	01-Nov-26
Units granted (thousands)[1]	186	186	186
Valuation assumptions include:			
Outstanding tranche period in years	2.34	3.34	4.34
Take-up rate on units outstanding	100%	100%	100%
Current vesting probability excluding attrition	95%	95%	95%

[1] This relates to units granted during the year that are still outstanding at year end.

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

2023

There are no MMH SAR units outstanding as at 30 June 2023.

2022

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

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

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

The earnings growth requirement was revised downward from 11% p.a. to an absolute target of R3 200 million. For the ROEV performance condition, the Remuneration Committee will retain the right to choose the exact methodology to allow for the adverse impact of Covid-19. Given that TSR measures relative performance against listed peers, there was no change made to the performance criteria other than the 12-month extension to the measurement period.

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

The SAR liability as at 30 June 2022 was calculated on an assumption that 63% of units issued in 2018 will vest. Actual vesting percentages in 2022 may deviate from this assumption.

Compared to the ROEV assumptions used in the SAR liability calculation, an additional increase in future ROEV of two percent would result in a higher vesting assumption of 66% and a resulting IFRS 2 cost of R1.1 million.

Tranches vested during the current or prior year

MMH LTIP: Performance units – The 21st and 22nd tranches were settled in October 2022 at R17.06 per share totalling R36 million.
MMH LTIP: Deferred bonus units – The 6th and 11th tranches were settled in October 2022 at R17.06 per share totalling R99.4 million.
MMH LTIP: Performance units – The 23rd tranche was settled in April 2023 at R17.79 and R17.63 per share totalling R0.3 million.
MMH LTIP: Deferred bonus units – The 9th and 14th tranches were settled in April 2023 at R17.79 and R17.63 per share totalling R1.4 million.
MMH LTIP: Deferred bonus units – The 17th tranche was settled in May 2023 at R18.10 per share totalling R0.5 million.
MMH LTIP: Performance units – Ad-hoc payments totalling R0.5 million (2022: R6 million).
MMH LTIP: Deferred bonus units – Ad-hoc payments totalling R8 million (2022: R6 million).
MMH SAR Retention – The tranche with settlement date October 2022 was settled in October 2022 at R17.06 per share totalling R8 million.
MMH SAR Retention – Ad-hoc payments totalling R0.3 million (2022: R0 million).
MMH LTIP: Performance units – The 20th tranche was settled in October 2021 at R19.47 per share totalling R0.03 million.
MMH LTIP: Retention units – The 19th tranche was settled in October 2021 at R19.47 per share totalling R3.8 million.
MMH LTIP: Deferred bonus units – The 3rd, 5th and 10th tranches were settled in October 2021 at R19.47 per share totalling R134 million.
MMH LTIP: Deferred bonus units – The 8th and 13th tranches were settled in April 2022 at R17.38 per share totalling R1.5 million.
MMH LTIP: Deferred bonus units – The 16th tranche was settled in May 2022 at R17.12 per share totalling R0.5 million.
MMH LTIP: Deferred bonus units – Ad-hoc payments totalling R5.7 million (2021: R5.5 million).

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.1 Cash-settled arrangements continued

45.1.3 Valuation assumptions relating to outstanding MMH SAR units at 30 June 2023 continued

Share-based payment expense

The share-based payment expense relating to cash-settled schemes is R382 million (2022: R63 million) for the Group and is disclosed under employee benefit expenses in note 24.

45.2 Equity-settled arrangements

45.2.1 Valuation assumptions relating to outstanding iSabelo units at 30 June 2023

The valuation model

The value of the share scheme is calculated using an option-based model.

At the vesting date, the value of the units held, net of the debt attributable to those units, will be used to buy MMH shares for the holders of the vested units. Consequently, an individual unit holder in the scheme can be seen as holding a call option on MMH shares where the exercise price is the applicable value of the scheme debt per unit at the settlement date (i.e. the value of the preference shares).

All scheme debt will be settled at the end of year 10 of the scheme. Before this, the debt profile allows for the ranking of the different debt instruments by first servicing obligations to the most senior instruments, in this case the A preference shares, and then to the subordinated B preference shares.

The IFRS 2 charge for any specific issuance is then determined as the grant date fair valuation of the option adjusted for the expected proportion of units that will reach vesting (i.e. attrition). The recognition profile of the expenses follows a graded vesting pattern in line with IFRS 2 guidance.

In order to incorporate the impact of employees leaving over the scheme duration, an employee attrition rate of 14% (2022: 14%) was used.

Key inputs

For the valuation the following key parameters were used:

Key model parameters

2023 **Market-based parameters**	**1st tranche**	**2nd tranche**	**3rd tranche**	**Comment**
Share price	18.89	16.49	18.37	Share price as at issue date
Volatility	40.00%	40.00%	26.30%	Based on market rates
Risk-free rate	10.87%	10.61%	11.40%	10-year point on GOVI Zero NACS
Contractual parameters				
Dividend yield	4%	4%	4%	Constant dividend yield assumed over the projection period
Funding charges	72% of prime	72% of prime	72% of prime	A preference shares
	120% of prime	120% of prime	120% of prime	B preference shares
Employee attrition	14.00%	14.00%	14.00%	Based on historic experience

2022 **Market-based parameters**	**1st tranche**	**2nd tranche**	**Comment**
Share price	18.89	16.49	Share price as at issue date
Volatility	40.00%	40.00%	Based on market rates
Risk-free rate	10.87%	10.61%	10-year point on GOVI Zero NACS
Contractual parameters			
Dividend yield	4%	4%	Constant dividend yield assumed over the projection period
Funding charges	72% of prime	72% of prime	A preference shares
	120% of prime	120% of prime	B preference shares
Employee attrition	14.00%	14.00%	Based on historic experience

The volatility used in the valuation was based on the market implied volatility at the time of the valuation.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.3 Directors' remuneration

The Group's executive directors are contracted as full-time, permanent employees, with the exception of the Group CEO who is currently on a fixed term contract. The notice period for executive directors is three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant incentive scheme, subject to the discretion of the Remuneration Committee based on recommendations by the Group CEO.

Non-executive directors receive a fixed annual fee that is inclusive of all Board and committee attendance, as well as all other services performed on behalf of the Group. The Group pays for all travelling and accommodation expenses in respect of Board meetings.

	HP Meyer		JC Marais (Cilliers)		RS Ketola		Total	
R'000	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Guaranteed remuneration								
Salary and allowances	**8 171**	7 121	**5 177**	4 882	**4 996**	4 670	**18 344**	16 673
Retirement fund contribution	**–**	–	**283**	263	**278**	257	**561**	520
Medical aid contribution	**–**	–	**63**	59	**63**	95	**126**	154
Short-term incentive payments	**4 475**	1 300	**3 175**	1 300	**3 050**	1 150	**10 700**	3 750
Long-term incentive payments	**7 058**	2 311	**5 137**	1 618	**4 238**	2 076	**16 433**	6 005
Executive directors	**19 704**	10 732	**13 835**	8 122	**12 625**	8 248	**46 164**	27 102
Value of shares granted	**25 406**	19 846	**14 740**	13 610	**14 342**	11 368	**54 488**	44 824
Value of total units outstanding at year end	**47 977**	16 857	**31 758**	15 665	**27 333**	9 898	**107 068**	42 420

	Total fees	
	2023 R'000	**2022 R'000**
PC Baloyi[1]	**2 813**	185
LM Chiume[2]	**1 729**	1 661
P Cooper	**1 438**	2 280
F Daniels[3]	**–**	528
L de Beer	**1 876**	1 696
NJ Dunkley[4]	**3 002**	2 528
T Gobalsamy	**1 159**	902
SC Jurisich	**2 081**	1 924
AF Leautier[5]	**43**	–
P Makosholo	**1 056**	944
P Matlakala[5, 6]	**1 516**	–
SL McPherson[7]	**655**	1 279
MS Moloko[3]	**–**	1 167
V Nkonyeni[8]	**821**	1 225
DJ Park	**1 794**	1 305
T Soondarjee[5]	**87**	–
FJC Truter[3]	**–**	1 667
Non-executive directors	**20 070**	19 291

1 Appointed April 2022.
2 Resigned May 2023.
3 Resigned November 2021.
4 Received fees from directorship in UK (MGIM, MWI and Euroguard Boards).
5 Appointed June 2023.
6 Received fees from directorship in multiple subsidiaries.
7 Resigned December 2022.
8 Resigned November 2022.

45 CASH AND EQUITY-SETTLED ARRANGEMENTS VALUATION ASSUMPTIONS AND DIRECTORS' REMUNERATION CONTINUED

45.4 Directors' shareholding in MMH

Listed shares	Direct Beneficial '000	Indirect Beneficial '000	Total 2023 '000	Total 2022 '000
Executive directors				
HP Meyer	255	519	774	649
JC Marais (Cilliers)	189	–	189	189
RS Ketola	65	–	65	25
Non-executive directors				
P Cooper	500	952	1 452	1 452
NJ Dunkley	73	–	73	73
SC Jurisich[1]	1	–	1	1
	1 083	1 471	2 554	2 389

[1] 988 shares held in MMH in the current year and 169 in the prior year.

Shareholding of directors who stepped down/retired in F2023

Listed shares	Direct Beneficial '000	Indirect Beneficial '000	Total '000
	–	–	–

46 NON-CURRENT ASSETS HELD FOR SALE

Assets and liabilities held for sale

At 30 June 2023	2023 Rm	2022 Rm
Assets		
Investment properties	56	14
Total assets	56	14

In the current year, the Group has entered into a sales agreement for the sale of one property (Momentum Investments segment). This asset has therefore been classified as held for sale. The property is classified as level 3.

In the prior year, the Group entered into a sales agreement for the sale of one property (Momentum Metropolitan Africa segment). This asset was therefore classified as held for sale. The property was classified as level 3.

The Group's interest in the assets mentioned above have been classified as held for sale in the statement of financial position at the end of the respective period. This judgement was made based on the facts and circumstances, which existed at that date when a formal assessment was made of whether the assets should be classified as held for sale. The Group is satisfied that it meets all the criteria required in order to classify these assets as held for sale. The sale of the asset held for sale in the current year will take effect via a cash sale and is expected to occur within the next 12 months.

47 RESTATEMENTS

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

Statement of financial position as at 30 June 2022	**Before restatement Rm**	**Carry positions[1] Rm**	**Commission correction[2] Rm**	**Investment in associate FCTR[3] Rm**	**Debtors/ creditors reclas-sification[4] Rm**	**Smooth bonus data reserve[5] Rm**	**Effective interest rate[6] Rm**	**Intercompany reinsurance arrangements[7] Rm**	**After restatement Rm**
Investments in associates and joint ventures	1 491	–	–	(44)	–	–	–	–	1 447
Financial assets at amortised cost	8 739	–	–	–	(4)	–	–	–	8 735
Reinsurance contract assets	14 976	–	–	–	(25)	–	–	(203)	14 748
Insurance and other receivables	7 739	–	–	–	60	–	–	–	7 799
Other components of equity	(1 453)	–	–	44	–				(1 409)
Insurance contract liabilities									
Life insurance contracts	(126 225)	–	–	–	–	–	–	23	(126 202)
Investment contracts									
– with DPF	(3 031)	–	–	–	–	37	–	–	(2 994)
– designated at FVPL	(318 758)	–	–	–	–	(37)	–	180	(318 615)
Other payables	(19 567)	–	–	–	(31)	–	–	–	(19 598)
as at 1 July 2021									
Investments in associates and joint ventures	1 156	–	–	(51)	–	–	–	–	1 105
Financial assets at FVPL	471 362	(2 595)	–	–	–	–	–	–	468 767
Financial assets at amortised cost	7 968	(413)	–	–	(472)	–	–	–	7 083
Reinsurance contract assets	6 849	–	–	–	(31)	–	–	–	6 818
Insurance and other receivables	6 240	–	–	–	539	–	–	–	6 779
Other components of equity	(1 469)	–	–	51	–	–	–	–	(1 418)
Financial liabilities at FVPL	(51 013)	3 008	–	–	–	–	–	–	(48 005)
Other payables	(16 967)	–	–	–	(36)	–	–	–	(17 003)

1 Trade date accounting was applied to sale and repurchase as well as reverse sale and repurchase agreements as opposed to the application of settlement date accounting as required by IFRS 9 – *Financial instruments* and required in terms of the Group's accounting policy. 1 July 2021 has been restated accordingly.

2 A reassessment was performed on Sales remuneration expenses. Certain transactions were incorrectly disclosed as Sales remuneration instead of as Other expenses. June 2022 has been restated accordingly.

3 Goodwill initially recognised and included in the carrying amount of investments in associates and joint ventures related to ABHI was not treated as part of the assets of the foreign operation. As such, the Goodwill was not expressed in the functional currency of ABHI and subsequently translated to the Group's reporting currency. 30 June 2022 and 1 July 2021 have been restated accordingly.

4 During the IFRS 17 implementation project, the classifications of all accounts receivable and accounts payable balances were reassessed between insurance and non-insurance balances. It was determined that certain amounts were incorrectly classified as insurance where the transactions were non-insurance related and vice versa. 30 June 2022 and 1 July 2021 have been restated accordingly.

5 During the prior year, a selection of policyholder liabilities were reclassified from Investment contracts with DPF to Investment contracts at FVPL as a result of an update to FSCA Standard 5 of 2020. A reserve related to these policies was incorrectly not reclassified as well. 30 June 2022 has been restated accordingly.

6 The Group's policy is to reflect interest on financial instruments measured at FVPL based on the effective interest rate method. For certain instruments this was incorrectly calculated leading to a misclassification between Other investment income and Net realised and unrealised fair value gains/losses.

7 The prior year was restated to reflect the intercompany elimination between MML Ltd and Guardrisk Life Ltd, largely related to the Mineworker's reinsurance agreement.

47 RESTATEMENTS CONTINUED

Income statement for the year ended 30 June 2022	Before restatement Rm	Carry positions[1] Rm	Commission correction[2] Rm	Investment in associate FCTR[3] Rm	Debtors/ creditors reclas-sification[4] Rm	Smooth bonus data reserve[5] Rm	Effective interest rate[6] Rm	Intercompany reinsurance arrangements[7] Rm	After restatement Rm
Insurance premiums	59 666	–	–	–	–	–	–	(146)	59 520
Insurance premiums ceded to reinsurers	(20 773)	–	–	–	–	–	–	146	(20 627)
Investment income									
Other investment income	24 773	–	–	–	–	–	(654)	–	24 119
Net realised and unrealised fair value gains/(losses)	(4 170)	–	–	–	–	–	654	–	(3 516)
Insurance benefits and claims	(53 491)	–	–	–	–	–	–	19	(53 472)
Insurance claims recovered from reinsurers	23 115	–	–	–	–	–	–	(19)	23 096
Change in actuarial liabilities and related reinsurance									
Change in life insurance contract liabilities	3 280	–	–	–	–	–	–	23	3 303
Change in reinsurance assets	897	–	–	–	–	–	–	(23)	874
Sales remuneration	(7 674)	–	242	–	–	–	–	–	(7 432)
Other expenses	(8 256)	–	(242)	–	–	–	–	–	(8 498)
Earnings for the year	3 808	–	–	–	–	–	–	–	3 808
Statement of comprehensive income for the year ended 30 June 2022									
Items that may subsequently be reclassified to income									
Share of other comprehensive income of associates	52	–	–	7	–	–	–	–	59
Total comprehensive income for the year	3 772	–	–	7	–	–	–	–	3 779
Statement of cash flows for the year ended 30 June 2022									
Proceeds from carry positions	5 607	3 008	–	–	–	–	–	–	8 615
Cash utilised in operations	(19 619)	(3 008)	–	–	–	–	278	–	(22 349)
Interest received	16 297	–	–	–	–	–	(278)	–	16 019

1 Trade date accounting was applied to sale and repurchase as well as reverse sale and repurchase agreements as opposed to the application of settlement date accounting as required by IFRS 9 – *Financial instruments* and required in terms of the Group's accounting policy. 1 July 2021 has been restated accordingly.

2 A reassessment was performed on Sales remuneration expenses. Certain transactions were incorrectly disclosed as Sales remuneration instead of as Other expenses. June 2022 has been restated accordingly.

3 Goodwill initially recognised and included in the carrying amount of investments in associates and joint ventures related to ABHI was not treated as part of the assets of the foreign operation. As such, the Goodwill was not expressed in the functional currency of ABHI and subsequently translated to the Group's reporting currency. 30 June 2022 and 1 July 2021 have been restated accordingly.

4 During the IFRS 17 implementation project, the classifications of all accounts receivable and accounts payable balances were reassessed between insurance and non-insurance balances. It was determined that certain amounts were incorrectly classified as insurance where the transactions were non-insurance related and vice versa. 30 June 2022 and 1 July 2021 have been restated accordingly.

6 The Group's policy is to reflect interest on financial instruments measured at FVPL based on the effective interest rate method. For certain instruments this was incorrectly calculated leading to a misclassification between Other investment income and Net realised and unrealised fair value gains/losses.

7 The prior year was restated to reflect the intercompany elimination between MML Ltd and Guardrisk Life Ltd, largely related to the Mineworker's reinsurance agreement.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES

48.1 New IFRS standards and amendments

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

- IFRS 17 – *Insurance contracts* (effective from annual periods beginning on or after 1 January 2023)
- IAS 1 and IFRS Practice Statement 2 (Amendments) – Disclosure of accounting policies (effective from annual periods beginning on or after 1 January 2023)
- IAS 8 (Amendments) – Definition of accounting estimates (effective from annual periods beginning on or after 1 January 2023)
- IAS 12 (Amendments) – Deferred tax related to assets and liabilities arising from a single transaction (effective from annual periods beginning on or after 1 January 2023)
- IAS 12 (Amendments) – International tax reform: Pillar two model rules (The amendments are effective immediately upon issuance. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.)
- IAS 1 (Amendments) – Classification of liabilities as current or non-current (effective from annual periods beginning on or after 1 January 2024)
- IFRS 16 (Amendments) – Lease liability in a sale and a leaseback (effective from annual periods beginning on or after 1 January 2024)
- IAS 7 and IFRS 7 (Amendments) – Disclosures: Supplier finance arrangements (effective from annual periods beginning on or after 1 January 2024)
- IFRS 10 and IAS 28 (Amendments) – Sale or contribution of assets between an investor and its associate or joint venture (In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

Management is currently assessing the impact of these amendments, but it is not expected to be significant other than detailed below.

Published standards, amendments and interpretations effective for June 2023 financial period

Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, International Accounting Standards (IAS) 39, IFRS 7, IFRS 4 and IFRS 16.

- In light of the global transition to alternative benchmark rates, the South African Reserve Bank (SARB) has commenced the transition in South Africa from the Johannesburg Interbank Average Rate (JIBAR) benchmark to the South African Rand Overnight Index Average (ZARONIA). The Group is represented in the foundational phase of the SARB's Market Practitioners Group (MPG), which focuses on establishing the necessary conditions for ZARONIA adoption. Broader stakeholder education and training regarding the transition and the impact thereof has commenced within the Group to ensure broad-based understanding prior to implementation. The SARB's transition plan involves adoption in derivatives markets first, followed by broader market instruments, and finally, the conversion of legacy JIBAR positions to ZARONIA. The Group is currently investigating key factors which may impact operational and system readiness, along with alternative approaches to support a smooth transition as per the timelines which continue to be communicated by the SARB from time to time. JIBAR rates are currently the only affected rates with regards to transition. The following instruments will be impacted:
  (i) non-derivative financial assets which comprise of cash, cash equivalents, debt securities and fund deposits;
  (ii) non-derivative financial liabilities; and
  (iii) derivatives.

ADOPTION OF NEW STANDARDS – IFRS 17 TRANSITIONAL ADJUSTMENTS

48.1.1 Overview of the implementation of IFRS 17 – *Insurance contracts* by the Group

The Group initiated efforts to implement IFRS 17 in the 2017 calendar year. At a relatively early stage, it was decided that the implementation project should have a compliance focus as opposed to co-mingling development efforts with financial reporting transformation. In turn, this decision enabled the project to mainly rely on existing administrative and financial reporting infrastructure. This approach was extensively tested with internal and external experts at the time.

Significant parts of the Group's implementation efforts were resourced from internal teams that were actively involved in finance and actuarial processes. This led to challenges during financial reporting periods but had the benefit of embedding the relevant technical and processing skills within the organisation. Although this blueprint was adhered to in general, entities across the Guardrisk group are noteworthy exceptions. This is due to the specific nature of the cell captive industry in South Africa, for which clarity on implementation requirements was provided significantly later than the initial publication of the standard.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.1 Overview of the implementation of IFRS 17 – *Insurance contracts* by the Group continued

The ultimate successful implementation of IFRS 17 requires a variety of reporting functions, including actuarial and operational finance teams, to be in lockstep. The importance of line of business administration systems in facilitating this cannot be overemphasised. An initial mapping of the requirements to system capabilities supported an approach where any given system should ideally only be required to support the financial reporting of either insurance contracts (under IFRS 17) or investment contracts (under IFRS 9). In turn, this led to a reassessment of the Group's practices on what constitutes significant discretion and the resulting reclassification for the June 2020 financial year end. The net result was that limited changes were required to the Group's array of administration solutions.

Despite a long development time, several areas of the standard continued to pose uncertainty. We do believe that industry practice will develop over time on these matters, including the various approaches deemed acceptable by assurance providers. Nevertheless, it was necessary to follow a timeous and rigorous governance process from the start on these areas of uncertainty as well as other design decisions as demanded by development time frames. The Group's external assurance provider was requested to provide an ongoing compliance rating on interpretation and methodology matters since their involvement in 2019.

IFRS 17 requires accounting policy and implementation choices which will affect the level and pattern of future earnings. When deliberating the options, the Group decided not to target a specific earnings or equity impact, but to adhere to a framework consisting of three principles:

- *Economic reality*
  Accounting should reflect the underlying economics of insurance contracts as closely as possible. An example of where this was applied is setting the confidence level of the risk adjustment so as to have the contractual service margin (CSM) a fair reflection of the economic value added.

- *Stable earnings release*
  In-force contracts should deliver a stable and real (increasing broadly with inflation) contribution to profit and loss. Earnings volatility, including volatility from one period to the next, should be minimised where possible. An example of where this was applied is the choice to discount coverage units.

- *Operational alignment*
  Where possible, accounting had to align with current business practices for example risk and product management. In addition, choices should also support alignment across the various reporting bases being regulatory, statutory, embedded value and tax.

By applying this framework, the Group believes that the implementation of IFRS 17 will contribute to enhanced clarity and comparability of its financial results. It is noteworthy that the quantum and magnitude of adjustments to between IFRS earnings and normalised headline earnings (one of the Group's key performance indicators) is expected to reduce, emphasising the reliance placed on meaningful financial results.

While the expected impact of IFRS 17 on the Group's financial reporting process and results is significant, solvency and thus ultimate free cash flow is unaffected. No immediate changes to business models are anticipated, but the additional granularity and aspects on financial performance provided by IFRS 17 may be used to enhance decision making.

The expected impact of IFRS 17 on the Group's key metrics is tabled below:

Key metrics		High level impact
Growth and sales	Normalised headline earnings	Expect c.R200 million decrease in normalised headline earnings and thus likely to see normalised headline earnings targets adjusted accordingly
	Value of new business	VNB metric sees modest changes VNB targets unchanged
	Present value of new business premiums	PVNBP metric and targets unchanged
Distributable reserves	Dividend per share	Dividends not impacted
Financial stability and value	Return on equity	Lower return on equity due to c.R3 billion expected increase in equity on transition and c.R200 million decrease in normalised headline earnings
	Embedded Value	EV per share not materially affected (aligns with distribution not being affected)
	CSM	c.R16.5 billion on transition

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.2 Nature of changes in accounting policy

For the Group, IFRS 17 – *Insurance contracts* replaces IFRS 4 – *Insurance contracts* for the reporting periods commencing on or after the 1st July 2023.

The implementation of IFRS 17 did not result in a change in classification of policies, as insurance or investment contracts. Policies issued under life insurance licences that were accounted for under IFRS 9, continue to be accounted for as financial instruments, except in instances where restrictive unbundling requirements in IFRS 17 result in unbundled financial instruments, being accounted for together with existing insurance contracts, as single insurance contracts in the scope of IFRS 17. The accounting treatment of third-party cell captive arrangements was affected by the implementation of IFRS 17. For further information on the application of IFRS 17 to third-party cell captive arrangements, refer to note 48.1.5.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with DPF. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

IFRS 17 has brought significant changes to the accounting for insurance and reinsurance contracts. The requirements of IFRS 17 are equally applicable to insurance contracts issued and reinsurance contracts held, with a few exceptions. As a result a transition balance sheet as of 1 July 2022 has been prepared.

Statement of financial position

Recognition and derecognition
Under IFRS 4, the Group recognised insurance contracts issued and reinsurance contracts held when the contracts became effective.

In terms of IFRS 17, a group of insurance contracts is recognised at the earlier of the start of the coverage period, the due date for payment for first premiums or when it becomes evident that the group is onerous at initial recognition. A group of reinsurance contracts is recognised at the earlier of the commencement of the group's coverage period or the date when the entity recognised a group of onerous underlying insurance contracts, covered by the related reinsurance agreement.

The implementation of IFRS 17 could result in insurance contracts and reinsurance contracts being recognised earlier and therefore affecting the Group's financial position and financial performance from an earlier date, when compared to previous accounting policies.

In terms of IFRS 4, the Group derecognised an insurance or reinsurance contract when the contract expired or was fulfilled. This treatment will continue under IFRS 17. In terms of IFRS 17, the Group considers the extent of modifications to insurance and reinsurance contracts to determine if the substance of the modification is a derecognition of the modified contracts and the recognition of a new group of contracts.

Portfolios and groups of insurance contracts
In terms of IFRS 4, the Group accounted for insurance contacts issued and reinsurance contracts held on a contract or portfolio basis.

In terms of IFRS 17, on initial recognition, insurance contracts are grouped into portfolios (based on how contracts are managed) and then into groups of insurance contracts (the unit of account) based on expected profitability. The recognition and measurement principles in IFRS 17 are applied to each unit of account. In instances where the insurance contracts were measured and accounted for on a portfolio basis under IFRS 4, the application of the IFRS 17 to the new unit of account, will reflect the economic consequences of transactions with policyholders on a more granular level.

Measurement of insurance contracts issued and reinsurance contracts held
In terms of IFRS 4, liabilities relating to life insurance contracts and investment contracts with DPF were measured in accordance with the Financial Soundness valuation (FSV) basis as set out in SAP 104 – *Calculation of the value of the assets, liabilities and SCR of long-term insurers.* The FSV basis is based on best estimate assumptions regarding future experience plus compulsory margins and additional discretionary margins for prudence and deferral of profit emergence. In terms of the FSV basis, the Group could not incorporate the expected impact of policyholder options that are beneficial to the Group, in the measurement of insurance contracts.

48 **SIGNIFICANT GROUP ACCOUNTING POLICIES** CONTINUED

48.1 **New IFRS standards and amendments** continued

48.1.2 **Nature of changes in accounting policy** continued

Statement of financial position continued

Measurement of insurance contracts issued and reinsurance contracts held continued

In terms of IFRS 4, non-life insurance contracts were reflected on the statement of financial position through the provision for unearned premiums and outstanding claims liability. The provision for unearned premiums represented the proportion of the premiums written during the reporting period in question that relate to unexpired risk periods, computed separately for each insurance contract using the 365th method. Outstanding claims comprised provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not.

Under IFRS 17 the following aspects of insurance contract measurement are applied:

Measurement models

In terms of IFRS 17, insurance contracts issued are measured with the general measurement model, the variable fee approach or the premium allocation approach. Reinsurance contracts held are measured in terms of the general measurement model or the premium allocation approach.

In terms of the general measurement model and the variable fee approach, groups of insurance contracts are measured at the total of fulfilment cash flows and the contractual service margin.

If the group of insurance contracts is onerous, the group is measured at the fulfilment cash flows. In comparison, the contractual service margin of a group of reinsurance contracts is either a deferred income or expense. Fulfilment cash flows consists of the present value of expected income and expenses that the Group expects to incur to fulfil obligations under insurance contracts and a risk adjustment for non-financial risk.

The general measurement model and the variable fee approach differ on how the contractual service margin is measured after initial recognition. The differences relate to the changes in estimates of fulfilment cash flows that adjusts the contractual service margin or loss component (a sub-set of the fulfilment cash flows that represents a loss recognised) and the discount rates used to measure the adjustments at the reporting date.

The premium allocation approach is a simplified version of the general measurement model and is comparable to the unearned premium method applied in terms of IFRS 4. In terms of the premium allocation approach, premiums received are recognised as insurance service revenue during the coverage period of the group of insurance contracts based on the passage of time or the pattern of expected insurance service expenses. In contrast to the general measurement model and the variable fee approach, the premium allocation approach does not require a contractual service margin to be maintained for the group of insurance contracts. It also allows, when criteria are met, for fulfilment cash flows to be measured at undiscounted amounts and insurance acquisition cash flows to be expensed when incurred.

Identification and measurement of fulfilment cash flows

Fulfilment cash flows are included in the measurement of insurance contract assets and insurance contract liabilities. Fulfilment cash flows consists of the present value of expected income and expenses that the Group expects to incur to fulfil obligations under insurance contracts (the best estimate liability) and a risk adjustment for non-financial risk.

Fulfilment cash flows includes, but are not limited to, premium inflows, fee income, charges, insurance acquisition expenses, administration and maintenance expenses, claims and benefits, investment management expenses, reporting and risk management expenses and overhead expenses incurred to support the fulfilment of insurance contracts issued. The identification and measurement of fulfilment cash flows determines whether a group of insurance contracts is expected to be profitable or loss-making over the coverage period.

The inclusion of the risk adjustment and policyholder options that are beneficial to the Group in fulfilment cash flows, resulted in significant changes in the measurement of insurance contracts when compared to IFRS 4.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.2 Nature of changes in accounting policy continued

Statement of financial position continued

Measurement of insurance contracts issued and reinsurance contracts held continued
Risk adjustment
In terms of IFRS 4, compulsory and discretionary margins were included in the measurement of insurance contract liabilities. Compulsory margins were prescribed and held to cover uncertainties in the best-estimate assumptions used. Compulsory margins were released over time should experience be in line with these best-estimate assumptions. The Group held discretionary margins if the compulsory margins were insufficient for prudent reserving or if practice or product design justified the deferral of profits. The Group released these margins into profit before tax in line with product design and risks borne by the Group. These margins were set at product level.

In terms of IFRS 17, the Group includes a risk adjustment for non-financial risk in the measurement of liabilities for remaining coverage and liabilities for incurred claims. The risk adjustment represents the compensation that the Group expects to receive to neutralise the economic effect of non-financial risk accepted. The risk adjustment of a group of reinsurance contracts held reflects the non-financial risks ceded to the reinsurer.

Changes in the risk adjustment caused by changes in estimates regarding future services are accounted for in the contractual service margin or the loss component. Changes in the risk adjustment caused by changes in estimates regarding past or current services are allocated between insurance finance income and expenses and insurance service results.

The Group developed actuarial models and processes to set margins for adverse deviation in non-financial assumptions based on the confidence level set for the risk adjustment. These margins enable the Group to calculate the risk adjustment per unit of account directly.

The release of the risk adjustment for non-financial risk is included in the income statement section.

CSM
The CSM, a component of the liability for remaining coverage, represents the expected profit to be earned over the remaining coverage period of the group of insurance contracts. The CSM is recognised at initial recognition of the group of insurance contracts, at an amount that is opposite, but equal to the expected net fulfilment cash inflows. The release of profit from the CSM is based on insurance contract services rendered during the financial period and the resulting release of coverage units. Coverage units represent the Group's readiness to render insurance contract services. The recognition of the CSM ensures that insurance service revenue is not earned before insurance contract services have been rendered.

For insurance contracts measured under the General Measurement Model, interest is accreted to the CSM carrying amount at the locked-in discount rate, determined at initial recognition of the group of insurance contracts.

For insurance contracts measured under the variable fee approach, the insurer's share of changes in the fair value of underlying items adjusts the carrying amount of the CSM.

Onerous contracts and loss component
In terms of IFRS 4, the Group performed liability adequacy tests for each insurance portfolio. The liability adequacy test considered whether the carrying amount of the insurance liability less the carrying amounts of related intangible assets, is a sufficient reserve for best estimate future cash flows. If the insurance liability was found to be insufficient, the related intangible assets are impaired, before a loss is recognised in the statement of comprehensive income.

The implementation of IFRS 17 results in losses being recognised at a more granular level, per unit of account, when compared to IFRS 4 practices.

At initial recognition an insurance contract or group of insurance contracts is classified as onerous, if fulfilment cash flows incurred to date and remaining fulfilment cash flows are expected to result in a net cash outflow. At initial recognition, insurance contracts that are onerous are combined into units of account that contain only onerous insurance contracts. Once an insurance contract is allocated into a unit of account, the insurance contract remains in the unit of account until the insurance contract is derecognised. After initial recognition, a previously profitable group of insurance contracts is treated as an onerous group, if loss-making changes to fulfilment cash flows depletes the contractual service margin.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.2 Nature of changes in accounting policy continued

Statement of financial position continued

Measurement of insurance contracts issued and reinsurance contracts held continued
Onerous contracts and loss component continued
For a group of insurance contracts measured under the general measurement model or the variable fee approach, the recognition of a loss, on an onerous insurance contract or group of insurance contracts, leads to the identification of a loss component (a sub-set of fulfilment cash flows) in the liability for remaining coverage. The loss component indicates the extent to what losses must be reversed or amortised before a CSM can be recognised for the group of insurance contracts. For insurance contracts measured under the premium allocation approach, the loss component is an additional liability that is added to the liability for remaining coverage.

At the reporting date, the loss component is adjusted to reflect the extent to what insurance contract services have been rendered and current assumptions regarding remaining fulfilment cash flows.

To the extent that losses on an onerous group of insurance contracts are covered by reinsurance contracts, a loss recovery component is identified in the fulfilment cash flows of the group of reinsurance contracts. If the group of reinsurance contracts is measured under the premium allocation approach, an additional asset is added to the asset for remaining coverage.

Reinsurance costs that relate to events and circumstances before the recognition of the group of reinsurance contracts are expensed when incurred.

Discount rate
In terms of IFRS 4, the Group determined discount rates, to be used in the measurement of insurance contracts, by adding compulsory risk margins to risk-free interest rates obtained from yield curves on government bonds.

In terms of IFRS 17, the discount rate should reflect the characteristics of the fulfilment cash flows. Some yield curves (based on risk-free interest rates) represent market returns on liquid assets, while fulfilment cash flows might represent less liquid or illiquid groups of insurance contracts. In such instances, the Group adds an illiquidity premium to the discount rate used, to measure insurance contract assets and insurance contract liabilities. Compulsory risk margins are no longer included in the construction of discount rates.

For information on the treatment of cell captive arrangements under IFRS 17, refer to 48.1.5.

Income statement

Recognition of insurance service revenue
In terms of IFRS 4, the Group recognised revenue from long-term insurance premiums, when due and from non-life insurance premiums, when earned. Revenue was measured at the amount due, or the amount earned.

In terms of IFRS 17, insurance service revenue is the consideration that the Group expects to be entitled to, for rendering insurance contracts services during the financial period. Insurance service revenue replaces premiums as revenue from insurance contracts issued. The quantum of insurance contract services rendered is determined by changes in the liabilities for remaining coverage caused by the rendering of services.

Insurance service revenue consists of expected consideration for expenses incurred to provide insurance contract services to policyholders, releases of the risk adjustment associated with services rendered, recovery of insurance acquisition cash flows and release of profit from the CSM.

The implementation of IFRS 17 will result in changes in the timing of revenue recognised by the Group for rendering insurance contract services.

The release of profit from the contractual service margin is based on insurance contract services rendered during the financial period based on the release of coverage units. Coverage units represent the Group's readiness to render insurance contract services.

In terms of the premium allocation approach, premiums received are recognised as insurance service revenue during the coverage period of the group of insurance contracts based on the passage of time or the pattern of expected insurance service expenses.

The implementation of IFRS 17 should result in the amount and timing of the recognition of insurance service revenue being different from the amount and timing of revenue recognised under IFRS 4.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.2 Nature of changes in accounting policy continued

Income statement continued

Recognition of insurance service expenses

In terms of IFRS 4, the Group recognised insurance claims incurred in 'insurance benefits and claims', while measurement changes in insurance liabilities were included in 'changes in actuarial liabilities and reinsurance' on the statement of comprehensive income. Other expenses incurred by the Group were presented on the statement of comprehensive income as appropriate.

In terms of IFRS 17, fulfilment cash flows are expensed when incurred and presented under insurance service expenses on the statement of comprehensive income. Insurance service expenses include, among others, allocated insurance acquisition cash flows, policy administration and maintenance expenses, claims expenses, investment management expenses and overhead expenses attributable to the provision of insurance services. Taxes which are directly recovered from policyholder benefits are included as fulfilment cash flows. The remainder of incurred expenses are presented on the statement of comprehensive income as appropriate.

Insurance acquisition cash flows

In terms of IFRS 4, the Group capitalised expenses associated with the acquisition of insurance contracts as DAC. DAC consisted of incremental costs incurred to obtain a contract with a customer. DAC was amortised over a range of amortisation periods reflecting the expected duration of underlying insurance contracts issued.

In terms of the general measurement model and the variable fee approach, expected insurance acquisition cash flows are included in fulfilment cash flows. Once incurred, actual insurance acquisition cash flows are recognised in the liability for incurred claims and the liability for remaining coverage.

In terms of the premium allocation approach incurred insurance acquisition cash flows are capitalised in the liability for remaining coverage and amortised to insurance service expenses over the coverage period. If criteria are met, insurance acquisition cash flows are expensed when incurred.

Insurance acquisition cash flows are incurred in selling, underwriting and issuing insurance contracts. Examples of such expenses include commission expenses, marketing expenses, distribution channel expenses, policy issue costs, policyholder risk assessment costs, and policyholder communication costs. The expenses include both successful and unsuccessful efforts to market and sell insurance contracts. The inclusion of the insurance acquisition cash flows in the liability for remaining coverage reduces expected profits or increase expected losses to be recognised from the group of insurance contracts.

Insurance acquisition expenses, among other items, are recovered through premiums received from policyholders. The Group recognises insurance service revenue and equal amounts of insurance service expenses by allocating to financial periods, the portion of the premiums that recover insurance acquisition expenses on a straight-line basis over the passage of time.

To enable the recognition of insurance acquisition expenses in insurance service revenue and insurance service expenses, the Group maintains an off-balance sheet cumulative balance for insurance acquisition expenses.

Reinsurance expenses and recoveries

Reinsurance premiums are expensed in a separate line on the face of the statement of comprehensive income through the amount of reinsurance recoveries expected in the reporting period, releases of the risk adjustment for non-financial risk and amortisation of the contractual service margin.

In terms of the premium allocation approach, the reinsurance premiums paid are expensed over the coverage period according to the passage of time or the expected pattern of reinsurance coverage to be provided by the reinsurers.

Recoveries from reinsurers are recognised as assets for incurred claims, when the recovery of the claim has been incurred. Assets for incurred claims are measured at the present value of expected cash flows, taking into account the terms and conditions of the reinsurance treaty. The measurement of the asset for incurred claims includes a risk adjustment for non-financial risk ceded to the reinsurer. Recoveries from reinsurers are disclosed separately on the face of the statement of comprehensive income.

Insurance finance income and expense

In terms of IFRS 4, the Group recognised interest income or expense on insurance issued and reinsurance contracts held. The interest income or expense was included in changes in actuarial liabilities and related reinsurance on the face of the income statement.

In terms of IFRS 17, interest income and expense on insurance contracts issued and reinsurance contracts held are presented separately, under insurance finance income or expense and reinsurance finance income or expense. *Thus, the Group elected to not present a portion of insurance finance income and expense in other comprehensive income.*

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.2 Nature of changes in accounting policy continued

Income statement continued

Insurance finance income and expense continued

In general, the Group does not incur finance expense/income on the liability/asset for remaining coverage and the liability/asset for incurred claims measured in terms of the premium allocation approach. Exceptions to this principle relate to group credit life insurance, some health insurance contracts and cash-back benefits.

Own equity instruments held to back contract liabilities

Investments held by the Group to back insurance and investment contract liabilities include own equity instruments. Own equity instruments and related investment returns were eliminated on consolidation to reflect the economic consequences of holding own equity instruments as investments, the Group included investment returns on own equity instruments and the number of own equity instruments held in normalised headline earnings and diluted normalised earnings per share.

In terms of recent amendments to IAS 32 *Financial Instruments:* Presentation the Group decided to account for own equity instruments, held to back insurance contracts measured under the variable fee approach and investment contracts where the investment returns on the own equity instruments impact policyholder benefits, as issued own equity instruments.

The change in accounting policy should result in own equity instruments being included in financial assets at FVPL and in issued equity instruments on the statement of financial position. In addition, the investment returns on these instruments will be included in net income on the face of the income statement.

48.1.3 Expected impact of implementation of IFRS 17 on consolidated equity

The implementation of IFRS 17 is expected to result in an increase in consolidated equity of approximately R2.9 billion. The expected increase in consolidated equity can be analysed as follows:

The expected impact of the implementation of IFRS 17 – *Insurance contracts* on total equity of the Group is as follows:

Total equity	Notes	**2022 Rbn**
Balance at beginning		25.0
Life insurance, non-life insurance and health insurance		
Increase in retained earnings		2.4
Recognition and measurement of insurance contracts issued and reinsurance contracts held	a.	6.5
Derecognition of intangible assets	b.	(3.2)
Investments in associates and joint ventures	c.	(0.2)
Increase in net deferred tax liabilities	d.	(0.6)
Investment returns on group shares held in insurance policyholder assets	e.	(0.1)
Increase in other components of equity		0.5
Increase in non-controlling interests		0.0
Decrease in FCTR		0.0
Decrease in treasury shares	e.	0.4
Other		0.1
Cell captive arrangements		
Increase in retained earnings		0.0
Balance at end		27.9

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.3 Expected impact of implementation of IFRS 17 on consolidated equity continued

The expected increase in retained earnings for life insurance, non-life insurance and health insurance can be analysed as follows:

Total equity	2022 Rbn
Life insurance contracts issued – impact on retained earnings (debit)/credit	6.5
Release of compulsory and discretionary margins	25.9
Risk adjustment for non-financial risk	(3.5)
Contractual service margin	(16.5)
Best estimate liability difference	0.6
Non-life insurance contracts – impact on retained earnings (debit)/credit	0.0
Health insurance contracts – impact on retained earnings (debit)/credit	0.0
Increase in retained earnings	6.5

The expected increase in retained earnings relating to cell captive arrangements has been presented as a single amount, due to the offsetting impact of insurance contracts issued, reinsurance contracts held and in-substance reinsurance contracts held with cell owners. For further information on the expected impact of the implementation of IFRS 17 on cell captive arrangements and in particular third-party cell captive arrangements, refer to note 48.1.5.

a. Recognition and measurement of insurance contracts issued and reinsurance contracts held

The expected increase in retained earnings is represented by a net change in carrying amounts of insurance contracts issued and reinsurance contracts from 30 June 2022 (in terms of IFRS 4) to 1 July 2022 (in terms of IFRS 17).

Total equity	2022 Rbn
Insurance contracts and investment contracts with DPF	
Long-term insurance contracts	124.0
Investment contract liabilities and investment contract liabilities with DPF	3.0
Short-term insurance contracts	1.9
Capitation agreements	0.0
Net insurance contract liabilities on 30 June 2022	128.9
Reinsurance contracts held	
Reinsurance contract assets	3.5
Net reinsurance contract assets on 30 June 2022	(3.5)
Re-allocation of working capital balances and policyholder loans	0.8
Net insurance contract liabilities on 30 June 2022 (i)	126.2

In terms of IFRS 4, the Group accounted for amounts due to and due from with policyholders and reinsurers in various working capital items on the statement of financial position. In terms of IFRS 17, amounts due to and due from policyholders and reinsurers are included in the measurement of insurance contracts issued and reinsurance contracts held and are no longer disclosed separately on the statement of financial position.

In terms of IFRS 4, investment contracts with DPF were presented in a separate line on the statement of financial position. In terms of IFRS 17, these contracts are presented together with insurance contracts issued on the statement of financial position and are no longer presented separately. The balances on 30 June 2022 reflect the carrying amounts of items before to the measurement adjustments due to the implementation of IFRS 17.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.3 Expected impact of implementation of IFRS 17 on consolidated equity continued

a. **Recognition and measurement of insurance contracts issued and reinsurance contracts held** continued

	General measurement model Rbn	Variable fee approach Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net insurance contracts on 1 July 2022				
Insurance contract assets	(4.1)	0.1	(0.1)	(4.1)
Insurance contract liabilities	50.9	65.9	12.5	129.3
Net insurance contract liabilities on 1 July 2022	46.8	66.0	12.4	125.2

	General measurement model Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net reinsurance contracts on 1 July 2022			
Reinsurance contract assets	3.4	2.4	5.8
Reinsurance contract liabilities	(0.2)	(0.1)	(0.3)
Net reinsurance contracts assets held on 1 July 2022	3.2	2.3	5.5
Net insurance contract liabilities on 1 July 2022 (ii)			**119.7**
Reduction in net insurance contract liabilities on 1 July 2022 (i - ii)			**6.5**

On 1 July 2022 the Group measured insurance contracts issued, reinsurance contracts held and investment contracts with DPF. The application of IFRS 17 resulted in insurance contracts issued, reinsurance contracts held and investment contracts with DPF being presented as assets or liabilities on the statement of financial position, depending on whether the portfolios that contracts have been allocated to, are in asset or liability positions.

b. **Intangible assets**

	Value of business acquired Rbn	Deferred acquisition costs Rbn	Total Rbn
Carrying amount on 30 June 2022	3.1	2.0	5.1
Derecognition to retained earnings	(3.1)	(0.1)	(3.2)
Carrying amount on 1 July 2022	0.0	1.9	1.9

On 30 June 2022 the Group carried 'value of business acquired' and other intangible assets with carrying amounts of R3.1 billion, and DAC, with carrying amounts of R2.0 billion linked to insurance business on the statement of financial position. The 'value of business acquired' represents the difference between the fair value of the insurance contracts acquired and the carrying amounts of these contracts in terms of previous accounting policies, at the various acquisition dates. The DAC relates to expenses incurred to sell and issue insurance policies to policyholders. In terms of IFRS 17, the Group derecognised the carrying amount of value of business acquired assets to retained earnings, as the fair value of the acquired insurance contracts at the acquisition date, is now incorporated in the measurement of the CSM or loss component of the group of insurance contracts, at the acquisition date. DAC is now included in the measurement of insurance contracts and have been derecognised from the statement of financial position. The remaining balance of DAC relates to costs incurred on investment contracts. The derecognition of these intangible assets on 1 July 2022 resulted in amendments to the deferred tax balance on 1 July 2022.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.3 Expected impact of implementation of IFRS 17 on consolidated equity continued

c. Investments in associates and joint ventures

	Carrying amount Rbn
Equity accounted investment on 30 June 2022	1.0
Adjustment to the Group's share of equity	(0.2)
Equity accounted investment on 1 July 2022	0.8

The Group accounts for its interest in the ABHI by way of the equity accounting method. As a result, the Group adjusts the carrying amount of the investment in the associate with its share of changes in the net assets of the investee. IFRS 17 required the remeasurement of net assets of the associate, resulting in a change in the carrying amount of the Group's interest in the associate. Changes in the net asset value of the associate relate primarily to recognition of insurance service revenue over the passage of time compared to over two financial periods and the inclusion of a risk adjustment for non-financial risks in the measurement of liabilities and assets for incurred claims.

d. Deferred income tax

	Carrying amount Rbn
Deferred income tax assets	(0.4)
Deferred income tax liabilities	2.6
Net deferred income tax on 30 June 2022	2.2
Deferred tax impact on adjustment to retained earnings on 1 July 2022	0.6
Net deferred income tax on 1 July 2022	2.8
Deferred income tax assets	(0.4)
Deferred income tax liabilities	3.2
Net deferred income tax on 1 July 2022	2.8

On 1 July 2022 the Group derecognised intangible assets with a carrying amounts of R3.2 billion and reduced the net carrying amount of insurance contracts issued and reinsurance contracts held with R6.5 billion in terms of IFRS 17. The implementation of IFRS 17 is expected to result in an increase in net deferred tax liabilities of R0.6 billion.

e. Own equity instruments

On 1 July 2022 the change in accounting policy regarding own equity instruments held will result in an increase in financial assets at fair value through profit or loss and total equity of R294 million. The increase is due to the recognition of own equity instruments at a fair value of R294 million, cumulative fair value losses on own equity instruments of R131 million and an increase in share premium of R424 million. In future, the normalised headline earnings reconciliations will not include items for own equity instruments held to back insurance contracts measured under the variable fee approach and investment contracts where the investment return on the own equity instruments impact policyholder benefits.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.4 Impact of IFRS 17 on presentation and disclosure

Presentation of insurance contracts and reinsurance contracts held – statement of financial position

In terms of IFRS 4, the Group presented insurance contract assets and insurance contract liabilities on a net basis on the statement of financial position. In the same manner, assets and liabilities for reinsurance contracts held were presented on net basis on the statement of financial position.

In terms of IFRS 17, portfolios of insurance contracts that are assets are accumulated and presented as insurance contract assets on the face of the statement of financial position, while portfolios that are liabilities are accumulated and presented as insurance contract liabilities on the face of the statement of financial position. A similar approach is followed for portfolios of reinsurance contracts held that are in asset and liability positions.

Presentation of insurance contracts issued and reinsurance contracts held – income statement

In terms of IFRS 4, insurance premiums was the measure of revenue earned from providing insurance coverage during the financial period, while net insurance benefits and claims and expenses (including, changes in actuarial liabilities and related reinsurance) indicated the net expenses incurred in providing insurance coverage to policyholders.

In terms of IFRS 17, insurance service revenue replaces insurance premiums as the measure of revenue earned from the rendering of insurance contract services during the financial period. Insurance service expenses replace net insurance benefits and claims and expenses as the measure of fulfilment expenses incurred during the financial period. Expenses that are not fulfilment cash flows are presented outside of insurance service expenses in terms of relevant IFRS as appropriate.

Reinsurance premiums ceded represent the cost of ceding insurance risks to reinsurers during the financial period. Insurance claims recovered are presented as incurred insurance claims recovered from reinsurers.

The total of insurance service revenue, insurance service expenses, reinsurance premiums ceded and insurance claims recovered, is the insurance service result for the financial period. The insurance service result is a measure of the profitability of the insurance contract services provided and reinsurance contract services acquired during the financial period.

48.1.5 Other

Cell captive arrangements – Third-party cell captive arrangements

In terms of IFRS 4, the Group accounted for insurance policies issued under third-party cell captive arrangements as insurance contracts issued in terms of IFRS 4 and reflected the cell owner as the ultimate reinsurer of the net profit/loss generated by the cell. This treatment resulted in the Group profit before tax reflecting only the fee earned for administering the cell captive arrangement.

In terms of IFRS 17 the third-party cell shareholder agreement is accounted for as an in-substance reinsurance agreement held by the Group as policyholder. The net profit or loss generated by the cell is accounted for as separate, gross reinsurance transactions between the Group as insurer and the cell owner as reinsurer. This treatment results in the Group profit or loss continuing to reflect only the fee earned for administering the cell captive arrangement.

The insurance contracts issued under the cell captive arrangement are reflected in insurance contract assets or liabilities, while the rights and obligations with the cell owner are reflected in reinsurance contract assets or liabilities.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.6 Transition and use of transitional provisions

The Group transitioned to IFRS 17 by identifying insurance contracts issued and reinsurance contracts held that were in-force on 1 July 2022 and by applying IFRS 17 to these contracts based on the transitional provisions of the standard. The Group applied the full retrospective approach or the fair value approach to account for groups of insurance contracts issued and reinsurance contracts held on 1 July 2022.

The Group applied the fair value approach to specific groups of insurance contracts issued and reinsurance contracts held if the requirements of the standard were viewed as being impracticable to apply by means of the fully retrospective approach.

On 1 July 2022, the Group applied the following transition methods to determine the CSM balances per group of contracts issued and reinsurance contracts held:

Transition approaches 1 July 2022	Fully retrospective approach Rbn	Fair value approach Rbn	Total Rbn
General measurement model	11.6	1.7	13.3
Variable fee approach	0.4	2.8	3.2
Total	12.0	4.5	16.5

Determining whether it is impracticable to apply the standard on the fully retrospective basis is an item of management judgement. The Group made this judgement by considering whether the expected cost to apply the fully retrospective method is reasonable or unreasonable relative to the value that would be obtained from applying this transition method.

Factors considered in making this assessment includes the following:

- Availability and accessibility of historical data
- The effort involved in obtaining historical data
- Reliability and significance of historical assumptions
- Extent of system and model development required

Key implementation decisions include, but are not limited to the following:

- The latest versions of actuarial models were used to measure units of account, regardless of when the units of account were recognised.
- A consistent set of risk margins were used to measure the risk adjustment for non-financial risks on 1 July 2022 and at previous reporting dates.
- Insurance contracts and reinsurance contracts acquired in business combinations were accounted for from the acquisition date of the relevant business combination. Embedded values at the acquisition dates were used to determine the fair value of acquired contracts where embedded values or relative embedded values were referenced in the transaction terms.

Fully retrospective approach

In terms of the fully retrospective method, the Group accounted for groups of insurance contracts issued and reinsurance contracts held, as if IFRS 17 had been effective from the date when the groups of contracts were recognised.

The modification of Myriad insurance contracts issued prior to 30 June 2017 resulted in these contracts being derecognised and recognised in a new unit of account on 1 July 2017. These contracts were accounted for on the fully retrospective approach from the 1st of July 2017.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.1 New IFRS standards and amendments continued

48.1.6 Transition and use of transitional provisions continued

Fair value approach

In terms of the fair value approach, the Group measured groups of insurance contracts issued and reinsurance contracts held at fair value on the 1st of July 2022 and applied the requirements of the standard to these contracts on a prospective basis from this date.

A fair value measurement incorporates information regarding the item being measured at the measurement date. The Group allocated insurance contracts into groups of insurance contracts, identified various types of contracts in the scope of IFRS 17 and measured specific fulfilment cash flows based on information available at the initial recognition of the insurance contracts issued and reinsurance contracts held.

The fair value approach results in the calculation of the CSM or loss component per group of insurance contracts issued, as the difference between the fair value and the fulfilment cash flows of the group of insurance contracts on the 1st of July 2022. Excess of the fair value over the fulfilment cash flows is accounted for as a CSM (expected future profit), while the excess of the fulfilment cash flows over the fair value is, accounted for as a loss component (a provision for expected losses) with a reduction in retained earnings.

Differences between the fair value and fulfilment cash flows of a group of reinsurance contracts held on 1 July 2022, was accounted for in the CSM as deferred gain or loss on the purchase of reinsurance cover. The deferred gain or loss is recognised in the allocation of reinsurance premiums paid over the coverage period. For a group of reinsurance contracts held, any loss recovery component on 1 July 2022 was calculated by multiplying the loss component of the underlying group of insurance contracts with the percentage of claims the Group expects to recover from the reinsurer.

The application of the fair value approach could result in different CSMs or loss component balances being included in the measurement of the groups of insurance contracts, compared to if the full retrospective approach is applied. The CSM or loss component balances will impact the amount and timing of the recognition of future insurance service revenue and insurance service expenses, with a resulting impact on the profit before tax of the Group. The application of the fair value approach will impact the statement of financial position and statement of comprehensive income until the relevant groups of insurance contracts issued have been derecognised.

Per portfolio, insurance contracts measured in terms of the fair value approach on 1 July 2022, were allocated to a single group of insurance contracts, regardless of the cohort the insurance contracts belonged to or the expected profitability of the insurance contracts. A similar approach was applied for reinsurance contracts held on 1 July 2022.

The use of a single group of insurance contracts issued or reinsurance contracts held on 1 July 2022, reduced the number of units of accounts to be accounted for on transition to IFRS 17 and will result in a netting of CSMs and loss components that would have existed in more granular groups of contracts. On a cumulative basis, the profit or loss before tax will be the same amount, regardless of whether the insurance contracts issued or reinsurance contracts held are allocated to more than one group of contracts, however the annual profit before tax amounts could be different.

Fair value option

Specific groups of insurance contracts where risk mitigation strategies are applied were transitioned to IFRS 17 on a fair value basis in terms of the option afforded by the standard.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.2 Consolidation

48.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the day that control is lost. All material subsidiaries have financial years ending on 30 June and are consolidated to that date. Subsidiaries with financial year ends other than 30 June are consolidated using audited or reviewed results (where necessary) for the relevant period ended 30 June. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Group. Separate disclosure is made of non-controlling interests. All intragroup balances and unrealised gains and losses on transactions between group companies are eliminated.

Initial measurement

The acquisition method of accounting is used to account for the acquisition of subsidiaries/business combinations by the Group. The cost of a business combination is the fair value of the assets given at the date of acquisition, equity issued and liabilities assumed or incurred (including contingent liabilities). This includes assets or liabilities recognised from contingent consideration arrangements. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit and loss. Costs directly attributable to the business combination are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest shareholders even if this results in the non-controlling interest shareholders having a deficit balance.

Disposals

If the Group loses control of a subsidiary company, the gain or loss on disposal is calculated as the difference between the fair value of the consideration received, and the carrying amount of the subsidiary's net assets and any non-controlling interest. Gains and losses on disposal of subsidiaries are included in the income statement as net realised and unrealised fair value gains/(losses). Any gains or losses in other comprehensive income that are allowed to be recycled to the income statement are reclassified. Other comprehensive income amounts not reclassified to the income statement are directly transferred to retained earnings.

Transactions with non-controlling interest shareholders

Transactions with non-controlling interest shareholders are treated as transactions with equity participants of the Group. Disposals to/acquisitions from non-controlling interest shareholders result in gains and losses for the Group that are recorded in equity. Any difference between any consideration paid/received and the relevant share acquired/sold of the carrying amount of the net assets of the subsidiary is recorded in equity.

Measurement – MMH separate financial statements

Investment in subsidiary companies are stated at cost less any impairment losses. The carrying amount of these investments is assessed annually for impairment indicators. If an indicator exists, the investment is impaired to the higher of the investment's fair value less costs to sell and value in use.

48.2.2 Associates

Associates are all entities over which the Group has *significant influence* but not control. The Group's investment in associates includes goodwill, identified on acquisition, net of any accumulated impairment loss. The accounting policies for associates are consistent, in all material respects, with the policies adopted by the Group.

Profits and losses resulting from transactions between group companies are recognised in the Group's results to the extent of the Group's unrelated interests in the associates. Gains and losses arising on the dilution of investments in associates are recognised in the income statement.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.2 Consolidation continued

48.2.2 Associates continued

Measurement

Investments in associate companies are initially recognised at cost, including goodwill, and the carrying amount is increased or decreased with the Group's proportionate share of post-acquisition profits or losses, using the equity method of accounting. Under this method, the Group's share of the associate's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition profit or loss and movements in other comprehensive income are adjusted against the carrying amount of the investments. The equity method is discontinued from the date that the Group ceases to have *significant influence* over the associate. When *significant influence* is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.

Investments in CISs where the Group has *significant influence* are recognised at FVPL and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – *Investments in associates and joint ventures* for investment-linked insurance funds. Initial measurement is at fair value on trade date, with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the reporting date. Fair value adjustments on CISs are recognised in the income statement. The related income from these schemes is recognised as interest or dividends received, as appropriate.

Impairment

Under the equity method, the carrying amount is tested for impairment at reporting dates by comparing the recoverable amount with the carrying amount.

Measurement – MMH separate financial statements

Associated companies are carried at cost less impairment.

48.2.3 Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Measurement

Interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

48.3 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand (the presentation currency), which is the functional currency of the parent. The financial statements have been rounded to the nearest R million.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, measured at FVPL, are recognised as part of their fair value gain or loss.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.3 Foreign currencies continued

Subsidiary undertakings

Foreign entities are entities of the Group that have a functional currency different from the presentation currency. Assets and liabilities of these entities are translated into the presentation currency at the rates of exchange ruling at the reporting date. Income and expenditure are translated into the presentation currency at the average rate of exchange for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in the FCTR in other comprehensive income. On disposal, such exchange differences are recognised in the income statement as part of net realised and unrealised fair value gains.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

48.4 Intangible assets

48.4.1 Goodwill

Recognition and measurement

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

Goodwill on acquisition of subsidiaries is included in intangible assets whereas goodwill on acquisition of associates is included in investment in associates.

When the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the income statement.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment

At the acquisition date, goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergy of the combination in which the goodwill arose. CGUs to which goodwill has been allocated are assessed annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised whenever the carrying amount of the CGU exceeds its recoverable amount, being the higher of value in use and the fair value less costs to sell. Any impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets on a pro rata basis. Impairment losses on goodwill are not reversed.

48.4.2 Value of in-force business acquired (VOBA)

On acquisition of a portfolio of insurance or investment with DPF contracts, the Group recognises an intangible asset representing the VOBA. VOBA represents the present value of future pre-tax profits embedded in the acquired insurance or investment with DPF contract business. The VOBA is recognised gross of tax, with the deferred tax liability accounted for separately in the statement of financial position.

Measurement

The fair value calculation of VOBA on acquisition is based on actuarial principles that take into account future premium and fee income, claim outgo, mortality, morbidity and persistency probabilities together with future costs and investment returns on the underlying assets. The profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. This calculation is particularly sensitive to the assumptions regarding discount rate, future investment returns and the rate at which policies discontinue.

The asset is subsequently amortised over the expected life of the contracts as the profits of the related contracts emerge.

Impairment

VOBA is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.4 Intangible assets continued

48.4.3 Customer relationships

Customer relationships relate to rights to receive fees for services rendered in respect of acquired investment contract business, group risk business with annually renewable contracts, administered retirement fund schemes, health administration and asset administration. An intangible asset is recognised when rights can be identified separately and measured reliably and it is probable that the cost will be recovered.

Measurement

The asset represents the Group's right to benefit from the above services and is amortised on a straight-line basis over the period in which the Group expects to recognise the related revenue, which is between three and 10 years.

Impairment

The right is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount.

48.4.4 Deferred acquisition costs (DAC)

On long-term investment business

Incremental costs that are directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an asset if the entity expects to recover them. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The asset represents the contractual right to benefit from receiving fees for providing investment management services, and is amortised over the policy term, as a constant percentage of expected gross profit margins (including investment income) arising from the contract or on a straight-line basis. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period.

On non-life insurance business

Acquisition costs, which include commission and other related expenses, are recognised in the period in which they are incurred. DAC represent the portion of direct acquisition costs (i.e. commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

Impairment

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

48.4.5 Brand and broker network

Brand and broker network intangible assets have been recognised by the Group as part of a business combination. The assets are recognised when they are separately identifiable, it is probable that the future economic benefits will flow to the Group and the assets have a cost or value that can be measured reliably.

Measurement

The brand and broker networks are initially measured at fair value. As there is generally no active market for these intangibles, the fair value is determined with reference to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, on the basis of the best information available. In determining this amount, the Group considers the outcome of recent transactions for similar assets, for example, the Group applies multiples reflecting current market transactions to factors that drive the profitability of the asset (such as operating profit and VNB).

Subsequently, the brand and broker networks are amortised over their expected useful lives using the straight-line method. The brands are amortised over 15 to 20 years and the broker networks over five to 20 years.

Impairment

The brand and broker networks are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, being the higher of value in use and fair value less cost to sell.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.4 Intangible assets continued

48.4.6 Computer software

Recognition and measurement

Acquired computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised on the basis of an expected useful life of three to 10 years, which is assessed annually using the straight-line method.

Internally developed computer software

Costs directly associated with developing software for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits. Directly associated costs include employee costs of the development team and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their useful lives, up to 10 years, using the straight-line method.

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

Impairment

Computer software not ready for use is tested for impairment annually. Computer software in use is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of the fair value less cost to sell and the value in use.

48.5 Owner-occupied properties

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

Measurement

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

Fair value is determined using DCF techniques which present value the net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. Where considered necessary, significant properties are valued externally by an independent valuator, at least in a three-year cycle, to confirm the fair value of the portfolio.

Increases in the carrying amount arising on revaluation of buildings are credited to a land and building revaluation reserve in other comprehensive income. Decreases that offset previous increases in respect of the same asset are charged against the revaluation reserve, and all other decreases are charged to the income statement.

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

Depreciation

Owner-occupied property buildings are depreciated on a straight-line basis, over 50 years, to allocate their revalued amounts less their residual values over their estimated useful lives. Property and equipment related to the buildings are depreciated over five to 20 years. Land is not depreciated. The residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Accumulated depreciation relating to these properties is eliminated against the gross carrying amount of the properties and the net amount is restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property.

Disposals

When owner-occupied properties are sold or when the properties are no longer classified as owner-occupied, the amounts included in the land and buildings revaluation reserve are transferred to retained earnings.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.6 Investment properties

Investment properties are held to earn rentals or for capital appreciation or both and are not significantly occupied by the companies of the Group. Investment properties include property under development for future use as investment property.

Measurement

Investment properties comprise freehold land and buildings and are carried at fair value, reflective of market conditions at the reporting date, less the related cumulative accelerated rental income receivable. Fair value is determined as being the present value of net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. All properties are internally valued on a bi-annual basis and where considered necessary, significant properties are valued externally by an independent valuator, at least in a three-year cycle, to confirm the fair value of the portfolio. The accelerated rental income receivable represents the cumulative difference between rental income on a straight-line basis and the accrual basis. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Investment properties that are being redeveloped for continuing use as investment property, or for which the market has become less active, continue to be measured at fair value.

Undeveloped land is valued at fair value based on recent market activity in the area.

Transfers to and from investment properties

If an investment property becomes owner-occupied, it is reclassified under owner-occupied properties, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes, and vice versa.

Properties held under leases

Properties held under leases are classified as investment property right-of-use assets when the properties are sublet and not occupied by the Group. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. These properties are carried at fair value after initial recognition.

Gains and losses

Unrealised gains or losses arising on the valuation or disposal of investment properties are included in the income statement in net realised and unrealised fair value gains and losses. These fair value gains and losses are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

48.7 Financial assets

Classification

The Group classifies its financial assets in the following main categories:

- Financial assets at FVPL, including derivative financial assets
- Financial assets at amortised cost

The classification of financial instruments is based on contractual cash flows characteristics and models through which financial instruments are managed (business model).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to not account for the equity investments at FVOCI.

The Group reclassifies debt investments when its business model for managing those assets changes.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.7 Financial assets continued

Classification continued

- **Debt instruments**
  There are three measurement categories into which debt instruments can be classified:

  – Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
  – FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
  – FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured mandatorily at FVPL. The Group designates debt securities and funds on deposit and other money market instruments at FVPL upon initial recognition when it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise as a result of movements in related liabilities being recorded in profit or loss.

- **Equity instruments**
  The Group subsequently measures all equity investments at fair value. The Group's management has elected to not present fair value gains and losses on equity instruments in other comprehensive income. All fair value gains and losses on equity instruments are recognised in the income statement.

Recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the financial assets. These are recognised as unsettled trades until the settlement date occurs. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the asset. Transaction costs that are not recognised as part of the financial asset are expensed in the income statement in net realised and unrealised fair value gains.

Financial assets at FVPL is subsequently carried at fair value. Financial assets at amortised cost is recognised initially at fair value and subsequently carried at amortised cost, using the *effective interest rate method* less provision for impairment. Impairments are included in depreciation, amortisation and impairment expenses in the statement of comprehensive income.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets at amortised cost, the Group determines at each reporting date whether there has been a significant increase in credit risk since initial recognition of the financial asset by assessing the likelihood or risk of default occurring since initial recognition based on all reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition. Where there is no significant increase in credit risk since initial recognition or for assets that have low credit risk at reporting date, a 12 month expected credit loss is recognised. Where a significant increase in credit risk since initial recognition occurred a lifetime expected credit loss is calculated.

The Group views financial assets at amortised cost to be low credit risk when there is a low risk of default and the borrower has the strong capacity to meet its contractual cash flow obligations in the near term.

Impairment losses on financial assets at amortised cost, other than impairments relating to amounts due from agents, brokers and intermediaries, are presented as net impairment losses within profit or loss. Impairment losses on amounts due from agents, brokers and intermediaries, are presented as part of sales remuneration within profit and loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.7 Financial assets continued

Impairment – MMH separate financial statements

Intercompany loan impairment is calculated at each reporting date using probability of default and the loss given default rates. Probability of default rates considers historical defaults as well as forward-looking estimates based on macro-economic factors obtained from rating agencies. Loans without repayment terms consider any senior external or internal loans which need to be repaid before the intercompany loan to determine a probability of default, since it reduces the liquid assets available to repay that intercompany loan. Management applies its own judgement, on an individual loan basis, to adjust the prescribed LGD to include forward-looking information. Balances are written off when there is no reasonable expectation of recovery.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. The Group also derecognises a financial asset when the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset. When the Group has transferred its rights to receive cash flows from an asset or entered into a corresponding liability it evaluates if, and to what extent, it has retained the risks and rewards of ownership. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Any gain or loss arising on derecognition of assets at amortised cost is recognised directly in the income statement and presented in net realised and unrealised fair value gains together with foreign exchange gains and losses.

Realised and unrealised gains and losses

Financial assets at FVPL

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

Offsetting

Financial assets and liabilities were set off and the net balance reported in the statement of financial position where there was a legally enforceable right to set off, where it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability was the same, and where the financial asset and liability were denominated in the same currency.

Scrip lending

The equities or bonds on loan by the Group, and not the collateral security, are reflected in the statement of financial position of the Group at year end. Scrip lending fees received are included under fee income. The Group continues to recognise the related income on the equities and bonds on loan. Collateral held is not recognised in the financial statements unless the risks and rewards relating to the asset have passed to the Group.

48.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including DCF and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative, subject to the offsetting principles as described under the financial assets accounting policies above.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging), or is based on a valuation technique whose variables include only observable market data.

When unobservable market data has an impact on the valuation of derivatives, the entire initial change in fair value indicated by the valuation model is not recognised immediately in the income statement but over the life of the transaction on an appropriate basis, or when the input becomes observable, or when the derivative matures or is closed out.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.8 Derivative financial instruments continued

The subsequent fair value of exchange-traded derivatives is based on a closing market price while the value of OTC derivatives is determined by using valuation techniques that incorporate all factors that market participants would consider in setting the price. Changes in the fair value of derivative instruments are recognised immediately in the income statement within net realised and unrealised fair value gains and losses.

Embedded derivative liabilities are separated and fair-valued through income when they are not closely related to their host contracts and meet the definition of a derivative, or where the host contract is not carried at fair value.

48.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost, which approximates fair value. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value. Bank balances held to meet short-term cash commitments are included in funds on deposit and other money market instruments with a maturity of three months or less. Operating bank balances are included in bank and other cash balances.

48.10 Life and non-life insurance and investment contracts

The contracts issued by the Group transfer insurance risk, financial risk or both. As a result of the different risks transferred by contracts, contracts are separated into investment and insurance contracts for the purposes of valuation and profit recognition. Insurance contracts are those contracts that transfer significant insurance risk to the Group, whereas investment contracts only transfer financial risk.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime. There is one exception to this principle:

- If the terms of an investment contract change significantly, the original contract is derecognised and a new contract is recognised with the new classification.

Classification of contracts

Investment contracts

Investment contracts are those where only financial risk is transferred.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

For *cell captive* business, contracts that transfer financial risk with no significant insurance risk are accounted for as financial instruments (investment contracts designated at FVPL), e.g. first-party cells. For these arrangements, only contract management fee income and investment income and net realised and unrealised fair value gains accruing to the promoter are included in the Group's income statement. On the statement of financial position, premium debtors and insurance liabilities relating to these arrangements are excluded.

Insurance contracts

Insurance contracts are those under which the Group accepts significant insurance risk from another party (contract holder) by agreeing to pay compensation if a specified uncertain future event (the insured event) adversely affects the contract holder.

Insurance risk is risk, other than financial risk, transferred from the holder of a contract to the issuer. Insurance risk is deemed significant if an insured event could cause an insurer to pay benefits (net of accumulated income and account balances) on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

For *cell captive* business, insurance policies are issued in third-party *cell captive* structures or contingency policies. The Group also accepts insurance and reinsurance inwards risks directly, e.g. where the promoter cell shares in the underwriting experience of selected cell arrangements. All items relating to these arrangements are included in the Group's income statement and statement of financial position, except for contract management fees.

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Life and non-life insurance and investment contracts continued

Contracts with DPF

The Group issues life insurance and investment contracts containing DPF. These contracts are smoothed bonus and conventional with-profit business. All contracts with DPF are accounted for in the same manner as life insurance contracts. Where a contract has both investment with DPF and investment components, the policy is classified as investment with DPF.

Life insurance contracts and investment contracts with DPF

Measurement

The liabilities relating to life insurance contracts and investment contracts with DPF are measured in accordance with the FSV basis as set out in SAP 104 – Calculation of the value of the assets, liabilities and SCR of life insurers. The FSV basis is based on best estimate assumptions regarding future experience plus *compulsory margins* and additional *discretionary margins* for prudence and deferral of profit emergence. Margins are set at product level.

Assumptions used in the valuation basis are reviewed on a regular basis, most commonly annually, and any non-economic changes in estimates are reflected in the income statement as they occur. Economic changes in estimate are stabilised as they occur, except for negative changes that exceed available stabilisation reserves in which case the excess is reflected in the income statement and future positive changes are reflected in the income statement to the extent of any prior losses incurred. Where stabilisation reserves are held, they are reflected in the income statement according to a specified release pattern.

The valuation bases used for the major classes of contract liabilities, before the addition of the margins described under the heading of *compulsory and discretionary margins* below, are as follows:

- For group smoothed bonus business, the liability is taken as the sum of the *fund accounts*, being the retrospective accumulation of premiums net of charges and benefit payments at the declared bonus rates.
- For individual smoothed bonus business, the liability is taken as the sum of the *fund accounts* less the present value of future charges not required for risk benefits and expenses.
- For with-profit annuity business, the liability is taken as the discounted value of projected future benefit payments and expenses. Future bonuses are provided for at bonus rates supported by the assumed future investment return.
- For the above three classes of business, BSAs are held in addition to the liabilities described above. In the case of smoothed bonus business, the BSA is equal to the difference between the market value of the underlying assets and the *fund accounts*. In the case of with-profit annuity business, the BSA is equal to the difference between the market value of the underlying assets and the discounted value of projected future benefit payments and expenses. BSAs are included in contract holder liabilities.
- For conventional with-profit business, the liability is the present value of benefits less premiums, where the level of benefits is set to that supportable by the asset share.
- For individual market-related business, the liability is taken as the fair value of the underlying assets less the present value of future charges not required for risk benefits and expenses.
- For conventional non-profit business, including non-profit annuities and Group PHI business, the liability is taken as the difference between the discounted value of future expenses and benefit payments and the discounted value of future premium receipts.
- Provision is made for the estimated cost of incurred but not yet reported (IBNR) claims for all relevant classes of business as at the reporting date. IBNR provisions are calculated using run-off triangle methods or percentages of premium based on historical experience or else implicit allowance is made where appropriate. Outstanding reported claims are disclosed in other payables.
- A number of contracts contain embedded derivatives in the form of financial options and investment guarantees. Liabilities in respect of these derivatives are fair-valued in accordance with the guidelines in APN 110 – Allowance for embedded investment derivatives. Stochastic models are used to determine a best estimate of the time value as well as the intrinsic value of these derivatives.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Life and non-life insurance and investment contracts continued

Life insurance contracts and investment contracts with DPF continued

Compulsory and discretionary margins

In the valuation of liabilities, provision is made for the explicit *compulsory margins* as required by SAP 104 – Calculation of the value of the assets, liabilities and SCR of life insurers. *Discretionary margins* are held in addition to the *compulsory margins*. These *discretionary margins* are used to ensure that profit and risk margins in the premiums are not capitalised prematurely so that profits are recognised in line with product design, and in line with the risks borne by the Group.

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

- For certain books of business which are ring-fenced per historic merger or take-over arrangements, liabilities are held to ensure appropriate capitalisation of future profits in line with the terms of the related agreements.
- Additional prospective margins are held in respect of premium and decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the Group.
- For certain books of business, future charges arising from the surrender of smoothed bonus individual policies are not recognised until surrender occurs.
- Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market-related yield curve as at the reporting date. The yield curve is based on risk-free securities (either fixed or CPI-linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio. Implicit allowance is made for expected credit losses to avoid a reduction in liabilities caused by capitalisation of credit spreads.
- For *cell captive* business, the tax charged to each cell does not always equal the total tax liability of the company since certain cells have calculated tax losses. Instead of crediting the cells with the resulting tax asset, the tax assets are accumulated in a separate cell, and notionally allocated to their respective cells. The amount in this cell is raised as a discretionary margin. In the event that a cell with a tax asset is able to utilise that asset against a future tax liability, the tax asset will be reduced or eliminated accordingly.

Embedded derivatives

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract and the entire contract is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value, in accordance with APN 110, if they are not closely related to the host insurance contract but meet the definition of a derivative. Embedded derivatives that are separated from the host contract are carried at FVPL.

Liability adequacy test

The FSV methodology meets the requirements of the liability adequacy test in terms of IFRS 4 – *Insurance contracts*. However, at each reporting date the adequacy of the insurance liabilities is assessed to confirm that, in aggregate for each insurance portfolio, the carrying amount of the insurance liabilities, measured in accordance with the FSV basis, less any related intangible asset and present VOBA, is adequate in relation to the best-estimate future cash flow liabilities. Best-estimate liabilities are based on best-estimate assumptions in accordance with the FSV basis, but excluding *compulsory margins* as described in SAP 104 as well as all *discretionary margins*. If the liabilities prove to be inadequate, any VOBA or other related intangible asset is written off and any further deficiency is recognised in the income statement.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which the Group is entitled under reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified as receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each contract.

Reinsurance liabilities are amounts payable in terms of reinsurance agreements.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Life and non-life insurance and investment contracts continued

Life insurance contracts and investment contracts with DPF continued

Reinsurance contracts held continued

There are three types of reinsurance liabilities:

- The first consists of reinsurance liabilities which are payable to registered reinsurers, in terms of a reinsurance agreement and includes premiums payable for reinsurance contracts which are recognised as an expense when due. These premiums are included in other payables.
- The second type consists of reinsurance contracts which the Group has with third-party cell owners. The agreements in place with these cell owners are such that the cell owner acts as reinsurer to the Group for the business which the cell brings to the Group. The risks and rewards of insurance policies relating to these cells are passed on to the cell owner, and the Group retains no insurance risk relating to these policies on a net basis. The Group therefore has an obligation to pay the net results relating to the insurance business in the cell to the cell owner as a result of these agreements. This obligation is deemed to be a reinsurance arrangement and is disclosed as part of insurance contract liabilities.
- The third type consists of a financial reinsurance agreement with a registered reinsurer, whereby the reinsurer provides upfront funding to a cell within the Group, with the cell then repaying this funding over an agreed term. The liability associated with this repayment is disclosed as part of reinsurance contract liabilities and is valued initially based on the proceeds received and is subsequently remeasured at amortised cost.

Impairment of reinsurance assets
If there is *objective evidence* that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The impairment loss is calculated using the same method as that adopted for financial assets at amortised cost.

Life insurance premiums

Insurance premiums and annuity considerations receivable from life insurance contracts and investment contracts with DPF are recognised as revenue in the income statement, gross of commission and reinsurance premiums and excluding taxes and levies. Where annual premiums are paid in instalments, the outstanding balance of these premiums is recognised when due. Receivables arising from insurance and investment contracts with DPF are recognised under insurance and other receivables.

Reinsurance premiums

Reinsurance premiums are recognised when due for payment.

Life insurance benefits and claims

Insurance benefits and claims relating to life insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in the income statement based on the estimated liability for compensation owed to the contract holder. Death, disability and surrender claims are recognised when incurred. These claims also include claim events that occurred before the reporting date but have not been fully processed. Claims in the process of settlement are recognised in other payables in the statement of financial position. Maturity and annuity claims are recognised when they are due for payment. Outstanding claims are recognised in other payables. Contingency policy bonuses are included in claims in the income statement.

Reinsurance recoveries

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

Acquisition costs

Acquisition costs, disclosed as sales remuneration, consist of commission payable on life insurance contracts and investment contracts with DPF and expenses directly related thereto (including bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds). These costs are expensed when incurred. The FSV basis makes implicit allowance for the recoupment of acquisition costs; therefore no explicit deferred acquisition cost asset is recognised in the statement of financial position for contracts valued on this basis.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Life and non-life insurance and investment contracts continued

Investment contracts

The Group designates investment contract liabilities at FVPL upon initial recognition as their fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment properties that are carried at FVPL. The Group follows this approach because it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Measurement

The Group issues investment contracts without fixed terms and contracts with fixed terms and guaranteed terms.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial asset portfolios that can include derivatives and are designated at inception as at FVPL.

For investment contracts without fixed terms, fair value is determined using the current unit values that reflect the fair value of the financial assets contained within the Group's unitised investment funds linked to the related financial liability, multiplied by the number of units attributed to the contract holders at the valuation date.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value.

The fair value of financial liabilities is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

For investment contracts with fixed and guaranteed terms (guaranteed endowments and term certain annuities), valuation techniques are used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. If liabilities calculated in this manner fall short of the single premium paid at inception of the policy, the liability is increased to the level of the single premium, to ensure that no profit is recognised at inception. This deferred profit liability is recognised in profit or loss over the life of the contract based on factors relevant to a market participant, including the passing of time.

For investment contracts where investment management services are rendered and the contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded option within the investment contract liability. The valuation methodology is the same as the methodology applied to investment guarantees on insurance contracts.

Deferred revenue liability

A deferred revenue liability is recognised in respect of fees paid at inception of the contract by the policyholder that are directly attributable to a contract. The deferred revenue liability is then released to revenue as the investment management services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying amount of the deferred revenue liability is recognised in revenue and falls within the scope of IFRS 15.

Deferred acquisition costs (DAC)

Refer to the intangible assets section of the accounting policies.

Amounts received and claims incurred

Premiums received under investment contracts are recorded as deposits to investment contract liabilities and claims incurred are recorded as deductions from investment contract liabilities.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.10 Life and non-life insurance and investment contracts continued

Non-life insurance contracts

Premiums

Non-life insurance premiums are accounted for when received, net of a provision for unearned premiums relating to risk periods that have not yet expired.

Claims

Claims incurred consist of claims and (un)allocated claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Outstanding claims comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and include an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries.

Unearned premium provision

The provision for unearned premiums represents the proportion of the premiums written during the reporting period in question that relate to unexpired risk periods, computed separately for each insurance contract.

Liability adequacy test

A liability adequacy test is performed annually for the gross liability recognised for insurance contracts and an additional unexpired risk provision is recognised for any deficiencies arising when unearned premiums are insufficient to meet expected future claims and expenses over the unexpired risk period. The expected claims are calculated having regard to events that have occurred prior to the reporting date.

Deferred acquisition costs (DAC)

Acquisition costs comprise all costs arising from the inception of insurance contracts and these are expensed as and when incurred. DAC represent the portion of acquisition costs (i.e. commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

Outstanding insurance contract claims

Provision is made using prescribed methods set out below:

- for claims notified but not settled at the reporting date, using case estimates determined on a claim-by-claim basis;
- for IBNR claims at the reporting date, using generally accepted actuarial techniques.

Reinsurance recoveries

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

Cashback provisions

Certain insurance contracts offer cashback rewards to policyholders upon the fulfilment of predetermined criteria. A provision is made for such cashback rewards based on the premium accrued by each policyholder at the reporting date, taking into account the necessary decrements and, where applicable, the impact of future investment returns.

48.11 Financial liabilities

Recognition and measurement

The Group classifies its financial liabilities into the following categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

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

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.11 Financial liabilities continued

Recognition and measurement continued

- **Financial liabilities at FVPL**
  This category has two sub-categories: financial liabilities held for trading and those designated at FVPL at inception.

  A financial liability is classified as held for trading at inception if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading, unless they are designated as hedges. Derivatives held for trading are classified as mandatorily at FVPL.

  Financial liabilities are classified as at FVPL at inception if they are:

  – eliminating or significantly reducing an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases; or
  – managed, with their performance being evaluated on a fair value basis; or
  – a financial instrument that includes a significant embedded derivative that clearly requires bifurcation.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Issues and settlements of financial liabilities are recognised on trade date, being the date on which the Group commits to issuing or settling the financial liabilities.

The fair value of financial liabilities quoted in active markets is based on current market prices. Alternatively, where an active market does not exist, fair value is derived from cash flow models or other appropriate valuation models allowing for the Group's own credit risk. These include the use of arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market input and relying as little as possible on entity-specific input.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities, such as callable notes which are listed on the JSE interest rate market, *carry positions* (refer below) and CIS liabilities (representing the units in CISs where the Group consolidates the CISs and is required to disclose the value of the units not held by the Group as liabilities) are managed, with their performance being evaluated on a fair value basis and designated at FVPL. These financial liabilities are recognised initially at fair value, with transaction costs being expensed in the income statement, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the value of financial liabilities at FVPL are included in the income statement in the period in which they arise. Changes in the fair value of the financial liability that relates to changes in own credit risk is recognised in other comprehensive income if it does not create an accounting mismatch. Interest on the callable notes and carry positions are disclosed separately as finance costs using the *effective interest rate method*.

Carry positions

Carry positions consist of sale and repurchase of assets agreements. These agreements contain the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at FVPL.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date. These financial assets are classified as financial instruments at FVPL.

Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the statement of financial position and is valued according to the Group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability *(carry positions)* carried at fair value where they are managed on a fair value basis.

Conversely, where the Group purchases financial instruments subject to a commitment to resell these at a future date and the risk of ownership does not pass to the Group, the consideration paid is included under financial assets carried at fair value where they are managed on a fair value basis.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the *effective interest rate method*.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.11 Financial liabilities continued

Recognition and measurement continued

- **Financial liabilities at amortised cost**
  Financial liabilities that are neither held for trading nor at fair value are measured at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value, net of transaction costs incurred. These financial liabilities are then subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability using the *effective interest rate method*.

  Convertible redeemable preference shares and convertible bonds
  Compound financial instruments issued by the Group comprise convertible preference shares that can be converted to ordinary share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. At initial recognition, the fair value of the liability component of the convertible redeemable preference shares is determined by discounting the net present value of future cash flows, net of transaction costs, at market rate at inception for a similar instrument without the conversion option. This amount is recorded as a liability on the amortised cost basis, using the *effective interest rate method*, until extinguished on conversion of the preference shares. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholder equity. The value of the equity component is not changed in subsequent periods. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. The dividends on these preference shares are recognised in the income statement in finance costs.

  Other payables
  Other payables are initially carried at fair value and subsequently at amortised cost using the *effective interest rate method.*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement. Changes in own credit risk allocated to other comprehensive income is not recognised in the income statement when derecognised, but rather transferred within equity.

48.12 Deferred income tax

Measurement

Deferred income tax is provided for in full, at current tax rates and in terms of laws substantively enacted at the reporting date in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using the liability method. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets, including tax on capital gains, are recognised for tax losses and unused tax credits and are carried forward only to the extent that realisation of the related future tax benefit is probable. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate, as it is assumed that the carrying amount will be recovered through sale.

Offsetting

Deferred tax assets and liabilities are set off when the income tax relates to the same fiscal authority and where there is a legal right of offset at settlement in the same taxable entity.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.13 Current taxation

Measurement

Current tax is provided for at the amount expected to be paid, using the tax rates and in respect of laws that have been substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Individual policyholder tax and corporate policyholder tax is included in tax on contract holder funds in the income statement.

Offsetting

Current tax assets and liabilities are set off when a legally enforceable right exists and it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividend withholding tax (DWT)

DWT is levied on the shareholders (or beneficial owners) receiving the dividend, unless they are exempt in terms of the amended tax law. DWT is levied at 20% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not by the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend, the DWT is recorded as an expense in the income statement when the dividend income is earned.

48.14 Indirect taxation

Indirect taxes include various other taxes paid to central and local governments, including value added tax (amount that cannot be claimed) and regional service levies. Indirect taxes are disclosed as part of operating expenses in the income statement.

48.15 Leases: accounting by lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The Group mainly has leases for office buildings, IT equipment and investment property. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Right-of-use assets that are classified as owner-occupied properties or property and equipment are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets that are classified as investment properties are measured at fair value (refer to Investment properties accounting policy). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets that are classified as owner-occupied properties and property and equipment are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Owner-occupied properties	50 years
Property and equipment	Five – 20 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.15 Leases: accounting by lessee continued

Lease liabilities continued

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in financial liabilities at amortised cost.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

48.16 Leases: accounting by lessor

Operating leases

Investment property comprises a portfolio of retail, commercial and industrial properties that are leased to third parties. These leases are classified as operating leases, because they do not transfer substantially all the risks and rewards incidental to ownership of the assets. Each lease has a defined lease period and financial terms. Renewal negotiations with tenants commence prior to expiry of their current lease agreement. Lease periods vary and are dependent on the tenant and property type.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. Properties are comprehensively insured against fire, destruction and loss of income. Property income is secured by leases ranging from 3 to 10 years with comprehensive credit vetting and deposits held to minimise the risk of recoverability of rental income. Expenses are managed in line with the consumer price index with service level agreements negotiated over a 3 to 5 year period to minimise costs.

48.17 Provisions

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

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

48.18 Contingent liabilities

Contingent liabilities are reflected when the Group has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or it is possible but not probable that an outflow of resources will be required to settle a present obligation, or the amount of the obligation cannot be measured with sufficient reliability.

48.19 Employee benefits

Pension and provident fund obligations

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

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Group. The defined benefit obligation is calculated annually, using the projected unit credit method. The liability balances have largely been settled and the plans are in the process of being closed.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.19 Employee benefits continued

Post-retirement medical aid obligations

The Group provides a subsidy in respect of medical aid contributions on behalf of qualifying employees and retired personnel. An employee benefit obligation is recognised for these expected future medical aid contributions. This obligation is calculated using the projected unit credit method, actuarial methodologies for the discounted value of contributions and a best estimate of the expected long-term rate of investment return, as well as taking into account estimated contribution increases. The entitlement to these benefits is based on the employees remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. The actuarial gains and losses are recognised as they arise. The increase or decrease in the employee benefit obligation for these costs is charged to other comprehensive income.

Termination benefits

The Group recognises termination benefits as a liability in the statement of financial position and as an expense in the income statement when it has a present obligation relating to termination. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and other benefits such as medical aid contributions. These obligations are measured on an undiscounted basis and are expensed as the service is provided. A liability is recognised for the amount to be paid under bonus plans or accumulated leave if the Group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. For share-based payment transactions that are settled in the equity of the parent or another group company or settled in cash where the amount is based on the equity of the parent or another group company, the Group measures the goods or services received as either equity or cash-settled share-based payment transactions by assessing the nature of the awards and its own rights and obligations. The Group measures the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments or the Group has no obligation to settle the share-based transaction in cash. In all other circumstances, the Group measures the goods or services received as a cash-settled share-based payment transaction.

Equity-settled compensation plans

The fair value of the employee services received in exchange for the grant of the holding company shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted at grant date, excluding the impact of any non-market-related vesting conditions. Market and non-vesting conditions are reflected in the fair value at grant date. Non-market-related vesting conditions, such as the resignation of employees and retrenchment of staff, are included in assumptions regarding the number of shares expected to vest, which are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to equity. The vesting of units are accelerated by the entity in the event that the employee dies, is retrenched or retires. Any remaining element of the fair value of the award is expensed immediately through profit or loss. Where an employee resigns any unvested units are forfeited by the employee.

The fair value of equity instruments granted is determined by using standard option pricing models. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instrument.

Cash-settled compensation plans

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

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.19 Employee benefits continued

Compensation plans valued on the projected unit credit method

The Group has certain schemes in place whereby employees are rewarded based on something other than the shares and related share price of the holding company. In some instances the Group recognises a liability that has been measured with reference to a selling price formula in a contract, the share price of an external company or the applicable EV of a subsidiary company, and that will be used to settle the liability with the employees or to repurchase shares in a subsidiary from the employees. The liability in these cases is measured using the projected unit credit method. Any change in the liability is charged to the income statement over the vesting period of the shares.

48.20 Assets and liabilities relating to disposal groups held for sale

Assets, liabilities or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets, liabilities or disposal groups are available for immediate sale.

In light of the Group's primary business being the provision of insurance and investment products, non-current assets held as investments for the benefit of policyholders are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the assets and liabilities are recognised at the lower of the carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

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

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

48.21 Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Ordinary shares with discretionary dividends are classified as equity. Preference shares issued by the Group are classified as equity when there is no obligation to transfer cash or other assets to the preference shareholders. The dividends on these preference shares are recognised in the statement of changes in equity. For compound instruments, e.g. convertible redeemable preference shares, the component representing the value of the conversion option at the time of issue is included in equity.

Issue costs

Incremental external costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of tax, from the proceeds. All other share issue costs are expensed.

Treasury shares

Treasury shares are equity share capital of the holding company held by subsidiaries, consolidated CISs and share trusts, irrespective of whether they are held in shareholder or contract holder portfolios. The consideration paid, including any directly attributable costs, is eliminated from shareholder equity on consolidation until the shares are cancelled or reissued. If reissued, the difference between the carrying amount and the consideration received for the shares, net of attributable incremental transaction costs and the related income tax effects, is included in share premium.

48.22 Dividends declared

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

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.23 Puttable non-controlling interests

Puttable non-controlling interests represent put options granted to non-controlling interests of subsidiaries, entitling the non-controlling interests to dispose of their interest in the subsidiaries to the Group at contracted dates.

Recognition and measurement

A financial liability at FVPL is recognised, being the present value of the estimated purchase price value discounted from the expected option exercise date to the reporting date. In raising this liability, the non-controlling interest is derecognised and the excess of the liability is debited to retained earnings.

The estimated purchase price is reconsidered at each reporting date and any change in the value of the liability is recorded in net realised and unrealised fair value gains in the income statement. Interest in respect of this liability is calculated using the *effective interest rate method* and recorded within finance costs.

48.24 Income recognition

Income comprises the fair value of services, net of value added tax, after eliminating income from within the Group. Income is recognised as follows:

48.24.1 Fee income

IFRS 15 sets out the principles of the timing of revenue recognition. Revenue is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If none of the above criteria is met, revenue is recognised at a point in time.

Contract administration

Fees charged for investment management services provided in conjunction with an investment contract are recognised as income as the services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins; or as a constant percentage of assets under management; or as a fixed fee. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and released on a straight-line basis over the lives of the contracts.

Trust and fiduciary fees received

Fees received from asset management, retirement fund administration and other related administration services offered by the Group are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract, except for performance fees which are recognised at a point in time when the performance obligations are met. Where initial fees are received, these are deferred and recognised over the average period of the contract. This period is reassessed annually.

Health administration fee income

Fees received from the administration of health schemes are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract.

Other fee income

Administration fees received and multiply fee income are recognised as the service is rendered. Services are rendered over the expected duration of the contract.

Cell captive fee income includes management fees, which relates to the managing of the cell. Management fees are negotiated with each cell shareholder and are generally calculated as a percentage of premiums received and/or as a percentage of assets. Income is brought to account on the effective commencement or renewal dates of the policies and is recognised over the duration of the contract. A portion of the income is deferred to cover the expected servicing costs, together with a reasonable profit thereon and is recognised as a liability. The deferred income is brought to account over the servicing period on a consistent basis reflecting the pattern of servicing activities.

48 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

48.24 Income recognition continued

48.24.1 Fee income continued

Other fee income continued

Commission income in respect of insurance ceded to reinsurers is recognised on the commencement date of the policy. A portion of the income is deferred when further servicing is required to be rendered. Deferred commission income is spread evenly over the period of the policy. Profit commission negotiated with reinsurers is recognised on declaration by reinsurers.

Other fees received include scrip lendings fees (which are based on rates determined per contract) and policy administration fees that are also recognised as the service is rendered. Scrip lending fees are recognised over the duration of the contract. Policy administration services are rendered either at a point in time or over the duration of the contract depending on when the performance obligations are met.

48.24.2 Investment income

Interest income

Interest income is recognised in the income statement, using the *effective interest rate method* and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method*.

Dividend income

Dividends received are recognised when the right to receive payment is established. Where it is declared out of retained earnings, dividend income includes scrip dividends received, irrespective of whether shares or cash is elected. Dividend income is not recognised when shares of the investee are received and the shareholders receive a pro rata number of shares, there is no change in economic interest of any investor and there is no economic benefit associated with the transaction.

Rental income

Rental income is recognised on the straight-line method over the term of the rental agreement.

48.25 Expense recognition

48.25.1 Expenses

Other expenses include auditors' remuneration, consulting fees, direct property expenses, information technology expenses, marketing costs, indirect taxes and other expenses not separately disclosed, and are expensed as incurred.

48.25.2 Finance costs

Finance costs incurred on qualifying property assets are capitalised until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use. Capitalisation is ceased when substantially all activities necessary to prepare the asset for intended use or sale are complete. All other finance costs are recognised in the income statement, using the *effective interest rate method,* and taking into account the expected timing and amount of cash flows.

Finance costs include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method*.

48.26 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group Executive Committee that makes strategic decisions. Refer to segmental report for more details.

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Statement of financial position

At 30 June 2023

	Notes	2023 Rm	2022 Rm
Assets			
Interest in subsidiary companies	2	**27 919**	27 659
Financial instruments		**1 052**	886
Financial assets at fair value through profit or loss	3	**494**	339
Financial assets at amortised cost	4	**558**	547
Non-financial assets		**4**	4
Cash and cash equivalents	5	**231**	32
Total assets		**29 206**	28 581
Equity attributable to owners of the Company			
Share capital and share premium	6	**17 601**	17 601
Other components of equity	7	**226**	177
Retained earnings		**10 448**	9 753
Total equity		**28 275**	27 531
Liabilities			
Financial instruments		**304**	329
Financial liabilities at amortised cost	8.1	**262**	252
Financial guarantee contracts	8.2	**42**	77
Other payables	9	**626**	720
Current income tax liability	10.1	**1**	1
Total liabilities		**931**	1 050
Total equity and liabilities		**29 206**	28 581

Income statement

For the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Investment income	11	**3 605**	918
Investment income – amortised cost		**28**	37
Investment income – other		**3 577**	881
Other income	13	**42**	35
Net realised and unrealised fair value gains/(losses)	12	**99**	(144)
Net income		**3 746**	809
Impairment charge/(reversal) on loan assets and financial guarantees		**16**	(112)
Net Impairment reversal on investment in subsidiaries		**(3)**	(55)
Other expenses	14	**55**	43
Expenses/(income)		**68**	(124)
Results of operations		**3 678**	933
Finance costs	15	**(37)**	(37)
Profit before tax		**3 641**	896
Income tax	10.2	**(21)**	(16)
Earnings for year attributable to owners of the Company		**3 620**	880

Statement of comprehensive income

For the year ended 30 June 2023

	2023 Rm	2022 Rm
Earnings for year	**3 620**	880
Total comprehensive income for year attributable to owners of the Company	**3 620**	880

Statement of changes in equity

For the year ended 30 June 2023

	Share capital Rm	Retained earnings Rm	Other components of equity Rm	Total attributable to owners of the Company Rm
Balance at 1 July 2021	17 601	9 621	103	27 325
Total comprehensive income	–	880	–	880
IFRS 2 extension charge	–	–	11	11
Dividends declared	–	(748)	–	(748)
Equity-settled share-based payments			63	63
Balance at 1 July 2022	**17 601**	**9 753**	**177**	**27 531**
Total comprehensive income	**–**	**3 620**	**–**	**3 620**
IFRS 2 extension charge	**–**	**–**	**16**	**16**
Shares repurchased	**–**	**(1 250)**	**–**	**(1 250)**
Dividends declared	**–**	**(1 675)**	**–**	**(1 675)**
Equity-settled share-based payments	**–**	**–**	**33**	**33**
Balance at 30 June 2023	**17 601**	**10 448**	**226**	**28 275**

Statement of cash flows

For the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Cash flow from operating activities			
Cash utilised in operations	16.1	**–**	–
Dividends received		**3 378**	826
Interest received		**32**	34
Income tax paid	16.2	**–**	–
Interest paid	16.3	**(37)**	(37)
Net cash inflow from operating activities		**3 373**	823
Cash flow from investing activities			
Investment in subsidiary companies		**(225)**	(308)
Loans advanced by the entity to related parties		**(16)**	(22)
Loans repaid by related parties for loans issued by the entity		**1**	311
Net cash outflow from investing activities		**(240)**	(19)
Cash flow from financing activities			
Shares repurchased and cancelled		**(1 250)**	–
Loans advanced from related parties to the entity	16.4.1	**1 069**	65
Loans repaid by the entity to related parties	16.4.2	**(1 085)**	(374)
Dividends paid		**(1 668)**	(748)
Net cash outflow from financing activities		**(2 934)**	(1 057)
Net cash flow		**199**	(253)
Cash and cash equivalents at beginning		**32**	285
Cash and cash equivalents at end	5	**231**	32

Notes to the financial statements

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The basis of preparation and accounting policies of the Company are the same as that of the Group, as set out in the Group financial statements. These financial statements should be read in conjunction with the Group financial statements.

2 INTEREST IN SUBSIDIARY COMPANIES

	2023 Rm	2022 Rm
Cost less impairment[1]	**27 916**	27 656
Loans to subsidiary companies (note 42)[3]	**3**	3
	27 919	27 659
Opening balance	**27 659**	27 233
Cost of interest in subsidiaries acquired	**224**	308
Equity-settled share-based payments Investment[2]	**33**	63
Less: Impairment reversal of investment in subsidiaries[4]	**3**	55
Closing balance	**27 919**	27 659

General

Details of interests in subsidiary companies are disclosed in note 42 of the Group financial statements.

[1] Additions to the cost of subsidiaries and other movements.

Momentum Metropolitan Strategic Investments Pty Ltd (MMSI): The Company acquired additional shares in MMSI for R225 million during the current year (2022:R308 million). The capital injection into MMSI in the current year was fully funded through cash.

[2] Equity-settled share-based payment

Momentum Metropolitan has made available an Employee Share Ownership Plan to its employees through the iSabelo Trust. iSabelo is structured to benefit all permanent employed South African based employees to promote inclusivity.

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

The investment in subsidiaries is as a result of the iSabelo share-based transaction, for which the Company has the responsibility to settle the liability raised in the respective subsidiaries with its own shares.

Please refer to Note 17.6 of the MMH Group AFS for the Share-based payment disclosures.

[3] Loans to subsidiary companies

The loans to subsidiary companies are not of a commercial nature and are therefore interest-free, with no fixed repayment terms. These loans are intended to provide the subsidiaries with a long-term source of additional capital and are disclosed as part of the investment in subsidiary. The Company can recall these loans when cash is required. The additional loans to subsidiaries that are of an operational nature are disclosed as loans to subsidiaries at amortised cost. Loans to subsidiaries are measured at amortised cost. Refer to note 4 for disclosure of loans to subsidiaries.

[4] Impairment

Investments in subsidiaries are measured at cost less accumulated impairment and are assessed for impairment when there is an indication of impairment. Investments in subsidiaries are considered impaired where the recoverable amount is below its carrying amount. The recoverable amount of a subsidiary is the higher of its value in use, reflected in the directors' value for that entity, and its fair value less cost to sell.

Where the directors' valuations were used, the valuations used cash flow projections which are based on financial budgets approved by management and the Board covering a five-year period. In 2023, the expected cash flows were discounted at a risk discount rate of 18.25% (2022: 17.75%).

2 INTEREST IN SUBSIDIARY COMPANIES CONTINUED

[4] Impairment continued

MET Collective Investments (RF) (Pty) Ltd (MetCI) was impaired by R6.6 million (2022: R214K) and Momentum Metropolitan Infrastructure and Operations (Pty) Ltd (MMI&O) was impaired by R1.3 million. In the prior year MMI&O had a reversal of provision for impairment of R14.6 million. These investments were impaired to their fair value based on their underlying net assets, i.e. net asset value. The lower net asset value in MetCI was as a result of MetCI deregistration in the current year. The lower net asset value in MMI&O was as a result of decrease in earnings in the current year.

A provision for impairment of R10.5 million in Momentum Metropolitan Finance Company (Pty) Ltd was reversed in the current year (2022: R42 million). Refer to note 42 of the Group financial statements for the recoverable amounts of the investments.

The impairment reversals were due to an increase in the net asset value. The net asset value of Momentum Metropolitan Finance Company (Pty) Ltd movement was due to profits generated from interest income.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 Rm	2022 Rm
Equity securities	**18**	16
Preference shares[1]	**476**	318
Loans to related party		
Equity linked derivative – Empowerment partners[2]	**–**	5
	494	339
Current	**–**	5
Non-current	**494**	334
	494	339

[1] In 2021, the Company subscribed to 402 313 redeemable preference shares for R1 per share in Momentum Metropolitan iSabelo (Pty) Ltd SPV (iSabelo) as part of a capital contribution into the Employee Share Option Programme (ESOP) Trust. The preference shares accrue interest at 120% of prime, compounded semi-annually and mature on 28 January 2025. The preference shares are unsecured however full settlement of the receivable is dependent on the value of the shares held in the trust at the time of settlement. Refer to note 17.6 of the Group financial statements for details on the ESOP transaction.

[2] The June 2023 fair value is nil due to clause 1.2.1.1 of the A4 preference share agreement which states that the fair value is deemed to be nil if the valuation produces negative fair value (June 2023 valuation produced a negative fair value). The current redemption date of the A4 preference shares is 30 September 2023 (after extending it by 10 months in the current year). In the prior year the redemption date was also extended by 5 months to be redeemed on 30 November 2022.

The Company subscribed to a participating, cumulative, redeemable A4 preference share from Kagiso Tiso Holdings Ltd (KTH) on 30 June 2019 with a nominal value of R100.

The A4 preference share earns a dividend of R1.32 per share less: MMH's ordinary dividend, a facilitation cost of R1 million per month and fund preference share dividend rate differential of 3% of prime. The preference share's returns are impacted by a number of variables, including the Company's ordinary dividend, and as such, the share is classified as an equity derivative held for trading.

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

4 FINANCIAL ASSETS AT AMORTISED COST

	2023 Rm	2022 Rm
Loans to related parties	**558**	547
Loans to subsidiary companies (note 42)	**270**	252
Less: provision for impairment on loans to subsidiary companies	**(11)**	(2)
Loans to associates	**1**	1
Preference shares	**34**	34
Empowerment partners	**264**	262
Total financial assets at amortised cost	**558**	547
Current	**557**	546
Non-current	**1**	1
	558	547

Terms and conditions of material loans

- Loans to subsidiary companies are generally interest-free, unsecured and have no repayment terms, therefore the carrying amount approximates fair value.
- Preference shares:
  - MMH holds class B preference shares in Eris Property Fund (Pty) Ltd (EPF). These preference shares are subject to dividends (at risk-free rate of 6.907% plus 5%) compounded semi-annually, disclosed as part of interest income. Interest for the period is Rnil (2022: R3 million) this is due to extension of redemption date of the preference shares. The EPF shareholders were prepared to forego the rolling up of interest because of this extension. The current redemption date of the preference shares is 15 May 2024 (after extending it by 12 months in the current year). In the prior year, the preference shares were also extended for a 12 months to be redeemed on May 2023. The carrying amount approximates fair value.
- Loans to empowerment partners:
  - The loans to empowerment partners is R264 million (2022: R262 million) at 30 June 2023, which relates to preference shares acquired on 2 December 2011 in Off the Shelf Investments (Pty) Ltd (a KTH subsidiary) for R316 million. Given the financial substance of the KTH subsidiary and the commercial terms attached to the funding arrangement, there is sufficient security in the Company that the Group does not carry and has not carried the risks and rewards of the shares that are funded by the loan. The loan is therefore not accounted for as an option under IFRS 2 – *Share-based payment* and is recognised as a receivable carried at amortised cost. Interest is charged at 85% of the prime interest rate of South Africa and the preference shares have a repayment date of 30 September 2023 (after extending it by 10 months in the current year). In the prior year the repayment date was also extended by 5 months to be redeemed on 30 November 2022. The extension in the current and prior year did not constitute a significant modification, the extinguishment of the liability or result in the recognition of a new liability and have therefore been accounted for as a change in the expected future cash flows.

    The fair value of loans to empowerment partners at 30 June 2023 approximates the carrying amount as the repayment date is within one year.

Impairment

The impairment for provision on loans to subsidiaries and accounts receivable was increased by R9 million (2022: R112 million) in the current year. The current year impairment relates to Metropolitan Capital Ltd provision for impairment of R11 million (2022: R2 million). The increase in impairment provision is due to decrease in earnings. The PD is 100% in the current period as Metropolitan Capital Ltd's NAV is negative. In the prior year, Metropolitan Capital Ltd had a positive NAV which indicated its ability to settle the loan amount when it was due, hence the PD for the prior period was 1.93%.

Impairment of loans to subsidiaries are impaired if the borrowing company does not have sufficient accessible highly liquid assets available at reporting date. The expected credit loss is calculated by considering the means of the loan recovery, the quality of the subsidiary's underlying investments, as well as profitability expectations.

To determine a significant increase in credit risk, the following factors are considered: changes in the net asset value of the borrower, changes in management and organisational structure during the year, stability of industry and resilience to volatility and regulatory changes, the type of funding provided to the entity and the repayment behaviour of the borrower.

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

Impairment continued

Loans with repayment terms considers the net asset value, frequency in management changes, subordination of the loan and sufficiency of liquid assets of the borrower as well as the remaining repayment term to determine a probability of default.

Loans without repayment terms considers whether the borrower has sufficient accessible highly liquid assets available to determine a probability of default.

The probabilities of default is extracted from a report issued by Moody's. Loss given default rates applied are extracted from SAM Loss Given Default (LGD) tables prescribed for insurers and adjusted accordingly by management to incorporate forward-looking information.

4.1 Credit risk balances – expected credit loss

	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2023				
Assets				
Loans to related parties	302	–	256	558
Loans to subsidiary companies (note 42)	3	–	267	270
Less: provision for impairment on loans to subsidiary companies	–	–	(11)	(11)
Empowerment partners[1]	264	–	–	264
Preference shares	34	–	–	34
Loans to associates	1	–	–	1
Total financial assets at amortised cost	302	–	256	558
2022				
Assets				
Loans to related parties	547	–	–	547
Loans to subsidiary companies (note 42)	252	–	–	252
Less: provision for impairment on loans to subsidiary companies	(2)	–	–	(2)
Empowerment partners	262	–	–	262
Preference shares	34	–	–	34
Loans to associates	1	–	–	1
Total financial assets at amortised cost	547	–	–	547

[1] The terms of the loan provide that dividends received from MMH on ordinary shares held by KTH will be used to settle the loan provided to empowerment partners. PD on the loan is thus considered unlikely and as such no expected credit loss has been raised on the receivable.

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

4.2 Credit risk balances – reconciliation of expected credit losses

	Related party loans[1] Rm	Total Rm
2023		
Balance at beginning	**(2)**	**(2)**
Increase	**(9)**	**(9)**
Balance at end	**(11)**	**(11)**
2022		
Balance at beginning	(114)	(114)
Reversed	112	112
Balance at end	(2)	(2)

[1] Expected credit losses on loans to related parties include loans disclosed in note 2 and note 4.1.

	12 month expected credit losses Stage 1 Rm	Lifetime expected credit losses Stage 3 Rm	Total Rm
2023			
Related party loans			
Opening balance	**(2)**	**–**	**(2)**
Transfer from stage 1 to stage 3	**2**	**(2)**	**–**
Movement recognised in the income statement	**–**	**(9)**	**(9)**
Closing balance	**–**	**(11)**	**(11)**
2022			
Related party loans			
Opening balance	(114)	–	(114)
Movement recognised in the income statement	112	–	112
Closing balance	(2)	–	(2)

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

4.2 Credit risk balances – reconciliation of expected credit losses continued

	Staging definitions		
Stage	**Accounts receivable**	**Loans**	**Basis for recognition of expected credit loss provision**
Stage 1 (Performing)	Low risk of default Strong capability to meet contractual payments	No significant decrease in NAV since initial recognition of loan No management and organisational structure changes in the year Loans are recoverable and at an entity level is specifically evidenced by: • Repayment of interest and capital (where applicable) in terms of agreements done on dates and amounts as agreed in legal agreement • No restructuring of the loan has occurred • No significant deterioration in credit quality Strong/Adequate capability to meet commitments in terms of the loan agreement	12 months expected losses
Stage 2 (Under-performing)	Significant increase in credit risk Repayments are more than 30 days and less than 90 days past due	Significant decrease in NAV initial recognition of loan No objective evidence of impairment. Some management and organisational structure changes but not a majority Loans are recoverable and at an entity level is specifically evidenced by: • Positive Net Asset Value for company • Repayment of interest and capital is significantly in line with the terms of agreements, i.e. not more than 30 days past due • Some loans may be restructured based on operational needs, but with no effect on interest and capital repayment ability, i.e. credit quality has deteriorated based on the need for restructure, but adequate repayment plans in place • Deterioration of credit quality More vulnerable to changes in conditions that may result in reduction of capacity to meet commitments	Lifetime expected losses
Stage 3 (Non-performing)	Significant increase in credit risk Repayments are more than 90 days past due	Significant decrease in NAV since initial recognition of loan Objective evidence of impairment Various management and organisational structure changes Loans are partially recoverable and at an entity level is specifically evidenced by: • Significant deterioration in credit quality and impaired credit quality • Negative Net Asset Value for company • Loan is in default, i.e. repayment of interest and capital is not in compliance with the terms of the agreement and default does not occur later than 90 days past due Restructured Debt	Lifetime expected losses
Written off	Long outstanding amounts due are evaluated on a case by case basis and would generally be written off when there is no alternative for the debtor to return to solvency and/or legal action taken was unsuccessful.		

4 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

4.2 Credit risk balances – reconciliation of expected credit losses continued

Significant increase in credit risk	Criteria
Accounts receivable and loans	To determine a significant change in credit risk both historical data and forward-looking information is taken into account. This includes existing or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, a breach of contract, significant changes in the value of any collateral supporting the obligation and reductions in financial support from a parent entity.

Financial asset	Impairment information
Accounts receivable	Impairment of accounts receivable is based on the recoverability of balances grouped together based on shared credit risk characteristics, e.g. instrument type. Balances generally relate to amounts where the timing of settlement is within one month. Historic payments as well as forward-looking information is also taken into account.
Loans	For related party loans the solvency of the counterparty is taken into account as well as any collateral held.

Sensitivities	
Loans	Most of the loan balances outstanding are considered to have low credit risk as the borrower has a strong capacity to meet its obligations and has a low risk of default. The expected credit loss is therefore not considered to be sensitive to changes in forward-looking information.

4.3 Credit risk balances – credit quality

	AAA Rm	AA Rm	Unrated Rm	Total Rm
2023				
Financial assets at FVPL				
Equity securities	–	–	18	18
Preference shares	–	–	476	476
Equity linked derivative – Empowerment Partners	–	–	–	–
Cash and cash equivalents	231	–	–	231
Financial assets at amortised cost				
Loans to subsidiary companies (note 42)	–	–	270	270
Empowerment partners	–	–	264	264
Preference shares	–	–	34	34
Loans to associates	–	–	1	1
	231	–	1 063	1 294
2022				
Financial assets at FVPL				
Equity securities	–	–	16	16
Preference shares	–	–	318	318
Equity linked derivative – Empowerment Partners	–	–	5	5
Cash and cash equivalents	32	–	–	32
Financial assets at amortised cost				
Loans to subsidiary companies (note 42)	–	–	252	252
Empowerment partners	–	–	262	262
Preference shares	–	–	34	34
Loans to associates	–	–	1	1
	32	–	888	920

5 CASH AND CASH EQUIVALENTS

	2023 Rm	2022 Rm
Bank and other cash balances	**231**	32

Expected credit loss on cash and cash equivalents is immaterial.

The carrying amount approximates fair value due to its short-term nature.

6 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital of MMH

2 billion ordinary shares of 0.0001 cents each

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

Issued share capital of MMH

1.5 billion ordinary shares of 0.0001 cents each

28 million A3 variable rate cumulative redeemable convertible preference shares of 0.0001 cents each in issue

Number of shares in issue (million)	2023	2022
Opening balance	**1 498**	1 498
Share buyback	**(73)**	–
Closing balance	**1 425**	1 498

Share capital and share premium	2023 Rm	2022 Rm
Opening balance	**17 601**	17 601
Closing balance	**17 601**	17 601

Share buyback programme

The Group concluded its share buyback programme on 31 May 2023. 73 million shares (R1 250 million including transaction costs) were bought back. The shares were cancelled and reverted to authorised but unissued status.

Further details of the preference shares disclosed in note 16 respectively of the Group financial statements.

7 OTHER COMPONENTS OF EQUITY

		2023 Rm	2022 Rm
7.1	**Preference shares (Equity settled share scheme)**	**130**	114
7.2	**Equity-settled share-based payment arrangements**	**96**	63
		226	177
7.1	**Preference shares (Equity settled share scheme)**		
	Balance at beginning	**114**	103
	IFRS 2 extension charge	**16**	11
	Balance at end	**130**	114
7.2	**Equity-settled share-based payment arrangements**		
	Balance at beginning	**63**	–
	Share schemes – value of services provided	**33**	63
	Balance at end	**96**	63

8 FINANCIAL LIABILITIES

		2023 Rm	2022 Rm
8.1	**Financial liabilities at amortised cost**		
	Cumulative redeemable convertible preference shares – Current	**262**	252
	Due at the beginning	**252**	246
	Accrued interest	**37**	37
	Interest paid	**(37)**	(37)
	Modification	**10**	6
	Due at the end	**262**	252

Details of the cumulative redeemable convertible preference shares are disclosed in note 12.2 of the Group financial statements.

The Company issued 28 million A3 preference shares to KTH in June 2010. The preference shares are convertible at the option of the holder into MMH ordinary shares at any time before the compulsory redemption date. The preference shares had an initial redemption date of December 2011, the terms of which have been extended previously, with the most recent extension in November 2022 (for a further 10 months). The preference shares accrue a dividend of R1.32 per share. The extension does not constitute a significant modification, the extinguishment of the liability or result in the recognition of a new liability and was therefore accounted for as a change in the expected future cash flows. The change in the expected cash flows resulted in an R10 million loss recognised in profit or loss in the current year (2022: R6 million loss). In addition, the change in the expected cash flows before and after the extension resulted in an IFRS 2 – *Share-based payment* B-BBEE expense of R16 million being recognised in the current year (2022: R11 million).

The estimated fair value of the A3 preference shares is R507 million (2022: R400 million) and is based on the market value of the listed ordinary shares, adjusted for the differences in the estimated dividend cash flows between the valuation and conversion dates. As the preference shares are already convertible, the market value is deemed to be the minimum value. In 2023, the expected cash flows were discounted at a current market rate of 15% (2022: 14%) (level 2). The conversion of the preference shares is at the option of the preference shareholder; the date of conversion was estimated based on the most beneficial dividend stream to the holder.

		2023 Rm	2022 Rm
8.2	**Financial guarantee contracts**	**42**	77
	Due at the beginning	**77**	112
	Impairment charges	**7**	–
	Amortisation	**(42)**	(35)
	Due at the end	**42**	77
	Current	**25**	41
	Non-current	**17**	36
		42	77

Financial guarantees have been issued to RMB and Sanlam Alternative Income Fund on behalf of MMSI. The agreements guarantee repayment of preference shares issued to them in the event that MMSI is unable to meet its commitment. On initial recognition, the financial guarantees are measured at fair value.

The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee. On initial recognition of the guarantee, the investment in subsidiary is debited with the fair value of the guarantee.

Subsequently at the end of each reporting period, the guarantees will be measured at the higher of the amount of the expected credit loss and the amount initially recognised less the cumulative amortisation, where appropriate.

The maturity date on the R300 million Class A Preference Shares issued by RMB was extended to 29 June 2026 (after extending it by 36 months in the current year); and the maturity date on the R300 million Class C Preference Shares issued by SAIF was extended to 29 April 2026 (after extending it by 36 months in the current year).

The financial guarantee on the Class A preference share and Class C preference shares was fully amortised during the current year. The financial guarantee balance on Class A preference share and Class C preference share is measured at the expected credit loss amount.

The financial guarantee on the R1 000 million Class B preference shares issued by RMB has a maturity date of 28 June 2025 and an unamortised amount of R35 million.

9 OTHER PAYABLES

	2023 Rm	2022 Rm
Other payables	**28**	20
Loans from subsidiary companies (note 42)	**598**	700
	626	720
Current	**626**	720

For accounts payable, the carrying amount approximates fair value due to its short-term nature.

Loans from subsidiary companies are interest-free, unsecured and payable on demand. The carrying amount therefore approximates fair value.

10 INCOME TAX

	2023 Rm	2022 Rm
10.1 Current income tax liability		
Movement in liability		
Balance at beginning	**1**	1
Current normal tax charged to income statement	**3**	2
Settled during year	**(3)**	(2)
Balance at end	**1**	1
Current tax is paid on behalf of the Company by its subsidiary through an intercompany loan account facility.		
No deferred tax is recognised as the Company receives passive income. Tax adjustments are permanent in nature and are not directly related to the generation of taxable income.		
10.2 Income tax expense		
Current taxation		
Current year		
South African normal tax	**3**	2
Foreign countries – withholding tax[1]	**18**	14
	21	16
Deferred tax	**–**	–
	21	16

[1] Foreign dividends withholding taxes in the current year were due to dividends received from Metropolitan Lesotho Ltd. Refer to note 17.3 for transactions with related parties.

	2023 %	2022 %
Tax rate reconciliation		
Tax calculated at standard rate of South African tax on earnings	**27**	28
Foreign tax	**–**	2
Non-taxable income[1]	**(26)**	(30)
Non-deductible expenses[2]	**–**	2
Effective rate	**1**	2

[1] The Company only receives exempt dividends and passive income in the form of interest which are non-taxable.

[2] Non-deductible expenses comprise of operating expenses incurred in the ordinary course of business which include directors' fees, audit fees and interest paid on preference shares. The Company receives non-taxable income and as such, expenses that it incurs are non-deductible.

Notes to the financial statements continued

11 INVESTMENT INCOME

	2023 Rm	2022 Rm
Dividend income – subsidiary companies[1]	**3 518**	842
Interest income – amortised cost using effective interest rate method	**28**	37
Financial assets at amortised cost	**17**	31
Cash and cash equivalents	**11**	6
Other income		
Financial assets at fair value through profit or loss[2]	**59**	39
	3 605	918

[1] Included in dividend income in the current year is a dividend *in specie* of R122 million received from Momentum Metropolitan Strategic investment (Pty) Limited in the form of a loan repayment.

Dividend income from foreign subsidiaries is disclosed gross of foreign dividends withholding taxes of R18 million (2022: R14 million).

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

12 NET REALISED AND UNREALISED FAIR VALUE GAINS/(LOSSES)

	2023 Rm	2022 Rm
Financial assets at fair value through profit or loss[1]	**98**	(137)
Derivative financial instrument: held for trading	**1**	(7)
	99	(144)

[1] Fair value gain of R98 million on the iSabelo Preference Shares (2022: R137 million). Refer to note 3.

13 OTHER INCOME

	2023 Rm	2022 Rm
Amortisation on financial guarantee contracts	**42**	35
	42	35

14 OTHER EXPENSES

	2023 Rm	2022 Rm
Share-based payment expense[1]	**15**	11
Directors' remuneration	**17**	15
Auditors' remuneration	**10**	6
Consulting fees	**–**	3
Other indirect taxes	**3**	2
Financial liabilities at amortised cost[2]	**10**	6
	55	43

[1] IFRS 2 expense due to the extension of the A3 KTH preference shares. Refer to note 8.1.

[2] Modification loss of R10 million recognised on A3 preference shares due to an extension of the redemption date. Refer to note 8.1.

15 FINANCE COSTS

	2023 Rm	2022 Rm
Interest expense on liabilities at amortised cost		
Redeemable preference shares	**37**	37
	37	37

16 CASH FLOW FROM OPERATING ACTIVITIES

		2023 Rm	2022 Rm
16.1	**Cash generated/(utilised) by operations**		
	Profit before tax	**3 641**	896
	Adjusted for		
	Items presented separately on the face of the statement of cash flow		
	Dividends income	**(3 518)**	(842)
	Interest income	**(87)**	(76)
	Finance costs	**37**	37
	Non-cash-flow items		
	Impairment reversals/(charges)	**13**	(167)
	Share-based payments	**15**	11
	Net realised and unrealised fair value gains/(losses)	**(99)**	144
	Changes in operating assets and liabilities		
	Financial liabilities at amortised cost	**10**	6
	Other operating liabilities	**(12)**	(9)
		–	–
16.2	**Income tax paid**		
	Due at beginning	**1**	1
	Current normal tax charged to income statement	**3**	2
	Paid by subsidiary on behalf of the Company	**(3)**	(2)
	Due at end	**1**	1
16.3	**Interest paid**		
	Redeemable preference shares		
	Paid 30 September	**(19)**	(19)
	Paid 31 March	**(18)**	(18)
		(37)	(37)
16.4	**Loans with related parties arising from financing activities**		
	Due at beginning	**700**	982
16.4.1	**Loan advanced from related parties**	**1 069**	65
16.4.2	**Loan repayment to related parties**	**(1 085)**	(374)
	Expenses paid by the subsidiary on behalf of the Company	**34**	24
	Dividend *in specie*	**(122)**	–
	Corporate allocations	**2**	3
	Due at end	**598**	700

17 RELATED PARTY TRANSACTIONS

17.1 Holding company

Shares in MMH, the ultimate holding company in the Group, are widely held by public and non-public shareholders; refer to the shareholder profile on page 129 of the Integrated Report. Significant subsidiary companies are listed in note 42 of the Group financial statements. Other related parties include directors, key personnel and close members of their families. As a result of RMI unbundling its shareholding in the Company on 25 April 2022, RMI is no longer a significant party as of that date. Refer to note 31.1 in the Group financial statements for more details.

17.2 Transactions with directors

Remuneration is paid in the form of fees to non-executive directors and remuneration to executive directors and key personnel of the Company. The remuneration, shares held and transactions of the Group Executive Committee members are disclosed in note 45 of the Group financial statements.

17.3 Transactions with related parties

Loans are advanced between MMH and its subsidiaries and associates as funding. The loans to subsidiary companies included in loans in the statement of financial position are detailed in note 42 of the Group financial statements. The loans to associates are included in note 4.

Details of other transactions with related parties included in the financial statements are listed below.

	2023 Rm	Restated 2022[1] Rm
Dividends from subsidiaries – MML	**3 200**	700
Dividends from subsidiaries – Metropolitan Life of Botswana Ltd	**–**	56
Dividends from subsidiaries – Metropolitan Lesotho Ltd	**170**	85
Dividends from subsidiaries – Eris Property Group (Pty) Ltd	**18**	1
Dividends from subsidiaries – MET Collective Investments (RF) Proprietary Limited	**7**	–
Dividends from subsidiaries – Momentum Metropolitan Finance Company (Pty) Ltd[2]	**–**	–
Dividends from subsidiaries – MMSI	**122**	–
Finance income – EPF	**–**	3
Finance income – iSabelo[1]	**59**	39
Finance income – KTH	**17**	28
Finance costs – KTH	**37**	37

1 A restatement has been made for the finance income under iSabelo that was previously excluded in note 17.3 as a related party transaction.
2 Dividend of R397 163 declared in the current year by Momentum Metropolitan Finance Company (Pty) Ltd (2022: R79 164).

Refer to notes 2.3 and 4 for loans and receivables with related parties.

Refer to note 45 of the Group financial statements for further details on related party transactions with directors and key management personnel.

	Expected credit loss		Impairment expense/(reversal)	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
17.4 Expected credit loss on loans due from related parties				
Metropolitan Capital (Pty) Ltd	**11**	2	**9**	(101)
MMSI	**–**	–	**–**	(11)
	11	2	**9**	(112)

18 CONTINGENT LIABILITIES

Contingent liabilities are reflected when the Company has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or it is possible but not probable that an outflow of resources will be required to settle a present obligation, or the amount of the obligation cannot be measured with sufficient reliability. No contingent liabilities arose in both the current and prior years.

19 CAPITAL COMMITMENTS

The Company has given a guarantee in favour of RMB and Sanlam Alternative Income Fund that MMSI will repay its obligations due to them. The details of this guarantee have been disclosed in note 8.2.

20 RISK MANAGEMENT POLICIES

Details of financial instruments and risk management strategies are disclosed in note 7 and 35 of the Group financial statements. The more significant financial risks to which the Company is exposed are credit risk and interest rate risk.

The Company's capital is managed with that of the Group. The capital management of the Group is discussed in note 36 of the Group financial statements.

20.1 Classes of financial assets and liabilities

The following table reconciles the assets and liabilities in the statement of financial position to the classes and portfolios of assets managed in terms of mandates.

	2023 Rm	2022 Rm
Assets		
Carried at fair value through profit or loss	**494**	339
Debt securities	**476**	318
Equity linked derivative	**–**	5
Unlisted equity securities	**18**	16
Carried at amortised cost	**–**	–
Loans	**558**	547
Cash and cash equivalents	**231**	32
Investment in subsidiary companies[1]	**27 919**	27 659
Total assets	**29 202**	28 577
Liabilities		
Carried at amortised cost	**–**	–
Cumulative redeemable preference shares	**262**	252
Other payables	**626**	720
Loans from subsidiary companies	**598**	700
Other payables	**28**	20
Other liabilities	**1**	1
Financial guarantee contracts	**42**	77
Total liabilities	**931**	1 050

[1] Included in investments in subsidiaries are loans to subsidiaries of R3 million (2022: R3 million).These loans are measured at amortised cost.

The definitions of classes of financial assets and liabilities are disclosed in note 48 of the Group financial statements.

20 RISK MANAGEMENT POLICIES CONTINUED

20.2 Credit risk

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

The credit risk of the Company is managed similarly to that of the Group as disclosed in note 40 in the Group financial statements.

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

	2023 Rm	2022 Rm
Financial assets at fair value through profit or loss	**476**	323
Debt securities	**476**	318
Equity linked derivative	**–**	5
Financial assets at amortised cost	**–**	–
Loans	**558**	547
Cash and cash equivalents	**231**	32
Total assets bearing credit risk	**1 265**	902
Financial guarantee contracts	**1 625**	2 025
Financial liabilities at amortised cost		
Cumulative redeemable preference shares	**262**	267
Loans from subsidiary companies	**598**	700
Other payables	**29**	21
Total liabilities bearing credit risk	**2 514**	3 013

Security and credit enhancements

- For cash and cash equivalents, the credit risk is managed through the Group's credit risk exposure policy described in the Group financial statements.
- Security held on loans is disclosed in note 4.

Using S&P ratings (or the equivalent thereof when S&P ratings are not available), cash and cash equivalents have a AAA (2022: AAA) credit rating. Financial assets at amortised cost consist mainly of loans to related parties and are unrated.

20.3 Financial assets hierarchy

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2023				
Equity securities	**–**	**–**	**18**	**18**
Preference shares	**–**	**476**	**–**	**476**
Equity linked derivative	**–**	**–**	**–**	**–**
	–	**476**	**18**	**494**
2022				
Equity securities	–	7	9	16
Preference shares	–	318	–	318
Derivatives financial instrument held for trading	–	–	5	5
	–	325	14	339

20 RISK MANAGEMENT POLICIES CONTINUED

20.3 Financial assets hierarchy continued

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

	Equity securities Rm	Derivative financial instrument Rm	Total Rm
2023			
Opening balance	**9**	**5**	**14**
Transfer from other asset classes	**–**	**–**	**–**
Total unrealised gains/(losses) in the income statement	**9**	**(5)**	**4**
Closing balance	**18**	**–**	**18**
2022			
Opening balance	10	13	23
Transfer from other asset classes	–	–	–
Total unrealised gains/(losses) in the income statement	(1)	(8)	(9)
Transfers into level 3	–	–	–
Closing balance	9	5	14

20.4 Valuation techniques

The valuation of the Company's assets has been classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities *(level 1)*.
- Input other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices) *(level 2)*.
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) *(level 3)*.

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

The following are the methods and assumptions for determining the fair value when a valuation technique is used in respect of instruments classified as level 2.

Instrument	Valuation basis	Main assumptions
Equity instrument	Market approach	Net asset value (assets and liabilities are carried at fair value)
Preference shares	Option pricing based approach	Share price, MMH ordinary dividend, Nominal prime rate, cash flow forecasts
Preference shares	DCF	

Information about fair value measurements using significant unobservable inputs (level 3)

Financial asset	Valuation technique	Observable input	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Derivative financial instrument held for trading	DCF	Prime	Risk-free rate, MMH ordinary dividend, facilitation cost, preference share dividend	Could vary due to range of ordinary dividend declared: 0 cents to 40 cents Facilitation costs: R1 million	The higher the MMH ordinary dividend, the lower the value of the derivative

20 RISK MANAGEMENT POLICIES CONTINUED

20.4 Valuation techniques continued

20.4.1 Valuation techniques – sensitivity analysis – level 3 instruments

The fair value of the derivative instrument is largely driven by the ordinary dividend declared by the Company. Dividends were declared in the current year and it has been assessed that this trend is likely to continue until redemption date.

The following table shows the impact of a change in the dividend declaration and prime rate on the fair value of the derivative.

	Prime –1%	Base	Prime +1%
2023			
Dividend + 10 cents	–	–	–
Base	–	–	–
Dividend – 10 cents	–	–	–
2022			
Dividend + 10 cents	4 517 549	4 483 968	4 450 386
Base	4 544 438	4 510 656	4 476 874
Dividend – 10 cents	4 574 245	4 540 241	4 450 386

20.5 Liquidity risk

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

Liabilities at amortised cost

It is expected that the A3 preference shares will convert into ordinary shares and that there will therefore be no cash outflow on conversion; however, if the shares are not converted, an outflow at redemption value on the redemption date, 30 November 2022 (extended by 5 months in the current year), is assumed. The Company has a further obligation to pay preference share dividends. The cash flows for these dividends are those expected up to redemption date, even though the conversion of the preference shares is at the option of the preference shareholder.

Other payables

Other payables include loans from subsidiary companies that are payable on demand.

The following table indicates the maturity analysis of the liabilities:

		Undiscounted cash flows		
	Carrying value Rm	Total Rm	0 to 1 year Rm	1 to 5 years Rm
2023				
Amortised cost				
Cumulative redeemable preference shares	**262**	**262**	**262**	**–**
Other payables	**626**	**626**	**626**	**–**
Financial guarantee contracts[1]	**42**	**1 625**	**–**	**1 625**
Total liabilities	**930**	**2 513**	**888**	**1 625**
2022				
Amortised cost				
Cumulative redeemable preference shares	252	267	267	–
Other payables	720	720	720	–
Financial guarantee contracts	77	2 025	–	2 025
Total liabilities	1 049	3 012	987	2 025

[1] The carrying amount of the financial guarantee contracts is R42 million (2022: R77 million). The liquidity exposure related to this financial guarantee is R1 625 million (2022: R2 025 million), which is the fair value of the preference shares held by MMSI as at 30 June 2023. Refer to note 8.2.

20 RISK MANAGEMENT POLICIES CONTINUED

20.6 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market prices.

The key component of market risk applicable to the Company is interest rate risk.

20.6.1 Interest rate risk

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

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

The Company is exposed to floating interest rates that result in cash flow interest rate risk. Financial assets at amortised cost (empowerment loans) have a weighted average interest rate of 10.3% (2022: 7.2%). Cash and cash equivalents have a weighted average interest rate of 5% (2022: 19%).

20.6.2 Sensitivity to market risks

The Company's earnings and net asset value are exposed to market risks. The Company has identified that changes in interest rates have the most significant effect on earnings and equity.

The Company is exposed to floating interest rate changes only. Cash requirements fluctuate during the course of the year and are therefore of a short-term nature. Interest rate changes with respect to cash and cash equivalents will therefore not have a significant impact on earnings.

The Company has foreign currency exposure in so far as it relates to foreign dividends declared by its subsidiaries. The Company has no other foreign currency exposure.

21 FINANCIAL ASSETS MEASUREMENT

Financial assets summarised by measurement category in terms of IFRS 9	Fair value through profit or loss Mandatorily Rm	Amortised cost[1] Rm	Total Rm
2023			
Equity securities	**18**	**–**	**18**
Loans to associates	**–**	**1**	**1**
Preference shares	**476**	**34**	**510**
Empowerment partners	**–**	**264**	**264**
Equity linked derivative	**–**	**–**	**–**
Intercompany loans to subsidiaries[2]	**–**	**270**	**270**
Provision for impairment on loans to subsidiary companies	**–**	**(11)**	**(11)**
Cash and cash equivalents	**–**	**231**	**231**
Total financial assets	**494**	**789**	**1 283**
2022			
Equity securities	16	–	16
Loans to associates	–	1	1
Preference shares	318	34	352
Empowerment partners	–	262	262
Equity linked derivative	5	–	5
Intercompany loans to subsidiaries[2]	–	252	252
Provision for impairment on loans to subsidiary companies	–	(2)	(2)
Cash and cash equivalents	–	32	32
Total financial assets	339	579	918

1 The carrying amount of financial assets and liabilities carried at amortised cost approximates fair values.

2 Loans to subsidiaries included in note 2 are measured at amortised cost.

22 FINANCIAL LIABILITY MEASUREMENT

Financial liabilities summarised by measurement category in terms of IFRS 9	Fair value through profit or loss Mandatorily Rm	Amortised cost[1] Rm	Other measurement basis Rm	Total Rm
2023				
Cumulative redeemable preference shares	**–**	**262**	**–**	**262**
Financial guarantee contracts	**–**	**–**	**42**	**42**
Intercompany loans from subsidiaries	**–**	**598**	**–**	**598**
Other payables	**–**	**28**	**–**	**28**
Total financial liabilities	**–**	**888**	**42**	**930**
2022				
Cumulative redeemable preference shares	–	252	–	252
Financial guarantee contracts	–	–	77	77
Intercompany loans from subsidiaries	–	700	–	700
Other payables	–	20	–	20
Total financial liabilities	–	972	77	1 049

[1] The carrying amount of financial assets and liabilities carried at amortised cost approximates fair values, apart from the Cumulative redeemable preference shares as the FV is R506 million (2022: R400 million). The fair value of the Cumulative redeemable preference shares is determined using a DCF valuation technique. The significant inputs used in this valuation technique are risk discount rate, MMH share price and MMH forecast dividend.

23 EVENTS AFTER THE REPORTING PERIOD

In line with the Company's capital management framework and in consideration of the strong capital and liquidity position, the Board has approved a further R500 million for the share buyback programme of the Company's ordinary shares.

A final ordinary dividend of 70 cents per share was declared on 11 September 2023 by the Board. The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 6 October 2023, and will be paid on Monday, 9 October 2023.

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

Annexure A

Abbreviations and definitions

ABBREVIATIONS

A2X	A2X Markets
ABHIL	Aditya Birla Health Insurance Company Ltd
ABW	Aditya Birla Wellness Private Ltd
AFS	Annual Financial Statements
ALBI	All Bond Index
Aluwani	Aluwani Capital Partners (Pty) Ltd
ANW	Adjusted net worth
APE	Annual premium equivalent
APN	Advisory practice note
ASISA	Association for Savings and Investment South Africa
ASSA	Actuarial Society of South Africa
aYo	aYo Holdings Ltd
B-BBEE	Broad-based black economic empowerment
BSA	Bonus stabilisation accounts
BSM	Balance Sheet Management
CAE	Chief Audit Executive
CAIM	Crown Agents Investment Management Ltd
CFA	Chartered Financial Analyst
CFD	Contract for Differences
CGU	Cash-generating unit
CIC	Capital and Investment Committee
CIS	Collective investment scheme
CPI	Consumer Price Index
CSM	Contractual service margin
DAC	Deferred Acquisition Costs
DCF	Discounted cash flow
DPF	Discretionary participation features
DV	Directors' valuation
DWT	Dividend withholding tax
ERM	Enterprise Risk Management
EV	Embedded value
FASSA	Fellow of the Actuarial Society
FCTR	Foreign Currency Translation Reserve
FIA	Fellow of the Institute of Actuaries
FSCA	Financial Sector Conduct Authority
FSV	Financial Soundness Valuation
FTSE	Financial Times Stock Exchange
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GCR	Global Credit Ratings
Guardrisk Group	Guardrisk Group (Pty) Ltd
HAFs	Heads of the Actuarial Function
IAS	International Accounting Standards
IBNR	Incurred but not yet reported
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IFS	Insurer Financial Strength
IMA	Investment management agreement
IPEV	International Private Equity and Venture Capital
ISDA	International Swaps and Derivatives Agreements
ISRE	International Standard on Review Engagements
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KTH	Kagiso Tiso Holdings (Pty) Ltd
LTIP	Long-term Incentive Plan
MGIM	Momentum Global Investment Management Ltd
MHS	Momentum Health Solutions (Pty) Ltd
MHNA	Methealth Namibia Administrators (Pty) Ltd
MMH/the Company	Momentum Metropolitan Holdings Ltd
MMI&O	Momentum Metropolitan Infrastructure and Operations (Pty) Ltd
MML	Momentum Metropolitan Life Ltd
MMSI	Momentum Metropolitan Strategic Investments (Pty) Ltd
Momentum Metropolitan/ the Group	MMH and its subsidiaries
MRKT	MRKT Energy Holdings (Pty) Ltd
MSPS	Momentum Sales Phantom Shares
NSX	Namibian Stock Exchange
OTC	Over-the-counter
PA	Prudential Authority
PHI	Permanent Health Insurance
PPFM	Principles and practices of financial management
PRS	Partner Risk Solutions Ltd
PVP	Present value of future premiums
RDR	Risk discount rate
RMB	Rand Merchant Bank
RMI	Rand Merchant Investment Holdings Ltd
RMIA	RMI Investment Managers Affiliates 2 (Pty) Ltd
ROEV	Return on Embedded Value
S&P	Standard & Poor's
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SARB	South African Reserve Bank
SAR	Share Appreciation Right
SASAII	South African Student Accommodation Impact Investments (Pty) Ltd
SAVCA	South African Venture Capital and Private Equity Association
SCR	Solvency Capital Requirement
SENS	Stock Exchange News Service
TOR	Terms of Reference
TSR	Total Shareholder Returns
UK	United Kingdom
VIF	Present value of in-force covered business
VOBA	Value of in-force business acquired
VNB	Value of new business
VWAP	Volume Weighted Average Price
ZARONIA	South African Rand Overnight Index Average

DEFINITIONS

Adjusted net worth (ANW)

The ANW is the excess of assets over liabilities on the IFRS basis. Certain deductions for disregarded assets and impairments have been added back.

Advisory practice notes (APNs)

ASSA issues APNs applicable to various areas of financial reporting and practice that require actuarial input. The APNs are available on the ASSA website (www.actuarialsociety.org.za).

Annual premium equivalent (APE)

The APE is a common life industry measure of new business sales. It is calculated as annualised new recurring premiums plus 10% of single premiums.

Basis changes

Basis and other changes are the result of changes in actuarial assumptions and methodologies, reviewed at the reporting date and used in the reporting basis. These changes are reflected in the income statement as they occur.

Bonus stabilisation accounts (BSAs)

BSAs are the difference between the fund accounts of smoothed bonus business, or the discounted value of projected future benefit payments for with-profit annuity business, and the market values of the underlying assets. BSA is an actuarial term that constitutes either an asset or liability in accounting terms. The BSAs are included in contract holder liabilities.

Capitation contracts

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

Carry positions

Carry positions consist of sale and repurchase of assets agreements containing the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date.

Cash-generating units (CGUs)

A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows from other assets or groups of assets.

Cell captive

A cell captive is a contractual arrangement entered into between the insurer (referred to as the “cell provider” or “promoter”) and the cell shareholder whereby the risks and rewards associated with certain insurance activities accruing to the cell shareholder, in relation to the insurer, are specified. Cell captives allow clients to purchase cell owner ordinary shares (or a “cell”) in the registered insurance company which undertakes the professional insurance and financial management of the cell including underwriting, reinsurance, claims management, actuarial and statistical analyses, investment and accounting services. The terms and conditions of the cell are governed by the cell owner shareholders agreement.

Cell captive arrangements include:

- “First-party” cell arrangements where the risks that are being insured relate to the cell shareholder’s own operations or operations within the cell shareholder’s group of companies; and
- “Third-party” cell arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. For third-party arrangements the cell shareholders agreement meets the definition of a reinsurance contract and is accounted for as such.
- Contingency policy: An insurance contract to provide entry-level insurance cover for first-party risks. These policies provide for payment of a profit share to the insured based on claims experience and related expenses at the end of the policy period.
- “Promoter cell” includes assets and liabilities of the Group shareholders. Assets, liabilities, and equity of the first and third-party cell arrangements are excluded.

DEFINITIONS CONTINUED

Compulsory margins

Life insurance companies are required to hold compulsory margins in terms of the FSV basis prescribed in SAP 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of life insurers. These margins are explicitly prescribed and held as a buffer to cover uncertainties with regard to the best-estimate assumptions used in the FSV basis. These margins are held in the contract holder liabilities and released over time in the operating profit should experience be in line with these best-estimate assumptions.

Cost of required capital

The cost of required capital is the difference between the amount of required capital and the present value of future releases of this capital, allowing for future net of tax investment returns expected to be earned on this capital.

Covered business

Covered business is defined as life insurance business written by the life insurance subsidiaries (excluding Guardrisk); including individual smoothed bonus, linked and market-related business, reversionary bonus business, group smoothed bonus business, annuity business and other non-participating businesses.

Discretionary margins

In addition to compulsory margins, insurance companies may hold further discretionary margins where the HAFs believe that:

- the compulsory margins are insufficient for prudent reserving; or
- company practice or policy design justifies the deferral of profits.

Discretionary participation feature (DPF)

A DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - the realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

Effective exposure

The exposure of a derivative financial contract or instrument to the underlying asset by also taking delta (the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative) into account where applicable.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or liability.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

Embedded value (EV)

An EV represents the discounted value of expected after-tax future profits from the current business. The EV is defined as:

- the ANW of covered and non-covered business;
- plus the VIF less the opportunity cost of required capital; and
- plus the write-up to directors' value of non-covered business.

EV earnings

EV earnings is defined as the change in EV (after non-controlling interests) for the year, after adjustment for any capital movements such as dividends paid, capital injections and cost of treasury shares acquired or disposed of for the year.

DEFINITIONS CONTINUED

Financial soundness valuation (FSV)

The FSV basis is prescribed by SAP 104 – Calculation of the value of the assets, liabilities and SCR of life insurers – and uses best estimate assumptions regarding future experience together with compulsory and discretionary margins for prudence and deferral of profit emergence. For IFRS reporting purposes, this basis is used for the valuation of insurance contracts and investment contracts with DPF.

Fund account

The fund account is the retrospective accumulation of premiums, net of charges and benefit payments at the declared bonus rates or at the allocated rate of investment return.

Investment variances

Investment variances represent the impact of higher/lower than assumed investment returns on after tax profits.

New business profit margin

New business profit margin is defined as the VNB expressed as a percentage of the PVP. New business profit margin is also expressed as a percentage of APE.

Non-covered business

Non-covered business includes the directors' valuations of the investment management entities, South African health operations, non-life insurance operations, the Guardrisk entities, as well as other non-insurance entities. The Group EV is also adjusted to allow for future holding company and international support expenses.

Normalised headline earnings

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

Objective evidence of impairment

Objective evidence of impairment is related to the specific circumstances of each individual asset and can be the combined effect of several events. Objective evidence includes, but is not limited to:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract, such as a default or delinquency in payment.
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data that there is a measurable decrease in the estimated future cash flows from the asset since the initial recognition of the asset.

Open-ended instruments

The open-ended category includes financial instruments with no fixed maturity date as management is unable to provide a reliable estimate given the volatility of equity markets and policyholder behaviour.

Prescribed officers

Prescribed officers as referred to in the Companies Act, 71 of 2008, are defined as follows – despite not being a director of a particular company, a person is a prescribed officer of the company if that person:

- exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or
- regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company.

The Group does not consider any employee that is not a director to be a prescribed officer as the functions of general executive control over significant portions of the business are performed by the executive directors.

DEFINITIONS CONTINUED

Present value of future premiums (PVP)

The PVP is the present value of future premiums in respect of new business discounted using the RDR. The future premiums are net of reinsurance and are based on best-estimate assumptions such as future premium growth, mortality and withdrawal experience.

Present value of in-force covered business (VIF)

The gross VIF is the discounted present value of expected future after-tax profits as determined on the IFRS basis, in respect of covered business in force at the valuation date. The net VIF is the gross VIF less the cost of required capital. No account is taken of dividend withholding tax.

Related party transactions – key management personnel

Key management personnel are those persons, including close members of their families, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Reporting basis

Reporting basis is the basis on which the financial statements are prepared.

Required capital

Required capital includes any assets attributed to covered business over and above the amount required to back covered business liabilities whose distribution to shareholders is restricted.

Return on EV

Return on EV is the EV earnings over the period expressed as a percentage of the EV at the beginning of the period, adjusted for capital movements during the year.

Risk discount rate (RDR)

The RDR is the rate at which future expected profits are discounted when calculating the value of in-force business or the VNB. The RDR is determined based on the weighted average cost of capital of the Company. This has taken into account the sources of capital used to fund the covered business, i.e. shareholder equity and subordinated debt finance. The required return on equity was derived through application of the capital asset pricing model. The cost of debt financing was based on current financing costs.

Significant influence

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Unit-linked investments

Unit-linked investments consist of investments in CISs, private equity fund investments and other investments where the value is determined based on the value of the underlying investments.

Unrated

The Group invests in unrated assets where investment mandates allow for this. These investments are, however, subject to internal credit assessments.

Useful life

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

Value of new business (VNB)

The VNB is the discounted present value of expected future after-tax profits from new business at point of sale less the cost of required capital at risk. No allowance is made for the impact of dividend withholding tax. Allowance is made for all expenses associated with underwriting, selling, marketing and administration incurred in the effort of obtaining new business.

CREDIT RISK DEFINITIONS

AAA

National scale ratings denote the highest rating that can be assigned. This rating is assigned to the best credit risk relative to all other issuers.

AA

National ratings denote a very strong credit risk relative to all other issuers.

A

National ratings denote a strong credit risk relative to all other issuers.

BBB

National ratings denote an adequate credit risk relative to all other issuers.

BB

National ratings denote a fairly weak credit risk relative to all other issuers.

B

National ratings denote a significantly weak credit risk relative to all other issuers.

CCC

National ratings denote an extremely weak credit risk relative to other issuers.

C

National ratings denote an extremely weak credit risk relative to other issuers with a strong probability of default.

Annexure B

Additional information

Analysis of assets managed and/or administered[1]	2023 Rm	Restated 2022 Rm
Managed and/or administered by Investments		
Financial assets	565 889	501 913
Momentum Manager of Managers	177 074	150 285
Equilibrium Investment Management *(previously Momentum Investment Consultants)*	16 762	13 607
Momentum Collective Investments	101 856	96 744
Momentum Asset Management	146 596	137 071
Momentum Global Investments	84 502	70 000
Momentum Alternative Investments[2]	9 677	8 458
Momentum Securities	29 422	25 748
Properties – Eris Property Group	17 625	16 509
On-balance sheet	9 987	9 302
Off-balance sheet	7 638	7 207
Momentum Wealth linked product assets under administration	237 155	204 026
On-balance sheet[3]	155 912	132 517
Off-balance sheet	81 243	71 509
Managed internally or by other managers within the Group (on-balance sheet)[3]	96 457	89 044
Managed by external managers (on-balance sheet)	14 124	14 397
Properties managed internally or by other managers within the Group or externally	1 877	2 761
Non-life Insurance – cell captives on-balance sheet	40 452	30 377
Total assets managed and/or administered	973 579	859 027
Managed and/or administered by Investments		
On-balance sheet[2]	288 472	257 836
Off-balance sheet	277 417	244 077
	565 889	501 913
Admin and brokerage assets[4]	117 814	106 862
Other assets[2, 4]	448 075	395 051
	565 889	501 913

1 Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.

2 R305 million restatement relates to disinvestments in a few funds that was erroneously not included in the June 2022 closing balance. 30 June 2022 has been restated accordingly.

3 In the prior year, R2.6 billion was misclassified between Momentum Wealth linked product assets under administration and Managed internally or by other managers within the Group. 30 June 2022 has been restated accordingly.

4 R12.5 billion was incorrectly classified as Admin and brokerage assets instead of as Other assets. 30 June 2022 has been restated accordingly.

Additional information

Net funds received from clients[1]	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
12 mths to 30.06.2023					
Momentum Life	**794**	**9 738**	**10 532**	**(10 167)**	**365**
Momentum Investments	**35 775**	**951**	**36 726**	**(26 882)**	**9 844**
Metropolitan Life	**1 993**	**6 568**	**8 561**	**(6 412)**	**2 149**
Momentum Corporate	**4 264**	**14 441**	**18 705**	**(19 740)**	**(1 035)**
Momentum Metropolitan Health	**–**	**1 258**	**1 258**	**(810)**	**448**
Non-life Insurance	**3 113**	**12 133**	**15 246**	**(7 798)**	**7 448**
Momentum Metropolitan Africa	**878**	**4 033**	**4 911**	**(3 252)**	**1 659**
Life insurance business fund flows	**46 817**	**49 122**	**95 939**	**(75 061)**	**20 878**
Off-balance sheet fund flows					
Managed and/or administered by Investments			**89 326**	**(86 042)**	**3 284**
Properties – Eris Property Group			**1 477**	**(1 046)**	**431**
Momentum Wealth linked product assets under administration			**9 826**	**(12 562)**	**(2 736)**
Total net funds received from clients			**196 568**	**(174 711)**	**21 857**
12 mths to 30.06.2022					
Momentum Life	497	9 392	9 889	(11 250)	(1 361)
Momentum Investments	29 863	869	30 732	(27 035)	3 697
Metropolitan Life	1 789	6 450	8 239	(6 485)	1 754
Momentum Corporate	4 711	12 798	17 509	(19 917)	(2 408)
Momentum Metropolitan Health	–	1 186	1 186	(724)	462
Non-life Insurance	3 128	10 907	14 035	(6 373)	7 662
Momentum Metropolitan Africa	1 605	4 015	5 620	(3 418)	2 202
Life insurance business fund flows	41 593	45 617	87 210	(75 202)	12 008
Off-balance sheet fund flows					
Managed and/or administered by Investments			97 003	(99 080)	(2 077)
Properties – Eris Property Group			1 119	(90)	1 029
Momentum Wealth linked product assets under administration			13 289	(10 702)	2 587
Total net funds received from clients			198 621	(185 074)	13 547

[1] Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.

Analysis of assets backing shareholder excess	2023 Rm	2023 %	Restated 2022[1] Rm	Restated 2022[1] %
Equity securities	1 416	5.3	1 161	4.7
Preference shares	342	1.3	356	1.4
CISs	1 094	4.1	966	3.9
Debt securities	7 369	27.5	7 208	29.3
Properties	4 209	15.7	3 850	15.7
Owner-occupied properties	2 505	9.3	2 477	10.1
Investment properties	1 704	6.4	1 373	5.6
Cash and cash equivalents and funds on deposit	13 149	49.1	10 400	42.2
Intangible assets	3 580	13.4	4 617	18.8
Other net assets	1 437	5.4	2 646	10.9
	32 596	121.8	31 204	126.9
Redeemable preference shares	(262)	(1.0)	(252)	(1.0)
Subordinated redeemable debt	(4 299)	(16.0)	(5 327)	(21.6)
Treasury shares held on behalf of employees	(773)	(2.9)	(641)	(2.6)
Treasury shares held on behalf of contract holders	(498)	(1.9)	(407)	(1.7)
Shareholder excess per reporting basis	**26 764**	**100.0**	24 577	100.0

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

Number of employees	2023	2022
Indoor staff	10 058	9 940
SA	8 941	8 867
International	1 117	1 073
Field staff	5 933	6 618
Momentum Life and Investments	1 104	1 430
Metropolitan Life	3 497	4 002
International	1 332	1 186
Total	**15 991**	16 558

Shareholder profile

Shareholder	Number of share-holders	% of issued share capital	Shares held (million)
Non-public			
Directors	6	0.2	3
Kagiso Tiso Holdings (Pty) Ltd	1	7.9	114
Government Employees Pension Fund	11	14.9	217
Public			
Private investors	27 085	9.9	144
Pension funds	400	3.6	52
CISs and mutual funds	1 814	59.0	857
Banks and insurance companies	74	4.5	66
Total	29 391	100.0	1 453

An estimated 328 million shares (2022: 249 million shares) representing 22.6% (2022: 16.3%) of total shares are held by foreign investors.

Size of shareholding	Number of share-holders	% of total share-holders	Shares held (million)	% of issued share capital
1 – 5 000	26 481	90.1	16	1.1
5 001 – 10 000	998	3.4	7	0.5
10 001 – 50 000	1 057	3.6	24	1.7
50 001 – 100 000	260	0.9	18	1.2
100 001 – 1 000 000	451	1.5	147	10.1
1 000 001 and more	144	0.5	1 241	85.4
Total	29 391	100.0	1 453	100.0

Beneficial owners	Shares held (million)	% of issued share capital
Government Employees Pension Fund	217	14.9
Remgro Ltd	123	8.5
Kagiso Tiso Holdings (Pty) Ltd	114	7.9
Total	454	31.3

Pursuant to the provisions of section 56(7)(b) of the South African Companies Act, 71 of 2008, as amended, beneficial shareholdings exceeding 5% in aggregate, as at 30 June 2023, are disclosed.

Stock exchange performance

	2023	2022
12 months		
Value of listed shares traded (Rm)	**17 040**	15 944
Volume of listed shares traded (million)	**985**	885
Shares traded (% of average listed shares in issue)	**73**	62
Trade prices		
Highest (cents per share)	**2 010**	2 270
Lowest (cents per share)	**1 386**	1 405
Last sale of year (cents per share)	**1 806**	1 426
Percentage (%) change during year	**27**	(27)
Percentage (%) change – life insurance sector (J857)	**13**	(8)
Percentage (%) change – top 40 index (J200)	**18**	–
30 June		
Price normalised headline earnings (segmental) ratio	**5.3**	5.0
Dividend yield % (dividend on listed shares)	**6.6**	7.0
Dividend yield % – top 40 index (J200)	**4.3**	3.8
Total shares issued (million)		
Ordinary shares listed on JSE	**1 425**	1 498
Treasury shares held on behalf of employees	**(45)**	(45)
Treasury shares held on behalf of contract holders	**(25)**	(29)
Basic number of shares in issue	**1 355**	1 424
Adjustment to employee share scheme[1]	**11**	7
Convertible redeemable preference shares	**28**	28
Diluted number of shares in issue	**1 394**	1 459
Adjustment to employee share scheme shares[1]	**(11)**	(7)
Treasury shares held on behalf of contract holders	**25**	29
Treasury shares held on behalf of employees	**45**	45
Diluted number of shares in issue for normalised headline earnings purposes[2]	**1 453**	1 526
Market capitalisation at end (Rbn)[3]	**26**	22

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

2 The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders as well as the treasury shares held on behalf of employees.

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

Shareholder diary

Financial year end	30 June 2023	
Reporting	Interim results	8 March 2023
	Trading update for the 9 months to March 2023	30 May 2023
	Announcement of year-end results	13 September 2023
	Annual report published	13 September 2023
	Trading update for the 3 months to September 2023	21 November 2023
	Annual general meeting	23 November 2023

Administration

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A2X – MTM
NSX – MMT

Sponsor – South Africa
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Debt sponsor
Rand Merchant Bank a division of FirstRand Bank Ltd

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