Momentum Metropolitan Life Ltd
Group Annual Financial Statements

Audited results for the financial year
ended 30 June 2023

MOMENTUM METROPOLITAN LIFE LTD
Group Annual Financial Statements 2023

Contents

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

Directors' responsibility and approval

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

To enable the directors to meet these responsibilities:

- the Group and Company financial statements are prepared by management; opinions are obtained from the external auditors of the companies and also from the Heads of Actuarial Function (HAFs) of the insurance companies (life and non-life) regarding the statutory solvency of those entities.
- the Board is advised by the Audit Committee, comprising independent non-executive directors, and the Actuarial Committee. These committees meet regularly with the auditors, the Group HAF and the management of the Group to ensure that adequate internal controls are maintained, and that the financial information complies with International Financial Reporting Standards (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, the Long-term Insurance Act, 52 of 1998, the Short-term Insurance Act, 53 of 1998, and the Insurance Act, 18 of 2017, and comply with International Financial Reporting Standards and guidelines issued by the Actuarial Society of South Africa.

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

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements, presented on pages 21 to 217, 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***
Group 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 annual financial statements set out on pages 21 to 217, 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 annual financial statements false or misleading;
c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function 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

Risto Ketola
Group Finance Director

Centurion, 11 September 2023

Hillie Meyer
Executive Director

Centurion, 11 September 2023

Certificate by the Group company secretary

In accordance with the provisions of section 88(2)(e) of the South African Companies Act, 71 of 2008 (the 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 LIFE LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Momentum Metropolitan Life Ltd and its subsidiaries ('the Group') and Company set out on pages 21 to 212, which comprise of the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of profit or loss, the consolidated and separate statement 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 equally to the audit of the consolidated and separate financial statements as specified below.

Key Audit Matter	How the matter was addressed in the audit
1. VALUATION OF LIFE INSURANCE CONTRACT LIABILITIES *This key audit matter applies to the audit of the group consolidated and company separate financial statements.*	
We considered the valuation of insurance contract liabilities to be a significant risk for the Group and Company. 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; and iii) the appropriateness of the adjustments that are applied outside of the core actuarial model which require individual assessment.	Our audit included the following procedures with the assistance of our internal actuarial specialists: • We obtained an understanding of management's process for model developments to the core actuarial models and tested the design, implementation and operating effectiveness of key controls over that process. • We 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 AND LIABILITIES *This key audit matter applies to the audit of the group consolidated and company separate financial statements.*	
The extent of judgement applied by management in valuing the Group's 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 and Company's invested assets and a mark-to-model valuation is applied as a result. The Level 3 assets amount to: owner-occupied properties of R1 783 million for group and R188 million for company as disclosed in note 3; investment properties of R8 685 million for group and R2 098 million for company as disclosed in note 4; and financial assets of R4 519 million for group and R5 686 million for company as disclosed in note 6. 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 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 218-page document titled “Momentum Metropolitan Life Ltd Group Annual Financial Statements – Audited results for the year ended 30 June 2023”, which includes the Directors’ Report, the Audit Committee Report and the Certificate by the Company Secretary as required by the Companies Act of South Africa, and the following:

- Directors’ responsibility and approval
- CEO and Finance Director confirmation of financial controls
- Certificate by the Group Company Secretary
- Directors’ report
- Report of the Audit Committee
- Statement of actuarial values of assets and liabilities
- Annexure A
- Shareholder diary and administration
- 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 Life Ltd for 4 years.

Ernst & Young Inc.

Director: J.C. de Villiers
Registered Auditor

102 Rivonia Road
Sandton

12 September 2023

Directors' report

The Board is pleased to present the audited financial statements of MML and its subsidiaries (collectively Momentum Metropolitan Life Group or the Group) for the year ended 30 June 2023. The Board is of the opinion that the Group is in compliance with the South African Companies Act, 71 of 2008 (the Companies Act) as well as the Company's Memorandum of Incorporation.

NATURE OF ACTIVITIES

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

CORPORATE EVENTS

Acquisitions

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.

Restructuring of Momentum Investments

During the year, Momentum Investments restructured its shareholding in certain subsidiaries for operational purposes. This resulted in the following changes:

In October 2022 a new subsidiary, Momentum Investments Management (Pty) Ltd (MIM), was created in MML which will function as the intermediate holding company for all the South African asset management subsidiaries in the segment. MAM and Momentum Alternative Investments (MAI) were subsequently transferred from MML to MIM.

As part of the restructuring, MIM also acquired Momentum Outcome-Based Solutions (MOBS) from MMSI, a fellow subsidiary of MML during October 2022. The purchase price, which represents the net asset value acquired, was used by MMSI to reduce the existing loan between MMSI and MML, which then resulted in no cash flowing in the restructuring. This was recorded as a common control transaction with no impact on earnings.

Summary of restructuring:

Entity	Percentage holding	Holding company before restructuring	Holding company after restructuring
MAM	100%	MML	MIM
MAI	100%	MML	MIM
MOBS	100%	MMSI	MIM

Transfer of Momentum Ability business

During July 2022, the cell captive business in Momentum Ability Ltd (MAL), a wholly owned subsidiary of MML, was transferred to Guardrisk Life, a fellow subsidiary of MML. The value of the assets transferred equates to the value of the carrying value of the liabilities transferred in MAL, resulting in no gain or loss for the MML Group. The cell captive business was not deemed a material line of business for the MML Group and is therefore not disclosed as a discontinued operation.

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 Debt Listings Requirements; and
- South African Companies Act, 71 of 2008, as amended.

The accounting policies of the Group have been applied consistently to all years presented. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the Group's accounting policies. Such judgement, assumptions and estimates are disclosed in the Critical judgements and accounting estimates note on page 28 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

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

BOARD EVALUATION

The Board has executed its responsibilities under the evaluation policy.

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 33.

RESULTS OF OPERATIONS

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

Earnings attributable to equity holders for the year under review were R4 254 million (2022: R3 489 million). Earnings per share for the year were 2 239 cents per share (2022: 1 836 cents per share). Normalised headline earnings were R4 310 million (2022: earnings of R3 509 million) and normalised headline earnings per share 2 268 cents (2022: 1 847 cents earnings). Refer to note 1 for a reconciliation of earnings to normalised headline earnings.

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

Analysis of normalised headline earnings	2023 Rm	2022 Rm
Momentum Life	**1 946**	1 119
Momentum Investments	**826**	833
Metropolitan Life	**304**	669
Momentum Corporate	**1 331**	1 172
Momentum Metropolitan Health	**20**	47
Non-life Insurance	**5**	2
Momentum Metropolitan Africa	**–**	(1)
New Initiatives	**(135)**	(107)
Shareholders	**13**	(225)
Total	**4 310**	3 509

SUBSIDIARIES AND ASSOCIATES

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

SHARE CAPITAL

Share issue and repurchase

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

Share options

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

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

SHAREHOLDER DIVIDEND

Ordinary share dividend

The following dividends were declared during the current year:

	2023 cents per share	2022 cents per share
Interim – March	**791**	369
Final – September	**817**	896
	1 608	1 265

SHAREHOLDERS

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

DIRECTORATE, SECRETARY AND AUDITOR

The Company had the following directors as 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	Executive
L de Beer	Independent non-executive
SC Jurisich	Independent non-executive
NJ Dunkley	Independent non-executive
T Gobalsamy	Independent non-executive
LM Chiume#	Independent non-executive
V Nkonyeni#	Independent non-executive
SL McPherson#	Independent non-executive
PJ Makosholo	Non-independent non-executive
D Park	Independent non-executive
P Cooper	Independent non-executive
P Matlakala	Independent non-executive
T Soondarjee	Independent non-executive
AF Leautier	Independent non-executive

Ms LM Chiume, Mr V Nkonyeni and Ms SL McPherson resigned from the Board during the current financial year.

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

	Appointments	Resignations
V Nkonyeni		24 November 2022
SL McPherson		31 December 2022
LM Chiume		31 May 2023
P Matlakala	1 June 2023	
T Soondarjee	1 June 2023	
AF Leautier	1 June 2023	

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

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

DIRECTORS' SHAREHOLDING

The aggregate direct and indirect holdings in MMH of the directors of the Company at 30 June 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

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

DIRECTORS' REMUNERATION

The executive directors have standard employment contracts with the Company or its subsidiaries with a minimum of a one month notice period. The aggregate remuneration of the MML directors for the period ended 30 June 2023 is set out below.

	Fees R'000	Expense allowance R'000	Salary R'000	Short-term incentive payments[1] R'000	Retirement fund R'000	Medical aid R'000	Long-term incentive payment R'000	Total 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**	19 846
Total	**20 070**	**–**	**18 344**	**10 700**	**561**	**126**	**16 433**	**66 234**	46 948

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

DEBT OFFICER

The Board has, with effect from 5 December 2022, appointed Ms Lebogang Moepye as the debt officer pursuant to paragraph 7.3(g) of the JSE Debt Listings Requirements. The Board has considered and is satisfied with the competence, qualifications and experience of the appointed debt officer.

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

No 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 we 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, and the JSE Listings and Debt Listings Requirements and 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 terms of reference, focus areas for the current year and 2024 objectives are included on page 108 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 and an additional three meetings were held to consider information for purposes of trading updates. Member attendance is reflected on pages 95 to 98 of the 2023 Integrated Report, which is available on the Group's website.

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

KEY FOCUS AREAS OF THE COMMITTEE FOR THE YEAR

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

- Ongoing monitoring of the Group's readiness for the implementation of IFRS 17 – *Insurance contracts*, where notable progress has been made.

- 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.

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 to the Board for approval.

Going concern

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

Group Finance Director and finance function

The Committee considered and satisfied itself that Risto Ketola has the appropriate expertise and experience to fulfil the role of Group Finance Director; that the finance function has adequate experience and expertise, and 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 the required reports, in line with the JSE Listings and Debt Listings Requirements. Furthermore, in accordance with section 94(8) of the Companies Act, the Committee was satisfied with the independence and objectivity of EY in carrying out their duties as external auditors.

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

External audit fees are disclosed on page 116 within note 27 to the AFS. All the non-audit services (disclosed on page 116, note 27 of the AFS) provided by the external auditors were approved by the Committee in accordance with the policy for the provision of non-audit services.

Internal audit

Otsile Sehularo, Chief Audit Executive (CAE) oversees the Group Internal Audit function and the internal audit co-sourced relationship with KPMG. The Committee annually assesses the performance of the CAE and Group Internal Audit and remains satisfied that the co-sourced internal audit model with KPMG results in the appropriate independence of Group Internal Audit, 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. The charter and the risk-based internal audit plan are reviewed annually and approved by the Committee. Progress in terms of the internal audit plan is monitored by the Committee.

Combined assurance and internal financial control assessment

Momentum Metropolitan has a well-established combined assurance framework and practices to enable integrated planning, execution and reporting of the various assurance activities across the business. These assurance activities include both internal assurance functions, including Compliance, Risk, Actuarial and 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.

Report of the Audit Committee continued

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 procedures.

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

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

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

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

The Committee considers these matters as follows:

Valuation of insurance contract liabilities

The valuation of 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 will 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 actuarial values of assets and liabilities

COMPANY

Published basis	Notes	2023 Rm	Restated[1] 2022 Rm
Total assets per balance sheet	1	**509 779**	448 949
Total liabilities per balance sheet	2	**493 420**	434 596
Liabilities under insurance contracts		**120 380**	113 321
Liabilities under investment contracts		**340 715**	293 202
Current and other liabilities		**28 026**	22 746
Unsecured subordinated debt	3	**4 299**	5 327
Excess of assets over liabilities		**16 359**	14 353

[1] Refer to note 48 for more information on the restatements.

Statutory basis	Notes	2023 Rm	2022 Rm
Total assets		**491 888**	435 871
Total liabilities		**463 736**	409 014
Basic own funds		**28 152**	26 857
Own funds eligible to meet SCR	6	**29 976**	28 662
Solvency capital requirement (SCR)		**15 210**	14 939
Excess own funds (SCR)		**14 766**	13 723
SCR cover pre-foreseeable dividend		**2.07 x**	2.03 x
SCR cover post-foreseeable dividend		**1.97 x**	1.92 x

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF MOMENTUM METROPOLITAN LIFE LIMITED AS AT 30 JUNE 2023

1 VALUE OF ASSETS

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

2 VALUE OF LIABILITIES

The liability valuation methodology and assumptions under the published reporting basis are set out in the accounting policies and in note 11 to the financial statements.

3 UNSECURED SUBORDINATED DEBT

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

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

	Notes	2023 Rm	2022 Rm
Excess of assets over liabilities at end of the year		**16 359**	14 353
Excess of assets over liabilities at beginning of the year		**14 353**	11 484
Change in excess of assets over liabilities over the year		**2 006**	2 869
Operating profit (excluding basis changes)	4.1	**3 704**	2 712
Basis changes	4.2	**(186)**	658
Investment return on excess	4.3	**732**	1 329
Attributable earnings		**4 250**	4 699
Revaluation of investments in subsidiaries		**897**	(1 114)
Revaluation of owner-occupied buildings to fair value		**25**	10
Adjustments to defined benefit pension funds		**9**	(11)
Income tax relating to items that will not be reclassified		**10**	7
Dividends paid		**(3 200)**	(700)
Own credit gains on financial liabilities designated at fair value through profit or loss		**(6)**	(26)
Equity-settled share-based payment arrangements		**21**	29
Capital contribution to group companies		**–**	(25)
Change in excess of assets over liabilities		**2 006**	2 869

4.1 Operating profit includes expected returns and capital releases on explicit *discretionary margins*. Momentum Metropolitan Life Limited holds explicit *discretionary margins* (in addition to *discretionary margins* implicit in policy liabilities) that serve as a buffer against the impact of market fluctuations on the assets backing those fixed liabilities that cannot be perfectly matched. Expected investment returns and a portion of the capital amount on these margins have been released to earnings in the 12 months ended 30 June 2023 in conjunction with management's regular review of the adequacy of these margins in line with the accounting policy.

4.2 The basis changes consist of the following items:

	2023 Rm	2022 Rm
Economic assumptions[1]	**7**	(2)
Maintenance expense assumptions[2]	**(512)**	249
Mortality and morbidity assumptions[3]	**351**	338
Termination assumptions[4]	**(156)**	(712)
Methodology changes and other items[5]	**124**	785
Total	**(186)**	658

[1] Economic assumption changes are transferred to the investment stabilisation account in accordance with accounting policies. The balance relates to residual changes that were not absorbed by the investment stabilisation account.
[2] Maintenance expense assumptions have been revised based on the level of expenses for the current financial year, adjusted for expense inflation and taking into account expected developments over the 2024 financial year.
[3] Mortality and morbidity assumption changes reflect the release of remaining Covid-19 pandemic provisions following a review of recent experience and future expectations, as well as basis changes in accordance with updated experience investigations.
[4] Termination assumption changes largely reflect a strengthening of the assumed termination rates of retail funeral business.
[5] A number of modelling and methodology changes were made and certain provisions were released following the completion of underlying investigations.

4.3 Investment income of R732 million (2022: R1 329 million) includes dividends of R135 million (2022: R1 089 million) received from strategic subsidiaries. The 2022 dividend includes R834 million from Momentum Asset Management, in respect of the Momentum Global Investment Management restructure, which is not expected to recur.

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

	Notes	2023 Rm	2022 Rm
Excess of assets over liabilities on the published reporting basis		**16 359**	14 353
Remove deferred acquisition costs, goodwill and intangibles	5.1	**(2 108)**	(2 145)
Unsecured subordinated debt	5.2	**–**	–
Liability valuation differences	5.3	**21 543**	21 094
Increase in net deferred tax liabilities	5.4	**(5 253)**	(5 240)
Participations	5.5	**(2 109)**	(1 326)
Reinsurance assets	5.6	**(705)**	(295)
Other	5.7	**425**	416
Basic Own Funds		**28 152**	26 857
Restricted own funds	5.8	**(870)**	(748)
Foreseeable dividend	5.9	**(1 550)**	(1 700)
Subordinated liabilities adjustment		**4 244**	4 253
Own funds eligible to meet SCR		**29 976**	28 662

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

5.2 In line with the technical observation issued by the PA in early 2022, subordinated debt issued by the Company is now excluded from Basic Own Funds for statutory purposes, but is regarded as part of Eligible Own Funds if it meets the definition of own funds. Subordinated debt that meets the definition of own funds is included as the "Subordinated liabilities adjustment".

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

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

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

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

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

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

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

6 CLASSIFICATION OF OWN FUNDS

	2023 Rm	2022 Rm
Tier 1	**25 732**	24 408
Tier 2	**4 244**	4 254
Own funds eligible to meet SCR	**29 976**	28 662

7 LOSS ABSORBING CAPACITY OF TECHNICAL PROVISIONS (LACOTP)

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

Discretionary participation business

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

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

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

Other management actions

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

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

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

Statement of financial position

At 30 June 2023

	Group			Company			
	2023 Rm	Restated[1] 2022 Rm	Restated 2021 Rm	2023 Rm	Restated[1] 2022 Rm	Restated 2021 Rm	Notes
ASSETS							
Intangible assets	**2 547**	2 548	2 622	**2 108**	2 145	2 214	2
Owner-occupied properties	**1 875**	1 822	1 792	**352**	889	995	3
Property and equipment	**283**	251	250	**254**	224	216	
Investment properties	**8 794**	8 928	8 896	**2 098**	6 662	5 656	4
Interest in subsidiaries	**–**	–	–	**110 897**	94 143	92 040	5
Investments in associates	**74**	69	18	**–**	–	–	
Investment in joint ventures	**6**	8	5	**4**	9	5	
Employee benefit assets	**398**	458	695	**398**	457	695	
Financial assets at fair value through profit and loss (FVPL)	**493 230**	446 246	431 759	**358 199**	320 204	309 003	6
Financial assets at amortised cost	**9 043**	7 116	6 626	**7 187**	5 052	4 616	6
Insurance and other receivables	**3 598**	3 948	4 167	**3 494**	3 790	3 984	6
Reinsurance contract assets	**4 986**	2 988	2 281	**4 986**	2 988	2 281	7
Deferred income tax	**108**	90	131	**–**	–	–	14
Current income tax assets	**4**	6	341	**–**	–	336	
Cash and cash equivalents	**24 709**	19 815	27 024	**14 928**	12 386	16 864	6
Assets relating to disposal groups held for sale	**88**	–	129	**4 874**	–	936	8
Total assets	**549 743**	494 293	486 736	**509 779**	448 949	439 841	
EQUITY							
Equity attributable to owners of the parent	**14 657**	13 401	10 726	**16 359**	14 353	11 484	
Share capital	**1 041**	1 041	1 041	**1 041**	1 041	1 041	16
Other components of equity	**5 364**	5 136	5 254	**4 617**	4 191	5 339	17
Retained earnings	**8 252**	7 224	4 431	**10 701**	9 121	5 104	
Non-controlling interests	**80**	89	95	**–**	–	–	
Total equity	**14 737**	13 490	10 821	**16 359**	14 353	11 484	
LIABILITIES							
Insurance contract liabilities							
Life insurance contracts	**120 378**	112 950	115 361	**120 380**	113 321	115 829	9
Investment contracts	**343 207**	296 545	291 144	**340 715**	293 202	287 786	
– with discretionary participation features (DPF)	**2 549**	2 439	17 228	**2 549**	2 439	17 228	10
– designated at fair value through profit and loss	**340 658**	294 106	273 916	**338 166**	290 763	270 558	10
Financial liabilities at fair value through profit and loss	**50 769**	52 933	52 909	**15 465**	13 726	11 084	12
Financial liabilities at amortised cost	**1 293**	1 285	1 214	**235**	263	355	12
Reinsurance contract liabilities	**–**	340	414	**–**	–	–	13
Deferred income tax	**1 329**	1 270	1 267	**1 120**	1 051	999	14
Employee benefit obligations	**1 192**	985	780	**1 043**	858	693	15
Other payables	**15 662**	14 173	12 549	**13 367**	11 881	11 366	12
Provisions	**320**	263	255	**302**	244	245	18
Current income tax liabilities	**808**	59	22	**793**	50	–	
Liabilities relating to disposal groups held for sale	**48**	–	–	**–**	–	–	
Total liabilities	**535 006**	480 803	475 915	**493 420**	434 596	428 357	
Total equity and liabilities	**549 743**	494 293	486 736	**509 779**	448 949	439 841	

[1] Refer to note 48 for more information on the restatements.

Statement of profit and loss

For the year ended 30 June 2023

	Group		Company		
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm	Notes
Insurance premiums	**31 287**	27 833	**31 287**	27 429	
Insurance premiums ceded to reinsurers	**(3 741)**	(3 535)	**(3 741)**	(3 251)	
Net insurance premiums	**27 546**	24 298	**27 546**	24 178	19
Fee income	**5 153**	5 088	**4 152**	3 889	20
Contract administration	**3 587**	3 366	**3 579**	3 358	
Trust and fiduciary services	**1 117**	1 065	**483**	427	
Other fee income	**449**	657	**90**	104	
Investment income	**26 921**	22 830	**22 101**	19 310	21
Amortised cost	**1 353**	989	**835**	620	
Other investment income	**25 568**	21 841	**21 266**	18 690	
Net realised and unrealised fair value (losses)/gains	**39 634**	(3 631)	**37 540**	(2 255)	22
Net income	**99 254**	48 585	**91 339**	45 122	
Insurance benefits and claims	**24 151**	26 877	**24 149**	26 783	
Insurance claims recovered from reinsurers	**(3 327)**	(4 777)	**(3 327)**	(4 682)	
Net insurance benefits and claims	**20 824**	22 100	**20 822**	22 101	23
Change in actuarial liabilities and related reinsurance	**5 172**	(3 520)	**5 171**	(3 494)	
Change in life insurance contract liabilities	**7 060**	(2 516)	**7 059**	(2 588)	9.1
Change in investment contracts with DPF liabilities	**110**	(205)	**110**	(205)	10.1
Change in reinsurance assets	**(1 998)**	(701)	**(1 998)**	(701)	7
Change in reinsurance liabilities	**–**	(98)	**–**	–	13
Fair value adjustments on investment contract liabilities	**46 385**	8 822	**46 199**	9 022	10.2
Fair value adjustments on collective investment scheme (CIS) liabilities	**4 383**	1 043	**–**	–	
Depreciation, amortisation and impairment expenses	**268**	252	**231**	209	24
Impairment (reversals)/losses due to expected credit losses	**13**	(19)	**13**	(121)	24
Employee benefit expenses	**4 901**	4 316	**4 277**	3 778	25
Sales remuneration	**3 603**	3 693	**3 545**	3 515	26
Other expenses	**4 453**	4 208	**3 420**	2 878	27
Expenses	**90 002**	40 895	**83 678**	37 888	
Results of operations	**9 252**	7 690	**7 661**	7 234	
Share of (loss)/profit of associates	**(1)**	6	**–**	–	
Share of (loss)/profit of joint ventures	**(1)**	2	**–**	–	
Finance costs	**(2 301)**	(2 124)	**(886)**	(647)	28
Profit before tax	**6 949**	5 574	**6 775**	6 587	
Income tax expense	**(2 707)**	(2 091)	**(2 525)**	(1 888)	29
Earnings for year	**4 242**	3 483	**4 250**	4 699	
Attributable to:					
Owners of the parent	**4 254**	3 489	**4 250**	4 699	
Non-controlling interests	**(12)**	(6)	**–**	–	
	4 242	3 483	**4 250**	4 699	
Earnings per ordinary share (cents)	**2 238.9**	1 836.3	**2 236.8**	2 473.2	1

[1] Refer to note 48 for more information on the restatements.

Statement of comprehensive income

For the year ended 30 June 2023

	Group		Company		
	2023 Rm	**2022 Rm**	**2023 Rm**	**2022 Rm**	Notes
Earnings for year	**4 242**	3 483	**4 250**	4 699	
Other comprehensive loss, net of tax	**179**	(118)	**935**	(1 134)	
Items that may subsequently be reclassified to income	**144**	12	**–**	–	
Exchange differences on translating foreign operations	**144**	12	**–**	–	17
Items that will not be reclassified to income	**35**	(130)	**935**	(1 134)	
Land and building revaluation	**30**	(141)	**25**	10	17
Revaluation of subsidiaries	**–**	–	**897**	(1 114)	17
Remeasurements of post-employee benefit funds	**9**	(11)	**9**	(11)	17
Own credit loss on financial liabilities designated at fair value through profit or loss	**(6)**	(26)	**(6)**	(26)	12.1
Income tax relating to items that will not be reclassified	**2**	48	**10**	7	17
Total comprehensive income for year	**4 421**	3 365	**5 185**	3 565	
Total comprehensive income/(loss) attributable to:					
Owners of the parent	**4 433**	3 371	**5 185**	3 565	
Non-controlling interests	**(12)**	(6)	**–**	–	
	4 421	3 365	**5 185**	3 565	

Statement of changes in equity

For the year ended 30 June 2023

Group	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to owners of the parent Rm	Preference shares Rm	Non-controlling interests Rm	Total equity Rm	Notes
Balance at 1 July 2021	9	1 032	5 254	4 431	10 726	–	95	10 821	
Total comprehensive loss	–	–	(92)	3 463	3 371	–	(6)	3 365	
Profit/(loss) for the period	–	–	–	3 489	3 489	–	(6)	3 483	
Other comprehensive loss	–	–	(92)	(26)	(118)	–	–	(118)	
Dividend declared	–	–	–	(700)	(700)	–	–	(700)	
Transfer to retained earnings from other reserves	–	–	(55)	55	–	–	–	–	
Capital contribution to group companies[1]	–	–	–	(25)	(25)	–	–	(25)	
Equity-settled share-based payment arrangements	–	–	29	–	29	–	–	29	
Balance at 1 July 2022	**9**	**1 032**	**5 136**	**7 224**	**13 401**	**–**	**89**	**13 490**	
Total comprehensive (loss)/income	**–**	**–**	**185**	**4 248**	**4 433**	**–**	**(12)**	**4 421**	
Profit/(loss) for the period	**–**	**–**	**–**	**4 254**	**4 254**	**–**	**(12)**	**4 242**	
Other comprehensive income/(loss)	**–**	**–**	**185**	**(6)**	**179**		**–**	**179**	
Dividend declared	**–**	**–**	**–**	**(3 200)**	**(3 200)**	**–**	**–**	**(3 200)**	
Transfer to retained earnings from other reserves	**–**	**–**	**20**	**(20)**	**–**	**–**	**–**	**–**	17
Other	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**	
Equity-settled share-based payment arrangements	**–**	**–**	**23**	**–**	**23**	**–**	**–**	**23**	
Balance at 30 June 2023	**9**	**1 032**	**5 364**	**8 252**	**14 657**	**–**	**80**	**14 737**	

[1] The capital contribution to group companies is the result of the difference in fair value (R58 million) and transaction price (R84 million) of an interest-free loan advanced to Momentum Health Solutions, a fellow subsidiary of MMH, which is repayable in 2027.

Company

	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total attributable to owners of the parent Rm	Preference shares Rm	Total equity Rm
Balance at 1 July 2021	9	1 032	5 339	5 104	11 484	–	11 484
Total comprehensive (loss)/income	–	–	(1 108)	4 673	3 565	–	3 565
Profit for the period	–	–	–	4 699	4 699	–	4 699
Other comprehensive loss	–	–	(1 108)	(26)	(1 134)	–	(1 134)
Dividend declared	–	–	–	(700)	(700)	–	(700)
Transfer to retained earnings	–	–	(69)	69	–	–	–
Capital contribution to group companies[1]	–	–	–	(25)	(25)	–	(25)
Equity-settled share-based payment arrangements	–	–	29	–	29	–	29
Balance at 1 July 2022	**9**	**1 032**	**4 191**	**9 121**	**14 353**	**–**	**14 353**
Total comprehensive income	**–**	**–**	**941**	**4 244**	**5 185**	**–**	**5 185**
Profit for the period	**–**	**–**	**–**	**4 250**	**4 250**	**–**	**4 250**
Other comprehensive profit/(loss)	**–**	**–**	**941**	**(6)**	**935**	**–**	**935**
Dividend declared	**–**	**–**	**–**	**(3 200)**	**(3 200)**	**–**	**(3 200)**
Transfer to retained earnings	**–**	**–**	**(536)**	**536**	**–**	**–**	**–**
Equity-settled share-based payment arrangements	**–**	**–**	**21**	**–**	**21**	**–**	**21**
Balance at 30 June 2023	**9**	**1 032**	**4 617**	**10 701**	**16 359**	**–**	**16 359**

1 The capital contribution to group companies is the result of the difference in fair value (R58 million) and transaction price (R84 million) of an interest-free loan advanced to Momentum Health Solutions, a fellow subsidiary of MMH, which is repayable in 2027.

Statement of cash flows

For the year ended 30 June 2023

	Group		Company		
	2023 Rm	**Restated[1] 2022 Rm**	**2023 Rm**	**Restated[1] 2022 Rm**	Notes
Cash flow from operating activities					
Cash utilised in operations	**(7 642)**	(22 194)	**(9 126)**	(21 901)	30.1
Interest received	**15 972**	13 751	**12 445**	12 331	
Dividends received	**4 257**	5 479	**3 978**	5 063	
Income tax paid	**(1 902)**	(1 626)	**(1 703)**	(1 444)	30.2
Interest paid	**(2 347)**	(2 031)	**(873)**	(554)	30.3
Net cash inflow/(outflow) from operating activities	**8 338**	(6 621)	**4 721**	(6 505)	
Cash flow from investing activities					
Additional investment in subsidiaries	**–**	–	**(267)**	(140)	
Net cash inflow from acquisition of subsidiaries	**105**	–	**–**	–	31
Contingent consideration related to business combinations	**–**	(64)	**–**	–	30.4.4
Share capital returned on deregistration of subsidiary	**–**	–	**25**	–	5
Net cash outflow from disposal of cell captive business to Guardrisk	**(127)**	–	**–**	–	
Investments in associates and joint ventures	**(5)**	(47)	**–**	–	
Purchase of owner-occupied properties	**(27)**	(224)	**(6)**	(8)	3
Purchase of property and equipment	**(168)**	(139)	**(148)**	(134)	
Purchase of intangible assets	**(30)**	(1)	**(30)**	(1)	2
Net cash outflow from investing activities	**(252)**	(475)	**(426)**	(283)	
Cash flow from financing activities					
Subordinated call notes issued	**–**	1 000	**–**	1 000	30.4.1
Subordinated call notes repaid	**(980)**	(87)	**(980)**	(87)	30.4.1
Net proceeds/(repayment) from/(of) carry positions	**1 345**	(915)	**2 298**	1 839	30.4.2
Proceeds from other borrowings measured at fair value	**45**	85	**–**	–	30.4.4
Repayment of other borrowings measured at fair value	**(795)**	–	**–**	–	30.4.4
Repayment of other borrowings measured at amortised cost	**(98)**	(34)	**–**	(6)	30.4.5
Proceeds from other borrowings measured at amortised cost	**168**	186	**–**	–	30.4.5
Payment of principal portion of lease liability	**(80)**	(92)	**(90)**	(99)	30.4.5
Dividend paid to equity holders	**(3 200)**	(700)	**(3 200)**	(700)	
Preference shares repaid	**–**	(6)	**–**	–	30.4.3
Net cash (outflow)/inflow from financing activities	**(3 595)**	(563)	**(1 972)**	1 947	
Net cash flow	**4 491**	(7 659)	**2 323**	(4 841)	
Cash resources and funds on deposit at beginning	**19 815**	27 024	**12 386**	16 864	
Movement due to foreign exchange gains and losses	**403**	450	**219**	363	
Cash resources and funds on deposit at end	**24 709**	19 815	**14 928**	12 386	
Made up as follows:					
Bank and other cash balances	**8 431**	6 867	**6 294**	5 119	6.4
Funds on deposit and other money market instruments	**16 278**	12 948	**8 634**	7 267	
	24 709	19 815	**14 928**	12 386	

[1] Refer to note 48 for more information on the restatements.

Basis of preparation

BASIS OF PREPARATION OF THE STATEMENTS

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

Fair value

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

Other measurement basis

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

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. There are areas of complexity involving a higher degree of judgement and areas where assumptions and estimates are significant to the consolidated financial statements. 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) and have been audited by Ernst & Young Inc. in compliance with the requirements of the Companies Act, 71 of 2008.

Published standards, amendments and interpretations effective for the financial period ended 30 June 2023

Effective annual periods beginning on or after	Description
1 January 2022	IFRS 3 (Amendments) – *Reference to the Conceptual Framework*
1 January 2022	IAS 16 (Amendments) – *Property, plant and equipment: Proceeds before intended use*
1 January 2022	IAS 37 (Amendments) – *Onerous Contracts – Costs of fulfilling a contract*
	IAS 12 (Amendments) – *International Tax Reform – Pillar Two model rules*[1]
Annual improvements 2018-2020 cycle	
1 January 2022	IFRS 1 – *First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter*
1 January 2022	IFRS 9 – *Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities*
1 January 2022	IAS 41 – *Agriculture: Taxation in fair value measurements*

[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.

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

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

Segmental report

For the year ended 30 June 2023

The Group's reporting view reflects the following segments:

- **Momentum Life:** Momentum Life includes protection, savings and life insurance products focused on the middle and affluent client segments.
- **Momentum Investments:** Momentum Investments consists of the Momentum Wealth platform business, local and offshore asset management operations, retail annuities and guaranteed investments, as well as Eris Properties.
- **Metropolitan Life:** Metropolitan Life focuses on the lower and middle income retail market segment, with a range of protection and savings products.
- **Momentum Corporate:** Momentum Corporate offers group risk, annuities, pension savings and umbrella fund (FundsAtWork) products.
- **Momentum Metropolitan Health:** Provides healthcare solutions to individuals, corporates and the public sector within a range of structures and products.
- **Momentum Metropolitan Africa:** This segment includes our African operations.
- **Non-life Insurance:** This segment includes allocations relating to Momentum Short-term Insurance and Momentum Insurance.
- **New Initiatives:** This includes India, aYo, Momentum Money, Lending, Exponential Ventures and Momentum Consult.
- **Shareholders:** The Shareholders segment reflects investment income on capital held to support South African operations and some costs not allocated to operating segments (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. This measurement basis excludes the amortisation of intangible assets relating to business combinations as well as dividends received from subsidiaries and intercompany loan impairments, which are eliminated on consolidation of the holding company group. It includes basis changes and investment variances. For insurance operating segments (excluding Momentum Metropolitan Africa), normalised headline earnings also exclude the effect of investment income on shareholder assets, as this income is managed on a company basis and is therefore included in the Shareholders segment.

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

RECONCILIATION OF MANAGEMENT INFORMATION TO IFRS

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

Segmental report continued

For the year ended 30 June 2023

Group

2023	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm
Revenue					
Net insurance premiums	10 532	36 726	8 562	18 705	710
Recurring premiums	9 738	951	6 569	14 441	710
Single premiums	794	35 775	1 993	4 264	–
Fee income[#]	1 173	3 562	16	1 520	4
External fee income	1 173	2 747	16	1 520	4
Intergroup fee income	–	815	–	–	–
Expenses					
Net payments to contract holders					
External payments	10 167	26 881	6 412	19 740	390
Other expenses	3 380	3 702	3 226	1 885	112
Sales remuneration	1 287	1 026	1 086	127	74
Administration expenses	1 951	1 891	2 094	1 516	38
Asset management, direct property and other fee expenses	78	241	–	–	–
Intergroup expenses	64	544	46	242	–
Income tax	443	1 281	211	645	–
Normalised headline earnings	1 946	826	304	1 331	20
Operating profit/(loss)[2]	2 531	870	324	1 628	63
Tax on operating profit/(loss)	(696)	(212)	(90)	(439)	(46)
Investment return	134	209	86	173	4
Tax on investment return	(23)	(41)	(16)	(31)	(1)
Basis changes and investment variances[3]	1 056	90	(275)	54	11
Actuarial liabilities	80 810	226 005	38 535	117 761	203

1 The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R510 million) and asset management fees for all entities (R788 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangible assets relating to business combinations (R29 million); expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

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

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

4 At the start of the current year, the cell captive business in the Non-life insurance segment was transferred to Guardrisk Life, a fellow subsidiary of MML in the MMH Group. This resulted in limited activity in the segment compared to the previous year.

R4 607 million of the fee income relates to South African operations and R546 million of the fee income relates to non-South African operations.

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 R27 808 million with no such non-current assets located in other countries.

Non-life Insurance[4] Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
–	–	–	–	75 235	(47 689)	27 546
–	–	–	–	32 409	(13 547)	18 862
–	–	–	–	42 826	(34 142)	8 684
–	–	11	167	6 453	(1 300)	5 153
–	–	11	157	5 628	(475)	5 153
–	–	–	10	825	(825)	–
–	–	–	–	63 590	(42 766)	20 824
5	2	191	183	12 686	552	13 238
1	2	–	–	3 603	–	3 603
4	–	162	278	7 934	79	8 013
–	–	2	3	324	1 298	1 622
–	–	27	(98)	825	(825)	–
3	–	–	7	2 590	117	2 707
5	–	(135)	13	4 310	–	4 310
(1)	(1)	(153)	(99)	5 162	–	5 162
(1)	–	8	(160)	(1 636)	–	(1 636)
8	1	11	316	942	–	942
(1)	–	(1)	(44)	(158)	–	(158)
–	–	–	62	998	–	998
–	–	–	271	463 585	–	463 585

Segmental report continued

For the year ended 30 June 2023

Group continued

Restated 2022	**Momentum Life Rm**	**Momentum Investments Rm**	**Metropolitan Life Rm**	**Momentum Corporate Rm**	**Momentum Metropolitan Health Rm**
Revenue					
Net insurance premiums	9 889	30 732	8 238	17 509	679
Recurring premiums	9 392	869	6 449	12 798	679
Single premiums	497	29 863	1 789	4 711	–
Fee income#	1 255	3 126	62	1 196	2
External fee income	1 255	2 897	62	1 196	2
Intergroup fee income	–	229	–	–	–
Expenses					
Net payments to contract holders					
External payments	11 250	27 035	6 485	19 917	343
Other expenses	3 137	3 050	3 020	1 316	96
Sales remuneration	1 307	934	1 162	84	78
Administration expenses	1 763	1 672	1 858	1 232	18
Asset management, direct property and other fee expenses	53	217	–	–	–
Intergroup expenses	14	227	–	–	–
Income tax	347	887	170	498	–
Normalised headline earnings	1 119	833	669	1 172	47
Operating profit/(loss)[2]	1 404	1 008	841	1 473	100
Tax on operating profit/(loss)	(419)	(243)	(238)	(426)	(50)
Investment return	143	83	71	134	(4)
Tax on investment return	(9)	(15)	(5)	(9)	1
Basis changes and investment variances[3]	426	190	133	553	–
Actuarial liabilities	74 637	190 001	36 263	107 137	100

1 The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property (R447 million) and asset management fees for all entities (R1 054 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangible assets relating to business combinations (R27 million); expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

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

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

R4 550 million of the fee income relates to South African operations and R538 million of the fee income relates to non-South African operations.

The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) located in South Africa is R23 826 million with no such non-current assets located in other countries.

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
122	–	–	–	67 169	(42 871)	24 298
122	–	–	–	30 309	(12 649)	17 660
–	–	–	–	36 860	(30 222)	6 638
3	–	12	127	5 783	(695)	5 088
3	–	12	122	5 549	(461)	5 088
–	–	–	5	234	(234)	–
46	–	–	–	65 076	(42 976)	22 100
144	2	121	164	11 050	1 400	12 450
122	–	–	–	3 687	6	3 693
22	2	132	155	6 854	127	6 981
–	–	1	4	275	1 501	1 776
–	–	(12)	5	234	(234)	–
18	–	–	44	1 964	127	2 091
2	(1)	(107)	(225)	3 509	–	3 509
6	(1)	(109)	(121)	4 601	–	4 601
(2)	–	–	7	(1 371)	–	(1 371)
(3)	–	2	(87)	339	–	339
1	–	–	(24)	(60)	–	(60)
–	–	–	104	1 406	–	1 406
1 209	–	–	148	409 495	–	409 495

Segmental report continued

For the year ended 30 June 2023

Company

2023	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm
Revenue					
Net insurance premiums	10 533	36 486	8 562	18 705	710
Recurring premiums	9 738	951	6 569	14 441	710
Single premiums	795	35 535	1 993	4 264	–
Fee income	913	1 657	16	1 521	3
External fee income	913	1 657	16	1 521	3
Expenses					
Net payments to contract holders					
External payments	10 167	26 775	6 412	19 740	390
Other expenses	3 455	1 771	3 180	1 643	111
Sales remuneration	1 278	981	1 086	127	73
Administration expenses	1 724	782	2 008	1 504	38
Amortisation, depreciation and impairment	27	8	86	12	–
Direct property expenses	426	–	–	–	–
Asset management and other fee expenses	–	–	–	–	–
Income tax	(443)	(1 224)	(211)	(645)	(1)
Normalised headline earnings	1 965	557	293	1 307	20
Operating profit/(loss)[2]	2 575	648	324	1 628	63
Tax on operating profit/(loss)	(696)	(172)	(90)	(440)	(46)
Investment return	109	106	75	150	4
Tax on investment return	(23)	(25)	(16)	(31)	(1)
Basis changes and investment variances[3]	1 056	90	(275)	54	11
Actuarial liabilities	80 815	223 508	38 536	117 761	203

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

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

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

All revenue relates to South African operations.

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 R132 760 million with no such non-current assets located in other countries.

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
–	–	–	–	74 996	(47 450)	27 546
–	–	–	–	32 409	(13 548)	18 861
–	–	–	–	42 587	(33 902)	8 685
–	–	–	42	4 152	–	4 152
–	–	–	42	4 152	–	4 152
–	–	–	–	63 484	(42 662)	20 822
–	–	48	268	10 476	1 010	11 486
–	–	–	–	3 545	–	3 545
–	–	48	155	6 259	–	6 259
–	–	–	82	215	–	215
–	–	–	18	444	–	444
–	–	–	13	13	1 010	1 023
–	–	–	(1)	(2 525)	–	(2 525)
5	1	(37)	55	4 166	–	4 166
–	–	(49)	(24)	5 165	–	5 165
–	–	8	(166)	(1 602)	–	(1 602)
7	1	5	284	741	–	741
(2)	–	(1)	(39)	(138)	–	(138)
–	–	–	62	998	–	998
–	–	–	272	461 095	–	461 095

Segmental report continued

For the year ended 30 June 2023

Company continued

Restated 2022	**Momentum Life Rm**	**Momentum Investments Rm**	**Metropolitan Life Rm**	**Momentum Corporate Rm**	**Momentum Metropolitan Health Rm**
Revenue					
Net insurance premiums	9 889	30 616	8 238	17 509	679
Recurring premiums	9 392	869	6 449	12 798	679
Single premiums	497	29 747	1 789	4 711	–
Fee income	1 053	1 576	62	1 197	2
External fee income	1 053	1 576	62	1 197	2
Expenses					
Net payments to contract holders					
External payments	11 251	26 895	6 485	19 917	344
Other expenses	3 262	1 615	3 020	1 317	96
Sales remuneration	1 283	908	1 162	84	78
Administration expenses	1 567	699	1 784	1 221	18
Amortisation, depreciation and impairment	37	8	74	12	–
Direct property expenses	375	–	–	–	–
Asset management and other fee expenses	–	–	–	–	–
Income tax	(347)	(874)	(169)	(497)	–
Normalised headline earnings	1 142	642	650	1 135	47
Operating profit/(loss)[2]	1 470	843	841	1 473	100
Tax on operating profit/(loss)	(419)	(236)	(238)	(426)	(50)
Investment income	100	43	52	97	(4)
Tax on investment income	(9)	(8)	(5)	(9)	1
Basis changes and investment variances[3]	426	190	133	553	–
Actuarial liabilities	74 642	188 102	36 265	107 265	100

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

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

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

All revenue relates to South African operations.

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 R112 112 million with no such non-current assets located in other countries.

Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	IFRS total Rm
–	–	–	–	66 931	(42 753)	24 178
–	–	–	–	30 187	(12 647)	17 540
–	–	–	–	36 744	(30 106)	6 638
–	–	–	(1)	3 889	–	3 889
–	–	–	(1)	3 889	–	3 889
–	–	–	–	64 892	(42 791)	22 101
–	–	29	55	9 394	865	10 259
–	–	–	–	3 515	–	3 515
–	–	28	110	5 427	–	5 427
–	–	–	(69)	62	–	62
–	–	–	9	384	–	384
–	–	1	5	6	865	871
–	–	–	(1)	(1 888)	–	(1 888)
(4)	(1)	(29)	(122)	3 460	–	3 460
–	–	(28)	(60)	4 639	–	4 639
–	–	–	10	(1 359)	–	(1 359)
(5)	(1)	(1)	(89)	192	–	192
1	–	–	17	(12)	–	(12)
–	–	–	104	1 406	–	1 406
–	–	–	149	406 523	–	406 523

Notes to the financial statements

For the year ended 30 June 2023

1 RECONCILIATION OF EARNINGS

Group earnings per ordinary share attributable to owners of the parent	**Group** 2023	**Group** 2022	**Company** 2023	**Company** 2022
Earnings (cents per share)	**2 239**	1 836	**2 237**	2 473
Normalised headline earnings (cents per share)	**2 268**	1 847	**2 193**	1 821

Reconciliation of normalised headline earnings attributable to owners of the parent	**Group** 2023 Rm	**Group** 2022 Rm	**Company** 2023 Rm	**Company** 2022 Rm
Earnings – equity holders of group	**4 254**	3 489	**4 250**	4 699
(Reversal of impairment)/impairment of intangible assets relating to business combinations	**–**	(10)	**–**	(10)
Tax on impairment of intangible assets relating to business combinations	**–**	4	**–**	4
Impairment of intangible computer software	**–**	2	**–**	2
Loss on disposal of equipment	**1**	–	**1**	–
Net impairment reversal of owner-occupied property below cost	**(10)**	(9)	**(3)**	(16)
Tax on net impairment of owner-occupied property below cost	**–**	4	**–**	4
Fair value gains on intercompany loans	**–**	–	**–**	(49)
Impairment/(reversal of impairment) of intercompany loans	**10**	(27)	**11**	(129)
Subsidiary dividends income	**–**	–	**(135)**	(1 089)
Amortisation of intangible assets relating to business combinations	**42**	39	**29**	27
Tax on amortisation of intangible assets relating to business combinations	**(10)**	(12)	**(8)**	(12)
iSabelo equity-settled share scheme expenses	**23**	29	**21**	29
Normalised headline earnings[1, 2]	**4 310**	3 509	**4 166**	3 460
Weighted average number of ordinary shares in issue (million)	**190**	190	**190**	190

[1] Normalised headline earnings include the impact of investment variances, actuarial basis changes of R728 million (2022: R1 012 million) and other non-recurring items. However, normalised headline earnings adjust the standard definition of headline earnings for the amortisation of intangible assets from business combinations, the impact of the iSabelo employee share scheme, as well as dividends income from subsidiaries and intercompany loan impairments, which are eliminated on consolidation of the holding company group. Management uses this as a segmental performance measure and is of the opinion that it represents underlying performance that is under control of the respective segments.

[2] As announced in February 2022, the South African corporate tax rate will be reduced from 28% to 27%, effective for years of assessment ending on or after 31 March 2023. As a result, the closing deferred tax balance at 30 June 2022 has been adjusted to take into account the change in rate. In accordance with the Headline Earnings Circular 1/2021, the items impacting 30 June 2022 headline earnings have been adjusted with R6 million in total to take this change into account.

2 INTANGIBLE ASSETS

Refer to note 47 para 4 for the accounting policies relating to this note.

		Group 2023 Rm	**Group** 2022 Rm	**Company** 2023 Rm	**Company** 2022 Rm
2.1	**Goodwill**	**265**	174	**40**	40
2.2	**Value of in-force business acquired (VOBA)**	**257**	286	**257**	286
2.3	**Customer relationships**	**94**	90	**–**	–
2.4	**Broker Network**	**34**	36	**–**	–
2.5	**Deferred acquisition costs (DAC) on life insurance business**	**1 856**	1 902	**1 773**	1 800
2.6	**Computer software**	**37**	59	**37**	18
2.7	**Right-of-use assets**	**1**	1	**1**	1
	Brands	**3**	–	**–**	–
		2 547	2 548	**2 108**	2 145

2 INTANGIBLE ASSETS CONTINUED

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
2.1 Goodwill				
Cost	**307**	216	**56**	56
Accumulated impairment	**(42)**	(42)	**(16)**	(16)
Carrying amount	**265**	174	**40**	40
Carrying amount at beginning	**174**	172	**40**	40
Business combinations (refer to note 31)	**4**	–	**–**	–
Goodwill transferred from common control transaction (refer to note 31)	**37**	–	**–**	–
Exchange differences	**50**	2	**–**	–
Carrying amount at end	**265**	174	**40**	40
Cash-generating units (CGUs)				
Ex-Metropolitan Group – Metropolitan Life (Metropolitan/ Momentum merger)	**40**	40	**40**	40
Momentum Global Investment Management – Momentum Investments	**225**	134	**–**	–
	265	174	**40**	40

Critical accounting estimates and judgements

Goodwill is allocated to CGUs for the purpose of impairment testing. The life book represents the CGU of the life insurance book of Commercial Union Life Association of South Africa Ltd of R40 million, acquired in 1999 (included in the Metropolitan Life segment). The Momentum Global Investment Management represents the acquisition of Seneca in 2021 (included in the Momentum Investment segment).

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

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

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

The other assumption which 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.

		Group		Company	
		2023	2022	2023	2022
Assumptions					
Ex-Metropolitan Group/Commercial Union Life Association of South Africa Ltd	RDR	**15%**	14%	**15%**	14%
	Long-term growth rate	**7%**	8%	**7%**	7%
Momentum Global Investment Management	RDR	**13%**	13%	**–**	–
	Long-term growth rate	**4%**	2%	**–**	–

Momentum Global Investment Management has a lower RDR, commensurate with lower UK interest rates, compared to SA.

GROUP REPORTS

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2 INTANGIBLE ASSETS CONTINUED

2.1 Goodwill continued

Sensitivity analysis of intangible assets acquired in business combinations

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 value 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 carry value. 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.

		Group		Company	
		2023 Rm	**2022 Rm**	**2023 Rm**	**2022 Rm**
2.2 Value of in-force business acquired (VOBA)					
Acquisition of insurance and investment contracts with DPF					
Cost		**1 040**	1 040	**1 040**	1 040
Accumulated amortisation		**(624)**	(595)	**(624)**	(595)
Accumulated impairment		**(159)**	(159)	**(159)**	(159)
Carrying amount		**257**	286	**257**	286
Carrying amount at beginning		**286**	303	**286**	303
Amortisation charges		**(29)**	(27)	**(29)**	(27)
Impairment reversals/(charges)		**–**	10	**–**	10
Carrying amount at end		**257**	286	**257**	286
The carrying amount is made up as follows:	**To be fully amortised by year:**				
Sage – Shareholders segment	2032	**257**	286	**257**	286
		257	286	**257**	286

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

Critical accounting estimates and judgements

VOBA is reviewed for impairment through a discounted cash flow (DCF) valuation. This valuation method references the results of the 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 value, future consideration of impairment might be required.

2 INTANGIBLE ASSETS CONTINUED

		Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
2.3 Customer relationships					
Cost		**124**	108	**–**	–
Accumulated amortisation		**(30)**	(18)	**–**	–
Carrying amount		**94**	90	**–**	–
Carrying amount at beginning		**90**	100	**–**	–
Amortisation charges		**(11)**	(10)	**–**	–
Business combinations (refer to note 31)		**14**	–	**–**	–
Exchange differences		**1**	–	**–**	–
Carrying amount at end		**94**	90	**–**	–
The carrying amount is made up as follows:	**To be fully amortised by year:**				
Momentum Global Investment Management – Momentum Investments	2031	**87**	83	**–**	–
Other		**7**	7	**–**	–
		94	90	**–**	–

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

		Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
2.4 Broker Network					
Cost		**39**	39	**–**	–
Accumulated amortisation		**(5)**	(3)	**–**	–
Carrying amount		**34**	36	**–**	–
Carrying amount at beginning		**36**	38	**–**	–
Amortisation charges		**(2)**	(2)	**–**	–
Carrying amount at end		**34**	36	**–**	–
The carrying amount is made up as follows:	**To be fully amortised by year:**				
MGIM – Momentum Investments	2041	**34**	36	**–**	–

2 INTANGIBLE ASSETS CONTINUED

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
2.5 Deferred acquisition costs (DAC) on life insurance business				
Carrying amount at beginning	**1 902**	1 903	**1 800**	1 816
Additions	**332**	360	**306**	314
Amortisation charges	**(379)**	(372)	**(333)**	(330)
Impairment reversals/(charges)	**–**	9	**–**	–
Exchange differences	**4**	2	**–**	–
Transfer to non-current assets held for sale (refer to note 8)	**(3)**	–	**–**	–
Carrying amount at end	**1 856**	1 902	**1 773**	1 800

Critical accounting estimates and judgements

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

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
2.6 Computer software				
Cost	**181**	304	**179**	149
Accumulated amortisation	**(144)**	(227)	**(142)**	(131)
Accumulated impairment	**–**	(18)	**–**	–
Carrying amount	**37**	59	**37**	18
Carrying amount at beginning	**59**	90	**18**	39
Additions	**30**	1	**30**	1
Disposals	**–**	(3)	**–**	(3)
Amortisation charges	**(18)**	(27)	**(11)**	(17)
Impairment charges	**–**	(2)	**–**	(2)
Transfer to non-current assets held for sale (refer to note 8)	**(34)**	–	**–**	–
Carrying amount at end	**37**	59	**37**	18

Internally developed software

Included in computer software is a carrying amount of R34 million (2022: R46 million) for the Group and R0 million (2022: R5 million) for the Company representing internally developed software. The decrease in Internally developed software is largely due to R12 million amortisation charges in the current year for the Group, and R5 million amortisation charges in the current year for the Company.

Momentum Multiply (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.

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.

2 INTANGIBLE ASSETS CONTINUED

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
2.7 Right-of-use assets				
Cost	**7**	6	**7**	6
Accumulated amortisation	**(6)**	(5)	**(6)**	(5)
Carrying amount	**1**	1	**1**	1
Carrying amount at beginning	**1**	16	**1**	16
Additions	**1**	1	**1**	1
Terminations of leases	**–**	(14)	**–**	(14)
Amortisation Charges	**(1)**	(2)	**(1)**	(2)
Carrying amount at end	**1**	1	**1**	1

3 OWNER-OCCUPIED PROPERTIES

Refer to note 47 para 5 and 15 for the accounting policies relating to this note.

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
3.1 Owned owner-occupied properties	**1 783**	1 726	**188**	706
3.2 Right-of-use assets	**92**	96	**164**	183
	1 875	1 822	**352**	889
3.1 Owned owner-occupied properties				
Historical carrying amount – cost model	**565**	887	**133**	482
Owner-occupied properties – at fair value	**1 783**	1 726	**188**	706
Fair value at beginning	**1 726**	1 690	**706**	793
Additions	**27**	224	**6**	8
Revaluations through other comprehensive income	**30**	(141)	**25**	10
Depreciation charges	**(36)**	(34)	**(18)**	(17)
Net impairment reversal through profit or loss	**10**	9	**3**	16
Transfer from/(to) investment properties	**26**	(30)	**–**	(104)
Other	**–**	8	**–**	–
Transfer to assets relating to disposal groups held for sale	**–**	–	**(534)**	–
Fair value at end	**1 783**	1 726	**188**	706

No borrowing costs were capitalised in the current year.

The R534 million transferred to disposal groups held for sale is as a result of the following properties being sold to 129 Rivonia a fellow subsidiary of MMH: Parc Du Cap 6, Parc Du Cap 7 & 8 and Parkade at Parc Du Cap.

The impairment reversal in the current year and prior year relate to an increase in the property valuation, due to an improvement in market rentals rates of certain buildings in the Shareholders segment where the valuation is above depreciated cost.

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

Owner-occupied properties are classified as level 3.

3 OWNER-OCCUPIED PROPERTIES CONTINUED

3.1 Owned owner-occupied properties continued

Critical accounting estimates and judgements

All properties are valued using a 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.

Group		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**	**7.30% – 10.00%**	**100bps**	**169**	**(136)**
Parkade	**Income capitalisation**	**9.25%**	**100bps**	**9**	**(7)**
Discount rate					
Office buildings	**DCF & income capitalisation**	**13.00% – 14.00%**	**100bps**	**30**	**(29)**
2022					
Capitalisation rate					
Office buildings	DCF & income capitalisation	8.00% – 10.00%	100bps	147	(120)
Parkade	Income capitalisation	9.00%	100bps	9	(7)
Discount rate					
Office buildings	DCF & income capitalisation	13.00% – 14.00%	100bps	56	(52)

Company		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**	**9.50% – 10%**	**100bps**	**19**	**(15)**
Discount rate					
Office buildings	**DCF & income capitalisation**	**13.50% – 14.00%**	**100bps**	**6**	**(6)**
2022					
Capitalisation rate					
Office buildings	DCF & income capitalisation	10.00%	100bps	51	(41)
Parkade	Income capitalisation	9.00%	100bps	9	(7)
Discount rate					
Office buildings	DCF & income capitalisation	13.00% – 14.00%	100bps	21	(20)

3 OWNER-OCCUPIED PROPERTIES CONTINUED

3.1 Owned owner-occupied properties continued

Critical accounting estimates and judgements continued

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 100bps.

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%.

3.2 Right-of-use assets

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Carrying amount at beginning	**96**	102	**183**	202
Additions	**59**	57	**58**	57
Depreciation charges	**(65)**	(72)	**(75)**	(85)
Modifications	**(2)**	9	**(2)**	9
Exchange differences	**4**	–	**–**	–
Carrying amount at end	**92**	96	**164**	183

4 INVESTMENT PROPERTIES

Refer to note 47 para 6 and 15 for the accounting policies relating to this note.

		Group		Company	
		2023 Rm	2022 Rm	2023 Rm	2022 Rm
4.1	**Owned investment properties**	**8 685**	8 917	**2 098**	6 662
4.2	**Right-of-use assets**	**11**	11	**–**	–
	Investment Properties Under Development	**98**	–	**–**	–
		8 794	8 928	**2 098**	6 662
4.1	**Owned investment properties**				
	At 30 June, investment properties comprised the following property types:				
	Shopping malls	**3 641**	3 598	**861**	3 194
	Office buildings	**4 713**	4 952	**1 403**	3 012
	Industrial	**373**	330	**4**	330
	Hotels	**260**	248	**–**	247
	Vacant land	**50**	56	**–**	25
	Other	**68**	79	**–**	72
	Property at valuation	**9 105**	9 263	**2 268**	6 880
	Accelerated rental income (refer to note 6.3)	**(311)**	(335)	**(170)**	(218)
		8 794	8 928	**2 098**	6 662
	Completed properties				
	Fair value at beginning	**8 917**	8 885	**6 662**	5 656
	Capitalised subsequent expenditure	**44**	99	**42**	80
	Additions	**2**	–	**1**	–
	Disposals	**(34)**	–	**(411)**	–
	Revaluations	**(242)**	(90)	**(177)**	28
	Change in accelerated rental income	**24**	(7)	**48**	(13)
	Transfer (to)/from Non-Current Assets Held for Sale (refer to note 8)[1]	**–**	–	**(4 067)**	807
	Transfer (to)/from owner-occupied properties	**(26)**	30	**–**	104
	Fair value at end	**8 685**	8 917	**2 098**	6 662

[1] The properties are expected to be transferred to a fund that is controlled by the Group, therefore on Group level these are not classified as held for sale.

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

Investment properties are classified as level 3.

4 INVESTMENT PROPERTIES CONTINUED

4.1 Owned investment properties continued

Critical accounting estimates and judgements

In 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.

Group				Change in fair value	
	Valuation technique	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
2023					
Capitalisation rate				**681**	**(540)**
Shopping malls	**DCF & income capitalisation**	**7.25% – 11.30%**	**100bps**	**282**	**(222)**
Office buildings	**DCF & income capitalisation**	**7.30% – 10.00%**	**100bps**	**361**	**(288)**
Industrial	**DCF & income capitalisation**	**9.50% – 10.50%**	**100bps**	**21**	**(17)**
Hotels	**DCF & income capitalisation**	**8.50%**	**100bps**	**17**	**(13)**
Discount rate				**425**	**(398)**
Shopping malls	**DCF & income capitalisation**	**12.25% – 15.80%**	**100bps**	**180**	**(168)**
Office buildings	**DCF & income capitalisation**	**12.00% – 14.80%**	**100bps**	**218**	**(204)**
Industrial	**DCF & income capitalisation**	**13.50% – 15.00%**	**100bps**	**10**	**(10)**
Hotels	**DCF & income capitalisation**	**13.00%**	**100bps**	**17**	**(16)**
Vacancy rate				**71**	**(71)**
Shopping malls	**DCF & income capitalisation**	**1.00% – 4.00%**	**100bps**	**28**	**(29)**
Office buildings	**DCF & income capitalisation**	**1.00% – 5.00%**	**100bps**	**40**	**(39)**
Industrial	**DCF & income capitalisation**	**1.00% – 6.00%**	**100bps**	**2**	**(2)**
Hotels	**DCF & income capitalisation**	**1.00%**	**100bps**	**1**	**(1)**
2022					
Capitalisation rate				699	(551)
Shopping malls	DCF & income capitalisation	7.25% – 10.00%	100bps	317	(246)
Office buildings	DCF & income capitalisation	8.25% – 10.50%	100bps	341	(273)
Industrial	DCF & income capitalisation	9.50% – 10.00%	100bps	24	(19)
Hotels	DCF & income capitalisation	8.50%	100bps	17	(13)
Discount rate				394	(367)
Shopping malls	DCF & income capitalisation	12.25% – 14.75%	100bps	138	(130)
Office buildings	DCF & income capitalisation	13.00% – 15.00%	100bps	227	(210)
Industrial	DCF & income capitalisation	13.50% – 14.00%	100bps	12	(11)
Hotels	DCF & income capitalisation	13.00%	100bps	17	(16)
Vacancy rate				63	(65)
Shopping malls	DCF & income capitalisation	1.00% – 5.00%	100bps	29	(29)
Office buildings	DCF & income capitalisation	1.00% – 5.00%	100bps	31	(33)
Industrial	DCF & income capitalisation	1.00% – 2.00%	100bps	2	(2)
Hotels	DCF & income capitalisation	1.00%	100bps	1	(1)

Notes to the financial statements continued

For the year ended 30 June 2023

4 **INVESTMENT PROPERTIES** CONTINUED

4.1 **Owned investment properties** continued

Company	Valuation technique	Base assumption	Change in assumption	Decrease in assumption Rm	Increase in assumption Rm
		Change in fair value			
2023					
Capitalisation rate				**143**	**(111)**
Shopping malls	**DCF & income capitalisation**	**7.25% – 9.50%**	**100bps**	**62**	**(47)**
Office buildings	**DCF & income capitalisation**	**8.25% – 10.00%**	**100bps**	**81**	**(64)**
Discount rate				**133**	**(122)**
Shopping malls	**DCF & income capitalisation**	**12.25% – 14.00%**	**100bps**	**52**	**(48)**
Office buildings	**DCF & income capitalisation**	**13.00% – 13.50%**	**100bps**	**81**	**(74)**
Vacancy rate				**13**	**(13)**
Shopping malls	**DCF & income capitalisation**	**1.50% – 2.00%**	**100bps**	**5**	**(5)**
Office buildings	**DCF & income capitalisation**	**2.00%**	**100bps**	**8**	**(8)**
2022					
Capitalisation rate				520	(408)
Shopping malls	DCF & income capitalisation	7.25% – 10.00%	100bps	288	(223)
Office buildings	DCF & income capitalisation	8.25% – 10.50%	100bps	191	(153)
Industrial	DCF & income capitalisation	9.50% – 10.00%	100bps	24	(19)
Hotels	DCF & income capitalisation	8.50%	100bps	17	(13)
Discount rate				292	(274)
Shopping malls	DCF & income capitalisation	12.25% – 14.75%	100bps	125	(119)
Office buildings	DCF & income capitalisation	13.00% – 15.00%	100bps	138	(128)
Industrial	DCF & income capitalisation	13.50% – 14.00%	100bps	12	(11)
Hotels	DCF & income capitalisation	13.00%	100bps	17	(16)
Vacancy rate				50	(49)
Shopping malls	DCF & income capitalisation	1.00% – 5.00%	100bps	26	(26)
Office buildings	DCF & income capitalisation	1.00% – 5.00%	100bps	21	(20)
Industrial	DCF & income capitalisation	1.00% – 2.00%	100bps	2	(2)
Hotels	DCF & income capitalisation	1.00%	100bps	1	(1)

4 INVESTMENT PROPERTIES CONTINUED

4.1 Owned investment properties continued

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

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
4.2 Right-of-use assets				
Carrying amount at beginning	**11**	11	**–**	–
Carrying amount at end	**11**	11	**–**	–

5 INTEREST IN SUBSIDIARIES

Company	Effective % holding 2023 %	2022 %
Subsidiaries (directly held):		
Collective investment schemes		
At fair value through profit and loss		
Collective investment schemes (Note 43)	**Various**	Various
Total collective investment schemes		
Unlisted		
At fair value through profit and loss		
102 Rivonia Road (Pty) Ltd	**80**	80
SMH Land Development (Pty) Ltd	**100**	100
Other unlisted investments in subsidiaries	**Various**	Various
At fair value through other comprehensive income[1, 2]		
Momentum Asset Management (Pty) Ltd[5]	**–**	100
Momentum Global Investment Management Ltd[3]	**100**	100
Momentum Money (previously Momentum Multiply)	**100**	100
Momentum Wealth International Ltd	**100**	100
Momentum Wealth (Pty) Ltd	**100**	100
129 Rivonia Road (Pty) Ltd	**100**	100
Momentum Alternative Investments (Pty) Ltd[5]	**–**	100
Momentum Life Botswana Ltd	**100**	100
Momentum Alternative Insurance Ltd[4]	**–**	100
Momentum Ability Ltd	**100**	100
Momentum Metropolitan Umhlanga (Pty) Ltd	**100**	100
Momentum Investment Management (Pty) Ltd	**100**	–
Other unlisted investments in subsidiaries	**Various**	Various
Total unlisted subsidiaries		
Transfer to Non-Current Assets Held for Sale[6]		
At fair value through profit and loss		
102 Rivonia Road (Pty) Ltd		
Other unlisted investments in subsidiaries		
Total interest in subsidiaries		

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

2 During the period, the Company received the following dividends from subsidiaries at fair value through other comprehensive income: R20 million (2022: R50 million) from Momentum Asset Management (Pty) Ltd, R53 million (2022: R61 million) from Momentum Wealth International Ltd, R5 million (2022: R15 million) from Momentum Alternative Investments (Pty) Ltd, R3 million (2022: R2 million) from Momentum Investment Consulting, Rnil million (2022: R127 million) from Momentum Global Investment Management Ltd, R9 million from Momentum Alternative Insurance Ltd and R45 million from Momentum Investments Hold Co.

3 In the prior year Momentum Asset Management (Pty) Ltd ("MAM") declared Momentum Global Investment Limited ("MGIM") as a dividend *in specie* to MML.

4 Momentum Alternative Insurance was deregistered during the year.

5 During the year, MAM and MAI was transferred to a new subsidiary of the company Momentum Investment Management (MIM), which resulted in the subsidiaries becoming indirect subsidiaries of MML. The subsidiaries were disposed of at their net asset values MAM: R120 million and MAI: R17 million and the carrying value derecognised was fair value: MAM: R391 million and MAI: R165 million. The difference between the transaction price and the fair value was recognised as an investment in MIM. There was no cash flow during the transfer.

6 The Company is in the process of transferring its interest in certain subsidiaries into a property qualified investment hedge fund, which is also a subsidiary of MML. For 102 Rivonia Road (Pty) Ltd 50% of the shareholding will be transferred.

Investment by holding company							
Company carrying amount		Amounts owing by/(to) subsidiaries		Carrying amount (including loan account)			
2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	Nature of business	Country of incorporation
107 085	91 277	**–**	–	**107 085**	91 277		
107 085	91 277	**–**	–	**107 085**	91 277	Unit trusts	South Africa
107 085	91 277	**–**	–	**107 085**	91 277		
517	483	**42**	35	**559**	518		
219	262	**–**	–	**219**	262	Property Investment	South Africa
126	117	**(15)**	(15)	**111**	102	Property Investment	South Africa
172	104	**57**	50	**229**	154	Various	Various
3 568	2 383	**512**	349	**4 080**	2 732		
–	405	**–**	1	**–**	406	Investment Management	South Africa
1 066	740	**1**	(1)	**1 067**	739	Investment Management	United Kingdom
136	110	**123**	32	**259**	142	Client Engagement Services	South Africa
652	493	**16**	28	**668**	521	Investment services	Guernsey
275	122	**212**	178	**487**	300	Investment Management	South Africa
127	120	**–**	(13)	**127**	107	Property Investment	South Africa
–	169	**–**	(2)	**–**	167	Investment Management	South Africa
24	23	**14**	12	**38**	35	Credit & group life insurance	Botswana
–	33	**–**	–	**–**	33	Non-life Insurance	South Africa
36	37	**–**	–	**36**	37	Life Insurance	South Africa
77	61	**115**	111	**192**	172	Property Investment	South Africa
1 130	–	**28**	–	**1 158**	–	Investment Management	South Africa
45	70	**3**	3	**48**	73	Various	Various
4 085	2 866	**554**	384	**4 639**	3 250		
(110)		**–**		**(110)**		Property Investment	South Africa
(163)		**(62)**		**(225)**		Various	Various
110 897	94 143	**492**	384	**111 389**	94 527		

5 INTEREST IN SUBSIDIARIES CONTINUED

Subsidiary and other related party provision for expected credit losses

		Expected credit loss provision		Impairment expense (reversal)	
	Relationship	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Momentum Wealth (Pty) Ltd	Subsidiary	–	–	–	(100)
Momentum Metropolitan Umhlanga (Pty) Ltd	Subsidiary	1	–	1	(3)
Southern Life Property Development (Pty) Ltd	Subsidiary	3	2	1	–
Momentum Consult (Pty) Ltd	Intergroup	–	2	(2)	(6)
Momentum Metropolitan Finance Company (Pty) Ltd	Intergroup	3	4	(1)	(1)
Momentum Metropolitan Holdings Ltd	Intergroup	3	6	(3)	(22)
Momentum Metropolitan Strategic Investments (Pty) Ltd	Intergroup	5	–	5	(5)
Guardrisk Life Ltd	Intergroup	–	–	–	(1)
Momentum Thebe Ya Bophelo (Pty) Ltd	Intergroup	–	–	–	(1)
Momentum Trust Ltd	Intergroup	18	8	10	8
Other related parties[1]	Related party	1	1	–	–
		34	23	11	(131)
Total subsidiaries		4	2	2	(103)
Total intergroup and related parties		30	21	9	(28)

[1] Expected credit losses and provision for impairment raised on loans of R565 million (2022: R390 million) to other related parties.

6 FINANCIAL ASSETS

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

The Group classifies its financial assets into the following categories:

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

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

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

Critical judgements and estimates

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

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

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

6 FINANCIAL ASSETS CONTINUED

	Group 2023 Rm	Group Restated[1] 2022 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm
The Group's financial assets are summarised below:				
6.1 **Financial assets at fair value through profit and loss**	**493 230**	446 246	**358 199**	320 204
6.2 **Financial assets at amortised cost**	**9 043**	7 116	**7 187**	5 052
6.3 **Insurance and other receivables (excluding accelerated rental income and prepayments)**	**3 130**	3 499	**3 186**	3 476
6.4 **Cash and cash equivalents**	**24 709**	19 815	**14 928**	12 386
Total financial assets	**530 112**	476 676	**383 500**	341 118

1 Refer to note 48 for more information on the restatements.

6.1 **Financial assets at fair value through profit and loss**	Group 2023 Rm	Group Restated[1] 2022 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm
Unit-linked investments	**205 298**	177 111	**192 252**	165 756
Debt securities#	**147 232**	147 163	**111 637**	104 523
Equity securities	**113 139**	95 970	**40 041**	37 037
Funds on deposit and other money market instruments#	**25 516**	23 137	**12 321**	11 420
Derivative financial assets	**1 989**	1 741	**1 948**	1 468
Carry positions[2]	**56**	1 124	**–**	–
	493 230	446 246	**358 199**	320 204
Open-ended	**313 141**	269 701	**233 873**	204 628
Current	**54 654**	48 760	**30 177**	26 864
Non-current	**125 435**	127 785	**94 149**	88 712
1 to 5 years	**42 948**	43 416	**29 585**	24 976
5 to 10 years	**18 903**	20 609	**12 516**	14 462
> 10 years	**63 584**	63 760	**52 048**	49 274
	493 230	446 246	**358 199**	320 204

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.

2 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 causing the significant reduction in carry positions.

Group: Upon further investigation it was concluded that funds on deposit of R67 million should have been classified as Debt securities (R67 million). 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). Company: Upon further investigation it was concluded that funds on deposit of R51 million should have been classified as Debt securities (R51 million). Further, R81 million previously disclosed in Current should have been disclosed as R81 million Non-current (1 to 5 years).

Derivative financial instruments

	2023 Assets Rm	2023 Liabilities Rm	2022 Assets Rm	2022 Liabilities Rm
Group				
Held for trading	**1 989**	**3 321**	1 741	3 039
Company				
Held for trading	**1 948**	**3 338**	1 468	2 870

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.

6 FINANCIAL ASSETS CONTINUED

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments continued

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.

Group	2023			2022		
	Effective exposure Rm	Assets Rm	Liabilities Rm	Effective exposure Rm	Assets Rm	Liabilities Rm
Derivatives held for trading						
Equity derivatives		67	32		51	82
Options, exchange traded	598	47	–	334	49	–
Futures, OTC	395	–	–	–	–	–
Futures, exchange traded	1 360	9	1	1 688	1	2
Swaps, OTC	(21)	11	31	(80)	–	80
CFD	504	–	–	814	1	–
Interest rate derivatives		1 826	2 080		1 681	2 059
Options, OTC	1	3	2	–	–	–
Futures, exchange traded	–	–	–	(5)	–	5
Swaps, OTC	(262)	1 817	2 065	(308)	1 656	1 959
Forward rate agreement, OTC	(7)	6	13	(91)	25	95
Bonds		44	131		3	140
Options, exchange traded	149	–	–	82	–	–
Futures, OTC	(3 809)	39	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		52	1 061		6	742
Options, OTC	281	45	82	–	–	–
Options, exchange traded	(233)	–	–	–	–	–
Futures, OTC	695	7	–	727	6	–
Futures, exchange traded	(786)	–	8	(205)	–	18
Swaps, OTC	(971)	–	971	(724)	–	724
Commodity Derivatives		–	–		–	–
Futures, Exchange Traded	548 334	–	–	120	–	–
Total derivative financial instruments		1 989	3 321		1 741	3 039

6 FINANCIAL ASSETS CONTINUED

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments continued

Company

	2023			Restated 2022		
	Effective exposure Rm	Assets Rm	Liabilities Rm	Effective exposure Rm	Assets Rm	Liabilities Rm
Derivatives held for trading						
Equity derivatives		57	31		45	80
Options, exchange traded	591	46	–	328	45	–
Futures, OTC	395	–	–	–	–	–
Futures, exchange traded	872	–	–	991	–	–
Swaps, OTC	(21)	11	31	(80)	–	80
Interest rate derivatives		1 805	2 110		1 423	1 911
Options, OTC	1	3	2	–	–	–
Swaps, OTC	(313)	1 796	2 095	(420)	1 413	1 817
Forward rate agreement, OTC	(7)	6	13	(84)	10	94
Bonds		39	130		–	139
Options, exchange traded	141	–	–	63	–	–
Futures, OTC	(3 809)	39	130	3 285	–	139
Futures, exchange traded	6 010	–	–	1 641	–	–
Credit derivatives		–	17		–	16
Swaps, OTC	(17)	–	17	(16)	–	16
Currency derivatives		47	1 050		–	724
Options, OTC	226	44	79	–	–	–
Options, exchange traded	(109)	–	–	–	–	–
Futures, OTC	186	3	–	–	–	–
Futures, exchange traded	–	–	–	1	–	–
Swaps, OTC	(971)	–	971	(724)	–	724
Commodity Derivatives		–	–		–	–
Futures, Exchange Traded	95	–	–	120	–	–
Total derivative financial instruments		**1 948**	**3 338**		1 468	2 870

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

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

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

6 FINANCIAL ASSETS CONTINUED

6.1 Financial assets at fair value through profit and loss continued

Derivative financial instruments continued

Offsetting

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

	Group		Company	
	2023 Rm	Restated[4] 2022 Rm	2023 Rm	Restated[4] 2022 Rm
Derivative financial assets				
Gross and net amounts of recognised financial assets	**1 989**	1 741	**1 948**	1 468
Related amounts not set off in the statement of financial position				
Financial instruments	**(1 433)**	(1 280)	**(1 423)**	(1 115)
Cash collateral received	**(384)**	(141)	**(384)**	(141)
Net amount	**172**	320	**141**	212
Derivative financial liabilities				
Gross and net amounts of recognised financial liabilities	**3 321**	3 039	**3 338**	2 870
Related amounts not set off in the statement of financial position				
Financial instruments	**(1 429)**	(1 280)	**(1 423)**	(1 115)
Cash collateral issued	**(676)**	(814)	**(676)**	(814)
Net amount	**1 216**	945	**1 239**	941

6.2 Financial assets at amortised cost

	Group 2023 Rm	Group Restated[4] 2022 Rm	Company 2023 Rm	Company Restated[4] 2022 Rm
Unsettled trades[1]	**2 882**	1 896	**1 502**	512
Accounts receivable	**2 090**	1 791	**1 652**	1 260
Less: provision for impairment	**(95)**	(87)	**(92)**	(84)
Funds on deposit and other money market instruments	**113**	145	**58**	71
Less: provision for impairment[3]	**(31)**	(32)	**(16)**	(16)
Loans	**4 084**	3 403	**4 083**	3 309
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	**2 642**	1 992	**2 997**	2 212
Less provision for impairment[3]	**(30)**	(21)	**(34)**	(23)
Staff loans	**3**	6	**4**	6
Other related party loans[2]	**126**	113	**123**	111
Other loans				
Policy loans	**711**	709	**711**	709
Due from agents, brokers and intermediaries	**423**	446	**423**	446
Less: provision for impairment	**(141)**	(152)	**(141)**	(152)
Other	**350**	310	**–**	–
Total included in financial assets	**9 043**	7 116	**7 187**	5 052
Current	**8 857**	6 713	**7 175**	4 885
Non-current	**186**	403	**12**	167
	9 043	7 116	**7 187**	5 052

1 Unsettled trades result from transactions that Portfolios Managers enter into on behalf of the various subsidiaries in the Group in accordance with the discretionary portfolio management agreements. The Group's accounting policy is to recognise purchases and sales of financial assets on the trade date, 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.

2 Included in other related party loans is a R123 million (2022: R111 million) loan to Abland, that manages the operations of a policyholder trust for MML.

3 There was an increase in expected credit losses for a specific counterparty that resulted in a proportionally higher provision for impairment in the current year compared to the previous year. The total balance for funds on deposit and other money market instruments and the associated provision for impairment relates to the same counterparty.

4 Refer to note 48 for more information on the restatements.

6 FINANCIAL ASSETS CONTINUED

6.2 Financial assets at amortised cost continued

Group

Reconciliation of expected credit losses	Funds on deposit and other money market instruments Rm	Accounts receivable Rm	Related party loans Rm	Due from agents, brokers and intermediaries Rm	Total Rm
2023					
Balance at beginning	**(32)**	**(87)**	**(21)**	**(152)**	**(292)**
Additional provision	**–**	**(7)**	**(17)**	**–**	**(24)**
Reversed to the income statement	**1**	**4**	**6**	**11**	**22**
Other	**–**	**(5)**	**2**	**–**	**(3)**
Balance at end	**(31)**	**(95)**	**(30)**	**(141)**	**(297)**
2022					
Balance at beginning	(32)	(80)	(48)	(145)	(305)
Additional provision	–	(13)	(8)	(7)	(28)
Reversed to the income statement	–	5	35	–	40
Other	–	1	–	–	1
Balance at end	(32)	(87)	(21)	(152)	(292)

Company

Reconciliation of expected credit losses	Funds on deposit and other money market instruments Rm	Accounts receivable Rm	Loans due from subsidiaries and fellow MMH subsidiaries Rm	Due from agents, brokers and intermediaries Rm	Total Rm
2023					
Balance at beginning	**(16)**	**(84)**	**(23)**	**(152)**	**(275)**
Additional provision	**–**	**(7)**	**(17)**	**–**	**(24)**
Reversed to the income statement	**–**	**5**	**6**	**11**	**22**
Other	**–**	**(6)**	**–**	**–**	**(6)**
Balance at end	**(16)**	**(92)**	**(34)**	**(141)**	**(283)**
2022					
Balance at beginning	(16)	(76)	(154)	(145)	(391)
Additional provision	–	(13)	(8)	(7)	(28)
Reversed to the income statement	–	5	137	–	142
Other	–	–	2	–	2
Balance at end	(16)	(84)	(23)	(152)	(275)

Terms and conditions of material loans

- Loans to Group companies are interest free, repayable on demand, and are unsecured.
- Policy loans are limited to and secured by the underlying value of the unpaid policy benefits. These loans attract interest at rates greater than the current prime rate but limited to 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 6.6 for the split of the credit risk and expected credit loss allowances into stages.

6 FINANCIAL ASSETS CONTINUED

	Group 2023 Rm	Group Restated[1] 2022 Rm	Company 2023 Rm	Company Restated[1] 2022 Rm
6.3 Insurance and other receivables				
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 130**	3 498	**3 130**	3 476
Insurance contract holders	**1 741**	1 906	**1 741**	1 906
Cell captives	**–**	3	**–**	–
Due from reinsurers	**1 439**	1 647	**1 439**	1 628
Less: provision for impairment	**(50)**	(58)	**(50)**	(58)
Related party – Insurance receivables	**–**	1	**56**	–
Total included in financial assets	**3 130**	3 499	**3 186**	3 476
Accelerated rental income (refer to note 4.1)	**311**	335	**170**	218
Prepayments	**157**	114	**138**	96
Total insurance and other receivables	**3 598**	3 948	**3 494**	3 790
Current	**3 292**	3 561	**3 309**	3 527
Non-current	**306**	387	**185**	263
	3 598	3 948	**3 494**	3 790

[1] Refer to note 48 for more information on the restatements.

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

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

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
6.4 Cash and cash equivalents				
Bank and other cash balances	**8 431**	6 867	**6 294**	5 119
Funds on deposit and other money market instruments – maturity < 90 days	**16 278**	12 948	**8 634**	7 267
	24 709	19 815	**14 928**	12 386

6 FINANCIAL ASSETS CONTINUED

Group Financial assets summarised by measurement category in terms of IFRS 9	Fair value through profit and loss Mandatorily Rm	 Designated[1] Rm	 Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
6.5 Financial assets measurement						
2023						
Unit-linked investments	**205 298**	**–**	**205 298**	**–**	**–**	**205 298**
Debt securities	**37 778**	**109 454**	**147 232**	**–**	**–**	**147 232**
Equity securities[2]	**113 139**	**–**	**113 139**	**–**	**–**	**113 139**
Funds on deposit and other money market instruments	**14 270**	**11 246**	**25 516**	**82**	**–**	**25 598**
Derivative financial assets	**1 989**	**–**	**1 989**	**–**	**–**	**1 989**
Carry positions	**–**	**56**	**56**	**–**	**–**	**56**
Financial assets at amortised cost	**–**	**–**	**–**	**8 961**	**–**	**8 961**
Insurance and other receivables (excluding accelerated rental and prepayments)	**–**	**–**	**–**	**–**	**3 130**	**3 130**
Cash and cash equivalents	**–**	**–**	**–**	**24 709**	**–**	**24 709**
Total financial assets	**372 474**	**120 756**	**493 230**	**33 752**	**3 130**	**530 112**
Restated 2022						
Unit-linked investments	177 111	–	177 111	–	–	177 111
Debt securities	43 135	104 028	147 163	–	–	147 163
Equity securities[2]	95 970	–	95 970	–	–	95 970
Funds on deposit and other money market instruments	12 268	10 869	23 137	113	–	23 250
Derivative financial assets	1 741	–	1 741	–	–	1 741
Carry positions	–	1 124	1 124	–	–	1 124
Financial assets at amortised cost	–	–	–	7 003	–	7 003
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	3 499	3 499
Cash and cash equivalents	–	–	–	19 815	–	19 815
Total financial assets	330 225	116 021	446 246	26 931	3 499	476 676

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

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

6 FINANCIAL ASSETS CONTINUED

6.5 Financial assets measurement continued

Company Financial assets summarised by measurement category in terms of IFRS 9	Fair value through profit and loss Mandatorily Rm	Designated[1] Rm	Total fair value Rm	At fair value through other comprehensive income Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
2023							
Equity securities[2]	**40 041**	**–**	**40 041**	**–**	**–**	**–**	**40 041**
Debt securities	**7 090**	**104 547**	**111 637**	**–**	**–**	**–**	**111 637**
Funds on deposit and other money market instruments	**1 366**	**10 955**	**12 321**	**–**	**42**	**–**	**12 363**
Unit-linked investments	**192 252**	**–**	**192 252**	**–**	**–**	**–**	**192 252**
Derivative financial assets	**1 948**	**–**	**1 948**	**–**	**–**	**–**	**1 948**
Financial assets at amortised cost	**–**	**–**	**–**	**–**	**7 145**	**–**	**7 145**
Insurance and other receivables (excluding accelerated rental income and prepayments)	**–**	**–**	**–**	**–**	**–**	**3 186**	**3 186**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**14 928**	**–**	**14 928**
Investments in subsidiaries at fair value	**107 329**	**–**	**107 329**	**3 568**	**–**	**–**	**110 897**
Total financial assets	**350 026**	**115 502**	**465 528**	**3 568**	**22 115**	**3 186**	**494 397**
Restated 2022							
Equity securities[2]	37 037	–	37 037	–	–	–	37 037
Debt securities[#]	6 924	97 599	104 523	–	–	–	104 523
Funds on deposit and other money market instruments[#]	1 608	9 812	11 420	–	55	–	11 475
Unit-linked investments	165 756	–	165 756	–	–	–	165 756
Derivative financial assets	1 468	–	1 468	–	–	–	1 468
Financial assets at amortised cost	–	–	–	–	4 997	–	4 997
Insurance and other receivables (excluding accelerated rental income and prepayments)	–	–	–	–	–	3 476	3 476
Cash and cash equivalents	–	–	–	–	12 386	–	12 386
Investments in subsidiaries at fair value	91 760	–	91 760	2 383	–	–	94 143
Total financial assets	304 553	107 411	411 964	2 383	17 438	3 476	435 261

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

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

Group: 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.

Company: Upon further investigation it was concluded that funds on deposit and other money market instruments designated at FVPL of R51 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

6 FINANCIAL ASSETS CONTINUED

6.5 Financial assets measurement continued

Business model assessment

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

Life insurance companies

Financial assets mandatorily at fair value through profit and loss

All shareholder assets are managed to maximise shareholder value creation on a long-term sustainable basis through the optimised taking or minimising of market risk borne by shareholders, across the Group. Shareholder value creation is measured on a basis that is risk adjusted, 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 fair value through profit and loss.

Financial assets designated at fair value through profit and loss

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

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

Other companies

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

Consolidated collective investment schemes

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

Impairment

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

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk

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

Credit risk exposure

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

	Group		Company	
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
Financial assets at fair value through profit and loss				
Debt securities	**147 232**	147 163	**111 637**	104 523
Stock and loans to government and other public bodies	**83 533**	85 609	**62 561**	61 515
Other debt instruments[2, 3]	**63 699**	61 554	**49 076**	43 008
Funds on deposit and other money market instruments	**25 516**	23 137	**12 321**	11 420
Unit-linked investments (categorised as interest-bearing and money market – refer to note 44)	**12 218**	6 188	**38 527**	32 394
Collective investment schemes[#]	**10 085**	4 050	**36 437**	30 352
Other unit-linked investments[#]	**2 133**	2 138	**2 090**	2 042
Derivative financial assets – Held for trading	**1 989**	1 741	**1 948**	1 468
Carry positions	**56**	1 124	**–**	–
Financial assets at amortised cost	**9 043**	7 116	**7 187**	5 052
Unsettled trades	**2 882**	1 896	**1 502**	512
Accounts receivable	**1 995**	1 704	**1 560**	1 176
Funds on deposit and other money market instruments	**82**	113	**42**	55
Loans	**4 084**	3 403	**4 083**	3 309
Insurance and other receivables				
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 130**	3 499	**3 130**	3 476
Cash and cash equivalents	**24 709**	19 815	**14 928**	12 386
Total assets bearing credit risk	**223 893**	209 783	**189 678**	170 719

1 Refer to note 48 for more information on the restatements.

2 Group: 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.

Company: Upon further investigation it was concluded that funds on deposit and other money market instruments designated at FVPL of R51 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

3 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 R606m (2022: R600 million). The investment company which issued the preference shares, with a carrying value 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.

Please refer to note 44 for more information on these restatements.

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Group Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2023				
Financial assets at amortised cost				
Unsettled trades	2 882	–	–	2 882
Accounts receivable	1 799	98	193	2 090
Provision for impairment	(4)	–	(91)	(95)
Funds on deposit and other money market instruments	–	–	113	113
Provision for impairment[2]	–	–	(31)	(31)
Policy loans	711	–	–	711
Due from agents, brokers and intermediaries	302	–	121	423
Provision for impairment	(24)	–	(117)	(141)
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	2 573	30	39	2 642
Provision for impairment	(8)	–	(22)	(30)
Other related party loans	126	–	–	126
Staff loans	3	–	–	3
Other	349	1	–	350
	8 709	129	205	9 043

[2] There was an increase in expected credit losses for a specific counterparty that resulted in a proportionally higher provision for impairment in the current year compared to the previous year. The total balance for funds on deposit and other money market instruments and the associated provision for impairment relates to the same counterparty.

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

Group Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Restated 2022				
Financial assets at amortised cost				
Unsettled trades	1 896	–	–	1 896
Accounts receivable	1 544	75	172	1 791
Provision for impairment	(4)	(2)	(81)	(87)
Funds on deposit and other money market instruments	–	–	145	145
Provision for impairment	–	–	(32)	(32)
Policy loans	709	–	–	709
Due from agents, brokers and intermediaries	337	–	109	446
Provision for impairment	(53)	–	(99)	(152)
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	1 830	44	118	1 992
Provision for impairment	(7)	(5)	(9)	(21)
Other related party loans	113	–	–	113
Staff loans	5	–	1	6
Other	306	–	4	310
	6 676	112	328	7 116

Notes to the financial statements continued

For the year ended 30 June 2023

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Company Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
2023				
Financial assets at amortised cost				
Accounts receivable	1 413	51	188	1 652
Provision for impairment	(1)	–	(91)	(92)
Unsettled trades	1 502	–	–	1 502
Funds on deposit and other money market instruments	–	–	58	58
Provision for impairment[2]	–	–	(16)	(16)
Loans				
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	2 928	30	39	2 997
Provision for impairment	(12)	–	(22)	(34)
Staff loans	4	–	–	4
Other related party loans	123	–	–	123
Other loans				
Due from agents, brokers and intermediaries	302	–	121	423
Provision for impairment	(24)	–	(117)	(141)
Policy loans	711	–	–	711
	6 946	81	160	7 187

[2] There was an increase in expected credit losses for a specific counterparty that resulted in a proportionally higher provision for impairment in the current year compared to the previous year. The total balance for funds on deposit and other money market instruments and the associated provision for impairment relates to the same counterparty.

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

Company Credit risk balances – expected credit loss	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Restated[1] 2022				
Financial assets at amortised cost				
Accounts receivable	1 081	40	139	1 260
Provision for impairment	(1)	(2)	(81)	(84)
Unsettled trades	512	–	–	512
Funds on deposit and other money market instruments	–	–	71	71
Provision for impairment	–	–	(16)	(16)
Loans				
Related party loans				
Loans due from subsidiaries and fellow MMH subsidiaries	1 932	155	125	2 212
Provision for impairment	(9)	(1)	(13)	(23)
Staff loans	5	–	1	6
Other related party loans	111	–	–	111
Other loans				
Due from agents, brokers and intermediaries	337	–	109	446
Provision for impairment	(53)	–	(99)	(152)
Policy loans	709	–	–	709
	4 624	192	236	5 052

[1] Refer to note 48 for more information on the restatements.

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Group Reconciliation of expected credit losses	12 month expected credit losses (Stage 1) Rm	Lifetime expected credit losses (Stage 2) Rm	Lifetime expected credit losses (Stage 3) Rm	Total Rm
2023				
Accounts receivable				
Opening balance	**(4)**	**(2)**	**(81)**	**(87)**
Movement recognised in the income statement	**5**	**2**	**(10)**	**(3)**
Other	**(5)**	**–**	**–**	**(5)**
Closing balance	**(4)**	**–**	**(91)**	**(95)**
Funds on deposit and other money market instruments				
Opening balance	**–**	**–**	**(32)**	**(32)**
Movement recognised in the income statement	**–**	**–**	**1**	**1**
Closing balance	**–**	**–**	**(31)**	**(31)**
Related party loans				
Opening balance	**(7)**	**(5)**	**(9)**	**(21)**
Movement recognised in the income statement	**(3)**	**5**	**(13)**	**(11)**
Other	**2**	**–**	**–**	**2**
Closing balance	**(8)**	**–**	**(22)**	**(30)**
Due from agents, brokers and intermediaries				
Opening balance	**(53)**	**–**	**(99)**	**(152)**
Movement recognised in the income statement	**29**	**–**	**(18)**	**11**
Closing balance	**(24)**	**–**	**(117)**	**(141)**
2022				
Accounts receivable				
Opening balance	(5)	(68)	(7)	(80)
Movement recognised in the income statement	1	66	(74)	(7)
Closing balance	(4)	(2)	(81)	(87)
Funds on deposit and other money market instruments				
Opening balance	–	–	(32)	(32)
Closing balance	–	–	(32)	(32)
Related party loans				
Opening balance	(34)	(5)	(9)	(48)
Movement recognised in the income statement	27	–	–	27
Closing balance	(7)	(5)	(9)	(21)
Due from agents, brokers and intermediaries				
Opening balance	(32)	–	(113)	(145)
Movement recognised in the income statement	(21)	–	14	(7)
Closing balance	(53)	–	(99)	(152)

Notes to the financial statements continued

For the year ended 30 June 2023

6 **FINANCIAL ASSETS** CONTINUED

6.6 **Credit risk** continued

Company **Reconciliation of expected credit losses**	**12 month expected credit losses (Stage 1) Rm**	**Lifetime expected credit losses (Stage 2) Rm**	**Lifetime expected credit losses (Stage 3) Rm**	**Total Rm**
2023				
Accounts receivable				
Opening balance	**(1)**	**(2)**	**(81)**	**(84)**
Movement recognised in the income statement	**6**	**2**	**(10)**	**(2)**
Other	**(6)**	**–**	**–**	**(6)**
Closing balance	**(1)**	**–**	**(91)**	**(92)**
Funds on deposit and other money market instruments				
Opening balance	**–**	**–**	**(16)**	**(16)**
Movement recognised in the income statement	**–**	**–**	**–**	**–**
Closing balance	**–**	**–**	**(16)**	**(16)**
Loans due from subsidiaries and fellow MMH subsidiaries				
Opening balance	**(9)**	**(1)**	**(13)**	**(23)**
Movement recognised in the income statement	**(3)**	**1**	**(9)**	**(11)**
Closing balance	**(12)**	**–**	**(22)**	**(34)**
Due from agents, brokers and intermediaries				
Opening balance	**(53)**	**–**	**(99)**	**(152)**
Movement recognised in the income statement	**29**	**–**	**(18)**	**11**
Closing balance	**(24)**	**–**	**(117)**	**(141)**
2022				
Accounts receivable				
Opening balance	(5)	(65)	(6)	(76)
Movement recognised in the income statement	4	63	(75)	(8)
Closing balance	(1)	(2)	(81)	(84)
Funds on deposit and other money market instruments				
Opening balance	–	–	(16)	(16)
Movement recognised in the income statement	–	–	–	–
Closing balance	–	–	(16)	(16)
Loans due from subsidiaries and fellow MMH subsidiaries				
Opening balance	(141)	(5)	(8)	(154)
Movement recognised in the income statement	132	4	(7)	129
Other	–	–	2	2
Closing balance	(9)	(1)	(13)	(23)
Due from agents, brokers and intermediaries				
Opening balance	(32)	–	(113)	(145)
Movement recognised in the income statement	(21)	–	14	(7)
Closing balance	(53)	–	(99)	(152)

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Stage	Staging definitions: Unsettled trades and accounts receivable	Debt securities and funds on deposit and other money market instruments	Loans	Due from agents, brokers and intermediaries	Basis for recognition of expected credit loss provision
Stage 1	• Low risk of default • Strong capability to meet contractual payments	• Low risk of default • Strong capability to meet contractual payments	• Loans are recoverable • Low risk of default • Strong capability to meet contractual payments • Repayment of interest and capital payments in line with terms of agreements • No restructuring of the loan has occurred	• Low risk of default • Strong ability to meet contractual payments	12 months expected losses
Stage 2	• Significant increase in credit risk • Repayments are more than 30 days and less than 90 days past due	• Financial assets move to stage two if the instruments investment grade falls with two rating grades	• Loans are recoverable • Repayment of interest and capital significantly in line with the terms of agreements, i.e. not more than 30 days past due • Restructuring of loans due to 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	• Significant increase in credit risk • Repayments are more than 30 days and less than 90 days past due	Lifetime expected losses
Stage 3	• Significant increase in credit risk • Repayments are more than 90 days past due	• Financial assets move to stage three if the instruments investment grade falls an additional two rating grades since classified as stage two	• Loans are partially recoverable • Loan is in default, i.e. repayment of interest and capital payments not in line with terms of agreement and default does not occur lather than 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.				

6 **FINANCIAL ASSETS** CONTINUED

6.6 **Credit risk** continued

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

Financial asset	**Impairment information**
Unsettled trades and accounts receivable	Impairment of accounts receivable is based on the recoverability of balances grouped together based on shared credit risk characteristics, 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 instrument	The expected credit loss is calculated using information extracted from the reports published by the rating agencies annually.
Loans	For related party loans the solvency of the counterparty is taken into account as well as any collateral held. Policy loans are collateralised by the insurance policy and therefore the expected credit loss is negligible.
Due from agents, brokers and intermediaries	Impairment of amounts due from agents, brokers and intermediaries is mainly due to intermediaries moving to out-of-service status and unproductive agent accounts.

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

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Credit quality

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

Group	AAA Rm	AA Rm	A Rm	BBB Rm	BB Rm	B Rm	C Rm	CCC Rm	Unrated Rm	Total Rm
2023										
Financial assets at fair value through profit and loss										
Debt securities										
Stock and loans to government and other public bodies	**74 069**	**6 176**	**1 370**	**228**	**–**	**471**	**98**	**155**	**966**	**83 533**
Other debt instruments	**12 770**	**38 693**	**6 734**	**1 961**	**101**	**186**	**–**	**101**	**3 153**	**63 699**
Derivative financial assets	**206**	**1 734**	**18**	**7**	**23**	**–**	**–**	**–**	**1**	**1 989**
Carry positions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**56**	**56**
Cash and cash equivalents and funds on deposit and money market instruments	**11 161**	**36 422**	**1 978**	**–**	**36**	**4**	**–**	**–**	**624**	**50 225**
Other unrated instruments							**–**			
Other financial assets at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9 043**	**9 043**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3 130**	**3 130**
Unit-linked investments[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12 218**	**12 218**
	98 206	**83 025**	**10 100**	**2 196**	**160**	**661**	**98**	**256**	**29 191**	**223 893**
Restated[2] 2022										
Financial assets at fair value through profit and loss										
Debt securities										
Stock and loans to government and other public bodies	75 177	6 830	2 249	222	–	636	145	312	38	85 609
Other debt instruments[#]	8 619	39 027	8 352	1 816	233	278	–	105	3 124	61 554
Derivative financial assets	180	1 507	10	5	20	–	–	–	19	1 741
Carry positions	–	–	–	–	–	–	–	–	1 124	1 124
Cash and cash equivalents and funds on deposit and money market instruments[#]	9 262	30 803	2 444	–	–	133	–	–	310	42 952
Other unrated instruments							–			
Other financial assets at amortised cost	–	–	–	–	–	–	–	–	7 116	7 116
Insurance and other receivables	–	–	–	–	–	–	–	–	3 499	3 499
Unit-linked investments[1]	–	–	–	–	–	–	–	–	6 188	6 188
	93 238	78 167	13 055	2 043	253	1 047	145	417	21 418	209 783

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

[2] Refer to note 48 for more information on the restatements.

[#] Upon further investigation it was concluded that cash and cash equivalents and funds on deposit and 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.

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Credit quality continued

Company	AAA Rm	AA Rm	A Rm	BBB Rm	BB Rm	B Rm	C Rm	CCC Rm	Unrated Rm	Total Rm
2023										
Financial assets at fair value through profit and loss										
Debt securities										
Stock and loans to government and other public bodies	**56 056**	**5 052**	**793**	**73**	**–**	**346**	**–**	**155**	**86**	**62 561**
Other debt instruments	**12 244**	**29 331**	**4 176**	**359**	**101**	**64**	**–**	**101**	**2 700**	**49 076**
Derivative financial instruments	**206**	**1 711**	**–**	**7**	**23**	**–**	**–**	**–**	**1**	**1 948**
Cash and cash equivalents and funds on deposit	**6 386**	**20 561**	**224**	**–**	**–**	**–**	**–**	**–**	**78**	**27 249**
Other unrated instruments										
Financial assets at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7 187**	**7 187**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3 130**	**3 130**
Unit-linked investments[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38 527**	**38 527**
	74 892	**56 655**	**5 193**	**439**	**124**	**410**	**–**	**256**	**51 709**	**189 678**
Restated[2] 2022										
Financial assets at fair value through profit and loss										
Debt securities										
Stock and loans to government and other public bodies	53 740	5 493	1 436	82	–	452	–	312	–	61 515
Other debt instruments#	8 329	25 987	5 280	184	106	170	–	8	2 944	43 008
Derivative financial instruments	179	1 249	–	5	20	–	–	–	15	1 468
Cash and cash equivalents and funds on deposit#	5 043	18 289	452	–	–	–	–	–	22	23 806
Other unrated instruments										
Financial assets at amortised cost	–	–	–	–	–	–	–	–	5 052	5 052
Insurance and other receivables	–	–	–	–	–	–	–	–	3 476	3 476
Unit-linked investments[1]	–	–	–	–	–	–	–	–	32 394	32 394
	67 291	51 018	7 168	271	126	622	–	320	43 903	170 719

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

2 Refer to note 48 for more information on the restatements.

Upon further investigation it was concluded that cash and cash equivalents and funds on deposit and money market instruments designated at FVPL of R51 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

6 FINANCIAL ASSETS CONTINUED

6.6 Credit risk continued

Credit quality of reinsurers

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

Group and Company	2023		2022	
Reinsurer	Reinsured portion – %	Credit rating	Reinsured portion – %	Credit rating
Swiss Re	29%	AA-	30%	AA-
General Cologne Re	14%	AA+	17%	AA+
Hannover Re	0%	AA-	3%	AA-
RGA Re	13%	AA-	15%	AA-
Munich Re	37%	AA-	30%	AA-
Other	7%	AA-	5%	AA-
	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	432	203	380	19	1 034
2022					
Other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	495	46	17	12	570

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

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy

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

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

Group	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2023				
Securities at fair value through profit and loss	374 297	114 414	4 519	493 230
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted	128 384	1 487	–	129 871
Local unlisted unquoted	–	99	–	99
Foreign unlisted or listed quoted	59 174	67	–	59 241
Foreign unlisted unquoted	–	416	621	1 037
Other unit-linked investments				
Local unlisted or listed quoted	3 330	–	–	3 330
Local unlisted unquoted	–	8 320	2 634	10 954
Foreign unlisted or listed quoted	169	–	–	169
Foreign unlisted unquoted	–	20	577	597
Debt securities				
Stock and loans to government and other public bodies				
Local listed	67 417	8 771	–	76 188
Foreign listed	2 722	60	–	2 782
Unlisted	–	4 101	462	4 563
Other debt instruments				
Local listed	–	34 026	43	34 069
Foreign listed	36	6 077	–	6 113
Unlisted	–	23 475	42	23 517
Equity securities				
Local listed	68 496	1	2	68 499
Foreign listed	44 486	–	–	44 486
Unlisted	–	16	138	154
Funds on deposit and other money market instruments	6	25 510	–	25 516
Carry positions	–	56	–	56
Derivative financial assets – Held for trading	77	1 912	–	1 989
	374 297	114 414	4 519	493 230

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

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

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy continued

Group	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022				
Securities at fair value through profit and loss	331 349	110 245	4 652	446 246
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted[2]	108 418	1 179	–	109 597
Local unlisted unquoted	–	16	–	16
Foreign unlisted or listed quoted[3]	52 599	52	–	52 651
Foreign unlisted unquoted[3]	–	691	539	1 230
Other unit-linked investments				
Local unlisted or listed quoted[2]	3 300	–	–	3 300
Local unlisted unquoted[2]	–	7 133	2 399	9 532
Foreign unlisted or listed quoted	203	–	–	203
Foreign unlisted unquoted	–	18	564	582
Debt securities				
Stock and loans to government and other public bodies				
Local listed	69 576	10 647	1	80 224
Foreign listed	1 378	37	2	1 417
Unlisted	–	3 430	538	3 968
Other debt instruments				
Local listed[4]	1	37 148	3	37 152
Foreign listed[4]	10	999	–	1 009
Unlisted[4, 5]	–	22 937	456	23 393
Equity securities				
Local listed	60 730	–	1	60 731
Foreign listed	35 064	–	–	35 064
Unlisted	–	26	149	175
Funds on deposit and other money market instruments[5]	–	23 137	–	23 137
Carry positions	–	1 124	–	1 124
Derivative financial assets – Held for trading	70	1 671	–	1 741
	331 349	110 245	4 652	446 246

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

2 R232 million was inappropriately classified as CIS Local unlisted or listed quoted included in level 1, of which R5 million should have been classified as Other unit-linked investments Local unlisted or listed quoted included in level 1 and R227 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 Upon further investigation it was concluded that R480 million was incorrectly classified as Other debt instruments Local listed included in level 2, of which:

- R178 million should have been classified as Other debt instruments Foreign listed included in level 2;
- R297 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.

5 Upon further investigation it was 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.

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy continued

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2023				
Securities at fair value through profit and loss	269 248	83 265	5 686	358 199
Equity securities				
Local listed	34 472	1	2	34 475
Foreign listed	5 413	–	–	5 413
Unlisted	–	15	138	153
Debt securities				
Stock and loans to government and other public bodies				
Local listed	51 136	6 950	–	58 086
Foreign listed	81	55	–	136
Unlisted	–	4 101	238	4 339
Other debt instruments				
Local listed	–	22 124	4	22 128
Foreign listed	–	1 723	–	1 723
Unlisted	–	23 773	1 452	25 225
Funds on deposit and other money market instruments	6	12 315	–	12 321
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted	117 049	1 487	–	118 536
Local unlisted unquoted	–	13	–	13
Foreign unlisted or listed quoted	57 738	67	–	57 805
Foreign unlisted unquoted	–	416	621	1 037
Other unit-linked investments				
Local unlisted or listed quoted	3 240	–	–	3 240
Local unlisted unquoted	–	8 320	2 654	10 974
Foreign unlisted or listed quoted	50	–	–	50
Foreign unlisted unquoted	–	20	577	597
Derivative financial assets – Held for trading	63	1 885	–	1 948
Interest in subsidiaries	106 780	–	4 117	110 897
At fair value through profit and loss	106 780	–	549	107 329
At fair value through other comprehensive income	–	–	3 568	3 568
Assets relating to disposal groups held for sale				
Interest in subsidiaries				
At fair value through profit and loss	–	–	273	273
	376 028	83 265	10 076	469 369

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

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

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy continued

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022				
Securities at fair value through profit and loss	240 096	74 255	5 853	320 204
Equity securities				
Local listed	32 660	–	1	32 661
Foreign listed	4 203	–	–	4 203
Unlisted	–	24	149	173
Debt securities				
Stock and loans to government and other public bodies				
Local listed	49 830	8 012	–	57 842
Foreign listed	–	33	–	33
Unlisted	–	3 285	355	3 640
Other debt instruments				
Local listed[2]	–	18 382	3	18 385
Foreign listed[2]	10	547	–	557
Unlisted[2, 3]	–	22 235	1 831	24 066
Funds on deposit and other money market instruments[3]	–	11 420	–	11 420
Unit-linked investments				
Collective investment schemes[1]				
Local unlisted or listed quoted[4]	106 447	1 003	–	107 450
Local unlisted unquoted	–	16	–	16
Foreign unlisted or listed quoted[5]	43 506	50	–	43 556
Foreign unlisted unquoted[5]	–	691	539	1 230
Other unit-linked investments				
Local unlisted or listed quoted[4]	3 267	–	–	3 267
Local unlisted unquoted[4]	–	7 132	2 411	9 543
Foreign unlisted or listed quoted	112	–	–	112
Foreign unlisted unquoted	–	18	564	582
Derivative financial assets – Held for trading	61	1 407	–	1 468
Interest in subsidiaries	90 995	–	3 148	94 143
At fair value through profit and loss	90 995	–	765	91 760
At fair value through other comprehensive income	–	–	2 383	2 383
	331 091	74 255	9 001	414 347

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

2 Upon further investigation it was concluded that R118 million was incorrectly classified as Other debt instruments Local listed included in level 2, of which:
- R25 million should have been classified as Other debt instruments Foreign listed included in level 2; and
- R93 million should have been classified as Other debt instruments Unlisted included in level 2.

June 2022 has been restated accordingly.

3 Upon further investigation it was noted that R51 million included in Funds on deposit and other money market instruments level 2 should have been classified as Other debt instruments Unlisted level 2. June 2022 has been restated accordingly.

4 R232 million was inappropriately classified as CIS Local unlisted or listed quoted included in level 1, of which R5 million should have been classified as Other unit-linked investments Local unlisted or listed quoted included in level 1 and R227 million should have been classified as Other unit-linked investments Local unlisted unquoted included in level 2. June 2022 has been restated accordingly.

5 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.

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy continued

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

	At fair value through profit and loss				
Group	Unit-linked investments Rm	Debt securities Rm	Equity securities Rm	Funds on deposit and other money market instruments Rm	Total Rm
2023					
Opening balance	3 502	1 000	150	–	4 652
Total gains/(losses) in net realised and unrealised fair value gains in the income statement					–
Realised (losses)/gains	27	26	(52)	–	1
Unrealised gains/(losses)	466	(2)	40	–	504
Accrued interest in investment income in the income statement	–	67	–	–	67
Purchases	486	256	29	–	771
Sales	(612)	(809)	(28)	–	(1 449)
Settlements	(37)	(101)	–	–	(138)
Transfers into level 3 from level 1[1]	–	–	1	–	1
Transfers into level 3 from level 2[1]	–	121	–	–	121
Transfers out of level 3 into level 1	–	–	–	–	–
Transfers out of level 3 into level 2	–	(11)	–	–	(11)
Closing balance	3 832	547	140	–	4 519
2022					
Opening balance[#]	2 898	1 335	95	–	4 328
Total gains/(losses) in net realised and unrealised fair value gains in the income statement					–
Realised (losses)/gains	107	17	(35)	–	89
Unrealised gains/(losses)	808	(14)	33	–	827
Accrued interest in investment income in the income statement	–	57	–	–	57
Other	(4)	(3)	–	–	(7)
Purchases	430	589	154	–	1 173
Sales	(281)	(913)	(97)	–	(1 291)
Settlements	(464)	(68)	–	–	(532)
Transfers into level 3 from level 2[1]	8	–	–	–	8
Closing balance	3 502	1 000	150	–	4 652

[1] Transfers into level 3 equity securities and unit-linked investments relates mainly to assets with stale prices in the current and prior year.

[#] 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 accordingly.

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

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy continued

Company	Securities at fair value through profit and loss			Interest in subsidiaries			
	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	At fair value through profit and loss Rm	At fair value through other comprehensive income Rm	Held for sale Rm	Total Rm
2023							
Opening balance	**150**	**2 189**	**3 514**	**765**	**2 383**	**–**	**9 001**
Total gains/(losses) in net realised and unrealised fair value gains in the income statement							
Realised gains/(losses)	**(52)**	**37**	**27**	**3**	**–**	**–**	**15**
Unrealised gains/(losses)	**40**	**6**	**467**	**(11)**	**–**	**–**	**502**
Total gains/(losses) in other comprehensive income	**–**	**–**	**–**	**–**	**897**	**–**	**897**
Accrued interest in investment income in the income statement	**–**	**66**	**–**	**–**	**–**	**–**	**66**
Purchases and investments	**1**	**272**	**486**	**75**	**869**	**–**	**1 703**
Sales and disinvestments	**–**	**(750)**	**(605)**	**(10)**	**(581)**	**–**	**(1 946)**
Settlements	**–**	**(126)**	**(37)**	**–**	**–**	**–**	**(163)**
Held for sale	**–**	**–**	**–**	**(273)**	**–**	**273**	**–**
Transfers into level 3 from level 1[1]	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Closing balance	**140**	**1 694**	**3 852**	**549**	**3 568**	**273**	**10 076**
2022							
Opening balance	100	2 352	2 656	1 059	2 174	–	8 341
Total gains/(losses) in net realised and unrealised fair value gains in the income statement							
Realised gains/(losses)	(35)	22	104	28	–	–	119
Unrealised gains/(losses)	32	(48)	585	49	–	–	618
Total gains/(losses) in other comprehensive income	–	–	–	–	(1 114)	–	(1 114)
Accrued interest in investment income in the income statement	–	65	–	–	–	–	65
Purchases	155	797	476	98	1 323	–	2 849
Sales	(102)	(738)	(278)	(469)	–	–	(1 587)
Settlements	–	(261)	(37)	–	–	–	(298)
Transfers into level 3 from level 2[1]	–	–	8	–	–	–	8
Closing balance	150	2 189	3 514	765	2 383	–	9 001

[1] Transfers into level 3 equity securities and unit-linked investments relates mainly to assets with stale prices in the current and prior year.

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

6 FINANCIAL ASSETS CONTINUED

6.7 Financial assets hierarchy continued

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

Group	At fair value through profit and loss	
	Unit-linked investments Rm	Debt securities Rm
2023		
Carrying amount	**3 832**	**547**
Assumption change	**10% increase/ (decrease) in unit price**	**1% increase/ (decrease) in discount rates**
Effect of increase in assumption	**383**	**5**
Effect of decrease in assumption	**(383)**	**(5)**
2022		
Carrying amount	3 502	1 000
Assumption change	10% increase/ (decrease) in unit price	1% increase/ (decrease) in discount rates
Effect of increase in assumption	350	10
Effect of decrease in assumption	(350)	(10)

Company	At fair value through profit and loss			At fair value through other comprehensive income
	Debt securities Rm	Unit-linked investments Rm	Interest in subsidiaries Rm	Interest in subsidiaries Rm
2023				
Carrying amount	**1 694**	**3 852**	**549**	**3 568**
Assumption change	**1% increase/ (decrease) in discount rates**	**10% increase/ (decrease) in unit price**	**10% increase/ (decrease) in fair value of assets/liabilities**	**10% increase/ (decrease) in fair value of assets/liabilities**
Effect of increase in assumption	**(17)**	**385**	**55**	**357**
Effect of decrease in assumption	**17**	**(385)**	**(55)**	**(357)**
2022				
Carrying amount	2 189	3 514	765	2 383
Assumption change	1% increase/ (decrease) in discount rates	10% increase/ (decrease) in unit price	10% increase/ (decrease) in fair value of assets/liabilities	10% increase/ (decrease) in fair value of assets/ liabilities
Effect of increase in assumption	(22)	351	77	238
Effect of decrease in assumption	22	(351)	(77)	(238)

6 **FINANCIAL ASSETS** CONTINUED

6.7 **Financial assets hierarchy** continued

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

Group	2023 Carrying amount Rm	2023 Fair value Rm	Restated[1] 2022 Carrying amount Rm	Restated[1] 2022 Fair value Rm
Financial assets at amortised cost	**9 043**	**9 035**	7 116	7 070
Unsettled trades	**2 882**	**2 882**	1 896	1 896
Accounts receivable	**1 995**	**1 995**	1 704	1 704
Funds on deposit and other money market instruments	**82**	**82**	113	113
Loans	**4 084**	**4 076**	3 403	3 357
Insurance and other receivables (excluding accelerated rental income and prepayments)	**3 130**	**3 130**	3 499	3 499
Cash and cash equivalents	**24 709**	**24 709**	19 815	19 815
	36 882	**36 874**	30 430	30 384
Company				
Assets				
Financial assets at amortised cost	**7 187**	**7 179**	5 052	5 006
Accounts receivable	**1 560**	**1 560**	1 176	1 176
Unsettled trades	**1 502**	**1 502**	512	512
Funds on deposit and other money market instruments	**42**	**42**	55	55
Loans	**4 083**	**4 075**	3 309	3 263
Insurance and other receivables (excluding accelerated rental income and prepayments)	**3 186**	**3 186**	3 476	3 476
Cash and cash equivalents	**14 928**	**14 928**	12 386	12 386
	25 301	**25 293**	20 914	20 868

[1] Refer to note 48 for more information on the restatements.

Calculation of fair value

- For unsettled trades, accounts receivables, debt securities, funds on deposit and other money market instruments, loans (excluding policy 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 R703 million (2022: R663 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.

7 REINSURANCE CONTRACT ASSETS

Refer to note 47 para 10 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
Reinsurance asset relating to life insurance	**3 845**	1 937	**3 845**	1 937
Prepaid reinsurance	**1 141**	1 051	**1 141**	1 051
	4 986	2 988	**4 986**	2 988
Balance at beginning	**2 988**	2 281	**2 988**	2 281
Movement charged to income statement	**1 998**	701	**1 998**	701
Attributable to non-cell captive business	**1 998**	723	**1 998**	701
Attributable to cell captive business	**–**	(22)	**–**	–
Other	**–**	6	**–**	6
Balance at end	**4 986**	2 988	**4 986**	2 988
Current	**1 517**	1 415	**1 517**	1 397
Non-current	**3 469**	1 573	**3 469**	1 591
	4 986	2 988	**4 986**	2 988

[1] Refer to note 48 for more information on the restatements.

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

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

8 ASSETS AND LIABILITIES RELATING TO DISPOSAL GROUPS HELD FOR SALE

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Assets relating to disposal groups held for sale				
Intangible assets	**37**	–	**–**	–
Owner-occupied properties	**–**	–	**534**	–
Property and equipment	**2**	–	**–**	–
Investment properties	**–**	–	**4 067**	–
Interest in subsidiaries	**–**	–	**273**	–
Financial assets at amortised cost	**42**	–	**–**	–
Insurance and other receivables	**7**	–	**–**	–
	88	–	**4 874**	–
Liabilities relating to disposal groups held for sale				
Employee benefit obligations#	**12**	–	**–**	–
Other payables	**31**	–	**–**	–
Provisions	**5**	–	**–**	–
	48	–	**–**	–
Segmental allocation of assets				
Metropolitan Life	**–**	–	**1 797**	–
Momentum Corporate	**–**	–	**1 064**	–
Momentum Investments	**–**	–	**117**	–
Momentum Life	**40**	–	**942**	–
Shareholders	**–**	–	**954**	–
	40	–	**4 874**	–

R3 million of the employee benefit obligations relate to cash-settled arrangements and R9 million relates to other employee benefit obligations, which are staff and management bonuses.

8 ASSETS AND LIABILITIES RELATING TO DISPOSAL GROUPS HELD FOR SALE CONTINUED

Group

During F2022 a strategic decision was made by the Momentum Metropolitan Holdings Group ("MMH Group") Board to unbundle the three divisions of Momentum Money (Pty) Ltd (previously Momentum Multiply (Pty) Ltd) and incorporate them into separate entities.

The unbundling will take place in the form of a sale of the separate divisions, namely the Multiply division and Recharge division. These divisions will be sold to entities within the MMH Group but outside of the MML Group and it is expected to be completed in the next 12 months.

Company

The Company is in the process of transferring certain investment properties and interest in subsidiaries into a qualified hedge investment fund, which is also a subsidiary of MML. This is expected to be completed in the next 12 months. Three owner-occupied properties is also in the process of being transferred to 129 Rivonia Road (Pty) Ltd, a subsidiary of MML and it is expected to be completed in the next 12 months. This has no impact on the Group.

Fair value hierarchy

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

2023	Owner-occupied properties Rm	Investment properties Rm	Interest in subsidiaries Rm	Total Rm
Opening balance	519	4 240	230	4 989
Revaluations	20	(161)	(24)	(165)
Revaluation through profit and loss	–	(161)	(24)	(185)
Revaluation through other comprehensive income	20	–	–	20
Additions	7	35	67	109
Depreciation charges	(13)	–	–	(13)
Accelerated rental income	–	(47)	–	(47)
Net impairment reversal through profit or loss	1	–	–	1
Closing balance held for sale	534	4 067	273	4 874

Both the owner-occupied and investment properties are valued as level 3 on the fair value hierarchy using the methodologies described in note 3 and 4 respectively.

The subsidiaries are valued as level 3 on the fair value hierarchy, using the underlying net asset value as the valuation of the investment.

9 INSURANCE CONTRACTS

	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
9.1 Life insurance contracts				
9.1.1 Life insurance contract liabilities	**120 378**	112 894	**120 380**	113 321
9.1.2 Liabilities to third-party cell captive owners	**–**	56	**–**	–
	120 378	112 950	**120 380**	113 321
Current	**33 014**	31 537	**33 015**	31 778
Non-current	**87 364**	81 413	**87 365**	81 543
	120 378	112 950	**120 380**	113 321
Movement in life insurance contracts				
9.1.1 Life insurance contract liabilities				
Balance at beginning	**112 894**	115 308	**113 321**	115 829
Related party – life insurance contract liabilities#	**425**	–	**–**	–
Transfer to/(from) policy liabilities under insurance contracts	**7 059**	(2 494)	**7 059**	(2 588)
Increase/(decrease) in retrospective liabilities	**3 151**	(281)	**3 151**	(373)
Unwind of discount rate	**5 634**	3 348	**5 634**	3 347
Expected release of margins	**(3 094)**	(2 859)	**(3 094)**	(2 857)
Expected cash flows	**(7 197)**	(6 416)	**(7 197)**	(6 395)
Change in economic assumptions	**(1 283)**	(195)	**(1 283)**	(194)
Change in non-economic assumptions	**2 822**	(405)	**2 822**	(405)
New business	**8 132**	5 257	**8 132**	5 232
Experience variances	**(1 106)**	(943)	**(1 106)**	(943)
Other	**–**	80	**–**	80
Balance at end	**120 378**	112 894	**120 380**	113 321

Cell captive business of Ability was transferred during the year to Guardrisk Life Ltd, a fellow subsidiary of MML. Because there was an intercompany arrangement between Ability and MML, the transfer resulted in the liability now being with a related party outside the MML Group, which caused an increase in liabilities.

	Group 2023 Rm	Group Restated 2022 Rm	Company 2023 Rm	Company Restated 2022 Rm
9.1.2 Liabilities to third-party cell captive owners				
Balance at beginning	**56**	53	**–**	–
Charge to the income statement	**1**	(22)	**–**	–
Net cash flows	**–**	38	**–**	–
Changes in share capital, dividends and other items relating to cell captives[1]	**(55)**	(13)	**–**	–
Liabilities transferred[2]	**(2)**	–	**–**	–
Balance at end	**–**	56	**–**	–

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

[2] Cell captive business was transferred during the year to Guardrisk Life Ltd, a fellow subsidiary of MML.

10 INVESTMENT CONTRACTS

Refer to note 47 para 10 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	Restated 2022 Rm	2023 Rm	Restated 2022 Rm
10.1 Investment contracts with DPF	**2 549**	2 439	**2 549**	2 439
10.2 Investment contracts designated at fair value through profit and loss	**340 658**	294 106	**338 166**	290 763
10.2.1 Investment contract liabilities designated at fair value through profit and loss	**340 658**	292 564	**338 166**	290 763
10.2.2 Liabilities to first-party cell captive owners	**–**	1 542	**–**	–
Total investment contract liability	**343 207**	296 545	**340 715**	293 202
Movement in investment contracts with DPF				
10.1 Investment contracts with DPF				
Balance at beginning	**2 439**	17 228	**2 439**	17 228
Reclassification to investment contracts designated at FVPL[1]	**–**	(14 584)	**–**	(14 584)
Transfer to/(from) policyholder liabilities under investment contracts with DPF	**110**	(205)	**110**	(205)
Increase/(decrease) in retrospective liabilities	**134**	(57)	**134**	(57)
Unwind of discount rate	**25**	26	**25**	26
Expected release of margins	**(31)**	(32)	**(31)**	(32)
Expected cash flows	**10**	11	**10**	11
Change in non-economic assumptions	**(11)**	(161)	**(11)**	(161)
New business	**2**	1	**2**	1
Experience variances	**(19)**	7	**(19)**	7
Balance at end	**2 549**	2 439	**2 549**	2 439
Current	**1 095**	999	**1 095**	999
Non-current	**1 454**	1 440	**1 454**	1 440
	2 549	2 439	**2 549**	2 439
Movement in investment contracts designated at fair value through profit and loss				
10.2 Investment contracts designated at fair value through profit and loss				
10.2.1 Investment contract liabilities designated at fair value through profit and loss				
Balance at beginning	**292 564**	272 410	**290 763**	270 558
Contract holder movements	**47 695**	5 301	**47 403**	5 621
Deposits received	**47 691**	42 869	**47 449**	42 753
Contract benefit payments	**(42 769)**	(42 932)	**(42 661)**	(42 791)
Fees on investment contracts	**(3 507)**	(3 283)	**(3 506)**	(3 282)
Fair value adjustment to policyholder liabilities under investment contracts[#]	**46 383**	8 740	**46 199**	9 022
Changes in share capital, dividends and other items relating to cell captives	**(103)**	(93)	**(78)**	(81)
Reclassification from investment contracts with DPF[1]	**–**	14 584	**–**	14 584
Related party – investment contract liabilities[2]	**92**	–	**–**	–
Exchange differences	**307**	269	**–**	–
Balance at end	**340 658**	292 564	**338 166**	290 763

[1] 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.

[2] Cell captive business of Ability was transferred during the year to Guardrisk Life Ltd, a fellow subsidiary of MML. Because there was an intercompany arrangement between Ability and MML, the transfer resulted in the liability now being with a related party outside the MML Group, which caused an increase in investment liabilities.

[#] 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 fair value through profit and loss continued

	Group		Company	
	2023 Rm	Restated[3] 2022 Rm	2023 Rm	Restated[3] 2022 Rm
10.2.2 Liabilities to first-party cell captive owners				
Balance at beginning	**1 542**	1 506	**–**	–
Liabilities transferred[2]	**(1 474)**	–	**–**	–
Contract holder movements	**(68)**	36	**–**	–
Deposits received	**–**	2	**–**	–
Contract benefit payments	**–**	(45)	**–**	–
Fees on investment contracts	**–**	(3)	**–**	–
Fair value adjustment to policyholder liabilities under investment contracts	**2**	82	**–**	–
Changes in share capital, dividends and other items relating to cell captives	**(70)**	–	**–**	–
Balance at end	**–**	1 542	**–**	–
Current[#]	**338 540**	287 654	**336 048**	284 219
Non-current[#]	**2 118**	6 452	**2 118**	6 544
	340 658	294 106	**338 166**	290 763

[#] In 2022, the current and non-current split for Investment contract liabilities designated at fair value through profit and loss was incorrectly reported. June 2022 has been restated accordingly.

[2] Cell captive business was transferred during the year to Guardrisk Life Ltd, a fellow subsidiary of MML.

[3] Refer to note 48 for more information on the restatements.

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

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

Refer to note 11 for the assumptions and estimates used.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES

The actuarial value of policyholder liabilities arising from 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 of long-term insurers. The valuation of contract holder liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies in note 47 para 10.

The assumptions are set as follows:

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

The liabilities at 30 June 2023 would have been R6 216 million (2022: R5 678 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.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

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.

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 6.0% p.a. (2022: 5.0% p.a.) for ZAR denominated business was used to project future renewal expenses over the planning horizon (3 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. For Momentum Corporate a fixed real return of 4.6% (2022: 3.6%) is projected.
- The main best-estimate investment assumptions, gross of tax, used in the valuation are:

	2023	2022
Group and Company		
Risk discount rate	**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	**7.3%**	7.3%

Future bonuses

- Contract holders' reasonable benefit expectations are allowed for by assuming bonus rates supported by the market value of the underlying assets and the assumed future investment return.
- For smoothed bonus business, where bonus stabilisation accounts (BSAs) are negative, liabilities are reduced by an amount that can reasonably be 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 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

Tax

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

Provisions for Covid-19

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.

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Group and Company

Basis and other changes

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

- Basis and other changes decreased the excess of assets over liabilities at 30 June 2023 by R186 million (2022: increase of R658 million) for the group and R186 million (2022: increase of R658 million) for the Company. The major contributors to this change were as follows:
  - Actuarial methodology and other changes R124 million (2022: R785 million) for the Group and R124 million (2022: R785 million) for the Company.
  - Experience basis changes – negative R316 million (2022: negative R125 million) for the Group and negative R316 million (2022: negative R125 million) for the Company. The experience basis changes are in respect of withdrawal, expense and mortality assumptions.
  - Economic assumption changes R7 million (2022: negative R2 million) for both the Company and Group. The economic assumption changes are in respect of future investment returns, bonus and inflation assumptions, as well as the difference between actual and expected investment returns on non-profit business.

Sensitivity analysis

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

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

Group	Liability Rm	Renewal expenses decrease by 10% Rm	Expense inflation decreases by 1% Rm	Dis-continuance rates decrease by 10% Rm	Mortality and morbidity decrease by 5% Rm	Investment returns reduce by 1% Rm
2023						
Insurance business						
Retail insurance business (excluding annuities)	**57 537**	**56 241**	**56 673**	**57 849**	**53 625**	**59 397**
Annuities (retail and employee benefits)	**60 961**	**60 772**	**60 811**	**60 960**	**61 517**	**63 746**
Employee benefits business (excluding annuities)	**1 880**	**1 878**	**1 879**	**1 881**	**1 886**	**1 906**
Investment with DPF business	**2 549**	**2 536**	**2 543**	**2 549**	**2 549**	**2 571**
Investment business	**340 658**	**340 657**	**340 657**	**340 660**	**340 658**	**343 428**
Subtotal	**463 585**	**462 084**	**462 563**	**463 899**	**460 235**	**471 048**
Cell captive and non-life business	**–**	**–**	**–**	**–**	**–**	**–**
Total	**463 585**	**462 084**	**462 563**	**463 899**	**460 235**	**471 048**
2022						
Insurance business						
Retail insurance business (excluding annuities)	55 091	53 810	54 197	55 446	51 768	56 860
Annuities (retail and employee benefits)	56 063	55 891	55 922	56 064	56 628	58 652
Employee benefits business (excluding annuities)	2 036	2 034	2 034	2 037	2 041	2 061
Investment with DPF business	2 476	2 463	2 470	2 476	2 476	2 486
Investment business	292 528	292 527	292 527	292 530	292 526	295 200
Subtotal	408 194	406 725	407 150	408 553	405 439	415 259
Cell captive and non-life business	1 301	1 293	1 299	1 274	1 289	1 303
Total	409 495	408 018	408 449	409 827	406 728	416 562

11 CONTRACT HOLDER LIABILITIES – ASSUMPTIONS AND ESTIMATES CONTINUED

Group and Company continued

Sensitivity analysis continued

Company	Liability Rm	Renewal expenses decrease by 10% Rm	Expense inflation decreases by 1% Rm	Dis-continuance rates decrease by 10% Rm	Mortality and morbidity decrease by 5% Rm	Investment returns reduce by 1% Rm
2023						
Insurance business						
Retail insurance business (excluding annuities)	**57 538**	**56 241**	**56 673**	**57 849**	**53 625**	**59 397**
Annuities (retail and employee benefits)	**60 961**	**60 772**	**60 811**	**60 960**	**61 517**	**63 746**
Employee benefits business (excluding annuities)	**1 881**	**1 878**	**1 879**	**1 881**	**1 886**	**1 906**
Investment with DPF business	**2 549**	**2 536**	**2 543**	**2 549**	**2 549**	**2 571**
Investment business	**338 166**	**338 166**	**338 166**	**338 170**	**338 167**	**340 937**
Total	**461 095**	**459 593**	**460 072**	**461 409**	**457 744**	**468 557**
Restated[1] 2022						
Insurance business						
Retail insurance business (excluding annuities)	55 092	53 810	54 197	55 446	51 768	56 860
Annuities (retail and employee benefits)	56 065	55 891	55 922	56 064	56 628	58 652
Employee benefits business (excluding annuities)	2 164	2 162	2 162	2 165	2 169	2 189
Investment with DPF business	2 439	2 426	2 433	2 438	2 439	2 448
Investment business	290 763	290 763	290 762	290 766	290 762	293 436
Total	406 523	405 052	405 476	406 879	403 766	413 585

[1] Refer to note 48 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 EV report and also to facilitate comparisons with similar sensitivities published by other insurance companies in South Africa.

It is not uncommon to experience one or more of the stated deviations in any given year. There might be some correlation between sensitivities; for instance, changes in investment returns are normally correlated with changes in discontinuance rates. The table on the previous page shows the impact of each sensitivity in isolation, without taking into account possible correlations.

The table does not show the financial impact of variances in lump sum mortality and morbidity claims in respect of employee benefits business because of the annually renewable nature of this class of insurance. An indication of the sensitivity of financial results to mortality and morbidity variances in this class of business can be obtained by noting that a 5% (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 R93 million (2022: R140 million) in the before-tax earnings of the Group.

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

12 FINANCIAL LIABILITIES

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

The Group classifies its financial liabilities into the following categories:

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

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

		Group		Company	
		2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
	The Group's financial liabilities are summarised below:				
12.1	**Financial liabilities at fair value through profit and loss**	**50 769**	52 933	**15 465**	13 726
12.2	**Financial liabilities at amortised cost**	**1 293**	1 285	**235**	263
12.3	**Other payables (excluding premiums paid in advance and deferred revenue liability)**	**14 836**	13 344	**12 553**	11 065
		66 898	67 562	**28 253**	25 054

[1] Refer to note 48 for more information on the restatements.

		Group		Company	
		2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
12.1	**Financial liabilities at fair value through profit and loss**				
	Collective investment scheme liabilities	**33 704**	35 725	**–**	–
	Subordinated call notes	**4 299**	5 327	**4 299**	5 327
	Carry positions	**9 080**	7 723	**7 828**	5 529
	Derivative financial liabilities (refer to note 6.1)	**3 321**	3 039	**3 338**	2 870
	Preference shares	**310**	294	**–**	–
	Other borrowings[2]	**55**	825	**–**	–
		50 769	52 933	**15 465**	13 726
	Current	**43 401**	45 190	**8 800**	6 918
	Non-current	**7 368**	7 743	**6 665**	6 808
		50 769	52 933	**15 465**	13 726

[2] 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 causing the significant reduction in other borrowings.

- The change in the fair value of financial liabilities designated at fair value through profit and loss due to own credit risk amounted to a loss of 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 contractually required amount to pay at maturity is R29 million (2022: R77 million).
  No subordinated debt was derecognised during the year.
- Collective investment scheme liabilities – certain collective investment schemes have been classified as investments in subsidiaries. Consequently, scheme interests not held by the Group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value.
- Subordinated call notes (unsecured) – A fair value gain of R24 million (2022: R134 million fair value gain) was recognised in profit or loss. During the current year, R6 million fair value loss (2022: 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 37 for more detail.
- Carry positions (secured) – this relates to a carry position reported by the Group that represents a sale and repurchase of assets in specific group annuity portfolios. These carry positions are secured by government stock with a value of R8 074 million (2022: R8 491 million). Offsetting has not been applied.
- These instruments, excluding 'derivative financial liabilities' and 'other borrowings', would have been disclosed as at amortised cost under IFRS 9 had they not been designated at fair value through profit and loss
- Other borrowings include outstanding contingent consideration of R18 million (2022: R20 million) relating to the acquisition of Seneca in the current year. *(no interest rate risk)*

  In 2022, Other borrowings also include financed trades of R377 million and short positions in respect of government stock of R383 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 (*fair value interest rate risk*). In 2023, all directly held instruments were disposed of and converted to participatory units in a CIS, which resulted in the balance decreasing in the current year.

12 FINANCIAL LIABILITIES CONTINUED

12.1 Financial liabilities at fair value through profit and loss continued

- 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 value 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.

[2] 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 causing the significant reduction in other borrowings.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
12.2 Financial liabilities at amortised cost				
Term loans	**1 093**	1 155	**–**	–
Lease liabilities	**120**	130	**235**	263
Other	**80**	–	**–**	–
	1 293	1 285	**235**	263
Current	**493**	526	**43**	79
Non-current	**800**	759	**192**	184
	1 293	1 285	**235**	263

In 2022, term of loans of R667 million were incorrectly included in Other. June 2022 has been restated accordingly.

12.2.1 Term loans

Term loans include property development loans. Details of which are as follows:

- A R217 million (2022: R235 million) loan from FirstRand Bank Ltd in order to develop property held by a subsidiary, 102 Rivonia Road (Pty) Ltd. Interest on the loan is levied at 11.17%. The loan is secured by the underlying property and there is no recourse to MMH in case of default. *(no interest rate risk)*
- R155 million (2022: R168 million) loan from Standard Bank Ltd relates to developed property held by a subsidiary, Momentum Metropolitan Umhlanga (Pty) Ltd. Interest on the loan is levied at three-month Johannesburg Interbank Average Rate (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 R452 million (2022: R475 million) loan from Standard Bank Ltd relates to developed property held by a subsidiary, 129 Rivonia Road (Pty) Ltd. Interest on the loan is levied at three-month Johannesburg Interbank Average Rate (JIBAR) plus 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 R153 million (2022: R142 million) loan from Rand Merchant Bank to fund the acquisition of Seneca Investment Managers Ltd by MGIM (100% held subsidiary of MMH). Interest on the loan is levied at a fixed rate 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)*

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
12.2.2 Lease liabilities				
Carrying amount at beginning	**130**	213	**263**	355
Terminations of leases	**–**	(57)	**–**	(59)
New leases entered into	**64**	63	**63**	63
Accrued interest on leases	**7**	10	**12**	26
Interest paid on leases	**(6)**	(10)	**(12)**	(26)
Payment of principal portion of lease liability	**(80)**	(92)	**(90)**	(99)
Modifications	**1**	3	**(1)**	3
Exchange differences	**4**	–	**–**	–
Carrying amount at end	**120**	130	**235**	263

12 FINANCIAL LIABILITIES CONTINUED

12.3 Other payables

	Group 2023 Rm	Group Restated[2] 2022 Rm	Company 2023 Rm	Company Restated[2] 2022 Rm
Payables arising from insurance contracts and investment contracts with DPF	**4 858**	4 925	**4 858**	4 901
Claims in process of settlement				
Insurance contracts	**4 440**	4 779	**4 440**	4 771
Due to reinsurers	**418**	146	**418**	130
Payables arising from investment contracts	**3 273**	3 088	**3 273**	3 088
Loans due to subsidiaries and fellow MMH subsidiaries	**169**	72	**195**	83
Financial instruments	**6 536**	5 259	**4 227**	2 993
Unsettled trades	**2 443**	1 443	**1 197**	459
Commission creditors	**498**	536	**497**	535
Bank overdraft	**116**	603	**–**	–
Other payables[1]	**3 479**	2 677	**2 533**	1 999
Total included in financial liabilities	**14 836**	13 344	**12 553**	11 065
Premiums paid in advance	**588**	595	**588**	595
Deferred revenue liability	**238**	234	**226**	221
Total other payables	**15 662**	14 173	**13 367**	11 881
Current	**15 198**	13 678	**12 951**	11 520
Non-current	**464**	495	**416**	361
	15 662	14 173	**13 367**	11 881

1 Other payables include expense accruals and other sundry liabilities.

2 Refer to note 48 for more information on the restatements.

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Reconciliation of deferred revenue liability				
Balance at beginning of year	**234**	228	**221**	217
Deferred income relating to new business	**82**	85	**78**	80
Amount recognised in income statement[1]	**(80)**	(81)	**(73)**	(76)
Exchange Differences	**2**	2	**–**	–
Balance at end of year	**238**	234	**226**	221
Current	**9**	10	**4**	4
Non-current	**229**	224	**222**	217
1 to 5 years	**66**	67	**59**	60
5 to 10 years	**137**	129	**137**	129
> 10 years	**26**	28	**26**	28
	238	234	**226**	221

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

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

12 FINANCIAL LIABILITIES CONTINUED

12.4 Financial liabilities measurement

Financial liabilities summarised by measurement category in terms of IFRS 9	Fair value through profit and loss Mandatorily Rm	Designated Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
Group						
2023						
Investment contracts with DPF	–	–	–	–	2 549	2 549
Investment contracts designated at fair value through profit and loss	–	340 658	340 658	–	–	340 658
Collective investment scheme liabilities	–	33 704	33 704	–	–	33 704
Subordinated call notes	–	4 299	4 299	–	–	4 299
Carry positions	–	9 080	9 080	–	–	9 080
Derivative financial liabilities	3 321	–	3 321	–	–	3 321
Preference shares	–	310	310	–	–	310
Other borrowings	55	–	55	–	–	55
Financial liabilities at amortised cost	–	–	–	1 173	120	1 293
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	9 978	4 858	14 836
Total financial liabilities	**3 376**	**388 051**	**391 427**	**11 151**	**7 527**	**410 105**
Restated[1] 2022						
Investment contracts with DPF	–	–	–	–	2 439	2 439
Investment contracts designated at fair value through profit and loss	–	294 106	294 106	–	–	294 106
Collective investment scheme liabilities	–	35 725	35 725	–	–	35 725
Subordinated call notes	–	5 327	5 327	–	–	5 327
Carry positions	–	7 723	7 723	–	–	7 723
Derivative financial liabilities	3 039	–	3 039	–	–	3 039
Preference shares	–	294	294	–	–	294
Other borrowings	825	–	825	–	–	825
Financial liabilities at amortised cost	–	–	–	1 155	130	1 285
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	8 419	4 925	13 344
Total financial liabilities	3 864	343 175	347 039	9 574	7 494	364 107
Company						
2023						
Investment contracts with DPF	–	–	–	–	2 549	2 549
Investment contracts designated at fair value through profit and loss	–	338 166	338 166	–	–	338 166
Subordinated call notes	–	4 299	4 299	–	–	4 299
Carry positions	–	7 828	7 828	–	–	7 828
Derivative financial liabilities	3 338	–	3 338	–	–	3 338
Financial liabilities at amortised cost	–	–	–	–	235	235
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	7 695	4 858	12 553
Total financial liabilities	**3 338**	**350 293**	**353 631**	**7 695**	**7 642**	**368 968**
Restated[1] 2022						
Investment contracts with DPF	–	–	–	–	2 439	2 439
Investment contracts designated at fair value through profit and loss	–	290 763	290 763	–	–	290 763
Subordinated call notes	–	5 327	5 327	–	–	5 327
Carry positions	–	5 529	5 529	–	–	5 529
Derivative financial liabilities	2 870	–	2 870	–	–	2 870
Financial liabilities at amortised cost	–	–	–	–	263	263
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	6 164	4 901	11 065
Total financial liabilities	2 870	301 619	304 489	6 164	7 603	318 256

[1] Refer to note 48 for more information on the restatements.

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy

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

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Group				
2023				
Investment contracts designated at fair value through profit and loss	**–**	**340 647**	**11**	**340 658**
Financial liabilities at fair value through profit and loss	**33 727**	**16 698**	**344**	**50 769**
Collective investment scheme liabilities	**33 688**	**–**	**16**	**33 704**
Subordinated call notes	**–**	**4 299**	**–**	**4 299**
Carry positions	**–**	**9 080**	**–**	**9 080**
Derivative financial liabilities – held for trading	**2**	**3 319**	**–**	**3 321**
Preference shares	**–**	**–**	**310**	**310**
Other borrowings	**37**	**–**	**18**	**55**
	33 727	**357 345**	**355**	**391 427**
Restated[1] 2022				
Investment contracts designated at fair value through profit and loss	–	294 096	10	294 106
Financial liabilities at fair value through profit and loss	36 519	16 086	328	52 933
Collective investment scheme liabilities	35 711	–	14	35 725
Subordinated call notes	–	5 327	–	5 327
Carry positions	–	7 723	–	7 723
Derivative financial liabilities – held for trading	3	3 036	–	3 039
Preference shares	–	–	294	294
Other borrowings	805	–	20	825
	36 519	310 182	338	347 039
Company				
2023				
Investment contracts designated at fair value through profit and loss	**–**	**338 155**	**11**	**338 166**
Financial liabilities at fair value through profit and loss	**–**	**15 465**	**–**	**15 465**
Subordinated call notes	**–**	**4 299**	**–**	**4 299**
Carry positions	**–**	**7 828**	**–**	**7 828**
Derivative financial liabilities – held for trading	**–**	**3 338**	**–**	**3 338**
	–	**353 620**	**11**	**353 631**
Restated[1] 2022				
Investment contracts designated at fair value through profit and loss	–	290 753	10	290 763
Financial liabilities at fair value through profit and loss	–	13 726	–	13 726
Subordinated call notes	–	5 327	–	5 327
Carry positions	–	5 529	–	5 529
Derivative financial liabilities – held for trading	–	2 870	–	2 870
	–	304 479	10	304 489

[1] Refer to note 48 for more information on the restatements.

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

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy continued

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

	At fair value through profit and loss				
Group	Investment contracts designated at fair value through profit and loss Rm	Collective investment scheme liabilities Rm	Preference shares Rm	Other borrowings Rm	Total Rm
2023					
Opening balance	**10**	**14**	**294**	**20**	**338**
Business combinations	**–**	**–**	**–**	**16**	**16**
Total losses/(gains) in net realised and unrealised fair value gains in the income statement	**–**	**–**	**–**	**–**	**–**
Realised losses	**(2)**	**–**	**–**	**(22)**	**(24)**
Unrealised gain	**3**	**–**	**16**	**–**	**19**
Issues	**–**	**2**	**–**	**–**	**2**
Contract holder movements					
Benefits paid	**–**	**–**	**–**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**4**	**4**
Closing balance	**11**	**16**	**310**	**18**	**355**
2022					
Opening balance	23	18	313	98	452
Total losses/(gains) in net realised and unrealised fair value gains in the income statement					
Realised gains	–	–	–	–	–
Unrealised losses	(2)	–	(12)	(17)	(31)
Total losses in other comprehensive income	–	–	–	–	–
Issues	–	4	–	–	4
Sales	–	(4)	–	–	(4)
Settlements	–	(4)	(7)	(64)	(75)
Contract holder movements					
Benefits paid	(11)	–	–	–	(11)
Exchange differences	–	–	–	3	3
Closing balance	10	14	294	20	338

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 acquisitions in the current year, increasing/decreasing the assets under management growth rate by 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.

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

12 FINANCIAL LIABILITIES CONTINUED

12.5 Financial liabilities hierarchy continued

Company	Investment contracts designated at fair value through profit and loss 2023 Rm	2022 Rm
Opening Balance	**10**	23
Total losses/(gains) in net realised and unrealised fair value gains in the income statement		
Realised losses	**(2)**	–
Unrealised gains/(losses)	**3**	(2)
Contract holder movements		
Benefits paid	**–**	(11)
Closing Balance	**11**	10

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying amount of level 3 financial instrument liabilities by R1.1 million and R1.1 million (2022: R1 million and R1 million), respectively.

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

There were no level 3 movements recognised in other comprehensive income.

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[1] 2022	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Group				
Financial liabilities at amortised cost	**1 173**	**1 124**	1 155	1 156
Other	**1 173**	**1 124**	1 155	1 156
Other payables (excluding premiums in advance and deferred revenue liability)	**14 836**	**14 836**	13 344	13 344
Payables arising from investment contracts	**3 273**	**3 273**	3 088	3 088
Other	**11 563**	**11 563**	10 256	10 256
	16 009	**15 960**	14 499	14 500
Company				
Other payables (excluding premiums in advance and deferred revenue liability)	**12 553**	**12 553**	11 065	11 065
Payables arising from investment contracts	**3 273**	**3 273**	3 088	3 088
Other	**9 280**	**9 280**	7 977	7 977
	12 553	**12 553**	11 065	11 065

[1] Refer to note 48 for more information on the restatements.

Calculation of fair value

- For other payables and payables arising from investment contracts, the carrying amount approximates fair value due to their short-term nature.
- For financial liabilities at amortised cost the carrying amount approximates fair value due to their short-term nature, except for a loan included with a capital balance of R264 million which has a level 3 fair value of R215 million, the fair value is the discounted amount of the estimated future cash flows to be paid, based on monthly repayments of between 30 and 36 months. The expected cash flows are discounted using a discount factor derived from the relevant discount curves such as the ZAR nominal and ZAR swap curves.

13 REINSURANCE CONTRACT LIABILITIES

Refer to note 47 para 10 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	**2022 Rm**	**2023 Rm**	**2022 Rm**
Balance at beginning	**340**	414	**–**	–
Change in liabilities under reinsurance agreements	**–**	(98)	**–**	–
Change in estimates	**–**	(98)	**–**	–
Liabilities transferred[1]	**(340)**	–	**–**	–
Reinsurance ceded	**–**	24	**–**	–
Balance at end	**–**	340	**–**	–
Current	**–**	7	**–**	–
Non-current	**–**	333	**–**	–
	–	340	**–**	–

[1] Cell captive business was transferred during the year to Guardrisk Life Ltd, a fellow subsidiary of MML.

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

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

14 DEFERRED INCOME TAX

Refer to note 47 para 12 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Deferred tax asset	**108**	90	**–**	–
Deferred tax liability	**(1 329)**	(1 270)	**(1 120)**	(1 051)
	(1 221)	(1 180)	**(1 120)**	(1 051)
Deferred tax is made up as follows:				
Accruals and provisions	**(44)**	8	**(66)**	(4)
Accelerated wear and tear	**(92)**	(84)	**–**	–
Revaluations	**(896)**	(853)	**(782)**	(718)
Properties[1]	**(196)**	(220)	**(83)**	(78)
Financial instruments[1]	**(534)**	(463)	**(534)**	(462)
Other[1]	**(166)**	(170)	**(165)**	(178)
Deferred tax on intangible assets as a result of business combinations	**(103)**	(110)	**(70)**	(77)
Deferred revenue liability	**1**	–	**–**	–
Tax losses	**101**	177	**–**	78
Phase-in[2]	**(127)**	(254)	**(127)**	(254)
Deferred acquisition costs	**(16)**	(19)	**–**	–
Prepayments	**5**	6	**–**	–
Other	**(50)**	(51)	**(75)**	(76)
	(1 221)	(1 180)	**(1 120)**	(1 051)
Movement in deferred tax				
Balance at beginning	**(1 180)**	(1 136)	**(1 051)**	(999)
Business combinations	**(2)**	–	**–**	–
Deferred tax transferred from common control transaction	**13**	–	**–**	–
Charge to the income statement	**(53)**	(92)	**(79)**	(58)
Change in tax rate	**–**	8	**–**	9
Accruals and provisions	**(76)**	(8)	**(74)**	(10)
Accelerated wear and tear	**(7)**	29	**–**	–
Revaluations	**(40)**	41	**(62)**	62
Properties[1]	**26**	(26)	**(3)**	(5)
Financial instruments[1]	**(72)**	165	**(72)**	165
Other[1]	**6**	(98)	**13**	(98)
Deferred tax movement on intangible assets as a result of past business combinations	**11**	8	**8**	5
Tax losses	**(77)**	(298)	**(78)**	(258)
Phase-in[2]	**126**	132	**126**	132
Deferred acquisition costs	**3**	–	**–**	–
Prepayments	**(1)**	2	**–**	–
Other	**8**	(6)	**1**	2
Charge to other comprehensive income	**2**	46	**10**	5
Other	**(1)**	2	**–**	1
Balance at end	**(1 221)**	(1 180)	**(1 120)**	(1 051)
Unused tax losses for which no deferred tax has been recognised	**376**	333	**–**	–

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

[2] The phase-in relates to the systematic release of the deferred tax raised on the changes in the life insurance tax regulations introduced in 2019 and will be completed in the year ending 30 June 2024.

14 DEFERRED INCOME TAX CONTINUED

Creation of deferred tax assets and recognition of deferred tax liabilities

Deferred tax assets are raised for tax losses where their 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.

Potential tax benefits due to unused tax losses will expire should an entity cease to trade and no deferred tax asset is recognised.

No deferred tax liability is recognised on temporary differences of R448 million (2022: R369 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.

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.

15 EMPLOYEE BENEFIT OBLIGATIONS

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

		Group		Company	
		2023 Rm	2022 Rm	2023 Rm	2022 Rm
15.1	**Post-retirement medical benefits**				
15.1.1	**Post-retirement medical benefits**	**72**	84	**71**	83
15.1.2	**Cash-settled arrangements**	**316**	145	**278**	131
	Other employee benefit obligations[1]	**804**	756	**694**	644
	Total employee benefit obligations	**1 192**	985	**1 043**	858
	Current	**992**	847	**843**	720
	Non-current	**200**	138	**200**	138
		1 192	985	**1 043**	858

[1] Group: Other employee benefit obligations relate to leave pay liability of R231 million (2022: R218 million) and staff and management bonuses of R573 million (2022: R539 million). R9 million relating to staff and management bonuses is included in employee benefit obligations in the liabilities relating to disposal groups held for sale in note 8.

Company: Other employee benefit obligations relate to leave pay liability of R210 million (2022: R198 million) and staff and management bonuses of R484 million (2022: R446 million).

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

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
15.1.1 Post-retirement medical benefits				
Balance at beginning – unfunded	**84**	88	**83**	87
Current service costs	**1**	1	**1**	1
Interest expense	**10**	9	**10**	9
Actuarial (gains)/loss – other comprehensive income	**(19)**	(7)	**(19)**	(7)
Settlements	**–**	(1)	**–**	(1)
Benefits paid and transferred	**(4)**	(6)	**(4)**	(6)
Balance at end – unfunded	**72**	84	**71**	83
Current	**13**	10	**12**	9
Non-current	**59**	74	**59**	74
	72	84	**71**	83

Valuation methodology

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

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
15.1.2 Cash-settled arrangements				
Retention and remuneration schemes				
Balance at beginning	**145**	220	**131**	198
Additional provisions[1]	**265**	41	**228**	32
Benefits paid	**(103)**	(116)	**(81)**	(99)
Business combinations	**10**	–	**–**	–
Exchange differences	**2**	–	**–**	–
Transfer to non-current liabilities held for sale (refer to note 8)	**(3)**	–	**–**	–
Balance at end	**316**	145	**278**	131
Current	**157**	74	**137**	67
Non-current	**159**	71	**141**	64
	316	145	**278**	131

[1] The increase in additional provisions from the prior year is due to a significantly higher number of units allocated in the last issue of October 2022. Higher performance vesting percentages and the increase in the MMH share price also resulted in an increase.

Share schemes

Long-term Incentive Plan (LTIP)

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

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

15 **EMPLOYEE BENEFIT OBLIGATIONS** CONTINUED

15.1 **Post-retirement medical benefits** continued

15.1.2 **Cash-settled arrangements** continued

Share schemes continued

Long-term Incentive Plan (LTIP) continued

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

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

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

Share Appreciation Rights Scheme (SAR)

The SAR commenced in October 2018, and is a performance-based cash-settled option scheme in terms of which certain executives are allocated Share Appreciation Rights (SARs) in MMH shares. The SARs simulate "at-the-money" call options on MMH shares, meaning that the growth in the share price between the allocation date and the vesting date will accrue to the participant at the vesting date. 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.

	LTIP			SAR Performance Units	SAR Retention Units
Group	**Performance units '000**	**Retention units '000**	**Deferred bonus units '000**	**Total units '000**	**Total units '000**
Units in force at 1 July 2021	18 589	134	10 002	–	–
Units granted during year	7 736	15	4 157	–	–
Units transferred from/(to) other group companies during year	–	–	(121)	350	–
Units exercised/released during year	(2)	(128)	(5 356)	–	–
Units cancelled/lapsed during year	(2 874)	(21)	(369)	–	–
Units in force at 1 July 2022	23 449	–	8 313	350	–
Units granted during year	**11 802**	**–**	**13 568**	**–**	**–**
Units converted to retention units	**–**	**–**	**–**	**(817)**	**87**
Units transferred from/(to) other group companies during year	**(57)**	**–**	**258**	**875**	**–**
Units exercised/released during year	**(1 587)**	**–**	**(4 772)**	**–**	**(28)**
Units cancelled/lapsed during year	**(4 917)**	**–**	**(833)**	**(408)**	**(42)**
Units in force at 30 June 2023	**28 690**	**–**	**16 534**	**–**	**17**

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

15.1.2 Cash-settled arrangements continued

Share schemes continued

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

	LTIP			SAR	SAR Retention Units
	Performance units '000	Retention units '000	Deferred bonus units '000	Total units '000	Total units '000
2023					
Financial year 2023/2024	**4 313**	**–**	**6 815**	**–**	**9**
Financial year 2024/2025	**6 659**	**–**	**5 519**	**–**	**9**
Financial year 2025/2026	**8 518**	**–**	**4 200**	**–**	**–**
Financial year 2026/2027	**5 773**	**–**	**–**	**–**	**–**
Financial year 2027/2028	**3 427**	**–**	**–**	**–**	**–**
Total outstanding shares	**28 690**	**–**	**16 534**	**–**	**18**
2022					
Financial year 2022/2023	2 628	–	4 461	117	–
Financial year 2023/2024	5 440	–	2 564	117	–
Financial year 2024/2025	7 817	–	1 287	117	–
Financial year 2025/2026	5 188	–	–	–	–
Financial year 2026/2027	2 377	–	–	–	–
Total outstanding shares	23 450	–	8 312	351	–

	LTIP			SAR Performance Units	SAR Retention Units
Company	Performance units '000	Retention units '000	Deferred bonus units '000	Total units '000	Total units '000
Units in force at 1 July 2021	17 708	97	8 342	16 444	–
Units granted during year	7 191	15	3 396	–	–
Units exercised/released during year	50	–	–	(350)	–
Units cancelled/lapsed during year	(2)	(91)	(4 509)	–	–
Units cancelled/lapsed during year	(2 661)	(21)	(310)	(1 342)	–
Units in force at 1 July 2022	22 286	–	6 919	14 752	–
Units granted during year	**10 545**	**–**	**11 167**	**–**	**–**
Units converted to retention units	**–**	**–**	**–**	**(9 140)**	**988**
Units transferred from/(to) other group companies during year	**(1 325)**	**–**	**(391)**	**(1 049)**	**–**
Units exercised/released during year	**(1 403)**	**–**	**(3 674)**	**–**	**(314)**
Units cancelled/lapsed during year	**(3 969)**	**–**	**(502)**	**(4 563)**	**–**
Units in force at 30 June 2023	**26 134**	**–**	**13 519**	**–**	**674**

Notes to the financial statements continued

For the year ended 30 June 2023

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

15.1.2 Cash-settled arrangements continued

Share schemes continued

	LTIP			SAR Performance Units	SAR Retention Units
	Performance units '000	Retention units '000	Deferred bonus units '000	Total units '000	Total units '000
2023					
Market value of range at date of exercise/ release (cents)	**1 706**	**–**	**1 706 – 1 957**	**–**	**1 706**
2022					
Market value of range at date of exercise/ release (cents)	1 519	1 519 – 1 947	1 519 – 2 076	–	–

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

	LTIP			SAR	SAR Retention Units
	Performance units	Retention units	Deferred bonus units	Total units	Total units
2023					
Financial year 2023/2024	**4 008**	**–**	**5 513**	**–**	**337**
Financial year 2024/2025	**6 135**	**–**	**4 503**	**–**	**337**
Financial year 2025/2026	**7 763**	**–**	**3 503**	**–**	**–**
Financial year 2026/2027	**5 177**	**–**	**–**	**–**	**–**
Financial year 2027/2028	**3 050**	**–**	**–**	**–**	**–**
Total outstanding shares	**26 133**	**–**	**13 519**	**–**	**674**
2022					
Financial year 2022/2023	2 519	–	3 732	4 917	–
Financial year 2023/2024	5 228	–	2 121	4 917	–
Financial year 2024/2025	7 429	–	1 066	4 918	–
Financial year 2025/2026	4 909	–	–	–	–
Financial year 2026/2027	2 201	–	–	–	–
Total outstanding shares	22 286	–	6 919	14 752	–

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

15.1.2 Cash-settled arrangements continued

Inputs used in the valuation of the share schemes:

2023

LTIP	Valuation assumptions include: Outstanding tranche period in months	Take-up rate on units outstanding	Current vesting rate	Share price at year end
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2023 – performance units	3	99%	100%	R18.06
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2024 – performance units	15	93%	100%	R18.06
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2023 – performance units	3	99%	56%	R18.06
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2024 – performance units	15	93%	56%	R18.06
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2025 – performance units	27	88%	56%	R18.06
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2024 – performance units	9	96%	56%	R18.06
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2025 – performance units	21	90%	56%	R18.06
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2026 – performance units	33	85%	56%	R18.06
Award date 01/10/2021 and vesting date 01/10/2024 and settlement date 01/10/2024 – performance units	15	93%	37%	R18.06
Award date 01/10/2021 and vesting date 01/10/2024 and settlement date 01/10/2025 – performance units	27	88%	37%	R18.06
Award date 01/10/2021 and vesting date 01/10/2024 and settlement date 01/10/2026 – performance units	39	83%	37%	R18.06
Award date 01/04/2022 and vesting date 01/04/2025 and settlement date 01/04/2025 – performance units	21	90%	37%	R18.06
Award date 01/04/2022 and vesting date 01/04/2025 and settlement date 01/04/2026 – performance units	33	85%	37%	R18.06
Award date 01/04/2022 and vesting date 01/04/2025 and settlement date 01/04/2027 – performance units	45	80%	37%	R18.06
Award date 01/10/2022 and vesting date 01/10/2025 and settlement date 01/10/2025 – performance units	27	88%	79%	R18.06
Award date 01/10/2022 and vesting date 01/10/2025 and settlement date 01/10/2026 – performance units	39	83%	79%	R18.06
Award date 01/10/2022 and vesting date 01/10/2025 and settlement date 01/10/2027 – performance units	51	78%	79%	R18.06
Award date 05/10/2022 and vesting date 05/10/2025 and settlement date 05/10/2025 – performance units	27	88%	79%	R18.06
Award date 05/10/2022 and vesting date 05/10/2025 and settlement date 05/10/2026 – performance units	39	83%	79%	R18.06
Award date 05/10/2022 and vesting date 05/10/2025 and settlement date 05/10/2027 – performance units	51	78%	79%	R18.06
Award date 01/04/2023 and vesting date 01/04/2026 and settlement date 01/04/2026 – performance units	33	85%	79%	R18.06
Award date 01/04/2023 and vesting date 01/04/2026 and settlement date 01/04/2027 – performance units	45	80%	79%	R18.06
Award date 01/04/2023 and vesting date 01/04/2026 and settlement date 01/04/2028 – performance units	57	76%	79%	R18.06
Award date 01/10/2020 and vesting date 01/10/2023 – deferred bonus units	3	99%	100%	R18.06
Award date 01/05/2021 and vesting date 01/05/2024 – deferred bonus units	10	95%	100%	R18.06
Award date 01/10/2021 and vesting date 01/10/2023 – deferred bonus units	3	99%	100%	R18.06
Award date 01/10/2021 and vesting date 01/10/2024 – deferred bonus units	15	93%	100%	R18.06
Award date 01/10/2022 and vesting date 01/10/2023 – deferred bonus units	3	99%	100%	R18.06
Award date 01/10/2022 and vesting date 01/10/2024 – deferred bonus units	15	93%	100%	R18.06
Award date 01/10/2022 and vesting date 01/10/2025 – deferred bonus units	27	88%	100%	R18.06
Award date 01/04/2023 and vesting date 01/04/2024 – deferred bonus units	9	96%	100%	R18.06
Award date 01/04/2023 and vesting date 01/04/2025 – deferred bonus units	21	90%	100%	R18.06
Award date 01/04/2023 and vesting date 01/04/2026 – deferred bonus units	33	85%	100%	R18.06
Award date 01/04/2023 and vesting date 01/10/2023 – deferred bonus units	3	99%	100%	R18.06
Award date 01/04/2023 and vesting date 01/10/2024 – deferred bonus units	15	93%	100%	R18.06
Award date 01/04/2023 and vesting date 01/10/2025 – deferred bonus units	27	88%	100%	R18.06

SAR	Valuation assumptions include: Outstanding tranche period in months	Take-up rate on units outstanding	Current vesting rate	Share price at year end
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2023 – retention units	3	99%	100%	R18.06
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2024 – retention units	15	97%	100%	R18.06

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

15.1.2 Cash-settled arrangements continued

Inputs used in the valuation of the share schemes: continued

2022

LTIP	Valuation assumptions include: Outstanding tranche period in months	Take-up rate on units outstanding	Current vesting rate	Share price at year end
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2022 – performance units	3	98%	41%	R14.26
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2023 – performance units	15	93%	41%	R14.26
Award date 01/10/2019 and vesting date 01/10/2022 and settlement date 01/10/2024 – performance units	27	87%	41%	R14.26
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2023 – performance units	15	93%	41%	R14.26
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2024 – performance units	27	87%	41%	R14.26
Award date 01/10/2020 and vesting date 01/10/2023 and settlement date 01/10/2025 – performance units	39	82%	41%	R14.26
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2024 – performance units	21	90%	41%	R14.26
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2025 – performance units	33	84%	41%	R14.26
Award date 01/04/2021 and vesting date 01/04/2024 and settlement date 01/04/2026 – performance units	45	79%	41%	R14.26
Award date 01/10/2021 and vesting date 01/10/2024 and settlement date 01/04/2024 – performance units	21	90%	17%	R14.26
Award date 01/10/2021 and vesting date 01/10/2024 and settlement date 01/04/2025 – performance units	33	84%	17%	R14.26
Award date 01/10/2021 and vesting date 01/10/2024 and settlement date 01/04/2026 – performance units	45	79%	17%	R14.26
Award date 01/04/2022 and vesting date 01/04/2025 and settlement date 01/04/2025 – performance units	33	84%	17%	R14.26
Award date 01/04/2022 and vesting date 01/04/2025 and settlement date 01/04/2026 – performance units	45	79%	17%	R14.26
Award date 01/04/2022 and vesting date 01/04/2025 and settlement date 01/04/2027 – performance units	57	75%	17%	R14.26
Award date 01/10/2019 and vesting date 01/10/2022 – deferred bonus units	3	98%	100%	R14.26
Award date 01/04/2020 and vesting date 01/04/2023 – deferred bonus units	9	95%	100%	R14.26
Award date 01/10/2020 and vesting date 01/10/2022 – deferred bonus units	3	98%	100%	R14.26
Award date 01/10/2020 and vesting date 01/10/2023 – deferred bonus units	15	93%	100%	R14.26
Award date 01/05/2021 and vesting date 01/05/2023 – deferred bonus units	10	95%	100%	R14.26
Award date 01/05/2021 and vesting date 01/05/2024 – deferred bonus units	22	89%	100%	R14.26
Award date 30/09/2021 and vesting date 30/09/2022 – deferred bonus units	3	98%	100%	R14.26
Award date 30/09/2021 and vesting date 30/09/2023 – deferred bonus units	15	93%	100%	R14.26
Award date 30/09/2021 and vesting date 30/09/2024 – deferred bonus units	27	87%	100%	R14.26
Award date 01/10/2021 and vesting date 01/10/2022 – deferred bonus units	3	98%	100%	R14.26
Award date 01/10/2021 and vesting date 01/10/2023 – deferred bonus units	15	93%	100%	R14.26
Award date 01/10/2021 and vesting date 01/10/2024 – deferred bonus units	27	87%	100%	R14.26

SAR	Valuation assumptions include: Outstanding tranche period in months	Take-up rate on units outstanding	Current vesting rate	Share price at year end
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2022 – performance units	3	99%	59%	R14.26
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2023 – performance units	15	97%	59%	R14.26
Award date 01/10/2018 and vesting date 01/10/2022 and settlement date 01/10/2024 – performance units	27	95%	59%	R14.26

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

15.1.2 Cash-settled arrangements continued

Vesting rate assumptions regarding performance units in the previous tables

Long-term Incentive Plan (LTIP)

There are currently three LTIP schemes in flight which were awarded in:

1) October 2020 and April 2021
2) October 2021 and April 2022
3) October 2022 and April 2023

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.

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 listed peers (Discovery, Old Mutual and Sanlam). As at 30 June 2023 the LTIP liability for October 2021 was calculated assuming 37% (2022: 17%) 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 listed 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.

Share Appreciation Rights Scheme (SAR)

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

Following the adverse impact of Covid-19, the Board Remuneration Committee agreed to extend the original vesting date and performance measurement period by 12 months, and to recalibrate the original vesting conditions during F2020. The scheme will now vest in 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%.
- Total Shareholder Return (TSR) over the vesting period to exceed the TSR of an equal-weighted index of MMH's main listed peers.

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

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 59% of units issued in 2018 will vest.

In October 2022 two-thirds of the SARs vested and were converted to retention units. The fair value of the SARs represent the growth in the MMH share price between the allocation date (1 October 2018) and the vesting date (1 October 2022), multiplied by the number of vested SARs. The MMH share price used for allocation and vesting purposes, is the volume weighted average share price of MMH in the 20 business days immediately preceding the allocation and vesting dates. As at the vesting date, the fair value as calculated was converted into retention units using the ruling MMH share price at the vesting date. These retention units will be settled on the settlement dates (October 2022, October 2023 and October 2024), based on the MMH share price at the settlement dates. Any dividends paid by MMH during the vesting period, and prior to the settlement dates, will accrue to participants in the form of additional SARs and retention units.

Notes to the financial statements continued

For the year ended 30 June 2023

15 **EMPLOYEE BENEFIT OBLIGATIONS** CONTINUED

15.1 **Post-retirement medical benefits** continued

15.1.2 **Cash-settled arrangements** continued

Share scheme

Momentum Sales Phantom Scheme (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 Company will make a cash payment to the employee to the value of the share price on vesting date. No shares are issued by the Company and therefore the scheme is cash-settled.

Reconciliation of units/options in force:

	MSPS '000
Units/Options in force at 01 July 2021	2 645
Granted at prices ranging between (cents)	1 427 – 2 079
Units/Options granted during year	562
Granted at prices ranging between (cents)	1 427 – 1 427
Units/Options exercised/released during year	(746)
Market value of range at date of exercise/release	1 427 – 1 966
Units/Options cancelled/lapsed during year	(128)
Granted at prices ranging between (cents)	1 427 – 2 079
Units/Options in force at 30 June 2022	**2 333**
Granted at prices ranging between (cents)	**1 427 – 2 079**
Units/Options granted during year	**752**
Granted at prices ranging between (cents)	**1 609 – 1 609**
Units/Options exercised/released during year	**(627)**
Market value of range at date of exercise/release	**1 609 – 1 986**
Units/Options cancelled/lapsed during year	**(106)**
Granted at prices ranging between (cents)	**1 427 – 2 079**
Units/Options in force at 30 June 2023	**2 352**

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

2023	MSPS '000
Financial year 2023/2024	537
Financial year 2024/2025	534
Financial year 2025/2026	606
Financial year 2026/2027	426
Financial year 2027/2028	249
Total outstanding shares	2 352
2022	
Financial year 2022/2023	631
Financial year 2023/2024	570
Financial year 2024/2025	567
Financial year 2025/2026	379
Financial year 2026/2027	186
Total outstanding shares	2 333

Valuation assumptions:

Assumptions	2023	2022
Share price	**1 427 – 2 079**	1 427 – 2 079
Forfeiture rate	**5.0%**	5.0%

15 EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

15.1 Post-retirement medical benefits continued

15.1.2 Cash-settled arrangements continued

Share-based payment expense

The share-based payment expense relating to cash settled schemes is R265 million (2022: R41 million) for the Group and R228 million (2022: R32 million) for the Company and is disclosed under employee benefit expenses in note 25.

16 SHARE CAPITAL AND SHARE PREMIUM

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

Authorised share capital of MML

- 225 million ordinary shares of 5 cents each.

Issued share capital

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

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Balance at 30 June	1 041	1 041	1 041	1 041
	1 041	1 041	1 041	1 041
Share capital	9	9	9	9
Share premium	1 032	1 032	1 032	1 032
	1 041	1 041	1 041	1 041

MML had 190 million ordinary shares in issue at 30 June 2023 (2022: 190 million).

Dividends

For detail of dividends declared and paid during the year, refer to the directors' report and to note 32.5 on related party transactions.

17 OTHER COMPONENTS OF EQUITY

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
17.1 Land and building revaluation reserve	295	275	132	109
17.2 Foreign currency translation reserve	227	83	–	–
17.3 Non-distributable reserve	(13)	(13)	–	–
17.4 Employee benefit revaluation reserve	59	18	59	18
17.5 Common Control Reserve	4 729	4 729	4 729	4 729
17.6 Revaluation of subsidiaries reserve	–	–	(368)	(709)
17.7 Equity-settled share-based payment arrangements	67	44	65	44
	5 364	5 136	4 617	4 191
Movements in other reserves				
17.1 Land and building revaluation reserve				
Refer to note 47 para 5				
Balance at beginning	275	376	109	109
Earnings directly attributable to other components of equity	20	(95)	23	15
Revaluation	30	(141)	25	10
Deferred tax on revaluation	(10)	46	(2)	5
Transfer to retained earnings	–	(6)	–	(15)
Balance at end	295	275	132	109

17 OTHER COMPONENTS OF EQUITY CONTINUED

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
17.2 Foreign currency translation reserve				
Refer to note 47 para 3				
Balance at beginning	**83**	66	**–**	–
Transfer to retained earnings	**–**	5	**–**	–
Currency translation differences	**144**	17	**–**	–
Other	**–**	(5)	**–**	
Balance at end	**227**	83	**–**	–
17.3 Non-distributable reserve				
Balance at beginning	**(13)**	(13)	**–**	–
Balance at end	**(13)**	(13)	**–**	–
17.4 Employee benefit revaluation reserve				
Refer to note 47 para 18				
Balance at beginning	**18**	81	**18**	81
Remeasurement of post-employment benefit obligations	**9**	(11)	**9**	(11)
Deferred tax on remeasurement of post-employment benefit obligations	**12**	2	**12**	2
Transferred to Retained Earnings	**20**	(54)	**20**	(54)
Balance at end	**59**	18	**59**	18

During the current year, the Metropolitan Staff Retirement Fund was liquidated and R20 million was transferred from the Employee Benefit Fund Reserve to Retained earnings.

In 2022, the Metropolitan Staff Pension Fund was liquidated and R54 million was transferred from the Employee Benefit Fund Reserve to Retained earnings.

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
17.5 Common Control Reserve				
Balance at beginning	**4 729**	4 729	**4 729**	4 729
Balance at end	**4 729**	4 729	**4 729**	4 729

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

17 OTHER COMPONENTS OF EQUITY CONTINUED

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
17.6 Revaluation of subsidiaries reserve				
Balance at beginning	–	–	(709)	405
Fair value movement	–	–	897	(1 114)
Transfer from retained earnings[1]	–	–	(556)	–
Balance at end	–	–	(368)	(709)

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

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
17.7 Equity-settled share-based payment arrangements				
B-BBEE share-based payment reserve				
Balance at beginning	44	15	44	15
Share schemes – value of services provided	23	29	21	29
Balance at end	67	44	65	44

[1] Transfers out of the revaluation surplus relates to the restructuring of Momentum Investment.

iSabelo Trust

To achieve our long-term strategic business objectives and to strengthen our Broad-Based Black Economic Empowerment ownership (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 30 April 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 46 for more details regarding the valuation assumptions. The total unit allocation costs relating to the current year for the iSabelo Trust amounting to R23 million (2022: R29 million) for the Group and amounting to R21 million (2022: R29 million) for the Company has been included in the income statement. Refer to note 25. There were no modifications to the scheme in the current period.

17 OTHER COMPONENTS OF EQUITY CONTINUED

17.7 Equity-settled share-based payment arrangements continued

iSabelo Trust continued

The valuation model used to determine the grant date fair value at June 2021 has been refined during F2022.

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 46 for valuation assumptions relating to this scheme.

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

	Grant date	Redemption date	Weighted average remaining contractual life	Grant date fair value	Number of units '000
Units awarded F2021	**22/04/2021[1]**	**12-Apr-31**	**7.8 years**	**64**	**248 158**
Units awarded F2022	**29/04/2022[2]**	**28-Apr-32**	**8.8 years**	**48**	**56 733**
Units awarded F2023	**24/04/2023[3]**	**24-Apr-33**	**9.8 years**	**36**	**57 150**

	Average price	'000
Movements during the year:		
As at 1 July 2021	–	236 170
Units awarded	48	56 733
Awarded units lapsed due to resignation	63	(56 126)
Units Transferred from/to another group company	64	1 117
As at 30 June 2022		237 894
Units awarded	**36**	**57 150**
Awarded units lapsed due to resignation	**55**	**(54 443)**
Awarded units cancelled due to non-acceptance[4]	**45**	**(31 672)**
Units Transferred from/to another group company	**58**	**(7 589)**
As at 30 June 2023		**201 340**

[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.

[4] 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 PROVISIONS

Group	Reinter-mediation provision[1] Rm	Deregistration of closed schemes[2] Rm	Other Rm	Total Rm
2023				
Balance at beginning	**237**	**–**	**26**	**263**
Business combinations	**–**	**–**	**3**	**3**
Paid/utilised during year	**(9)**	**–**	**(3)**	**(12)**
Unutilised amounts reversed	**(68)**	**–**	**–**	**(68)**
Additional provisions	**15**	**67**	**34**	**116**
Increases arising due to the passage of time and the effect of changes in the discount rate	**24**	**–**	**–**	**24**
Exchange differences	**–**	**–**	**(1)**	**(1)**
Transfer to non-current liabilities held for sale (refer to note 8)	**–**	**–**	**(5)**	**(5)**
Balance at end	**199**	**67**	**54**	**320**
2022				
Balance at beginning	245	–	10	255
Paid/utilised during year	–	–	(5)	(5)
Unutilised amounts reversed	(26)	–	–	(26)
Additional provisions	12	–	20	32
Increases arising due to the passage of time and the effect of changes in the discount rate	6	–	–	6
Exchange differences	–	–	1	1
Balance at end	237	–	26	263

Company	Reinter-mediation provision[1] Rm	Deregistration of closed schemes[2] Rm	Other Rm	Total Rm
2023				
Balance at beginning	**237**	**–**	**7**	**244**
Amounts utilised during year	**(9)**	**–**	**(3)**	**(12)**
Unutilised amounts reversed	**(68)**	**–**	**–**	**(68)**
Additional provisions	**15**	**67**	**32**	**114**
Increases arising due to the passage of time and the effect of changes in the discount rate	**24**	**–**	**–**	**24**
Balance at end	**199**	**67**	**36**	**302**
2022				
Balance at beginning	245	–	–	245
Amounts utilised during year	–	–	(5)	(5)
Unutilised amounts reversed	(26)	–	(6)	(32)
Additional provisions	12	–	18	30
Increases arising due to the passage of time and the effect of changes in the discount rate	6	–	–	6
Balance at end	237	–	7	244

1 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.

2 The Momentum Corporate segment has an obligation to deregister existing closed and terminated retirement funds with the regulator. A provision was recognised as a result of a legal obligation to incur certain costs as a result of the initiation of the deregistration process. The timing of when the costs will be incurred is uncertain due to the time required per fund to complete the deregistration. An amount per fund, based on historical experience was used to estimate the total cost of the deregistration process. The provision will be assessed annually based on actual expenses incurred per fund deregistration.

19 NET INSURANCE PREMIUMS

Refer to note 47 para 10 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Premiums received	**31 287**	27 833	**31 287**	27 429
Life insurance contracts	**30 447**	27 333	**30 447**	26 929
Investment contracts with DPF	**373**	406	**373**	406
Related party – Premiums received	**467**	94	**467**	94
Premiums received ceded to reinsurers	**(3 741)**	(3 535)	**(3 741)**	(3 251)
	27 546	24 298	**27 546**	24 178
Included in the above is the following relating to cell captives:				
Life insurance contracts	**–**	404	**–**	–
Premiums received ceded to reinsurers	**–**	(275)	**–**	–
	–	129	**–**	–

The increase in related party premiums is mainly due to increased reinsurance activity with Guardrisk Life, a fellow subsidiary.

20 FEE INCOME

Refer to note 47 para 23 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Contract administration	**3 587**	3 366	**3 579**	3 358
Investment contract administration	**3 507**	3 285	**3 506**	3 282
Release of deferred front-end fees	**80**	81	**73**	76
Trust and fiduciary services	**1 117**	1 065	**483**	427
Asset management	**628**	606	**–**	–
Retirement fund administration	**483**	427	**483**	427
Asset administration	**6**	32	**–**	–
Other fee income	**449**	657	**90**	104
Momentum Multiply fee income	**161**	166	**–**	–
Administration fees income	**11**	3	**6**	–
Scrip lending fees	**3**	4	**3**	4
Related party fees income#	**129**	325	**5**	4
Other	**145**	159	**76**	96
	5 153	5 088	**4 152**	3 889

The Group received fee income from MOBS in 2022, but because MOBS is part of the Group in 2023, the fee income for the Group has reduced. Note 31 describes the acquisition of MOBS.

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.

21 INVESTMENT INCOME

Refer to note 47 para 23 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Interest income	**19 315**	15 458	**15 761**	12 193
At fair value through profit and loss	**17 953**	14 466	**14 917**	11 570
At amortised cost using the effective interest rate method				
Cash and cash equivalents	**1 228**	891	**755**	559
Financial assets at amortised cost	**125**	98	**80**	61
Non-financial assets	**9**	3	**9**	3
At fair value through profit and loss	**6 403**	6 191	**4 991**	4 812
Dividend income – listed#	**3 094**	3 166	**1 905**	2 005
Dividend income – unlisted#	**3 269**	2 991	**3 067**	2 803
Dividends on preference shares – unlisted	**15**	25	**15**	–
Dividends on preference shares – listed	**25**	9	**4**	4
Rental income	**1 149**	1 165	**899**	972
Investment properties[2]	**1 145**	1 161	**895**	968
Owner-occupied properties	**4**	4	**4**	4
Related party – interest income	**–**	–	**264**	230
Dividend income from subsidiary and fellow subsidiary companies[1]	**47**	14	**182**	1 103
Other income	**7**	2	**4**	–
	26 921	22 830	**22 101**	19 310

[1] Consists of dividend income from subsidiaries of R135 million (2022: R254 million), dividends from fellow subsidiaries of R47 million (2022:R15 million) and a dividend in specie of Rnil million (2022: R834 million).

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

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 for the Group and R33 million for the Company from listed to unlisted.

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

Refer to note 47 para 6, 7 and 11 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Financial assets	**39 799**	(3 745)	**26 710**	(4 438)
Designated at fair value through profit and loss	**(8 787)**	578	**(1 180)**	(2 347)
Mandatorily at fair value through profit and loss	**48 521**	(4 556)	**28 045**	(2 207)
Derivative financial instruments	**61**	267	**(191)**	86
Net realised and unrealised foreign exchange differences on financial instruments not at fair value through profit and loss	**4**	(34)	**36**	30
Investment property	**(218)**	(97)	**(129)**	15
Valuation (losses)/gains	**(242)**	(90)	**(177)**	28
Change in accelerated rental income	**24**	(7)	**48**	(13)
Financial liabilities	**39**	194	**25**	134
Designated at fair value through profit and loss	**39**	194	**25**	134
Investments in subsidiaries at fair value through profit and loss	**–**	–	**10 927**	2 021
Subsidiary companies	**–**	–	**(42)**	(31)
Collective investment schemes	**–**	–	**10 969**	2 052
Other investments	**14**	17	**7**	13
	39 634	(3 631)	**37 540**	(2 255)

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

23 NET INSURANCE BENEFITS AND CLAIMS

Refer to note 47 para 10 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Life insurance contracts	23 428	26 150	23 427	26 055
Death and disability claims	11 615	15 126	11 614	15 031
Maturity claims	3 738	3 742	3 738	3 742
Annuities	5 909	5 187	5 909	5 187
Surrenders	1 915	1 895	1 915	1 895
Other[1]	251	200	251	200
Investment contracts with DPF	473	527	472	527
Terminations, disinvestments and withdrawal benefits	3	1	3	1
Maturity claims	208	278	207	278
Surrenders	169	147	169	147
Annuities	79	79	79	79
Death and disability claims	14	22	14	22
Related Party – Claims paid	250	200	250	201
	24 151	26 877	24 149	26 783
Amounts recovered from reinsurers	(3 327)	(4 777)	(3 327)	(4 682)
	20 824	22 100	20 822	22 101

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

24 DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES

Refer to note 47 para 4, 5 and 7 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	Restated 2022 Rm	2023 Rm	Restated 2022 Rm
Depreciation	217	201	193	187
Owner-occupied properties (refer to note 3.1)	36	34	18	17
Equipment	116	95	100	85
Right-of-use assets (refer to note 3.2)	65	72	75	85
Amortisation (refer to note 2)	61	68	41	46
Value of in-force business acquired	29	27	29	27
Customer relationships	11	10	–	–
Broker Network	2	2	–	–
Computer software	18	27	11	17
Right-of-use assets (refer to note 2.7)	1	2	1	2
Impairment (reversal)/charges of intangible assets (refer to note 2)	–	(8)	–	(8)
Value of in-force business acquired	–	(10)	–	(10)
Computer software	–	2	–	2
Impairment reversal of owner-occupied properties (refer note 3.1)	(10)	(9)	(3)	(16)
Impairment charges/(reversal) of financial assets (refer to note 6.2)	13	(19)	13	(121)
Financial assets at amortised cost	13	(19)	13	(121)
	281	233	244	88

25 EMPLOYEE BENEFIT EXPENSES

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

	Group		Company	
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
Salaries	**4 111**	3 794	**3 605**	3 334
Defined contribution retirement fund	**267**	251	**236**	224
Contributions to medical aid funds	**145**	137	**132**	125
Share-based payment expenses – Cash-settled arrangements (refer to note 15.1.2)	**265**	41	**228**	32
Training costs	**84**	69	**79**	61
Retirement fund assets	**(40)**	(42)	**(40)**	(42)
Share-based payment expenses – Equity-settled arrangements (refer to note 17.7)	**23**	29	**21**	29
Post-retirement medical benefits	**11**	10	**11**	10
Other	**35**	27	**5**	5
	4 901	4 316	**4 277**	3 778

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

26 SALES REMUNERATION

Refer to note 47 para 10 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
Commission incurred for the acquisition of insurance contracts[#]	**2 401**	2 494	**2 402**	2 372
Commission incurred for the acquisition of investment contracts with DPF	**10**	18	**10**	18
Commission incurred for the acquisition of investment contracts[#]	**856**	848	**856**	848
Life DAC – Acquisition costs incurred	**379**	372	**333**	330
Net movement DAC (long-term)	**47**	12	**27**	16
Additions per note 2.5	**332**	360	**306**	314
Impairment (reversal)/Impairment of amounts due from agents, brokers and intermediaries (refer to note 6.2)	**(11)**	7	**(11)**	7
(Impairment reversal)/impairment of deferred acquisition costs	**–**	(9)	**–**	–
Related party – commission	**(32)**	(37)	**(45)**	(60)
	3 603	3 693	**3 545**	3 515

[1] Refer to note 48 for more information on the restatements.

[#] 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.

27 OTHER EXPENSES

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

	Group		Company	
	2023 Rm	Restated[2] 2022 Rm	2023 Rm	Restated[2] 2022 Rm
Asset management fees	**1 034**	1 291	**1 022**	870
Consulting fees	**511**	364	**382**	255
Information technology expenses	**263**	303	**141**	126
Direct property operating expenses on investment property	**597**	509	**444**	384
Office costs	**305**	319	**262**	299
Marketing costs	**527**	379	**486**	355
Other indirect taxes	**393**	337	**389**	335
Momentum Multiply benefit payments	**78**	53	**–**	–
Travel expenses	**155**	91	**144**	83
Auditors' remuneration	**86**	58	**61**	42
Audit fees	**82**	55	**58**	39
Fees for other services	**4**	3	**3**	3
Bank charges	**51**	51	**41**	36
Bad debts written off	**1**	1	**1**	–
Lease charges[1]	**17**	20	**12**	14
Policy services	**167**	255	**167**	255
Other expenses	**167**	153	**123**	85
Regulatory fees	**44**	41	**37**	36
Insurance expenses	**36**	30	**34**	28
Net expenses recovered by/(from) subsidiaries and fellow subsidiaries	**21**	(47)	**(326)**	(325)
	4 453	4 208	**3 420**	2 878

1 Group: Included in lease charges are R15 million (2022: R12 million) relating to short-term leases and R2 million (2021: R8 million) relating to variable lease payments.

Company: Included in lease charges are R10 million (2022: R10 million) relating to short-term leases and R2 million (2022: R4 million) relating to variable lease payments.

2 Refer to note 48 for more information on the restatements.

28 FINANCE COSTS

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

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Interest expense on financial liabilities				
Interest expense on financial liabilities	**383**	345	**383**	345
Cost of carry positions	**422**	307	**403**	219
Lease liabilities	**7**	10	**12**	26
Preference shares	**–**	26	**–**	–
Cost of trading positions	**1 289**	1 289	**–**	–
Other[1]	**200**	147	**88**	57
	2 301	2 124	**886**	647
Designated at fair value through profit and loss	**805**	652	**786**	564
Amortised cost	**1 496**	1 472	**100**	83
	2 301	2 124	**886**	647

1 Included in other, is interest on a term loan with Standard Bank of R39 million (2022: R28 million) and interest on late payment of claims R88 million (2022: R57 million).

29 INCOME TAX EXPENSE

Refer to note 47 para 13 for the accounting policies relating to this note.

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Income tax expenses/(credits)				
Current taxation	**2 654**	1 999	**2 446**	1 830
Shareholder tax				
South African normal tax – current year	**1 768**	1 206	**1 728**	1 191
South African normal tax – prior year	**4**	1	**(5)**	1
Foreign countries – normal tax	**11**	9	**–**	–
Foreign withholding tax	**146**	129	**–**	–
Contract holder tax				
Tax on contract holder funds – current year	**700**	625	**700**	625
South African normal tax – prior year	**23**	13	**23**	13
Tax attributable to cell captive owners	**2**	16	**–**	–
Deferred tax	**53**	92	**79**	58
Shareholder tax				
South African normal tax – current year	**27**	198	**51**	171
Foreign countries – normal tax	**(2)**	7	**–**	–
Contract holder tax				
Tax on contract holder funds – current year	**28**	(113)	**28**	(113)
	2 707	2 091	**2 525**	1 888

	Group		Company	
Tax rate reconciliation	2023 %	2022 %	2023 %	2022 %
Tax calculated at standard rate of South African tax on earnings	**27.0**	28.0	**27.0**	28.0
Change in tax rate	**–**	(0.1)	**–**	(0.1)
Prior year adjustments	**0.1**	(0.2)	**(0.1)**	–
Taxation on contract holder funds	**12.4**	11.0	**11.1**	8.0
Foreign taxes differential due to different statutory rates	**(0.3)**	(0.5)	**–**	–
Capital gains tax	**(0.2)**	0.3	**(0.1)**	(0.3)
Non-taxable income[1]	**(1.4)**	(3.7)	**(1.4)**	(7.5)
Non-deductible expenses[2]	**0.8**	1.0	**0.8**	0.6
Deferred tax asset not recognised	**0.6**	1.4	**–**	–
Cell captive tax – to be recovered from cell owners	**–**	0.3	**–**	–
Effective rate	**39.0**	37.5	**37.3**	28.7

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

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

30 CASH FLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
30.1 Cash utilised in operations				
Profit before tax	**6 949**	5 574	**6 775**	6 587
Adjusted for				
Items disclosed separately				
Dividend income	**(6 450)**	(6 205)	**(5 173)**	(5 915)
Interest income	**(19 315)**	(15 458)	**(16 025)**	(12 423)
Finance costs	**2 301**	2 124	**886**	647
Adjustments to reconcile profit before tax to net cash flows				
Share of (profits)/losses of associates and joint ventures	**2**	(8)	**–**	–
Depreciation and amortisation expenses	**278**	269	**234**	233
Impairment charges	**(10)**	(17)	**(3)**	(24)
Revaluation of investment in subsidiary	**–**	–	**42**	31
Gains and losses on foreign exchange differences and fair value gains and losses relating to investing and financing and forex movements on cash and cash equivalents	**(418)**	(659)	**(215)**	(497)
Equity-settled share-based payment expense	**23**	29	**21**	29
Changes in operating assets and liabilities				
Net insurance and investment liabilities	**54 960**	2 990	**54 572**	2 908
Deferred Acquisition Costs	**47**	3	**27**	16
Financial assets at amortised cost	**3 628**	(606)	**2 510**	(927)
Insurance and other receivables	**320**	219	**296**	194
Reinsurance assets and liabilities	**(2 126)**	(781)	**(1 998)**	(707)
Employee benefit assets and obligations	**249**	464	**261**	434
Investment property	**108**	127	**497**	34
Other operating liabilities	**1 397**	1 632	**1 503**	514
Financial assets and liabilities	**(49 585)**	(11 891)	**(37 528)**	(11 111)
Investments in subsidiary CIS	**–**	–	**(15 808)**	(1 924)
Cash utilised in operations	**(7 642)**	(22 194)	**(9 126)**	(21 901)
30.2 Income tax paid				
Receivable/(due) at beginning	**(53)**	319	**(50)**	336
Charged to income statement	**(2 654)**	(1 999)	**(2 446)**	(1 830)
Other	**1**	1	**–**	–
(Receivable)/due at end	**804**	53	**793**	50
	(1 902)	(1 626)	**(1 703)**	(1 444)
30.3 Interest paid				
Unsecured subordinated call notes	**413**	252	**413**	252
Cost of carry positions	**401**	307	**401**	219
Lease liabilities	**6**	10	**12**	26
Preference shares	**–**	26	**–**	–
Cost of trading positions	**1 289**	1 289	**–**	–
Other	**238**	147	**47**	57
	2 347	2 031	**873**	554

[1] Refer to note 48 for more information on the restatements.

30 CASH FLOW FROM OPERATING ACTIVITIES CONTINUED

		Group		Company	
		2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
30.4	**Liabilities arising from financing activities**				
30.4.1	Subordinated call notes	**4 299**	5 327	**4 299**	5 327
30.4.2	Carry positions	**9 080**	7 723	**7 828**	5 529
30.4.3	Preference Shares	**310**	294	**–**	–
30.4.4	Financial liabilities at fair value through profit and loss: Other borrowings	**55**	825	**–**	–
30.4.5	Financial liabilities at amortised cost	**1 293**	1 285	**235**	263
		15 037	15 454	**12 362**	11 119
30.4.1	**Subordinated call notes**				
	Due at beginning	**5 327**	4 429	**5 327**	4 429
	Subordinated call notes issued	**–**	1 000	**–**	1 000
	Accrued interest	**383**	345	**383**	345
	Interest paid	**(413)**	(252)	**(413)**	(252)
	Subordinated call notes repaid	**(980)**	(87)	**(980)**	(87)
	Fair value movement	**(24)**	(134)	**(24)**	(134)
	Own credit loss included in other comprehensive income	**6**	26	**6**	26
	Due at end	**4 299**	5 327	**4 299**	5 327
30.4.2	**Carry positions**				
	Due at beginning	**7 723**	8 686	**5 529**	3 690
	Net proceeds/(repayment) from/(of) carry positions	**1 345**	(915)	**2 298**	1 839
	Accrued interest	**422**	307	**403**	219
	Interest paid	**(401)**	(307)	**(401)**	(219)
	Fair value movement	**(9)**	(48)	**(1)**	–
	Due at end	**9 080**	7 723	**7 828**	5 529
30.4.3	**Preference shares**				
	Due at beginning	**294**	313	**–**	–
	Preference shares repaid	**–**	(6)	**–**	–
	Accrued interest	**–**	26	**–**	–
	Interest paid	**–**	(26)	**–**	–
	Fair value movement	**16**	(13)	**–**	–
	Due at end	**310**	294	**–**	–
30.4.4	**Financial liabilities at fair value through profit and loss: Other borrowings**				
	Due at beginning	**825**	819	**–**	–
	Proceeds from other borrowings	**45**	85	**–**	–
	Repayment of other borrowings	**(795)**	(64)	**–**	–
	Fair value movement	**(22)**	(18)	**–**	–
	Exchange differences	**2**	3	**–**	–
	Due at end	**55**	825	**–**	–
30.4.5	**Financial liabilities at amortised cost**				
	Due at beginning	**1 285**	1 214	**263**	355
	Terminations of leases	**–**	(57)	**–**	(59)
	New leases entered into	**64**	63	**63**	63
	Accrued interest on leases	**7**	10	**12**	26
	Interest paid on leases	**(6)**	(10)	**(12)**	(26)
	Payment of principal portion of lease liability	**(80)**	(92)	**(90)**	(99)
	Modifications	**1**	3	**(1)**	3
	Exchange differences on leases	**4**	–	**–**	–
	Proceeds from term loans	**168**	186	**–**	–
	Repayment of capital portion of term loans	**(7)**	(34)	**–**	–
	Accrued interest on term loans#	**87**	58	**–**	–
	Interest paid on term loans#	**(169)**	(58)	**–**	–
	Repayment of other borrowings	**(91)**	–	**–**	(6)
	Accrued interest on other borrowings	**3**	–	**–**	–
	Exchange differences on other borrowings	**27**	(3)	**–**	–
	Other	**–**	5	**–**	6
	Due at end	**1 293**	1 285	**235**	263

In 2022, accrued interest on term loans and interest paid on term loans was incorrectly included in Other. June 2022 has been restated accordingly.

[1] Refer to note 48 for more information on the restatements.

30 CASH FLOW FROM OPERATING ACTIVITIES CONTINUED

30.5 Disposal of subsidiaries recon

There were no disposal of subsidiaries in the current year.

31 BUSINESS COMBINATIONS

Business combinations for the year ended 30 June 2023

Momentum Outcome-Based Solutions (Pty) Ltd

On 1 October 2022, MML Group, through its new subsidiary Momentum Investments Hold Co, acquired 100% of the issued share capital of Momentum Outcome-Based Solutions (Pty) Ltd ("MOBS" or the "Company") from Momentum Metropolitan Strategic Investments ("MMSI" or the "Seller") a fellow subsidiary of MMH, through a common control transaction.

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

	Group	
	2023 Rm	2022 Rm
Intangible assets	37	–
Plant and equipment	1	–
Financial instrument assets	46	–
Deferred income tax assets	13	–
Cash and cash equivalents	117	–
Total Assets	214	–
Employee benefit obligations	46	–
Other payables	35	–
Provisions	3	–
Current income tax liabilities	9	–
Total liabilities	93	–
Net asset value	121	–
Acquisition price	121	–
Purchase consideration: non-cash (intercompany loans)	121	–
Goodwill	–	–
Cash in subsidiary	117	–
Less purchase consideration in cash	–	–
Net cash as a result of business combination	117	–

31 BUSINESS COMBINATIONS CONTINUED

Business combinations for the year ended 30 June 2023 continued

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

	Group	
	2023 Rm	2022 Rm
Intangible assets	17	–
Financial instrument assets	24	–
Deferred income tax assets	1	–
Cash and cash equivalents	35	–
Total Assets	77	–
Deferred income tax liabilities	3	–
Other payables	14	–
Total liabilities	17	–
Net asset value	60	–
Acquisition price:	64	–
Contingent consideration liability[1]	17	–
Purchase consideration in cash	47	–
Goodwill	4	–
Cash in subsidiary	35	–
Less purchase consideration in cash	47	–
Net cash as a result of business combination	(12)	–
Revenue since acquisition	18	–
Earnings since acquisition	1	–

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

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

The above acquisition resulted in a total of R4 million goodwill being recognised attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes. If the acquisition had been made on 1 July 2022, additional revenue of R56 million and loss after tax of R5 million would have been recognised.

Business combinations for the year ended 30 June 2022

There were no business combinations in the prior year.

32 RELATED PARTY TRANSACTIONS

32.1 Major shareholders and group companies

The holding company of Momentum Metropolitan Life Limited is Momentum Metropolitan Holdings Limited (MMH).

The most significant related parties of the Company are Momentum Investment Management (Pty) Ltd, Momentum Global Investment Management Company Ltd, Momentum Money (previously Momentum Multiply (Pty) Ltd), 102 Rivonia Road (Pty) Ltd, 129 Rivonia Road (Pty) Ltd, Momentum Wealth International Ltd, and Momentum Wealth (Pty) Ltd, all subsidiaries of the Company. Subsidiaries and associated companies of these companies are also related parties.

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

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

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

32.2 Transactions with entities in the MMH Group

In July 2022, Momentum Ability transferred all its cell captive business to Guardrisk Life, a fellow subsidiary of MML. The value of the assets transferred equates to the value of the carrying value of the liabilities transferred in Momentum Ability, resulting in no gain or loss for the MML Group. The cell captive business was not deemed a material line of business for the MML Group and is therefore not disclosed as a discontinued operation.

In October 2022, Momentum Investments Management (Pty) Ltd (a subsidiary of MML) acquired Momentum Outsourced Based Solutions from Momentum Metropolitan Strategic Investments, a fellow subsidiary. Refer to note 31.

During the current year, MML invested an additional capital of R191 million into Momentum Money (Pty) Ltd (previously Momentum Multiply (Pty) Ltd), an existing subsidiary, R12 million into 102 Rivonia Road (Pty) Ltd, an existing subsidiary, R61 million into MMH Rosslyn Development (Pty) Ltd, a new subsidiary, and R3 million into Adapt Office Suites (Pty) Ltd, a new subsidiary.

32.3 Transactions with directors and key management personnel and their families

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

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

	2023 Rm	2022 Rm
Salaries and other short-term employee benefits	**46**	27
Post-employment benefits	**1**	1
Termination benefits	**–**	–
Share-based payments	**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.

32 RELATED PARTY TRANSACTIONS CONTINUED

32.3 Transactions with directors and key management personnel and their families continued

Aggregate details of insurance and investment transactions between the Company (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 (at 30 June 2023)	–	92	–	69
Aggregate life and disability cover (at 30 June 2023)	34	–	30	–
Deposits/premiums (for 12 months to June 2023)	1	7	–	1
Withdrawals/claims (for 12 months to June 2023)	–	(1)	(5)	(1)

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

32.4 Contract administration

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

Refer to note 32.7 for details on related party transactions.

32.5 Transactions with significant shareholders

MML dividend declarations:

In September 2023 MML declared a R1 550 million final ordinary cash dividend to Momentum Metropolitan Holdings Limited for the year ended 30 June 2023 to be paid in October 2023, and this dividend declaration is a decrease from the R1 700 million final ordinary dividend for the year ended 30 June 2022.

An interim cash dividend of R1 500 million was declared in March 2023 (2022: R700 million) being R7.91 (2022: R3.69) per ordinary share to Momentum Metropolitan Holdings Limited.

32.6 Post-employment benefit plans

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

32.7 Summary of related party transactions

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Transactions with holding company				
Dividend expense	3 200	700	3 200	700
Transactions with subsidiaries				
Fee income for administrative functions	–	–	375	284
Dividend income	–	–	134	1 089
Interest income	–	–	352	298
Sales remuneration recoveries	–	–	12	23
Fee expenses for administrative functions	–	–	(549)	(150)
Transactions with fellow subsidiaries				
Insurance premiums income	467	94	467	94
Fee income for administrative functions	842	1 133	737	728
Dividend income	47	14	47	14
Reinsurance claims income	–	2	–	–
Insurance claims expense	(250)	(201)	(250)	(201)
Reinsurance premiums expense	–	(9)	–	–
Sales remuneration recoveries	32	37	32	37
Fee expense for administrative functions	(874)	(1 322)	(862)	(1 127)

33 CAPITAL AND LEASE COMMITMENTS

	Group		Company	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Capital commitments				
Authorised but not contracted	**6**	14	**6**	14
Authorised and contracted	**–**	–	**–**	–
	6	14	**6**	14
The above commitment, which is in respect of building refurbishments of R6 million will be financed from internal sources.				
Lease commitments				
The minimum future lease payments payable under non-cancellable short-term leases on property and equipment:				
Less than 1 year	**1**	1	**1**	1
	1	1	**1**	1
The minimum future lease payments receivable under non-cancellable operating leases on investment properties:				
Less than 1 year	**466**	413	**380**	324
Between 1 and 2 years	**383**	351	**293**	254
Between 2 and 3 years	**347**	310	**251**	202
Between 3 and 4 years	**312**	294	**211**	175
Between 4 and 5 years	**97**	283	**72**	157
More than 5 years	**598**	749	**598**	720
	2 203	2 400	**1 805**	1 832

34 CONTINGENT LIABILITIES

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

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

The Group does not have any material contingent liabilities at 30 June 2023 (2022: nil).

35 EVENTS AFTER THE REPORTING PERIOD

During September 2023, the Board declared a final dividend of R1 550 million to be paid in October 2023. Refer to note 32.5 for details.

In July 2023, the Momentum Money (previously Momentum Multiply) unbundling transaction as described in note 8 became effective.

HP Meyer formally 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.

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

36 FINANCIAL RISK MANAGEMENT

The risk philosophy, structures and management processes of the Group recognise that managing risk is an integral part of generating sustainable shareholder value while at the same time enhancing the interests of all stakeholders. The importance of maintaining an appropriate balance between entrepreneurial 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 MMH Integrated Report which is available in print and online in PDF format at https://www.momentummetropolitan.co.za. The Group is currently exposed to the following financial risks:

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 also from the decrease in the value of an asset subsequent to the downgrading of a counterparty. It arises from investment and non-investment activities, such as reinsurance credit risk, amounts due from intermediaries and policy loans.

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

37 CAPITAL MANAGEMENT

37.1 Capital management objectives

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

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

37.2 Capital management framework

The Group's and Company'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.

	Group		Company	
Capital type	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
IFRS NAV	**14 737**	13 490	**16 359**	14 353
Subordinated debt	**4 299**	5 327	**4 299**	5 327
Total	**19 036**	18 817	**20 658**	19 680

- **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. The Company houses MMH's shareholder assets, therefore, the Company 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 the Company, are financial assets that are in excess of the assets required to meet policyholder obligations and are directly attributable to the Group's shareholders. These assets back the Group's minimum required capital, approved capital buffers, the subordinated debt programme, as well as discretionary capital. The assets backing shareholder capital portfolios are invested in line with approved risk appetite and mandates.
- **Capital planning process:** The Group's capital planning process facilitates value creation by aligning corporate strategy, capital allocation and performance measurement. This process is conducted on a forward-looking basis through regular solvency and liquidity projections that take into account capital sourcing requirements, strategic capital deployment and subsidiary capital requirements.
- **Dividends:** The Group's dividend policy is to grow dividends in line with normalised headline earnings growth. The Group targets a 2.5x normalised headline earnings dividend cover with a 2.0x to 3.0x target coverage range. This implies a pay-out ratio of c.40% to c.50% of diluted normalised headline earnings per annum.

37 CAPITAL MANAGEMENT CONTINUED

37.3 Overview of capital management developments

37.3.1 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.

37.3.2 Subordinated debt profile

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

Instrument code	Amount issued (Rm)	Tenor	Date issued	Coupon rate	Interest rate type
MMIG04	270	10 years	Aug 2015	11.30%	Fixed
MMIG06	750	6 years	Oct 2017	JIB03+220 bps	Floating
MMIG07	750	5.5 years	Mar 2019	JIB03+175 bps	Floating
MML01	290	7 years	Dec 2019	JIB03+175bps	Floating
MML02	460	7 years	Dec 2019	9.29%	Fixed
MML03	300	7.1 years	Feb 2021	JIB03+194 bps	Floating
MML04	450	7.1 years	Feb 2021	7.89%	Fixed
MML05	865	5 years	May 2022	JIB03+160 bps	Floating
MML06	135	7 years	May 2022	10.01%	Fixed
Total	**4 270**				

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

Instrument code	Amount issued (Rm)	Tenor	Date issued	Coupon rate	Interest rate type
MMIG05	980	7 years	Aug 2015	10.86%	Fixed
MMIG04	270	10 years	Aug 2015	11.30%	Fixed
MMIG06	750	6 years	Oct 2017	JIB03+220bps	Floating
MMIG07	750	5.5 years	Mar 2019	JIB03+175bps	Floating
MML01	290	7 years	Dec 2019	JIB03+175bps	Floating
MML02	460	7 years	Dec 2019	9.29%	Fixed
MML03	300	7.1 years	Feb 2021	JIB03+194bps	Floating
MML04	450	7.1 years	Feb 2021	7.89%	Fixed
MML05	865	5 years	May 2022	JIB03+160bps	Floating
MML06	135	7 years	May 2022	10.01%	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:

Instrument code	Amount issued (Rm)	Date issued	Outstanding tenor	Maturity year
MMIG04	270	Aug 2015	2.1 years	2025
MMIG06	750	Oct 2017	0.3 years	2023
MMIG07	750	Mar 2019	1.2 years	2024
MML01	290	Dec 2019	3.4 years	2026
MML02	460	Dec 2019	3.4 years	2026
MML03	300	Feb 2021	4.7 years	2028
MML04	450	Feb 2021	4.7 years	2028
MML05	865	May 2022	3.9 years	2027
MML06	135	May 2022	5.9 years	2029
Total	**4 270**			

37 CAPITAL MANAGEMENT CONTINUED

37.3 Overview of capital management developments continued

37.3.2 Subordinated debt profile continued

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

Instrument code	Amount issued (Rm)	Date issued	Outstanding tenor	Maturity year
MMIG05	980	Aug 2015	0.1 years	2022
MMIG04	270	Aug 2015	3.1 years	2025
MMIG06	750	Oct 2017	1.3 years	2023
MMIG07	750	Mar 2019	2.2 years	2024
MML01	290	Dec 2019	4.4 years	2026
MML02	460	Dec 2019	4.4 years	2026
MML03	300	Feb 2021	5.7 years	2028
MML04	450	Feb 2021	5.7 years	2028
MML05	865	May 2022	4.9 years	2027
MML06	135	May 2022	6.9 years	2029
Total	5 250			

37.4 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 Solvency Capital Requirements (SCR) of MML was met at 30 June 2023 and throughout the financial year.

The PA has designated Momentum Metropolitan as an insurance group and approval for the licensing of MMH as the controlling company of the insurance group was received in August 2021. The Group has received approval to calculate its group solvency position using the Accounting Consolidation method, 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 intra-group 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.

37.5 Credit ratings

In February 2023 and March 2023 , Moody's updated their credit opinion for MML. 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**	**2023**	**2022**	**2023**	**2022**	**Outlook**
MML	Insurer 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**

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."

38 INSURANCE AND INVESTMENT BUSINESS

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

Group	Insurance Rm	Investment with DPF Rm	Investment Rm	Total Rm
2023				
Individual contracts with Market Exposure	**48 661**	**2 549**	**220 396**	**271 606**
Market-related business	**15 420**	**1 117**	**217 905**	**234 442**
Smoothed bonus business	**23 293**	**552**	**722**	**24 567**
Smoothed bonus – fully vesting	**–**	**880**	**1 769**	**2 649**
Conventional with-profit business	**9 948**	**–**	**–**	**9 948**
Group contracts with Market Exposure	**11 440**	**–**	**115 752**	**127 192**
Market-related business	**(17)**	**–**	**102 139**	**102 122**
Smoothed bonus business	**–**	**–**	**13 082**	**13 082**
Smoothed bonus – fully vesting	**–**	**–**	**531**	**531**
With-profit annuity business	**11 457**	**–**	**–**	**11 457**
Other business	**60 277**	**–**	**4 510**	**64 787**
Non-profit annuity business	**49 503**	**–**	**1 516**	**51 019**
Guaranteed endowments	**–**	**–**	**2 805**	**2 805**
Other non-profit business	**10 774**	**–**	**189**	**10 963**
Total contract holder liabilities	**120 378**	**2 549**	**340 658**	**463 585**
Restated[1] 2022				
Individual contracts with Market Exposure	47 195	2 439	187 529	237 163
Market-related business	15 365	1 040	185 117	201 522
Smoothed bonus business	22 426	568	735	23 729
Smoothed bonus – fully vesting	–	831	1 677	2 508
Conventional with-profit business	9 404	–	–	9 404
Group contracts with Market Exposure	11 640	–	99 509	111 149
Market-related business	(6)	–	87 249	87 243
Smoothed bonus business	–	–	11 632	11 632
Smoothed bonus – fully vesting	–	–	628	628
With-profit annuity business	11 646	–	–	11 646
Other business	54 356	–	5 526	59 882
Non-profit annuity business	44 418	–	1 630	46 048
Guaranteed endowments	–	–	3 786	3 786
Other non-profit business	9 938	–	110	10 048
Subtotal	113 191	2 439	292 564	408 194
Liabilities in cell captive and non-life business	(241)	–	1 542	1 301
Total contract holder liabilities	112 950	2 439	294 106	409 495

[1] Refer to note 48 for more information on the restatements.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

Company	Insurance Rm	Investment with DPF Rm	Investment Rm	Total Rm
2023				
Individual contracts with Market Exposure	48 661	2 549	217 905	269 115
Market-related business	15 421	1 117	215 414	231 952
Smoothed bonus business	23 292	552	722	24 566
Smoothed bonus – fully vesting	–	880	1 769	2 649
Conventional with-profit business	9 948	–	–	9 948
Group contracts with Market Exposure	11 441	–	115 752	127 193
Market-related business	(17)	–	102 138	102 121
Smoothed bonus business	–	–	13 083	13 083
Smoothed bonus – fully vesting	–	–	531	531
With-profit annuity business	11 458	–	–	11 458
Other business	60 278	–	4 509	64 787
Non-profit annuity business	49 503	–	1 515	51 018
Guaranteed endowments	–	–	2 805	2 805
Other non-profit business	10 775	–	189	10 964
Total contract holder liabilities	120 380	2 549	338 166	461 095
Restated[1] 2022				
Individual contracts with Market Exposure	47 196	2 439	185 636	235 271
Market-related business	15 366	1 041	183 224	199 631
Smoothed bonus business	22 426	568	735	23 729
Smoothed bonus – fully vesting	–	830	1 677	2 507
Conventional with-profit business	9 404	–	–	9 404
Group contracts with Market Exposure	11 640	–	99 602	111 242
Market-related business	(6)	–	87 342	87 336
Smoothed bonus business	–	–	11 632	11 632
Smoothed bonus – fully vesting	–	–	628	628
With-profit annuity business	11 646	–	–	11 646
Other business	54 485	–	5 525	60 010
Non-profit annuity business	44 419	–	1 629	46 048
Guaranteed endowments	–	–	3 786	3 786
Other non-profit business	10 066	–	110	10 176
Total contract holder liabilities	113 321	2 439	290 763	406 523

[1] Refer to note 48 for more information on the restatements.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

38.1 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 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.
- MML has issued the principles and practices of financial management (PPFMs) that they apply in the management of their discretionary participation business. The PPFM's detail the investment strategies and bonus philosophies 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 PPFMs.
- Bonus Stabilisation Accounts (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.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

38.1 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 universal life investment option, with annual bonuses declared in arrears (closed to new business).
  - Momentum Life traditional smoothed bonus business sold on an individual life basis as investment options on the Investo and Wealth platforms, with annual bonuses declared in arrears (open to new business).
  - Momentum Life fully vesting smoothed bonus business sold on both an individual and an institutional basis, with monthly bonuses declared in advance (open to new business).

Non-profit annuity business

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

Guaranteed endowments (insurance and financial instrument business)

Insurance

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

Other non-profit business

- These include life 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.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

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

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

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

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

38.2.1 Demographic risks

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

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

38 **INSURANCE AND INVESTMENT BUSINESS** CONTINUED

38.2 **Life insurance risk** continued

38.2.1 **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 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 for Group and Company the concentration of individual insurance contract benefits (gross and net of reinsurance) by sum insured at risk:

	2023			2022		
Sum insured per benefit (Rands)	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**	**Number of benefits**	**Amount (gross) Rm**	**Amount (net) Rm**
0 – 20 000	**2 578 471**	**26 515**	**26 167**	3 088 911	27 753	27 336
20 001 – 50 000	**727 585**	**40 544**	**39 894**	788 462	43 634	42 837
50 001 – 100 000	**311 768**	**35 846**	**33 860**	332 787	37 236	35 090
100 001 – 200 000	**99 126**	**16 111**	**12 372**	106 326	17 108	13 243
200 001 – 500 000	**169 569**	**60 449**	**41 541**	175 628	61 874	42 651
500 001 – 1 000 000	**203 738**	**116 846**	**86 888**	210 401	119 305	88 549
> 1 000 000	**501 562**	**1 192 334**	**649 790**	494 036	1 137 688	621 574
Subtotal	**4 591 819**	**1 488 645**	**890 512**	5 196 551	1 444 598	871 280
Cell captive business#	**–**	**–**	**–**	89 973	51 194	10 239
Total	**4 591 819**	**1 488 645**	**890 512**	5 286 524	1 495 792	881 519

Cell captive business was the only difference between Group and Company in the prior year. In the current year, the Group and Company numbers are the same.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

38.2 Life insurance risk continued

38.2.1 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:
    - o Age structure
    - o Region
    - o Salary structure
    - o Gender structure
    - o Industry
  - For large schemes (typically 400 or more members), a scheme's past experience is an important input in setting rates for the scheme. The larger the scheme, the more weight is given to the scheme's past experience.
  - 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) for the Group and Company.

Lives covered by scheme	2023	2022
0 – 1 000	**7 373**	7 229
1 001 – 5 000	**328**	338
> 5 000	**215**	218
Subtotal	**7 916**	7 785
Cell captive business#	**–**	1
Total	**7 916**	7 786

Cell captive business was the only difference between Group and Company in the prior year. In the current year, the Group and Company numbers are the same.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

38.2 Life insurance risk continued

38.2.1 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 predefined 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 for the Group and Company:

	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	53 295	237	54 141	243
10 001 – 50 000	42 070	1 035	40 492	966
50 001 – 100 000	13 467	943	11 808	831
100 001 – 200 000	9 036	1 263	7 731	1 080
> 200 000	7 576	3 012	6 188	2 427
Subtotal	125 444	6 490	120 360	5 547
Cell captive business#	–	–	92	28
Total	125 444	6 490	120 452	5 575

Cell captive business was the only difference between Group and Company in the prior year. In the current year, the Group and Company numbers are the same.

Permanent health insurance business

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

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

38.2 Life insurance risk continued

38.2.2 Contract persistency risk

- Persistency risk is the risk of adverse change in the value of insurance contracts due to adverse lapse, surrender and paid-up experience, or to a change in the expected exercise rates of such policyholder options.
- Expenses such as commission and acquisition costs are largely incurred at outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges in respect of the contract. Therefore, if the contract or premiums are terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred. As a result, any amount payable on withdrawal normally makes provision for recouping outstanding expenses from intermediaries. However, losses may still occur if the expenses incurred exceed the expected recoveries, which is usually the case for risk policies and normally happens early on in the term of recurring premium savings policies, or where the withdrawal amount does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum applying, or to product design.
- Terminations can have the effect of increasing insurance risk, 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.

Factors affecting the risk:

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

How risks are managed:

- In addition to setting realistic assumptions with regard to termination rates (rates of lapse, surrender and paid-up experience) based on the Group's actual experience, capital is set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts. In addition, customer retention 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.

38.2.3 Retrenchment risk

Retrenchment risk is the risk of loss, or of adverse changes in the value of insurance contracts, resulting from changes in the level, trend or volatility of retrenchment inception rates used in pricing and valuing retrenchment benefits provided under policies. The Group has 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.

38.2.4 Expense risk

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

Budget controls are in place to mitigate this risk. The Group performs expense investigations annually and sets pricing and valuation assumptions to be in line with actual experience, 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.

38 INSURANCE AND INVESTMENT BUSINESS CONTINUED

38.2 Life insurance risk continued

38.2.5 Business volume risk

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

38.3 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.

39 FINANCIAL RISK INHERENT IN CONSOLIDATED COLLECTIVE INVESTMENT SCHEMES AND OTHER INVESTMENT PRODUCTS

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

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

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

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

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

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

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

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

40 LIQUIDITY RISK

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

Liquidity risk governance

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

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

40 LIQUIDITY RISK CONTINUED

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: 85%) of the liabilities of the Group and 93% (2022: 94%) of the liabilities of the Company. Management of the liquidity risk thereof is described below in terms of policyholder benefits.

Policyholder liabilities

Guaranteed endowment and structured product benefits

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

Non-profit annuity policyholder benefits

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

Conventional with-profit and smoothed bonus policyholder benefits

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

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

Maturity dates are normally known in advance and contractual claims are projected. Cash flow projections are performed to aid in portfolio and cash flow management. Where the product design allows for the payment of an early termination value (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.

40 **LIQUIDITY RISK** 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 carry positions and the subordinated call notes.

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

The projected liquidity requirements of the shareholder portfolio are identified, measured and reported on a regular basis to the Capital and Investment Committee. The regular reports take the expected shareholder cash flows (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:

	Group				Company			
	2023		Restated[4] 2022		2023		Restated[4] 2022	
Total asset liquidity	%	Rm	%	Rm	%	Rm	%	Rm
High[1]	**77**	**424 520**	76	374 307	**79**	**403 271**	79	354 897
Medium[2, 4]	**20**	**110 739**	21	105 477	**20**	**96 250**	19	83 448
Low/illiquid[3]	**3**	**13 579**	3	13 626	**1**	**4 816**	2	9 929
Other assets not included above								
– Employee benefit assets		**398**		458		**398**		457
– Deferred income tax		**108**		90		**–**		–
– Accelerated rental income		**311**		335		**170**		218
– Assets relating to disposal groups held for sale		**88**		–		**4 874**		–
Total assets		**549 743**		494 293		**509 779**		448 949

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 48 for more information on the restatements.

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities

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

Group 2023 R million	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)[2]	120 378	120 378	19 930	13 083	31 279	22 871	33 215
Market-related business							
Individual	15 420	15 420	2 058	1 530	3 851	3 412	4 569
Employee benefits	(17)	(17)	–	(2)	(7)	(8)	–
Smoothed bonus business							
Individual	23 293	23 293	1 035	2 737	7 926	5 145	6 450
Employee benefits	–	–	–	–	–	–	–
Conventional with-profit business	9 948	9 948	6 591	366	347	120	2 524
Guaranteed endowments	–	–	–	–	–	–	–
Non-profit business							
Individual	8 877	8 877	523	748	851	557	6 198
Employee benefits	1 897	1 897	57	1 114	215	148	363
Annuity business	60 960	60 960	9 666	6 590	18 096	13 497	13 111
Investment contracts with DPF (DCFs)[2]	2 549	2 549	887	208	597	378	479
Market-related business							
Individual	1 117	1 117	7	134	414	259	303
Smoothed bonus business							
Individual	552	552	–	74	183	119	176
Smoothed bonus – fully vesting							
Individual	880	880	880	–	–	–	–
Investment contracts (undiscounted cash flows)	340 658	342 457	336 199	2 606	1 266	1 369	1 017
Linked (market-related) business							
Individual	217 905	217 905	217 864	–	9	21	11
Employee benefits	102 139	102 139	102 041	5	18	16	59
Smoothed bonus business							
Individual	722	722	722	–	–	–	–
Employee benefits	13 082	13 082	13 082	–	–	–	–
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							
Employee benefits	189	189	189	–	–	–	–
Annuity business	1 516	2 774	1	552	940	334	947
Subtotal policyholder liabilities under insurance and investment contracts	463 585	465 384	357 016	15 897	33 142	24 618	34 711
Cell captive business	–	–	–	–	–	–	–
Total policyholder liabilities under insurance and investment contracts	463 585	465 384	357 016	15 897	33 142	24 618	34 711

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Group 2023 R million	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Financial liabilities at fair value through profit and loss	50 769	48 835	33 726	10 222	4 331	358	198
Collective investment scheme liabilities	33 704	33 704	33 704	–	–	–	–
Subordinated call notes	4 299	5 496	–	1 125	4 222	149	–
Carry positions	9 080	9 080	–	9 080	–	–	–
Derivative financial liabilities[3]	3 321						
Preference shares	310	469	–	–	100	201	168
Other borrowings	55	86	22	17	9	8	30
Financial liabilities at amortised cost	1 293	1 454	–	493	818	107	36
Lease liabilities	120	162	–	35	83	8	36
Term loans	1 093	1 212	–	378	735	99	–
Other	80	80	–	80	–	–	–
Other payables[4]	14 836	15 205	4	15 197	4	–	–
Reinsurance contract liabilities	–	–	–	–	–	–	–
Other liabilities[5]	4 523						
Total liabilities	**535 006**	**530 878**	**390 746**	**41 809**	**38 295**	**25 083**	**34 945**

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

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

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

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

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

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

- In general, the earliest contractual maturity date is used for all liabilities.
- For the 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 fair value through profit and loss.
- Expected DCFs, 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 fair value through profit and loss:

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

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Group

Restated 2022 R million	Carrying amount	Total	Open-ended	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (DCFs)	113 191	113 191	18 714	12 934	29 115	21 077	31 351
Linked (market-related) business							
Individual	15 365	15 365	2 209	1 456	3 668	3 298	4 734
Employee benefits	(6)	(6)	–	(1)	(2)	(3)	–
Smoothed bonus business							
Individual	22 426	22 426	1 010	2 205	7 563	5 049	6 599
Conventional with-profit business	9 404	9 404	6 119	286	238	129	2 632
Non-profit business							
Individual	7 896	7 896	679	1 135	910	454	4 718
Employee benefits	2 042	2 042	7	1 126	278	170	461
Annuity business	56 064	56 064	8 690	6 727	16 460	11 980	12 207
Investment contracts with DPF (DCFs)	2 439	2 439	849	151	625	355	459
Linked (market-related) business							
Individual	1 040	1 040	9	91	409	247	284
Smoothed bonus business							
Individual	568	568	9	60	216	108	175
Smoothed bonus – fully vesting							
Individual	831	831	831	–	–	–	–
Investment contracts (undiscounted cash flows)	292 564	294 110	285 239	2 292	3 518	558	2 503
Linked (market-related) business							
Individual	185 117	185 117	185 010	–	23	75	9
Employee benefits	87 249	87 249	85 446	24	107	166	1 506
Smoothed bonus business							
Individual	735	735	735	–	–	–	–
Employee benefits	11 632	11 632	11 632	–	–	–	–
Smoothed bonus – 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	110	110	110	–	–	–	–
Annuity business	1 630	2 887	1	640	941	317	988
Subtotal policyholder liabilities under insurance and investment contracts	408 194	409 740	304 802	15 377	33 258	21 990	34 313
Cell captive and non-life business	1 301	1 301	124	460	(316)	(1)	1 034
Total policyholder liabilities under insurance and investment contracts	409 495	411 041	304 926	15 837	32 942	21 989	35 347

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Group Restated 2022 R million	Carrying amount	Total	Open-ended	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Financial liabilities at fair value through profit and loss	52 933	51 762	35 748	9 586	5 108	1 099	221
Collective investment scheme liabilities	35 725	35 725	35 725	–	–	–	–
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	294	439	–	35	90	117	197
Other borrowings	825	983	23	435	493	8	24
Financial liabilities at amortised cost	1 285	1 509	–	551	911	5	42
Lease liabilities	130	176	–	47	83	4	42
Term loans	1 155	1 333	–	504	828	1	–
Other	–	–	–	–	–	–	–
Other payables	13 344	14 561	99	13 623	839	–	–
Reinsurance contract liabilities	340	340	–	6	215	45	74
Other liabilities	3 406						
Total liabilities	480 803	479 213	340 773	39 603	40 015	23 138	35 684

Refer to note 48 for more information on the restatements.

Company 2023 R million	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (discounted cash flows)[2]	**120 380**	**120 380**	**19 934**	**13 082**	**31 279**	**22 871**	**33 214**
Market-related business							
Individual	**15 421**	**15 421**	**2 059**	**1 530**	**3 851**	**3 412**	**4 569**
Employee benefits	**(17)**	**(17)**	**–**	**(2)**	**(7)**	**(8)**	**–**
Smoothed bonus business							
Individual	**23 292**	**23 292**	**1 036**	**2 736**	**7 926**	**5 145**	**6 449**
Employee benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Conventional with-profit business	**9 948**	**9 948**	**6 591**	**366**	**347**	**120**	**2 524**
Guaranteed endowments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-profit business							
Individual	**8 877**	**8 877**	**523**	**748**	**851**	**557**	**6 198**
Employee benefits	**1 898**	**1 898**	**58**	**1 114**	**215**	**148**	**363**
Annuity business	**60 961**	**60 961**	**9 667**	**6 590**	**18 096**	**13 497**	**13 111**

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Company 2023 R million	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Investment contracts with DPF (discounted cash flows)[2]	2 549	2 549	887	208	597	378	479
Linked (Market-related) business							
Individual	1 117	1 117	7	134	414	259	303
Smoothed bonus business							
Individual	552	552	–	74	183	119	176
Smoothed bonus – fully vesting							
Individual	880	880	880	–	–	–	–
Investment contracts (undiscounted cash flows)	338 166	339 967	333 709	2 606	1 266	1 370	1 016
Linked (Market-related) business							
Individual	215 414	215 414	215 373	–	9	21	11
Employee benefits	102 138	102 138	102 041	5	18	16	58
Smoothed bonus business							
Individual	722	722	722	–	–	–	–
Employee benefits	13 083	13 083	13 083	–	–	–	–
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							
Employee benefits	189	189	189	–	–	–	–
Annuity business	1 515	2 775	1	552	940	335	947
Total policyholder liabilities under insurance and investment contracts	461 095	462 896	354 530	15 896	33 142	24 619	34 709
Financial liabilities at fair value through profit and loss	15 465	13 324	–	8 953	4 222	149	–
Subordinated call notes	4 299	5 496	–	1 125	4 222	149	–
Carry positions	7 828	7 828	–	7 828	–	–	–
Derivative financial liabilities[3]	3 338						
Financial liabilities at amortised cost – lease liabilities	235	272	–	56	216	–	–
Other payables[4]	12 553	12 553	–	12 553	–	–	–
Other liabilities[5]	4 072						
Total liabilities	493 420	489 045	354 530	37 458	37 580	24 768	34 709

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Company

Restated 2022 R million	Carrying amount	Total	Open-ended[1]	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Insurance contracts (discounted cash flows)[2]	113 321	113 320	18 843	12 935	29 116	21 076	31 350
Market-related business							
Individual	15 366	15 366	2 209	1 457	3 668	3 298	4 734
Employee benefits	(6)	(6)	–	(1)	(2)	(3)	–
Smoothed bonus business							
Individual	22 426	22 426	1 011	2 204	7 563	5 049	6 599
Conventional with-profit business	9 404	9 404	6 119	287	238	128	2 632
Guaranteed endowments	–	–	–	–	–	–	–
Non-profit business							
Individual	7 896	7 896	679	1 135	910	454	4 718
Employee benefits	2 170	2 170	135	1 126	279	170	460
Annuity business	56 065	56 064	8 690	6 727	16 460	11 980	12 207
Investment contracts with DPF (discounted cash flows)[2]	2 439	2 439	848	151	626	355	459
Market-related business							
Individual	1 041	1 041	9	91	410	247	284
Smoothed bonus business							
Individual	568	568	9	60	216	108	175
Smoothed bonus – fully vesting							
Individual	830	830	830	–	–	–	–
Investment contracts (undiscounted cash flows)	290 763	292 311	283 434	2 297	3 518	559	2 503
Market-related business							
Individual	183 224	183 224	183 112	5	23	75	9
Employee benefits	87 342	87 342	85 539	24	107	166	1 506
Smoothed bonus business							
Individual	735	735	735	–	–	–	–
Employee benefits	11 632	11 632	11 632	–	–	–	–
Smoothed bonus – 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	110	110	110	–	–	–	–
Annuity business	1 629	2 888	1	640	941	318	988

40 LIQUIDITY RISK CONTINUED

Maturity profile of liabilities continued

Company

Restated 2022 R million	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	406 523	408 070	303 125	15 383	33 260	21 990	34 312
Financial liabilities at fair value through profit and loss	13 726	12 421	–	6 922	4 525	974	–
Subordinated call notes	5 327	6 892	–	1 393	4 525	974	–
Carry positions	5 529	5 529	–	5 529	–	–	–
Derivative financial liabilities[3]	2 870						
Financial liabilities at amortised cost – lease liabilities	263	317	–	75	242	–	–
Other payables[4]	11 065	11 065	98	10 967	–	–	–
Other liabilities[5]	3 019						
Total liabilities	434 596	431 873	303 223	33 347	38 027	22 964	34 312

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

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

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

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

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

Refer to note 48 for more information on the restatements.

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.

40 **LIQUIDITY RISK** CONTINUED

Maturity profile of derivative financial instruments continued

Group Rm	Carrying amount	Total	0 to 1 year	1 to 5 years	> 5 years
2023					
Derivatives held for trading					
Equity derivatives	**35**	**(13)**	**(13)**	**–**	**–**
Interest rate derivatives	**(254)**	**(198)**	**27**	**(415)**	**190**
Bond derivatives	**(87)**	**(80)**	**10**	**(90)**	**–**
Credit derivatives	**(17)**	**(4)**	**–**	**(4)**	**–**
Currency derivatives	**(1 009)**	**(1 048)**	**(122)**	**(884)**	**(42)**
Total net undiscounted cash flow projections	**(1 332)**	**(1 343)**	**(98)**	**(1 393)**	**148**
Derivative financial instruments					
Assets	**1 989**				
Liabilities	**3 321**				
	(1 332)				
2022					
Derivatives held for trading					
Equity derivatives	(31)	(77)	(77)	–	–
Interest rate derivatives	(378)	(331)	(336)	197	(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	(1 298)	(1 262)	(540)	(141)	(581)
Derivative financial instruments					
Assets	1 741				
Liabilities	(3 039)				
	(1 298)				

Company Rm	Carrying amount	Total	0 to 1 year	1 to 5 years	> 5 years
2023					
Derivatives held for trading					
Equity derivatives	**26**	**(20)**	**(20)**	**–**	**–**
Interest rate derivatives	**(305)**	**(313)**	**(2)**	**(493)**	**182**
Bond derivatives	**(91)**	**(84)**	**6**	**(90)**	**–**
Credit derivatives	**(17)**	**(4)**	**–**	**(4)**	**–**
Currency derivatives	**(1 003)**	**(1 044)**	**(118)**	**(884)**	**(42)**
Total net undiscounted cash flow projections	**(1 390)**	**(1 465)**	**(134)**	**(1 471)**	**140**
Derivative financial instruments					
Assets	**1 948**				
Liabilities	**(3 338)**				
	(1 390)				
2022					
Derivatives held for trading					
Equity derivatives	(35)	(77)	(77)	–	–
Interest rate derivatives	(488)	(389)	(255)	97	(231)
Bond derivatives	(139)	(178)	(178)	–	–
Credit derivatives	(16)	(1)	6	(3)	(4)
Currency derivatives	(724)	(675)	45	(335)	(385)
Total net undiscounted cash flow projections	(1 402)	(1 320)	(459)	(241)	(620)
Derivative financial instruments					
Assets	1 468				
Liabilities	(2 870)				
	(1 402)				

41 MARKET RISK

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

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

Group	Carrying amount 2023 Rm	Carrying amount Restated[1] 2022 Rm	Market price risk	Interest rate risk	Currency risk
Assets					
Carried at fair value through profit and loss					
Unit-linked investments	**205 298**	177 111	✓✓	✓	✓
Debt securities#	**147 232**	147 163	✓	✓✓	✓
Equity securities	**113 139**	95 970	✓✓		✓
Funds on deposit and other money market instruments#	**25 516**	23 137	✓	✓✓	✓
Carry positions	**56**	1 124	✓	✓✓	
Derivative financial assets	**1 989**	1 741	✓✓	✓✓	✓
Carried at amortised cost					
Unsettled trades	**2 882**	1 896			✓
Accounts receivable	**1 995**	1 704		✓	✓
Loans	**4 084**	3 403		✓✓	✓
Funds on deposit and other money market instruments	**82**	113		✓✓	
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 130**	3 498		✓	
Cash and cash equivalents	**24 709**	19 815		✓✓	✓
Other non-financial assets	**19 631**	17 618	N/A	N/A	N/A
Total assets	**549 743**	494 293			
Liabilities					
Carried at fair value through profit and loss					
Investment contracts					
Designated at fair value through profit and loss	**340 658**	294 106	✓✓	✓✓	✓
Collective investment scheme liabilities	**33 704**	35 725	✓✓	✓	✓
Subordinated call notes	**4 299**	5 327	✓	✓✓	
Carry positions	**9 080**	7 723	✓	✓✓	
Derivative financial liabilities	**3 321**	3 039	✓✓	✓✓	✓
Preference shares	**310**	294	✓	✓	✓
Other borrowings	**55**	825	✓	✓	✓
Carried at amortised cost					
Lease liabilities	**120**	130		✓✓	✓
Other	**1 173**	1 155		✓✓	
Other payables (excluding premiums received in advance and deferred revenue liabilities)					
Payables arising from insurance contracts and investment contracts with DPF	**4 858**	4 925			✓
Payables arising from investment contracts	**3 273**	3 088			✓
Unsettled trades	**2 443**	1 443			✓
Commission creditors	**498**	536		✓	✓
Other	**3 764**	3 352		✓	✓
Insurance contract liabilities	**120 378**	112 950	*	*	*
Investment contracts with DPF liabilities	**2 549**	2 439	✓✓	✓✓	✓✓
Other non-financial liabilities	**4 523**	3 746	N/A	N/A	N/A
Total liabilities	**535 006**	480 803			

✓✓ High exposure

✓ Medium/low exposure

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

1 Refer to note 48 for more information on the restatements.

\# Upon further investigation it was concluded that funds on deposit of R51 million should have been classified as Debt securities (R51 million).

Notes to the financial statements continued

For the year ended 30 June 2023

41 **MARKET RISK** CONTINUED

Company	Carrying amount 2023 Rm	Carrying amount Restated[1] 2022 Rm	Market price risk	Interest rate risk	Currency risk
Assets					
Carried at fair value through profit and loss					
Equity securities	**40 041**	37 037	✓✓		✓
Debt securities#	**111 637**	104 523	✓	✓✓	✓
Funds on deposit and other money market instruments#	**12 321**	11 420	✓	✓✓	✓
Unit-linked investments	**192 252**	165 756	✓✓	✓	✓
Carry positions	**–**	–	✓	✓✓	
Derivative financial assets	**1 948**	1 468	✓✓	✓✓	✓
Interest in subsidiaries	**110 897**	94 143	✓✓		✓
Carried at amortised cost					
Financial assets at amortised cost					
Accounts receivable	**1 560**	1 176		✓	✓
Unsettled trades	**1 502**	512			✓
Loans	**4 083**	3 309		✓✓	✓
Funds on deposit and other money market instruments	**42**	55		✓✓	
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 130**	3 476		✓	
Cash and cash equivalents	**14 928**	12 386		✓✓	✓
Other non-financial assets	**15 438**	13 688	N/A	N/A	N/A
Total assets	**509 779**	448 949			
Liabilities					
Carried at fair value through profit and loss					
Investment contracts					
Designated at fair value through profit and loss	**338 166**	290 763	✓✓	✓✓	✓
At fair value through profit and loss					
Subordinated call notes	**4 299**	5 327	✓	✓✓	
Carry positions	**7 828**	5 529	✓	✓✓	
Derivative financial liabilities	**3 338**	2 870	✓✓	✓✓	✓
Carried at amortised cost					
Financial liabilities at amortised cost	**235**	263		✓✓	✓
Other payables (excluding premiums in advance and deferred revenue liability)					
Payables arising from insurance contracts and investment contracts with DPF	**4 858**	4 901			
Payables arising from investment contracts	**3 273**	3 088			✓
Commission creditors	**497**	535			✓
Unsettled trades	**1 197**	459		✓	✓
Other	**2 728**	2 082			✓
Insurance contract liabilities	**120 380**	113 321		✓	✓
Investment contracts with DPF	**2 549**	2 439	*	*	*
Other non-financial liabilities	**4 072**	3 019	✓✓	✓✓	✓✓
Total liabilities	**493 420**	434 596	N/A	N/A	N/A

✓✓ High exposure

✓ Medium/low exposure

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

[1] Refer to note 48 for more information on the restatements.

41 MARKET RISK CONTINUED

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

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

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

For non-profit business (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 Capital Investments Committee (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.

41 **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.

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

Investment Guarantee risk management

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

41 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. The income may be fixed or increase at a fixed rate or in line with inflation.

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

The impact of a 1% reduction in yields on the annuity portfolio will generate a mismatch loss of R21 million (2022: R24 million) for MML.

The calculation for MML is based on the risk-free yield curve. The average rate that produces the same result is 12.4% (2022: 8.8%).

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.

41 MARKET RISK CONTINUED

41.1 Market risk management per risk factor

Equity risk

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

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

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

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

Unlisted equity investment risks are managed as follows:

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

Refer to the sensitivity analysis in note 41.5.

41.2 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.

41 MARKET RISK CONTINUED

41.2 Interest rate risk continued

Exposure of financial instruments to interest rates continued

Group Instrument class	Carrying amount Rm	Cash flow interest rate risk Rm	Fair value interest rate risk Rm	No interest rate risk Rm	Weighted average rate %
2023					
At fair value through profit and loss					
Debt securities	**147 232**	**53 942**	**90 275**	**3 015**	**8%**
Funds on deposit and other money market instruments	**25 516**	**11 382**	**14 134**	**–**	**8%**
Derivative financial assets	**1 989**	**–**	**1 989**	**–**	**N/A**
Carry positions	**56**	**–**	**–**	**56**	**–**
Derivative financial liabilities	**(3 321)**	**–**	**(3 321)**	**–**	**N/A**
At amortised cost					
Funds on deposit and other money market instruments	**82**	**–**	**–**	**82**	**N/A**
Loans and receivables at amortised cost	**8 961**	**1 813**	**–**	**7 148**	**13%**
Cash and cash equivalents	**24 709**	**21 717**	**–**	**2 992**	**6%**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 130**	**–**	**–**	**3 130**	**N/A**
	208 354	**88 854**	**103 077**	**16 423**	
Restated[1] 2022					
At fair value through profit and loss					
Debt securities[#]	147 163	53 157	91 342	2 664	9%
Funds on deposit and other money market instruments[#]	23 137	15 235	7 890	12	6%
Derivative financial assets	1 741	–	1 741	–	N/A
Carry positions	1 124	–	–	1 124	–
Derivative financial liabilities	(3 039)	–	(3 039)	–	N/A
At amortised cost					
Funds on deposit and other money market instruments	113	–	–	113	N/A
Loans and receivables at amortised cost	7 003	1 646	–	5 357	9%
Cash and cash equivalents	19 815	19 045	–	770	4%
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	3 498	–	–	3 498	N/A
	200 555	89 083	97 934	13 538	

[1] Refer to note 48 for more information on the restatements.

[#] Upon further investigation it was concluded that funds on deposit of R51 million should have been classified as Debt securities (R51 million).

Liability exposure to interest rates is reflected in note 12.

41 MARKET RISK CONTINUED

41.2 Interest rate risk continued

Exposure of financial instruments to interest rates continued

Company Instrument class	Carrying amount Rm	Cash flow interest rate risk Rm	Fair value interest rate risk Rm	No interest rate risk Rm	Weighted average rate %
2023					
At fair value through profit and loss					
Debt securities	**111 637**	**35 800**	**69 390**	**6 447**	**8%**
Funds on deposit and other money market instruments	**12 321**	**5 689**	**6 632**	**–**	**8%**
Derivative financial assets	**1 948**	**–**	**1 948**	**–**	**N/A**
Derivative financial liabilities	**(3 338)**	**–**	**(3 338)**	**–**	**N/A**
At amortised cost					
Loans and receivables at amortised cost	**7 145**	**1 242**	**–**	**5 903**	**13%**
Cash and cash equivalents	**14 928**	**14 126**	**–**	**802**	**6%**
Funds on deposit and other money market instruments	**42**	**–**	**–**	**42**	**N/A**
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	**3 130**	**–**	**–**	**3 130**	**N/A**
	147 813	**56 857**	**74 632**	**16 324**	
Restated[1] 2022					
At fair value through profit and loss					
Debt securities[#]	104 523	30 083	66 910	7 530	9%
Funds on deposit and other money market instruments[#]	11 420	9 341	2 067	12	6%
Derivative financial assets	1 468	–	1 468	–	N/A
Derivative financial liabilities	(2 870)	–	(2 870)	–	N/A
At amortised cost					
Loans and receivables at amortised cost	4 997	1 048	–	3 949	9%
Cash and cash equivalents	12 386	12 389	–	(3)	4%
Funds on deposit and other money market instruments	55	–	–	55	N/A
Insurance and other receivables					
Receivables arising from insurance contracts, investment contracts with DPF and reinsurance contracts	3 476	–	–	3 476	N/A
	135 455	52 861	67 575	15 019	

[1] Refer to note 48 for more information on the restatements.

[#] Upon further investigation it was concluded that funds on deposit of R51 million should have been classified as Debt securities (R51 million).

41.3 Currency risk

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

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

41 **MARKET RISK** CONTINUED

41.3 **Currency risk** continued

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

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

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

Group	Africa Rm	UK Rm	US Rm	Euro Rm	Asian Pacific Rm	Other Rm	Total Rm
2023							
Closing exchange rate		***24.0136***	***18.8915***	***20.6059***			
Investment securities							
At fair value through profit and loss							
Unit-linked investments	**–**	**7 926**	**37 981**	**1 169**	**10**	**50**	**47 136**
Equity securities	**–**	**2 138**	**27 987**	**4 973**	**5 584**	**3 749**	**44 431**
Debt securities	**–**	**177**	**4 698**	**706**	**628**	**206**	**6 415**
Funds on deposit and other money market instruments	**–**	**2**	**1 648**	**7**	**–**	**–**	**1 657**
Derivative financial assets	**–**	**–**	**61**	**–**	**2**	**1**	**64**
At amortised cost							
Loans and accounts receivable	**–**	**101**	**1 793**	**17**	**2**	**13**	**1 926**
Cash and cash equivalents	**–**	**500**	**3 280**	**131**	**97**	**68**	**4 076**
Insurance and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**10 844**	**77 448**	**7 003**	**6 323**	**4 087**	**105 705**
2022							
Closing exchange rate		*19.9009*	*16.3864*	*17.1352*			
Investment securities							
At fair value through profit and loss							
Unit-linked investments	–	6 802	28 930	646	8	85	36 471
Equity securities	–	1 756	21 600	3 469	4 645	3 276	34 746
Debt securities	–	79	2 541	317	149	126	3 212
Funds on deposit and other money market instruments	–	1	197	–	–	–	198
Derivative financial assets	–	1	50	1	1	3	56
At amortised cost							–
Loans and accounts receivable	4	81	757	8	16	6	872
Cash and cash equivalents	–	403	2 471	110	61	39	3 084
	4	9 123	56 546	4 551	4 880	3 535	78 639

41 MARKET RISK CONTINUED

41.3 Currency risk continued

African exchange rates representing material balances above are:

Closing exchange rate	Botswana	Ghana	Kenya	Nigeria
2023	**1.3973**	**1.6626**	**0.1344**	**0.0250**
2022	1.3183	2.0314	0.1390	0.0389

Company	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 fair value through profit and loss							
Equity securities	**–**	**305**	**4 280**	**443**	**76**	**260**	**5 364**
Debt securities	**–**	**36**	**3 505**	**4**	**–**	**–**	**3 545**
Funds on deposit and other money market instruments	**–**	**–**	**1 640**	**1**	**–**	**–**	**1 641**
Unit-linked investments	**–**	**5 055**	**30 651**	**968**	**5**	**18**	**36 697**
Derivative financial assets	**–**	**–**	**45**	**–**	**–**	**–**	**45**
Interest in subsidiaries	**24**	**1 575**	**–**	**–**	**–**	**–**	**1 599**
At amortised cost							
Loans and accounts receivable	**–**	**71**	**504**	**3**	**2**	**–**	**580**
Cash and cash equivalents	**–**	**74**	**1 927**	**46**	**4**	**27**	**2 078**
	24	**7 116**	**42 552**	**1 465**	**87**	**305**	**51 549**
2022							
Closing exchange rate		*19.9009*	*16.3864*	*17.1352*			
Investment securities							
At fair value through profit and loss							
Equity securities	–	242	3 126	337	64	124	3 893
Debt securities	–	15	1 612	2	–	–	1 629
Funds on deposit and other money market instruments	–	1	197	–	–	–	198
Unit-linked investments	–	4 051	22 927	402	6	70	27 456
Derivative financial assets	–	–	42	–	–	–	42
Interest in subsidiaries	23	1 234	–	–	–	–	1 257
At amortised cost							
Loans and accounts receivable	–	28	14	–	2	–	44
Cash and cash equivalents	–	74	972	80	2	12	1 140
	23	5 645	28 890	821	74	206	35 659

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

41 MARKET RISK CONTINUED

41.4 Property risk

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

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

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

	Group		Company	
	2023 Rm	Restated[1] 2022 Rm	2023 Rm	Restated[1] 2022 Rm
Investment properties	**8 794**	8 928	**2 098**	6 662
Owner-occupied properties	**1 875**	1 822	**352**	889
Collective investment schemes property exposure (refer to note 44)	**4 558**	4 485	**7 174**	6 505
Other unit-linked investments property exposure (refer to note 44)	**858**	630	**849**	228
	16 085	15 865	**10 473**	14 284
Percentage of total assets	**2.9%**	3.2%	**2.1%**	3.2%

[1] The exposure to property risk in other unit-linked investments was incorrectly not included in 2022. 30 June 2022 has been restated accordingly to show this exposure.

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

The Group is also exposed to tenant default and unlet space within the investment property portfolio. There were long-outstanding debtors relating to tenants at 30 June 2023 of R55 million for the Group (2022: R39 million) and R52 million for the Company (2022: R37 million). The carrying amount of unlet and vacant investment property as at 30 June 2023 was R952 million (2022: R1 197 million) for the Group and R626 million (2022: R862 million) for the Company.

41.5 Sensitivity to market risk

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

	Equity prices		Interest rates	
	Increase by 10% Rm	Decrease by 10% Rm	Increase by 100 bps Rm	Decrease by 100 bps Rm
Group				
2023				
Increase/(decrease) in earnings and equity	**390**	**(277)**	**491**	**(278)**
2022				
Increase/(decrease) in earnings and equity	369	(367)	540	(352)
Company				
2023				
Increase/(decrease) in earnings per income statement	**225**	**(111)**	**480**	**(267)**
Increase/(decrease) in equity	**848**	**(709)**	**(50)**	**54**
2022				
Increase/(decrease) in earnings per income statement	212	(210)	536	(348)
Increase/(decrease) in equity	657	(556)	(30)	33

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.

41 MARKET RISK CONTINUED

41.5 Sensitivity to market risk continued

Methods and assumptions used in preparing the sensitivity analysis

- The impacts were produced using 31 March 2023 policy and economic data, but adjusted for 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 R0 million 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 R412 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 41.3 for more details on the Group's currency exposure.

42 CREDIT RISK

This is the risk of losses arising out of the failure of a counterparty to meet their financial and contractual 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.

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.

42 CREDIT RISK CONTINUED

Credit risk governance continued

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 subcommittees 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 BSM has formulated guidelines regarding the investment in corporate debt instruments, including a framework of limits based on the Group's credit risk appetite.

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

The following are taken into account in the approval process:

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

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

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

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

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

Concentration risk

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

Unit-linked investments

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

42 **CREDIT RISK** CONTINUED

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 6.6 for impairment details.

Policy loans

The Group's policy is to lapse a policy automatically where the policy loan debt exceeds the surrender value. There is therefore little risk that policy loan debt will remain irrecoverable. Consequently, the policy is considered to be collateral for the debt. The fair value of the collateral is considered to be the value of the policy.

Policy loans are secured by policies issued by the Group. In terms of the regulations applicable to the Group, the value of policy loans may not exceed the value of the policy and as a result the policy loans are fully collateralised by assets which the Group owns.

Reinsurance

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.

42 CREDIT RISK CONTINUED

Credit risk exposure

For the Group's maximum exposure to credit risk refer to note 6.6.

Financial assets and liabilities designated at fair value through profit and loss

The current fair value movements, on financial liabilities that would have otherwise been classified as at amortised cost or fair value through other comprehensive income (FVOCI) under IFRS 9, but which have been designated at FVPL, includes a R6 million (2022: R26 million loss) loss attributable to change in own credit risk.

In February 2023 and March 2023, Moody's updated their credit opinion for MML. In those credit opinion reports, Moody's affirmed the MML 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.

Security and credit enhancements

In terms of the credit risk associated with the instruments above, the following collateral is held in order to mitigate the credit risk:

Debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments
For debt securities, unit-linked investments, cash and cash equivalents and derivative financial instruments, the credit risk is managed through the Group's credit risk exposure policy described in this note.

Linked notes
The Group has put options with Rand Merchant Bank (RMB) against the linked notes listed and issued by RMB for the guaranteed capital amounts invested 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 detail on the nature of the arrangements.

The Group's assets include financial assets such as scrip 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.

The Group sells the contractual rights to the 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 scrip lent. The carrying value 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
Group		
Underlying assets	**9 063**	8 491
Carry position liability	**9 080**	7 723
Company		
Underlying assets	**7 838**	6 894
Carry position liability	**7 828**	5 529

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 R711 million (2022: R709 million) are limited to and secured by the underlying value of the unpaid policy benefits. For further details refer to note 6.2. The underlying value of the policy benefits exceeds the policy loan value.

Other receivables
Amounts receivable in terms of 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.

43 SIGNIFICANT SUBSIDIARY COMPANIES

Companies	Country of incorporation, where not South Africa	Interest held 2023 %	Interest held 2022 %
Momentum Metropolitan Life Ltd			
Subsidiary companies			
Momentum Finance Company (Pty) Ltd[1]		–	100
Momentum Alternative Insurance Ltd[1]		–	100
Momentum Ability Ltd		**100**	100
Momentum Life Botswana Ltd	Botswana	**100**	100
Momentum Asset Management (Pty) Ltd[2]		**100**	100
Momentum Global Investment Management Ltd	United Kingdom	**100**	100
Seneca Investment Managers Ltd[3]	United Kingdom	**100**	100
Momentum Collective Investments (RF) (Pty) Ltd[3]		**100**	100
Momentum Alternative Investments (Pty) Ltd[2]		**100**	100
Momentum Wealth (Pty) Ltd		**100**	100
Momentum Wealth International Ltd	Guernsey	**100**	100
102 Rivonia Road (Pty) Ltd		**80**	80
Momentum Money (previously Momentum Multiply)		**100**	100
129 Rivonia Road (Pty) Ltd		**100**	100
Momentum Metropolitan Umhlanga Pty Ltd		**100**	100
SMH Land Development Pty Ltd		**100**	100
Equilibrium Investment Management (Pty) Ltd (previously Momentum Investment Consulting (Pty) Ltd)		**100**	100
Taung Square (Pty) Ltd		**85**	85
Momentum Investments Management (Pty) Ltd		**100**	–
MMH Rosslyn Development (Pty) Ltd		**100**	–

1 Deregistered.

2 2023: Indirectly held, 2022: Directly held.

3 2023: Indirectly held, 2022: Indirectly held.

Please refer to note 5 for carrying amounts.

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

	Interest held 2023 %	Interest held 2022 %	Carrying amount 2023 Rm	Carrying amount 2022 Rm
Momentum GF Global Equity Fund	**91%**	93%	**23 291**	20 314
Momentum GF Global Enhanced Index Fund	**82%**	79%	**8 995**	5 326
Momentum Money Market Fund	**61%**	54%	**8 546**	7 615
Momentum SA Flexible Fixed Interest Fund	**88%**	90%	**6 986**	6 900
Momentum Bond Fund	**100%**	93%	**6 911**	8 140
Momentum Thematic Growth Equity Fund	**100%**	**	**5 734**	**
Momentum Income Plus Fund	**60%**	49%	**5 634**	5 166
Momentum Focus 6 Fund of Funds	**88%**	85%	**5 090**	4 565
Momentum MoM Ultra Long-Term Value Fund	**92%**	91%	**3 983**	3 494
Momentum Enhanced Yield Fund	**53%**	53%	**3 962**	4 261
Momentum GF Global Emerging Markets Equity Fund	**94%**	95%	**3 598**	3 044
Momentum Global Growth Fund IC Ltd	**94%**	94%	**3 422**	2 961
Momentum MoM High Growth Fund	**100%**	100%	**2 991**	2 658
Momentum MoM Macro Value Fund	**100%**	100%	**2 602**	2 416
Momentum MoM Opportunistic Equity Fund	**99%**	100%	**2 549**	2 542
Momentum Capped SWIX Index Fund	**90%**	92%	**2 346**	2 356
Momentum Focus 7 Fund of Funds	**83%**	81%	**2 130**	1 735
Momentum GF Global Fixed Income Fund	**92%**	91%	**1 967**	905
Momentum Trending Equity Fund	**99%**	99%	**1 894**	2 067
Momentum Global Managed Fund IC Ltd	**88%**	90%	**1 819**	1 599
Momentum Focus 5 Fund of Funds	**75%**	77%	**1 681**	1 046
Momentum Diversified Income Fund	**59%**	58%	**1 310**	1 272
Momentum Equity Fund	**35%**	34%	**1 288**	1 170
Momentum MoM Emerging Manager Growth Fund	**100%**	100%	**1 265**	1 214
Momentum Value Equity Fund	**98%**	97%	**1 001**	1 096

43 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

	Interest held		Carrying amount	
	2023 %	2022 %	2023 Rm	2022 Rm
Momentum Core Equity Fund	33%	27%	991	833
Momentum Macro Growth Fund	100%	100%	955	910
Momentum Property Equity Fund	93%	92%	885	872
Momentum RCIS Multi Managed ZAR Capi Alpha QI Hedge Fund	100%	100%	873	758
Momentum Rubix QI	100%	100%	846	731
Momentum RCIS Multi Managed ZAR Equity Hedge QI Hedge Fund	99%	99%	791	664
Momentum Real Growth Property Fund	82%	80%	719	648
Momentum International Equity Feeder Fund	47%	44%	646	485
Momentum Managed Bond Fund	100%	100%	597	575
Momentum RCIS ZAR Diversified QI Fund of Hedge Funds	100%	100%	556	496
Momentum Flexible Income Fund	66%	62%	514	379
Momentum Active Bond Fund	74%	32%	495	396
Momentum Harmony Portfolios Sterling Growth Fund	29%	23%	452	327
Momentum Focus 3 Fund of Funds	69%	66%	429	341
Momentum RCIS QI Hedge Fund	100%	**	409	**
Momentum Real Return Fund	52%	100%	319	298
Momentum International Balanced Feeder Fund of Funds	52%	51%	318	289
Chrysalis Enhanced Yield Credit Fund	95%	95%	305	282
Momentum Global Cautious Fund IC Ltd	67%	67%	303	279
Fintax International Balanced Fund IC Ltd	90%	88%	297	267
FGAM Global Growth Fund IC Ltd	28%	26%	262	268
Momentum SA Real Growth Property Fund	60%	65%	255	341
PMK Wealth Global Cautious Fund IC Limited	29%	30%	238	196
Momentum Harmony Portfolios Australian Dollar Growth Fund	44%	35%	224	130
Momentum Global Balanced Fund IC Limited	47%	49%	198	195
Engelberg Global Fund IC Ltd	41%	39%	194	171
Momentum Outcome-Based Money Market Fund	100%	99%	176	129
Momentum Real Growth Property Index Fund	99%	100%	167	224
Fintax International Growth Fund IC Ltd	86%	86%	164	139
Momentum Target 5 Fund of Funds	43%	40%	142	99
Momentum Target 7 Fund of Funds	89%	87%	141	117
VT Momentum Diversified Cautious Fund	57%	50%	125	107
Momentum Optimal Yield Fund	88%	88%	115	142
Momentum Harmony Portfolios Sustainable Growth Fund	62%	55%	97	57
FGAM Global Cautious Fund IC Ltd	28%	23%	93	79
PMK Wealth Global Growth Fund IC Limited	38%	40%	88	76
Momentum Inflation Linked Bond Portfolio	26%	27%	86	101
Momentum Target 6 Fund of Funds	93%	90%	78	67
Momentum FutureTrends Fund	94%	**	71	**
Momentum Small/Mid-Cap Fund	46%	45%	68	75
Momentum Quality Equity Fund	65%	62%	47	39
Momentum International Conservative Feeder Funds	52%	48%	40	37
Momentum International Income Fund	44%	42%	36	36
Momentum Corporate Money Market Fund	77%	**	36	**
Momentum Target 3 Fund of Funds	71%	68%	35	34
Momentum Focus 4 Fund of Funds	*	64%	*	447
Momentum Target 4 Fund of Funds	*	83%	*	45
Momentum Industrial Fund	*	23%	*	11
			125 871	107 054

* This subsidiary was not considered to be a subsidiary in the prior year.

** No longer a subsidiary in the current year.

43 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

All the above collective investment schemes are incorporated in South Africa, except for the funds listed below:

Fund name	Domicile
Momentum GF Global Equity Fund	Luxembourg
Momentum GF Global Enhanced Index Fund	Luxembourg
Momentum 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
Momentum Harmony Portfolios Sterling Growth Fund	Luxembourg
Momentum Global Cautious Fund IC Ltd	Guernsey
FGAM Global Growth Fund IC Ltd	Guernsey
Fintax International Balanced Fund IC Ltd	Guernsey
PMK Wealth Global Cautious Fund IC Limited	Guernsey
Momentum Global Balanced Fund IC Limited	London
Engelberg Global Fund IC Ltd	Guernsey
Fintax International Growth Fund IC Ltd	Guernsey
Momentum Harmony Portfolios Australian Dollar Growth Fund	Luxembourg
VT Momentum Diversified Cautious Fund	London
FGAM Global Cautious Fund IC Ltd	Guernsey
PMK Wealth Global Growth Fund IC Limited	Guernsey
Momentum Harmony Portfolios Sustainable Growth Fund	Luxembourg

At 30 June the following collective investment schemes (CIS) were subsidiaries of the Company:

	Interest held		Carrying amount	
	2023 %	2022 %	2023 Rm	2022 Rm
Momentum GF Global Equity Fund	**74%**	68%	**19 081**	14 905
Momentum Money Market Fund	**59%**	53%	**8 328**	7 578
Momentum Bond Fund	**99%**	91%	**6 840**	7 992
Momentum GF Global Enhanced Index Fund	**60%**	78%	**6 545**	5 299
Momentum Income Plus Fund	**60%**	49%	**5 634**	5 166
Momentum Focus 6 Fund of Funds	**88%**	85%	**5 090**	4 565
Momentum Thematic Growth Equity Fund	**88%**	*	**5 031**	*
Momentum SA Flexible Fixed Interest Fund	**62%**	62%	**4 951**	4 731
Momentum Enhanced Yield Fund	**46%**	42%	**3 474**	3 407
Momentum Ultra Long Term Value Fund	**78%**	77%	**3 380**	2 946
Momentum GF Global Emerging Markets Equity Fund	**84%**	88%	**3 214**	2 806
Momentum MoM Macro Value Fund	**100%**	100%	**2 602**	2 416
Momentum MoM High Growth Fund	**85%**	84%	**2 551**	2 239
Momentum Focus 7 Fund of Funds	**83%**	81%	**2 130**	1 735
Momentum Global Growth Fund IC Ltd	**57%**	60%	**2 077**	1 874
Momentum Capped SWIX Index Fund	**74%**	76%	**1 931**	1 942
Momentum Focus 5 Fund of Funds	**75%**	77%	**1 681**	1 046
Momentum Opportunistic Equity Fund	**58%**	61%	**1 486**	1 550
Momentum GF Global Fixed Income Fund	**69%**	76%	**1 474**	751
Momentum Trending Equity Fund	**69%**	73%	**1 323**	1 529
Momentum Equity Fund	**35%**	34%	**1 285**	1 168
Momentum MoM Emerging Manager Growth Fund	**100%**	100%	**1 265**	1 214
Momentum Global Managed Fund IC Ltd	**59%**	58%	**1 216**	1 041
Momentum Diversified Income Fund	**48%**	47%	**1 054**	1 014
Momentum Value Equity Fund	**98%**	97%	**1 000**	1 096
Momentum MoM Property Equity Fund	**93%**	92%	**885**	872
Momentum RCIS Multi Managed ZAR Capi Alpha QI Hedge Fund	**100%**	101%	**873**	758

43 SIGNIFICANT SUBSIDIARY COMPANIES CONTINUED

	Interest held		Carrying amount	
	2023 %	2022 %	2023 Rm	2022 Rm
Momentum RCIS Multi Managed ZAR Rubix Alpha QI Hedge Fund	**100%**	100%	**846**	731
Momentum RCIS Multi Managed ZAR Equity Hedge QI Hedge Fund	**99%**	99%	**791**	664
Momentum Core Equity Fund	**25%**	21%	**747**	630
Momentum Real Growth Property Fund	**78%**	80%	**685**	648
Momentum International Equity Feeder Fund	**47%**	44%	**646**	485
Momentum MoM Managed Bond Fund	**100%**	100%	**597**	575
Momentum RCIS ZAR Diversified QI Fund of Hedge Funds	**100%**	100%	**556**	496
Momentum Flexible Income Fund	**65%**	61%	**513**	378
Momentum Mom Active Bond Fund	**74%**	32%	**495**	396
Momentum Focus 3 Fund of Funds	**69%**	66%	**429**	341
Momentum RCIS QI Hedge Fund	**100%**	*	**409**	*
Momentum MoM Real Return Fund	**52%**	100%	**319**	298
Momentum International Balanced Feeder Fund of Funds	**52%**	51%	**317**	289
Chrysalis Enhanced Yield Credit Fund	**95%**	95%	**305**	282
Fintax International Balanced Fund IC Ltd	**89%**	87%	**296**	266
FGAM Global Growth Fund IC Ltd	**28%**	25%	**262**	252
Momentum SA Real Growth Property Fund	**59%**	53%	**250**	277
PMK Wealth Global Cautious Fund IC Limited	**29%**	29%	**234**	193
Momentum Global Cautious Fund IC Ltd	**51%**	49%	**232**	205
Momentum Global Balanced Fund IC Limited	**47%**	49%	**198**	193
Engelberg Global Fund IC Ltd	**41%**	39%	**194**	171
Momentum Outcome-Based Money Market Fund	**100%**	99%	**176**	129
Momentum Real Growth Property Index Fund	**98%**	100%	**166**	224
Fintax International Growth Fund IC Ltd	**77%**	77%	**146**	125
Momentum Target 5 Fund of Funds	**42%**	39%	**140**	98
Momentum Target 7 Fund of Funds	**88%**	86%	**140**	116
Momentum Optimal Yield Fund	**88%**	88%	**115**	142
FGAM Global Cautious Fund IC Ltd	**28%**	22%	**93**	75
PMK Wealth Global Growth Fund IC Limited	**37%**	39%	**85**	73
Momentum Target 6 Fund of Funds	**91%**	89%	**77**	66
Momentum Small/Mid-Cap Fund	**46%**	45%	**68**	75
Momentum Quality Equity Fund	**64%**	61%	**47**	38
Momentum International Conservative Feeder Funds	**52%**	48%	**40**	37
Momentum International Income Fund	**44%**	42%	**36**	36
Momentum Target 3 Fund of Funds	**69%**	66%	**34**	33
Momentum Focus 4 Fund of Funds	**	64%	**	447
Momentum Inflation Linked Bond Portfolio	**	26%	**	98
Momentum Target 4 Fund of Funds	**	81%	**	44
Momentum Industrial Fund	**	23%	**	11
Total investment in CIS subsidiaries			**107 085**	91 277

* This subsidiary was not considered to be a subsidiary in the prior year.

** No longer a subsidiary in the current year.

44 UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The Group considers certain collective investment schemes and other unit-linked investments to be structured entities. This note provides information on significant unconsolidated structured entities in which the Group holds an interest.

Collective investment schemes and other unit-linked investments

Unit-linked investments comprise local and foreign collective investment schemes as well as other unit-linked investments. Collective investment schemes are categorised into property, equity, money market, mixed assets and interest-bearing instruments based on the 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.

	Group		Company	
	2023 Rm	Restated 2022 Rm	2023 Rm	Restated 2022 Rm
Collective investment schemes				
Local and foreign	**189 775**	163 099	**177 223**	152 088
Equity	**60 089**	54 198	**50 712**	43 883
Interest-bearing[1]	**6 730**	2 206	**6 548**	2 008
Property[2]	**4 558**	4 485	**4 306**	4 088
Mixed[1]	**114 761**	100 059	**112 977**	100 527
Money market	**3 355**	1 844	**2 646**	1 548
Commodity	**282**	307	**34**	34
Other unit-linked investments	**15 523**	14 012	**15 029**	13 668
Local and foreign				
Equity	**5 679**	5 013	**5 682**	5 087
Interest-bearing	**1 463**	1 499	**1 420**	1 404
Mixed[1]	**6 671**	6 073	**6 316**	6 185
Commodity	**182**	158	**92**	126
Property[2]	**858**	630	**849**	228
Money market	**670**	639	**670**	638
	205 298	177 111	**192 252**	165 756

1 R234 million was inappropriately classified as CIS Mixed, of which R2 million should have been classified as CIS Interest-bearing and R232 million should have been classified as Other unit-linked investments Mixed. June 2022 has been restated accordingly.

2 It was noted that R396 million of Other unit-linked investments Property was incorrectly classified as CIS Property. June 2022 has been restated accordingly.

3 It was also noted that Other unit-linked investments of R56 million was incorrectly classified as Equity and should have been classified as Interest-bearing. June 2022 has been restated accordingly.

Detail on investments in associates at fair value through profit or loss

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

	Carrying amount Rm	% interest held	Nature of relationship	Principal place of business
2023				
Momentum Africa Real Estate Fund	**473**	**26.5%**	**Standard investment**	**London**
2022				
Momentum Africa Real Estate Fund	396	26.5%	Standard investment	London

44 UNCONSOLIDATED STRUCTURED ENTITIES CONTINUED

Detail on investments in associates at fair value through profit or loss continued

Summarised financial information relating to the associates above:

	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**

	Momentum Africa Real Estate Fund Rm
2022	
Current assets	1 260
Non-current assets	240
Current liabilities	6
Non-current liabilities	1 494
Revenue	32
Profit	8

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	**397**	427	**26**	19
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	**611**	762	**27**	12
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	**588**	*	**23**	*
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	**522**	*	**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**	*	**–**	*
				2 857	1 189	**91**	31

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

1 Included in securities at fair value through profit and loss in the statement of financial position. The carrying amount represents the Group's maximum exposure.

2 Consists of interest income and fair value gains/(losses).

The Group has not sponsored any significant unconsolidated structured entities in which it holds an interest.

44 UNCONSOLIDATED STRUCTURED ENTITIES CONTINUED

At 30 June the following collective investment schemes (CIS) were associates of the Company:

	Interest held		Carrying amount	
	2023 %	2022 %	2023 Rm	2022 Rm
Momentum Africa Real Estate Fund	**27%**	27%	**473**	396
Momentum Macro Growth Fund	**10%**	11%	**93**	99
PB Global Flexible Fund IC Limited	**5%**	5%	**92**	77
Momentum Inflation Linked Bond Portfolio Fund	**20%**	*	**64**	*
Momentum Financials Fund	**8%**	9%	**36**	36
VPFP International Growth Fund IC Ltd	**9%**	8%	**32**	27
VPFP International Cautious Fund IC Ltd	**4%**	3%	**21**	17
Momentum – Sterling Balanced Fund IC Limited	**9%**	8%	**19**	16
Momentum Resources Fund	**13%**	14%	**18**	21
Momentum Industrial Fund	**16%**	*	**7**	*
Momentum FutureTrends Fund	**5%**	*	**4**	*
Momentum Harmony Portfolios Sterling Balanced Fund	**0%**	0%	**1**	2
Renaissance Global Best Ideas Fund IC Limited	**	1%	**	5
Total investment in CIS associates			**860**	696

** This subsidiary was not considered to be an associate in the prior year.

** No longer an associate in the current year.

45 DIRECTORS REMUNERATION

The Group's executive directors are contracted as full-time, permanent employees, with the exception of the CEO who is currently on a fixed term contract. Notice periods range from one to three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant incentive scheme, subject to the discretion of the Remco based on recommendations by the CEO.

Non-executive directors, including the Chair, receive a fixed annual fee that is inclusive of all Board and Committee attendance, as well as all other services performed on behalf of the Group. The Group pays for all travelling and accommodation expenses in respect of Board meetings.

	Salary		Performance bonus		Retention payments		Long-term incentive payments		Expense allowance	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Hillie Meyer	**8 171**	7 121	**4 475**	1 300	**–**	–	**7 058**	2 311	**–**	–
Jeanette Marais (Cilliers)	**5 177**	4 882	**3 175**	1 300	**–**	–	**5 137**	1 618	**–**	–
Risto Ketola	**4 996**	4 670	**3 050**	1 150	**–**	–	**4 238**	2 076	**–**	–
Executive directors	**18 344**	16 673	**10 700**	3 750	**–**	–	**16 433**	6 005	**–**	–

	Medical aid		Pension fund		Contractual payment		Total remuneration		Value of shares granted	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Hillie Meyer	**–**	–	**–**	–	**–**	–	**19 704**	10 732	**25 406**	19 846
Jeanette Marais (Cilliers)	**63**	59	**283**	263	**–**	–	**13 835**	8 122	**14 740**	13 610
Risto Ketola	**63**	95	**278**	257	**–**	–	**12 625**	8 248	**14 342**	11 368
Executive directors	**126**	154	**561**	520	**–**	–	**46 164**	27 102	**54 488**	44 824

45 DIRECTORS REMUNERATION CONTINUED

	Fees		Ad hoc fees		Total fees	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
F Daniels (Jakoet)[1]	–	528	–	–	–	528
FJC Truter[2]	–	1 667	–	–	–	1 667
SC Jurisich	2 081	1 924	–	–	2 081	1 924
LM Chiume[3]	1 729	1 661	–	–	1 729	1 661
MS Moloko[4]	–	1 167	–	–	–	1 167
SL McPherson[5]	655	1 279	–	–	655	1 279
L de Beer	1 876	1 696	–	–	1 876	1 696
DJ Park	1 794	1 305	–	–	1 794	1 305
P Cooper	1 438	2 280	–	–	1 438	2 280
V Nkonyeni[6]	821	1 225	–	–	821	1 225
T Gobalsamy[7]	1 159	902	–	–	1 159	902
PJ Makosholo	1 056	944	–	–	1 056	944
NJ Dunkley (Nigel)[7, 8]	3 002	2 528	–	–	3 002	2 528
P Matlakala[9]	1 516	185	–	–	1 516	185
T Soondarjee[9]	87	185	–	–	87	185
AF Leautier[9]	43	185	–	–	43	185
PC Baloyi[10]	2 813	185	–	–	2 813	185
Non-executive directors	**20 070**	19 846	–	–	**20 070**	19 846

1 Resigned 25 November 2021.
2 Resigned 25 November 2021.
3 Resigned 31 May 2023.
4 Resigned 25 November 2021.
5 Resigned 31 December 2022.
6 Resigned 24 November 2022.
7 Appointed 1 June 2021. The fees for 2021 were restated to reflect the fees earned for the month. These fees were subsequently paid.
8 Received fees from directorship in United Kingdom (MGIM and Euroguard Boards).
9 Appointed 1 June 2023.
10 Appointed 8 April 2022.

46 VALUATION TECHNIQUES

The Group's in-house valuation experts perform the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held at least bi-annually, in line with the Group's bi-annual reporting dates.

The valuation of the Group's assets and liabilities has been classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities *(level 1)*
- Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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

46 VALUATION TECHNIQUES CONTINUED

Critical accounting estimates and judgements

For venture capital fund investments that are classified as unit-linked investments, the Group applies the International Private Equity and Venture Capital (IPEV) valuation guidelines, which have been prepared with the goal that the derived fair value measurements are compliant with IFRS. The IPEV guidelines allow for adjustments post the valuation date for uncertainty related to time elapsing between the measurement dates of the fund manager and the investor, changes in market dynamics or other economic conditions, and facts or circumstances that may impact the valuation of start-up businesses. Management applies judgement if an adjustment is needed for any of these reasons.

46.1 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 6.7 for details of the instruments split into the different levels.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
– Listed and local	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
– Listed, foreign	Published prices, DCF	Nominal bond curve, credit spread and currency rates
– Unlisted	DCF	Nominal bond curve, real bond curve, swap curve, consumer price index, credit spread, currency rates
	DCF, Black-Scholes model	Yield curves, discount rates, volatilities
Funds on deposit and other money market instruments		
– Listed	DCF	Money market curve
	Published prices	Money market curve, credit spread
	Published yield of benchmark bond	Money market curve, credit spread
– Unlisted	DCF	Money market curve, nominal bond curve, swap curve, credit spread, inflation curve
Unit-linked investments	Adjusted NAV or NAV	Underlying asset and liability values
Derivative assets and liabilities	Black-Scholes model (European options), binomial tree (American/Bermudan options), DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, volatility, forward equity, currency rates
Subordinated call notes (Liability)	Published yield quotations	Nominal bond curve, real bond curve
Carry position assets and liabilities	DCF	Nominal bond curve, repo rates
Investment contracts designated at fair value through profit and loss	Asset and liability matching method	Asset value

There were no significant changes in the valuation methods applied since the prior year.

46 VALUATION TECHNIQUES CONTINUED

46.2 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 fair value through profit and loss				
Equity securities				
Listed	Published prices	Adjustments for low liquidity or inactivity	Liquidity discount: 0% to 30%	The higher the liquidity discount rate, the lower the fair value
Unlisted	NAV	Underlying property valuations	Could vary significantly based on the value of the underlying properties[1]	The higher the capitalisation rate the lower the value of the property and the fair value. The higher the vacancy rate the lower value of the property and the fair value[1]
	Adjusted NAV or NAV	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Debt securities				
Stock and loans to government and other public bodies				
Unlisted	DCF	Discount rate	8.00% to 13.07% (2022: 8.00% to 13.00%)	The higher the discount rate, the lower the fair value of the assets
Listed	Published prices	Adjustments for recoverability and credit risk determined by collection rates of performing and non-performing loans	Multiple unobservable inputs[1]	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 12.51%)	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
	NAV	Underlying property valuations impacted by capitalisation rates, vacancy rates and potential capitalisation of project costs. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly based on the value of the underlying properties	The higher the capitalisation rate, the lower the value of the property and the fair value. The higher the vacancy rate, the lower the value of the property and the fair value.

46 VALUATION TECHNIQUES CONTINUED

46.2 Fair value classification on level 3 instruments continued

Information about fair value measurements using significant unobservable inputs *(level 3)* continued

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Funds on deposit and other money market instruments	Deposit rates, or DCF (market-related yields)	Market input (based on quotes received from market participants and valuation agents)	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the higher the fair value
Unit-linked investments				
Collective investment schemes				
Foreign unlisted unquoted	Unit price of underlying assets/liabilities multiplied by number of units held	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
Other unit-linked investments				
Local unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Foreign unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
Investment in subsidiaries				
Investment in subsidiaries at fair value through other comprehensive income	DCF	Discount rate	2023: 12.5% to 18.25% (2022: 13% to 17.75%)	The higher the discount rate, the lower the fair value of the investment
Investment in subsidiaries at fair value through profit and loss	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	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.
Financial liabilities at fair value through profit and loss				
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.

46 VALUATION TECHNIQUES CONTINUED

Equity-settled arrangements

Valuation assumptions relating to outstanding iSabelo units at 30 June

The valuation model

The value of the share scheme is calculated using an option-based model.

At the vesting date, the value of the units held, net of the debt attributable to those units, will be used to buy MMH shares for the holders of the vested units. Consequently, an individual unit holder in the scheme can be seen as holding a call option on MMH shares where the strike price is the applicable value of the scheme debt per unit at the date of exercise (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	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Comment**
Share price at issue date	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 share
	120% of prime	120% of prime	120% of prime	B preference share
Employee attrition	14.00%	14.00%	14.00%	Based on historic experience

2022				
Market-based parameters	**Tranche 1**	**Tranche 2**		**Comment**
Share price at issue date	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 share
	120% of prime	120% of prime		B preference share
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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES

47.1 New IFRS standards and amendments

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

- IFRS 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.

Discussions of impact of initial application of changes to standards and interpretations that are not yet effective and have not been early adopted by the Group

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 cash, cash equivalents, debt securities and fund deposits;
(ii) non-derivative financial liabilities; and
(iii) derivatives.

47.1.1 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.

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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.1 Overview of the implementation of IFRS 17 – *Insurance contracts* by the Group continued

Despite a long development time, several areas of the standard continue 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:

1. **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.

2. **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.

3. **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 its 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.

47.1.2 Nature of changes in accounting policy

For the Group, IFRS 17 – *Insurance contracts* replaces IFRS 4 – *Insurance contracts* for the reporting periods commencing on/after the 1st of 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 – *Financial instruments*, 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.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.2 Nature of changes in accounting policy continued

Statement of financial position continued

Recognition and derecognition continued

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. 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 long-term 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 solvency capital requirement of long-term insurers. The FSV basis is based on best estimate assumptions regarding future experience plus compulsory margins and additional discretionary margins for prudence and deferral of profit emergence. 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.

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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.2 Nature of changes in accounting policy continued

Statement of financial position continued

Measurement of insurance contracts issued and reinsurance contracts held continued

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 practices.

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.

Contractual service margin

The contractual service margin, 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 contractual service margin 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 contractual service margin 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 contractual service margin 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 contractual service margin 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 contractual service margin.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.2 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

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 exceeds the contractual service margin.

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 contractual service margin 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.

Income statement

Recognition of insurance service revenue

In terms of IFRS 4, the Group recognised revenue from long-term insurance premiums, when due. 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.2 Nature of changes in accounting policy continued

Income statement continued

Recognition of insurance service revenue continued

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 contractual service margin.

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.

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 deferred acquisition costs (DAC). Deferred acquisition costs consisted of incremental costs incurred to obtain a contract with a customer. Deferred acquisition costs were 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.2 Nature of changes in accounting policy continued

Income statement continued

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.

General measurement model

Insurance finance income and expense consists of the impact of changes in time value of fulfilment cash flows and other financial risk variables and interest accreted to the contractual service margin.

Variable fee approach

Insurance finance income and expense includes the policyholder's share of changes in the fair value of investments backing the insurance contract liabilities. In instances where the Group applied the risk mitigation option, the Group's share in the changes in the fair value of the investments backing insurance contract liabilities, are accounted for in insurance finance income and expenses to the extent that these changes are hedged.

Premium allocation approach

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.

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 fair value through profit and loss 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.3 Expected impact of implementation of IFRS 17 on equity

The implementation of IFRS 17 is expected to result in an increase in equity of approximately R3.4 billion. The expected increase in equity can be analysed as follows:

Total equity	Note	Group Rbn	Company Rbn
Balance on 30 June 2022		13.5	14.4
Life insurance			
Increase in retained earnings		3.4	3.4
Recognition and measurement of insurance contracts issued and reinsurance contracts held	a.	5.0	5.0
Derecognition of intangible assets	b.	(0.3)	(0.3)
Increase in net deferred tax liabilities	c.	(1.3)	(1.3)
Balance at 1 July 2022		16.9	17.8

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)

	Group Total Rbn	Company Total Rbn
Impact on retained earnings (debit)/credit	5.0	5.0
Release of compulsory margins	17.5	17.5
Release of discretionary margins	5.4	5.4
Risk adjustment for non-financial risk	(3.3)	(3.3)
Contractual service margin	(15.2)	(15.2)
Changes in present value of future cash flows	0.6	0.6
Increase in retained earnings	5.0	5.0
Insurance contracts and investment contracts with discretionary participation features		
Life insurance contracts	113.0	113.3
Transfer of Momentum Ability insurance contracts (refer to note 9.1)	0.3	0.0
Investment contract liabilities with discretionary participation features	2.5	2.5
Total at 30 June 2022	115.8	115.8
Reallocation of working capital balances and policyholder loans		
Amounts receivable from policyholders	(1.9)	(1.9)
Amounts payable to policyholders	4.8	4.8
Unearned premiums and premiums received in advance	0.6	0.6
Loans provided to policyholders	(0.7)	(0.7)
Total at 30 June 2022	2.8	2.8
Net insurance contract liabilities at 30 June 2022	118.6	118.6
Reinsurance contracts held		
Reinsurance contract assets	3.0	3.0
Net reinsurance contract assets at 30 June 2022	3.0	3.0
Reallocation of working capital balances		
Amounts due to reinsurers	(0.1)	(0.1)
Amounts due from reinsurers	1.6	1.6
Net amounts due from reinsurers at 30 June 2022	1.5	1.5
Net reinsurance contract assets at 30 June 2022	4.5	4.5
Net insurance contracts issued and reinsurance contracts held on 30 June 2022 (before transition to IFRS 17)	114.1	114.1

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.3 Expected impact of implementation of IFRS 17 on equity continued

a. **Recognition and measurement of insurance contracts issued and reinsurance contracts held** continued

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 discretionary participation features 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.

Group	General measurement model Rbn	Variable fee approach Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net insurance contracts at 1 July 2022				
Insurance contract assets	(4.1)	0.0	0.0	(4.1)
Insurance contract liabilities	48.0	59.8	10.2	118.0
Net insurance contract liabilities at 1 July 2022	43.9	59.8	10.2	113.9
Liability for remaining coverage	41.3	58.2	(0.1)	99.4
Liability for incurred claims	2.5	1.6	10.4	14.5
Net insurance contracts at 1 July 2022	43.8	59.8	10.3	113.9

	General measurement model Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net reinsurance contracts at 1 July 2022			
Reinsurance contract assets	3.3	1.7	5.0
Reinsurance contract liabilities	(0.2)	0.0	(0.2)
Net reinsurance contracts assets held at 1 July 2022	3.1	1.7	4.8
Asset for remaining coverage	1.7	(0.1)	1.6
Asset for incurred claims	1.4	1.8	3.2
Net reinsurance contracts held at 1 July 2022	3.1	1.7	4.8
Net insurance and reinsurance contracts held on 1 July 2022			109.1
Expected decrease in net insurance contracts and reinsurance contracts held on 1 July 2022			5.0

Company	General measurement model Rbn	Variable fee approach Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net insurance contracts at 1 July 2022				
Insurance contract assets at 1 July 2022	(4.1)	0.0	0.0	(4.1)
Insurance contract liabilities at 1 July 2022	48.0	59.8	10.2	118.0
Net insurance contract liabilities at 1 July 2022	43.9	59.8	10.2	113.9
Liability for remaining coverage	41.3	58.2	(0.1)	99.4
Liability for incurred claims	2.5	1.6	10.4	14.5
Net insurance contracts at 1 July 2022	43.8	59.8	10.3	113.9

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.3 Expected impact of implementation of IFRS 17 on equity continued

a. Recognition and measurement of insurance contracts issued and reinsurance contracts held continued

	General measurement model Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net reinsurance contracts at 1 July 2022			
Reinsurance contract assets at 1 July 2022	3.3	1.7	5.0
Reinsurance contract liabilities at 1 July 2022	(0.2)	0.0	(0.2)
Net reinsurance contracts assets held at 1 July 2022	3.1	1.7	4.8
Asset for remaining coverage	1.7	(0.1)	1.6
Asset for incurred claims	1.4	1.8	3.2
Net reinsurance contracts held at 1 July 2022	3.1	1.7	4.8
Net insurance and reinsurance contracts held on 1 July 2022			109.1
Expected decrease in net insurance contracts and reinsurance contracts held on 1 July 2022			5.0

On 1 July 2022 the Group measured insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The application of IFRS 17 resulted in insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features being presented as assets or liabilities on the statement of financial position, depending on whether the portfolios that that contracts have been allocated to, are in asset or liability positions.

b. Intangible assets

	Group		Company	
Value of business acquired	Value of business acquired Rbn	Total Rbn	Value of business acquired Rbn	Total Rbn
Carrying value at 30 June 2022	0.3	0.3	0.3	0.3
Derecognition to retained earnings	(0.3)	(0.3)	(0.3)	(0.3)
Carrying value at 1 July 2022	0.0	0.0	0.0	0.0

On 30 June 2022 the Group carried 'value of business acquired' with a carrying amounts of R0.3 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. 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 contractual service margin or loss component of the group of insurance contracts, at the acquisition date. The derecognition of these intangible assets on 1 July 2022 resulted in amendments to the deferred tax balance on 1 July 2022.

c. Deferred income tax

	Group	Company
	Total Rbn	Total Rbn
Deferred income tax assets	0.1	0.0
Deferred income tax (liabilities)	(1.3)	(1.1)
Net deferred income tax at 30 June 2022	(1.2)	(1.1)
Deferred tax impact on adjustment to retained earnings at 1 July 2022	(1.3)	(1.3)
Net deferred income tax at 1 July 2022	(2.5)	(2.4)
Deferred income tax assets	0.1	0.0
Deferred income tax (liabilities)	(2.5)	(2.4)
Net deferred income tax at 1 July 2022	(2.4)	(2.4)

On 1 July 2022 the Group derecognised intangible assets with carrying amounts of R0.3 billion and reduced the net carrying amount of insurance contracts issued and reinsurance contracts held with R5.0 billion in terms of IFRS 17. The implementation of IFRS 17 is expected to result in an increase in net deferred tax liabilities of R1.3 billion.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.4 Expected 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 were 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.

47.1.5 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 the 1st of 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.

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.

Key implementation decisions include, but are not limited to 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.1 New IFRS standards and amendments continued

47.1.5 Transition and use of transitional provisions continued

(a) 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.

(b) 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 contractual service margin 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 contractual service margin (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 contractual service margin 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 contractual service margins 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 contractual service margin 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 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 contractual service margins 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.

(c) 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.2 Consolidation

47.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the day that control is lost. All material subsidiaries have financial years ending on 30 June and are consolidated to that date. Subsidiaries with financial year ends other than 30 June are consolidated using audited or reviewed results (where necessary) for the relevant period ended 30 June. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the Group. Separate disclosure is made of non-controlling interests. All intra-group balances and unrealised gains and losses on transactions between group companies are eliminated. When control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.

Initial measurement

The acquisition method of accounting is used to account for the acquisition of subsidiaries/business combinations by the Group. The cost of a business combination is the fair value of the assets given at the date of acquisition, equity issued and liabilities assumed or incurred (including contingent liabilities). This includes assets or liabilities recognised from contingent consideration arrangements. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit and loss. Costs directly attributable to the business combination are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest shareholders even if this results in the non-controlling interest shareholders having a deficit balance.

Disposals

If the Group loses control of a subsidiary company, the gain or loss on disposal is calculated as the difference between the fair value of the consideration received, and the carrying amount of the subsidiary's net assets and any non-controlling interest. Gains and losses on disposal of subsidiaries are included in the income statement as realised and fair value gains. Any gains or losses in other comprehensive income that relate to the subsidiary are reclassified to the income statement at the date of disposal.

Transactions with non-controlling interest shareholders

Transactions with non-controlling interest shareholders are treated as transactions with equity participants of the Group. Disposals to/acquisitions from non-controlling interest shareholders result in gains and losses for the Group that are recorded in equity. Any difference between any consideration paid/received and the relevant share acquired/sold of the carrying amount of the net assets of the subsidiary is recorded in equity.

Measurement – MML separate financial statements

Acquisition of subsidiaries or businesses under common control

Common control is defined as a business combination in which all the combining entities (subsidiaries or businesses) are ultimately controlled by the same party both before and after the business combination, and control is not transitory. The cost of an acquisition of a business under common control is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange. On acquisition the carrying amount of the assets and liabilities are not restated at fair value. The acquirer incorporates assets and liabilities at their pre-combination carry amounts. Any excess/deficit of the purchase price over the pre-combination carrying amounts of the assets and liabilities is adjusted directly to equity, in a separate common control reserve. Adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation at the holding company level. Under this approach comparatives are not restated.

Investments in subsidiaries at fair value through profit and loss

Investment in each subsidiary is evaluated to consider whether it is appropriate to measure the carrying amount at fair value through profit and loss. Where this is deemed appropriate, the fair value movements are recorded in net realised and unrealised fair value gains and losses in the income statement. This policy choice is made once-off and is not revised subsequently.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.2 Consolidation continued

47.2.1 Subsidiaries continued

Measurement – MML separate financial statements continued

Investments in subsidiaries at fair value through other comprehensive income
Investment in each subsidiary is evaluated to consider whether it is appropriate to measure the carrying amount at fair value through other comprehensive income. Where this is deemed appropriate, the fair value movements of these investments in subsidiaries are recorded directly against other comprehensive income. This policy choice is made once-off and is not revised subsequently.

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

Disposal of investments in subsidiaries
Gains or losses on disposal of investments in subsidiaries carried at fair value through profit and loss are included in the income statement as net realised fair value gains and losses. When investments in subsidiaries carried at fair value through other comprehensive income are sold, the cumulative amount that was accounted for against other comprehensive income is transferred directly to retained earnings.

47.2.2 Associates

Associates are all entities over which the Group has *significant influence* but not control. The Group's investment in associates includes goodwill, identified on acquisition, net of any accumulated impairment loss. The accounting policies for associates are consistent, in all material respects, with the policies adopted by the Group.

Profits and losses resulting from transactions between group companies are recognised in the Group's results to the extent of the Group's unrelated interests in the associates. Gains and losses arising on the dilution of investments in associates are recognised in the income statement.

Measurement
Investments in associate companies are initially recognised at cost, including goodwill, and the carrying amount is increased or decreased with the Group's proportionate share of post-acquisition profits or losses, using the equity method of accounting. Under this method, the Group's share of the associate's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition profit or loss and movements in other comprehensive income are adjusted against the carrying amount of the investments. The equity method is discontinued from the date that the Group ceases to have *significant influence* over the associate. When *significant influence* is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.

Investments in collective investment schemes where the Group has *significant influence* are recognised at fair value through profit and loss and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – Investments in associates for investment-linked insurance funds. Initial measurement is at fair value on trade date, with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the reporting date. Fair value adjustments on collective investment schemes are recognised in the income statement. The related income from these schemes is recognised as interest or dividends received, as appropriate.

Impairment
Under the equity method, the carrying amount is tested for impairment at reporting dates by comparing the recoverable amount with the carrying amount.

Measurement – MML separate financial statements
Investments in collective investment schemes where the Company has significant influence are carried as investments at fair value through profit and loss and are not equity accounted where they back contract holder liabilities, based on the scope exemption in IAS 28 – Investments in associates for investment-linked insurance funds. Initial measurement is at fair value on trade date, with subsequent measurement at fair value based on quoted repurchase prices at the close of business on the last trading day on or before the reporting date. Fair value adjustments on collective investment schemes are recognised in the income statement. The related income from these schemes is recognised as interest or dividends received, as appropriate.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.2 Consolidation continued

47.2.3 Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Measurement

Interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

47.3 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand (the presentation currency), which is the functional currency of the parent. The financial statements have been rounded to the nearest R million.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, measured at fair value through profit and loss, are recognised as part of their fair value gain or loss.

Subsidiary undertakings

Foreign entities are entities of the Group that have a functional currency different from the presentation currency. Assets and liabilities of these entities are translated into the presentation currency at the rates of exchange ruling at the reporting date. Income and expenditure are translated into the presentation currency at the average rate of exchange for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in the foreign currency translation reserve in other comprehensive income. On disposal, such exchange differences are recognised in the income statement as part of net realised and unrealised fair value gains.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

47.4 Intangible assets

47.4.1 Goodwill

Recognition and measurement

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

Goodwill on acquisition of subsidiaries is included in intangible assets whereas goodwill on acquisition of associates is included in investment in associates.

When the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the income statement.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.4 Intangible assets continued

47.4.1 Goodwill continued

Impairment

At the acquisition date, goodwill acquired in a business combination is allocated to *cash-generating* units that are expected to benefit from the synergy of the combination in which the goodwill arose. *Cash-generating* units to which goodwill has been allocated are assessed annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised whenever the carrying amount of the *cash-generating* unit exceeds its recoverable amount, being the higher of value in use and the fair value less costs to sell. Any impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a *cash-generating* unit and then to reduce the carrying amount of other assets on a pro rata basis. Impairment losses on goodwill are not reversed.

47.4.2 Value of in-force business acquired (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.

47.4.3 Customer relationships

Customer relationships relate to rights to receive fees for services rendered in respect of acquired investment contract business, group risk business with annually renewable contracts, administered retirement fund schemes, health administration and asset administration. An intangible asset is recognised when rights can be identified separately and measured reliably and it is probable that the cost will be recovered.

Measurement

The asset represents the Group's right to benefit from the above services and is amortised on a straight-line basis over the period in which the Group expects to recognise the related revenue, which is between three and 10 years.

Impairment

The right is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount.

47.4.4 Deferred acquisition costs (DAC)

On long-term investment business

Incremental costs that are directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an asset if the entity expects to recover them. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The asset represents the contractual right to benefit from receiving fees for providing investment management services, and is amortised over the policy term, as a constant percentage of expected gross profit margins (including investment income) arising from the contract or on a straight-line basis. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.4 Intangible assets continued

47.4.4 Deferred acquisition costs (DAC) continued

On non-life insurance business

Acquisition costs, which include commission and other related expenses, are recognised in the period in which they are incurred. Deferred acquisition costs represent the portion of direct acquisition costs (i.e. commission) which is deferred and amortised over the term of the contracts as the related services are rendered and revenue recognised.

Impairment

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

47.4.5 Brand and broker network

Brand and broker network intangible assets have been recognised by the Group as part of a business combination. The assets are recognised when they are separately identifiable, it is probable that the future economic benefits will flow to the Group and the assets have a cost or value that can be measured reliably.

Measurement

The brand and broker networks are initially measured at fair value. As there is generally no active market for these intangibles, the fair value is determined with reference to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, on the basis of the best information available. In determining this amount, the Group considers the outcome of recent transactions for similar assets, for example, the Group applies multiples reflecting current market transactions to factors that drive the profitability of the asset (such as operating profit and VNB).

Subsequently, the brand and broker networks are amortised over their expected useful lives using the straight-line method. The brands are amortised over 15 to 20 years and the broker networks over 5 to 20 years.

Impairment

The brand and broker networks are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, being the value in use.

47.4.6 Computer software

Recognition and measurement

Acquired computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised on the basis of an expected *useful life* of three to 10 years, which is assessed annually using the straight-line method.

Internally developed computer software

Costs directly associated with developing software for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits. Directly associated costs include employee costs of the development team and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their useful lives, up to 10 years, using the straight-line method.

Costs associated with research or maintaining computer software 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.5 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, the amounts included in the land and buildings revaluation reserve are transferred to retained earnings.

47.6 Investment properties

Investment properties are held to earn rentals or for capital appreciation or both and are not significantly occupied by the companies of the Group. Investment properties include property under development for future use as investment property.

Measurement

Investment properties comprise freehold land and buildings and are carried at fair value, reflective of market conditions at the reporting date, less the related cumulative accelerated rental income receivable. Fair value is determined as being the present value of net rental income, discounted for the different types of properties at the market rates applicable at the reporting date. All properties are internally valued on 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.6 Investment properties continued

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 properties as long as they are held for long-term rental yields and not occupied by the Group. The initial cost of these properties is the lower of the fair value of the property and the present value of the minimum lease payments. These properties are carried at fair value after initial recognition.

Gains and losses

Unrealised gains or losses arising on the valuation or disposal of investment properties are included in the income statement in net realised and unrealised fair value gains and losses. These fair value gains and losses are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

47.7 Financial assets

Classification

The Group classifies its financial assets in the following main categories:

- Financial assets at fair value through profit and loss, including derivative financial assets
- Financial assets at amortised cost

The classification of financial instruments is based on contractual cash flows characteristics and models through which financial instruments are managed (business model).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to not account for the equity investments at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when its business model for managing those assets changes.

- **Debt instruments**
  There are three measurement categories into which debt instruments can be classified:
  - Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
  - FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
  - FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured mandatorily at FVPL. The Group designates debt securities and funds on deposit and other money market instruments at FVPL upon initial recognition when it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise as a result of movements in related liabilities being recorded in profit or loss.
- **Equity instruments**
  The Group subsequently measures all equity investments at fair value. The Group's management has elected to not present fair value gains and losses on equity instruments in other comprehensive income. All fair value gains and losses on equity instruments are recognised in the income statement.
- **Equity instruments – MML separate financial statements**
  The Company subsequently measures all equity investments at fair value. The Company's management has elected to not present fair value gains and losses on equity instruments in other comprehensive income, except for investments in subsidiaries elected to be measured at fair value through other comprehensive income. All other fair value gains and losses on equity instruments are recognised in the income statement.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.7 Financial assets continued

Recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the financial assets. These are recognised as unsettled trades until the settlement date occurs. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the asset. Transaction costs that are not recognised as part of the financial asset are expensed in the income statement in net realised and unrealised fair value gains.

Financial assets at fair value through profit and loss is subsequently carried at fair value. Financial assets at amortised cost is recognised initially at fair value and subsequently carried at amortised cost, using the *effective interest rate method* less provision for impairment. Impairments are included in depreciation, amortisation and impairment expenses in the statement of comprehensive income.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets at amortised cost, the Group determines at each reporting date whether there has been a significant increase in credit risk since initial recognition of the financial asset by assessing the likelihood or risk of default occurring since initial recognition based on all reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition. Where there is no significant increase in credit risk since initial recognition or for assets that have low credit risk at reporting date, a 12 month expected credit loss is recognised. Where a significant increase in credit risk since initial recognition occurred a lifetime expected credit loss is calculated.

The Group views financial assets at amortised cost to be low credit risk when there is a low risk of default and the borrower has the strong capacity to meet its contractual cash flow obligations in the near term.

Impairment losses on financial assets at amortised cost, other than impairments relating to amounts due from agents, brokers and intermediaries, are presented as net impairment losses within profit or loss. Impairment losses on amounts due from agents, brokers and intermediaries, are presented as part of sales remuneration within profit and loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment – MML separate financial statements

Intercompany loan impairment is calculated at each reporting date using probability of default and the loss given default rates. Probability of default rates considers historical defaults as well as forward-looking estimates based on macro-economic factors obtained from rating agencies. Loans without repayment terms consider any senior external or internal loans which need to be repaid before the intercompany loan to determine a probability of default, since it reduces the liquid assets available to repay that intercompany loan. Management applies their own judgement, on an individual loan basis, to adjust the prescribed LGD to include forward-looking information. Balances are written off when there is no reasonable expectation of recovery.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. The Group also derecognises a financial asset when the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

When the Group has transferred its rights to receive cash flows from an asset or entered into a corresponding liability it evaluates if, and to what extent, it has retained the risks and rewards of ownership. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.7 Financial assets continued

Realised and unrealised gains and losses

Financial assets at fair value through profit and loss

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

Offsetting

Financial assets and liabilities were set off and the net balance reported in the statement of financial position where there was a legally enforceable right to set off, where it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability was the same, and where the financial asset and liability were denominated in the same currency.

Scrip lending

The equities or bonds on loan by the Group, and not the collateral security, are reflected in the statement of financial position of the Group at year end. Scrip lending fees received are included under fee income. The Group continues to recognise the related income on the equities and bonds on loan. Collateral held is not recognised in the financial statements unless the risks and rewards relating to the asset have passed to the Group.

47.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including DCF and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative, subject to the offsetting principles as described under the financial assets accounting policies above.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging), or is based on a valuation technique whose variables include only observable market data.

When unobservable market data has an impact on the valuation of derivatives, the entire initial change in fair value indicated by the valuation model is not recognised immediately in the income statement but over the life of the transaction on an appropriate basis, or when the input becomes observable, or when the derivative matures or is closed out.

The subsequent fair value of exchange-traded derivatives is based on a closing market price while the value of over-the-counter derivatives is determined by using valuation techniques that incorporate all factors that market participants would consider in setting the price. Changes in the fair value of derivative instruments are recognised immediately in the income statement within net realised and unrealised fair value gains and losses.

Embedded derivative liabilities are separated and fair-valued through income when they are not closely related to their host contracts and meet the definition of a derivative, or where the host contract is not carried at fair value.

47. 9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost, which approximates fair value. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value. Bank balances held to meet short-term cash commitments are included in funds on deposit and other money market instruments with a maturity of three months or less. Operating bank balances are included in bank and other cash balances.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.10 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 fair value through profit and loss), 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.

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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.10 Life and non-life insurance and investment contracts continued

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 solvency capital requirement 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.

Compulsory and discretionary margins

In the valuation of liabilities, provision is made for the explicit *compulsory margins* as required by SAP 104 – Calculation of the value of the assets, liabilities and solvency capital requirement of 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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.10 Life and non-life insurance and investment contracts continued

Life insurance contracts and investment contracts with DPF continued

Compulsory and discretionary margins continued

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

- For certain books of business which are ring-fenced per historic merger or take-over arrangements, liabilities are held to ensure appropriate capitalisation of future profits in line with the terms of the related agreements.
- Additional prospective margins are held in respect of premium and decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the Group.
- For certain books of business, future charges arising from the surrender of smoothed bonus individual policies are not recognised until surrender occurs.
- Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market-related yield curve as at the reporting date. The yield curve is based on risk-free securities (either fixed or CPI-linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio. Implicit allowance is made for expected credit losses to avoid a reduction in liabilities caused by capitalisation of credit spreads.
- For *cell captive* business, the tax charged to each cell does not always equal the total tax liability of the Company since certain cells have calculated tax losses. Instead of crediting the cells with the resulting tax asset, the tax assets are accumulated in a separate cell, and notionally allocated to their respective cells. The amount in this cell is raised as a discretionary margin. In the event that a cell with a tax asset is able to utilise that asset against a future tax liability, the tax asset will be reduced or eliminated accordingly.

Embedded derivatives

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract and the entire contract is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value, in accordance with APN 110, if they are not closely related to the host insurance contract but meet the definition of a derivative. Embedded derivatives that are separated from the host contract are carried at fair value through profit and loss.

Liability adequacy test

The FSV methodology meets the requirements of the liability adequacy test in terms of IFRS 4 – *Insurance contracts*. However, at each reporting date the adequacy of the insurance liabilities is assessed to confirm that, in aggregate for each insurance portfolio, the carrying amount of the insurance liabilities, measured in accordance with the FSV basis, less any related intangible asset and present VOBA, is adequate in relation to the best-estimate future cash flow liabilities. Best-estimate liabilities are based on best-estimate assumptions in accordance with the FSV basis, but excluding *compulsory margins* as described in SAP 104 as well as all *discretionary margins*. If the liabilities prove to be inadequate, any VOBA or other related intangible asset is written off and any further deficiency is recognised in the income statement.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which the Group is entitled under reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified as receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each contract.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.10 Life and non-life insurance and investment contracts continued

Reinsurance contracts held continued

Reinsurance liabilities are amounts payable in terms of reinsurance agreements.

There are three types of reinsurance liabilities:

- The first consists of reinsurance liabilities which are payable to registered reinsurers, in terms of a reinsurance agreement and includes premiums payable for reinsurance contracts which are recognised as an expense when due. These premiums are included in other payables.
- The second type consists of reinsurance contracts which the Group has with third-party cell owners. The agreements in place with these cell owners are such that the cell owner acts as reinsurer to the Group for the business which the cell brings to the Group. The risks and rewards of insurance policies relating to these cells are passed on to the cell owner, and the Group retains no insurance risk relating to these policies on a net basis. The Group therefore has an obligation to pay the net results relating to the insurance business in the cell to the cell owner as a result of these agreements. This obligation is deemed to be a reinsurance arrangement and is disclosed as part of insurance contract liabilities.
- The third type consists of a financial reinsurance agreement with a registered reinsurer, whereby the reinsurer provides upfront funding to a cell within the Group, with the cell then repaying this funding over an agreed term. The liability associated with this repayment is disclosed as part of reinsurance contract liabilities and is valued consistently with the DCF approach used for insurance contract liabilities.

Impairment of reinsurance assets

If there is *objective evidence* that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The impairment loss is calculated using the same method as that adopted for financial assets at amortised cost.

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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.10 Life and non-life insurance and investment contracts continued

Investment contracts

The Group designates investment contract liabilities at fair value through profit and loss upon initial recognition as their fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment properties that are carried at fair value through profit and loss. The Group follows this approach because it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Measurement

The Group issues investment contracts without fixed terms and contracts with fixed terms and guaranteed terms.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial asset portfolios that can include derivatives and are designated at inception as at fair value through profit and loss.

For investment contracts without fixed terms, fair value is determined using the current unit values that reflect the fair value of the financial assets contained within the Group's unitised investment funds linked to the related financial liability, multiplied by the number of units attributed to the contract holders at the valuation date.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value.

The fair value of financial liabilities is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

For investment contracts with fixed and guaranteed terms (guaranteed endowments and term certain annuities), valuation techniques are used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. If liabilities calculated in this manner fall short of the single premium paid at inception of the policy, the liability is increased to the level of the single premium, to ensure that no profit is recognised at inception. This deferred profit liability is recognised in profit or loss over the life of the contract based on factors relevant to a market participant, including the passing of time.

For investment contracts where investment management services are rendered and the contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded option within the investment contract liability. The valuation methodology is the same as the methodology applied to investment guarantees on insurance contracts.

Deferred revenue liability (DRL)

A DRL is recognised in respect of fees paid at inception of the contract by the policyholder that are directly attributable to a contract. The DRL is then released to revenue as the investment management services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins (including investment income) arising from the contract. The pattern of expected profit margins is based on historical and expected future experience and is updated at the end of each accounting period. The resulting change to the carrying amount of the DRL is recognised in revenue and falls within the scope of IFRS 15.

Deferred acquisition costs

Refer to the intangible assets section of the accounting policies.

Amounts received and claims incurred

Premiums received under investment contracts are recorded as deposits to investment contract liabilities and claims incurred are recorded as deductions from investment contract liabilities.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.10 Life and non-life insurance and investment contracts continued

Non-life insurance contracts

Premiums

Non-life insurance premiums are accounted for when receivable, net of a provision for unearned premiums relating to risk periods that extend to the following year.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Outstanding claims comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and include an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries.

Unearned premium provision

The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Liability adequacy test

A liability adequacy test is performed annually for the gross liability recognised for insurance contracts and an unexpired risk provision is recognised for any deficiencies arising when unearned premiums are insufficient to meet expected future claims and expenses after taking into account future investment returns on the investments supporting the unearned premium provision. The expected claims are calculated having regard to events that have occurred prior to the reporting date.

Deferred acquisition costs

Acquisition costs comprise all costs arising from the conclusion of insurance contracts and these are expensed as and when incurred. Deferred acquisition costs represent the portion of direct acquisition costs (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

The Group classifies its financial liabilities into the following categories:

- for claims notified but not settled at year end, using case estimates determined on a claim-by-claim basis; and
- for IBNR claims at year end, using the percentages specified by class of business and development period as set out in the previous Short-term Insurance Act.

47.11 Financial liabilities

Recognition and measurement

The Group classifies its financial liabilities into the following categories:

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

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

Financial liabilities at fair value through profit and loss

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

A financial liability is classified as held for trading at inception if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading, unless they are designated as hedges. Derivatives held for trading are classified as mandatorily at fair value through profit and loss.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.11 Financial liabilities continued

Financial liabilities at fair value through profit and loss continued

Financial liabilities are classified as at fair value through profit and loss at inception if they are:

- eliminating or significantly reducing an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases; or
- managed, with their performance being evaluated on a fair value basis; or
- a financial instrument that includes a significant embedded derivative that clearly requires bifurcation.

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Issues and settlements of financial liabilities are recognised on trade date, being the date on which the Group commits to issuing or settling the financial liabilities.

The fair value of financial liabilities quoted in active markets is based on current market prices. Alternatively, where an active market does not exist, fair value is derived from cash flow models or other appropriate valuation models allowing for the Group's own credit risk. These include the use of arm's length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market input and relying as little as possible on entity-specific input.

Financial liabilities are derecognised when they are extinguished, 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 collective investment schemes liabilities (representing the units in collective investment schemes where the Group consolidates the collective investment schemes and is required to disclose the value of the units not held by the Group as liabilities) are managed, with their performance being evaluated on a fair value basis and designated at fair value through profit and loss. These financial liabilities are recognised initially at fair value, with transaction costs being expensed in the income statement, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the value of financial liabilities at fair value through profit and loss are included in the income statement in the period in which they arise. Changes in the fair value of the financial liability that relates to changes in own credit risk is recognised in other comprehensive income if it does not create an accounting mismatch. Interest on the callable notes and *carry positions* are disclosed separately as finance costs using the *effective interest rate method*.

Carry positions

Carry positions consist of sale and repurchase of assets agreements. These agreements contain the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at fair value though profit and loss.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date. These financial assets are classified as financial instruments at fair value through profit and loss.

Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the statement of financial position and is valued according to the Group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability (*carry positions*) carried at fair value where they are managed on a fair value basis.

Conversely, where the Group purchases financial instruments subject to a commitment to resell these at a future date and the risk of ownership does not pass to the Group, the consideration paid is included under financial assets carried at fair value where they are managed on a fair value basis.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the *effective interest rate method*.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.11 Financial liabilities 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.

47.12 Deferred income tax

Measurement

Deferred income tax is provided for in full, at current tax rates and in terms of laws substantively enacted at the reporting date in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using the liability method. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets, including tax on capital gains, are recognised for tax losses and unused tax credits and are carried forward only to the extent that realisation of the related future tax benefit is probable. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate, as it is assumed that the carrying amount will be recovered through sale.

Offsetting

Deferred tax assets and liabilities are set off when the income tax relates to the same fiscal authority and where there is a legal right of offset at settlement in the same taxable entity.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.13 Current taxation

Measurement

Current tax is provided for at the amount expected to be paid, using the tax rates and in respect of laws that have been substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Individual policyholder tax and corporate policyholder tax is included in tax on contract holder funds in the income statement.

Offsetting

Current tax assets and liabilities are set off when a legally enforceable right exists and it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividend withholding tax (DWT)

DWT is levied on the shareholders (or beneficial owners) receiving the dividend, unless they are exempt in terms of the amended tax law. DWT is levied at 20% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not by the beneficial owner of the dividend. Where a non-exempt group Company is a beneficial owner of the dividend, the DWT is recorded as an expense in the income statement when the dividend income is earned.

47.14 Indirect taxation

Indirect taxes include various other taxes paid to central and local governments, including value added tax (amount that cannot be claimed) and regional service levies. Indirect taxes are disclosed as part of operating expenses in the income statement.

47.15 Leases: accounting by lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- **Right-of-use asset**
  The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The Group mainly has leases for office buildings. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Right-of-use assets that are classified as owner-occupied properties or property and equipment are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets that are classified as investment properties are measured at fair value (refer to Investment properties accounting policy). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets that are classified as owner-occupied properties are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Owner-occupied properties	50 years
Property and equipment	5 – 20 years

  If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

- **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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.15 Leases: accounting by lessee 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.

47.16 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.

47.17 Contingent liabilities

Contingent liabilities are reflected when the Group has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or it is possible but not probable that an outflow of resources will be required to settle a present obligation, or the amount of the obligation cannot be measured with sufficient reliability.

47.18 Employee benefits

Pension fund obligations

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

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Group. The defined benefit obligation is calculated annually, using the projected unit credit method. The liability balances have largely been settled and the plans are in the process of being closed.

Post-retirement medical aid obligations

The Group provides a subsidy in respect of medical aid contributions on behalf of qualifying employees and retired personnel. An employee benefit obligation is recognised for these expected future medical aid contributions. This obligation is calculated using the projected unit credit method, actuarial methodologies for the discounted value of contributions and a best estimate of the expected long-term rate of investment return, as well as taking into account estimated contribution increases. The entitlement to these benefits is based on the employees remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment. The actuarial gains and losses are recognised as they arise. The increase or decrease in the employee benefit obligation for these costs is charged to other comprehensive income.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.18 Employee benefits continued

Termination benefits

The Group recognises termination benefits as a liability in the statement of financial position and as an expense in the income statement when it has a present obligation relating to termination. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and other benefits such as medical aid contributions. These obligations are measured on an undiscounted basis and are expensed as the service is provided. A liability is recognised for the amount to be paid under bonus plans or accumulated leave if the Group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. For share-based payment transactions that are settled in the equity of the parent or another group company or settled in cash where the amount is based on the equity of the parent or another group company, the Group measures the goods or services received as either equity or cash-settled share-based payment transactions by assessing the nature of the awards and its own rights and obligations. The Group measures the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments or the Group has no obligation to settle the share-based transaction in cash. In all other circumstances, the Group measures the goods or services received as a cash-settled share-based payment transaction.

Equity-settled compensation plans

The fair value of the employee services received in exchange for the grant of the holding company shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted at grant date, excluding the impact of any non-market-related vesting conditions. Market and non vesting conditions are reflected in the fair value at grant date. Non-market-related vesting conditions, such as the resignation of employees and retrenchment of staff, are included in assumptions regarding the number of shares expected to vest, which are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment is made to equity. The vesting of units are accelerated by the entity in the event that the employee dies, is retrenched or retires. Any remaining element of the fair value of the award is expensed immediately through profit or loss. Where an employee resigns any unvested units are forfeited by the employee.

The fair value of equity instruments granted is determined by using standard option pricing models. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instrument.

As the holding company grants the shares to certain subsidiary employees, the carrying amount of the investment in the subsidiary is increased in the holding company's financial statements, with a corresponding increase in the fair value reserve. The subsidiary recognises the expense and an equivalent increase in equity.

Cash-settled compensation plans

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

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.18 Employee benefits continued

Compensation plans valued on the projected unit credit method

The Group has certain schemes in place whereby employees are rewarded based on something other than the shares and related share price of the holding company. In some instances the Group recognises a liability that has been measured with reference to a selling price formula in a contract, the share price of an external company or the applicable EV of a subsidiary company, and that will be used to settle the liability with the employees or to repurchase shares in a subsidiary from the employees. The liability in these cases is measured using the projected unit credit method. Any change in the liability is charged to the income statement over the vesting period of the shares.

47.19 Assets and liabilities relating to disposal groups held for sale

Assets, liabilities or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets, liabilities or disposal groups are available for immediate sale.

In light of the Group's primary business being the provision of insurance and investment products, non-current assets held as investments for the benefit of policyholders are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the assets and liabilities are recognised at the lower of the carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

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

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

47.20 Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Ordinary shares with discretionary dividends are classified as equity. Preference shares issued by the Group are classified as equity when there is no obligation to transfer cash or other assets to the preference shareholders. The dividends on these preference shares are recognised in the statement of changes in equity. For compound instruments, 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 collective investment schemes and share trusts, irrespective of whether they are held in shareholder or contract holder portfolios. The consideration paid, including any directly attributable costs, is eliminated from shareholder equity on consolidation until the shares are cancelled or reissued. If reissued, the difference between the carrying amount and the consideration received for the shares, net of attributable incremental transaction costs and the related income tax effects, is included in share premium.

47.21 Dividends paid

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

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.22 Puttable non-controlling interests

Puttable non-controlling interests represent put options granted to non-controlling interests of subsidiaries, entitling the non-controlling interests to dispose of their interest in the subsidiaries to the Group at contracted dates.

Recognition and measurement

A financial liability at fair value through profit and loss is recognised, being the present value of the estimated purchase price value discounted from the expected option exercise date to the reporting date. In raising this liability, the non-controlling interest is derecognised and the excess of the liability is debited to retained earnings.

The estimated purchase price is reconsidered at each reporting date and any change in the value of the liability is recorded in net realised and unrealised fair value gains in the income statement. Interest in respect of this liability is calculated using the *effective interest rate method* and recorded within finance costs.

47.23 Income recognition

Income comprises the fair value of services, net of value added tax, after eliminating income from within the Group. Income is recognised as follows:

47.23.1 Fee income

Fee income falls within the scope of IFRS 15

IFRS 15 sets out the principles of the timing of revenue recognition. Revenue is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If none of the above criteria is met, revenue is recognised at a point in time.

Contract administration

Fees charged for investment management services provided in conjunction with an investment contract are recognised as income as the services are provided over the expected duration of the contract, as a constant percentage of expected gross profit margins; or as a constant percentage of assets under management; or as a fixed fee. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and released on a straight-line basis over the lives of the contracts.

Trust and fiduciary fees received

Fees received from asset management, retirement fund administration and other related administration services offered by the Group are recognised in the accounting period in which the services are rendered. Services are rendered over the expected duration of the contract. Where initial fees are received, these are deferred and recognised over the average period of the contract. This period is reassessed annually.

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.

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.

47 SIGNIFICANT GROUP ACCOUNTING POLICIES CONTINUED

47.23 Income recognition continued

47.23.2 Investment income

Interest income

Interest income is recognised in the income statement, using the *effective interest rate method* and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method*.

Dividend income

Dividends received are recognised when the right to receive payment is established. Where it is declared out of retained earnings, dividend income includes scrip dividends received, irrespective of whether shares or cash is elected. Dividend income is not recognised when shares of the investee are received and the shareholders receive a pro rata number of shares, there is no change in economic interest of any investor and there is no economic benefit associated with the transaction.

Rental income

Rental income is recognised on the straight-line method over the term of the rental agreement.

47.24 Expense recognition

47.24.1 Expenses

Other expenses include auditors' remuneration, consulting fees, direct property expenses, information technology expenses, marketing costs, indirect taxes and other expenses not separately disclosed, and are expensed as incurred.

47.24.2 Finance costs

Finance costs incurred on qualifying property assets are capitalised until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use. Capitalisation is ceased when substantially all activities necessary to prepare the asset for intended use. All other finance costs are recognised in the income statement, using the *effective interest rate method*, and taking into account the expected timing and amount of cash flows.

Finance costs include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on the *effective interest rate method*.

47.25 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group Executive Committee that makes strategic decisions. Refer to segmental report for more details.

48 RESTATEMENTS

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

Statement of financial position	Before restatement Rm	Carry positions[1] Rm	Commission expense[2] Rm	Debtors and creditors[3] Rm	Smooth bonus data reserve[4] Rm	Effective interest[5] Rm	After restatement Rm
as at 30 June 2022							
Group							
Financial assets at amortised cost	7 124	–	–	(8)	–	–	7 116
Insurance and other receivables	3 884	–	–	64	–	–	3 948
Reinsurance contract assets	3 013	–	–	(25)	–	–	2 988
Investment contracts							
– with discretionary participation features (DPF)	(2 476)	–	–	–	37	–	(2 439)
– designated at fair value through profit and loss	(294 069)	–	–	–	(37)	–	(294 106)
Other payables	(14 142)	–	–	(31)	–	–	(14 173)
Company							
Financial assets at amortised cost	5 060	–	–	(8)	–	–	5 052
Insurance and other receivables	3 726	–	–	64	–	–	3 790
Reinsurance contract assets	3 013	–	–	(25)	–	–	2 988
Investment contracts							
– with discretionary participation features (DPF)	(2 476)	–	–	–	37	–	(2 439)
– designated at fair value through profit and loss	(290 726)	–	–	–	(37)	–	(290 763)
Other payables	(11 850)	–	–	(31)	–	–	(11 881)
as at 1 July 2021							
Group							
Financial assets at fair value through profit and loss (FVPL)	434 353	(2 594)	–	–	–	–	431 759
Financial assets at amortised cost	7 510	(412)	–	(472)	–	–	6 626
Insurance and other receivables	3 628	–	–	539	–	–	4 167
Reinsurance contract assets	2 312	–	–	(31)	–	–	2 281
Financial liabilities at fair value through profit and loss	(55 915)	3 006	–	–	–	–	(52 909)
Other payables	(12 513)	–	–	(36)	–	–	(12 549)
Company							
Financial assets at fair value through profit and loss (FVPL)	311 597	(2 594)	–	–	–	–	309 003
Financial assets at amortised cost	5 500	(412)	–	(472)	–	–	4 616
Insurance and other receivables	3 445	–	–	539	–	–	3 984
Reinsurance contract assets	2 312	–	–	(31)	–	–	2 281
Financial liabilities at fair value through profit and loss	(14 090)	3 006	–	–	–	–	(11 084)
Other payables	(11 330)	–	–	(36)	–	–	(11 366)

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 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.

4 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.

5 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.

48 **RESTATEMENTS** CONTINUED

Income statement	Before restatement Rm	Carry positions[1] Rm	Commission expense[2] Rm	Debtors and creditors[3] Rm	Smooth bonus data reserve[4] Rm	Effective interest[5] Rm	After restatement Rm
for the year ended 30 June 2022							
Group							
Investment income							
Other investment income	22 495	–	–	–	–	(654)	21 841
Net realised and unrealised fair value (losses)/gains	(4 285)	–	–	–	–	654	(3 631)
Sales remuneration	(3 933)	–	240	–	–	–	(3 693)
Other expenses	(3 968)	–	(240)	–	–	–	(4 208)
Company							
Investment income							
Other investment income	19 344	–	–	–	–	(654)	18 690
Net realised and unrealised fair value (losses)/gains	(2 909)	–	–	–	–	654	(2 255)
Sales remuneration	(3 755)	–	240	–	–	–	(3 515)
Other expenses	(2 638)	–	(240)	–	–	–	(2 878)

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 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.

4 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.

5 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.

Statement of cash flows	Before restatement Rm	Carry positions[1] Rm	Commission expense[2] Rm	Debtors and creditors[3] Rm	Smooth bonus data reserve[4] Rm	Effective interest[5] Rm	After restatement Rm
for the year ended 30 June 2022							
Group							
Cash utilised in operations	(19 465)	(3 006)	–	–	–	277	(22 194)
Interest received	14 028	–	–	–	–	(277)	13 751
Net cash outflow from financing activities	(3 569)	3 006	–	–	–	–	(563)
Net repayment of carry positions	(3 921)	3 006	–	–	–	–	(915)
Company							
Cash utilised in operations	(19 172)	(3 006)	–	–	–	277	(21 901)
Interest received	12 608	–	–	–	–	(277)	12 331
Net cash outflow from financing activities	(1 059)	3 006	–	–	–	–	1 947
Net repayment of carry positions	(1 167)	3 006	–	–	–	–	1 839

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.

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5 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.

Annexure A

Abbreviations and definitions

ABBREVIATIONS

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
BSA	Bonus stabilisation accounts
CAR	Capital adequacy requirement
CGU	Cash-generating unit
DCF	Discounted cash flow
DPF	Discretionary participation features
ESA	Employer Surplus Account
EV	Embedded value
FSCA	Financial Sector Conduct Authority
FSV	Financial soundness valuation
GCR	Global Credit Ratings
GLTD	Group long-term disability table
Group	Momentum Metropolitan Holdings Limited and its subsidiaries
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IFS	Insurer Financial Strength
IMA	Investment management agreement
MMH	Momentum Metropolitan Holdings Limited
MML	Momentum Metropolitan Life Limited
OTC	Over-the-counter
PA	Prudential Authority
PPFM	Principles and practices of financial management
PVP	Present value of future premiums
RDR	Risk discount rate
RMI	Rand Merchant Investment Holdings Ltd
ROEV	Return on Embedded Value
S&P	Standard & Poor's
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SARB	South African Reserve Bank
VIF	Present value of in-force covered business
VNB	Value of new business

DEFINITIONS

Adjusted net worth (ANW)

The ANW is the excess of assets over liabilities on the IFRS basis. Certain deductions for disregarded assets and impairments have been added back.

Advisory practice notes (APNs)

ASSA issues APNs applicable to various areas of financial reporting and practice that require actuarial input. The APNs are available on the ASSA website (www.actuarialsociety.org.za).

Annual premium equivalent (APE)

The APE is a common life industry measure of new business sales. It is calculated as annualised new recurring premiums plus 10% of single premiums.

Basis changes

Basis and other changes are the result of changes in actuarial assumptions and methodologies, reviewed at the reporting date and used in the FSV basis. These changes are reflected in the income statement as they occur.

Bonus stabilisation accounts (BSAs)

BSAs are the difference between the fund accounts of smoothed bonus business, or the discounted value of projected future benefit payments for with-profit annuity business, and the market values of the underlying assets. BSA is an actuarial term that constitutes either an asset or liability in accounting terms. The BSAs are included in contract holder liabilities.

Carry positions

Carry positions consist of sale and repurchase of assets agreements containing the following instruments:

- Repurchase agreements: financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date.
- Reverse repurchase agreements: financial assets consisting of financial instruments purchased with an agreement to sell these instruments at a fixed price at a later date.

Cash generating units (CGUs)

A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows from other assets or groups of assets.

Compulsory margins

Life insurance companies are required to hold compulsory margins in terms of the FSV basis prescribed in SAP 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of 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 recognised in the MMH Group integrated report. This business covers individual smoothed bonus, linked and market-related business, reversionary bonus business, group smoothed bonus business, annuity business and other non-participating business written by the Company.

Discretionary margins

In addition to compulsory margins, insurance companies may hold further discretionary margins where the head of the actuarial function believes that:

- the compulsory margins are insufficient for prudent reserving; or
- company practice or policy design justifies the deferral of profits.

DEFINITIONS CONTINUED

Discretionary participation feature (DPF)

A DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - the realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

Effective exposure

The exposure of a derivative financial contract or instrument to the underlying asset by also taking delta (the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative) into account where applicable.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or liability.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

Embedded value (EV)

An EV represents the Group's discounted value of expected after-tax future profits from the current business. The embedded value is defined as:

- the ANW of covered and non-covered business;
- plus the VIF less the opportunity cost of required capital; and
- plus the write-up to directors' value of non-covered business.

Embedded value earnings

Embedded value earnings are defined as the Group's change in embedded value (after non-controlling interests) for the year, after adjustment for any capital movements such as dividends paid, capital injections and cost of treasury shares acquired or disposed of for the year.

Financial soundness valuation (FSV)

The FSV basis is prescribed by SAP 104 – Calculation of the value of the assets, liabilities and capital adequacy requirement of 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 value of new business 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 Group's directors' valuations of the investment management entities, South African health operations, non-life insurance operations, the Guardrisk entities, as well as other non-insurance entities. The Group embedded value is also adjusted to allow for future holding company and international support expenses.

DEFINITIONS CONTINUED

Normalised headline earnings

Normalised headline earnings comprise operating profit and investment income on shareholder assets. It excludes the amortisation of intangible assets relating to business combinations as well as dividends received from subsidiaries and intercompany loan impairments, which are eliminated on consolidation of the holding company group. It includes basis changes and investment variances.

Objective evidence of impairment

Objective evidence of impairment is related to the specific circumstances of each individual asset and can be the combined effect of several events. Objective evidence includes, but is not limited to:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract, such as a default or delinquency in payment.
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data that there is a measurable decrease in the estimated future cash flows from the asset since the initial recognition of the asset.

Open-ended instruments

The open-ended category includes financial instruments with no fixed maturity date as management is unable to provide a reliable estimate given the volatility of equity markets and policyholder behaviour.

Prescribed officers

Prescribed officers as referred to in the Companies Act, 71 of 2008, are defined as follows – despite not being a director of a particular company, a person is a prescribed officer of the company if that person:

- exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or
- regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company.

The Company does not consider any employee that is not a director to be a prescribed officer as the functions of general executive control over significant portions of the business are performed by the executive directors.

Present value of future premiums (PVP)

The PVP is the present value of future premiums in respect of new business using the RDR. The future premiums are net of reinsurance and are based on best-estimate assumptions such as future premium growth, mortality and withdrawal experience.

Present value of in-force covered business (VIF)

The gross VIF is the discounted present value of expected future after-tax profits as determined on the IFRS basis, in respect of covered business in force at the valuation date. The net VIF is the gross VIF less the cost of required capital. No account is taken of dividend withholding tax.

Related party transactions – key management personnel

Key management personnel are those persons, including close members of their families, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Reporting basis

Reporting basis is the basis on which the financial statements are prepared.

Required capital

Required capital includes any assets attributed to covered business over and above the amount required to back covered business liabilities whose distribution to shareholders is restricted.

Return on embedded value

Return on embedded value is the Group's embedded value earnings over the period expressed as a percentage of the Group's embedded value at the beginning of the period, adjusted for capital movements during the year.

DEFINITIONS CONTINUED

Risk discount rate (RDR)

The RDR is the rate at which future expected profits are discounted when calculating the value of in-force business or the value of new business. The RDR is determined based on the weighted average cost of capital of the Company. This has taken into account the sources of capital used to fund the covered business, i.e. shareholder equity and subordinate debt finance. The required return on equity was derived through application of the capital asset pricing model. The cost of debt financing was based on current financing costs.

Significant influence

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Unit-linked investments

Unit linked investments consist of investments in collective investment schemes, private equity fund investments and other investments where the value is determined based on the value of the underlying investments.

Unrated

The Company invests in unrated assets where investment mandates allow for this. These investments are, however, subject to internal credit assessments.

Useful life

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

Value of new business (VNB)

The VNB is the discounted present value of expected future after-tax profits from new business at point of sale less the cost of required capital at risk. No allowance is made for the impact of dividend withholding tax. Allowance is made for all expenses associated with underwriting, selling, marketing and administration incurred in the effort of obtaining new business.

CREDIT RISK DEFINITIONS

AAA

National scale ratings denote the highest rating that can be assigned. This rating is assigned to the best credit risk relative to all other issuers.

AA

National ratings denote a very strong credit risk relative to all other issuers.

A

National ratings denote a strong credit risk relative to all other issuers.

BBB

National ratings denote an adequate credit risk relative to all other issuers.

BB

National ratings denote a fairly weak credit risk relative to all other issuers.

B

National ratings denote a significantly weak credit risk relative to all other issuers.

CCC

National ratings denote an extremely weak credit risk relative to other issuers.

Shareholder diary and administration

SHAREHOLDER DIARY

Financial year end	30 June	
Reporting	Annual financial statements published	13 September 2023
	Annual general meeting	23 November 2023

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