update

MMI HOLDINGS

14 September 2011

Update is a newsletter produced by the investor relations department of MMI Holdings Limited. It provides information on the different businesses in the group as well as financial news. Contact Sue Snow (financial media) on (021) 940-6119 / ssnow@mmiholdings.co.za or Natalie Amos (investor relations) on (021) 940-6112 / namos@mmiholdings.co.za for further information.

Audited group results for the year ended 30 June 2011

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MMI Holdings Limited
Audited group results for the year ended 30 June 2011

HIGHLIGHTS

- Merger of Metropolitan and Momentum
- Group strategy confirmed
- Integration progressing well
- Synergies identified to achieve ultimate expense savings of R500 million
- Core headline earnings per segmental report up 12% to R2 588 million
- New business APE up 15% to R6 billion
- Group value of new business up 35% to R632 million

NATURE OF ACTIVITIES

MMI Holdings is a South African based financial services group that provides a wide range of products and services to clients locally and in selected other African countries.

OPERATING ENVIRONMENT

Overall, consumer confidence remained fragile; household disposable income appeared to increase but employment levels remain under pressure. Conflicting economic news from across the world meant that local operating conditions remain difficult. Equity markets recovered strongly during the latter half of 2010; however, uncertainty returned during 2011 and all markets were extremely volatile.

OVERVIEW OF OPERATIONS AND PROSPECTS

Momentum Retail

- New business volume on an APE (annual premium equivalent) basis was 12% higher than in 2010, driven mainly by savings and investment products.
- New business sourced through the agency force continued to grow strongly and represented 30% of new recurring premiums sold during the year.
- Client retention initiatives had a positive impact on the lapse and surrender experience.
- Excellent client service levels were maintained.
- Positive mortality experience contributed to the increase in profits.
- The value of new business increased by 16% to R288 million, however, the margin of 1.0% on the present value of premiums basis (PVP) remains below the longer-term target mainly due to the sales mix.
- Significant internal restructuring, including the integration of Odyssey, has been implemented and new growth strategies are being pursued.
- Operating profit increased 17% to R699 million.

Metropolitan Retail

- New business on an APE (annual premium equivalent) basis showed an excellent performance and ended 24% higher, driven by good production in the traditional agency channels and a move to better quality lines of business.
- Combined with the removal of underperforming products, good expense management coupled with satisfactory persistency, these strong new business flows contributed to an increase in the new business margin, generating a very satisfactory 4.5% on the PVP basis, exceeding the upper end of the targeted range.
- The mix of new recurring premium business sold continued to shift towards risk policies with higher profit margins.
- Active management resulted in improved group scheme and direct marketing profitability.

- In general, the difficult economic conditions experienced in the low to middle-income market segment continued, but an ongoing focus on the quality of new business and the retention of existing business ensured satisfactory overall persistency during the year.
- Sales activities by agents have been negatively impacted to some extent by preparation for the regulatory exams in the latter part of the year.
- Increased average asset levels, combined with the factors mentioned above, resulted in a 7% increase in operating profit to R394 million.

Momentum Employee Benefits

- New business volumes increased by 15% on an APE basis with strong new business growth in both the umbrella fund and the standalone risk businesses.
- The resulting change in new business mix reduced the overall new business margin to 0.7% on the PVP basis.
- Risk experience was better than the prior year, mainly as a result of a significant improvement in claims experience under the income replacement disability product.
- Increased expenses dampened the impact of higher asset-based fees and improved risk experience on both the disability and mortality books.
- Once-off profits in the prior period and an increase in production expenses impacted negatively, resulting in a reduction of 8% in operating profit to R187 million.

Metropolitan International

- New business premiums (APE) ended 28% stronger than in 2010, with the markets in Lesotho, Namibia, Ghana and Nigeria delivering good results.
- Operating profit from insurance was slightly below the 2010 level, reflecting the slower growth of the established businesses and tough operating conditions across all markets. Start-up losses in the newer West African markets reduced.
- Members under administration in the health business increased by 7% from 117 000 lives at 30 June 2010 to 125 000 lives at 30 June 2011.
- The operating loss from the international health business increased as a result of the strong rand and higher claims ratios experienced in certain countries. Corrective measures have been introduced to improve these claims ratios to the targeted levels.
- Integration of the businesses is progressing according to plan in respect of countries where there are overlaps and in complementary lines of business.
- Support centre costs are relatively high mainly due to increased expenditure on IT systems; however, these costs are expected to reduce as decentralisation of operations to countries takes place and a single support centre is established over the next two years.
- Operating profit for the division reduced by 58% to R32 million.

Momentum Investments

- The management structures of all the post-merger business units have been finalised.
  - Management is focused on implementing and delivering the strategic road map for growing both in-house and third party business.
  - Integration and enhancements of administration and business enabling platforms continue and remain on target.
- Asset management investment performance
  - Continued net outflows and the performance of the equity and balanced mandates are still cause for concern and remain a critical strategic focus area.
  - Fixed income and specialist equity performance, however, remains strong and attracted some inflows.
  - The integration of the investment teams has been completed successfully.
- The performance of the other business units is in line with expectations.

- The sale of the Managed Account Platform (hedge fund risk management platform) to the JSE was successfully concluded.
- Operating profit declined by 21% to R131 million and was impacted by:
  - Non-recurrence of performance fees.
  - Impact of outflows on asset-based fees.
  - Margin compression on existing mandates from higher costs.

Metropolitan Health

- The business experienced good growth in overall membership. Total principal members under administration at the year-end were 1 197 932 (2009: 1 098 255), representing over 3 million lives, confirming Metropolitan Health's status as one of South Africa's largest administrators of medical schemes.
- As part of the normal three-year tender cycle, the Government Employees Medical Scheme (GEMS) has asked for tenders for the administration business. Metropolitan Health is participating in this tender process which is still underway.
- The rationalisation of administration systems, along with initiatives to reduce the overall cost base are on track.
- Momentum medical scheme members under administration increased by 3% compared with the prior year.
- National Health Insurance (NHI) continues to receive attention and Metropolitan Health is following the developments closely.
- Operating profit for the year ended 18% higher at R114 million, with increased revenue exceeding higher operational expenses.

Shareholder capital

- Investment income, impacted by lower yields, was boosted by interest received on an income tax refund.
- Diluted core headline earnings increased by 29% to R1 031 million.

CAPITAL MANAGEMENT

- The group actively manages its capital resources within a defined risk appetite and balances the interests of all stakeholders to protect and enhance shareholder wealth.
- Capital is regarded as a scarce resource and a significant driver of shareholder returns.
- Capital management focuses on the investment, level and allocation of capital.
- The capital investment mandates are under review; changes to the investment of shareholder capital may impact future earnings, embedded value and economic capital requirements.
- The CAR cover of the group's two largest SA life companies, Metropolitan Life Limited and Momentum Group Limited at 2.3 times each, confirms their financial strength and stability. Equal emphasis is placed on qualitative measures to ensure continued financial security.
- The group is comfortable that the capital level is appropriate in the current environment; this position is being evaluated on an ongoing basis.
- MMI Holdings plays an active role in the FSB's solvency assessment and management (SAM) project. The intention of this project is to introduce a new solvency regime for SA insurance companies that will attain 3rd country equivalence to Solvency II. This project is changing the way economic capital is determined, and may impact the level of economic capital required in future.

INTEGRATION

The creation of MMI Holdings through the merger of Metropolitan and Momentum has generated new energy and opportunities. The integration process is progressing well, with the operations combined into six unique divisions, each with distinct focus areas.

- The overarching objective of the project, overseen by a dedicated chief integration officer, is to incorporate “the best of both”, while ensuring that:
  - divisions implement their own integration process, strategies and structures.
  - the sales units remain largely unaffected with an external focus.
  - group service functions are shared.
- All divisional executive appointments have been made.
- There is strong collaboration between divisions to harness the benefits of emerging synergies.
- A chief technology officer has been appointed and an IT steering committee is overseeing all IT integration projects.
- Group and divisional strategies have been embedded and expense synergies of R500 million have been identified and should emerge over the next three years.

PROSPECTS

- Each division is implementing strategic plans and integration processes to identify and optimise structures, operations, target markets, distribution channels and product offerings. A number of opportunities have been identified during the integration process.
- The group reported satisfactory increases in both the volume and the value of new business written during the year. This demonstrates the group’s strong distribution capability and augurs well for future new business growth prospects.
- Growth in new business volumes will, however, remain dependent on the economic environment, including a recovery in employment and stronger disposable income levels.
- All divisions face opportunities and threats posed by ongoing changes in the highly regulated environments in which they operate, including the national health insurance and national social security reform proposals.
- Considering the fragile global economic environment, the prospects are subject to no unforeseen global economic events.
- The board of MMI Holdings believes that the group has begun implementing the appropriate strategies to unlock value and generate a satisfactory return on capital for shareholders over time.

DIRECTORS' STATEMENT

The directors take pleasure in presenting the audited results of the MMI Holdings financial services group for the year ended 30 June 2011. The preparation of the MMI group’s condensed consolidated, audited results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

Metropolitan/Momentum merger

MMI Holdings Limited (previously Metropolitan Holdings Limited) acquired all the ordinary shares in Momentum Group Limited (Momentum) from FirstRand Bank Limited (FirstRand) during 2010 and issued 951 million shares to FirstRand as consideration. For accounting purposes, the acquisition is accounted for as a reverse acquisition in terms of IFRS 3 (Revised) – Business combinations, with Momentum being treated as the acquirer and Metropolitan Holdings Limited (Metropolitan) as the acquiree. The relevant approvals for the transaction were received on 12 November 2010 (transaction unconditional), the consideration shares were issued on 1 December 2010 and the new MMI Holdings Limited board was reconstituted on the latter date.

Presentation of financial information

The group has adopted a June year-end, being the year-end of Momentum. The statutory results presented for the current period comprise Momentum results for the 12 months ended 30 June 2011 and Metropolitan results for the seven months ended June 2011, while the comparative results are the 12 months ended 30 June 2010 for Momentum only (restated for accounting policy changes noted below).

Segmental information
The group operates through the following divisions:

- *Momentum Retail*: Existing Momentum Retail business including Momentum Wealth and Metropolitan Odyssey in the middle to upper income markets;
- *Metropolitan Retail*: Existing Metropolitan Retail business, Momentum's New Markets initiative and 10% of FNB Life in the entry level market;
- *Momentum Employee Benefits*: Momentum and Metropolitan's employee benefits businesses including Metropolitan Retirement Administrators;
- *Metropolitan International*: Metropolitan and Momentum's life assurance and health businesses in Africa;
- *Momentum Investments*: Momentum's asset management businesses including its United Kingdom operations and Metropolitan's asset management businesses;
- *Metropolitan Health*: Metropolitan and Momentum's South African health businesses;
- *Shareholder capital*: Holding company related activities and the management of MMI's capital and shareholder balance sheet risks, such as market risk and credit risk; includes the run-off of corporate policy business and operational items managed centrally by the group.

Management information presented to the executive committee (chief operating decision maker) assumes that the merger occurred on 1 July 2009 and therefore all segmental information, in terms of IFRS 8 – Operating segments – has been disclosed on this basis. The operational reviews are based on this segmental information. More details are available in the tables, on SENS and on the company's website.

The comparative information has been restated to be consistent with the new structure of the group.

The segmental information also assumes that the reinsurance agreement with the cell captive owned by FirstRand was effective from 1 July 2009. The segmental information for the current and comparative period therefore only includes 10% of FNB Life's results.

Basis of presentation of financial information
These results have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the South African Companies Act of 2008; and the listings requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented and the previous reporting period (except for those noted below). The comparatives have been restated for the changes in accounting policies. The preparation of financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board, which 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 critical judgements and accounting estimates are disclosed in detail in the Momentum financial statements at 30 June 2010 (31 December 2009 for Metropolitan).

Change in accounting policies and reclassifications
The group has chosen to early adopt IAS 12 – Income taxes and now accounts for deferred tax on investment property at the capital gains tax rate instead of the corporate rate.

Certain accounting policies or disclosure practices have been amended to align the historic accounting policies and disclosure of Momentum and Metropolitan. Owner-occupied properties are carried at fair value instead of cost less accumulated depreciation; actuarial gains and losses on employee benefit assets are recognised immediately instead of over the service lives of employees; investment contracts with discretionary participation features are accounted for as insurance contracts with premiums and claims recorded in the income statement instead of applying deposit accounting. The MMI group aligned the presentation of the financial statement items of Metropolitan and Momentum for consistency purposes, resulting in certain reclassifications. None of these amendments has had any material impact on earnings for the current reporting period.

More information is available on SENS and on the company website.

CORPORATE GOVERNANCE

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

DIRECTORATE CHANGES AND DIRECTORS' SHAREHOLDING

Following the implementation of the merger between Momentum and Metropolitan the board of directors was reconstituted as set out in the circular to shareholders, and the current board members are listed below. All transactions in listed shares of the company involving directors were disclosed on SENS as required.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group had no material capital commitments or contingent liabilities at 30 June 2011. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND DECLARATION

Ordinary listed shares

The dividend policy for ordinary listed shares, approved by the directors, is to provide shareholders with a stable dividend, increasing to reflect the board's long-term view on the expected underlying basic core headline earnings growth. Exceptions will be made from time-to-time, in order to account for, inter alia, volatile investment markets, capital requirements and changes in legislation.

On 13 September 2011 a final dividend of 63 cents per ordinary share was declared that resulted in a normalised annual dividend of 105 cents per share. This final dividend is payable to the holders of ordinary shares recorded in the register of the company at the close of business on Friday, 7 October 2011 and will be paid on Monday, 10 October 2011. The last day to trade "cum" dividend will be Friday, 30 September 2011. The shares will trade "ex" dividend from the start of business on Monday, 3 October 2011. Share certificates may not be dematerialised or rematerialised between Monday, 3 October and Friday, 7 October 2011, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on Monday, 10 October 2011.

Preference share dividend

Dividends of R10 million (7.7% p.a.), R5 million (7.7% p.a.), and R30 million (19.1% p.a.) were declared on 13 September 2011 on the unlisted A1, A2 and A3 MMI preference shares respectively, and are payable on 30 September 2011.

The declaration rate was determined as set out in the company's articles. MMI preference share dividends are included under finance costs in these results.

AUDIT OPINION

The auditors, PricewaterhouseCoopers Inc, have issued their opinion on the group financial statements for the year ended 30 June 2011. A copy of their unqualified report is available for inspection at the company's registered office.

INDEPENDENT ACTUARIAL REVIEW

The statement of assets and liabilities, embedded value and value of new business results have been independently reviewed by Deloitte. A copy of their report is available for inspection at the company's registered office.

Signed on behalf of the board

Laurie Dippenaar	Chairman
Nicolaas Kruger	Group chief executive officer

Centurion
13 September 2011

Directors: LL Dippenaar (chairman), MJN Njeke (deputy chairman), NAS Kruger (group chief executive officer), FW van Zyl (deputy group chief executive officer), M Mthombeni (executive), PE Speckmann (group finance director), JP Burger, F Jakoet, RB Gouws, PK Harris, KL Matseke, PJ Moleketi, SA Muller, NE Newbury, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, M Vilakazi

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MMI HOLDINGS LIMITED GROUP

Metropolitan/ Momentum merger

MMI Holdings Limited (previously Metropolitan Holdings Limited) acquired all the ordinary shares in Momentum Group Limited (Momentum) from FirstRand Limited (FirstRand) during 2010 and issued 951 million shares to FirstRand as consideration (the "Merger"). For accounting purposes, the acquisition is accounted for as a reverse acquisition in terms of IFRS 3 (Revised) – Business combinations, Momentum is treated as the acquirer and Metropolitan Holding Limited (Metropolitan) the acquiree. The relevant approvals for the transaction were received on 12 November 2010 (transaction unconditional), the consideration shares were issued on 1 December 2010 and the MMI Holdings Limited (MMI) Board was reconstituted on the latter date.
Further details relating to the merger are provided below.

IFRS financial information

Momentum is considered to be the acquirer for accounting purposes and therefore:

- the audited results presented for the current period comprise Momentum results for the 12 months ended 30 June 2011 and Metropolitan results for the seven months ended 30 June 2011; and
- the comparatives comprise the Momentum results for the 12 months ended 30 June 2010 (restated for accounting policy changes and reclassifications noted below).

A third balance sheet as at 1 July 2009 has also been prepared as a result of the change in accounting policies and reclassifications noted below.

Effective 1 December 2010 the group entered into a reinsurance agreement with a cell captive owned by FirstRand whereby 90% of the FNB Life business is reinsured to the cell captive owned by FirstRand. The IFRS results for the current period therefore include 100% of the FNB Life profits for the five months ended 30 November 2010 and 10% of FNB Life's results for the seven months ended 30 June 2011.

Segmental information

Since the merger between Momentum and Metropolitan, the group's activities have been reorganised into six divisions and a shareholder capital segment. Management has determined the operating segments based on the way the business has been managed since the merger. Management information presented to the executive committee (the chief operating decision-makers in terms of IFRS 8 – Operating segments) assumes that the merger occurred on 1 July 2009 and is therefore prepared with both the current and prior period information being reported as though Momentum and Metropolitan were always merged. This enables comparability for management purposes. IFRS 8 requires the segmental information to be prepared on the basis that the chief operating decision-makers review it, the segmental information has therefore been prepared on this basis. Consequently, the comparative information has been restated to be consistent with the reorganised structure of the group.

The segmental information also assumes that the reinsurance agreement with a cell captive owned by FirstRand was effective from 1 July 2009. The segmental information for the current and comparative period therefore only includes 10% of FNB Life's profit.

Since the December 2010 MMI interim results were released, the new group made the following changes relating to the segmental information:

- FNB Life (10%) has been reallocated from Momentum Retail to the Metropolitan Retail segment
- Momentum previously had certain central costs that were included in the capital centre – the majority of these costs have been allocated across the relevant divisions
- Metropolitan previously had certain central costs that were only allocated across Metropolitan Retail and Employee Benefits - these costs have been allocated across all the relevant divisions.

MMI HOLDINGS LIMITED GROUP

The group has been reorganised into the following divisions:

- Momentum Retail: existing Momentum Retail business, including Momentum Wealth and Metropolitan Odyssey – development, distribution and administration of individual life wealth creation and preservation, risk (insurance) and savings (income) products for the middle to upper income markets in South Africa;
- Metropolitan Retail: existing Metropolitan Retail business, including Momentum New Markets and FNB Life (representing 10% of FNB Life's results) – development, distribution and administration of individual life savings, income generation (investment) and income protection (risk) products for the entry level market in South Africa;
- Momentum Employee Benefits: Momentum and Metropolitan employee benefits business, including Metropolitan Retirement Administrators – provision of administration, insurance and investment solutions for employers and retirement funds in the large corporate and small, medium and micro enterprise market segments in South Africa;
- Metropolitan International: Metropolitan's life assurance businesses and Momentum's life assurance and health businesses in Africa – representing businesses in Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania and Zambia – development, distribution and administration of individual life investment, risk and savings products, retirement fund administration, health insurance and administration, and short-term insurance in other African countries;
- Momentum Investments: Momentum asset management businesses, including United Kingdom operations, and Metropolitan asset management businesses – all aspects of active and passive asset management (local and international), multi-management, alternative investment management, collective investment management and property investment management;
- Metropolitan Health: Momentum's and Metropolitan's South African health businesses – provision of healthcare administration, health risk management and supplementary healthcare products in South Africa;
- Shareholder capital: holding company activities and the management of MMI's capital and shareholder balance sheet risks, such as market risk and credit risk; includes the run-off of Momentum Group Ltd's closed corporate policy business and operational items managed centrally by the group.

Embedded value and statement of assets and liabilities on the reporting basis

The embedded value as at 30 June 2010 assumes that Momentum and Metropolitan were already merged and only includes 10% of FNB life's embedded value on that date. The analysis of embedded value earnings reported for the current period reconciles this restated opening embedded value to the current closing embedded value.

The long-term insurance business excess on the statement of assets and liabilities on the reporting basis also assumes that Momentum and Metropolitan were already merged on 30 June 2010 and therefore the analysis of surplus for the current period represents the surplus for the 12 months ended 30 June 2011.

MMI HOLDINGS LIMITED GROUP

Basis of presentation of financial information

These results have been prepared in accordance with International Accounting Standard 34 (IAS34) – Interim financial reporting; the South African Companies Act of 2008; and the Listings Requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented and the previous reporting period (except for those noted below). The comparatives have been restated for the changes in accounting policies noted below. The preparation of financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board or its successor, which 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 critical judgements and accounting estimates are disclosed in detail in the Momentum financial statements at 30 June 2010 (31 December 2009 for Metropolitan) including changes in estimates which are an integral part of the insurance business. The group is exposed to financial and insurance risks – details will be provided in the MMI group financial statements for June 2011 which will be available on the company website: www.mmiholdings.com.

The preparation of the MMI Group's condensed consolidated, audited results was supervised by the Group Finance Director, Preston Speckmann, BCompt (Hons), CA (SA).

Change in accounting policies

Early adoption of accounting standard

The International Accounting Standards Board amended IAS12 - Income taxes in December 2010. The amendments introduce a presumption that the carrying value of an investment property is recovered entirely through sale. The MMI group chose to early adopt the amendment as this new accounting policy provides more reliable and relevant information for users as it represents more realistic tax consequences relating to investment properties and is in line with the accounting policies applied by the insurance industry. The restatement resulted in an increase of policyholder liabilities under insurance contracts of R126 million as at 1 July 2009 and a decrease of the deferred income tax liability of R126 million, representing the cumulative effect up to that date. The decrease in the deferred income tax charge for the year ended 30 June 2010 was R15 million.

Alignment of accounting policies

The MMI group aligned the historic accounting policies of Momentum and Metropolitan for consistency purposes resulting in the following accounting policy changes for Momentum:

- Owner-occupied properties were previously carried using the cost model. The policy for the group has now changed to the fair value model and as a result the value of owner-occupied properties at 30 June 2010 was increased by R497 million (1 July 2009: 445 million) and a deferred tax liability of R56 million (1 July 2009: R50 million) was raised. The owner occupied property revaluation reserve was increased by R441 million (1 July 2009: R395 million) and additional depreciation of R12 million was expensed for the year ended 30 June 2010.
- Actuarial gains and losses relating to employee benefit funds were previously recognised using the corridor method. The corridor method defers actuarial gains and losses and recognises it over the service lives of employees. The policy of the group has now changed to recognising these actuarial gains and losses immediately in the income statement. This had no impact on the 30 June 2010 statement of financial position and resulted in an increase in the employee benefit fund asset of R45 million, an increase in the deferred tax liability of R13 million and an increase in retained earnings of R32 million as at 1 July 2009. Fair value gains decreased by R45 million and the related deferred tax reduction in the income statement amounted to R13 million for the year ended 30 June 2010.

- Investment with discretionary participation features (DPF) contracts were previously accounted for as investment business with deposit accounting being applied. The policy for the group has changed to account for investment with DPF contracts as insurance business with premiums and claims being recorded in the income statement. This resulted in premiums and claims increasing by R1 895 million and R2 805 million respectively for the year ended 30 June 2010. Fair value adjustments on investment contract liabilities reduced by R281 million, fee income reduced by R177 million and the transfer from investment contract with DPF amounted to R806 million for the year ended 30 June 2010. The change had no impact on retained earnings and the carrying value of investment with DPF contract liabilities.

Reclassifications

The MMI group aligned the presentation of financial statement line items of Momentum and Metropolitan for consistency purposes resulting in the following reclassifications to the Momentum financial statements.

- Direct property expenses of R154 million and asset management fee expenses of R174 million were previously set off against investment income and fee income respectively. These expenses have now been separately disclosed under other expenses for the year ended 30 June 2010.
- All holdings below 50% in collective investment schemes where the group controlled the management company were previously disclosed under investments in associates. This treatment was aligned in the MMI group, with holdings in collective investments schemes between 20% and 50% being disclosed as investments in associates, and holdings below 20% being disclosed as financial instrument assets designated at fair value through income. This resulted in a reclassification at 30 June 2010 of R1 145 million (1 July 2009: R442 million) from investments in associates to financial instrument assets designated at fair value through income.
- The classification of certain equity, credit, index and commodity linked notes was aligned, resulting in a reclassification from derivative financial instruments to assets designated at fair value through income of R5 293 million as at 30 June 2010 (1 July 2009: R7 420 million).
- The classification between loans and receivables disclosed under financial instrument assets, insurance and other receivables and policy loans was aligned, resulting in a reclassification from insurance and other receivables at 30 June 2010 of R1 295 million (1 July 2009: R5 727 million) and policy loans of R643 million (1 July 2009: R604 million) to loans and receivables of R1 938 million (1 July 2009: R6 331 million).
- The classification between cash and cash equivalents and financial instrument assets was aligned, resulting in a reclassification from cash and cash equivalents of R7 089 million (1 July 2009: R4 632 million) and loans and receivables of R40 million (1 July 2009: nil) to assets designated at fair value through income of R7 129 million as at 30 June 2010 (1 July 2009: R4 632 million).
- The group aligned its treatment of deferred tax assets and liabilities, resulting in a deferred tax asset of R884 million being set off against the deferred tax liability at 30 June 2010 (1 July 2009: R919 million).

Standards and interpretations of published standards effective for the year ended 30 June 2011 and relevant to the group

- The following amendments to standards became effective for the first time in the current year and had no significant impact on the group's earnings: IFRS 2 – Share based payment – group cash-settled share based payment transactions, IAS 27 (Revised) – Consolidated and separate financial statements. The conceptual framework for financial reporting 2010 was also effective from September 2010.
- IFRS 3 (Revised) – Business combinations was applied to the merger between Momentum and Metropolitan and the most significant impact on the group's current period earnings was that transaction costs of R38 million which would previously have been capitalised, were expensed.
- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**30.06.2011 Rm**	Restated 30.06.2010 Rm	Restated 01.07.2009 Rm
ASSETS			
Intangible assets	**12 257**	3 127	3 102
Owner-occupied properties	**1 416**	947	872
Property and equipment	**301**	108	105
Investment properties	**5 982**	2 276	2 156
Investment in associates	**7 797**	6 804	7 636
Employee benefit assets	**381**	113	83
Financial instrument assets (1)	**234 067**	156 983	137 856
Insurance and other receivables	**2 296**	454	658
Deferred income tax	**108**	48	50
Reinsurance contracts	**1 148**	628	8 143
Current income tax assets	**174**	36	40
Cash and cash equivalents	**19 770**	15 522	26 506
Non-current assets held for sale	**6 854**	11 434	58
Total assets	**292 551**	198 480	187 265
EQUITY			
Equity attributable to owners of the parent	**22 341**	8 676	7 722
Preference shares	**500**	500	500
	22 841	9 176	8 222
Non-controlling interests	**298**	(4)	(9)
Total equity	**23 139**	9 172	8 213
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	**82 835**	41 037	39 195
Financial instrument liabilities			
Investment contracts	**146 045**	112 141	110 227
– with discretionary participation features	**24 280**	12 459	13 264
– designated at fair value through income	**121 765**	99 682	96 963
Other financial instrument liabilities (2)	**16 730**	15 569	15 428
Deferred income tax	**4 042**	750	588
Employee benefit obligations	**874**	361	204
Other payables	**12 887**	8 805	13 132
Provisions	**109**	140	207
Current income tax liabilities	**38**	43	71
Non-current liabilities held for sale	**5 852**	10 462	-
Total liabilities	**269 412**	189 308	179 052
Total equity and liabilities	**292 551**	198 480	187 265

1. Financial instrument assets consist of the following:

    Assets designated at fair value through income assets: R223 990 million (30.06.2010: R150 907 million; 01.07.2009: R126 647 million)

    Derivative financial instruments: R2 207 million (30.06.2010: R1 228 million; 01.07.2009: R2 035 million)

    Held-to-maturity assets: R14 million (30.06.2010: R46 million; 01.07.2009: R56 million)

    Available-for-sale assets: R4 709 million (30.06.2010: R2 887 million; 01.07.2009: R2 766 million)

    Loans and receivables: R3 147 million (30.06.2010: R1 915 million; 01.07.2009: R6 352 million)

2. Other financial instrument liabilities consist of the following:

    Liabilities designated at fair value through income: R14 096 million (30.06.2010: R14 370 million; 01.07.2009: R13 634 million)

    Derivative financial instruments: R1 235 million (30.06.2010: R956 million; 01.07.2009: R1 593 million)

    Liabilities at amortised cost: R1 399 million (30.06.2010: R243 million; 01.07.2009: R201 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT	12 mths to 30.06.2011 Rm	Restated 12 mths to 30.06.2010 Rm
Net insurance premiums received	**15 029**	9 309
Fee income (1)	**4 232**	2 982
Investment income	**11 711**	9 571
Net realised and fair value gains	**13 846**	9 730
Net income	**44 818**	31 592
Net insurance benefits and claims	**15 898**	9 341
Change in liabilities	**2 265**	983
Change in insurance contract liabilities	**2 899**	1 841
Change in investment contracts with DPF liabilities	**(389)**	(805)
Change in reinsurance provision	**(245)**	(53)
Fair value adjustments on investment contract liabilities	**12 106**	11 508
Fair value adjustments on collective investment scheme liabilities	**1 506**	744
Depreciation, amortisation and impairment expenses	**676**	249
Employee benefit expenses	**3 202**	2 037
Sales remuneration	**2 697**	1 587
Other expenses	**2 783**	1 546
Expenses	**41 133**	27 995
Results of operations	**3 685**	3 597
Share of profit of associates	**44**	32
Finance costs (2)	**(1 147)**	(1 122)
Profit before tax	**2 582**	2 507
Income tax expenses	**(919)**	(830)
Earnings	**1 663**	1 677
Attributable to:		
Owners of the parent	**1 612**	1 640
Non-controlling interests	**18**	(1)
Momentum preference shares	**33**	38
	1 663	1 677
Basic earnings per share (cents)	**128**	172
Diluted earnings per share (cents)	**126**	172

1. Fee income consists of the following:
   - Investment contracts: R1 340 million (30.06.2010: R1 267 million)
   - Trust and fiduciary services: R1 386 million (30.06.2010: R1 088 million)
   - Health administration services: R1 239 million (30.06.2010: R505 million)
   - Other fee income: R267 million (30.06.2010: R122 million)
2. Finance costs consist of the following:
   - Preference shares issued by MMI Holdings Ltd: R52 million (30.06.2010: Rnil)
   - Subordinated redeemable debt: R98 million (30.06.2010: R84 million)
   - Cost of carry and interest rate swaps: R891 million (30.06.2010: R871 million)
   - Other: R106 million (30.06.2010: R167 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	**Basic earnings** **12 mths to 30.06.2011 Rm**	Basic earnings 12 mths to 30.06.2010 Rm	**Diluted earnings** **12 mths to 30.06.2011 Rm**	Diluted earnings 12 mths to 30.06.2010 Rm
Earnings	**1 612**	1 640	**1 612**	1 640
Finance costs – convertible preference shares			**52**	-
Diluted earnings			**1 664**	1 640
Intangible asset impairments	**28**	83	**28**	83
Impairment/loss on step-up of associate	**18**	-	**18**	-
Profit on sale of business	**(27)**	-	**(27)**	-
Tax effect on profit on sale of business	**3**	-	**3**	-
Headline earnings (1)	**1 634**	1 723	**1 686**	1 723
Net realised and fair value gains on excess	**(43)**	(25)	**(43)**	(25)
Basis and other changes and investment variances	**193**	(61)	**193**	(61)
FNB Life (90%) (2)	**(174)**	(416)	**(174)**	(416)
Amortisation of intangible assets relating to business combinations	**318**	55	**318**	55
Secondary Tax on Companies (STC)	**90**	-	**90**	-
Merger transaction costs	**29**	-	**29**	-
Dilutory effect of subsidiaries (3)	**-**	-	**(6)**	-
Investment income on treasury shares – contract holders	**-**	-	**6**	-
Core headline earnings (4)	**2 047**	1 276	**2 099**	1 276
Metropolitan pre-merger			**489**	1 035
Core headline earnings as per segmental information (5)			**2 588**	2 311

1. Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
2. This represents the 90% of FNB Life's results for the five months ended 30 November 2010 which has been excluded as it is non-recurring.
3. Metropolitan Health and Metropolitan Kenya are consolidated at 100% in the results. For the purposes of diluted core headline earnings, non-controlling interests and investment returns are reinstated.
4. Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on investment assets, investment variances and basis and other changes which can be volatile, STC, certain non-recurring items, as well the amortisation of intangible assets relating to business combinations as this is part of the cost of acquiring the business. STC has been added back as it will fall away and be replaced by the new dividends withholding tax effective 1 April 2012.
5. Core headline earnings as per segmental information represent the core headline earnings of the group as though the merger was effective from 1 July 2009.

EARNINGS PER SHARE (cents) attributable to owners of the parent	**12 mths to 30.06.2011**	12 mths to 30.06.2010
Basic		
Core headline earnings	**163**	134
Headline earnings	**130**	181
Earnings	**128**	172
Weighted average number of shares (million) (1)	**1 259**	951
Diluted		
Core headline earnings (2)	**158**	134
Weighted average number of shares (million) (1, 2)	**1 329**	951
Headline earnings	**128**	181
Earnings	**126**	172
Weighted average number of shares (million) (1)	**1 317**	951
Diluted core headline earnings as per segmental information	**161**	144
Weighted average number of shares (million) for purposes of segmental information (3)	**1 605**	1 605

1. The weighted average number of shares for the comparative figures relates to the 951 million shares issued to FirstRand in exchange for Momentum.
2. For diluted core headline earnings per share, treasury shares held on behalf of contract holders are deemed to be issued. For diluted earnings and headline earnings per share, these shares are deemed to be cancelled.
3. The weighted average number of shares for purposes of segmental information assumes that the merger was effective from 1 July 2009 in line with the diluted core headline earnings as per the segmental information.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

DIVIDENDS	2011 Normal	2011 Other
Ordinary listed MMI Holdings Limited shares (cents per share)		
Interim – September 2010	-	42
Interim – March 2011	42	-
Special – March 2011	-	21
Final – September 2011	63	-
Total	105	63

Ordinary unlisted Momentum shares

Momentum declared a total dividend of 422 cents per share to FirstRand in respect of the 12 months ended 30 June 2010. A dividend of 188 cents per share was declared in respect of the current period (pre-merger).

DIVIDENDS

MMI Holdings convertible redeemable preference shares (issued to Kagiso Tiso Holdings (KTH))		A1	A2	A3
Redemption value (per share)	R	5.12	9.18	9.18
Paid – 30 September 2010	Rate	8.5%	8.5%	17.1%
	Rm	12	5	27
Paid – 31 March 2011	Rate	7.7%	7.7%	18.0%
	Rm	11	5	29
Payable – 30 September 2011	Rate	7.7%	7.7%	19.1
	Rm	10	5	30
Redemption date		Oct - 2012	Dec - 2012	Dec - 2011

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**12 mths to 30.06.2011 Rm**	Restated 12 mths to 30.06.2010 Rm
Earnings	**1 663**	1 677
Other comprehensive income for the year, net of tax	**35**	108
Exchange differences on translating foreign operations	**(29)**	(16)
Available-for-sale financial assets	**11**	68
Land and buildings revaluation	**105**	66
Share of other comprehensive income of associates	**(2)**	-
Change in non-distributable reserves	**-**	(1)
Income tax relating to components of other comprehensive income	**(50)**	(9)
Total comprehensive income for the year	**1 698**	1 785
Total comprehensive income attributable to:		
Owners of the parent	**1 651**	1 748
Non-controlling interests	**14**	(1)
Momentum preference shares	**33**	38
	1 698	1 785

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12 mths to 30.06.2011 Rm	Restated 12 mths to 30.06.2010 Rm
Changes in share capital		
Balance at beginning (1)	**1 041**	1 041
Staff share scheme shares released	**2**	-
Treasury shares held on behalf of contract holders	**(204)**	-
Shares issued (2)	**12 582**	-
Balance at end	**13 421**	1 041
Changes in other reserves		
Balance at beginning	**1 140**	648
Change in accounting policy	**-**	395
Total comprehensive income	**42**	108
Fair value adjustment for preference shares issued by MMI (3)	**940**	**-**
Transfer to retained earnings	**(5)**	(11)
Balance at end (4)	**2 117**	1 140
Changes in retained earnings		
Balance at beginning	**6 495**	5 606
Change in accounting policy	**-**	32
Total comprehensive income	**1 609**	1 640
Dividend paid	**(1 302)**	(801)
Employee share scheme	**(9)**	7
Transactions with minorities	**5**	-
Transfer from other reserves	**5**	11
Balance at end	**6 803**	6 495
Equity attributable to owners of the parent	**22 341**	8 676
Momentum preference shares		
Balance at beginning	**500**	500
Total comprehensive income	**33**	38
Dividend paid	**(33)**	(38)
Balance at end	**500**	500
Changes in non-controlling interests		
Balance at beginning	**(4)**	(9)
Total comprehensive income	**14**	(1)
Dividends paid	**(35)**	-
Transactions with owners	**69**	6
Business combinations	**263**	-
Other	**(9)**	-
Balance at end	**298**	(4)
Total equity	**23 139**	9 172

1. The opening share capital and share premium represents the issued equity interests of Momentum Group Limited, however the number and type of shares in issue reflects the equity structure of MMI Holdings Limited. This is due to the reverse acquisition for accounting purposes.
2. The shares issued represent the fair value of the consideration relating to the reverse acquisition of Metropolitan.
3. This represents the write up of the carrying value of the preference shares issued by MMI Holdings Limited to Kagiso Tiso Holdings to fair value as part of the fair value exercise performed as a result of the merger.
4. Other reserves consist of the following:

   Land and buildings revaluation reserve: R491 million (30.06.2010: R441 million)

   Foreign currency translation reserve: R11 million (30.06.2010: R35 million)

   Fair value adjustment for preference shares issued by MMI: R940 million (30.06.2010: nil)

   Fair value reserve: R666 million (30.06.2010: R658 million)

   Non-distributable reserve: R9 million (30.06.2010: R6 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	12 mths to 30.06.2011 Rm	Restated 12 mths to 30.06.2010 Rm
Net cash outflow from operating activities	**(1 570)**	(10 743)
Net cash inflow/(outflow) from investing activities	**7 067**	(210)
Net cash (outflow)/inflow from financing activities	**(1 316)**	937
Net cash flow	**4 181**	(10 016)
Cash resources and funds on deposit at beginning	**16 490**	26 506
Cash resources and funds on deposit at end	**20 671**	16 490
Made up as follows:		
Cash and cash equivalents as per statement of financial position	**19 770**	15 522
Cash and cash equivalents held for sale	**901**	968
	20 671	16 490

PRINCIPAL ASSUMPTIONS (South Africa) (1)	30.06.2011 %	30.06.2010 %
Pre-tax investment return		
Equities	**12.3**	12.8
Properties	**9.8**	10.3
Government stock	**8.8**	9.3
Other fixed interest stocks	**9.3**	9.8
Cash	**7.8**	8.3
Risk free return	**8.8**	9.3
Risk discount rate (RDR)	**11.1**	11.6
Investment return (before tax) – smoothed bonus	**11.0**	11.5
Expense inflation rate		
Momentum	**7.2**	7.3
Metropolitan	**6.7**	6.0

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

NON-CONTROLLING INTERESTS	30.06.2011 %	30.06.2010 %
Metropolitan		
Metropolitan Health Group	**17.6**	
Metropolitan Namibia	**18.0**	
Metropolitan Botswana	**24.2**	
Metropolitan Kenya	**33.7**	
Metropolitan Ghana	**7.8**	
Metropolitan Nigeria	**50.0**	
Metropolitan Swaziland	**33.0**	
Momentum		
Momentum Mozambique	**25.0**	25.0
Momentum Tanzania	**33.0**	33.0
Momentum Zambia	**35.0**	5.0
Momentum Health Ghana	**33.0**	10.0
Momentum Health Mauritius	**5.0**	5.0
Momentum Health Botswana	**28.0**	18.0
Advantage Asset managers	**-**	15.0

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

FINANCIAL INSTRUMENT ASSETS	30.06.2011 Rm	30.06.2010 Rm
Equity securities	**82 864**	49 759
Debt securities	**71 521**	53 959
Funds on deposit and other money market instruments	**10 908**	10 594
Unit-linked investments	**63 420**	39 528
Derivative financial instruments	**2 207**	1 228
Loans and receivables	**3 147**	1 915
Total financial instrument assets	**234 067**	156 983

ANALYSIS OF ASSETS UNDER MANAGEMENT	30.06.2011 Rm	30.06.2010 Rm
On-balance sheet assets		
Managed and/or administered by Momentum Investments	**165 910**	99 173
Investment assets	**117 090**	62 967
Collective investment schemes	**41 423**	32 983
Properties	**7 397**	3 223
Linked product assets under administration	**41 824**	35 495
Managed by external managers	**35 518**	21 421
Other assets	**49 299**	42 391
	292 551	198 480
Off-balance sheet assets		
Managed and/or administered by Momentum Investments	**109 289**	90 755
Collective investment schemes	**51 633**	26 580
Segregated assets	**57 656**	64 175
Momentum Employee Benefits – segregated assets	**151**	-
Metropolitan Health	**10 166**	3 804
Linked product assets under administration	**30 383**	23 169
Total assets under management	**442 540**	316 208

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	30.06.2011 Rm	%	30.06.2010 Rm	%
Equity securities	**2 889**	**12.6**	41	0.4
Preference shares	**2 155**	**9.4**	2 640	28.8
Collective investment schemes	**1 392**	**6.1**	-	-
Debt securities	**2 869**	**12.6**	-	-
Properties	**1 819**	**8.0**	780	8.5
Owner-occupied properties	**1 202**	**5.3**	780	8.5
Investment properties	**617**	**2.7**	-	-
Cash and cash equivalents	**6 070**	**26.6**	5 446	59.4
Intangible assets	**7 826**	**34.3**	1 268	13.8
Other net assets/(liabilities)	**48**	**0.2**	(46)	(0.5)
	25 068	**109.8**	10 129	110.4
Redeemable preference shares	**(711)**	**(3.1)**	-	-
Subordinated redeemable debt	**(1 516)**	**(6.7)**	(953)	(10.4)
Shareholder excess per reporting basis	**22 841**	**100.0**	9 176	100.0

GROUP SHAREHOLDER EXCESS – TOP 10 EQUITY HOLDINGS	30.06.2011 Rm	%
MTN Group Ltd	**197**	**6.8**
Sasol Ltd	**157**	**5.4**
Anglo American Plc	**140**	**4.8**
Billiton Plc	**129**	**4.5**
FirstRand Ltd	**120**	**4.2**
Standard Bank Group Ltd	**114**	**3.9**
SABMiller Plc	**99**	**3.4**
Naspers Ltd	**99**	**3.4**
Compagnie Financiere Richemont	**89**	**3.1**
Impala Platinum Holdings Ltd	**86**	**3.0**
	1 230	**42.5**
Total equities backing shareholder excess	**2 889**	

- As the comparatives only included R41 million of equities no analysis of the top 10 equity holdings has been provided.

Business combinations

Metropolitan/Momentum merger

MMI Holdings Limited (previously Metropolitan Holdings Limited) acquired all the ordinary shares in Momentum from FirstRand and issued 951 million shares to FirstRand in exchange therefore. The relevant approvals for the merger became unconditional on 12 November 2010, the consideration shares were issued on 1 December 2010 and the MMI Holdings Limited board was reconstituted on the latter date. The purpose of the merger was to unlock value for all Momentum and Metropolitan stakeholders.

The merger has been accounted for as a reverse acquisition under IFRS 3 (revised) – Business combinations on the basis that the Momentum shareholders (ie FirstRand shareholders) owned a greater portion, being 59.3%, of MMI's issued shares subsequent to the merger. Momentum is therefore the accounting acquirer and Metropolitan the accounting acquiree for IFRS 3 purposes. Consequently, for consolidation purposes, a fair value exercise was performed on Metropolitan.

The acquisition date fair value of the total consideration was R12 582 million, based on the embedded value of Metropolitan as at 12 November 2010.

Goodwill of R170 million has arisen as a result of the merger, attributable to certain anticipated operating synergies from the merger. Goodwill is not deductible for tax purposes. The non-controlling interest of R222 million represents the proportionate share of the net assets recognised relating to the insurance companies in Metropolitan that have minority shareholders.

Acquisition costs incurred by Momentum, relating to the merger, of R40 million (R29 million net of tax) have been expensed during the current period and are included in other expenses in the income statement.

Metropolitan Health Namibia Administrators (MHNA)

In January 2011 the group acquired an additional 5% in the ordinary share capital of MHNA, taking the holding to 51%. The additional shares were acquired for R6 million.

Impact of business combinations

The net premium income and earnings of Metropolitan and MHNA included in the MMI results since the acquisition date are R6 227 million and R368 million respectively. The net premium income and earnings of MMI for the 12 months ended 30 June 2011 would have been R19 371 million and R2 080 million respectively, assuming the acquisition occurred at the beginning of the period. These figures include net income and earnings of R309 million and R174 million respectively, representing 90% of FNB Life's results for the five months ended 30 November 2010.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

Details of the purchase consideration, the net assets acquired and the goodwill are as follows:

	Metropolitan merger 30.11.2010 Rm	MHNA 01.01.2011 Rm	Total Rm
Purchase consideration	12 582	6	**12 588**
Fair value of net assets:			
Intangible assets	9 444	111	**9 555**
Value of in-force acquired	5 249	-	**5 249**
Customer relations	2 736	110	**2 846**
Brand	1 078	-	**1 078**
Computer software	246	1	**247**
Broker network	135	-	**135**
Owner-occupied properties	717	-	**717**
Property and equipment	182	5	**187**
Investment properties	3 270	-	**3 270**
Investment in associates	710	-	**710**
Employee benefit assets	227	-	**227**
Financial instrument assets	61 071	5	**61 076**
Insurance and other receivables	1 719	-	**1 719**
Deferred income tax	23	-	**23**
Reinsurance contracts	276	-	**276**
Current income tax assets	11	-	**11**
Cash and cash equivalents	7 132	12	**7 144**
Insurance contract liabilities	(38 921)	-	**(38 921)**
Financial instrument liabilities			
Investment contract liabilities	(23 468)	-	**(23 468)**
Other financial instrument liabilities	(2 302)	-	**(2 302)**
Deferred income tax	(2 959)	(39)	**(2 998)**
Employee benefit obligations	(451)	-	**(451)**
Other payables	(2 876)	(4)	**(2 880)**
Current income tax liabilities	(231)	(5)	**(236)**
Net identifiable assets acquired	13 574	85	**13 659**
Fair value adjustment on preference shares issued by Metropolitan (1)	(940)	-	**(940)**
Non-controlling interest	(222)	(41)	**(263)**
Derecognise investment in associate	-	(39)	**(39)**
Goodwill	170	1	**171**
	12 582	6	**12 588**

1. This represents the fair value of the equity component of the convertible preference shares issued by MMI Holdings Limited and is recorded in equity in these results.

MMI HOLDINGS – SEGMENTAL INFORMATION

12 mths to 30.06.2011 (1)	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items (2) Rm	Metropolitan pre-merger Rm	IFRS total Rm
Revenue											
Net insurance premiums	16 595	6 393	8 171	1 637	8 846	26	36	**41 704**	(21 936)	(4 739)	**15 029**
Recurring premiums	7 133	4 489	5 300	1 383	-	26	-	**18 331**	(3 273)	(3 186)	**11 872**
Single premiums	9 462	1 904	2 871	254	8 846	-	36	**23 373**	(18 663)	(1 553)	**3 157**
Fee income	1 349	117	648	85	935	1 651	448	**5 233**	(346)	(655)	**4 232**
External fee income	1 349	117	648	85	935	1 651	448	**5 233**	-	(655)	**4 578**
Inter-segment fee income	-	-	-	-	-	-	-	**-**	(346)	-	**(346)**
Expenses											
Net payments to contract holders	15 277	4 440	10 886	983	8 267	21	214	**40 088**	(19 492)	(4 698)	**15 898**
Other expenses	3 540	1 777	1 005	777	842	1 541	402	**9 884**	1 113	(1 639)	**9 358**
Sales remuneration	1 830	725	164	231	2	-	-	**2 952**	140	(395)	**2 697**
Administration expenses	1 710	1 052	841	546	840	1 541	210	**6 740**	462	(1 186)	**6 016**
Direct property and asset management expenses	-	-	-	-	-	-	-	**-**	792	-	**792**
Holding company expenses	-	-	-	-	-	-	192	**192**	-	(58)	**134**
Inter-segment expenses	-	-	-	-	-	-	-	**-**	(281)	-	**(281)**
Diluted core headline earnings	699	394	187	32	131	114	1 031	**2 588**	-	(489)	**2 099**
Operating profit	995	517	257	37	174	157	326	**2 463**	-	(380)	**2 083**
Tax on operating profit	(296)	(123)	(70)	(5)	(43)	(43)	34	**(546)**	-	80	**(466)**
Investment income	-	-	-	-	-	-	788	**788**	-	(235)	**553**
Tax on investment income	-	-	-	-	-	-	(117)	**(117)**	-	46	**(71)**
Diluted weighted average number of shares in issue (millions)								**1 605**	-	(276)	**1 329**
Diluted core headline earnings per shares (cents)								**161**	-	(3)	**158**

1. The table above assumes that Metropolitan and Momentum were merged from 1 July 2010. The 'Metropolitan pre-merger' column represents the segmental information for Metropolitan for the 5 months before the merger.
2. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R22 350 million) and claims (R19 576 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (Premiums R414 million; claims R84 million and expenses R233 million); direct property and asset management fees (R792 million) for the life companies that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of the intangibles of R352 million relating to the merger; and other minor adjustments to expenses of R17 million.

MMI HOLDINGS – SEGMENTAL INFORMATION

12 mths to 30.06.2010 (1)	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee benefits Rm	Metropolitan Inter-national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items (2) Rm	Metropolitan pre-merger Rm	IFRS total Rm
Revenue											
Net insurance premiums	16 656	5 806	8 510	1 402	10 032	18	-	**42 424**	(21 987)	(11 128)	**9 309**
Recurring premiums	6 912	4 275	4 981	1 284	-	18	-	**17 470**	(2 762)	(7 851)	**6 857**
Single premiums	9 744	1 531	3 529	118	10 032	-	-	**24 954**	(19 225)	(3 277)	**2 452**
Fee income	1 043	85	760	24	1 303	1 552	172	**4 939**	(403)	(1 554)	**2 982**
External fee income	1 043	85	760	24	1 303	1 552	172	**4 939**	7	(1 554)	**3 392**
Inter-segment fee income	-	-	-	-	-	-	-	**-**	(410)	-	**(410)**
Expenses											
Net payments to contract holders	14 744	4 456	10 435	767	19 842	19	1 410	**51 673**	(29 369)	(12 963)	**9 341**
Other expenses	2 981	1 717	986	615	925	1 446	388	**9 058**	164	(3 803)	**5 419**
Sales remuneration	1 506	670	140	173	3	-	-	**2 492**	65	(970)	**1 587**
Administration expenses	1 475	1 047	846	442	922	1 446	287	**6 465**	61	(2 732)	**3 794**
Direct property and asset management expenses	-	-	-	-	-	-	-	**-**	328	-	**328**
Holding company expenses (3)	-	-	-	-	-	-	101	**101**	-	(101)	**-**
Inter-segment expenses	-	-	-	-	-	-	-	**-**	(290)	-	**(290)**
Diluted core headline earnings	600	367	204	77	165	97	801	**2 311**	-	(1 035)	**1 276**
Operating profit	810	487	281	86	244	143	391	**2 442**	-	(1 028)	**1 414**
Tax on operating profit	(210)	(120)	(77)	(9)	(79)	(46)	(123)	**(664)**	-	282	**(382)**
Investment income	-	-	-	-	-	-	652	**652**	-	(387)	**265**
Tax on investment income	-	-	-	-	-	-	(119)	**(119)**	-	98	**(21)**
Diluted weighted average number of shares in issue (millions)								**1 605**	-	(654)	**951**
Diluted core headline earnings per shares (cents)								**144**	-	(10)	**134**

1. The table above assumes that Metropolitan and Momentum were merged from 1 July 2009. The 'Metropolitan pre-merger' column represents the segmental information for Metropolitan for the 12 months ended 30 June 2010.
2. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R22 837 million) and claims (R29 558 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (Premiums R850 million; Fee income R7 million; claims R189 million; expenses R126 million); direct property and asset management fees (R328 million) for the life companies that are set off against investment income and fee income, respectively for management reporting purposes but shown as an administration expense for accounting purposes.
3. Holding company expenses includes R24 million relating to the Metropolitan merger costs.

MMI HOLDINGS – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS (1)	**12 mths to 30.06.2011 Rm**	12 mths to 30.06.2010 Rm
Momentum Retail	**15 277**	14 744
Death and disability claims	**2 634**	2 219
Maturity claims	**4 059**	3 868
Annuities	**3 249**	2 036
Surrenders	**6 372**	7 374
Re-insurance recoveries	**(1 037)**	(753)
Metropolitan Retail	**4 440**	4 456
Death and disability claims	**1 132**	954
Maturity claims	**1 258**	1 370
Annuities	**755**	681
Withdrawal benefits	**45**	87
Surrenders	**1 409**	1 402
Re-insurance recoveries	**(159)**	(38)
Momentum Employee Benefits	**10 886**	10 435
Death and disability claims	**2 455**	2 382
Maturity claims	**411**	315
Annuities	**886**	838
Withdrawals and surrenders	**3 764**	2 226
Terminations	**879**	3 250
Disinvestments	**2 737**	1 684
Re-insurance recoveries	**(246)**	(260)
Metropolitan International	**983**	767
Death and disability claims	**341**	295
Maturity claims	**160**	135
Annuities	**41**	39
Withdrawal benefits	**67**	47
Surrenders	**239**	197
Terminations	**52**	4
Disinvestments	**101**	71
Re-insurance recoveries	**(18)**	(21)
Momentum Investments		
Withdrawals	**8 267**	19 842
Metropolitan Health		
Claims	**21**	19
Shareholder capital		
Claims	**214**	1 410
Total payments to contract holders	**40 088**	51 673
Adjustment for payments to investment contract holders	**(23 082)**	(34 368)
Transfers between insurance, investment and investment with DPF contracts	**3 506**	4 810
FNB Life adjustment	**84**	189
Metropolitan pre-merger (2)	**(4 698)**	(12 963)
Net insurance benefits and claims per income statement	**15 898**	9 341

1. The total payments to contract holders assume that Metropolitan and Momentum were merged from 1 July 2009.
2. The Metropolitan pre-merger line represents the segmental claims for Metropolitan for the 5 months ended 30 November 2010 before the merger (12 months ended 30 June 2010 for the comparatives).

MMI HOLDINGS – SEGMENTAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS	Gross inflow Rm	Gross outflow Rm	**12 mths to 30.06.2011 Net inflow/ (outflow) Rm**	12 mths to 30.06.2010 Net inflow/ (outflow) Rm
Momentum Retail	16 595	(15 277)	**1 318**	1 912
Metropolitan Retail	6 393	(4 440)	**1 953**	1 350
Momentum Employee Benefits	8 171	(10 886)	**(2 715)**	(1 925)
Metropolitan International	1 637	(983)	**654**	635
Momentum Investments	8 846	(8 267)	**579**	(9 810)
Shareholder capital	36	(214)	**(178)**	(1 410)
Long-term insurance business cash flows	41 678	(40 067)	**1 611**	(9 248)
Momentum Retail	11 715	(5 035)	**6 680**	4 219
Momentum Employee Benefits	16	(692)	**(676)**	75
Metropolitan International	55	(55)	**-**	54
Momentum Investments	38 133	(54 579)	**(16 446)**	(16 914)
Metropolitan Health	32 287	(28 905)	**3 382**	4 548
Total net funds received from clients	123 884	(129 333)	**(5 449)**	(17 266)

- The table above assumes that Metropolitan and Momentum were merged from 1 July 2009.

NUMBER OF EMPLOYEES	**30.06.2011**	30.06.2010
Indoor staff	**10 058**	10 410
Momentum Retail	**1 932**	1 891
Metropolitan Retail	**1 471**	1 484
Momentum Employee Benefits	**1 147**	1 372
Metropolitan International	**716**	722
Momentum Investments	**532**	524
Metropolitan Health	**3 266**	3 472
Balance sheet management	**50**	25
Group services	**944**	920
Field staff	**5 586**	4 683
Momentum Retail	**494**	505
Metropolitan Retail	**3 813**	3 035
Metropolitan International	**1 279**	1 143
Total	**15 644**	15 093

- The table above assumes that Metropolitan and Momentum were merged from 1 July 2009.

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

STATEMENT OF ASSETS AND LIABILITIES ON REPORTING BASIS	**30.06.2011 Rm**	30.06.2010(1) Rm
Total assets	**292 551**	277 996
Actuarial value of policy liabilities	**(228 880)**	(211 925)
Other liabilities	**(40 532)**	(44 059)
Non-controlling interests	**(298)**	(178)
Group excess per reporting basis	**22 841**	21 834
Net assets – other businesses	**(934)**	(927)
Fair value adjustments on Metropolitan acquisition and other consolidation adjustments	**(6 100)**	(6 031)
Excess – long-term insurance business, net of non-controlling interests (1,2)	**15 807**	14 876
RECONCILIATION OF CHANGE IN LONG-TERM INSURANCE EXCESS TO THE INCOME STATEMENT		
Change in excess of long-term insurance business (2)	**931**	
Increase in share capital	**(84)**	
Change in other reserves	**6**	
Dividend paid – ordinary shares	**1 722**	
Total surplus arising, net of non-controlling interests (including 90% of FNB Life)	**2 575**	
FNB Life 90%	**(174)**	
Total surplus arising, net of non-controlling interests (excluding 90% of FNB Life)	**2 401**	
Operating profit	**1 803**	
Investment income on excess	**610**	
Net realised and fair value gains on excess	**418**	
Investment variances	**151**	
Basis and other changes	**(581)**	
Consolidation adjustments	**(3)**	
Profit after tax and non-controlling interest of long-term insurance business	**2 398**	
FNB Life 90%	**174**	
Profit after tax and non-controlling interests of other group businesses and consolidation adjustments	**(380)**	
Earnings attributable to owners of the parent	**2 192**	
Metropolitan pre-merger	**(580)**	
Earnings attributable to owners of the parent as per income statement	**1 612**	

1. The long-term insurance business excess at 30 June 2010 above has been restated to assume that the Momentum and Metropolitan were merged as at 30 June 2010. The total surplus arising therefore represents the surplus (for the 12 months ended 30 June 2011) that would have arisen had Momentum and Metropolitan merged at the beginning of the current period.
2. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes other items which are eliminated on consolidation. It also excludes non-insurance business.

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

RECONCILIATION OF REPORTING EXCESS TO STATUTORY EXCESS	30.06.2011 Rm	30.06.2010(1) Rm
Reporting excess – long-term insurance business (2)	**15 807**	14 876
Disregarded assets (3)	**(1 205)**	(1 201)
Difference between statutory and published valuation methods	**(263)**	(275)
Write down of subsidiaries and associates for statutory purposes	**(715)**	(625)
Unsecured subordinated debt	**1 507**	1 454
Consolidation adjustments	**(65)**	(32)
Change in accounting policies (4)	**-**	(364)
Statutory excess – long-term insurance business	**15 066**	13 833
Capital adequacy requirement (CAR) (Rm) (5)	**6 485**	6 384
Ratio of long-term insurance business excess to CAR (times)	**2.3**	2.2
Discretionary margins	**9 999**	9 588

1. The long-term insurance business excess at 30 June 2010 above has been restated to assume that the Momentum and Metropolitan were merged as at 30 June 2010.
2. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes other items which are eliminated on consolidation. It also excludes non-insurance business.
3. Disregarded assets are those as defined in the South African Long Term Insurance Act and are only applicable to South African Long Term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R618 million (2010: R647 million).
4. Change in accounting policies: The statutory excess has not been restated as a result of the changes in the accounting policies.
5. Aggregation of separate company CAR’s, with no assumption of diversification benefits.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	30.06.2011 Rm	30.06.2010(1) Rm
Covered business		
Reporting excess – long-term insurance business	**15 807**	14 876
Reclassification to non-covered business	**(814)**	(1 080)
	14 993	13 796
Disregarded assets (2)	**(821)**	(828)
Difference between statutory and published valuation methods	**(263)**	(275)
Dilutory effect of subsidiaries (3,6)	**(5)**	(7)
Consolidation adjustments (4)	**(108)**	(92)
Momentum Namibia adjustment (5)	**(42)**	-
Value of Momentum preference shares issued	**(480)**	(475)
Diluted adjusted net worth – covered business	**13 274**	12 119
Net value of in-force business	**14 083**	11 954
Diluted embedded value – covered business	**27 357**	24 073
Non-covered business		
Net assets – non-covered subsidiaries of life insurance companies	**814**	1 080
Net assets – non-covered subsidiaries of the holding company	**934**	927
Consolidation adjustments (4)	**(303)**	(278)
Adjustments for dilution (6)	**1 009**	962
Diluted adjusted net worth – non-covered business	**2 454**	2 691
Write up to directors' value	**880**	2 208
Non-covered businesses	**1 944**	2 548
Holding company expenses (7)	**(797)**	(340)
International holding company expenses (7)	**(117)**	-
Secondary Tax on Companies allowance	**(150)**	-
Diluted embedded value – non-covered business	**3 334**	4 899
Diluted adjusted net worth	**15 728**	14 810
Net value of in-force business	**14 083**	11 954
Write up to directors' value	**880**	2 208
Diluted embedded value	**30 691**	28 972
Required capital – covered business (adjusted for qualifying debt and preference shares)	**8 401**	8 105
Surplus capital – covered business	**4 873**	4 014
Diluted embedded value per share (cents)	**1 912**	1 805
Diluted net asset value per share (cents)	**980**	923
Diluted number of shares in issue (million) (8)	**1 605**	1 605

1. The embedded value as at 30 June 2010 above has been restated to assume that the Momentum and Metropolitan were merged as at 30 June 2010.
2. Disregarded assets include the Sage intangible asset of R618 million (2010: R647 million).
3. For accounting purposes, Metropolitan Health and Metropolitan Kenya have been consolidated at 100% in the statement of financial position. For diluted embedded value purposes the non-controlling interests and related funding have been reinstated.
4. Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
5. The carrying value of Momentum Namibia included in the reporting excess is written down to 49% of the company's net asset value.
6. Adjustments for dilution are made up as follows:
   - Dilutory effect of subsidiaries (note 3): R70 million (30.06.2010: R79 million)
   - Staff share scheme loans: R3 million (30.06.2010: R23 million)
   - Treasury shares held on behalf of contract holders: R225 million (30.06.2010: R150 million)
   - Liability – MMI convertible preference shares issued to KTH: R711 million (30.06.2010: R710 million)
7. The holding company expenses reflect the present value of projected recurring head office expenses. The International holding company expenses reflect the allowance for support to the international life assurance and health businesses.
8. The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders. The comparatives assume that Metropolitan and Momentum were merged as at 30 June 2010.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	30.06.2011 Rm	30.06.2010 Rm
Momentum Retail	**7 449**	6 279
Gross value of in-force business	**8 960**	7 694
Less cost of required capital	**(1 511)**	(1 415)
Metropolitan Retail	**3 206**	2 651
Gross value of in-force business	**3 579**	2 983
Less cost of required capital	**(373)**	(332)
Momentum Employee Benefits	**1 500**	1 406
Gross value of in-force business	**1 980**	1 901
Less cost of required capital	**(480)**	(495)
Metropolitan International	**860**	623
Gross value of in-force business	**883**	626
Less cost of required capital	**(23)**	(3)
Shareholder capital	**1 068**	995
Gross value of in-force business	**1 096**	1 030
Less cost of required capital	**(28)**	(35)
Net value of in-force business	**14 083**	11 954

- Analysis of net value of in-force business as at 30 June 2010 above has been restated to assume that the Momentum and Metropolitan were merged as at 30 June 2010.
- The value of in-force in the shareholder capital represents discretionary margins not allocated to specific divisions.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE	Adjusted net worth Rm	Net value of in-force Rm	30.06.2011 Rm	30.06.2010(1) Rm
Covered business				
Momentum Group Ltd	7 163	9 262	**16 425**	14 332
Metropolitan Life Ltd	5 172	3 962	**9 134**	8 506
Metropolitan Odyssey	44	-	**44**	44
Metropolitan International	895	859	**1 754**	1 191
Metropolitan Life International	81	-	**81**	69
Metropolitan Namibia	168	328	**496**	461
Metropolitan Botswana	119	67	**186**	175
Metropolitan Lesotho	183	256	**439**	375
Metropolitan Kenya	11	-	**11**	17
Metropolitan Ghana	28	15	**43**	39
Metropolitan Swaziland	20	-	**20**	26
Metropolitan Nigeria	53	5	**58**	29
Momentum International businesses (2)	232	188	**420**	-
Total covered business	13 274	14 083	**27 357**	24 073

	Adjusted net worth Rm	Write up to directors' value Rm	30.06.2011 Rm	30.06.2010 Rm
Non-covered business				
Momentum Investments (3)	734	801	**1 535**	2 226
Metropolitan Health (4)	294	1 122	**1 416**	1 268
Momentum Retail (short-term insurance)	62	21	**83**	71
Metropolitan International Holdings (5)	-	(117)	**(117)**	398
MMI Holdings (after consolidation adjustments) (5)	1 364	(797)	**567**	936
Secondary Tax on Companies allowance	-	(150)	**(150)**	-
Total non-covered business	2 454	880	**3 334**	4 899
Total embedded value	15 728	14 963	**30 691**	28 972
Diluted net asset value – non-covered business	(2 454)			
Adjustments to covered business – adjusted net worth	2 533			
Reporting excess – long-term insurance business	15 807			

1. The embedded value as at 30 June 2010 above has been restated to assume that Momentum and Metropolitan were merged as at 30 June 2010.
2. The Momentum International businesses were transferred from non-covered to covered business.
3. Momentum Investments subsidiaries are valued using forward Price Earnings multiples applied to the relevant sustainable earnings bases. Metropolitan Asset management subsidiaries were valued using Embedded Value methodology for June 2010.
4. Metropolitan Health subsidiaries have been valued using Embedded Value methodology.
5. The holding company expenses reflect the present value of projected recurring head office expenses. The International holding company expenses reflect the allowance for support to the international life assurance and health businesses.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	12 mths to 30.06.2011 Total EV excluding FNB Life 90% Rm	FNB Life 90% Rm	Total EV including FNB Life 90% Rm
Profit from new business		(1 326)	2 143	(90)	**727**	-	**727**
Embedded value from new business	A	(1 326)	2 048	(90)	**632**	-	**632**
Expected return to end of period	B	-	95	-	**95**	-	**95**
Profit from existing business		2 691	(434)	(28)	**2 229**	-	**2 229**
Expected return – unwinding of RDR	B	-	1 665	(288)	**1 377**	-	**1 377**
Release from the cost of required capital	C	-	-	366	**366**	-	**366**
Expected (or actual) net of tax profit transfer to net worth	D	2 402	(2 402)	-	**-**	-	**-**
Operating experience variances	E	613	83	16	**712**	-	**712**
Operating assumption changes	F	(324)	220	(122)	**(226)**	-	**(226)**
Embedded value earnings 90% of FNB Life until date of unbundling		-	-	-	**-**	102	**102**
Allowance for service level agreement between RMBUT and Momentum		-	128	-	**128**	-	**128**
Embedded value profit from operations		1 365	1 837	(118)	**3 084**	102	**3 186**
Investment return on adjusted net worth	G	1 057	-	-	**1 057**	-	**1 057**
Investment variances	H	189	4	22	**215**	-	**215**
Economic assumption changes	I	(268)	213	(10)	**(65)**	-	**(65)**
Exchange rate movements		(16)	6	-	**(10)**	-	**(10)**
Embedded value profit – covered business		2 327	2 060	(106)	**4 281**	102	**4 383**
Effect of exclusion of 90% of FNB Life due to unbundling at effective date		-	-	-	**-**	(574)	**(574)**
Transfer of business from non-covered business		232	204	(16)	**420**	-	**420**
Capital transferred to non-covered business		-	-	-	**-**	-	**-**
Changes in share capital		139	-	-	**139**	-	**139**
Dividend paid		(1 717)	-	-	**(1 717)**	-	**(1 717)**
Opening restatement for FNB Life (EV statement shown after restatement)		174	-	(13)	**161**	(161)	**-**
Change in embedded value – covered business		1 155	2 264	(135)	**3 284**	(633)	**2 651**
Non-covered business							
Change in directors' valuation and earnings					**(82)**	**-**	**(82)**
Allowance for service level agreement between RMBUT and Momentum					**(288)**	**-**	**(288)**
Holding company expenses					**(574)**	**-**	**(574)**
Secondary Tax on Companies allowance					**(150)**	**-**	**(150)**
Embedded value profit – non-covered business					**(1 094)**	**-**	**(1 094)**
Changes in share capital					**(139)**	**-**	**(139)**
Dividend paid					**176**		**176**
Finance costs – preference shares					**(88)**		**(88)**
Transfer of business to covered business					**(420)**		**(420)**
Change in embedded value – non-covered business					**(1 565)**	**-**	**(1 565)**
Total change in group embedded value					**1 719**	(633)	**1 086**
Total embedded value profit					**3 187**	102	**3 289**
Return on embedded value (%) - internal rate of return					**11.0%**		**11.4%**

- The analysis of changes in embedded value above assumes that Momentum and Metropolitan were merged for the 12 months ended 30 June 2011.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

A. Value of new business

12 months to 30.06.2011	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Segmental total Rm
Value of new business	288	257	62	25	**632**
Gross	338	262	97	25	**722**
Less cost of required capital	(50)	(5)	(35)	-	**(90)**
New business premiums	23 910	2 822	3 531	320	**30 583**
Recurring premiums	1 237	921	753	190	**3 101**
Single premiums	22 673	1 901	2 778	130	**27 482**
New business premiums (APE)	3 504	1 111	1 030	203	**5 848**
New business premiums (PVP)	28 758	5 698	8 300	967	**43 723**
Profitability of new business as a % of APE	8.2	23.1	6.0	12.3	**10.8**
Profitability of new business as a % of PVP	1.0	4.5	0.7	2.6	**1.4**

12 mths to 30.06.2010	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Segmental total Rm
Value of new business	248	116	91	14	**469**
Gross	301	119	133	14	**567**
Less cost of required capital	(53)	(3)	(42)	-	**(98)**
New business premiums	20 998	1 978	4 042	240	**27 258**
Recurring premiums	1 152	773	546	155	**2 626**
Single premiums	19 846	1 205	3 496	85	**24 632**
New business premiums (APE)	3 137	893	896	159	**5 085**
New business premiums (PVP)	25 840	4 095	7 072	696	**37 703**
Profitability of new business as a % of APE	7.9	13.0	10.2	8.8	**9.2**
Profitability of new business as a % of PVP	1.0	2.8	1.3	2.0	**1.2**

- The above table forms part of the IFRS segmental information and assumes that Momentum and Metropolitan merged on 1 July 2009.
- Value of new business and new business premiums are net of non-controlling interests.
- Due to rounding, the cost of capital for the international business is less than R1 million.
- The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	**12 mths to 30.06.2011 Rm**	12 mths to 30.06.2010 Rm
Total lump sum inflows	**59 177**	58 036
Inflows not included in value of new business	**(33 170)**	(34 696)
Momentum Retail		
Policy alterations and other retail items	**(130)**	(8)
Linked products	**(12)**	(138)
Unit trusts	**(12 575)**	(14 827)
Momentum Employee Benefits	**(93)**	(42)
Momentum Investments		
On-balance sheet inflows	**(8 846)**	(10 032)
Off-balance sheet inflows	**(11 514)**	(9 649)
Term extensions on maturing policies	**817**	735
Retirement annuity proceeds invested in living annuities	**715**	539
Non-controlling interests and other adjustments	**(57)**	18
Single premiums included in value of new business	**27 482**	24 632

- The above table has assumes that Momentum and Metropolitan merged for both periods.

B. Expected return

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

C. Release from the cost of required capital

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

D. Expected (or actual) net of tax profit transfer to net worth

The expected profit transfer from the present value of in-force covered business to the adjusted net worth is calculated on the statutory valuation method.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIATIONS

OPERATING EXPERIENCE VARIATIONS	Notes	12 mths to 30.06.2011 ANW Rm	Net VIF Rm	Embedded value Rm
Momentum Retail		138	84	**222**
Mortality and morbidity	1	187	8	**195**
Terminations, premium cessations and policy alterations	2	(61)	55	**(6)**
Expense variation		5	-	**5**
Other		7	21	**28**
Metropolitan Retail		104	2	**106**
Mortality and morbidity	1	109	23	**132**
Terminations, premium cessations and policy alterations	3	(22)	(34)	**(56)**
Expense variation		3	5	**8**
Other		14	8	**22**
Momentum Employee Benefits		64	(83)	**(19)**
Mortality and morbidity	1	42	23	**65**
Terminations	4	-	(80)	**(80)**
Expenses		(15)	-	**(15)**
Other		37	(26)	**11**
Metropolitan International		(31)	97	**66**
Mortality and morbidity	1	61	33	**94**
Terminations, premium cessations and policy alterations		(24)	35	**11**
Expense variation	5	(58)	(1)	**(59)**
Other		(10)	30	**20**
Shareholder capital	6	338	(18)	**320**
Opportunity cost of required capital		-	17	**17**
Total operating experience variations		613	99	**712**

- The above table assumes that Momentum and Metropolitan were merged from 1 July 2010.

Notes

1. All businesses achieved favourable underwriting experiences over the year, compared to what was allowed for in the valuation basis.
2. Favourable termination experience observed on savings products improved the value of in force. For risk products, worse than expected experience over the year impacted earnings negatively.
3. Lower than expected expense recoveries on withdrawals.
4. Outflows in excess of long term assumptions were experienced on Umbrella funds.
5. Expense under recoveries are being experienced in mainly the start-up life and health operations.
6. The income recorded in respect of Shareholder capital relates mostly to earnings from holding company activities and the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax and corporate expenses not allocated to underlying business units are also included here.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

F. OPERATING ASSUMPTION CHANGES

		12 mths to 30.06.2011		
OPERATING ASSUMPTION CHANGES		**ANW Rm**	**Net VIF Rm**	**Embedded value Rm**
Momentum Retail		(177)	(67)	**(244)**
Mortality and morbidity assumptions	1	144	-	**144**
Renewal expense assumptions	2	(168)	(7)	**(175)**
Termination assumptions	3	54	(133)	**(79)**
Methodology changes	4	(208)	76	**(132)**
Other		1	(3)	**(2)**
Metropolitan Retail		(79)	(62)	**(141)**
Mortality and morbidity assumptions		9	10	**19**
Renewal expense assumptions		15	(30)	**(15)**
Termination assumptions		3	10	**13**
Discretionary margins		-	14	**14**
Methodology changes	5	(95)	(25)	**(120)**
Other	6	(11)	(41)	**(52)**
Momentum Employee Benefits		(36)	(211)	**(247)**
Termination assumptions		-	(8)	**(8)**
Renewal expense assumptions	2	11	(109)	**(98)**
Other methodology changes	7	(51)	(87)	**(138)**
Assumption reviews		4	3	**7**
Other		-	(10)	**(10)**
Metropolitan International		(32)	(32)	**(64)**
Mortality and morbidity assumptions		(1)	(9)	**(10)**
Renewal expense assumptions		(16)	(30)	**(46)**
Termination assumptions		3	3	**6**
Modelling changes		(34)	8	**(26)**
Methodology changes		15	14	**29**
Other		1	(18)	**(17)**
Methodology change: cost of required capital		-	(85)	**(85)**
Secondary Tax on Companies	8	-	555	**555**
Total operating assumption changes		(324)	98	**(226)**

- The above table assumes that Momentum and Metropolitan were merged from 1 July 2010.

Notes

1. The mortality basis on risk products have been revised after observing actual experience being consistently better than expected.
2. Renewal expense assumptions have been revised based on managements' budgeted expenses for the year ending 30 June 2012.
3. Termination assumptions for the risk products have been adjusted in line with long-term experience (after allowing for estimated cyclical effects) resulting in a negative embedded value impact. On the older Universal Life books, the changes in the termination basis have resulted in a release of reserves but with an offsetting decrease in the value of in-force business. Overall, the embedded value of the Universal Life books decreased as a result of the change in basis.
4. The changes in methodology relates to refinements in the methodology used to determine the embedded value. The main negative changes relate to premium reviews on products offering capital guarantees and also improved modelling for paid-up policies.
5. Improvements were made to the valuation methods and assumption on newer lines of business, based on experience gained in the past year.
6. The calculation method for frictional costs was changed to align to the traditional embedded value approach followed by Momentum.
7. Various individually small valuation method changes were made, also securing alignment within the new business unit.
8. The allowance for STC in the value of in-force has been released as STC will fall away and be replaced by the new dividends withholding tax effective 1 April 2012. A negative adjustment of R 150m has however been made to the embedded value of non-covered business in respect of STC expected to be paid over the period 1 July 2011 to 31 March 2010. Therefore the net increase in embedded value due to the STC change amounts to R405 million.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

G. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	12 mths to 30.06.2011 Rm
Investment income	**614**
Capital appreciation	**475**
Change in fair value of properties	**(38)**
Preference share dividends paid and change in fair value of preference shares	**6**
Investment return on adjusted net worth	**1 057**

- The above table assumes that Momentum and Metropolitan were merged from 1 July 2010.

H. Investment variances

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

I. Economic assumption changes

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 30.06.2011		Net worth	In-force business			New business written		
			Net value	Gross value	Cost of CAR	Net value	Gross value	Cost of CAR
		Rm	Rm	Rm	Rm	Rm	Rm	Rm
Base value		**13 274**	**14 083**	**16 498**	**(2 415)**	**632**	**722**	**(90)**
1%	increase in risk discount rate		12 706	15 636	(2 930)	495	601	(106)
	% change		(10)	(5)	21	(22)	(17)	18
1%	reduction in risk discount rate		15 716	17 550	(1 834)	779	853	(74)
	% change		12	6	(24)	23	18	(18)
10%	decrease in future expenses		14 987	17 394	(2 407)	740	828	(88)
	% change (1)		6	5	-	17	15	(2)
10%	decrease in lapse, paid-up and surrender rates		14 511	17 043	(2 532)	768	858	(90)
	% change		3	3	5	22	19	-
5%	decrease in mortality and morbidity for assurance business		15 024	17 443	(2 419)	759	848	(89)
	% change		7	6	-	20	17	(1)
5%	decrease in mortality for annuity business		13 901	16 337	(2 436)	617	707	(90)
	% change		(1)	(1)	1	(2)	(2)	-
1%	reduction in gross investment return, inflation rate and risk discount rate	13 363	13 893	16 392	(2 499)	713	806	(93)
	% change (2)	1	(1)	(1)	3	13	12	3
1%	reduction in inflation rate	13 418	14 103	16 519	(2 416)	673	763	(90)
	% change	1	-	-	-	6	6	-
10%	fall in market value of equities and properties	12 803	13 091	15 627	(2 536)			
	% change	(4)	(7)	(5)	5			
10%	reduction in premium indexation take-up rate		13 768	16 184	(2 416)	586	676	(90)
	% change		(2)	(2)	-	(7)	(6)	-
10%	decrease in non-commission related acquisition expenses					737	826	(89)
	% change					17	14	(1)
1%	Increase in equity/ property risk premium		14 444	16 860	(2 416)	652	742	(90)
	% change		3	2	-	3	3	-

1. No corresponding changes in variable policy charges are assumed, although in practice it is likely that these will be modified according to circumstances.
2. Bonus rates are assumed to change commensurately.
3. The change in the value of cost of required capital is disclosed as nil where the sensitivity test results in an insignificant change in the value.

MMI HOLDINGS – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	30.06.2011	30.06.2010
12 month period		
Value of listed shares traded (rand million)	**12 269**	5 195
Volume of listed shares traded (million)	**736**	368
Shares traded (% of average listed shares in issue)	**66**	68
Value of shares traded – life insurance (J857 – Rbn)	**103**	103
Value of shares traded – top 40 index (J200 – Rbn)	**2 475**	2 363
Trade prices		
Highest (cents per share)	**1 776**	1 731
Lowest (cents per share)	**1 505**	1 140
Last sale of period (cents per share)	**1 699**	1 606
Percentage (%) change during period	**5.8**	37.9
Percentage (%) change – life insurance sector (J857)	**17.3**	25.5
Percentage (%) change – top 40 index (J200)	**22.6**	17.5
30 June		
Price/diluted core headline earnings (segmental) ratio	**10.6**	11.2
Dividend yield % (dividend on listed shares)	**6.2**	6.4
Dividend yield % – top 40 index (J200)	**2.4**	2.2
Total shares issued (million)		
Listed on JSE	**1 504**	553
Ordinary shares	**1 504**	549
Share incentive scheme	**-**	4
Unlisted – share purchase scheme	**1**	10
Total ordinary shares in issue	**1 505**	563
Treasury shares held on behalf of contract holders	**(14)**	(1)
Adjustment to staff share scheme shares	**(1)**	(12)
Share incentive scheme	**-**	(2)
Share purchase scheme	**(1)**	(10)
Basic number of shares in issue	**1 490**	550
Adjustment to staff share scheme shares	**1**	2
Treasury shares held on behalf of contract holders	**14**	1
Convertible redeemable preference shares	**100**	100
Diluted number of shares in issue (1)	**1 605**	653
Market capitalisation at end (Rbn) (2)	**27.3**	10.7
Percentage (%) of life insurance sector	**14.5**	7.3

1. The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.
2. The market capitalisation is calculated on the fully diluted number of shares in issue.
3. Comparatives relate to the listed entity, MMI Holdings Ltd (previously Metropolitan Holdings Ltd).