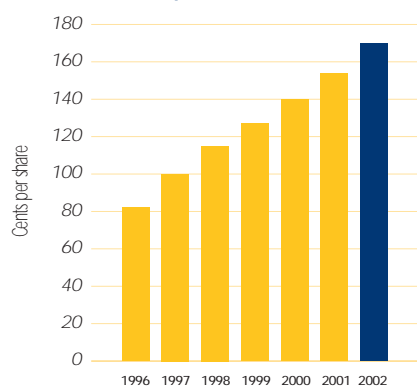


During the year under review, the group increased its gross written premium by a healthy 32%. Supported by a sound underwriting result and an increase in insurance funds, operating income for the group increased by an impressive 39%. Net asset value per share increased to 3018 cents, reinforcing its strong financial position and forming a strong basis for future growth.

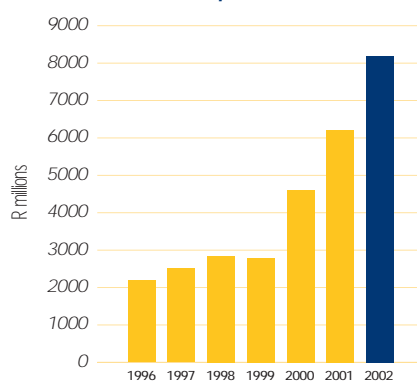
Financial Highlights

	2002	2001
	R millions	R millions
Gross written premium	8 197	6 206
Underwriting surplus	142	97
Operating income	257	185
Investment income	179	538
Headline earnings	306	572
Attributable earnings to shareholders	302	572
Pro forma earnings based on long-term rate of return	516	445
	Cents per share	Cents per share
Headline earnings	274	518
Dividends	170	154
Net asset value	3 018	2 914
Solvency margin	60%	71%

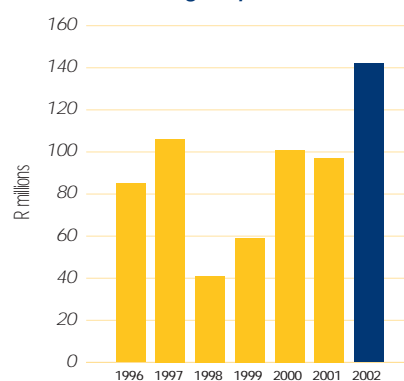
Dividends per share



Gross written premium



Underwriting surplus

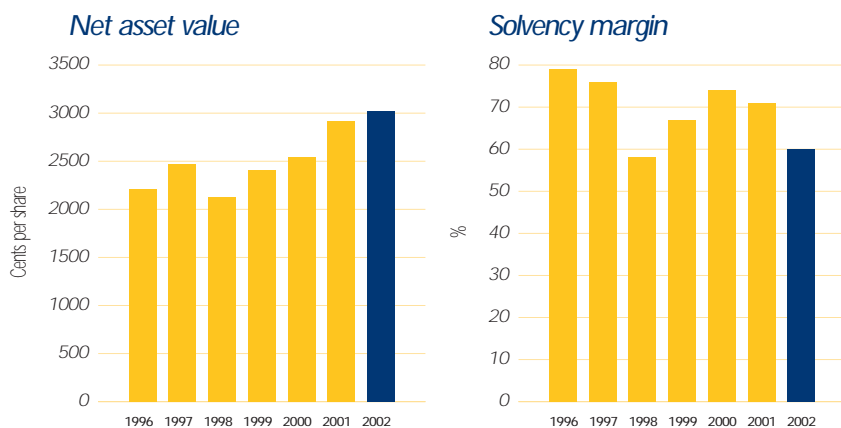


Seven Year Review

	7 year compound growth/ average %	2002	2001	2000	1999	1998	1997	1996
ORDINARY SHARE PERFORMANCE								
<i>cents per share</i>								
Headline earnings per share	(12.7)	274	518	192	375	(312)	471	709
Dividends per share	11.0	170	154	140	127	115	100	82
Net asset value	5.2	3 018	2 914	2 546	2 532	1 968	2 442	2 121
UNDERWRITING								
Claims paid and provided (%)*	Ave 70.5	70.7	70.7	72.0	70.0	72.6	68.1	69.3
Management expenses (%)*	Ave 12.9	14.1	13.9	13.8	12.7	11.6	12.4	11.7
Cost of acquisition (net commission & management expenses) (%)*	Ave 26.7	26.7	27.2	25.4	27.7	26.2	27.2	26.2
Underwriting surplus (%)*	Ave 2.8	2.6	2.0	2.6	2.3	1.2	4.7	4.5
* Expressed as a percentage of net earned premium income								
RETURN AND PRODUCTIVITY								
Earnings expressed as % of average shareholders' funds	Ave 13.8	9.2	19.0	1.1	16.0	(1.6)	18.4	34.3
Pre-tax return on total assets (%)	Ave 8.5	4.9	9.9	4.6	7.7	(5.5)	14.5	23.4
Effective tax rate (%)	Ave 23.3	26.6	19.5	38.4	18.2	33.7	16.8	9.7
Gross premium per employee – R'000 **	Ave 1 665	2 940	2 146	1 621	1 327	1 625	1 067	932
** Alternative Risk Transfer premiums excluded								
SOLVENCY AND LIQUIDITY								
Dividend cover (times)	Ave 2.9	1.6	3.4	1.4	3.0	(2.7)	4.7	8.6
Solvency margin (%)	Ave 70	60	71	74	70	54	78	80
Cover of net obligations by cash flow (times)	Ave 0.3	0.4	0.1	(0.6)	0.2	0.6	1.0	0.5
OTHER STATISTICS								
Number of employees		2 656	2 856	2 839	2 098	2 152	2 277	2 247
Number of shareholders		3 946	2 405	3 009	3 300	3 628	3 936	4 260
THE JSE SECURITIES EXCHANGE SOUTH AFRICA ("JSE") PERFORMANCE								
Market price per share (cents)								
Closing		3 225	3 640	3 200	3 030	1 865	3 600	3 200
Highest		4 200	4 060	3 200	3 030	4 550	4 000	3 300
Lowest		3 000	2 950	2 050	1 890	1 390	2 900	2 300
Market capitalisation (R million)		3 607	4 035	3 512	2 204	1 356	2 618	2 327
Santam share price index***		330	385	327	304	149	380	327
JSE actuarial financial index***		158	197	238	236	164	218	134
Closing price/earnings (times)		11.76	7.02	16.67	8.09	(5.97)	7.64	4.51
Closing price/equity per share (times)		1.1	1.2	1.2	1.2	0.8	1.4	1.4
Closing dividend yield (%)		5.3	4.2	4.4	4.2	6.2	2.8	2.6
Number of shares issued (million)		111.8	110.9	109.8	72.7	72.7	72.7	72.7
Number of shares traded (million)		19.0	15.1	16.3	19.2	15.2	11.7	6.7
Number of shares traded as a % of total number of shares in issue		17.0	13.6	14.8	26.4	20.9	16.1	9.2
Value of shares traded – (Rm)		686.7	542.6	444.8	476.0	403.3	406.7	184.9

*** Base year 1992

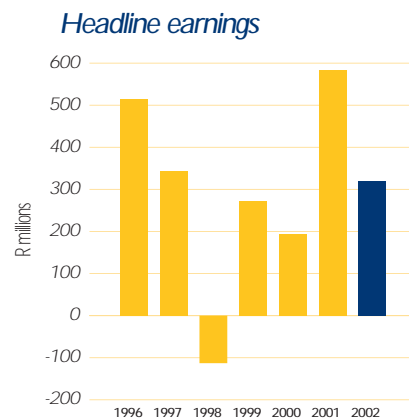
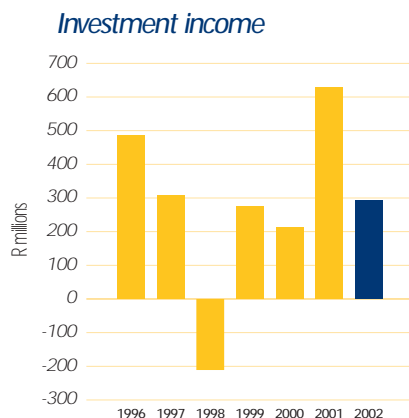
Santam's year-end was changed in 1998 from September to December. 1996-1997 – 12 month year ended 30 September. 1998 – 15 month year ended 31 December.



Seven Year Review

R millions	7 year compound growth/ average %	2002	2001	2000	1999	1998	1997	1996
INCOME STATEMENTS								
Gross written premium	21.5	8 197	6 206	4 603	2 784	3 496	2 429	2 095
Net premium	16.5	5 635	4 574	3 774	2 597	3 275	2 276	1 936
Underwriting surplus	7.5	142	97	101	59	41	106	85
Investment return on insurance funds****		115	88	–	–	–	–	–
Operating income		257	185	–	–	–	–	–
Investment income & associated companies		178	540	212	275	(211)	306	485
Income before taxation		435	725	313	334	(170)	412	570
Taxation		116	141	120	61	57	69	55
Minority interest		14	12	6	1	–	–	–
Headline earnings	(7.2)	305	572	187	272	(227)	343	515
Amortisation of goodwill		3	–	–	–	–	–	–
Attributable earnings to shareholders	(7.3)	302	572	187	272	(227)	343	515
BALANCE SHEETS								
Property and equipment		41	36	53	42	44	31	27
Investments		3 208	3 600	3 237	3 493	1 817	2 157	2 012
Goodwill		33	–	–	–	–	–	–
Deferred taxation asset		14	–	25	–	–	10	–
Technical assets****		2 072	1 646	1 510	–	–	–	–
Current assets		3 548	2 023	1 926	795	624	645	400
Total assets		8 916	7 305	6 751	4 330	2 485	2 843	2 439
Shareholders' funds	11.8	3 375	3 230	2 795	1 828	1 643	1 775	1 542
Technical provisions****		4 226	3 295	3 303	–	–	–	–
Deferred taxation liability		34	105	153	30	11	–	–
Current liabilities, provisions & minorities		1 281	675	500	2 472	831	1 068	897
Total equity and liabilities		8 916	7 305	6 751	4 330	2 485	2 843	2 439
CASH FLOW STATEMENTS								
Cash generated by operations		682	(89)	(263)	139	(13)	252	122
Net dividends and interest income received		309	315	238	214	265	182	145
Cash generated by operating and investment activities		991	226	(25)	353	252	434	267
Taxation paid		(96)	(69)	(53)	(126)	(89)	(56)	(70)
Dividends paid		(178)	(163)	(116)	(108)	(77)	(64)	(55)
Cash generated through operating and investment activities		717	(6)	(194)	119	86	314	142
Proceeds from disposal of associated companies		12	–	–	11	–	–	–
Proceeds from ordinary shares issued		21	24	984	–	–	–	2
Investment in associated companies		(5)	–	–	–	–	–	–
Investment in subsidiaries		(36)	–	(1 591)	–	–	–	–
Cash acquired through acquisition of subsidiaries		144	–	–	–	–	–	–
Cash utilised in addition to fixed assets		(21)	(2)	11	(12)	(28)	(14)	(1)
Increase in investments and liquid assets		832	16	(790)	118	58	300	143

****Comparative figures prior to 2000 have not been provided as these are unavailable.



Santam's Leadership

TOP MANAGEMENT

ELTIE LINKS (56)

Head: Corporate Citizenship
M.Com., MA, Ph.D.
Appointed 2001

CHRIS MOSTERT (51)

Head: Information technology
Appointed 1990

HENDRI NIGRINI (53)

Executive head: Risk services
B.Com., ACII
Appointed 1986

MACHIEL REYNEKE (46)

Executive head: Finance
B.Com. (Hons.), CA (SA)
Appointed 2002

JOE ROUX (57)

Chief executive: Insurance Brokers Resource Centre
AEP (SBL)
Appointed 1987

NICO SWART (40)

Head: Human Relations
B.Com. (Hons.)
Appointed 1994

KOOS VAN TONDER (54)

Executive head: Santam International
B.Com. (Hons.), CA (SA)
Appointed 1987

JOHAN VAN ZYL (47)

Chief executive
Ph.D., D. Sc. (Agric.)
Appointed 2001

HANNES WILKEN (42)

Executive head: Distribution
B.Compt. (Hons.), CA (SA), MBL
Appointed 1995

STEVE ZIETSMAN (52)

Head: Business Information and Client Relationship Management
M.Econ.
Appointed 1999

SANTAM LIMITED BOARD OF DIRECTORS

JJ GELDENHUYS (63)

Director, B. Com., ACII. Appointed 20 November 2001

EM GROENEWEG (67)

Director, CA (SA), Appointed 23 May 2000
Director of Astral Foods Ltd., Group Risk Holdings (Pty) Ltd., Independent Risk Management Services (Pty) Ltd., SA Netherlands Chamber of Commerce, Randcoal Services Ltd. and RAS Administration Services (Pty) Ltd.

JG LE ROUX (58)

Director, B.Sc. (Agric.). Appointed 23 May 2000
Chairman of Boland Vineyards International and Paarl Valley Bottling (Pty) Ltd. Director of KWV (SA), KWV Group, KWV Investments, Cape Wine Cellars, Cape Wine Shippers and Wijngaard Beleggings.

NM MAGAU (51)

Director, D. Ed. Appointed 28 May 2002
Chairman of the Council of the University of Durban Westville.

AR MARTIN (65)

Director, B.Com. CA (SA). Appointed 18 November 1996
Director of Siemens Ltd., Trans Hex Group Ltd., Siemens Telecommunications (Pty) Ltd. and Credit Guarantee Insurance Corporation of Africa Ltd.

JE NEWBURY (61)

Director, Appointed 24 November 1998
Chairman of MICROomega Holdings Ltd., Kolbenco (Pty) Ltd., Ocneblok Properties (Pty) Ltd. and Astonville Consulting (Pty) Ltd. Director of Dunlop Africa Ltd., New Africa Capital Ltd., VenFin Ltd., Castellano Beltrame (Pty) Ltd., Johannesburg Metropolitan Bus Company (Metrobus), Pinhop Investments (Pty) Ltd., Ziphatele Investments (Pty) Ltd., Southern Africa Tour, and the National Olympic Committee of SA (NOCOSA), Business Trust, Leopard Creek Country Club Ltd, Leopard Creek Share Block Ltd. and John Newbury Investments (Pty) Ltd.

P DEV RADEMEYER (56)

Director, CA (SA). Appointed 20 February 2001
Director of Sanlam Ltd., Sanlam Life Insurance Ltd., Genbel Securities Ltd., Gensec Bank Ltd., Sanlam Investment Management (Pty) Ltd. and Sanlam Netherlands Holdings BV.

GE RUDMAN (60)

Director, B.Sc., FFA. Appointed 23 January 1996
Director of Sanlam Ltd., Sanlam Life Ltd., Lamform (Pty) Ltd. and Sanlam Customised Insurance Ltd.

DK SMITH (56)

Chairman, B.Sc., FIA. Appointed 1 April 1994
Chairman of the Council of the University of Stellenbosch and Plexus Financial Services, deputy chairman of Optivest Holdings, deputy chairman and managing director of Reinsurance Group of America (SA). Director of Clover Holdings, Genbel South Africa Ltd., Gensec Properties Ltd., Life Offices' Association, Plexus Asset Management, Professional Provident Society Insurance Company Ltd., Reinsurance Group of America Holding Ltd. (UK) and Snyman & Van der Vyver.

BP VUNDLA (55)

Director, BA (SA). Appointed 28 May 2002
Director of African Merchant Bank Ltd., Herdbuoys McCann Ericsson (Pty) Ltd., Foodcorp (Pty) Ltd., Mercer Inter-Ed (Pty) Ltd., New Season Investment (Pty) Ltd., Wesbank Ltd., Mail & Guardian Ltd. and a member of the Council of UNISA.

JA VAN TONDER (54)

Executive director, B.Com. (Hons.), CA (SA) Appointed 14 November 1995

JVAN ZYL (47)

Chief executive, Ph.D., D.Sc. (Agric.). Appointed 1 August 2001

JW WILKEN (42)

Executive director, B.Compt. (Hons.), CA (SA), MBL. Appointed 1 May 2001

Chairman's Review

Reviews

"We will strive to make all our associates, clients and suppliers our partners, all sharing the benefits of innovation, added value and a genuinely caring approach"

2002

Chairman's Review

Compared to many years of stability where organic growth was virtually guaranteed, the short-term insurance industry today finds itself in challenging times.

While the country's long-term economic prospects look positive, turbulent international markets have impacted our position in South Africa and investor confidence in the country. This is clear from both our financial markets and the sluggish economic growth rate.

These factors directly impact the short-term insurance industry: real growth in premium income depends largely on economic growth, and poor returns specifically on equity investments have a direct negative effect on investment income.

Nevertheless, typical of the cyclical nature of the industry, there has been an upward trend in the underwriting cycle since the beginning of 2001. Not only have insurers seen an increase in premium income, but also improved underwriting results for the industry as a whole.

INDUSTRY CHALLENGES

In the wake of the events of 11 September 2001, reinsurance rates skyrocketed while capacity declined. This, along with high inflation and a weakening of the rand against the major currencies for the earlier part of 2002, led to significant premium increases.

Although the impact of reinsurance must not be underestimated, it must be seen within the context of the real influence thereof on the South African market.

On the local market, with its more than R25 billion in annual premiums, reinsurance represents some R4 billion. This applies mostly to larger risks such as cover for catastrophes and specialist insurance. Nevertheless, the international reinsurance market remains challenging and capacity and rates continue to harden.

South Africa's unacceptably high crime rate shows no signs of abating, and this will continue to impact on the cost of insurance to consumers.

The influence of inflation is however a greater source of concern. Although the industry constantly pays attention to reducing internal administration costs, external price increases beyond our control continue to hamper many of these efforts. Of particular concern is the large increase (between 22% and 25% over the past eighteen months) in motor repair costs – mainly because so many parts are imported – and its impact on competitive premiums.

With regard to proposed legislation, the biggest impact is certain to come from the Financial Advisory and Intermediary Services Bill (FAIS). Meeting some of the legislative and compliance requirements will lead to higher costs for brokers and put their infrastructure under pressure.

This could force brokers to centralise services. Large brokers that write the necessary volumes can afford to provide the necessary services. The smaller broker will find this more difficult, and might therefore have to outsource the services to a bureau.

Santam has in this regard pledged its support to the broker fraternity as a vital distribution channel. This includes the implementation of business strategies, initiatives and platforms to ensure both compliance and continued high service levels.

The development of the Financial Services Black Economic Empowerment (BEE) Charter, which will set parameters for the transformation of the industry, has focused attention on black economic empowerment strategies of all companies in the sector.

The industry is committed to increasing the economic prosperity of all South Africans, but will have to grapple with several issues, procurement being of particular importance. Santam's broad based empowerment strategy will focus on all the dimensions addressed in the Charter.

SHAREHOLDER VALUE

Our business philosophy is simple and clearly defined: to maximise the return on capital, to provide excellent service and products to clients, and to deliver the highest sustainable level of returns for shareholders.

Desmond Smith
Chairman

Chairman's Review

The company has focused on improving the management of assets, focusing on total earnings, which includes the return on the free assets of the business.

The financial services sector has not been immune to the pounding taken on local and global equity markets, with the past year having been one of the most challenging in recent history. Most companies, including Santam, are trading at considerable discounts to the underlying value of their business, and share prices are generally way off their peaks.

Management and the board are acutely aware that the Santam share is trading at a discount to fair value and are addressing ways of minimising this gap and enhancing shareholder value. Our strategy is to continue to deliver operational performance, which exceeds the expectations of the market and to communicate the sustainability of our results to the investment community.

PROSPECTS

Given the state of the world economy and sustained pressure on premium rates, continued intense competition in the industry is unavoidable. The challenge clearly will be to maintain levels of profitability in this environment.

Furthermore, globalisation is putting increasing pressure on local insurers to either move beyond the traditional short-term insurance arena in search of alternative sources of income and/or to diversify their income base.

Against this background, Santam has already implemented various initiatives to ensure the continued profitable growth of the company. The first strategic steps include the acquisition in January 2003 of British niche insurer Westminster Motor Insurance Association and in February 2003 of a 47,5% stake in the British marketing and underwriting company Bluesure. Further details of these acquisitions as part of the group's internationalisation strategy are discussed on page 9 as part of the chief executive's review.

Management will continue its focus on improved productivity and cost reduction. There are also plans in place to reduce the cost of reinsurance without exposing the group to any undue risks.

Given the foreign acquisition and planned adjustment in the reinsurance programme, it is anticipated that capital utilisation will improve further with solvency margins reducing marginally in 2003. Equity markets are expected to remain volatile in the year ahead and this will directly effect investment results.

BOARD

Dr Leon Vermaak, formerly chief executive officer of Santam, and more recently non-executive chairman of Santam, resigned from the board in December 2002. Duly elected by the board, I was appointed as chairman in February this year.

Non-executive directors, Prof. June Sinclair and Mr Selwyn MacFarlane, retired from the board and we extend our thanks for their collective contribution over several years. Mr MacFarlane was chairman of the Risk and Audit Committee and his financial expertise and understanding of governance practices will be missed.

We welcomed non-executive directors Dr Namane Magau and Peter Vundla during the year and look forward to the benefit of their wise counsel.

After 18 months at the helm of the group, Dr Johan van Zyl resigned on 28 March 2003 to take up the vacant position of chief executive officer of Sanlam. His strategic intellect, focus on delivery, and business acumen have been instrumental in achieving Santam's short-term goals and setting the path for sustained long-term growth. We wish him success in his new position.

Santam's sound operational performance in the past year can be attributed to a highly committed and motivated staff and management team, to whom I would like to extend my gratitude for their efforts. My fellow directors are also to be thanked for their guidance and leadership. Thanks are also due to our external stakeholders who play a critical role in our business: shareholders, clients, brokers, media and business partners.



DESMOND SMITH

Chairman

Chief Executive's Review

Santam Limited embarked on a new strategic direction, repositioning the company from its conventional role as a short-term insurer to a risk manager operating across a broader spectrum of the market.

Supporting the strategy is a newly-developed business model which ensures that Santam's operations now cover all the segments of the insurance value-chain, from broking to broker support and administration, underwriting, reinsurance, claims management and procurement.

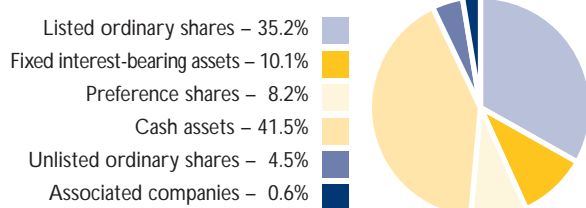
The success of this model will depend on the ability to optimise the synergies within each of these segments and to extract benefits across the value chain, rather than adopting a silo mentality and in the process restricting growth prospects. Santam will also only pursue cost-effective revenue, and an element of the capital management programme is to diversify the income base of the group.

Five strategic drivers, aimed at generating sustainable, profitable growth, were identified, namely client delight, business partnerships, efficiency, diversification and people.

In 2003 the strategy will be underpinned by a "back to basics" programme where the group will concentrate on enhancing the efficiency of the core elements of the business. This will include:

- Rigorous underwriting discipline
- Optimising cash-flow management
- Reduction of management expenses
- Improved reinsurance efficiency
- Reduction of claims leakage
- Procurement initiatives

Investment portfolio



OPERATIONAL AND FINANCIAL REVIEW

The period under review was notable from two perspectives: firstly, a vastly improved operational and financial performance placed the company firmly on a renewed growth path, while secondly, the dismal performance of global and domestic equity markets neutralised much of the operational success.

The 39% increase in operating income to R257 million was particularly pleasing as it reflects the strength of the underlying business operations and is an early indication that the newly-adopted strategy is starting to bear fruit.

This is also evident in the underwriting surplus which rose by 47% to R142 million, benefiting from the improved underwriting margins and increased volumes of business. Growth in underwriting profit had been flat in the three previous financial years from 1999 to 2001.

Despite the tough economic climate and pressure on personal disposable income, gross written premium increased by 32%, with a 23% increase in net premium. The difference in the growth rates can be largely ascribed to reinsurance payments to protect the group from concentration risk in certain business areas.

A segmental breakdown of premium income by insurance class shows that motor insurance continues to be the largest source of income at 38%, closely followed by property at 36%, with liability, engineering, transportation, guarantee, accident and health making up the balance.

Climatic conditions again proved challenging, and the large volumes of weather-related claims negatively impacted on the commercial and personal lines insurance results. Interestingly, in the past 17 years only 17 weather-related incidents have been classified as catastrophes, and four of these happened in the 2002 year.

The market value of the group's investment portfolio decreased by R22 million as a result of the volatile and extremely demanding market conditions. This was in stark contrast to the stellar performance in 2001 when the capital value of the portfolio increased by R311 million.

Cash of almost R1 billion was generated from operating and investment activities, reinforcing the group's healthy financial position. Cash flows were boosted by favourable crop insurance results as well as new businesses acquired during the year.

Johan Van Zyl
Chief Executive Officer

Chief Executive's Review

The solvency margin stood at 60% at the year-end, down from 71% in the previous year.

An issue endemic to the industry is the extremely high level of policy turnover that takes place annually. This is a source of major concern. Santam is managing this turnover extremely well, with a particular focus on client retention. Part of this retention programme is the relationship with brokers, the dominant distribution channel in the short-term industry.

Evidence of the broker support enjoyed by Santam is the fact that the company was voted Personal Insurer of the Year for the fifth consecutive year at the annual South African Financial Services Intermediaries Association (SAFSIA) awards. These authoritative awards are based on independent research conducted among over 2 000 brokers operating in the short-term insurance field. Santam was also recognised as the Corporate Insurer of the Year.

EMPOWERMENT

Santam's empowerment strategy in recent years has centred on joint ventures with black-owned companies operating in the short-term industry. The aim in the longer term is to create empowerment structures in each of the six segments of Santam's insurance value chain which will broaden the range of empowerment beneficiaries and position the group more favourably to meet the needs of black consumers.

The Lion of Africa, a short-term insurer in which Santam holds a 50% equity stake, reported very favourable results, recovering from a loss of R13,5 million in 2001 to produce earnings of R19,4 million. The company focuses on commercial, government and quasi-government insurance business and has become profitable after only four years in business.

This is a true empowerment success story and the prospects for the company are highly encouraging.

On a more disappointing note, Santam terminated its relationship with the Africa Group. Financial guarantees amounting to R30 million were exercised in relation to certain Africa Group companies. Santam subsequently took control of four Africa Group companies which operated in the short-term insurance market.

INTERNATIONAL STRATEGY

Santam's strategy of internationalising the business and creating a base in the United Kingdom centres around three pillars: an insurer, a distribution channel and the expatriate market customer base. An international business allows Santam to export its core competencies, diversify the income stream and generate hard currency earnings.

In August 2002 shareholders were advised that Santam was in discussions to acquire an insurance company in the UK. The group subsequently concluded the acquisition of the niche British insurer Westminster Motor Insurance Association in January this year and created the platform for Santam International to establish a presence in London.

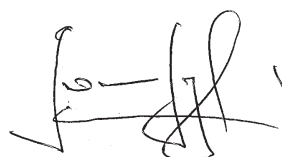
The £23.2 million purchase of Westminster, which specialises in insurance for taxis and private vehicle rental companies, was funded from the company's own resources. Westminster is highly profitable, with a return on capital of 18%, and offers considerable growth potential for Santam.

The distribution pillar of the strategy was completed when Santam acquired a 47% stake in a marketing and underwriting company, Bluesure, for £4,5 million in February. Bluesure will be used as the channel to market products to South African expatriates.

After these two acquisitions the challenge is to unlock synergies within Santam International's operations, while at the same time extracting benefits between the South African and UK businesses.

THANKS

The performance in the past year highlights the tremendous opportunities that exist within the group to unlock value and to grow the business at an even higher rate year-on-year. A sincere word of thanks goes to our dedicated and talented people who make Santam a great company, and one that will reach even greater heights in the years ahead.



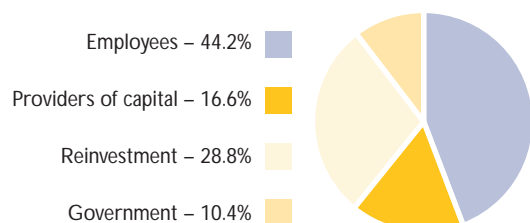
JOHAN VAN ZYL

Chief Executive Officer

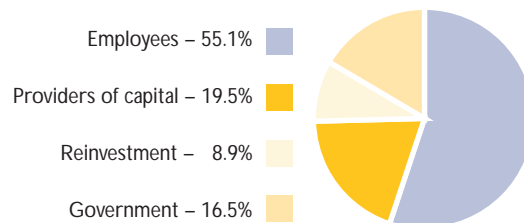
Value Added Statement

	2002	2001
	R'000	R'000
VALUE ADDED		
Gross written premium	8 197 393	6 205 597
Claims paid and cost of other services	7 347 941	5 960 469
	849 452	245 128
Investment income	292 927	628 256
	1 142 379	873 384
VALUE DISTRIBUTED		
Employee benefits	505 072	481 289
Government	118 497	143 831
Direct taxation on income	115 585	141 342
Regional Service Council levies	2 912	2 489
Providers of capital	189 913	170 583
	813 482	795 703
Retained for reinvestment and future support of business	328 897	77 681
Depreciation	15 462	24 922
Retained income before transfer to reserves	154 055	183 493
Compulsory reserves for future support of business	159 380	(130 734)
	1 142 379	873 384

Value distributed – 2002



Value distributed – 2001



Corporate Governance

2002

Corporate Governance

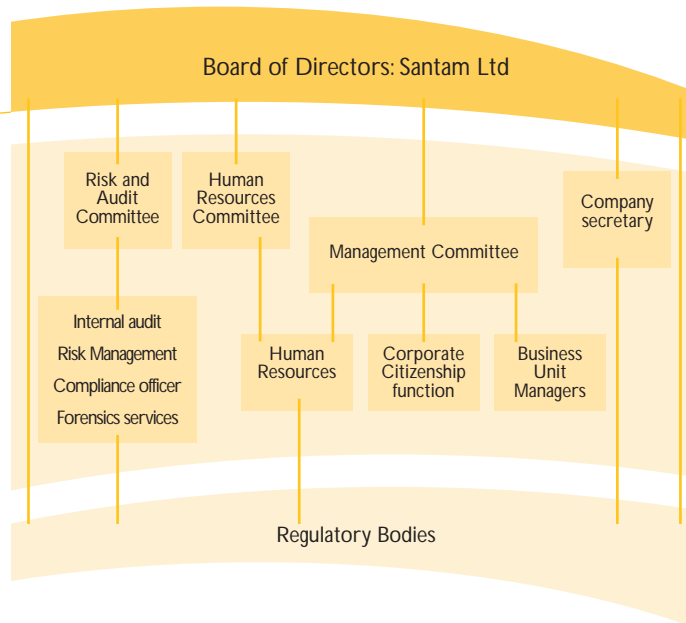
The board of directors is fully committed to the principles of discipline, transparency, independence, accountability, responsibility, fairness and social responsibility that form the foundation of Corporate Governance. In Santam this is not regarded as a separate process, but is embedded in the way business is conducted. As a financial institution, the company recognises its responsibility to conduct its affairs with prudence and integrity and to safeguard the interests of all stakeholders by complying broadly with the recommendations of the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002 (King II).

- Communication to employees about risk management and the importance of embedding risk management in the company's day-to-day activities has improved significantly, but is an ongoing process that will receive further attention in 2003.

In relation to internal audit:

- King II suggests that the head of Internal Audit should report administratively to the chief executive. Currently the head of Internal Audit reports administratively to the executive head: Finance. The risk of a lack of independence and/or objectivity is however addressed by the head of Internal Audit holding regular

Corporate governance structure



Recommendations not yet adhered to at the date of the annual report are listed below:

In relation to the board of directors:

- For the period under review, the chairpersons of the board, Risk and Audit Committee and Human Resources Committee were not independent as defined in King II, but related to Santam Limited's holding company. An independent chairperson for the board was appointed in February 2003.
- Executive directors' service contracts currently exceed the recommended three years (currently five years). The contracts are in terms of article 58 of the company's articles.

In relation to the Risk Management function:

- King II recommends a separation of the risk management and internal audit functions to allow for monitoring of the risk management process by internal audit. Risk and Compliance Services in Santam is responsible for both internal auditing and for facilitating the risk management process. This is considered the most effective solution for the company that allows for maximum exploitation of the synergies between the internal audit and risk management processes. To mitigate any potential risks, an external service provider has performed an independent review of the effectiveness of the risk management process.

meetings with the chief executive on issues that have been identified, and quarterly meetings held with the Risk and Audit Committee, and as well as having access to the chairman of the Risk and Audit Committee and the chairman of the board, when required.

The board and board committees

OVERVIEW OF CONSTITUTION OF THE BOARD

The company's board of directors has embraced a unitary structure consisting of executive and non-executive directors led by a non-executive chairman. The non-executive directors bring a broader view to the company's activities and to the management of business risk.

The board has two committees namely the Risk and Audit Committee and the Human Resources Committee. These committees were established with clear mandates, which set out the nature and ambit of their respective functions.

Corporate Governance

For the year under review the board consisted of 14 directors, 11 of which were non-executive; of the 11 non-executive directors seven were independent. The roles of the chairman and the chief executive are kept separate. Membership of the sub-committees comprised entirely non-executive directors. More detail is provided in the section on the subcommittees of the board.

BOARD MEMBERS

Name	Executive	Non Executive	Independent	Race	Gender
JJ Geldenhuys		•		W	M
EM Groeneweg		•	•	W	M
JG Le Roux		•	•	W	M
NM Magau		•	•	B	F
AR Martin		•	•	B	M
JE Newbury		•	•	W	M
P de V Rademeyer		•		W	M
GE Rudman		•		W	M
DK Smith (Chairman)*		•	•	W	M
JA van Tonder	•			W	M
J van Zyl	•			W	M
L Vermaak (Chairman)**		•		W	M
BP Vundla		•	•	B	M
JW Wilken	•			W	M
* Appointed February 25, 2003					
** Resigned December 6, 2002					

ROLE AND FUNCTIONS

The board of directors formally adopted a board charter at their meeting on 26 November 2002. The charter is modelled on the Santam Business Philosophy and incorporates the following:

RESERVED POWERS OF THE BOARD

The board's key purpose is to ensure the company's prosperity by collectively directing its affairs, whilst protecting the appropriate interests of its shareholders and relevant stakeholders. The powers of the board of directors are set out in the Memorandum and Articles of Association of Santam Limited and the exercise of these powers is governed by the Companies Act, 1973, the common law as enforced in the courts of the country and the Delegation of Authority Policy which was approved by the board on 28 May 2002. The board embraces the Code of Practices and Corporate Conduct in the King II report and the recommendations therein.

Responsibilities and accountabilities

CHAIRMAN

The chairman brings firm and objective leadership to the board of directors. The chairman's primary function is to preside over directors and shareholders meetings and to ensure the smooth functioning of the board in the interest of good governance.

CHIEF EXECUTIVE

The chief executive officer has a critical and strategic role to play in the operational success of the company's business.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The directors of the company have a fiduciary duty to exercise due care and skill in carrying out their mandate as directors of the company. The directors, in exercising their fiduciary duty, will ensure that they act in the best interest of the company at all times and shall in no way derive any profit as a result of the fiduciary relationship with the company.

BOARD COMMITTEES

The committees are an aid to assist the board in discharging their duties and responsibilities. The ultimate responsibility rests with the board and as such the board will not abdicate this responsibility to the committees. The responsibilities of the committees are contained in their terms of reference, which were approved by the board. The chairman of each of the committees makes a presentation to the board on issues that have been tabled for discussion at the committee meeting.

COMPANY SECRETARY

The company secretary provides the board collectively and each director individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the company. The company secretary plays an important role in ensuring that the company complies with all relevant statutory and regulatory requirements, as well as required standards of good governance.

The company secretary is a central source of guidance and advice on matters of ethics and corporate governance to the company, shareholders and institutional investors. The company secretary communicates to shareholders when appropriate, and ensures that due regard is paid to their interest.

BOARD COMPOSITION AND MIX

The board recognises that its effectiveness depends very much on its composition. There is an appropriate balance of power and authority in the board.

BOARD APPRAISAL

The board will regularly review the mix of skills, experience, and its effectiveness and the individual contributions of the directors with a formal self-evaluation questionnaire developed in line with the recommendations of King II.

RISK MANAGEMENT

The board is responsible for maintaining a sound system of risk management and internal control to provide reasonable assurance regarding the achievement of the company's objectives.

INTEGRATED SUSTAINABILITY REPORTING

The board recognises that there are qualitative issues, which influence the ability of the company to create value in the future. These relate to investment in human and other intellectual capital, and the extent of the company's social transformation, ethical, safety, health and environmental policies and practices. The board has a responsibility to report at least annually on these matters and will determine the materiality and relevance of information to be reported on.

MEETINGS AND ATTENDANCE

During the period under review the board met four times. The board schedules to meet at least once every quarter. All the members attended the meetings except JA van Tonder, who was abroad at the time and did not attend the meeting in November 2002.

Corporate Governance

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Human Resources Committee ensures that the board's composition reflects diversity in terms of demographics.

The articles of association empower the board to appoint a director if a vacancy exists. The shareholders must ratify the appointment of this director at the Annual General Meeting (AGM). Shareholders may also nominate a director. An abridged curriculum vitae of the nominated director is sent with the notice of the AGM. Directors are appointed at the AGM by a shareholders' resolution.

The following changes occurred in the composition of the board and its subcommittees during the period under review:

WS MacFarlane	(Retired 28 May 2002)
NM Magau	(Appointed 28 May 2002)
JE Newbury	(Appointed member of HR Committee 25 February 2003)
DK Smith	(Appointed chairman 25 February 2003)
JD Sinclair	(Retired 28 May 2002)
L Vermaak	(Appointed 26 February 2002 and resigned 6 December 2002)
BP Vundla	(Appointed 28 May 2002)

SHARE DEALING BY DIRECTORS

The company complies with the requirements of the JSE Securities Exchange with respect to directors' share dealings. The chairman of the board must authorise all directors' share dealings.

REMUNERATION POLICY

The Human Resources Committee monitors the development and implementation of the group's remuneration philosophy. The total remuneration packages of executives are designed so that a substantial portion is performance-related; for example their eligibility for an annual bonus is linked to appropriate group targets.

The financial statements accompanying this report reflect the total executive and non-executive directors' earnings and other benefits in accordance with the requirements of the Companies Act, 1973 and the listing requirements introduced by the JSE Securities Exchange.

SUCCESSION PLANNING

In terms of its mandate from the board, the Human Resources Committee, ensures that a proper plan exists to identify and select appropriate candidates to fill board, executive and senior management vacancies. The committee manages this process through constant interaction with the executives.

Board subcommittees

RISK AND AUDIT COMMITTEE MEMBERS

Name	Executive	Non Executive	Independent	Race	Gender
JJ Geldenhuys		•		W	M
EM Groeneweg		•	•	W	M
P de V Rademeyer (Chairman)		•		W	M
GE Rudman		•		W	M

PRINCIPAL OBJECTIVES

The primary function of the Risk and Audit Committee is to assist the board in fulfilling its responsibilities relating to financial matters and risk management activities. The committee has adopted formal terms of reference that were approved by the board.

It performs this function by:

- Promoting the overall effectiveness of corporate governance within the company.
- Ensuring that management creates and maintains an effective environment of control with adequate internal, financial and operating controls within the company.
- Overseeing the strategic risk management process and monitoring the quality, integrity, reliability and effectiveness of the process. Assisting the board in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting.
- Co-ordinating and overseeing the effectiveness of the internal audit (incorporating the compliance function and forensic investigations) and external audit as well as that of management in preparing financial reports.
- Enhancing the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation issued.
- Providing the board with an independent point of reference when a resolution of any interpretative and controversial issues which impact on the published financial statements and other public documentation issued is sought.
- Acting as an effective means of communication between the board on the one hand and the external auditors, the head of internal audit and management on the other.

The Risk and Audit Committee has satisfied its responsibilities under its terms of reference for the period under review.

MEETINGS

During the period under review the Risk and Audit Committee met four times. The committee meets at least once every quarter, one or two weeks before the board meeting. The chief executive and head of the financial division attend the meetings as representatives of the company's management. The internal and external auditors are also represented. The members of the committee attended all the meetings.

The chairman of the Risk and Audit Committee attends the Annual General Meeting of the company and is available to respond to any questions.

Corporate Governance

HUMAN RESOURCES COMMITTEE MEMBERS

Name	Executive	Non Executive	Independent	Race	Gender
JG Le Roux		•	•	W	M
JE Newbury*		•	•	W	M
DK Smith (Chairman)*		•	•	W	M
L Vermaak (Chairman)**		•		W	M

* Appointed February 25, 2003

** Resigned December 6, 2002

PRINCIPAL OBJECTIVES

The primary function of the Human Resource Committee is to assist the board in fulfilling its responsibilities relating to the principles and practices of human resources management. The committee has adopted formal terms of reference that were approved by the board.

It performs this function by:

- Considering and making recommendations on matters such as the remuneration policy, incentive-based remuneration structures for executive management and the general personnel policy. An independent remuneration consultant from a well-known management consultant group advises the committee on market-related trends, best practices in human resources management, as well as annual survey data. The committee reviews management performance annually and presents recommendations regarding succession planning to the board. In its work, the committee considers best international practice, industry standards and the requirements of collective bargaining to ensure that staff members are rewarded for their contribution to the operational and financial performance of the company at appropriate and market-related levels.
- Reviewing the size, composition and effectiveness of the board and its committees. The committee shall identify and nominate candidates suitable to fill vacancies on the board as and when they arise, as well as prepare succession plans, in particular for the chairman and chief executive.
- Making recommendations to the board on the suitability for re-election of the directors that are retiring by rotation in terms of the articles of the company.
- Reviewing the size, composition and effectiveness of executive management.
- Actively managing the succession planning process for executive and senior management.

The Human Resources Committee has satisfied its responsibilities under its terms of reference for the period under review.

MEETINGS

During the period under review the Human Resources Committee met four times. Executive directors, as representatives of management, as well as the head of the human resources division attend the meetings. The members of the committee attended all the meetings.

The chairman of the Human Resources Committee attends the Annual General Meeting of the company and is available to respond to any questions.

Risk management and internal control

RISK MANAGEMENT

The board recognises and acknowledges that it is accountable for the total process of risk management and the system of internal control. It declares that there is an ongoing process for identifying, evaluating and managing significant risks. The risk management process has been in place for the period under review up to the date of approval of the annual report and financial statements. A system of internal control is in place to mitigate to an acceptable level those significant risks identified. Such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives and any system can only provide reasonable assurance against material misstatement or loss.

Risks, however, are not only viewed from a negative perspective, but include areas of opportunity, where effective risk management can be used as a competitive advantage.

The board, which is accountable for establishing appropriate risk and control policies, approved the company's Strategic Risk Management policy in May 2002. The risk management process that is followed is based on generally accepted risk practices and best practices in the insurance industry and includes, at a minimum formal enterprise-wide risk identification, risk assessment interviews with risk owners, risk assessment workshops with risk owners and line management, the risk mapping of individual risks (e.g. using root cause analysis) and the documentation of mitigating strategies.

The policy on risk management encompasses all significant business risks to the group that could undermine the achievement of its business objectives. Continuous monitoring of risk and control processes across 14 significant risk areas provides the basis for regular exception reporting to line management, the executive committee, the Risk and Audit Committee and the board.

The board is accountable for communicating the risk and control policies throughout the company and has delegated certain responsibilities in relation to risk management to the executive committee.

The board is responsible for overseeing the risk management process and the adequacy and effectiveness of the risk management function of the company and has tasked the Risk and Audit Committee to assist in this regard. Two of the four committee meetings will focus on risk management and control and a report on the status will be tabled at the board meeting. A risk management report is prepared on a quarterly basis and is a standard agenda item at every Risk and Audit committee meeting.

A documented business continuity plan exists that will ensure continuity of critical business activities in the event of a disaster.

Associates were not included as part of the group for purposes of applying the King II recommendations in relation to risk management. The group's directors, who are represented on these entities' boards, provide assurance that significant risks are being managed.

The company has a compliance officer whose primary role is to assist management in discharging its responsibility to comply with statutory, regulatory and supervisory requirements by facilitating the development, establishment and maintenance of an efficient and effective compliance risk management process. Findings from examinations and reviews are reported directly to the Risk and Audit committee.

The company is also actively managing the risk of fraud. A quality control function has been established that will reduce claims leakage and a Forensics Services department is incorporated in Risk and Compliance Services. The company operates an internal fraudline to enable staff and clients to anonymously report fraud or other irregularities and is also actively involved in and supports the industry fraudline initiated by the SA Insurance Association (SAIA).

Corporate Governance

Control environment and activities

The company's internal control systems are underpinned by written policies and procedures and provide for reporting and analyses of performance against set objectives. The levels of responsibility and accountability were reviewed and aligned with the changed management philosophy of decentralised functions and third party empowerment, as well as the increased complexity of the business. Quality Assurance functions have been established in the major business processes.

Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures assess performance against agreed objectives and identify training needs to maintain and enhance standards of performance.

The company regularly reviews and updates its controls and procedures governing the security of data held on IT systems.

Financial results are monitored and reported according to comprehensive systems and procedures. The board approves the company's budgets. Actual performance is monitored against budgets and objectives.

MONITORING AND CORRECTIVE ACTION PROCESSES

Self-monitoring mechanisms ensure that weaknesses are addressed as and when identified and, in conjunction with monitoring by the internal and external auditors, reasonable assurance is provided regarding the reliability of financial information and the presentation thereof in stakeholder communication.

Controls that address the risk areas identified are analysed and documented. In co-operation with the internal auditors, representation letters on controls and compliance are completed and formally confirmed by management. Reporting on the level of effectiveness with which these risks are managed, as well as of any significant weaknesses is done to the full board of directors.

The internal audit function is incorporated into the company's risk and compliance services department and reports regularly to the chief executive and the Risk and Audit Committee. The responsibilities of the department are set out in a charter accepted by the Audit and Risk Committee. The scope of work encompasses all aspects of the company's business activities and is approached through the following main disciplines:

- Corporate risk management and audit, focusing on management and governance issues and Head Office functions;
- Information systems risk management and audit focusing on all aspects of IS management and operations;
- Operational risk management and audit focusing on the company's underwriting, reinsurance and claims operations;
- Service Level Agreement Compliance audit focusing on the company's business partners;
- Monitoring and auditing of the company's compliance with laws and regulations;
- Forensic investigations into employee, business partner and client fraud or misconduct; and
- Pro-active fraud prevention through the use of relevant tools and methods.

Assistance is also provided to executive management regarding their responsibilities in terms of corporate governance. Findings from examinations and reviews are reported directly to the Risk and Audit committee. The Risk and Audit Committee approves the internal audit programme.

BOARD REVIEW

The review of effectiveness of controls was carried out principally through a process of management self-assessment, including formal confirmation through representation letters completed by executive management as to the effectiveness of internal control. Consideration was given to other relevant input, including reports from internal and external auditors and the strategic risk management process. Where necessary, programmes for corrective action have been initiated.

Nothing has come to the attention of the directors, or to the attention of the external or internal auditors to indicate that any material breakdown in the functioning of the internal financial controls and systems occurred during the year. The company's system of internal financial controls is considered to provide reasonable assurance regarding the achievement of organisational objectives with respect to:

- The effectiveness and efficiency of operations;
 - The safeguarding of the company's assets (including information);
 - Compliance with applicable laws, regulations and supervisory requirements;
- Supporting business sustainability under normal as well as adverse operating conditions;
 - The reliability of reporting; and
 - Responsible behaviour towards all stakeholders.

ACCOUNTING AND AUDITING

There is regular interaction and consultation between internal and external auditors, as well as other assurance providers, for example the quality assurance functions in the claims and underwriting departments and the compliance officer. Co-ordination of efforts includes periodic meetings to discuss matters of mutual interest, potential risk areas, etc. and the exchange of working papers, management letters and reports.

The Risk and Audit Committee reviewed the independence of the external audit function specifically in relation to the non-audit services rendered. Non-audit services rendered by the external auditors amounted to R894 000 and comprised of tax compliance reviews, assistance with value reporting benchmarks, valuations for capital gains tax purposes, co-sourcing of the internal audit of information technology systems, quality control reviews of claims processes and other ad hoc assignments.

GOING CONCERN

The financial statements of Santam Group Limited, set out on pages 27 to 46 are prepared on the going concern basis. The directors considered a number of facts and circumstances to determine whether the company met the going concern requirement. In making this assessment the board did not only consider the obvious matters such as the solvency position, but also expanded their consideration to early warning indicators that may cast doubt about the future viability of the business. These factors, for example, included corporate governance, processes and controls in place, financial results and the performance of the share price.

The directors are of the opinion, after considering these factors, that adequate resources exist to continue the business in the foreseeable future. The directors' statements on the company as a going concern are set out in their report on page 26 of this annual report.

Towards sustaining a better future

2002

Towards sustaining a better future

Corporate citizenship

1. INTRODUCTION

Black Economic Empowerment (BEE) provides a unique opportunity for South Africa to break the cycle of poverty and underdevelopment, as well as to reverse the marginalisation of the disadvantaged groups in the country. Such a national effort would launch the country on to a course of renewal and sustained economic growth.

The company views this drive to help bring about the economic empowerment of disadvantaged groups as an integral part of the process of becoming a truly South African company and a model corporate citizen with all the associated implications. This commitment compels it to approach BEE in a holistic manner and to address all the areas in our company that have been without proper representation.

2. OBJECTIVES OF THE EMPOWERMENT POLICY

The strategic positioning of the company regarding the empowerment of the disadvantaged people of South Africa entails a number of initiatives. These initiatives would seek to achieve the company's mission of "providing innovative risk management solutions and creating superior and sustainable value for its stakeholders" by:

- Assisting in the broader goal of economic development of the country as a whole by creating wealth, alleviating poverty and assisting in the management of the risks for all levels of society.
- Positioning and enabling the company to be active at empowering those who have been denied equal access to the resources of the country as well as equal opportunities within the economy.
- Aligning the commitment of the company's board of directors, its management and its staff to BEE in the spirit of the Constitution and specifically the BEE Commission, which locates all the initiatives within the context of the country's national transformation effort, namely the Reconstruction and Development Programme (RDP).
- Facilitating and supporting historically disadvantaged individuals and entities to do business with the company as their partner by sharing knowledge, resources, experience and skills with these groups.
- Using its economic, social and political influence to effect the empowerment of marginalised groups.

3. BLACK ECONOMIC EMPOWERMENT PRINCIPLES

The company's BEE philosophy and culture are reflected in the following principles:

- Active, visible and energetic involvement in the process by the entire management, starting with the executive committee.
- BEE is viewed as a multi-pronged process that is based on various pillars that form the areas of implementation.

- In implementing the process, a culture that is conducive to promoting BEE must permeate through the entire company, involving the total workforce at all levels. This is being done through
 - the establishment of measurable targets and milestones,
 - the design of appropriate management systems and procedures in each of the pillars, and
 - the identification of points of support, communication frameworks, and processes as well as points of resistance.
- Line management is expected to translate and internalise the Corporate BEE targets and strategies into their own departmental/business units' functional responses.
 - Sustained but realistic mechanisms (healthy balance between carrot and stick) will be employed to ensure performance in respect of BEE targets and milestones. This applies not only to the measurable but also to the softer qualitative aspects of the cultural transformation within the company.
 - Productive BEE goals in the company are integrated into the company's business goals so that BEE is not seen as a free-standing process.
- All of the company's suppliers and business partners will be expected to meet basic requirements in respect of BEE in all their component areas.

4. THE DRIVERS OF BLACK ECONOMIC EMPOWERMENT

The principal drivers of the company's BEE strategy emanate from the BEE Commission Report. These include Ownership and Governance, Commercial Equity, Employment Equity, and Corporate Social Investment. The degree to which the company complies with industry standards and norms varies for each of these areas.

4.1 GOVERNANCE

One of the most glaring indicators of the manner in which access to opportunity and wealth in the country is skewed is the ownership of equity within the corporate sector of South Africa. Santam is no exception. Not only does the company regard this as a concern, but is continually working to empower partners in the insurance industry at both brokerage and underwriting level. Recent changes in the composition of its board of directors reflect the seriousness with which the governance issue is being pursued. Much still needs to be done to fully comply with the spirit of the BEE Commission's directives with respect to Ownership of the Company.

4.2 COMMERCIAL EQUITY

Nowhere is there more scope within the company for empowerment than in the area of developing and supporting businesses in the disadvantaged community. This opportunity is created through the procurement of the company's goods and services. In the case of short-term insurance the settlement of claims allows an added spend that expands the opportunities for empowerment suppliers. The company is involved not only in the purchases of goods but also in the development of businesses in the Small, Medium and Micro Enterprises sector and will increase its efforts to enhance the supply potential and thus the wealth-generating capability of this area of empowerment.

Towards sustaining a better future

The company therefore actively promotes the effective and efficient development of suppliers and contractors from historically disadvantaged communities. The policy of commercial equity enables the company to support its BEE policy by facilitating the following:

- Reducing complexities for prospective suppliers.
- Creating critical mass for Black enterprises.
- Positioning historically disadvantaged enterprises and individuals to be able to compete.
- Support of BEE Joint Venture Initiatives.
- Support of partnerships and linkages in the short-term insurance industry and in the general areas of the company's procurement.
- Formulating innovative strategies for fast-track BEE-execution.
- Maintaining and updating a database of reputable BEE enterprises.

In implementing a policy of *Affirmative Procurement* care is being taken in determining whether a business enterprise can be regarded as a BEE in the true sense of the word. In this regard it must be a legal entity and registered with the Department of Inland Revenue. Such enterprise must provide a commercially useful function. Likewise, the company scrutinises all its Business Partners for their credentials in terms of supporting the development and empowerment of business from disadvantaged groups. In this regard sub-contracting to and joint ventures with BEE enterprises are considered important qualifying criteria for awarding contracts to established business.

4.3 ECONOMIC EMPOWERMENT THROUGH EMPLOYMENT EQUITY

The company sees employment equity as a crucial element in its effort to become a truly South African company. This is an imperative for achieving our vision of being a *risk manager of international quality*, in the context of short-term insurance. This is an opportunity to strategically position the company to achieve its business objectives within the framework of the existing legislation on employment. It is therefore seen as a business imperative for *sustainable profitable growth and not mere compliance with Employment Equity legislation*.

The company believes that individuals have a right to dignity, respect and the realisation of their full potential within the working environment. To this end the company's Board of directors, executive committee and management commit themselves to achieving employment equity throughout the entire company.

A fundamental principle of the employment equity strategy is the fact that although stiff targets are set for the company as a whole, the emphasis does not rest on numbers only. It is crucial that the entire process of employment be seen in a more holistic way, with the inclusion of culture, loyalty, diversity, competency and excellence providing the context within which these targets are to be pursued. Only if this approach is followed will the company *attract and retain* the best human resources. Investing further in the development of this pool of human capital will enhance the company as an employer of choice.

SANTAM STAFF COMPOSITION AS AT DECEMBER 2002 AND 2001

Occupational Level	African		Coloured		Indian		White		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
MALE										
Exec Management	0	0	1	1	0	0	15	14	16	15
Sr Management	5	4	4	2	4	3	146	154	159	163
Professional	3	7	33	39	22	23	332	343	390	412
Skilled & Supervisory	44	42	42	63	18	28	121	138	225	271
Semi-skilled	109	130	92	98	20	23	98	117	319	368
Unskilled	5	9	0	0	0	0	0	0	5	9
Total	166	192	172	203	64	77	712	766	1114	1238
FEMALE										
Exec Management	0	0	0	0	0	0	0	0	0	0
Sr Management	1	0	1	1	0	0	29	19	31	20
Professional	2	2	10	15	7	6	172	179	191	202
Skilled & Supervisory	15	21	49	40	25	34	410	396	499	491
Semi-skilled	111	113	175	182	47	57	460	527	793	879
Unskilled	25	23	3	3	0	0	0	0	28	26
Total	154	159	238	241	79	97	1071	1121	1542	1618
TOTAL										
Exec Management	0	0	1	1	0	0	15	14	16	15
Sr Management	6	4	5	3	4	3	175	173	190	183
Professional	5	9	43	54	29	29	504	522	581	614
Skilled & Supervisory	59	63	91	103	43	62	531	534	724	762
Semi-skilled	220	243	267	280	67	80	558	644	1112	1247
Unskilled	30	32	3	3	0	0	0	0	33	35
Total	320	351	410	444	143	174	1783	1887	2656	2856

Towards sustaining a better future

Employment equity is an essential component of the company's business strategy to position itself appropriately in a diverse marketplace to become an employer of choice and to be a risk manager of international quality.

The company's employment equity rationale is based on it valuing diversity and recognising the need to make a contribution to redress the imbalances of the past as required by the Employment Equity Act¹. The specific objectives of the company's EE policy are:

- to ensure that the company is a non-racial, non-sexist organisation;
- to eliminate unfair discrimination of any kind, including that based on race, gender and/or disability²;
- to establish procedures to preclude the future occurrence of any inequities in employment policies or human resources practices within the company;
- to ensure adequate representation of persons from designated groups³ in all departments/regions and levels of the company structure;
- to guide all policies and procedures for recruitment, selection, appointment, training and development, and promotion of personnel;
- to encourage all individuals to respect diversity;
- to promote mutual acceptance;
- to ensure that every employee is treated with equal respect and concern; and
- to ensure that excellence in business is achieved and maintained.

The company's EE strategy focuses on three major areas in order to achieve its overall targets over time, namely to:

- create a culture in which employment equity and diversity in general are nurtured, respected and valued as integral and necessary parts of the company's sustainable profitable growth strategy;
- concentrate on using available opportunities to increase diversity and the representation of designated groups, particularly Black people⁴; and
- enhance the retention of people from the designated groups (2002 total staff turnover was 14.6%; 21% for black staff).

The company's management has agreed on clear overall EE targets for the company and more specific targets for divisions and business units. Unlike before, managers have been better contracted individually within the performance management process to achieve employment equity targets and objectives. These performance targets and objectives, together with other targets are linked to the company's performance incentive scheme. To monitor progress, managers are required to report every three months on their EE performance.

An EE steering committee was established to give impetus to implementation of the company's strategy and to monitor progress. A national forum and regional forums, consisting of employee representatives, were re-elected and trained.

In 2002, the company's EE targets were revisited and realistic targets set in light of the continuous processes of restructuring and downsizing. Top management has also taken a more pro-active approach in driving EE implementation by sanctioning all senior appointments and promotions.

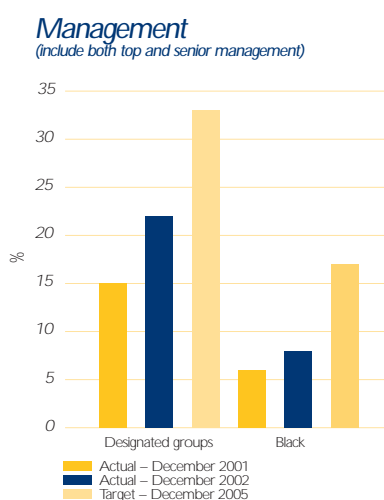
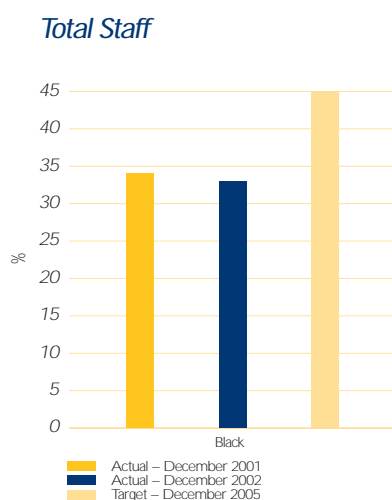
Attempts are underway to align all employment equity, affirmative procurement and corporate social investment efforts as part of the company's black economic empowerment strategy. This would provide a significant input and support the insurance industry's empowerment charter.

¹ No. 55 of 1998 – EEA.

² The EEA defines disability as “long-term of recurring physical or mental impairment which substantially limits prospects of entry into or advancement in employment.”

³ The EEA defines designated groups as “black people (African, Coloured and Indian), women and people with disabilities.”

⁴ Black people as defined in the EEA “is a generic term that means Africans, Coloured and Indians.”



Towards sustaining a better future

4.4 ECONOMIC EMPOWERMENT THROUGH CORPORATE SOCIAL INVESTMENT (CSI)

The company is committed to continuing its involvement in the development of society at large through targeted programmes and initiatives. Whereas the former entail medium-term and sustainable involvement, the latter are the more flexible short-term interventions that are called for by changing circumstances and crises in society.

Santam believes that an organisation exists only by virtue of the fact that the community in which it operates allows it to exist and that a corporate's CSI Programme must be inextricably linked to the business plan and related business objectives and should, most importantly, reflect the brand's values.

We believe that the success of our CSI strategy has been directly linked to our effective support in the form of mentoring, access to skills development, information, resources and financial support. We are proud of the spirit embodied in sound partnerships that have been developed over the past few years and we will continue to foster and nurture these.

Santam's corporate social investment programme is an opportunity for Santam to promote itself as a caring, responsible and a truly South African corporate citizen. It does not support the concept of "cheque book charity". Instead, it focuses on forming meaningful partnerships with previously marginalised communities through capacity building and the transfer of skills and is governed by the principle of self-help and sustainability.

Santam's key CSI focus is in forming and sustaining mutually partnerships between itself, civil society and government.

Even the entertainment at the High Schools Entrepreneurs' Final is provided by learners

Over the last two years, Santam has undertaken to strategically align its CSI activities and move away from ad-hoc forms of involvement. We are now increasingly joining forces to solve problems of both local and national significance. In this vein Santam has focussed on education, at both school and tertiary levels with a strong impact on society's needs. In as far as is possible these programmes have been placed within the field of the financial services and entrepreneurial sector.

ENTREPRENEURS' PROJECT FOR HIGH SCHOOLS

Six years ago, Western Cape high school learners were, through this programme, exposed to the challenge of entrepreneurship by participating in a small business venture, which was evaluated by Santam. Through discussions with Tygerberg College and the Department of Education, this project has developed to all of the 9 regions in South Africa, as well as Namibia. The impact on learners has grown from 50 to 76 250 (in 2002).

Budding entrepreneurs have to present their business plans to a panel of independent judges at a Market Day Competition.

In partnership with the Department of Education and the Foundation for Economic and Business Development (Febdev), selected Grade 8 educators participate in a national training, mentoring and support programme within the Economic and Management Sciences learning area – as part of the newly implemented Outcomes based Education. Workshops are facilitated with educators and are fully aligned with the school syllabus. Teaching resources are provided to

both educators and learners, with the programme culminating in a Market Day Competition, assessed by the respective Departments of Education. Winning "businesses" participate in a National Awards Ceremony with cash and incentive prizes being awarded.

FINANCIAL MANAGEMENT TRAINING FOR THE EARLY CHILDHOOD DEVELOPMENT SECTOR

Due to an urgent need within the early childhood development (ECD) sector for enhanced financial and management skills, workshops have been organised for ECD practitioners in the Western, Eastern and Northern Cape.

The project originated in the Western Cape where 250 practitioners had been trained. At a practitioner to pupil ratio of 1:50 this has impacted on 12 500 children in previously disadvantaged communities and informal settlements.

In the Eastern Cape, 17 Education Department fieldworkers were trained to train staff at schools / centres they support, with a database of 500 educators, impacting on more than 300 000 children in quasi-rural areas.

Currently a similar training programme is underway in the Northern Cape. These women will then become trainers, enabling them to train other women in the pre-school field. This project aims to target a minimum of 200 schools / centres, impacting on approximately 300 000 children.

CHILD ART COMPETITION

Santam's child art competition celebrates the spontaneity of children's art and gives us a glimpse of the world through the eyes of the child. Santam's child art project celebrates its 40th anniversary this year, having been initiated in 1963 with the purpose of stimulating and fostering an interest in child art.

The competition, which is open to all learners from pre-primary to matric, attracts about 5 000 entries per year with entrants drawn from schools throughout the Republic of South Africa. Since its inception approximately 600 000 children have participated in the competition.

In 1991 the Santam child art project was awarded a Golden World Award by the Geneva-based International Public Relations Association (IPRA) – the only South African company to receive this honour.

Towards sustaining a better future

From 1993 to 1999 the child art project was launched internationally as a result of a partnership between Santam and the Department of Foreign Affairs. The competition attracted entries from children from 30 foreign countries and culminated in an international travelling exhibition of selected art works.

During recent years the focus of the competition has been to develop the creativity of local South African talent and to provide a showcase for the work of our young artists through the national travelling exhibitions.

The Santam child art calendar, featuring selected artworks is made available to the public for a donation of R10. The proceeds are then used to fund informal art classes throughout the country, for children from the previously disadvantaged communities.

TERTIARY PROJECT COMPETITION

Santam believes in forging meaningful partnerships and a prime example of this is the relationship built with various tertiary institutions through this particular project over a number of years.

Three annual awards of R50 000 per year are made available to tertiary institutions. This enables them to implement a community development programme by making use of the skills and expertise of academic staff, coupled with the "hands-on" involvement of these communities.

Awards presented between 1996 and 2002

University of Pretoria
Pretoria Technikon
Potchefstroom University
Klerksdorp College
Technikon Natal
Midlands Community College
University of Port Elizabeth
Port Elizabeth Technikon
University of Free State
Free State Technikon
Stellenbosch University
Cape Technikon
University of the Western Cape

SANTAM / WECBOF ADOPT-A-SHOP

In partnership with the Western Cape Business Opportunity Forum (WECBOF), Santam has identified emerging motor repair shop-entrepreneurs who have each been partnered with an established and successful repair shop owner.

Participants complete a skill training and mentorship programme, unique to each of their specific needs. The objective of the project is to raise their levels of service delivery to meet with acceptable industry standards, thus enabling them to source work via the Santam panel and ultimately manage their own sustainable, independent and successful small business enterprises.

4.5 MONITORING PROGRESS

In moving beyond the stage of a good policy paper the company has embarked on a process of benchmarking itself in terms of a well-devised model, termed the Corporate Citizenship Management Rating (CCMR). It provides us with a measurement framework for assessing and managing all the elements of corporate citizenship. This will enable the company to assess the degree to which corporate citizenship management systems are complete and effective. A secondary benefit is that the CCMR serves as input for setting indicators and performance targets, which in turn are an integral part of the reporting process.

In brief, we have embarked on the CCMR framework to enable the company to assess its current performance, to develop a plan of improvement and implementation of management systems, to set out reporting schedules and objectives and to begin the process of embedding corporate citizenship as a way of doing business.

5. CONCLUSION

In order to achieve its vision of being a risk manager of international quality in the short-term insurance sector while reflecting the characteristics of a truly South African company at the same time, the company is committed to being a worthy corporate citizen. Therefore, the company is positive about its ability to increase the levels of participation and development of historically marginalised people in the ownership, management and control of economic resources of this country. This will be a process of continuous improvement.

Ethical practices and organisational integrity

CODE OF ETHICS

In realising the company's vision, it is important that everyone in the company achieves excellence and that we retain our position of leadership as a short-term insurer. Achieving excellence and attracting the best calibre employees is only possible if the working environment is free of any discrimination and built on the foundations of high ethical standards and personal integrity.

The company's Codes of Ethics and Conduct, to which all employees and strategic business partners must subscribe, contains corporate practices that we apply in conducting our affairs. These serve as a guideline as to the behaviour and conduct that is acceptable and that must be encouraged and possibly be added to in future as dictated by circumstances and legislation. Existing policy and rules lend further support to the company's Code of Conduct; failure to comply can lead to disciplinary actions being taken against individuals and/or groups.

Our achievements have always been and will continue to be built on the relationship between the company as an employer, its employees and the communities within which we operate.

Towards sustaining a better future

The essence of the Code is:

- To act in an open, honest and fair manner towards all stakeholders
- To offer equal opportunities to all and not to tolerate any harassment or discriminatory practices
- To respect personal beliefs, values, norms and cultural differences
- To maintain the highest standards of integrity and confidentiality
- To comply consistently with all legal and moral duties
- To act in the best interests of the company and to vigorously strive towards the achievement of goals.

RECRUITMENT

As an equal opportunity employer, the company encourages equal and fair employment opportunities for all. We promote workplace and cultural diversity through our recruitment, retention and promotion policies and practices whilst seeking out individuals who are capable of offering superior value and knowledge.

In line with our Mission and Values, we aim to attract highly talented and dedicated people who can make a real contribution to our continuing success and generate ideas that can build a truly competitive advantage.

Given that our business is to provide a specialist service, built on mutual trust and strong human relationships, the company places an important emphasis on people skills in recruiting and appointing employees that can serve the client with innovative solutions within this sphere.

To encourage staff mobility and development, we normally consider existing, qualified employees for our job openings; however, we also welcome external candidates for opportunities at all levels in the organisation, especially when specific skills are being required.

The company's selection process is stringent, but fair, as the company is committed to upholding Best Practice standards in order to attract suitable people. In order to deliver a consistent and efficient service we aim to minimise the risk of making incorrect selection decisions by using effective selection aids. These include structured interviews, psychometric assessments and reference checks.

Safety, health and the environment

ENVIRONMENTAL POLICY

As a short-term insurer, it is the company's responsibility to protect the assets of its policyholders and the investments of its shareholders. Underlying these material considerations, however, is a commitment also to protecting our shared natural assets.

The company recognises that our environment gives us life and supports life; and that it is our responsibility to protect it and ensure its sustainable use.

PROJECTS OF THE
SANTAM/CAPE ARGUS
UKUVUKA:
Operation Firestop, founded
after the devastating fires in the
Western Cape in January 2000,
covers the whole Cape
Peninsula. Through the drive to
clear the mountain range of
alien vegetation the programme
has been a major force in
both fire prevention and
job creation.

In this regard we are one of the founding sponsors of the Santam / Cape Argus Ukuvuka: Operation Firestop Campaign, which was initiated after devastating fires swept through the southern parts of the Cape Peninsula in January 2000 and destroyed 9 000 ha of vegetation and threatened to engulf many suburbs.

Ukuvuka focuses on three key target areas:

- The land and its plants: to control invading alien plants and to rehabilitate fire-damaged areas;
- Communities and individuals: to create employment, training and poverty relief for disadvantaged people, protect the most vulnerable communities from fire and promote co-operation and social cohesion between communities.
- Institutions: to help implement integrated fire management plans and manage the urban edge.

The company's financial commitment to the campaign – R10 million over four years – is coming to an end in December 2003.

HIV/AIDS

The company acknowledges that HIV/AIDS is currently one of the most devastating health conditions affecting the health of millions throughout the world.

It is therefore of vital importance that the company anticipates all situations where HIV/AIDS could have an impact in the workplace and to act in a pro-active manner regarding these situations. The company's HIV/AIDS policy has as its key objectives the following:

- Ensure equity between employees.
- Promote and maintain a humane and compassionate attitude to employees infected/affected by HIV/AIDS.
- Create a work environment that is conducive to disclosure without fear of prejudice, stigma or rejection.
- Provide access to programmes for care and support.
- Limit the further spread of HIV/AIDS by educating all employees.

The company strives to create an environment to ensure the above objectives.

Towards sustaining a better future

Human capital

Fast tracking human capital by focusing on improved organisational competence, performance management and optimised retention and attraction strategies is one of the five primary objectives of the company.

EMPLOYEE DEVELOPMENT AND LEARNING

Our approach to employee development and learning seeks to provide opportunities to all staff to develop their full potential for the benefit of themselves and the company. Therefore we offer a wide variety of learning and development initiatives.

We have actively participated in the establishment of the Insurance Sector Education and Training Authority (Inseta), its functional committees and structures and the development and implementation of a skills development strategy for the insurance sector as a whole. The company not only supported Inseta projects, but also played an active role on project teams, assisting in writing standards, on-the-job-training and evaluation of material. The company was accredited as a provider of learning and a number of learnerships were approved. Skills assessors were trained and four discretionary grants approved by the Inseta for company-related competence improvement projects.

An emphasis on developing our supervisors and managers has resulted in the implementation of a leadership development strategy consisting of assessment on different levels, development through a suite of in-house leadership and management programmes, complemented by leadership programmes provided by external service providers and business schools. These included the Inseta leadership development initiative and a leadership development partnership with Sanlam. The leadership development strategy is integrated with succession management to provide talent pools within the company.

Time allocated to training is four days per employee per annum on average, with training costing 3.96% of annual payroll.

PERFORMANCE MANAGEMENT

We believe in continuous improvement. Therefore, there is an ongoing process to review and improve practices to reflect our intent to foster a performance and results-driven culture. This is reflected in an integrated performance management process, which includes goal setting, development discussions, performance reviews and a formal performance appraisal, supported by a performance management system and linked to remuneration and incentives. A number of surveys within the broader labour market with specific focus and reference on the financial and insurance sectors are also used to benchmark our practices.

EMPLOYEE RELATIONS

The company recognises the importance of sound employee relations as a cornerstone for achieving the highest possible business results. It is of vital importance to continually facilitate this employer-employee relationship in such a way as to obtain the maximum possible synergies between the different stakeholders.

In order to achieve this, the company is committed to:

- Providing advice and support to employees regarding human resources issues.
- Timely, honest and open communication.
- The freedom of expression.
- The right of freedom of association of employees.
- The recognition that trade unions are part of normal management/labour relations. To this end, the company has a formal recognition agreement with the financial union, SASBO.
- Implementing fair disciplinary procedures where there are deviations from our ethics, policies, rules and regulations.
 - Complying with all relevant legislation such as the Labour Relations Act (Act No 66 of 1995) and the Basic Conditions of Employment Act (Act No 75 of 1997).

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

The company has established an Employee Assistance Programme (EAP) to provide professional, confidential assistance to employees experiencing various types of personal problems. The programme is designed to promote employee well being and to help employees deliver an acceptable level of productivity.

An external private consulting and service firm administers this confidential programme. This free service is available to all permanent employees of the company.

COMPENSATION & BENEFITS

Our remuneration strategy is to support the company in improving its long-term results by attracting and retaining the right people, motivating and encouraging the right behaviour, rewarding equitably and encouraging individual as well as team performance. The reward policy consists of different components.

- Market-related total remuneration package based on individual performance, competence and potential.
- Short-term incentive scheme paid annually and requiring the attainment of pre-set targets based on individual and team performance.
- Long term incentive – A share scheme based on performance, potential and the individual's overall value to the business.
- Rainmakers scheme – A long-term incentive scheme only for those employees that have a direct influence on the company's bottom line results. This scheme requires the achievement of certain pre-set targets.

To ensure that the company's remuneration packages remain competitive compared to the rest of the market, regular comparisons are made by participating in remuneration surveys and industry benchmarks. The company regards the cost of remuneration as an investment and acknowledges that our employees are a key resource.

Financial Statements

*Approval of Annual Financial Statements 26 Directors' Report 27 Income Statements 30
Balance Sheets 31 Cash Flow Statements 32 Statement of Changes in Equity 32*

2002

Approval of Annual Financial Statements

to the members of Santam Limited

Responsibility for and approval of the group annual financial statements

The board of Santam Ltd. accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd. and its subsidiaries.

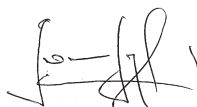
The audit committee has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on South African Statements of Generally Accepted Accounting Practice.

The board is of the opinion that Santam Ltd. is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were approved by the board and signed on their behalf by:



DK SMITH
Chairman



J VAN ZYL
Chief executive

25 February 2003

Secretarial certification

In accordance with section 268G(d) of the Companies Act, Act 61 of 1973, as amended ("the Act"), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



VF MALIE
Group secretary

25 February 2003

Report of the independent auditors

We have audited the financial statements and group annual financial statements of Santam Limited set out on pages 27 to 46 for the year ended 31 December 2002. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these annual financial statements based on our audit.

SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

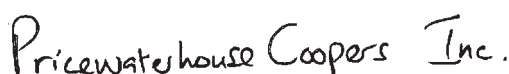
An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group as at 31 December 2002, and the result of their operations and cash-flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.



PRICEWATERHOUSECOOPERS INC.
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
25 February 2003

Directors' Report

1. ACTIVITIES

Santam Ltd. and its subsidiaries transact all classes of short-term insurance.

2. OPERATING RESULTS

During the year, the company changed its accounting policy with respect to the treatment of investment income to conform with international trends and to enable industry comparison. From this year realised and unrealised surpluses or losses are recognised in the income statement. Refer to note 7 (page 38). Comparative amounts have been appropriately restated.

The following tables provide an overview of the operating results for the past two financial years.

	GROUP		COMPANY	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
Total assets	8 916 565	7 304 965	7 154 500	5 900 386
Gross written premium	8 197 393	6 205 597	6 720 146	5 022 591
Underwriting surplus	141 840	96 649	89 331	61 196
Investment income	178 742	538 309	136 541	524 336
Attributable earnings to shareholders	302 242	571 644	252 685	648 202
Pro forma earnings based on long-term rate of return	515 982	444 764	507 372	507 686
Headline earnings per share (cents)	274	518		
Pro forma earnings per share based on long-term rate of return (cents)	464	404		
Dividend per share (cents)	170	154		

3. ORDINARY SHARES ISSUED

The stated capital has increased to 111 845 762 shares of no par value. In accordance with the vote of approval given with regard to the share incentive scheme at the annual general meeting on 23 January 1997, 789 000 share options were awarded during the period under review, 82 400 share options lapsed as a result of resignations and 999 625 shares were issued as a result of share options being exercised or released. Full details are set out in note 14 of the annual financial statements.

4. DIVIDENDS

The following dividends were paid and are proposed.

Interim dividend of 65c per share (2001: 59c)	72 475	65 174
A proposed final dividend of 105c per share (final 2001: 95c)	117 438	105 409
	189 913	170 583

5. SUBSIDIARIES

Details of the holding company's interest in subsidiaries are set out in note 29 to the financial statements. The interest of Santam Ltd. in the total profits of the subsidiaries after providing for taxation amounted to R51 898 000 (2001: R15 570 000) for the past financial year.

- On 1 January 2002, Santam Ltd. acquired 100% of the shareholding in Santam Risk Finance Ltd, formerly known as Allianz Risk Transfer Ltd.
- On 1 January 2002, Santam Namibia Ltd acquired 100% of the shareholding in Hegel Street 26 Investments Ltd., formerly known as Allianz Namibia Ltd.
- On 1 January 2002, Swanvest 120 (Pty) Ltd acquired a further 28% shareholding in Stalker Hutchison & Associates (Pty) Ltd.
- On 31 December 2002, Santam Ltd. acquired 100% of the shareholding in Insurance Broker Resource Centre (Pty) Ltd and Africa Group Financial Services (Pty) Ltd, part of the Africa Group of companies.

6. RELATED PARTIES

Related party relationships exist between the company, fellow subsidiaries, subsidiaries, associated companies and the company directors. All intergroup transactions have been eliminated from the group's financial statements.

For related party transactions with the Sanlam Group of companies, refer to note 25.

Details of directors' remuneration and their interest in the company's shares appear elsewhere in the financial statements, refer to note 3.

Directors' Report

7. HOLDING COMPANY

Sanlam Ltd., the company's holding company, holds 54.08% of the ordinary share capital.

8. SEGMENTAL REPORTING

Refer to page 46 for the Segmental Report.

9. DIRECTORS EMOLUMENTS AND INTERESTS IN SHARE CAPITAL

Directors' emoluments

The Group Human Resources committee considers the remuneration of all directors as well as the fees paid to all non-executive directors. The financial statements accompanying this report reflect the total of executive and non-executive directors' earnings and other benefits in accordance with the requirements of the Companies Act, 1973, and listing requirements introduced by the JSE Securities Exchange.

Share options granted to executive directors

The aggregate number of share options granted to the executive directors of the group during the year was 31 000 (2001: 267 000). The share options were granted on the same terms and conditions as those offered to the employees of the group. The outstanding number of share options granted to the directors of the group at the end of the year was 655 500.

DIRECTORS' PARTICIPATION IN SHARE OPTION SCHEME

	As at 31 December 2001	Number of shares during year		Option price R	Date awarded	As at 31 December 2002
		Granted	Exercised			
Executive Directors						
JA van Tonder	60 000			15.25	23/10/98	60 000
	30 000			27.00	03/03/99	30 000
	20 000			26.80	15/03/00	20 000
	25 000			32.50	20/02/01	25 000
		8 000		37.15	26/02/02	8 000
Sub-total	135 000	8 000	–			143 000
J van Zyl	217 000			35.20	26/04/01	217 000
		15 000		37.15	26/02/02	15 000
Sub-total	217 000	15 000	–			232 000
JW Wilken	35 000			15.25	23/10/98	35 000
	17 500			27.00	03/03/99	17 500
	45 000			26.80	15/03/00	45 000
	25 000			32.50	20/02/01	25 000
		8 000		37.15	26/02/02	8 000
Sub-total	122 500	8 000	–			130 500
Non-Executive directors						
JJ Geldenhuys*	100 000			15.25	23/10/98	100 000
	50 000			27.00	03/03/99	50 000
Sub-total	150 000					150 000
TOTAL	624 500	31 000	–			655 500

* Options granted when employed by Santam Ltd.

Directors' Report

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

	Beneficial holding at 31 December 2002	Beneficial holding at 31 December 2001
Executive Directors		
JA van Tonder	12 500	12 500
J van Zyl	100	100
JW Wilken	1 500	1 500
Non-executive directors		
JJ Geldenhuys	120 000	120 000
EM Groeneweg	500	500
JG le Roux	100	100
NM Magau	100	–
AR Martin	150	150
JE Newbury	1 000	1 000
P de V Rademeyer	500	500
GE Rudman**	3 000	3 000
DK Smith	100	100
BP Vundla	300	–
	139 850	139 450

** 4000 shares as non-beneficial holding, whereas all other directors have no non-beneficial holding as at the end of the year.

10. DIRECTORS AND SECRETARY

The directors of the company are:

Non-executive directors:	Executive directors:
JJ Geldenhuys*	JA van Tonder
EM Groeneweg *	J van Zyl (Chief executive)
JG le Roux **	JW Wilken
NM Magau	
AR Martin	
JE Newbury**	
P de V Rademeyer *	
GE Rudman *	
DK Smith (Chairman) **	
BP Vundla	

* members of the Risk and Audit Committee

** members of the Human Resources Committee

The following changes were made to the company's board of directors during the period under review:

WS McFarlane	– Retired on 28 May 2002
JD Sinclair	– Retired on 28 May 2002
NM Magau	– Appointed on 28 May 2002
PB Vundla	– Appointed on 28 May 2002
L Vermaak	– Resigned on 6 December 2002

The company secretary for the past year was

VF Malie
P.O. Box 3881, Tyger Valley 7536
Santam Ltd., 1 Sportica Crescent, Bellville 7530

11. AUDITORS

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 270 (2) of the Companies Act, 1973.

12. POST BALANCE SHEET EVENTS

During January 2003, the group concluded the acquisition of the British niche insurer Westminster Motor Insurance Association Ltd., which specialises in insurance for taxis and private vehicle rental companies. The purchase of GBP23.3million was funded from own resources, and is seen as an important strategic step for diversifying the group's income base.

Financial Statements

INCOME STATEMENTS

	Notes	GROUP		COMPANY	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
Gross written premium		8 197 393	6 205 597	6 720 146	5 022 591
Less: reinsurance premium		2 562 191	1 631 869	1 557 646	715 334
Net premium		5 635 202	4 573 728	5 162 500	4 307 257
Less: change in unearned premium		86 913	(186 070)	73 893	(202 463)
Gross amount		258 253	(119 772)	287 340	(185 239)
Reinsurers' share		171 340	66 298	213 447	17 224
Earned premium		5 548 289	4 759 798	5 088 607	4 509 720
Expenses					
Claims incurred	2	3 925 050	3 366 508	3 678 159	3 078 554
Claims paid		3 756 920	3 374 698	3 462 320	3 047 153
Gross amount		4 832 760	4 168 988	4 229 997	3 457 093
Reinsurers' share		1 075 840	794 290	767 677	409 940
Change in provision for outstanding claims		168 130	(8 190)	215 839	31 401
Gross amount		129 726	257 490	252 136	288 654
Reinsurers' share		(38 404)	265 680	36 297	257 253
Commission		698 449	635 354	659 992	783 120
Commission incurred		1 221 939	955 852	928 909	871 109
Commission recovered		523 490	320 498	268 917	87 989
Management expenses	3	782 950	661 287	661 125	586 850
Underwriting surplus		141 840	96 649	89 331	61 196
Investment return on insurance funds	4	114 830	87 972	91 837	81 711
Operating income		256 670	184 621	181 168	142 907
Investment income	4	178 742	538 309	136 541	524 336
Income from associated companies	5	(646)	1 975	(3 174)	–
Dividends from subsidiaries		–	–	1 772	80 209
Income before taxation		434 766	724 905	316 307	747 452
Taxation	6	115 585	141 342	63 622	99 250
Minority interest	16	13 640	11 919	–	–
Headline earnings	7	305 541	571 644	252 685	648 202
Amortisation of goodwill	12	3 299	–	–	–
Attributable earnings to shareholders		302 242	571 644	252 685	648 202
Pro forma earnings based on long-term rate of return	8	515 982	444 764	507 372	507 686
Earnings per share (cents)	9				
Headline earnings per share		274	518		
Attributable earnings per share		271	518		
Pro forma earnings per share based on long-term rate of return		464	404		
Dividends per share (cents)	10	170	154		

Financial Statements

BALANCE SHEETS

BALANCE SHEETS		GROUP		COMPANY	
		2002	2001	2002	2001
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		3 296 134	3 635 418	3 818 241	4 005 518
Property and equipment	11	41 401	35 844	28 065	27 568
Goodwill	12	33 075	–	4 800	–
Deferred taxation	17	14 063	–	–	–
Investments	13	3 207 595	3 599 574	3 785 376	3 977 950
Technical Assets		2 072 259	1 646 686	880 022	598 999
Reinsurers' share of technical provisions					
Outstanding claims		1 093 263	1 100 479	384 036	347 739
Unearned premiums		833 975	450 905	409 063	195 615
Deferred acquisition costs		145 021	95 302	86 923	55 645
Current assets		3 548 172	2 022 861	2 456 237	1 295 869
Amounts due by debtors and outstanding premiums		1 038 537	790 155	578 011	549 597
Amounts owed by reinsurers		237 185	145 272	176 551	68 029
Amounts owed by subsidiaries	29	–	–	92 222	247 577
Cash and cash equivalents		2 272 450	1 087 434	1 609 453	430 666
TOTAL ASSETS		8 916 565	7 304 965	7 154 500	5 900 386
EQUITY AND LIABILITIES					
Capital and reserves		3 375 489	3 230 342	3 160 991	3 065 401
Share capital	14	1 090 618	1 069 829	1 090 618	1 069 829
Non-distributable reserves	15	836 223	1 054 965	865 265	1 033 857
Distributable reserves		1 448 648	1 105 548	1 205 108	961 715
Minority shareholders' interest	16	38 953	29 025	–	–
Technical provisions		4 225 747	3 295 421	2 615 437	2 027 156
Gross outstanding claims		2 392 063	2 149 975	1 527 962	1 275 882
Gross provision for unearned premiums		1 694 516	1 045 722	1 004 627	717 287
Deferred reinsurance acquisition revenue		139 168	99 724	82 848	33 987
Non-current liabilities		34 210	104 604	27 793	107 111
Deferred taxation	17	34 210	104 604	27 793	107 111
Current liabilities		1 242 166	645 573	1 350 279	700 718
Amounts due to reinsurers		548 487	224 197	423 756	111 201
Taxation		162 422	72 433	109 516	55 467
Trade and other payables		443 451	267 844	218 944	186 480
Provisions	18	87 806	81 099	87 806	81 099
Amounts owing to subsidiaries	29	–	–	510 257	266 471
TOTAL EQUITY AND LIABILITIES		8 916 565	7 304 965	7 154 500	5 900 386
Solvency margin (%)	1.3.6	60	71		

Financial Statements

CASH FLOW STATEMENTS

	Notes	GROUP		COMPANY	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
Cash generated by operations	19	682 370	(89 295)	1 025 702	796 830
Investment income received	20	308 638	315 139	252 226	268 523
Cash generated by operating and investment activities		991 008	225 844	1 277 928	1 065 353
Taxation paid	21	(96 228)	(69 262)	(88 892)	(62 021)
Cash retained from operating and investment activities		894 780	156 582	1 189 036	1 003 332
Dividends paid	22	(177 668)	(162 352)	(177 884)	(160 121)
Cash retained from operating and investment activities		717 112	(5 770)	1 011 152	843 211
Proceeds from ordinary shares issued		20 789	24 181	20 789	24 181
Investment in associated companies		(4 941)	–	–	–
Proceeds from disposal of associated companies		12 600	–	–	–
Investment in subsidiaries	23	(36 374)	–	(16 445)	–
Cash acquired through acquisition of subsidiaries		143 609	–	–	–
Cash utilised in additions to fixed assets		(20 819)	(2 468)	(15 679)	(1 264)
Proceeds from disposal of fixed assets		1 482	5 762	861	5 712
Additions to fixed assets		(22 301)	(8 230)	(16 540)	(6 976)
Increase in investments and liquid assets		831 976	15 943	999 817	866 128

STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Non-distributable reserve Contingency reserve R'000	Unrealised surplus R'000	Distributable reserves R'000	Total R'000
GROUP					
Balance as at 1 January 2002	1 069 829	444 430	610 535	1 105 548	3 230 342
Share issue	20 789				20 789
Retained income for the period				302 242	302 242
Transfer to reserves		72 466	(291 208)	218 742	–
Dividends paid				(177 884)	(177 884)
Balance as at 31 December 2002	1 090 618	516 896	319 327	1 448 648	3 375 489
COMPANY					
Balance as at 1 January 2002	1 069 829	444 430	589 427	961 715	3 065 401
Share issue	20 789				20 789
Retained income for the period				252 685	252 685
Transfer to reserves		72 466	(241 058)	168 592	–
Dividends paid				(177 884)	(177 884)
Balance as at 31 December 2002	1 090 618	516 896	348 369	1 205 108	3 160 991

Notes to the Financial Statements

2002

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared based on historical cost, adjusted for the fair value of investments. The following are the principal accounting policies applied by the group, which are in accordance with South African Statements of Generally Accepted Accounting Practice, and are consistent with those of the previous year, except for the change in accounting policy as discussed below.

1.1 GROUP ACCOUNTS

The consolidated financial statements include the results of the company and all of its subsidiaries. Subsidiaries are consolidated from the date on which effective control is transferred to the group until date of disposal. All inter-group balances, transactions, profits and losses are eliminated from the group results.

1.1.1 Associated companies

Except for subsidiaries, all companies in which the group has a long-term interest, and over which it has the ability to exert a significant influence in financial and operational decisions, are regarded as associated companies and are accounted for according to the equity method. Should the directors be unsure of the ability of associated companies to remit earnings, they are accounted for according to the cost method and earnings are recognised only upon receipt of dividends.

1.1.2 Foreign transactions

Transactions and balances

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited or charged to net operating income.

Foreign entities

The financial statements of foreign entities are translated into South African currency as follows:

- Assets, including intangibles such as goodwill, and liabilities at rates of exchange ruling at balance sheet date.
- Income, expenditure and cash flow items at the weighted average rate.

All resulting translation exchange differences are reflected as part of shareholders' funds on consolidation. On disposal, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Foreign operations

The financial statements of foreign operations are translated into South African currency as follows:

- Monetary items are translated at rates of exchange ruling at balance sheet date.
- Non-monetary items are translated at the rate ruling on the date of the transaction, but if revalued since then, the rate ruling at the date of the revaluation.

All resulting translation exchange differences are reflected in the income statement on consolidation.

1.1.3 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of that entity, excluding intangible assets arising in insurance enterprises from contracts with policyholders at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life, not exceeding a period of five years.

1.2. BALANCE SHEET

1.2.1 Fixed assets and depreciation

Fixed assets are reflected at their depreciated cost prices. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of assets. Fixed assets are written off over periods ranging from three to five years.

Payments made under operating leases are charged to the income statement in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.2.2 Deferred taxation

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Currently, enacted tax rates are used to determine deferred taxation.

With this method, the group is required to provide for deferred income tax that is payable on the fair value movements of investments and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base.

The principal temporary differences arise from depreciation on fixed assets, changes in the fair value of investments and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

1.2.3 Provisions

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

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.3. FINANCIAL INSTRUMENTS

1.3.1 Investments

Listed investments are valued at JSE Securities Exchange valuations. Unlisted investments are stated at directors' valuation. Interest-bearing investments are valued by discounting expected future cash flows at appropriate market interest rates. Listed derivative instruments are valued at the South African Futures Exchange prices. As in previous years, the directors' investment valuations were done on a conservative basis.

The net unrealised surplus or loss resulting from the revaluation of investments and realised surpluses or losses resulting from the sale of investments are recognised in the income statement. This constitutes a change in accounting policy (refer note 1.4.7). The unrealised surplus or loss is transferred to a non-distributable reserve. Dividends on listed shares are recognised on the last day of registration and on unlisted shares when declared.

Notes to the Financial Statements

1.3.2 Hedging

Derivatives are used for hedging of investment acquisitions and portfolios.

1.3.3 Cash and cash equivalents

Bank balances and deposits represent amounts that are immediately available and have been deposited with banks.

1.3.4 Amounts owed by reinsurers

This figure comprises amounts owing from normal reinsurance business with reinsurers.

1.3.5 Debtors and outstanding premiums

Debtors and outstanding premiums consist mainly of amounts owed by insurance brokers and policyholders resulting from normal insurance business as well as accumulated investment income. No premium amounts are outstanding for more than 60 days and, in the case of insurance brokers, the outstanding amounts are insured by guarantees as arranged by the South African Insurance Association.

1.3.6 Solvency margin

The solvency margin is calculated by expressing the total shareholders' funds as a percentage of the consolidated net premium income for the past 12 months.

1.4 INCOME STATEMENT

1.4.1 Premiums

Gross premiums exclude value-added tax and inter-group reinsurance treaty premiums. Domestic premiums are accounted for as income when payable by the insured. Inward reinsurance agreement premiums are accounted for on a notified basis.

1.4.2 Underwriting results

Underwriting results are determined in accordance with the basic principles applicable to short-term insurance companies and are as follows:

Provision for unearned premiums

The provision for unearned premiums represents that part of the current year's premiums that relates to risk periods that extend to the following year.

Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Provision for claims

Provision is made for the estimated final cost of all claims that have not been settled on the accounting date, less amounts already paid, and claims arising from insured contingencies that occurred before the close of the accounting period, but which had not been reported to the company by that date.

Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

1.4.3 Investment return on insurance funds

Investment return on insurance funds represents the actual return earned on cash generated by insurance activities.

1.4.4 Retirement benefits

Retirement benefits for employees are provided by a number of defined contribution pension funds. The assets of these funds are held separately from those of the Group. The retirement plans are funded by payments from employees. The Group's contributions to the defined contribution funds are charged to the income statement in the year in which they are incurred.

The Group has provided in full for its contractual medical contribution commitments in respect of pensioners. The present value of this post-retirement medical aid obligation is actuarially determined annually and any deficit or surplus is immediately recognised in the income statement. The Group's contributions to medical funds are charged to the income statement in the year in which they are incurred.

1.4.5 Contingency reserve

A contingency reserve is maintained in terms of the Insurance Act, 1998. The utilisation of this reserve, in case of a catastrophe, is subject to the approval of the Financial Services Board. Transfers to this reserve are done through the appropriation of income after tax and are indicated in the balance sheet as a non-distributable reserve under shareholders' funds.

1.4.6 Pro forma long-term rate of return adjustment

The pro forma long-term rate of return adjustment represents the difference between the actual investment return earned on shareholders' funds during the year and the long term investment return calculated on the basis described below. The pro forma long-term investment return is determined by the directors and is based on historical experience and current market conditions having regard to expectations concerning inflation expectations and consensus economic and investment forecasts.

The long-term investment return of 13% pre-tax is calculated on a monthly basis on the fair value of the investments held in the shareholders' funds, excluding holdings in associated companies. The directors are of the opinion that this rate of return is appropriate and has been selected with a view to ensuring that investment returns credited to earnings are consistent with the actual returns expected to be earned over the long term.

1.4.7 Change in accounting policy

During the year the company changed its accounting policy with respect to the treatment of investment income. Previously, the net unrealised surplus or loss resulting from the revaluation of investments, and the realised surplus or loss resulting from the sale of investments, were directly transferred to equity as non-distributable and distributable reserves respectively.

From this year, the realised and unrealised surpluses or losses are recognised in the income statement. The comparative amounts have been appropriately restated. There has been no change in the opening reserve balances. The effect of this change on attributable earnings is set out in note 7.

1.5. COMPARATIVES

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

Notes to the Financial Statements

INCOME STATEMENT

INCOME STATEMENT		GROUP		COMPANY	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
2. CLAIMS INCURRED					
Claims paid and provided include a portion of direct expenses of the claims and internal assessors departments.					
3. MANAGEMENT EXPENSES					
Management expenses are stated after:					
3.1 Auditors' remuneration	3 377	1 721	3 251	1 276	
Audit fees	2 483	1 607	2 363	1 169	
Tax services	15	41	15	41	
Other services	879	73	873	66	
3.2 Rentals under operating leases	62 595	61 053	61 576	60 765	
Offices	43 173	40 403	42 283	40 403	
Computer equipment	4 527	5 440	4 524	5 440	
Furniture and mechanical equipment	3 703	3 063	3 577	3 063	
Motor vehicles	11 192	12 147	11 192	11 859	
3.3 Profit on disposal of fixed assets	199	5 185	63	5 361	
3.4 Depreciation	15 462	24 922	15 245	24 034	
3.5 Staff costs	505 072	481 289	495 927	453 575	
Salaries	409 102	397 038	401 526	371 923	
Social security costs	69 262	58 840	68 222	57 483	
Retirement benefit costs	26 708	25 411	26 179	24 169	
	Salary R'000	Directors' fees R'000	Performance bonus R'000	Other benefits R'000	Total R'000
3.6 Directors' emoluments (paid by the company)					
Executive directors					
JA van Tonder	846	44	65	123	1 078
J van Zyl	1 410	44	48	186	1 688
JW Wilken	1 038	44	65	117	1 264
					4 030
Non-executive directors					
JJ Geldenhuys	–	50	–	–	50
EM Groeneweg	–	66	–	–	66
JG le Roux	–	55	–	–	55
WS MacFarlane (Retired – 28 May 2002)	–	35	–	–	35
NM Magau (Appointed – 28 May 2002)	–	22	–	–	22
AR Martin	–	44	–	–	44
JE Newbury	–	44	–	–	44
P de V Rademeyer**	–	74	–	–	74
GE Rudman	–	66	–	–	66
JD Sinclair (Retired – 28 May 2002)	–	20	–	–	20
DK Smith	–	55	–	–	55
L Vermaak** (Resigned – 6 December 2002)	–	150	–	–	150
P Vundla (Appointed – 28 May 2002)	–	22	–	–	22
					703
TOTAL					4 733

** It should be noted that these fees were paid to the holding company Sanlam Ltd.

All executive directors are eligible to be paid an annual performance-related bonus linked to appropriate group targets. The group human resources committee decides the structure of the individual bonus plans and awards.

Notes to the Financial Statements

INCOME STATEMENT

	GROUP		COMPANY	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
3.7 Remuneration paid to transfer secretary for secretarial services	451	213	451	213
4. INVESTMENT INCOME				
Interest earned	228 279	190 491	150 815	106 857
Listed	79 182	133 989	38 828	69 101
Unlisted	149 097	56 502	111 987	37 756
Dividends received	113 463	132 568	110 486	86 537
Listed	72 825	72 423	71 750	31 703
Unlisted	40 638	60 145	38 736	54 834
Net investment surplus	(21 788)	311 142	(6 777)	417 733
Realised	294 806	81 463	260 422	81 609
Unrealised	(316 594)	229 679	(267 199)	336 124
Foreign exchange differences	(17 294)	–	(17 294)	–
Investment management fee	(9 088)	(7 920)	(8 852)	(5 080)
	293 572	626 281	228 378	606 047
Less: Investment return on insurance funds	(114 830)	(87 972)	(91 837)	(81 711)
Investment income	178 742	538 309	136 541	524 336
5. INCOME FROM ASSOCIATED COMPANIES				
Retained equity earnings	(646)	1 154	(3 174)	–
Dividends received	–	821	–	–
	(646)	1 975	(3 174)	–
6. TAXATION				
South African normal taxation				
Current year	172 153	154 748	142 940	141 026
Foreign taxation				
Current year	14 063	10 466	–	–
Income taxation for the year	186 216	165 214	142 940	141 026
Deferred taxation				
Current year	(70 631)	(23 872)	(79 318)	(41 776)
Total taxation for the group	115 585	141 342	63 622	99 250
TOTAL TAXATION AS PER THE INCOME STATEMENT	115 585	141 342	63 622	99 250
Reconciliation of taxation rate (%)				
Normal South African taxation rate	30.0	30.0	30.0	30.0
Adjusted for:				
Disallowable expenses	1.6	0.9	0.3	0.1
Foreign tax	0.5	–	–	–
Exempt income	(8.6)	(5.4)	(10.3)	(6.7)
Investment results	3.1	(6.0)	0.1	(10.1)
Net reduction	(3.4)	(10.5)	(9.9)	(16.7)
EFFECTIVE RATE (%)	26.6	19.5	20.1	13.3

In line with short-term insurance industry practice, no provision was made in previous years for deferred taxation on the contingency reserve. Following the withdrawal of Practice Note 10, in terms of which transfers to the contingency reserve were deductible for income tax purposes, the financial statements have been amended by raising deferred tax on the balance of the contingency reserve as at 31 December 2000.

Notes to the Financial Statements

INCOME STATEMENT

	GROUP		COMPANY	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
7. CHANGE IN ACCOUNTING POLICY				
During the year, the company changed its accounting policy with respect to the treatment of investment income. Previously, the net unrealised surplus or loss resulting from the revaluation of investments and the realised surplus or loss resulting from the sale of investments were directly transferred to equity as non-distributable and distributable reserves respectively.				
From this year, the realised and unrealised surpluses or losses are recognised in the income statement. Comparative amounts have been appropriately restated. As there was no change to the opening reserve balances, the effect of this change on attributable earnings is as follows:				
Gross increase in attributable earnings	21 788	(311 142)	6 777	(417 733)
Taxation	6 823	49 838	(1 712)	49 429
Net increase in attributable earnings	28 611	(261 304)	5 065	(368 304)
Reconciliation of headline earnings				
Headline earnings as per income statement	305 541	571 644	252 685	648 202
Net investment surplus	21 788	(311 142)	6 777	(417 733)
Taxation on investment surplus	6 823	49 838	(1 712)	49 429
Headline earnings as stated in terms of previous policy	334 152	310 340	257 750	279 898
Headline earnings per share in terms of previous policy (cents)	300	282		
8. PRO FORMA EARNINGS BASED ON LONG-TERM RATE OF RETURN				
Attributable earnings to shareholders	302 242	571 644	252 685	648 202
Net pro forma long-term rate of return adjustment	213 740	(126 880)	254 687	(140 516)
Gross investment return	254 646	(139 771)	279 810	(148 324)
Tax	40 906	(12 891)	25 123	(7 808)
Pro forma earnings based on long-term rate of return	515 982	444 764	507 372	507 686
A comparison of the aggregate actual and calculated long-term rate of returns after tax since 1 January 2001 is set out below:				
Actual returns	607 764	459 116	593 661	468 205
Long-term returns	694 624	332 236	707 832	327 689
Aggregate short-term fluctuations	86 860	(126 880)	114 171	(140 516)
9. EARNINGS PER SHARE				
The attributable earnings per share calculation is based on the consolidated net income of R302 242 000 (2001: R571 644 000) attributable to shareholders and the weighted average number of ordinary shares in issue during the year of 111 372 310 (2001: 110 228 262). The headline earnings per share calculation is based on the consolidated net income of R305 541 000 (2001: R571 644 000) attributable to shareholders and the weighted average number of ordinary shares in issue during the year of 111 372 310 (2001: 110 228 262).				
Diluted earnings per share arising from share options are not provided as they are considered to be immaterial.				
10. DIVIDENDS PER SHARE				
Interim of 65 cents per share (2001: 59c)	72 475	65 174	–	–
Proposed final of 105 cents per share (2001: 95c)	117 438	105 409	–	–
	189 913	170 583	–	–

Notes to the Financial Statements

BALANCE SHEET

	GROUP		COMPANY	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
11. PROPERTY AND EQUIPMENT				
Land and buildings				
Cost	5 793	5 793	–	–
Accumulated depreciation	–	–	–	–
Net book value	5 793	5 793	–	–
Computer equipment				
Cost	60 055	49 477	52 681	48 000
Accumulated depreciation	42 742	38 574	39 311	37 618
Net book value	17 313	10 903	13 370	10 382
Furniture, equipment and vehicles				
Cost	54 487	44 452	46 825	40 193
Accumulated depreciation	36 192	25 304	32 130	23 007
Net book value	18 295	19 148	14 695	17 186
TOTAL				
Cost	120 335	99 722	99 506	88 193
Accumulated depreciation	78 934	63 878	71 441	60 625
Net book value	41 401	35 844	28 065	27 568
<i>Movements in property and equipment are reflected in the cash flow statement.</i>				
12. GOODWILL				
Balance at the beginning of the year	–	–	–	–
Acquisition of subsidiaries	36 374	–	4 800	–
Amortisation charge	3 299	–	–	–
Balance at the end of the year	33 075	–	4 800	–
Comprising:				
Cost	36 374	–	4 800	–
Accumulated amortisation	3 299	–	–	–
	33 075	–	4 800	–
13. INVESTMENTS				
13.1 Investments in subsidiaries				
Unlisted shares at cost price less amounts written off			1 068 719	922 410
<i>Details of investments are set out on page 45.</i>				
13.2 Investments in associated companies				
Unlisted at directors' valuation	30 898	40 789	12 662	28 335
<i>Details of investments are set out on page 45.</i>				
Summarised financial position of associates' balance sheets:				
Property and equipment	5 476	5 340		
Investments	8 038	81 037		
Technical assets	224 369	159 306		
Current assets	228 365	148 057		
Deferred tax	5 057	6 709		
Net assets	471 305	400 449		
Shareholders' funds	56 907	99 423		
Technical provisions	267 927	196 456		
Current liabilities	146 471	104 570		
Total funds employed	471 305	400 449		

Notes to the Financial Statements

BALANCE SHEET

	GROUP		COMPANY	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
13.3 Other investments				
Listed at market value	2 439 609	2 938 703	2 086 707	2 493 700
Unlisted at directors' valuation	696 744	620 082	576 944	533 505
Derivatives	40 344	–	40 344	–
Total	3 176 697	3 558 785	2 703 995	3 027 205
<i>Details of investments are set out on page 47.</i>				
TOTAL INVESTMENTS				
Listed	2 439 609	2 938 703	2 086 707	2 493 700
Unlisted	727 642	660 871	1 658 325	1 484 250
Derivatives	40 344	–	40 344	–
Total	3 207 595	3 599 574	3 785 376	3 977 950

Details of the above investments are included in a register which is open for inspection at the registered offices of the company.

14. SHARE CAPITAL

Ordinary share capital

Authorised 150 000 000 shares of no par value

Stated capital 111 845 762 (2001: 110 852 137) of no par value

1 090 618	1 069 829	1 090 618	1 069 829
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Authorised and unissued shares

Subject to the restrictions imposed by the Companies Act, the directors are authorised to issue twenty million unissued shares for any purpose and in accordance with such rules and conditions as they see fit.

Share options awarded	Date awarded	Latest irreversible date	Exercise price	Number of shares
The following share options – which lapse after five years, when they become irreversible – were awarded and are outstanding in terms of the Santam Ltd. Share Incentive Scheme:	23 October 1998	23 October 2003	R15.25	89 300
	23 October 1998	23 October 2003	R27.00	48 300
	3 March 1999	3 March 2004	R19.25	18 200
	3 March 1999	3 March 2004	R27.00	9 100
	15 March 2000	15 March 2005	R26.80	391 000
	1 April 2000	1 April 2005	R26.10	20 000
	20 February 2001	20 February 2006	R32.50	885 600
	26 April 2001	26 April 2006	R35.20	67 000
	14 January 2002	14 January 2007	R36.35	37 000
	20 February 2002	20 February 2007	R37.15	353 750
				1 919 250

Movements during the period:

As at 1 January 2002	1 696 100
New options awarded	407 250
Awarded options lapsed due to resignations	(68 900)
Options exercised	(115 200)
As at 31 December 2002	1 919 250

Notes to the Financial Statements

Share options exercised	Date awarded	Release date	Exercise price	Number of shares
In terms of the scheme, share options were exercised on condition that the relevant scheme shares may only be released on the fifth anniversary of the option date. This condition has since been amended to provide for the release of the scheme shares in tranches on the third and the fifth anniversary of the option date.	26 November 1997	26 November 2002	R32.50	11 000
	23 October 1998	23 October 2003	R15.25	1 003 550
	23 October 1998	23 October 2003	R27.00	542 525
	3 March 1999	3 March 2004	R19.25	119 800
	3 March 1999	3 March 2004	R27.00	57 500
	15 March 2000	15 March 2005	R26.80	800 500
	20 February 2001	20 February 2006	R32.50	502 000
	26 April 2001	26 April 2006	R35.20	150 000
	14 January 2002	14 January 2007	R36.35	37 000
	20 February 2002	20 February 2007	R37.15	337 250
				3 561 125

Movements during the period:	As at 1 January 2002	4 077 300
	New options awarded	381 750
	Exercised options cancelled due to resignations	(13 500)
	Scheme shares released	(884 425)
	As at 31 December 2002	3 561 125

The share options exercised are not issued and payment for them is not required, unless the option holder is in the group's service on the date on which the shares become irreversible. The number of unissued share options in the share incentive scheme for employees under the control of the directors is 5 192 874.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
15. NON-DISTRIBUTABLE RESERVES				
Comprising:				
Contingency reserve	516 896	444 430	516 896	444 430
Unrealised surplus arising from revaluation of investments	319 327	610 535	348 369	589 427
	836 223	1 054 965	865 265	1 033 857
16. MINORITY SHAREHOLDERS' INTEREST				
At the beginning of the year	29 025	19 030		
Minority shareholders' interest per income statement	13 640	11 919		
Dividends declared	(2 116)	(2 231)		
Additional interest in subsidiary acquired	(1 596)	–		
Other	–	307		
Balance at the end of year	38 953	29 025		
17. DEFERRED TAXATION				
Balance at the beginning of the year	104 604	128 476	107 111	148 887
Acquisition of subsidiaries	(13 826)	–	–	–
Income statement charged	(70 631)	(23 872)	(79 318)	(41 776)
Balance at the end of the year	20 147	104 604	27 793	107 111
Comprising:				
Deferred tax liability	34 210	104 604	27 793	107 111
Revaluation surplus	37 854	53 325	36 810	52 915
Provisions	(27 332)	(39 144)	(27 269)	(13 540)
Pre-paid expenses	21 513	16 967	21 514	8 057
Pre-taxed income	(3 414)	(2 859)	(3 262)	(2 305)
Contingency reserve	5 589	76 315	–	61 984
Deferred tax asset	(14 063)	–	–	–
Assessed losses	(14 063)	–	–	–
	20 147	104 604	27 793	107 111

Notes to the Financial Statements

BALANCE SHEET

	GROUP		COMPANY	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
18. PROVISIONS				
At the beginning of the year	81 099	71 854	81 099	71 854
Additions	17 794	37 384	17 794	37 384
Utilised	(11 087)	(28 139)	(11 087)	(28 139)
At the end of the year	87 806	81 099	87 806	81 099
Balance consists of:				
Leave pay	38 500	38 479	38 500	38 479
Restructuring	385	3 900	385	3 900
Contributions to pensioners' medical aid	25 859	17 659	25 859	17 659
Guarantees	23 062	21 061	23 062	21 061
	87 806	81 099	87 806	81 099

CASH FLOW STATEMENT

19. CASH GENERATED BY OPERATIONS

Net profit before taxation	434 766	724 905	316 307	747 452
Adjustments for:				
Non-cash items	7 859	17 762	18 356	18 673
Profit from disposal of fixed assets	(199)	(5 185)	(63)	(5 361)
Profit from disposal of associated companies	(8 049)	–	–	–
Depreciation	15 461	24 922	15 245	24 034
Income from associate company	646	(1 975)	3 174	–
Investment income	(293 572)	(626 281)	(230 150)	(686 256)
Increase in working capital:	533 317	(205 681)	921 189	716 961
Increase in technical assets	(110 793)	(289 654)	(281 022)	(257 193)
Increase in technical provisions	532 195	154 834	588 281	198 663
Increase in outstanding premiums and other debtors	(144 705)	(264 620)	(28 414)	(282 967)
Increase in amounts owed by reinsurers	(91 912)	110 752	(108 523)	35 174
Increase in amounts owed to reinsurers	324 290	135 938	312 554	41 039
Increase in trade and other payables	24 242	(52 931)	39 172	67 494
Increase in amounts due to group companies	–	–	399 141	914 751
Cash generated by operations	682 370	(89 295)	1 025 702	796 830

20. INVESTMENT INCOME RECEIVED

Dividends	113 463	132 568	112 258	166 746
Interest	228 279	190 491	150 815	106 857
Foreign exchange differences	(1 995)	–	(1 995)	–
Investment management fee	(9 088)	(7 920)	(8 852)	(5 080)
Movement in provision for investment income	(22 021)	–	–	–
	308 638	315 139	252 226	268 523

21. TAXATION PAID

Amounts charged in the income statement	(115 585)	(141 342)	(63 622)	(99 250)
Movement in deferred taxation	(70 631)	(23 871)	(79 319)	(41 776)
Movement in taxation liability	89 988	95 951	54 049	79 005
	(96 228)	(69 262)	(88 892)	(62 021)

Notes to the Financial Statements

CASH FLOW STATEMENT

	GROUP		COMPANY	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
22. DIVIDENDS PAID				
Amounts unpaid at beginning of year	(2 116)	(4 347)	–	–
Amounts charged to the statement of changes in equity	(177 884)	(160 121)	(177 884)	(160 121)
Amounts unpaid at end of year	2 332	2 116	–	–
	(177 668)	(162 352)	(177 884)	(160 121)

23. INVESTMENT IN SUBSIDIARIES

During the course of the year, the group acquired several new subsidiary investments. Details of the assets and liabilities acquired and goodwill arising are as follows:

Deferred taxation	13 826	–
Non-current assets	8 944	–
Technical assets	314 780	–
Current assets	72 712	–
Cash & cash equivalents	143 609	–
Technical liabilities	(398 131)	–
Current liabilities	(155 740)	–
Goodwill	36 374	–
Total purchase consideration paid	36 374	–

24. FINANCIAL INSTRUMENTS

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. The risks are managed according to policies and guidelines approved by the board.

Derivative financial instruments

Santam makes use of derivative financial instruments for hedging its investment decisions and portfolios.

Market risk – interest and equities

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices or changes in market interest rates.

Investments in equities are valued at fair value and are therefore susceptible to market fluctuations. Investments subject to equity risk are analysed in the balance sheet, note 13.

Currency risk

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

The group's exposure to currency risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the board for seeking desirable international diversification of investments for the purpose of expanding its income stream from international activities.

Credit risk

Credit risk arises from the inability or unwillingness of a counter party to a financial instrument to discharge its contractual obligations.

The Santam group's financial instruments do not represent a concentration of credit risk, because the group deals with a variety of major banks and its accounts receivable are spread among a number of major re-insurance companies, customers and geographic areas.

Amounts receivable in terms of short-term insurance business are secured by the underlying value of unpaid policy benefits in terms of the policy contract.

An appropriate level of provisions is maintained. Exposure to outside financial institutions concerning deposits and similar transactions is monitored against approved limits.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The group has sufficient liquid resources to cover its obligations.

Legal risk

Legal risk is the risk that the group will be exposed to contractual obligations that have not been provided for.

During the development stage of any new products and for material transactions entered into by the group, the legal resources of the group monitor the drafting of the contract documents to ensure that the rights and obligations of all parties are clearly set out.

Notes to the Financial Statements

25. RELATED PARTY TRANSACTIONS

During the year, the company and its subsidiaries entered into various transactions with other group companies, associated companies and other stakeholders in the ordinary course of business. These transactions occurred under terms that are no less favourable than those arranged with third parties. The following can be noted for the current year:

- Sanlam Investment Management manages a large part of the group's total investment portfolio (R1,071 billion as at 31 December 2002).
- ABSA serves as the principal banker of the group.
- Santam has entered into a ALSI 40 derivative contract ("collar") with Gensec Bank to hedge a large part of its equity portfolio with the investment manager. The fair value of the derivative contract at 31 December 2002 was R40,2 million.

Directors

All directors of Santam Ltd. have given notice that they did not have a material interest in any significant contract with the company or any of its subsidiaries, which could have given rise to a conflict of interest during the year.

Details relating to directors' emoluments are included in note 3.6 and shareholdings in the company are disclosed in the directors' report on page 29.

26. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum lease payments for the group and the company

	2002		
	Up to 1 year	1 to 5 years	Total
Motor vehicles	10 996	12 392	23 388
Computer equipment	3 524	3 607	7 131
Offices	48 002	75 046	123 048
	62 522	91 045	153 567
	2001		
	Up to 1 year	1 to 5 years	Total
Motor vehicles	7 271	8 539	15 810
Computer equipment	3 457	2 221	5 678
Offices	40 398	59 080	99 478
	51 126	69 840	120 966

27. RETIREMENT BENEFITS

Retirement funds

Permanent employees belong to a number of Santam Provident Funds, being defined contribution funds. These funds are administered independently of the group and are subject to the Pension Funds Act. The employer's contribution of between 10.5% and 16.5% is expensed as incurred. No account is taken of surpluses that may arise in the fund as the group does not consider itself entitled to the benefits of such surpluses.

Medical aid funds

The group and the company contribute to defined benefit medical aid schemes for the benefit of permanent employees and their dependents. Contributions are charged to the income statement as incurred. The group and the company have no post-retirement medical aid obligations for current employees in terms of the fund rules. Full provision was made for post-retirement medical aid obligations for retired employees.

28. POST BALANCE SHEET EVENTS

During January 2003, the group concluded the acquisition of the British niche insurer Westminster Motor Insurance Association Ltd, which specialises in insurance for taxis and private vehicle rental companies. The purchase of GBP23.3 million was funded from own resources, and is seen as an important strategic step for diversifying the group's income base.

Notes to the Financial Statements

29. INVESTMENT ANALYSIS

INVESTMENT IN SUBSIDIARIES UNLISTED COMPANIES

Direct:

Aegis Insurance Company Ltd.	Insurance	RSA	7 600 000	100.0%	291 378	280 997	–
Gilts Broker Solutions Ltd.	Retail	RSA	2	100.0%	–	–	7 659
Guardian National Insurance Company Ltd.	Insurance	RSA	12 124 930	100.0%	624 494	99 084	–
Santam International Ltd.	Holding co.	Guernsey	100 006 588	100.0%	100 006	434	–
Santam Namibia Ltd.	Insurance	Namibia	4 400 000	66.7%	5 538	29 930	–
Santam Risk Finance Ltd.	Insurance	RSA	203	100.0%	46 303	34 008	–
Sentinel Insurance Corporation Ltd.	Investments	RSA	1 000 000	100.0%	1 000	3 456	–
Swanwest 120 (Pty) Ltd.	Investments	RSA	100	100.0%	–	–	45 894

Indirect:

Africa Group Financial Services (Pty) Ltd.	Fin. Services	RSA	1	100.0%	–	–	16 282
Associated Marine Underwriters (Pty) Ltd.	Underwriting	RSA	50	100.0%	–	–	20 746
Capricorn Investment Company (Pty) Ltd.	Insurance	Namibia	4 000 000	66.7%	–	–	178
Construction and Engineering Underwriters (Pty) Ltd.	Underwriting	RSA	25 000	100.0%	–	–	1 463
Guardian South Africa Ltd.	Investments	RSA	1 600 000	100.0%	–	62 062	–
Hegel Street 26 Investments Ltd.	Insurance	Namibia	4 000 000	66.7%	–	286	–
Insurance Broker Resource Centre (Pty) Ltd.	Underwriting	RSA	85 000	100.0%	–	–	–
Namibian National Insurance Company (Pty) Ltd.	Insurance	Namibia	3 100 000	100.0%	–	–	–
Novation RSA (Pty) Ltd.	Underwriting	RSA	120	100.0%	–	–	–
SA Aviation Insurance Managers (Pty) Ltd.	Underwriting	RSA	100	51.0%	–	–	–
Santam Corporate UK Ltd.	Insurance	UK	1 403	100.0%	–	–	–
Santam UK Ltd.	Holding co.	UK	100 006 574	100.0%	–	–	–
SRU Properties (Pty) Ltd.	Underwriting	RSA	5 000	52.0%	–	–	–
Stalker Hutchinson & Associates (Pty) Ltd.	Underwriting	RSA	50 000	80.0%	–	–	–
Thatch Risk Acceptances (Pty) Ltd.	Underwriting	RSA	50 000	51.0%	–	–	–

TOTAL INVESTMENTS IN SUBSIDIARIES

1 068 719 510 257 92 222

INVESTMENTS IN ASSOCIATE COMPANIES UNLISTED COMPANIES

Accidental & Miscellaneous Acceptances (Pty) Ltd.	Insurance	RSA	2 000	43.8%	1 634	–	–
Admiral Professional Underwriting Agency (Pty) Ltd.	Underwriting	RSA	40 286	28.9%	6 774	–	–
African General Insurance Company Ltd.	Insurance	RSA	1 000	49.6%	3 483	–	–
Agri Risk Specialists (Pty) Ltd.	Insurance	RSA	21 500 795	17.0%	8 043	–	–
Credit Underwriting Agency (Pty) Ltd.	Underwriting	RSA	501 000	29.0%	350	–	–
I-Comply (Pty) Ltd.	Insurance	RSA	100	30.0%	192	–	–
Statsure (Pty) Ltd.	Insurance	RSA	10	30.0%	1 243	–	–
The Lion of Africa Holdings Company (Pty) Ltd.	Insurance	RSA	250 000	50.0%	9 179	–	12 500

TOTAL INVESTMENTS IN ASSOCIATE COMPANIES

30 898 – 12 500

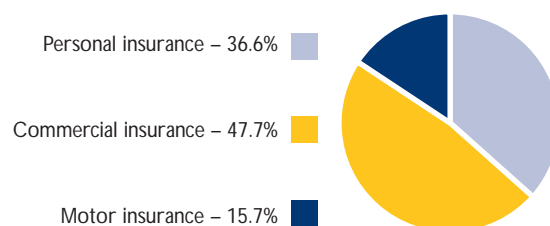
Segmental Report

	GROSS WRITTEN PREMIUM		UNDERWRITING SURPLUS	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000
Insurance class				
Property	2 921 666	2 090 897	18 653	(4 826)
Transportation	276 590	207 852	40 071	16 364
Motor	3 084 817	2 593 664	53 092	72 351
Accident and health	223 353	204 362	11 228	23 056
Guarantee	210 057	83 585	(13 116)	21 215
Liability	495 583	297 260	18 901	34 096
Engineering	300 017	209 923	(6 725)	390
Miscellaneous	685 310	518 054	19 736	(65 997)
	8 197 393	6 205 597	141 840	96 649

Note:

1. Due to the general nature of the balance sheet, segmental reporting is limited to the income statement.
2. As international activities are not material, no geographical reporting is provided.

Business portfolio composition



Investments

	Number of shares	Group market value/ Directors' valuation R'000
Each of the following investments has an individual value of more than 1% of the total investment portfolio.		
Details of the investments below 1%, summarised as Other, are open to inspection at the registered office of the company		
Fixed interest-bearing investments		
Listed		
RSA		133 088
Other		416 299
		549 387
Unlisted		
Other		4 178
Ordinary shares		
Listed		
Amalgamated Beverage Industries Ltd.	979 628	47 022
African Oxygen Ltd.	4 638 543	67 259
Anglo American Plc	1 157 943	146 480
Anglo American Platinum Corporation Ltd.	129 956	41 066
Billiton Plc	753 269	33 935
Firststrand Ltd.	6 024 647	44 341
Gold Fields Ltd.	576 494	69 122
Liberty International Plc	956 703	75 379
New Africa Capital Ltd.	5 677 890	34 635
Nampak Ltd.	4 115 790	58 238
Richemont Securities AG	3 585 473	57 009
Remgro Ltd.	995 599	61 628
SAB Miller Plc	862 024	52 411
Standard Bank Group Ltd.	2 408 464	72 615
Sasol Ltd.	1 227 878	128 927
Tiger Brands Ltd.	1 086 281	77 560
Other		820 965
		1 888 592
Unlisted		
		244 361
Derivatives		
		40 344
Redeemable preference shares		
Unlisted		
Electra Investments (SA) Ltd. – Sanlam Subsidiaries	140 000	95 000
URD Beleggings (Edms) Ltd. – Sanlam Subsidiaries	200 000	185 000
Investec – AELPREF	37 000	37 000
Rand Merchant Bank – RMBPREF	131 000	131 000
		448 000
Irredeemable preference shares		
Listed		
		1 630
		1 630
Staff mortgage bonds		
		205
TOTAL OTHER INVESTMENTS		
		3 176 697

Analysis of Shareholders

	No. of shareholders	% of total	No. of shares	% Interest
Analysis of Shareholders				
1 – 100 Shares	784	19.87	68 809	0.06
101 – 1 000 Shares	1 612	40.85	727 196	0.65
1001 – 50 000 Shares	1 414	35.83	10 520 118	9.41
50 001 – 100 000 Shares	54	1.37	3 930 462	3.51
100 001 – 10 000 000 Shares	81	2.05	36 118 550	32.29
More than 10 000 000 Shares	1	0.03	60 480 627	54.08
	3 946	100.00	111 845 762	100.00

Type of Shareholder				
Individuals	2 986	75.67	4 352 033	3.89
Companies	303	7.67	83 033 867	74.24
Growth funds / unit trusts	95	2.41	9 207 795	8.23
Nominee companies or trusts	370	9.38	8 345 860	7.46
Pension and retirement funds	192	4.87	6 906 207	6.18
	3 946	100.00	111 845 762	100.00

Shareholder spread

	No. of shareholders in SA		No. of shareholders other than in SA		Total shareholders	
	Nominal number	%	Nominal number	%	Nominal number	%
Public shareholders	3 896	44.67	35	100.00	3 931	44.67
Directors	13	1.23	–	0.00	13	1.23
Trustees of employees' share scheme	1	0.02	–	0.00	1	0.02
Holdings of 5% or more	1	54.08	–	0.00	1	54.08
Sanlam Ltd.	1	54.08	–	0.00	1	54.08
	3 911	100.00	35	100.00	3 946	100.00

Notice of Annual General Meeting

SANTAM LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1918/001680/06)
("Santam" or "the company")

Notice is hereby given that the annual general meeting of Santam Limited ("the Company") shareholders will be held on Tuesday, 27 May 2003 at 09:30 in the auditorium on the ground floor of the Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, to deal with the following matters:

1. To consider the financial statements for the year ended 31 December 2002, together with the reports of the directors and auditors.
2. To re-appoint PricewaterhouseCoopers Inc. as the auditors for the Company.
3. To elect a director in place of Mr J G Le Roux who will retire by rotation in accordance with section 63 of the Company's articles of association. Mr Le Roux will be available for re-election.
4. To elect a director in place of Mr G E Rudman who will retire by rotation in accordance with section 63 of the Company's articles of association. Mr Rudman will be available for re-election.
5. To adopt a resolution in accordance with article 67 of the Company's articles of association not to fill the vacancy created by Mr E M Groeneweg who will retire by rotation in accordance with section 63 of the Company's articles of association.
6. To approve the remuneration of the directors.
7. To authorise the directors to determine the remuneration of the Company's auditors.
8. To place 20 million of the unissued ordinary shares under the control of the directors of the Company, who shall be authorised to allot these shares, or any number thereof on such terms and conditions and at such times as they deem fit, subject to the provisions of the Company's articles of association, the Companies Act, 1973 and the listing Requirements of the JSE Securities Exchange South Africa.
9. To adopt the following special resolution:

"To adopt a new memorandum and articles of association for the Company, a copy of which is tabled at the meeting, be and is hereby adopted and that the previous articles of association of the company together with any amendments thereto, be and are hereby replaced in their entirety."

REASON:

The current memorandum and articles of association have had many amendments to them. These amendments have to be consolidated into one comprehensive document for lodgement with the Registrar of Companies.

EFFECT:

A comprehensive memorandum and articles of association of the company would be lodged with the Registrar of Companies.

10. To adopt the following special resolution:

"It is resolved that article 36 of the Company's articles of association be amended to read as follows:

Subject to the provisions of the Companies Act and unless otherwise determined by a general meeting, the number of directors shall be not less than (6) six and not more than (12) twelve.

REASON:

To ensure that the size of the board enables it to be effective.

EFFECT:

The board will consist of a maximum of (12) twelve directors.

11. To adopt the following special resolution:

"It is resolved to amend the definition of managing director in Article 1.1 of the Company's articles of association by substituting the words 'managing director' with the words 'executive director.'"

REASON:

The current definition of managing director, which refers to executive director, is no longer appropriate and causes confusion.

EFFECT:

The words "managing director" would be replaced with "executive director".

12. To adopt the following special resolution:

"It is resolved to amend article 58 of the Company's articles of association to read as follows:

The directors may, subject to the provisions of article 36, appoint any person they deem fit as an executive director of the Company or in any other capacity at a remuneration and on such further conditions upon which the directors may decide. Executive directors will be subject to rotation procedures set out in articles 63, 64, 65, 66, 67 and 68 of these articles.

REASON:

The current article 58 provides that executive directors may be appointed from among the directors and excludes executive directors from rotation on the same terms as non-executive directors.

EFFECT:

The directors can appoint any person as an executive director and the executive directors would also be subject to rotation in the same manner as non-executive directors.

Notice of annual general meeting

SANTAM LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1918/001680/06)
("Santam" or "the company")

13. To adopt the following special resolution:

"It is resolved to delete articles 59 and 60 of the Company's articles of association."

REASON:

Articles 59 and 60 provide that the employment of an executive director terminates when their term as a director ceases. This provision is no longer appropriate and could create unfavourable financial implications for the company.

EFFECT:

The employment of an executive director by the company will not automatically terminate at the end of their term of directorship.

14. To transact such other business as may be transacted at an annual general meeting.

A member who is entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company. The member must complete, date and sign the proxy form included separately in the financial statements and deliver it to the group secretary at least 48 hours before the meeting (Saturday, Sunday and public holidays excluded).

On behalf of the board



V F MALIE
Company Secretary

25 February 2003

Abridged CVs of directors available for re-election

NAME: Mr G E Rudman (George)

ID: 4309175028084

DATE APPOINTED:
23 January 1996

OTHER DIRECTORSHIPS:
Chairman: Sanlam Life Ltd.

Director: Sanlam Ltd.; Sanlam Customised Insurance Ltd.;
Lamform (Pty) Ltd.

NAME: Mr J G le Roux (Jannie)

ID: 4509145003087

DATE APPOINTED:
23 May 2000

OTHER DIRECTORSHIPS:
Chairman: Boland Vineyards International;
Paarl Valley Bottling (Pty) Ltd.

Director: Boland Co-Op (Pty) Ltd, SA Wine and
Brandy Foundation; Blois Estates (Pty) Ltd., Cape Wine Cellars,
Cape Wine Shippers and Wijngaardt Beleggings.

CV details correct as at 10 April 2003.

Form of Proxy

SANTAM LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1918/001680/06)
("Santam" or "the company")

For use **only by** Santam shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration at the general meeting of the shareholders of Santam Limited, to be held in the auditorium on the ground floor of the Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, 7530, on Tuesday 27 May 2003.

Santam shareholders who have already dematerialised their shares through a CSDP or broker **must not** complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who have dematerialised their shares and have elected own-name registration in the sub-register through a CSDP or broker, which shareholders must complete this form of proxy and lodge it with their CSDP or broker in terms of the custody agreement entered into between them and their CSDP or broker. Holders of dematerialised shares wishing to attend the general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorisation to attend.

I/We

being the holder/s or custodians of _____ ordinary shares in the company, do hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairman of the general meeting,

as my/our proxy to act for me/us at the general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolutions in respect of the ordinary shares in the issued capital of the company registered in my/our name/s in accordance with the following instructions (see note 2):

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			
Ordinary resolution number 7			
Ordinary resolution number 8			
Special resolution number 1			
Special resolution number 2			
Special resolution number 3			
Special resolution number 4			
Special resolution number 5			
Special resolution number 6			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at _____ on _____ 2003

Signature _____

Assisted by me (where applicable) _____

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the general meeting.

Please read the notes on the reverse side hereof.

Form of proxy

SANTAM LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1918/001680/06)

("Santam" or "the company")

Notes:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the general meeting"; but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
3. Forms of proxy must be received at the registered office of the company, Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, 7530 by not later than 09:30 on Friday, 23 May 2003.
4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.
8. The chairman of the general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the member wishes to vote.

