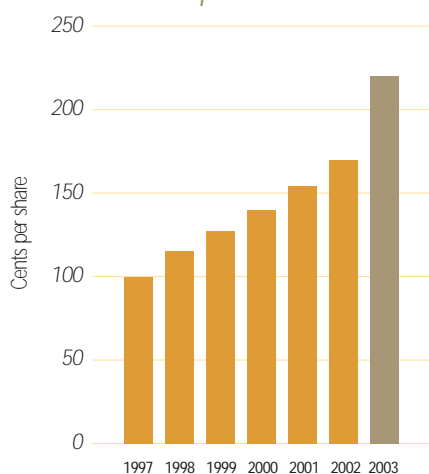


Santam concluded its most profitable financial year ever and achieved exceptional results on all fronts. Underwriting surplus amounted to R530 million, 273% higher than 2002 levels. This, linked with the 78% increase in return on insurance funds, largely contributed to the 186% rise in operating income to R735 million. The significant recovery of equity markets further supported the 176% increase in headline earnings to R843 million. As a result, net asset value per share rose to new heights at 3482 cents per share, reinforcing the group's strong financial position and forming a strong base for future growth.

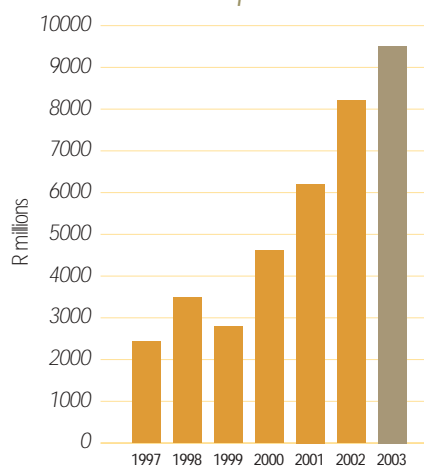
## Financial Highlights

	2003	2002
	R millions	R millions
Gross written premium	9 513	8 197
Underwriting surplus	530	142
Operating income	735	257
Investment income	498	179
Headline earnings	843	306
Attributable earnings to shareholders	806	302
Pro forma earnings based on long-term rate of return	777	516
	Cents per share	Cents per share
Headline earnings	751	274
Dividends	220	170
Net asset value	3 482	3 018
Solvency margin	56%	60%

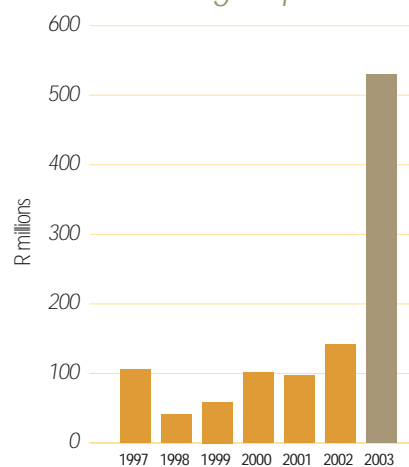
Dividends per share



Gross written premium



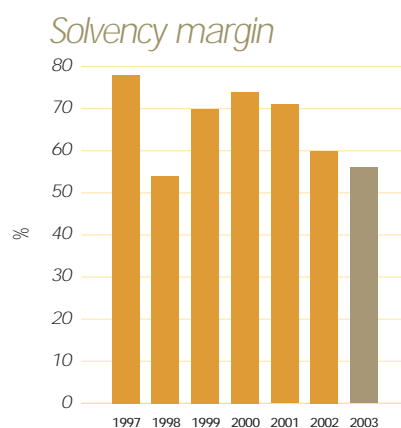
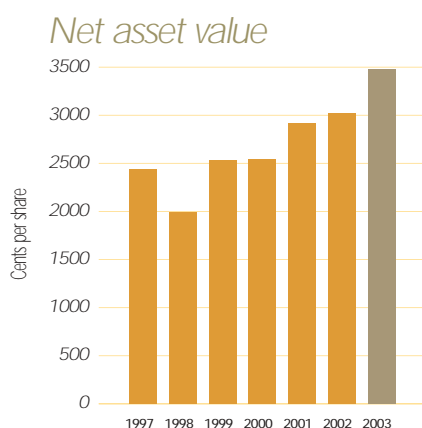
Underwriting surplus



## Seven Year Review

		7 year compound growth/ average %	2003	2002	2001	2000	1999	1998	1997
<b>ORDINARY SHARE PERFORMANCE</b>									
<i>cents per share</i>									
Headline earnings per share		6.9	<b>751</b>	274	518	192	375	(312)	471
Dividends per share		11.9	<b>220</b>	170	154	140	127	115	100
Net asset value		5.2	<b>3 482</b>	3 018	2 914	2 546	2 532	1 968	2 442
<b>UNDERWRITING</b>									
Claims paid and provided (%)*	Avg	69.8	<b>64.8</b>	70.7	70.7	72.0	70.0	72.6	68.1
Management expenses (%)*	Avg	13.5	<b>15.7</b>	14.1	13.9	13.8	12.7	11.6	12.4
Cost of acquisition (net commission & management expenses) (%)*	Avg	26.8	<b>27.4</b>	26.7	27.2	25.4	27.7	26.2	27.2
Underwriting surplus (%)*	Avg	3.3	<b>7.8</b>	2.6	2.0	2.6	2.3	1.2	4.7
* Expressed as a percentage of net earned premium income									
<b>RETURN AND PRODUCTIVITY</b>									
Earnings expressed as % of average shareholders' funds	Avg	12.0	<b>22.0</b>	9.2	19.0	1.1	16.0	(1.6)	18.4
Pre-tax return on total assets (%)	Avg	6.8	<b>11.6</b>	4.9	9.9	4.6	7.7	(5.5)	14.5
Effective tax rate (%)	Avg	26.0	<b>29.1</b>	26.6	19.5	38.4	18.2	33.7	16.8
Gross premium per employee – R '000 **	Avg	1 984	<b>3 164</b>	2 940	2 146	1 621	1 327	1 625	1 067
** Alternative Risk Transfer premiums excluded									
<b>SOLVENCY AND LIQUIDITY</b>									
Dividend cover (times)	Avg	2.1	<b>3.4</b>	1.6	3.4	1.4	3.0	(2.7)	4.7
Solvency margin (%)	Avg	66.2	<b>56</b>	60	71	74	70	54	78
Cover of net obligations by cash flow (times)	Avg	0.3	<b>0.4</b>	0.4	0.1	(0.6)	0.2	0.6	1.0
<b>OTHER STATISTICS</b>									
Number of permanent employees			<b>2 880</b>	2 656	2 856	2 839	2 098	2 152	2 277
Number of shareholders			<b>3 764</b>	3 946	2 405	3 009	3 300	3 628	3 936
<b>THE JSE SECURITIES EXCHANGE SOUTH AFRICA ("JSE") PERFORMANCE</b>									
<i>market price per share (cents)</i>									
Closing			<b>5 140</b>	3 225	3 640	3 200	3 030	1 865	3 600
Highest			<b>5 200</b>	4 200	4 060	3 200	3 030	4 550	4 000
Lowest			<b>2 990</b>	3 000	2 950	2 050	1 890	1 390	2 900
Market capitalisation (R million)			<b>5 840</b>	3 607	4 035	3 512	2 204	1 356	2 618
Santam share price index***			<b>585</b>	330	385	327	304	149	380
FTSE – JSE financial index***			<b>190</b>	158	197	238	236	164	218
Closing price/earnings (times)			<b>6.85</b>	11.76	7.02	16.67	8.09	(5.97)	7.64
Closing price/equity per share (times)			<b>1.5</b>	1.1	1.2	1.2	1.2	0.8	1.4
Closing dividend yield (%)			<b>4.3</b>	5.3	4.2	4.4	4.2	6.2	2.8
Number of shares issued (million)			<b>113.6</b>	111.8	110.9	109.8	72.7	72.7	72.7
Number of shares traded (million)			<b>15.5</b>	19.0	15.1	16.3	19.2	15.2	11.7
Number of shares traded as a % of total number of shares in issue			<b>13.7</b>	17.0	13.6	14.8	26.4	20.9	16.1
Value of shares traded – (Rm)			<b>569.9</b>	686.7	542.6	444.8	476.0	403.3	406.7
*** Base year 1992									

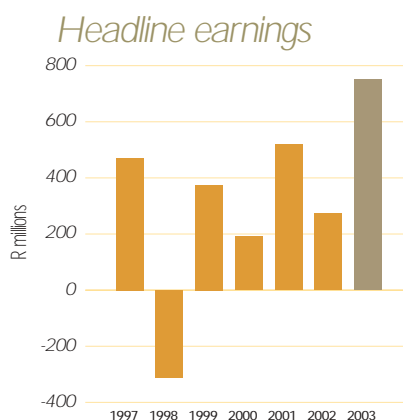
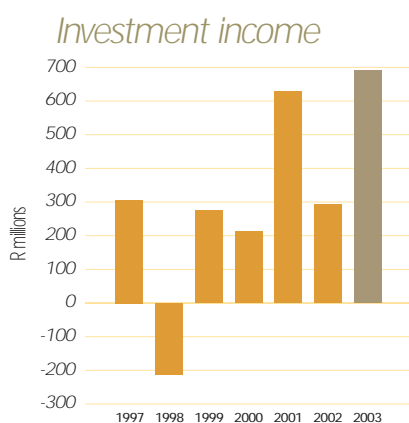
Santam's year-end was changed in 1998 from September to December. The results for 1997 to 2000 have been restated for comparative purposes and are unaudited. This restatement incorporates the changes in accounting policy during 1999, 2001 and 2002.



## Seven Year Review

		7 year compound growth/ average %							
R millions			2003	2002	2001	2000	1999	1998	1997
INCOME STATEMENTS									
Gross premium income	21.5		9 513	8 197	6 206	4 603	2 784	3 496	2 429
Net premium income	17.5		7 022	5 635	4 574	3 774	2 597	3 275	2 276
Underwriting surplus	25.8		530	142	97	101	59	41	106
Investment return on insurance funds****			205	115	88	–	–	–	–
Operating income			735	257	185	–	–	–	–
Investment income & associated companies			486	178	540	212	275	(211)	306
Income before taxation			1 221	435	725	313	334	(170)	412
Taxation			356	116	141	120	61	57	69
Minority shareholders' interest			22	14	12	6	1	–	–
Headline earnings	13.7		843	305	572	187	272	(227)	343
Goodwill amortisation			36	3	–	–	–	–	–
Net income attributable to shareholders	13.0		807	302	572	187	272	(227)	343
BALANCE SHEETS									
Property and equipment			70	41	36	53	42	44	31
Investments			3 835	3 208	3 600	3 237	3 493	1 817	2 157
Goodwill			109	33	–	–	–	–	–
Deferred taxation asset			14	14	–	25	–	–	10
Technical assets****			2 302	2 072	1 646	1 510	–	–	–
Current assets			4 379	3 548	2 023	1 926	795	624	645
Total assets			10 709	8 916	7 305	6 751	4 330	2 485	2 843
Shareholders' funds	12.3		4 009	3 375	3 230	2 795	1 828	1 643	1 775
Technical provisions****			5 156	4 226	3 295	3 303	–	–	–
Deferred taxation liability			135	34	105	153	30	11	–
Current liabilities, provisions & minorities			1 409	1 281	675	500	2 472	831	1 068
Total equity and liabilities			10 709	8 916	7 305	6 751	4 330	2 485	2 843
CASH FLOW STATEMENTS									
Cash generated by operations			1 092	682	(89)	(263)	139	(13)	252
Investment income			418	309	315	238	214	265	182
Cash generated from operating activities			1 510	991	226	(25)	353	252	434
Taxation paid			(233)	(96)	(69)	(53)	(126)	(89)	(56)
Dividends paid			(200)	(178)	(163)	(116)	(108)	(77)	(64)
Cash retained from operating activities			1 077	717	(6)	(194)	119	86	314
Cash generated by investment activities			(31)	352	(50)	791	58	(136)	(58)
Cash retained from operating and investment activities			1 046	1 069	(56)	597	177	(50)	256
Proceeds from disposal of associated companies			–	13	–	–	11	–	–
Proceeds from ordinary shares issued			39	21	24	984	–	–	–
Investment in associated companies			(69)	(5)	–	–	–	–	–
Investment in subsidiaries			(408)	(36)	–	(1 591)	–	–	–
Cash acquired on acquisition of subsidiaries			406	144	–	567	–	–	–
Cash utilised in addition to fixed assets			(36)	(21)	(2)	11	(12)	(28)	(14)
Translation effect on foreign cash balances			(47)	–	–	–	–	–	–
Cash generated for the year			931	1 185	(34)	568	176	(78)	242
Cash and cash equivalents at beginning of the year			2 272	1 087	1 121	553	377	455	213
Cash and cash equivalents at end of the year			3 203	2 272	1 087	1 121	553	377	455
Format of cash flow was changed with effect 2002. Prior year numbers were restated									

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





"True insight and great solutions, you never know when your mind is going to stumble across them. But I find giving the grey matter a bit of fresh air seems to make them pop up slightly more often."



Desmond Smith

# *Calm, intuitive leader*

Chairman



*In a year that experienced a general up-trend in the insurance industry, Santam managed to outperform all market expectations, delivering excellent results on all fronts and convincingly entrenching its position as South Africa's top-performing underwriter.*

The exceptional results are largely attributable to our successful implementation of the "back to basics" programme, which aims to enhance the efficiency of the core elements of our business. Our management team and staff tackled this initiative with enthusiasm, and this year's results bear testimony to their success. Along with the "back to basics" programme, we also targeted the "big five", the key strategic drivers that will ensure the future success of our business, namely client delight, business partnerships, efficiency, business diversification and human capital. We are convinced that by concentrating on these areas, we will generate enduring profitable growth.

The board is optimistic in its outlook on the South African economy. We are positive about the economic fundamentals and are encouraged by the proficient way the economy is being managed by government. Although we do not see much room for extraordinary organic growth in the South African insurance industry, the current environment is conducive to creating opportunities for innovation in risk management in the country and expanding our business interests externally.

### INDUSTRY CHALLENGES

The insurance industry can look forward to challenging and exciting times, as a spate of new legislation alters the playing fields for all concerned.

Santam was actively involved in the negotiations and discussions that led to the formation of the Financial Sector Charter in the last quarter of the year. It was a remarkable feat to have all relevant players in the financial services industry, the government and other interested bodies working together as a cohesive unit to deliver what we view as a challenging but realistic charter.

The Charter details parameters for the transformation of the industry, and will focus on the black empowerment strategies of all companies in the sector. We view this as a momentous event in the history of the financial services industry, and will actively set about implementing the Charter's requirements throughout our business, with a strong focus on employment equity and more effective procurement initiatives. Our empowerment plans are more comprehensively discussed in the chief executive's review.

In the process of refining the group's procurement initiatives, we aim to become more effectively aligned and associated with the various parts of the insurance supply chain. We aim to be more closely associated with the intermediaries who bring us our business as well as other areas of the risk pool including re-insurers and co-insurers. We see it as critical to take greater control of the claims procurement value chain from the administration houses to the purchasing and delivery process, and anticipate savings that will ultimately be channelled back to our clients.

The Financial Advisory and Intermediary Services Bill (FAIS) was introduced to South African intermediaries in June 2003. FAIS will have considerable cost implications for the broker fraternity, and the expense of meeting the legislative and compliance requirements of the Bill will weigh heavily on the infrastructure of small to medium broker firms. We have undertaken to assist the broker fraternity in implementing all aspects of the new legislation and have developed a training programme as well as a newsletter to ensure our intermediaries remain abreast of all requirements and employ innovative ways of meeting them.

Notwithstanding the immense pressure that FAIS will have on the industry, we support the ideals and spirit of the bill and believe that, if effectively policed, it will be a welcome and important development for the insuring public, ensuring better compliance, less risk and improved service levels.

Financial intermediaries remain our biggest source of business, generating about 95% of our underwriting business. Despite the recent move towards disintermediation in the insurance industry, we believe intermediaries continue to add value to the industry by playing a vital role in offering best advice to clients to ensure that their individual insurance requirements are fulfilled. FAIS will play an important role in raising these standards of service and advice.

Although we cannot ignore the possible opportunities that may arise from clients who choose to engage directly with the company, we believe that our intermediaries will continue to be our most valuable business partners for many years to come.

According to the recommendations of the second King Report on Corporate Governance in South Africa, the board of a listed entity carries the responsibility for the total risk management of the company. This creates opportunities for innovative risk managers to look for holistic solutions to satisfy boards that prefer to deal with one company that can cover all risks and offer comprehensive risk management advice and tailor-made solutions. In addition, the introduction of personal accountability of board members will increase the demand for bespoke personal liability products.

Client retention is an ongoing objective and challenge for our business. To this end, we aspire to provide an uncompromisingly excellent service to our clients, especially when it matters most – at the time of registering a claim. As part of this strategy, we view the insurance ombudsman as a very important client and closely follow his recommendations to achieve a consistently equitable claims experience for all our clients.

## Chairman's Review

Although our client satisfaction measures show generally positive results, we intend to be the best in that area and are working on world-class service delivery by benchmarking ourselves against the top performers both locally and internationally. We are working on "one-call problem solving", encouraging the attitude amongst our staff that if they pick up the call, they own the problem.

### SHAREHOLDER VALUE

We have always had a simple business philosophy – to maximise return on capital, to provide excellent service and products to our clients, and to deliver the highest sustainable level of returns to our shareholders.

During 2004, in addition to delivering strong operational performance, we will continue to communicate with the investment community and the media in an effort to create an understanding of our business and our future strategies in the hope that this will positively impact on our share price.

### PROSPECTS

Although we are delighted with our outstanding results, we are cautiously optimistic about prospects for 2004, as we acknowledge that such a lofty achievement is not sustainable. However, what we aim to uphold going forward are the high levels of profitability we have achieved to date, particularly in the area of underwriting.

Santam has spent the past two years restructuring its business from that of a short-term insurer to a full-scale risk solution provider. The focus of this continued restructuring is to build a company that will stay the distance, keenly focused on what it does best, with the ability and team in place to deliver on its objectives.

On the international front, Westminster Motor Insurance Association is already contributing positively to this year's results, and we have established our personal lines distribution arm through our acquisition of 47.3% in Bluesure Limited. The management of Santam International has created a solid base for further development in the UK, and we will introduce some of the innovative products developed by Santam in South Africa to the UK market, which we believe will not only appeal to expatriate South Africans, but to our British clientele as well.

### BOARD OF DIRECTORS

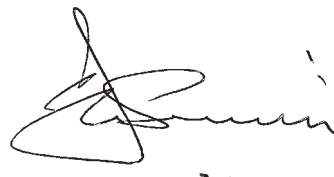
Johan van Zyl resigned as chief executive of Santam following his appointment as chief executive of Sanlam from 1 April 2003, but remains on the board as a non-executive director. I would like to acknowledge the significant contribution Johan made to the group, not only in the strategic repositioning of Santam, but also in setting clear goals for the way ahead, and wish him well in his new role as chief executive of Sanlam.

We welcome Steffen Gilbert to the board as our new chief executive. Steffen's qualification as an actuary and the extensive management experience and international exposure gained during his four years as chief executive at Munich Reinsurance stand him in good stead to drive the current momentum of the strategic repositioning.

### ACKNOWLEDGEMENTS

2003, Santam's most profitable year ever, will remain in our history as a tribute to our highly committed and motivated management team and staff. We are encouraged by the energy and drive with which they embraced our restructuring and their dedication to achieving our objectives. We thank everyone for their contributions.

I would like to express my gratitude to the board of directors for their guidance and leadership during the year. In closing, we also extend our thanks to our shareholders and external stakeholders including our broker network, clients, suppliers and business partners for their continued support of the group and invaluable contribution to our achievements this year.



**DESMOND SMITH**

*Chairman*

Steffen Gilbert

*People-oriented,  
detail-focused  
problem solver*

Chief Executive



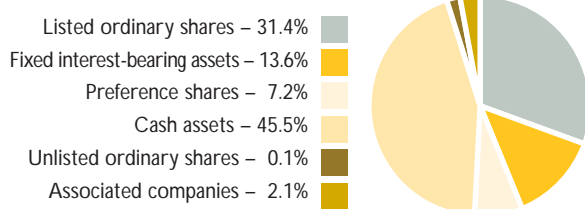
*"Puzzles and crosswords are a sanctuary for me, pockets of time out and relaxation. There's nothing like the feeling of finding the word or piece you've been struggling over- it's just simple and rewarding pleasure."*

*Santam concluded its most profitable financial year ever, performing way above analysts' expectations, surpassing our own expectations and outclassing our peers.*

A year ago, Santam repositioned itself as a broad-based risk solution provider, expanding on its conventional role as a short-term insurer, and operating across a broader market. In 2003, this strategy was underpinned by the "back to basics" programme, which concentrated the group's efforts on the core elements of our business. To this end, 2003 was dedicated to adopting a rigorous underwriting discipline, optimising cash flow management, reducing management expenses, improving reinsurance efficiency, reducing claims leakage and refining procurement initiatives.

The sparkling performance for 2003 highlights the enormous effort and dedication of our team in our quest to generate sustainable, profitable growth.

### Investment portfolio



### OPERATIONAL AND FINANCIAL REVIEW

In the period under review, Santam produced outstanding results in all aspects of its core business, building on the strong growth of the past few years. Although these results are directly attributable to our drive to achieve the goals outlined in the "back to basics" programme, we were also favoured by a much-improved economic environment, which saw the local equity markets stabilise and recover in the second half of the year.

Underwriting surplus increased by 273% to R530 million due to our strict underwriting discipline, which was greatly assisted by a lack of natural catastrophes and man-made industrial disasters. The net claims ratio decreased by 6% to 64.8% in 2003, as favourable climatic conditions further benefited crop, motor and property insurance classes. In addition, the typically more volatile insurance classes such as liability and guarantee also achieved lower claims ratios.

Santam's operating income, which comprises the underwriting profit plus investment return on insurance funds, increased by 186% to R735 million.

The higher-than-expected short-term interest rates during the first nine months, combined with a stricter focus on cash management, increased operational activity and the acquisition of the float of our international insurer, Westminster Motor Insurance Association Limited, saw the investment return on insurance funds increase by 78% to R205 million.

The increase in investment income of 178% is largely attributable to the recovery in local financial markets. As a result of the favourable underwriting results and higher investment return, headline earnings per share improved by 174% to 751cps compared to 274 cps in 2002.

A key focus area for 2003 was the improvement of cash management, directly resulting in an increase in the insurance float to over R2 billion. Cash generated by operating activities exceeded R1.5 billion, up a firm 52% as a result of increased profitability and a more aggressive stance to managing the working capital. However, due to the strong growth in net written premium in South Africa and England, the solvency level reduced from its 2002 level of 60% to a still robust 56%.

The results were further enhanced by our more critical focus on reinsurance spending to obtain maximum value from this area of business. After the events of 11 September 2001, reinsurance capacity shrunk and rates became more expensive, which proved challenging for the short-term insurance industry.

For this reason, whilst we acknowledge the need to protect our balance sheet by reinsuring, we have become more astute as to the amount and style of our reinsurance purchase, which amounts to more effectively utilising shareholders' capital. Our high solvency margin allows us to take on more risk by keeping more of the insurance premiums within the company, without an undue increase in exposure.

Through more judicious buying, we have reduced our reinsurance spend by more than R600 million over two years. Going forward, our reduction in reinsurance spending should be further enhanced by the general flat to downward trend in renewal rates. This improved focus on reducing reinsurance costs boosted net written premium by 25%.

Although our return on capital showed exceptional results this year, we believe we can increase our efficiency in this area by further maximising the cash float and our reinsurance buying and by maintaining the current strong underwriting cycle. While we cannot expect to repeat this year's excellent results, historically we have outperformed our peers in the local underwriting industry, and we expect to maintain our position as top underwriters.

In the past, we have undertaken to increase the annual dividend by at least 10% per annum. However, in line with this year's results, the board has declared a final dividend of 148 cents a share (2002: 105 cents), taking the total dividend up some 29% compared to 2002.

### INTERNATIONAL REVIEW

In January 2003, Santam formally commenced insurance activities internationally with the full acquisition of British niche insurer, Westminster Motor Insurance Association. In March, we extended our UK business interests by obtaining a 47.3% share in the British personal lines underwriting agent, Bluesure Limited. The creation of a base in the UK around an insurer and a distribution channel is an important strategic step towards expanding our income base in light of the limited opportunities for organic growth in the South African market.

Westminster's results, which were included in the group's underwriting income for the first time this year, were substantially better than anticipated, with a strong underwriting profit margin of 13.4%, and a return in excess of R44m for the group. Westminster, a motor insurer, operates in a niche segment of the insurance industry, which traditionally has higher returns than the general market. However, we expect strong competition in this area and also believe the underwriting cycle in the UK insurance market has peaked. For these reasons it's not likely that we will sustain these results, but anticipate that they will return to a more normal albeit still robust level.

## Chief Executive's Review

Although investment income is substantially higher for the year, the negative equity income from associated companies was due to our share of start-up costs incurred in Bluesure. Through Bluesure, we will introduce the Santam umbrella concept to the UK market, both to the expatriate South African client base and the British people. Bluesure has been fully integrated into Santam International, and we expect to see it contributing to the bottom line in 2004.

Together with the participation in the Beazley Syndicate, operations in the UK and Europe contributed R65 million to the group's underwriting results.

In the past year, we have extracted benefits between the UK and South African businesses, and expect to enhance this by extracting synergies between the UK businesses in 2004. We have seconded senior staff members from South Africa to the UK, so as to mix our positive business ethos and underwriting expertise with the Westminster team's knowledge of the UK market.

We believe there is an opportunity for innovation in the UK market, and we intend using our base in this market to drive future developments into the UK and, potentially, other similar markets.

### EMPOWERMENT

We view our responsibility to 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, while maintaining sustained profitability in the longer term. In our commitment to approach empowerment in a holistic manner, we are guided by the recommendations of the BEE Commission Report and the requirements of the Financial Sector Charter and the Employment Equity Act, in order to fully address all the areas in our company and business.

Our commercial equity strategy has centered on entering into joint ventures with black-owned companies in the insurance industry and in the general areas of the company's procurement, which not only aim to broaden the range of empowerment beneficiaries, but also position the group more favourably to meet the needs of black consumers. Our 50% stake in and partnership with The Lion of Africa is testament to this philosophy, and we continue to seek out similar BEE opportunities.

One of the biggest challenges that the Financial Sector Charter poses for Santam is in the procurement area. Through our policy of affirmative procurement for the company's goods and services we actively promote the development of suppliers and contractors from historically disadvantaged communities by assisting them to position themselves in order to effectively compete with established businesses. In addition, we scrutinise our business partners' credentials to ascertain their dedication to supporting the development and empowerment of business from disadvantaged groups, and consider these to be important criteria for awarding contracts to established businesses.

We continue to formulate strategies to assist in fast-tracking our BEE procurement initiatives. However, we believe that the ability of the short-term insurance industry to meet the procurement criteria of the Charter will be greatly assisted if more of the industries upon which we rely also become regulated by their own industry charters.

On an ownership level, as the shareholding in Santam remains tightly held, with some 53% controlled by Sanlam Limited, it is our intention to allow the Sanlam/Ubuntu-Botho transaction to settle down before considering whether to engage ourselves in a similar structure or work within that consortium. We envisage many synergies and opportunities becoming available as a result of this deal, including providing access to parts of the market where we have previously not had strong penetration.

A comprehensive corporate citizen report will be published in the second half of 2004. A synopsis of our policies on black economic empowerment, employment equity and corporate social development appears in the section on corporate governance and sustainability in this report.

### PROSPECTS

We continue on the journey we undertook in 2002 to reposition the company from its conventional role as a short-term insurer to a broad-based risk solution provider, operating across a wider spectrum of the market. Although our new strategic position has started to bear fruit, we still regard this as our critical path going forward and a means to offer our client base a more holistic risk management solution.

The "back to basics" programme will continue to drive the momentum of this strategic repositioning. We are clear on our goals for the next few years and how to go about achieving those goals. We have laid the foundation for enforcing effective underwriting disciplines and more aggressive cash management and cost control, which will continue in the future.

Although we are already unlocking synergies across the Santam group, particularly between Santam Limited and Santam International, we believe there is a lot of untapped potential that can be leveraged both locally and internationally across the clusters that make up the Sanlam Group.

Whilst current indications show a continuation of the firm underwriting cycle for at least the foreseeable future, a full repetition of the 2003 operating results seems unlikely on a sustainable basis. Low interest rates for the first half of 2004 will have an adverse impact on interest-bearing investment returns, although indications are that the equity markets will remain strong, which will have a favourable effect on equity returns.

The favourable results, backed by a balanced portfolio, well-aligned operational structures and geographical spread give Santam a solid platform to generate sustainable, profitable growth in future, and to ensure, as has been the case in the past, that we maintain our position as the top underwriter in South Africa.

### ACKNOWLEDGEMENTS

It was an unexpected privilege to be appointed as Chief Executive of Santam. I regard it as a special challenge to continue Santam's proud tradition of uninterrupted sound performance for the benefit of all stakeholders.

The superb results for 2003 mirror the exceptional performance from our staff of around 2 800 people, who pulled together and did their best to ensure we delivered on our promises and attained our goals. I wish to express sincere thanks to the entire team at Santam, the Board and in particular its Chairman for their guidance and counsel throughout the period.



**STEFFEN GILBERT**

Chief Executive



## Santam's Leadership

### EXECUTIVE MANAGEMENT

#### STEFFEN GILBERT (41)

Chief Executive  
FASSA, FIA  
Appointed 2003

#### ELTIE LINKS (57)

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

#### CHRIS MOSTERT (52)

Chief Information Officer  
Appointed 1990

#### HENDRI NIGRINI (54)

Risk Services (Acting): Specialist Portfolios  
B.Com., ACII  
Appointed 1986

#### PANKAJ RANCHOD (47)

Insurance Services  
B. Com. (Hons), CA (SA), MBL  
Appointed 2003

#### MACHIEL REYNEKE (46)

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

#### JOE ROUX (58)

Broker Services  
AEP (SBL)  
Appointed 1987

#### NICO SWART (41)

Human Relations  
B.Com. (Hons)  
Appointed 1994

#### KOOS VAN TONDER (55)

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

#### STEVE ZIETSMAN (53)

Marketing and Communication  
M.Econ.  
Appointed 1999

### SANTAM LIMITED BOARD OF DIRECTORS

#### JJ GELDENHUYIS (64)

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

#### SC GILBERT (41)

Chief Executive, FASSA, FIA. Appointed 14 July 2003  
Chairman of Westminster Motor Insurance Ltd, Director of Santam Risk Finance Ltd, Insurance Institute of South Africa (IISA), South African Insurance Association (SAIA) and Bluesure Ltd. Alternate director of Sanlam Ltd.

#### JG LE ROUX (58)

Director, B.Sc. (Agric). Appointed 23 May 2000  
Chairman of Boland Vineyards International, Boland Kelder, Paarl Valley Bottling (Pty) Ltd and Blois Estate (Pty) Ltd. Director of Cape Wine Cellars, Cape Wine Shippers and Vinpro (Pty) Ltd.

#### NM MAGAU (51)

Director, D. Ed. Appointed 28 May 2002  
Member of the Council of the University of Kwazulu Natal and Chairperson of the Businesswoman's Association.

#### AR MARTIN (65)

Director, B.Com., CA (SA). Appointed 18 November 1996  
Chairman of ER24 Holdings (Pty) Ltd and Tswane Private Hospitals (Pty) Ltd. Director of Trans Hex Group Ltd, Medi Clinic Corporation Ltd, Credit Guarantee Insurance Corporation of Africa Ltd, Air Traffic and Navigation Services Ltd and FNB Corporate Division.

#### JE NEWBURY (61)

Director. Appointed 24 November 1998  
Chairman of Kolbenco (Pty) Ltd, Ocneblok Properties (Pty) Ltd, Tracker Investment Holdings (Pty) Ltd, Tracker Network (Pty) Ltd and Astonville Consulting (Pty) Ltd. Director of Dunlop Tyres International (Pty) Ltd, New Africa Capital Ltd, VenFin Ltd, Castellano Beltrame (Pty) Ltd, Pinhope Investments (Pty) Ltd, Ziphatele Investments (Pty) Ltd, Southern Africa Tour, National Olympic Committee of SA (NOCSA), Business Trust, Leopard Creek Country Club Ltd, Leopard Creek Share Block Ltd and John Newbury Investments (Pty) Ltd.

#### P DE V 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.

#### MI REYNEKE (46)

Executive Director, B.Com. (Hons), CA (SA). Appointed 26 August 2003  
Director of Santam Namibia Ltd, Santam Risk Finance Ltd, Multiplex Investment Holding Company (Pty) Ltd, Credit Guarantee Insurance Corporation of Africa Ltd, Admiral Professional Underwriting Agency (Pty) Ltd, African General Insurance Company Ltd, The Lion of Africa Insurance Company Ltd and Thebe Risk Services Holdings (Pty) Ltd.

#### GE RUDMAN (60)

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

#### DK SMITH (56)

Chairman, B.Sc., FASSA, FIA. Appointed 1 April 1994  
Chairman of the Council of the University of Stellenbosch, Plexus Financial Services and Snyman & Van der Vyver. Deputy chairman of Optivest Holdings and Reinsurance Group of America (SA). Director of Reinsurance Group of America Holding Ltd (UK), Clover SA (Pty) Ltd, Clover Danone Beverages (Pty) Ltd, First International Security Trust (Pty) Ltd, Gensec Properties Ltd, Life Offices' Association, Plexus Holdings (Pty) Ltd, Plexus Asset Management (Pty) Ltd, Professional Provident Society Insurance Company Ltd and Strategy Partners (Pty) Ltd.

#### JVAN ZYL (47)

Director, Ph.D., D.Sc. (Agric). Appointed 1 August 2001  
Chairman of Sanlam Netherlands Holdings BV. Director of Genbel Securities Ltd, Gensec Bank Ltd, National Research Foundation, Sanlam Ltd, Sanlam Life Insurance Ltd and Sanlam Investment Management (Pty) Ltd.

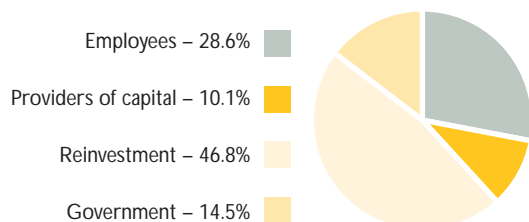
#### BP VUNDLA (55)

Director, BA (SA). Appointed 28 May 2002  
Director of Herdbuoys Mc Cann-Erickson (Pty) Ltd, International Financial Group, New Season Investment Holdings (Pty) Ltd, Wesbank Ltd and Mail & Guardian Ltd.

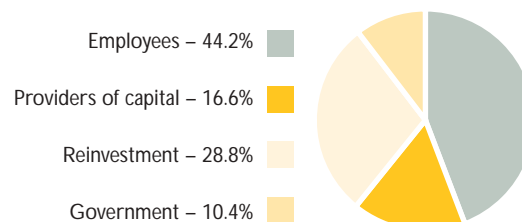
## Value Added Statement

	2003	2002
	R'000	R'000
<b>VALUE ADDED</b>		
Gross written premium	9 513 070	8 197 393
Claims paid and cost of other services	7 733 556	7 327 196
	1 779 514	870 197
Investment income	690 853	292 927
	<b>2 470 367</b>	<b>1 163 124</b>
<b>VALUE DISTRIBUTED</b>		
Employee benefits	706 140	525 817
Government	358 396	118 497
Direct taxation on income	355 860	115 585
Regional Service Council levies	2 536	2 912
Providers of capital	248 980	189 913
	<b>1 313 516</b>	<b>834 227</b>
Retained for reinvestment and future support of business	1 156 851	328 897
Depreciation	22 401	15 462
Retained income before transfer to reserves	807 559	154 056
Compulsory reserves for future support of business	326 891	159 379
	<b>2 470 367</b>	<b>1 163 124</b>

### Value distributed – 2003



### Value distributed – 2002





Sharon Thompson

# *Passionate, get-involved team player*

*Member of the Training and Development Team (Bellville)*

*"If I'm not at home on a Saturday,  
there's only one place you'll  
find me, watching rugby, shouting  
my lungs out and jumping up and  
down like a mad thing."*



## Corporate Governance

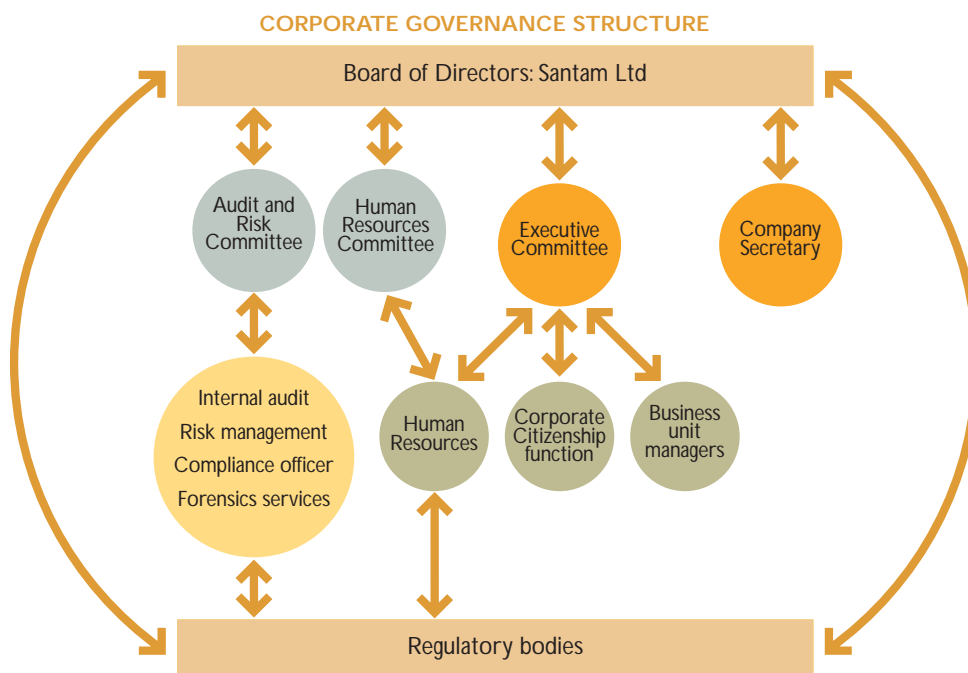
### Compliance with the Code of Corporate Practices and Conduct

SANTAM LIMITED is committed to the highest standards of corporate governance as defined in the King II Report on Corporate Governance. As a financial institution, we have a responsibility to conduct our affairs with prudence and integrity and to safeguard the interests of all stakeholders by complying with the recommendations of the Code of Corporate Governance.

The board is responsible for the company's governance policy and recognises its responsibility to shareholders, employees and the

skills and business experience. They maintain an underlying responsibility to ensure that their judgement is exercised freely and independently from any relationship with the executive management of the company and, in the board's opinion, there is no business or relationship within the current structure that could materially interfere with the exercise of its judgement.

Through its charter the board has reserved matters specifically for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The board is regularly advised and updated on activities of the company. On appointment new directors are subject to a formal induction programme and receive appropriate training and guidance in their duties and responsibilities.



community to uphold high standards in economic, social, environmental and ethical matters by ensuring that the company conducts its activities in accordance with best practice.

The board's accountability is demonstrated by:

- Allocating, through the company's delegation of authority framework, major roles and responsibilities to ensure that, in the performance of their duties, individuals take the interests of all stakeholders into account
- Ensuring that there are formal and clear procedures to be observed in certain key areas, so that decisions and actions may be readily reviewed both internally and externally by regulators and auditors
- Adopting clear and formal procedures including the board charter
- Conducting the company's affairs in accordance with the company's code of ethics

Directors also have access to the services and advice of the company secretary and may take independent professional advice at the expense of the company in furtherance of their duties.

#### BOARD MEMBERS DURING 2003

Name	Executive	Non-executive	Independent	Race	Gender
JJ Geldenhuys		•	•	W	M
SC Gilbert	•			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
MJ Reyneke	•			W	M
GE Rudman		•		W	M
DK Smith (Chairman)		•	•	W	M
JA van Tonder	•			W	M
BP Vundla		•	•	B	M
JW Wilken	•			W	M
J van Zyl	•	•		W	M

### The board and committees

#### OVERVIEW OF CONSTITUTION OF BOARD

The board comprises twelve directors, nine of whom served throughout the year ended 31 December 2003. As at that date, there were two executive directors and ten non-executive directors including the chairperson.

The effective operation of the board falls principally under the responsibility of the chairperson who is an independent non-executive director. There is a clear division of responsibility between the various roles in the corporate governance structure.

The non-executive directors, who are all influential in the decision-making process, come from a range of industries and possess a mix of

### CHANGES DURING THE YEAR UNDER REVIEW

During the year under review, Mr EM Groeneweg retired from the board and the Audit and Risk Committee on 27 May 2003, Dr J van Zyl resigned as executive director on 31 March 2003 and was re-appointed as a non-executive director on 28 May 2003. Mr JA van Tonder and Mr JW Wilken both resigned from the board on 26 August 2003. Mr SC Gilbert (Chief Executive) and Mr MJ Reyneke (Executive Head: Finance) joined the board on 14 July 2003 and 26 August 2003 respectively.

### Board charter

#### OBJECTIVE

The charter sets out the specific responsibilities to be discharged by the board as a whole and by each of the directors, executives and officers individually in terms of the company's articles of association, the Companies Act, the Short-term Insurance Act as well as the JSE Listings requirements. These documents are a reference point for directors, executives and officers on how to conduct their affairs and dealings in respect of, and on behalf of, the company.

#### SALIENT FEATURES OF THE CHARTER

##### A. RESERVED POWERS OF THE BOARD

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

The matters reserved to the board are as follows:

- Approval of:
  - The company's strategic objectives, business plans, annual budgets and the monitoring of the company's performance against set objectives,
  - Annual financial statements, interim reports,
  - The company's code of ethics and delegation of authority framework,
  - Appointments and removals of directors, executive management and the company secretary,
  - Significant changes in accounting policy,
  - Significant capital expenditure, and
  - Financial risk management and capital policy.
- Consideration of the company's degree of risk aversion with respect to financial business and sovereign risks,
- Composition of the board and board committees,
- Risk management and internal controls, and
- Board evaluation.

##### B. 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 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. In exercising their fiduciary duty the directors 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 assist the board in discharging its 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 respective charters, as approved by the board. The chair of each of the committees makes a presentation to the board on issues tabled for discussion at the committee meeting.

###### Group secretary

All directors have access to the advice and services of the group secretary, who provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should properly be discharged in terms of applicable legislation and regulations, and in the best interest of the company. As from 2004, the directors will evaluate the effectiveness of the group secretary annually, taking into account the skill and qualification levels of the incumbent.

##### C. 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. The Human Resources Committee assists the board annually in evaluating the effectiveness of the board.

##### D. 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.

##### E. DEALING IN SECURITIES

The dealing in securities policy sets out the procedure that a director should follow before he or she or any of the associates as defined in the JSE Listings Requirements deal in the company's securities. In terms of the policy, directors, executive and senior management must comply with the JSE Listings Requirements when dealing in the company's securities. In terms of the policy, directors' dealings in securities are disclosed to the JSE Securities Exchange via Santam's JSE sponsor, Investec Securities Ltd.

##### F. 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.

## Meetings and attendance

During the period under review, the board met four times. The board schedules to meet at least once every quarter.

Attendance of directors at board meetings was as follows:

	25 Feb	27 May	26 Aug	25 Nov
<i>Non-executive directors</i>				
DK Smith (Chairman)	●	●	●	●
JJ Geldenhuys	●	●	●	●
EM Groeneweg	●	●	N/A	N/A
JG le Roux	●	●	●	●
NM Magau	●	●	●	●
AR Martin	●	●	●	●
JE Newbury	●	●	●	●
P de V Rademeyer	●	●	●	●
GE Rudman	●	●	●	●
BP Vundla	●	●	●	—
J van Zyl	N/A	●	●	●
<i>Executive directors</i>				
SC Gilbert	N/A	N/A	●	●
MJ Reyneke	N/A	N/A	N/A	●
JA van Tonder	●	●	●	N/A
J van Zyl	●	N/A	N/A	N/A
JW Wilken	●	●	●	N/A

## Appointment and re-election of directors

The Human Resources Committee ensures that the board's composition reflects diversity in demographics, appropriate mix of skills and experience as well as gender.

Executive and non-executive directors are subject to rotation once every three years. Shareholders have the right to nominate a director. Five other shareholders must second the nomination. An abridged cv of the nominated director is sent with the notice 14 days before the Annual General Meeting (AGM). At the AGM, the shareholders will vote by a single resolution to determine whether the director will be appointed. Directors appointed after the AGM are required to step down at the next AGM to be re-elected by the shareholders.

## Committees

### AUDIT AND RISK COMMITTEE

Members:

Name	Executive	Non-executive	Independent
JJ Geldenhuys		●	●
AR Martin		●	●
P de V Rademeyer		●	
GE Rudman (Chairperson)		●	

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

It performs this function by:

- Promoting the overall effectiveness of corporate governance within Santam.
- Ensuring that management creates and maintains an effective control environment with adequate internal, financial and operating controls within the organisation.
- 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 internal audit (incorporating forensic investigations), the compliance function 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 in seeking a resolution to issues that demand interpretation or that are controversial and that affect the published financial statements and other public documentation issued.
- 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 Audit and Risk Committee is satisfied that it fulfilled its responsibilities under its terms of reference for the period under review.

During the period under review, the Audit and Risk Committee met at least once every quarter prior to the board meeting.



## Human Resources Committee

Members:

Name	Executive	Non-executive	Independent
DK Smith (Chairperson)		●	●
JG le Roux		●	●
JE Newbury		●	●
J van Zyl		●	

The Human Resources Committee combines the roles of a remuneration and nominations committee (as defined in the King II report). The board is of the opinion that the two functions are interrelated and has set the terms of reference of the committee to adequately cover the two functions without compromising appropriate governance standards in the company. An independent non-executive director chairs the committee that is comprised of non-executive directors only. The chief executive attends meetings by invitation, but does not participate in discussions and decisions regarding his own remuneration and benefits.

The terms of reference give the committee the responsibility and authority to consider and make recommendations to the board on the following matters:

- Succession planning,
- Employee issues,
- Remuneration policy and performance bonuses,
- Executive remuneration,
- Composition of the board and board committees in terms of size, diversity, skills and experience,
- Composition of top management in terms of diversity, skills and experience, and
- Share Incentive Trust and Share Option Scheme policy.

The committee uses external market surveys and benchmarks in determining the executive directors' remuneration and share option allocation. The company's remuneration philosophy recognises that remuneration packages should be structured in such a way that short and long-term incentives are determined according to the achievement of the business objectives and the delivery of shareholder value. Fee scales payable to non-executive directors will be submitted to shareholders at a general meeting before implementation and payment in 2004.

The committee annually performs an assessment of the effectiveness of the board and going forward in 2004 a formal assessment of individual directors and board committee members will be undertaken. The assessment deals with issues such as the board's role and agenda setting, the board's size, composition and independence, director orientation and development, board leadership and teamwork, meetings and effectiveness, performance evaluation, remuneration and ownership, succession planning, ethics, stakeholder relations and overall effectiveness.

## 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 in such a way that a substantial portion is performance-related; as such their eligibility for an annual bonus is linked to appropriate group targets.

## Succession planning

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

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 of 1973 and the JSE Listing Requirements.

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

## Other committees

### EXECUTIVE COMMITTEE

Though not a board committee, this committee – in terms of the company's delegation of authority framework – is mandated by the board to deal with the day-to-day running of the affairs of the company. The Human Resources Committee appoints and determines the remuneration of the members of this committee on the recommendation of the chief executive and with the approval of the board.

The chief executive chairs this committee, which comprises the executive management of all the significant business units of the company. It meets weekly and deals with all matters relating to the implementation of the agreed strategy, the monitoring of performance and the consideration of the company's policies. The board reviews the levels of delegated authority to this committee annually.

### BEE COMMITTEE

The main function of this committee is to assist the board in setting an appropriate policy for the fulfilment of the company's responsibility in terms of contributing to Black Economic Empowerment and satisfying the requirements of the Financial Sector Charter. The committee consists of members of executive and senior management who are responsible in the areas of corporate citizenship, employment equity, and procurement. The board has seconded a non-executive director with experience in matters of transformation to this committee. The committee met twice during the year under review. The board receives periodic reports and presentations from the committee.

### INVESTMENT COMMITTEE

This committee, reporting to the executive committee, meets quarterly to evaluate and monitor the investment portfolio and the performance of investment managers. The committee sets investment mandates and makes recommendations to the board regarding Santam's investment philosophy.

## Risk management and internal control

Santam's board recognises and acknowledges that it is accountable for the total process of risk management and the system of internal control for the group. It is accountable for the establishing of appropriate risk and control policies and for communicating these policies through the group.

An ongoing risk management process for identifying, evaluating and managing significant risks has been in place for the period under review up to the date of approval of the annual report and financial statements. Management operates an adequate system of internal control to mitigate those significant risks identified to an acceptable level. Santam's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Any system can only provide reasonable assurance against material misstatement or loss.

## Strategic enterprise risk management process (SERM)

Santam's approach to risk management and control has evolved over a number of years, and was reviewed and refined during 2003, in line with the King II report on corporate governance standards in South Africa and the enterprise risk management framework discussed in the draft COSO (Committee of Sponsoring Organisations of the Treadway Commission) report as well as to deliver improved value to the shareholders. This resulted in the implementation of a second-phase plan for strategic enterprise risk management, which laid the foundations on which Santam would further build its risk culture and risk processes. The SERM rollout to business units is currently underway and has achieved much success with risk awareness to date. This ongoing process will continue in 2004.

The board is responsible for overseeing the risk management process and the adequacy and effectiveness of the risk management function of Santam and has tasked the Audit and Risk Committee to assist in this regard.

The Audit and Risk Committee has a board-approved charter that is in line with best corporate governance practices.

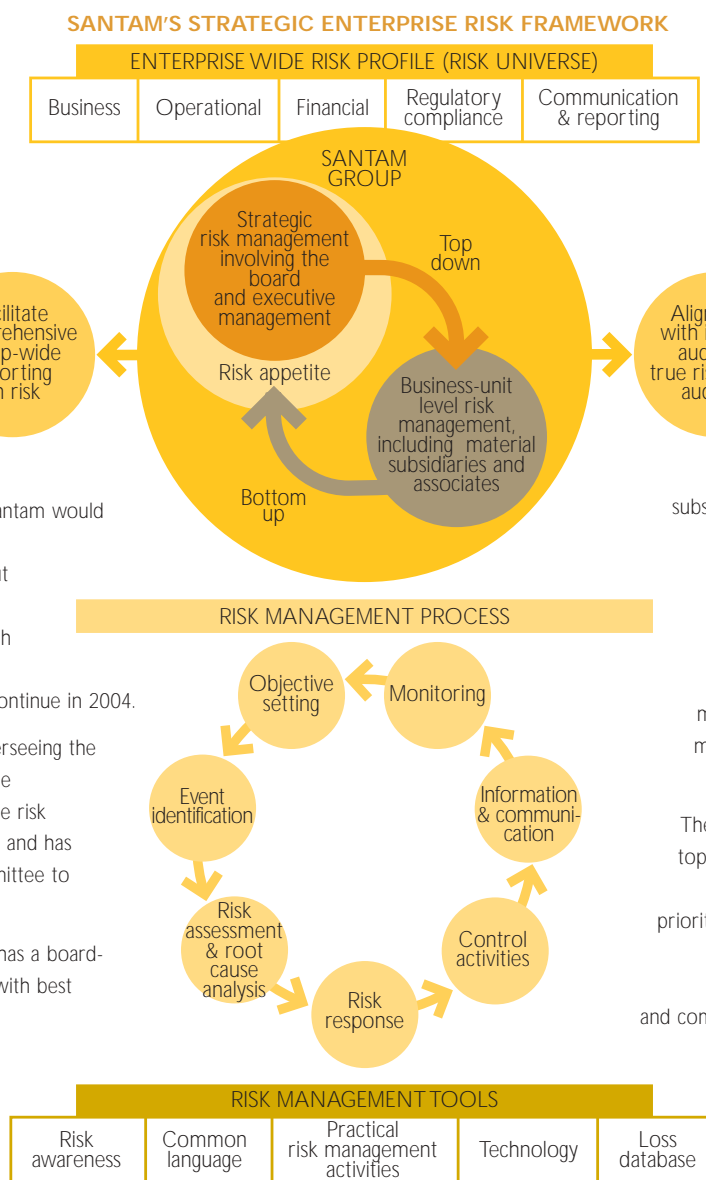
The Audit and Risk Committee meetings on 19 May and 17 November 2003 focused on risk management and control and a report on the status was tabled at the subsequent board meetings. A risk management report is prepared on a quarterly basis and is a standard agenda item at every Audit and Risk Committee meeting.

Subsidiaries, associates and joint ventures were not included for purposes of applying the King II recommendations in relation to risk management.

Santam's directors, who enjoy representation on these entities' boards, provide assurance that significant risks are being managed. The 2004 SERM process includes significant subsidiaries and associates. In the long term it will include all the subsidiaries and associates in the group.

Santam's SERM framework facilitates both the 'top-down' as well as the 'bottom-up' view of risk. This is achieved through involving the board and executive management, as well as business unit management in the risk management process.

The executive committee revisited the top-down risk profile of Santam during November 2003 and identified the priority risks in the following categories – business, financial, operational, compliance/regulatory and communication/reporting. The priority risks are managed and monitored by the executive committee, reported on to the Audit and Risk Committee on a quarterly basis and included in the risk-based internal audit plan.

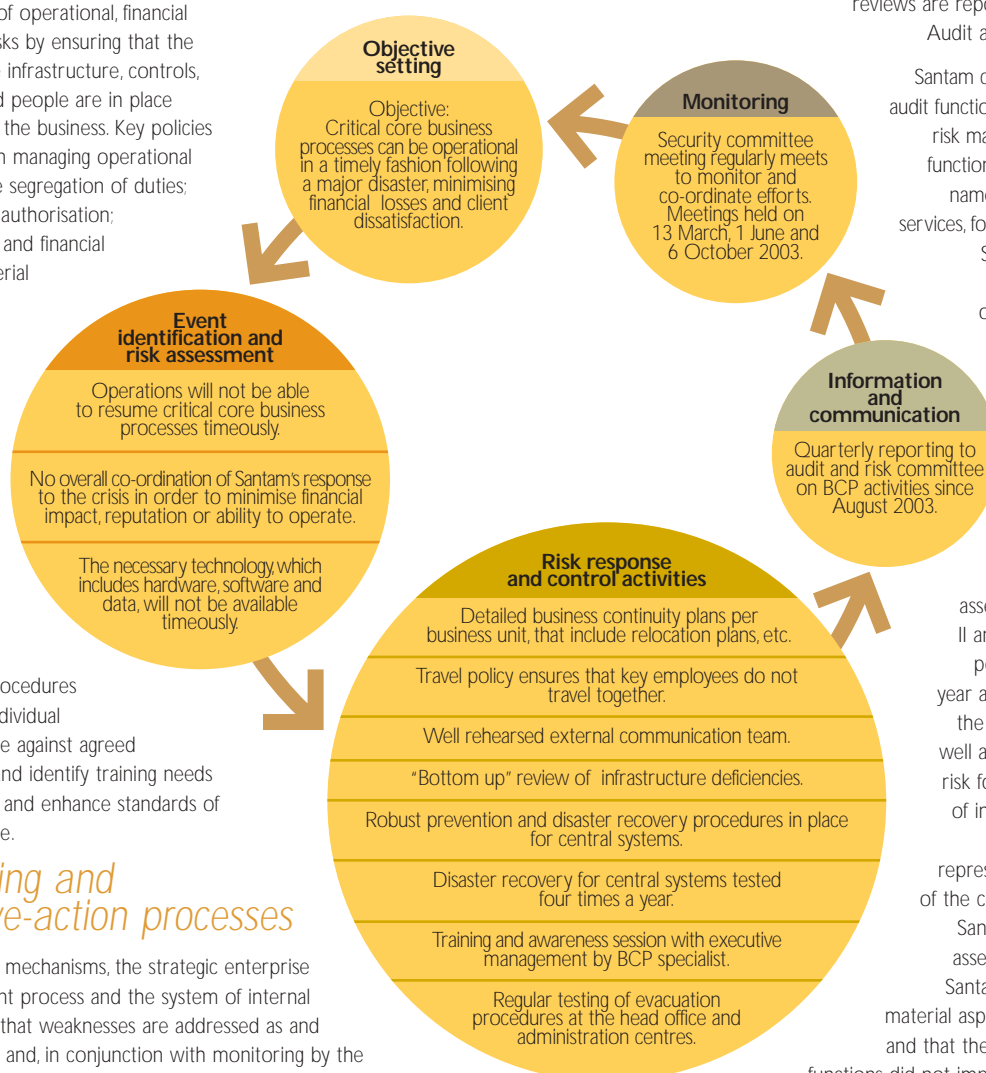


## Control environment and activities

The group's system of internal control is designed and operated to support the identification and management of risks affecting the group and the business environment in which it operates. As such, it is subject to continuous review as circumstances change and new risks emerge. Key features of the group's system of internal control comprise:

- Written policies and procedures, which are detailed in policy manuals, clearly defined lines of accountability and delegation of authority, and comprehensive reporting against approved standards and budgets.
- Minimising of operational, financial and legal risks by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the business. Key policies employed in managing operational risks involve segregation of duties; transaction authorisation; monitoring, and financial and managerial reporting.
- Bi-annual appraisal procedures to assess individual performance against agreed objectives and identify training needs to maintain and enhance standards of performance.

**The diagram illustrates an example of the bottom-up risk process. Business continuity planning (BCP) risk has been extracted to illustrate the risk management process followed at Santam for an operational risk analysis.**



## Monitoring and corrective-action processes

Self-monitoring mechanisms, the strategic enterprise risk-management process and the system of internal control 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.

In co-operation with the internal auditors, representation letters dealing with controls and compliance are completed and formally confirmed by management. Reporting on the level of effectiveness with which these risks are managed, including any significant weaknesses, is provided to the full board of directors.

The internal audit function is incorporated into the company's audit and forensic services department and reports regularly to the chief executive and the Audit and Risk Committee. The responsibilities of the department are set out in a charter approved by the Audit and Risk Committee. The scope of work encompasses all aspects of Santam's business activities and the Audit and Risk Committee approves the annual internal audit plan. This plan is risk-based and linked to Santam's strategic enterprise risk management process.

The audit and forensic services department also provided support to executive management regarding their corporate governance responsibilities.

Findings from examinations and reviews are reported directly to the Audit and Risk Committee.

Santam combines the internal audit function and the enterprise risk management facilitation function in one department, namely audit and forensic services, for greater efficiency at Santam. This aids the alignment and co-ordination of internal audit and risk management activities within the company resulting in a more focused risk and control effort. A self-

assessment against King II and best practice was performed during the year and was reviewed by the external auditors as well as the Santam Group risk forum, which consists of internal audit and risk management representatives from each of the companies within the Santam Group. The self-assessment showed that Santam complied with all material aspects of best practice and that the combination of the functions did not impair effectiveness and independence.

The head of internal audit reports administratively to the executive head of finance and has regular meetings with the chief executive, quarterly meetings with the Audit and Risk Committee, including access to the chairman of the Audit and Risk Committee as and when required.

### Board review

The review of effectiveness of controls was carried out principally through a process of management self-assessment, including formal confirmation per representation letters 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 enterprise 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 controls and systems occurred during the year. It is considered that the company's system of internal controls provides 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
- Behaving responsibly 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. Audit and forensic services chair the Santam Assurance Forum (formed during 2003), where assurance providers meet to co-ordinate their efforts, discuss matters of mutual interest and potential risk areas, highlight critical matters of concern and exchange working papers, management letters and reports.

The Audit and Risk Committee approved a policy stipulating guidelines regarding the use of external auditors for non-audit services during 2003. The Committee evaluated the independence of the external audit function specifically in relation to the non-audit services rendered. Non-audit services rendered by the group's external auditors amounted to R2,6 million and comprised tax compliance reviews, assistance with reconciliation preparation for underwriting agents, valuation for capital gains tax purposes, forensic investigations and other ad hoc assignments.

### Ethics – how we do things

#### BUSINESS PHILOSOPHY

Santam views ethics as an integral part of all business activities and as an essential component of our brand identity and company culture. We view ethics as an ongoing process, supported by strong communication and role model behaviour to keep the process dynamic and alive. In essence, it is a business philosophy that finds its practical application in the behaviour and business decisions of all Santam employees, at all levels.

Santam's organisational integrity is based on the concept of self-governance in accordance with a set of guiding values. The values give us insight into what we should do. They help us to co-ordinate and steer our individual choices and actions. In addition, these create an environment that supports a sense of shared accountability among employees. Our business philosophy has its roots in an entrepreneurial culture with its essence captured in our primary values:

- to be innovative,
- to create and add value, and
- to care.

*“basically it boils down to living those values we were taught by our parents and grandparents when we grew up”* Steffen Gilbert, Chief Executive

We work hard at protecting our hard-earned reputation so that our business, our people, shareholders, and the communities in which we conduct our business may flourish. A recent internal climate study indicated that the majority of Santammers are aware of the importance of creating shareholder value through the generation of sustainable profit and client service. The study indicates that “adding value” is our most entrenched value.

Good corporate governance should find expression in corporate values that guide decision-making. We continually strive to align operational values and principles and effective ethical compliance, thus nourishing a culture of ethics in our organisation. Of the two approaches to ethics, namely compliance versus values-based, we believe the values-based approach will deliver longer-term benefits to Santam.

	Values-based	Compliance-based
Standards	Identity and values	Codes and compliance
Path of action	Values (maximum)	Law (minimum)
Motives	Self-motivation	External sanction
Focus	Top line: increasing profits	Bottom line: reducing costs

### CODE OF CONDUCT

The structural features of our business philosophy and values are represented by a code of conduct, mechanisms for reporting and investigating misconduct, delegating discretionary authority and a system of internal control.

Our code of conduct specifies the corporate practices that we apply in conducting our affairs. It contains examples of acceptable conduct that must be encouraged. Having a formal disciplinary code and grievance procedure helps to discourage conduct or behaviour that is damaging to Santam, our client base, or fellow employees.

We are committed to ensuring through our actions that our company:

- Is a provider of excellent service,
- Conducts business openly, honestly and transparently,
- Communicates truthfully – without misrepresentation,
- Maintains standards of confidentiality,
- Acts fairly and honestly towards all stakeholders,
- Upholds the country's laws,
- Acts in a socially responsible way towards the South African community, and
- Maintains high ethical standards.

Santam is exposed to the risk of fraudulent behaviour on the part of external and internal sources. Although we are not immune to this type of behaviour, we do not tolerate it. Our Fraud Policy clearly states this attitude. During the year, there was a company-wide fraud awareness campaign that culminated in a fraud awareness day. Our fraud line provides the means of reporting unethical behaviour and we respect the right of an individual to retain their anonymity. We are committed to investigating all discovered or suspected fraud. Audit and forensic services determines the scope of these investigations, depending on size, nature and complexity.

### Total Ethics Management Programme (TEMP)

Recent organisational changes and the worldwide focus on governance and the competitive benefits of management by values have encouraged Santam to focus on ethics. Taking an in-depth look at the Santam brand revealed that steady growth, innovation and efficiency have made Santam the market leader. However, it is not only a steadfast commitment to even greater advances that will consolidate and entrench that leadership. It is also a new and heartfelt pledge to increasingly involve and assist all South Africans in the active and ongoing protection of their assets that will continue to earn for us their goodwill, trust and confidence.

In the coming year, we will focus on implementing a comprehensive ethics management programme. The ethics management programme will give life to Santam's guiding values, create an environment that supports ethically sound behaviour, and instill a sense of shared accountability among employees. The need to obey the law is viewed as a positive aspect of our life at Santam, rather than an unwelcome constraint imposed by the authorities.

Our plan consists of the following elements:

#### 1. Senior management commitment

The Santam Board and senior management have always been committed to ethics. Steffen, our CE, will chair the Ethics Committee.

#### 2. Assess organisational values and vulnerabilities

An assessment of our organisational values and vulnerabilities will be performed. It will serve as a future benchmark (required in terms of King II but, more importantly, providing useful input regarding focus areas where improvement is required as well as acting as a baseline to measure the effectiveness of Santam's ethics initiatives).

#### 3. Enhancing current codes

We envisage a:

- Values statement – the aspirational component listing and defining our core ethical and operational values, and
- Code of conduct – the enforceable, compliance-oriented component setting out policies, procedures and rules.

#### 4. Organisational ethics infrastructure

We plan to address the following:

- Education and training,
- Communication,
- An ethics line for assistance, advice and guidance, and
- An ethics office.

#### 5. Integration

- Formal and informal structures, and
- Integrating existing activities and maximising the influence of ethics.

The Santam TEMP will permit the directors to disclose the extent to which ethical standards are being met and supported by the ethics programme, as recommended by King II.

### Going concern

The financial statements of the company are prepared on a 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 not only considered obvious matters such as the solvency position, but also expanded their consideration to early warning indicators that may cast doubt on 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.

After considering these factors, the directors are of the opinion that adequate resources exist to continue the business in the near future. The directors' statements on the company as a going concern are set out in their report on page 31 of this annual report.



*"Put me 50 ft under water, in a cave with no light and only my mind and my adrenaline to get me through, that's where I'm in my element."*



Collette Telle

# *Risk- aware adventurer*

2IC to Underwriting Team Leader (Pretoria)

## Sustainability Report

We intend to publish a full account of our sustainability activities alongside our June 2004 interim results. Therefore, we have highlighted only pertinent issues in our annual report as a high-level status report.

In 2003, Santam expanded its efforts concerning sustainability by widening its focus, thus going from an approach that was largely oriented towards Black Economic Empowerment and Corporate Social Investment to one that takes cognisance of HIV/AIDS, health and safety and the environment.

We are investing resources in developing a sustainability strategy that builds on existing achievements, integrates related initiatives such as the governance and ethics programmes, and supports our strategic imperatives.

This report aims to provide an overview of our efforts to date at establishing an integrated approach to sustainability.

### *Our view on sustainability*

Santam's understanding of the term *sustainability* is that it refers to the process whereby we voluntarily incorporate social, environmental and economic concerns into our decision-making and the manner in which we do business. In this way, we strive to ensure that Santam behaves responsibly and respectfully towards others and our environment.

Although there are a number of areas that influence Santam's sustainability, the most important ones include:

- Black Economic Empowerment
- Employment Equity
- Diversity, including disability and gender
- HIV/AIDS
- Health and safety
- Corporate Social Investment
- Fair products and services
- Access to products and services
- Government and sector relations
- Environmental impacts of our operations
- Innovation

Santam has committed itself to using this sustainability initiative to add value to our stakeholders. We have identified our essential stakeholders as being our shareholders, staff, business partners, clients and the community in which we operate, and understand that the sustainability of our business is linked to these. Therefore, we commit ourselves to working towards the sustainability of these communities. We intend to broaden our dialogue with stakeholders during 2004.

We actively manage our sustainability in order to provide secure and accessible risk management products for our customers, profitable investments for our shareholders and a safe and rewarding environment for our staff.

To do this we need to meet legal requirements for sustainability, minimise risks associated with social, economic and environmental impacts and use our sustainability initiative to add value to the business by:

- Enhancing our reputation as a responsible organisation,
- Building our reputation as an employer of choice,

- Decreasing costs,
- Improving staff morale,
- Improving our management of HIV/AIDS and other risks, and
- Stimulating innovation in terms of product, services and customers serviced.

Two committees manage Santam's sustainability strategy, a Sustainability Committee working at a strategic level and a Sustainability Working Committee implementing strategy at operational level. Both groups are multi-disciplinary and members are drawn from across the business. Santam has committed itself to the training and development of these teams during 2004.

During 2003 we further developed our policy framework for sustainability, including our HIV/AIDS, environmental and health and safety policies. This means that we now have a policy framework for each of the areas of sustainability listed above. These are available on request.

### *High-level status report*

#### **BLACK ECONOMIC EMPOWERMENT**

Santam has played an active role in the development of the Financial Sector Charter and has committed itself to implementing the Charter within its operations. We intend to report more fully on our alignment with the Charter in August 2004.

Pending Santam's empowerment transaction, 7.42% of Santam is black owned. We have established and implemented a strategy that promotes procurement from black-owned companies and our Adopt-A-Shop programme is assisting a number of emerging panel beater SMMEs to build their capacity in order to become suppliers to Santam in future. This programme links larger accredited panel beaters with emerging panel beaters in order to build their skills, market, and resource base.

In 2002, we reported in detail on our BEE policy, which is available on our website. This year we focused on developing management systems and initiating a communications programme to support Black Economic Empowerment within the business.

#### **EMPLOYMENT EQUITY (EE)**

In terms of EE, our strategy focuses on three major areas with the aim of creating a culture where diversity is supported and nurtured, of concentrating on using available opportunities to increase diversity and of enhancing the retention of people from designated groups. An EE management committee manages the process and EXCO sanctions all appointments.

Last year, Santam invested 4.9% of its payroll in training and development initiatives, of which 3.6% of the payroll was spent on developing the skills of black employees, thus exceeding the 2008 target of 1.5%.

We are an accredited training provider and participate fully in the skills development initiative. More than 50 Inseta-accredited learnerships were introduced and Inseta projects were enthusiastically supported. We are benchmarking our achievements, so that we can continuously improve on them and achieve our goal of being the leader in skills development in our industry.

# Sustainability Report

## SAFETY AND HEALTH

Santam strives to provide a safe and healthy working environment for its employees.

Management is responsible for ensuring that Santam follows sound health and safety practices, in accordance with the requirements of the Occupational Health and Safety Act.

## HIV/AIDS

Our HIV/AIDS policy commits us to protect our HIV-positive staff from unfair stigmatisation and discrimination and to provide all employees with access to training and information. With the help of Sanlam we are in the process of developing and implementing a programme throughout the company on awareness, prevention and treatment.

## CORPORATE SOCIAL INVESTMENT

Santam has moved towards a more strategic approach to corporate social investment, focusing on areas that will add value to the business and all its stakeholders. We do not support the concept of "chequebook charity". Instead, we focus on meaningful partnerships with previously marginalised communities to facilitate capacity building and the transfer of skills, governed by the principles of self-help and sustainability.

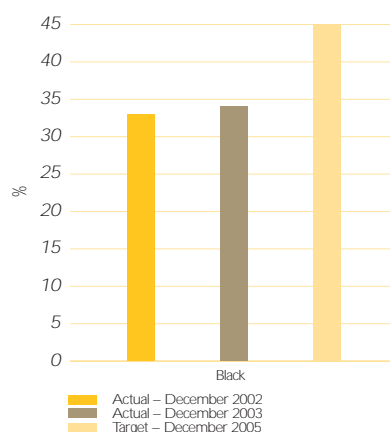
Santam continues to run its flagship Child Art competition, which has been in existence for more than 40 years and has been extended to include free art classes for children in disadvantaged communities through the Child Art Trust. Our other national initiatives focus on education, skills training and mentorship, job creation and entrepreneurship.

Santam's 2004 Sustainability Report will provide full details of Santam's activities across the Triple Bottom Line of Social, Environmental and Economic performance.

## WORKFORCE PROFILE AS ON 31 DECEMBER 2003

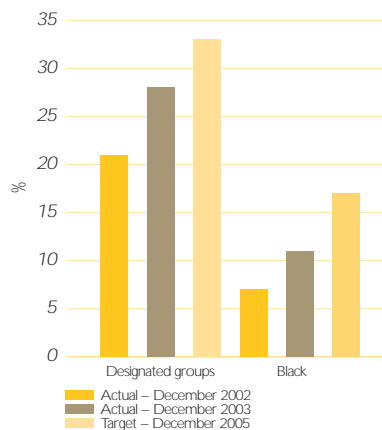
Level	Black male	Black female	White male	White female	Total	% black per level	% female per level
Top Management (IG 01 – 03)	2	0	16	0	18	11.11	0.00
Senior Management (IG 04 – 06)	19	2	137	37	195	10.77	20.00
Professional (IG 07 – 08)	69	21	301	166	557	16.16	33.57
Skilled & Supervisory (IG 09 – 10)	96	99	116	380	691	28.22	69.32
Semi-skilled (IG 11 – 13)	199	320	98	375	992	52.32	70.06
Unskilled (IG 14 – 15)	4	24	0	0	28	100.00	85.71
Grand Total	389	466	668	958	2 481	34.46	57.40

## Total Staff



## Management

(include both top and senior management)



Ghasina Docrat

*Insightful,  
supportive  
motivator*

Contact Centre Team Leader (Johannesburg)



*"The smile on my son's face when he scores a goal – there's nothing like it. It's worth every practice."*





## Approval of Annual Financial Statements to the members of Santam Limited

### Responsibility for and approval of the group annual financial statements

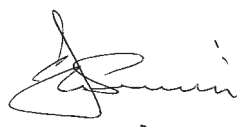
The Board of Santam Limited accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Limited. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting. The responsibility 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 Limited and its subsidiaries.

The Audit and Risk 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 Limited 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



**S C GILBERT**  
Chief Executive

24 February 2004

### 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

24 February 2004

### Report of the independent auditors

We have audited the financial statements and group annual financial statements of Santam Limited set out on pages 31 to 58 for the year ended 31 December 2003. 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

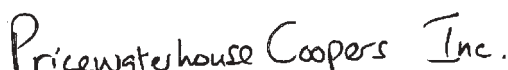
We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material mis-statement. An audit includes:

- 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 2003, 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  
24 February 2004

## Directors' Report

### 1. ACTIVITIES

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

### 2. OPERATING RESULTS

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

	GROUP		COMPANY	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Total assets	10 708 854	8 916 565	8 379 899	7 154 500
Gross written premium	9 513 070	8 197 393	7 332 631	6 720 146
Underwriting surplus	529 986	141 840	382 165	89 331
Investment income	497 650	178 742	408 508	136 541
Attributable earnings to shareholders	806 414	302 242	694 435	252 685
Pro forma earnings based on long-term rate of return	777 091	515 982		
Headline earnings per share (cents)	751	274		
Pro forma earnings per share based on long-term rate of return (cents)	692	464		
Dividend per share (cents)	220	170		

### 3. ORDINARY SHARES ISSUED

The stated capital has increased to 113 619 837 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, 1 734 700 shares and share options were awarded during the period under review, 182 750 shares and share options lapsed as a result of resignations and 1 774 075 shares were issued as a result of share options being exercised or released. Full details are set out in note 18 of the annual financial statements.

	GROUP	
	2003 R'000	2002 R'000

### 4. DIVIDENDS

The following dividends were paid and are proposed:

Interim dividend of 72c per share (2002: 65c)	80 823	72 475
A proposed final dividend of 148c per share (2002: 105c)	168 157	117 438
	<b>248 980</b>	<b>189 913</b>

### 5. SUBSIDIARIES

Details of the holding company's interest in subsidiaries are set out in note 33 to the financial statements. The interest of Santam Limited in the total profits of the subsidiaries after providing for taxation amounted to R114 854 000 (2002: R51 898 000) for the past financial year. The following new acquisitions took place during the year:

- On 1 January 2003, Santam UK Ltd acquired 100% of the shareholding in Westminster Motor Insurance Association Ltd,
- On 1 January 2003, Stalker Hutchison & Associates (Pty) Ltd acquired the remaining 56.2% in Accident & Miscellaneous Acceptances (Pty) Ltd to bring the total shareholding to 100%,
- On 1 January 2003, Swanvest 120 (Pty) Ltd acquired a further 3.45% shareholding in Stalker Hutchison & Associates (Pty) Ltd,
- On 1 July 2003, Swanvest 120 (Pty) Ltd, acquired the remaining 83% shareholding in Agri Risk Specialists Ltd to bring the total shareholding to 100%.

### 6. ASSOCIATED COMPANIES

Details of the holding company's interest in associated companies are set out in note 33 to the financial statements. The following new acquisitions took place during the year:

- On 7 March 2003, Santam UK Ltd acquired 47.3% shareholding in Bluesure Ltd,
- On 1 April 2003, Swanvest 120 (Pty) Ltd acquired 49.99% shareholding in Thebe Risk Services Holdings (Pty) Ltd,
- On 1 December 2003, Credit Guarantee Insurance Corporation of Africa Ltd became an associated company of Santam Ltd after several smaller acquisitions of shareholdings totalling 8.05%,
- On 19 December 2003, Alacrity Financial Services Ltd became an associated company of Swanvest 120 (Pty) Ltd after it acquired a 20.35% shareholding as part of an ongoing public offer, which ended on 31 January 2004.

## Directors' Report

### 7. 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, refer to note 29.

Details of directors' remuneration and their interest in the company's shares appear elsewhere in the financial statements, refer to note 4.

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### 8. HOLDING COMPANY

Sanlam Limited, the company's holding company, holds 53.27% of the ordinary share capital.

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### 9. SEGMENTAL REPORTING

Refer to note 2 for the segmental report.

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### 10. DIRECTORS AND SECRETARY

The directors of the company are:

#### Non-executive directors:

JJ Geldenhuys\*  
JG le Roux \*\*  
NM Magau  
AR Martin\*  
JE Newbury\*\*  
P de V Rademeyer \*  
GE Rudman \*  
DK Smith (Chairman) \*\*  
J van Zyl\*\*  
BP Vundla

\* member of the Audit and Risk Committee

\*\* member of the Human Resources Committee

#### Executive directors:

SC Gilbert (Chief Executive)  
MJ Reyneke

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

SC Gilbert	– Appointed on 14 July 2003
EM Groeneweg	– Retired on 27 May 2003
MJ Reyneke	– Appointed on 26 August 2003
JA van Tonder	– Resigned on 26 August 2003
J van Zyl	– Resigned on 31 March 2003, appointed on 28 May 2003
JW Wilken	– Resigned on 26 August 2003

The company secretary for the past year was:

VF Malie  
PO Box 3881, Tyger Valley 7536  
Santam Limited, 1 Sportica Crescent, Bellville 7530

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### 11. 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 directors of the group during the year was 284 100 (2002: 31 000). 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 772 100.

## Directors' Report

### DIRECTORS' PARTICIPATION IN SHARE OPTION SCHEME

	As at 31 December 2002	Granted before directorship	Number of shares during the year		Option Price R	Date awarded	As at 31 December 2003
			Granted	Exercised			
<b>Executive Directors</b>							
SC Gilbert	–	–	284 100	–	35.20	14/07/03	<b>284 100</b>
Sub-total	–	–	284 100	–			<b>284 100</b>
MJ Reyneke		74 000			36.35	12/11/01	<b>74 000</b>
		8 000			37.15	20/02/02	<b>8 000</b>
		24 000			31.00	26/02/03	<b>24 000</b>
Sub-total	–	106 000	–	–			<b>106 000</b>
<b>Non-executive Directors</b>							
JJ Geldenhuys*	100 000				15.25	23/10/98	<b>100 000</b>
	50 000				27.00	03/03/99	<b>50 000</b>
Sub-total	150 000	–	–	–			<b>150 000</b>
J van Zyl*	217 000				35.20	26/04/01	<b>217 000</b>
	15 000				37.15	26/02/02	<b>15 000</b>
Sub-total	232 000	–	–	–			<b>232 000</b>
TOTAL	382 000	106 000	284 100	–			<b>772 100</b>
JA van Tonder**	143 000						
JW Wilken**	130 500						
TOTAL	655 500						

\* Options granted when employed by Santam Limited.

\*\* Resigned as director 26 August 2003.

### DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

	Beneficial holding at 31 December 2003	Beneficial holding at 31 December 2002
<b>Executive Directors</b>		
SC Gilbert (appointed 14 July 2003)	<b>100</b>	
MJ Reyneke (appointed 26 August 2003)	<b>100</b>	
JA van Tonder (resigned 26 August 2003)		12 500
J van Zyl (resigned 31 March 2003)		100
JW Wilken (resigned 26 August 2003)		1 500
<b>Non-executive Directors</b>		
JJ Geldenhuys	<b>120 000</b>	120 000
EM Groeneweg (retired 27 May 2003)		500
JG le Roux	<b>100</b>	100
NM Magau	<b>100</b>	100
AR Martin	<b>150</b>	150
JE Newbury	<b>5 000</b>	1 000
P de V Rademeyer	<b>500</b>	500
GE Rudman**	<b>3 000</b>	3 000
DK Smith	<b>100</b>	100
J van Zyl (appointed 28 May 2003)	<b>100</b>	
BP Vundla	<b>300</b>	300
	<b>129 550</b>	<b>139 850</b>

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

### 12. AUDITORS

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



*Reflective,  
thinker*

*Bruce Taylor*

*Organisational Development Consultant (Cape Town)*

*"Reading is one of the greatest talents we can develop. It enables us to tap into the wise minds of all generations, see their wisdom reflected in our present and act on it. The Purpose Driven Life by Rick Warren is one of my favourite books. If you haven't read it, I highly recommend it."*

## Financial Statements

### INCOME STATEMENTS

	Notes	GROUP		COMPANY	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
Gross written premium		9 513 070	8 197 393	7 332 631	6 720 146
Less: reinsurance premium		2 491 302	2 562 191	1 540 472	1 557 646
Net premium		7 021 768	5 635 202	5 792 159	5 162 500
Less: change in unearned premium		266 350	86 913	(171 708)	73 893
Gross amount		297 161	258 253	(164 368)	287 340
Reinsurers' share		30 811	171 340	7 340	213 447
Earned premium		6 755 418	5 548 289	5 963 867	5 088 607
Expenses					
Claims incurred	3	4 374 618	3 925 050	3 931 684	3 678 159
Claims paid		4 194 169	3 756 920	3 794 695	3 462 320
Gross amount		5 076 290	4 832 760	4 325 700	4 229 997
Reinsurers' share		882 121	1 075 840	531 005	767 677
Change in provision for outstanding claims		180 449	168 130	136 989	215 839
Gross amount		335 380	129 726	267 835	252 136
Reinsurers' share		154 931	(38 404)	130 846	36 297
Commission		789 000	698 449	727 484	659 992
Commission incurred		1 318 520	1 221 939	1 044 074	928 909
Commission recovered		529 520	523 490	316 590	268 917
Management expenses	4	1 061 814	782 950	922 534	661 125
<b>Underwriting surplus</b>		<b>529 986</b>	<b>141 840</b>	<b>382 165</b>	<b>89 331</b>
Investment return on insurance funds	5	204 825	114 830	170 586	91 837
<b>Operating income</b>		<b>734 811</b>	<b>256 670</b>	<b>552 751</b>	<b>181 168</b>
Investment income	5	497 650	178 742	408 508	136 541
Income from associated companies	14	(11 622)	(646)	1 683	(3 174)
Dividends from subsidiaries				2 875	1 772
<b>Income before taxation</b>		<b>1 220 839</b>	<b>434 766</b>	<b>965 817</b>	<b>316 307</b>
Taxation	6	355 860	115 585	270 182	63 622
Minority interest	20	22 157	13 640	–	–
<b>Headline earnings</b>		<b>842 822</b>	<b>305 541</b>	<b>695 635</b>	<b>252 685</b>
Amortisation of goodwill	7	36 408	3 299	1 200	–
<b>Attributable earnings to shareholders</b>		<b>806 414</b>	<b>302 242</b>	<b>694 435</b>	<b>252 685</b>
<b>Pro forma earnings based on long-term rate of return</b>	8	<b>777 091</b>	<b>515 982</b>		
<b>Earnings per share (cents)</b>	9				
Headline earnings per share		751	274		
Attributable earnings per share		718	271		
Pro forma earnings per share based on long-term rate of return		692	464		
<b>Dividends per share (cents)</b>	10	<b>220</b>	<b>170</b>		

## Financial Statements

### BALANCE SHEETS

BALANCE SHEETS		GROUP		COMPANY	
		2003	2002	2003	2002
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		4 027 462	3 296 134	4 675 533	3 818 241
Property and equipment	11	70 446	41 401	45 499	28 065
Goodwill	12	108 539	33 075	3 600	4 800
Deferred taxation	21	13 809	14 063	–	–
Investment in subsidiaries	13	–	–	1 521 330	1 068 719
Investment in associated companies	14	150 128	30 898	95 459	12 662
Available-for-sale investments	15	3 644 823	3 136 353	2 969 928	2 663 651
Trading financial assets	16	39 717	40 344	39 717	40 344
Technical assets		2 301 878	2 072 259	1 022 687	880 022
Reinsurers' share of technical provisions		–	–	–	–
Outstanding claims		1 282 919	1 093 263	514 882	384 036
Unearned premiums		864 599	833 975	416 402	409 063
Deferred acquisition costs		154 360	145 021	91 403	86 923
Current assets		4 379 514	3 548 172	2 681 679	2 456 237
Debtors and other receivables		787 223	768 510	410 049	313 679
Outstanding premium debtors		279 486	270 027	277 569	264 332
Amounts owed by reinsurers		109 936	237 185	108 848	176 551
Amounts owed by Santam group subsidiaries	33	–	–	138 431	92 222
Cash and cash equivalents		3 202 869	2 272 450	1 746 782	1 609 453
TOTAL ASSETS		10 708 854	8 916 565	8 379 899	7 154 500
EQUITY AND LIABILITIES					
Capital and reserves		3 956 096	3 375 489	3 696 403	3 160 991
Share capital	17	1 129 856	1 090 618	1 129 856	1 090 618
Non-distributable reserves	19	964 023	836 223	1 056 935	865 265
Distributable reserves		1 862 217	1 448 648	1 509 612	1 205 108
Minority shareholders' interest	20	52 903	38 953	–	–
Technical provisions		5 155 954	4 225 747	2 711 730	2 615 437
Gross outstanding claims		2 988 613	2 392 063	1 795 797	1 527 962
Gross provision for unearned premiums		2 036 220	1 694 516	840 259	1 004 627
Deferred reinsurance acquisition revenue		131 121	139 168	75 674	82 848
Non-current liabilities		134 721	34 210	116 006	27 793
Deferred taxation	21	134 721	34 210	116 006	27 793
Current liabilities		1 409 180	1 242 166	1 855 760	1 350 279
Amounts due to reinsurers		355 174	548 487	322 086	423 756
Taxation		166 883	162 422	118 837	109 516
Trade and other payables		840 754	443 451	485 369	218 944
Provisions	22	46 369	87 806	43 262	87 806
Amounts owing to Santam group subsidiaries	33	–	–	886 206	510 257
TOTAL EQUITY AND LIABILITIES		10 708 854	8 916 565	8 379 899	7 154 500
Solvency margin (%)	1.3.6	56	60		

## Financial Statements

### STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Contingency reserve R'000	Non-distributable reserve Unrealised surplus R'000	Translation reserve R'000	Distributable reserves R'000	Total R'000
<b>GROUP</b>						
<b>Balance as at 1 January 2002</b>	1 069 829	444 430	610 535	–	1 105 548	<b>3 230 342</b>
Share issue	20 789					<b>20 789</b>
Retained income for the period					302 242	<b>302 242</b>
Transfer to reserves		72 466	(291 208)		218 742	<b>–</b>
Dividends paid					(177 884)	<b>(177 884)</b>
<b>Balance as at 31 December 2002</b>	1 090 618	516 896	319 327	–	1 448 648	<b>3 375 489</b>
Share issue	39 238					<b>39 238</b>
Retained income for the period					806 414	<b>806 414</b>
Transfer to reserves		60 539	134 045		(194 584)	<b>–</b>
Revaluation of property			431			<b>431</b>
Currency translation differences				(67 215)		<b>(67 215)</b>
Dividends paid					(198 261)	<b>(198 261)</b>
<b>Balance as at 31 December 2003</b>	1 129 856	577 435	453 803	(67 215)	1 862 217	<b>3 956 096</b>
<b>COMPANY</b>						
<b>Balance as at 1 January 2002</b>	1 069 829	444 430	589 427	–	961 715	<b>3 065 401</b>
Share issue	20 789					<b>20 789</b>
Retained income for the period					252 685	<b>252 685</b>
Transfer to reserves		72 466	(241 058)		168 592	<b>–</b>
Dividends paid					(177 884)	<b>(177 884)</b>
<b>Balance as at 31 December 2002</b>	1 090 618	516 896	348 369	–	1 205 108	<b>3 160 991</b>
Share issue	39 238					<b>39 238</b>
Retained income for the period					694 435	<b>694 435</b>
Transfer to reserves		60 539	131 131		(191 670)	<b>–</b>
Dividends paid					(198 261)	<b>(198 261)</b>
<b>Balance as at 31 December 2003</b>	1 129 856	577 435	479 500	–	1 509 612	<b>3 696 403</b>



## Financial Statements

### CASH FLOW STATEMENTS

	Notes	GROUP		COMPANY	
		2003	2002	2003	2002
		R'000	R'000	R'000	R'000
<b>Cash generated by operations</b>	23	<b>1 091 783</b>	682 370	<b>744 359</b>	1 025 702
Investment income received	24	<b>417 583</b>	308 638	<b>323 111</b>	252 226
<b>Cash generated by operating activities</b>		<b>1 509 366</b>	991 008	<b>1 067 470</b>	1 277 928
Taxation paid	25	<b>(232 814)</b>	(96 228)	<b>(172 648)</b>	(88 892)
<b>Cash retained from operating activities</b>		<b>1 276 552</b>	894 780	<b>894 822</b>	1 189 036
Dividends paid	26	<b>(200 176)</b>	(177 668)	<b>(198 261)</b>	(177 884)
<b>Cash retained from operating activities</b>		<b>1 076 376</b>	717 112	<b>696 561</b>	1 011 152
Cash utilised in investment activities		<b>(31 455)</b>	353 040	<b>(85 917)</b>	178 970
<b>Cash retained from operating and investment activities</b>		<b>1 044 921</b>	1 070 152	<b>610 644</b>	1 190 122
Proceeds from ordinary shares issued		<b>39 238</b>	20 789	<b>39 238</b>	20 789
Investment in associated companies		<b>(68 848)</b>	(4 941)	<b>(25 192)</b>	–
Proceeds from disposal of associated companies		<b>50</b>	12 600	<b>–</b>	–
Investment in subsidiaries	27	<b>(408 485)</b>	(36 374)	<b>(452 611)</b>	(16 445)
Cash acquired through acquisition of subsidiaries		<b>406 371</b>	143 609	<b>–</b>	–
Cash utilised in additions to fixed assets		<b>(36 268)</b>	(20 819)	<b>(34 750)</b>	(15 679)
Proceeds from disposal of fixed assets		<b>1 806</b>	1 482	<b>1 011</b>	861
Additions to fixed assets		<b>(38 074)</b>	(22 301)	<b>(35 761)</b>	(16 540)
Translation effect on foreign cash balances		<b>(46 560)</b>	–	<b>–</b>	–
<b>Cash generated for the year</b>		<b>930 419</b>	1 185 016	<b>137 329</b>	1 178 787
Cash and cash equivalents at the beginning of the year		<b>2 272 450</b>	1 087 434	<b>1 609 453</b>	430 666
<b>Cash and cash equivalents at the end of the year</b>		<b>3 202 869</b>	2 272 450	<b>1 746 782</b>	1 609 453

*Christel du Toit*

# *Get-involved creator*

*DTP Operator (Bellville)*

*"Beauty lies in balance.  
Whether it's between two objects on a  
page or two partners on a dance floor,  
I search for it always."*



Notes to the Financial Statements  
2003

# Notes to the Financial Statements

## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis, adjusted for the fair valuation of certain financial instruments. 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 adoption of AC133 (Financial Instruments – Recognition and measurement), which has been applied since 1 January 2003. The adoption of AC133 had no effect on opening reserves as the financial instruments were accounted for on a similar basis in the past.

### 1.1 GROUP ACCOUNTS

The consolidated financial statements include the results of the company and all of its subsidiaries.

#### 1.1.1 Subsidiaries

Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date of disposal. All inter-group balances, transactions, profits and losses are eliminated from the group results.

#### 1.1.2 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 after adjusting for the amortisation of goodwill. 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. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not account for further losses, unless the group has incurred obligations or made payments on behalf of the associate.

#### 1.1.3 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 recognised in the income statement.

##### Foreign entities

A foreign entity is viewed as a foreign operation, the activities of which are not an integral part of those of Santam. Santam classifies all its foreign operations as 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.

#### 1.1.4 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 the acquired subsidiary at the date of

acquisition. Goodwill on acquisition of associates is included in investment in associates. 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

Property is revalued in five-year intervals based on prevailing market prices. Surpluses arising on revaluation are credited to equity, net of tax and are realised on disposal. Fixed assets are reflected at their depreciated cost prices. Depreciation on fixed assets, excluding property, 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 revaluation 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, fair valuation of investments and provisions. 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, 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

The group classifies each investment in debt and equity securities into the following categories:

- Available-for-sale investments,
- Trading assets

The classification is dependent on the purpose for which the investments were acquired.

#### Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in investment rates, are classified as available-for-sale investments.

#### Trading assets

Derivative financial assets and derivative financial liabilities are always deemed held for trading unless they are designated and effective hedging instruments.

## Notes to the Financial Statements

### Measurement

Purchases and sales of investments are recognised on the trade date, which is the date the group commits to purchase or sell the asset. Cost of purchase includes the transaction costs. Trading and available-for-sale investments are subsequently carried at fair value.

Realised and unrealised gains and losses arising from the changes in the fair value of trading and available-for-sale investments are recognised in the income statement. All unrealised gains and losses are subsequently transferred from retained income to a non-distributable reserve in the statement of changes in equity.

The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Unlisted investments are stated at directors' valuation. Investments in subsidiaries are reflected at cost.

### 1.3.2 Hedging

Derivatives are used for hedging of investment acquisitions and portfolios. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently re-measured at fair value. Changes in the fair value of derivatives are recorded in the income statement. Listed derivative instruments are valued at the South African Futures Exchange prices, while unlisted derivatives are valued independently in terms of the relevant structured product contracts.

### 1.3.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

### 1.3.4 Amounts owed by reinsurers

This comprises amounts owing from normal reinsurance business with reinsurers who have acceptable credit ratings.

### 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 relate 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 had not been settled on the accounting date, less amounts already paid, and claims arising from insured events 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 at 10% of net earned premium. 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 reflected in the statement of changes in equity, 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 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 long-term investment return is determined by the directors and is based on historical experience and current market conditions having regard to inflation expectations and consensus economical and investment forecasts.

The long-term investment return of 12% (2002: 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.

## 1.5. COMPARATIVES

Comparative figures have been expanded in respect of segment information, fixed assets, investments in associated companies, available-for-sale investments, trading assets and provisions.



## Notes to the Financial Statements

### 2. SEGMENTAL REPORT

The primary business of Santam Ltd and its subsidiaries is insurance business. The group operates in two main geographical areas:

- Santam Ltd, the main operating company is situated in South Africa, with the main activities taking place in southern Africa;
- The group expanded its business into the United Kingdom during the current year in line with its strategy.

#### 2003

##### GEOGRAPHICAL

##### Income statement summary for the year ended 31 December 2003

	Southern Africa R'000	United Kingdom R'000	Group R'000
Gross written premium	8 925 984	587 086	9 513 070
Earned premium	6 271 459	483 959	6 755 418
Claims incurred	4 113 427	261 191	4 374 618
Commission	757 057	31 943	789 000
Management expenses	936 426	125 388	1 061 814
<b>Underwriting surplus</b>	<b>464 549</b>	<b>65 437</b>	<b>529 986</b>
Investment income	675 946	14 907	690 853
<b>Income before taxation</b>	<b>1 140 495</b>	<b>80 344</b>	<b>1 220 839</b>
Taxation	326 068	29 792	355 860
Minority interest	22 157	–	22 157
Amortisation of goodwill	22 583	13 825	36 408
<b>Attributable earnings</b>	<b>769 687</b>	<b>36 727</b>	<b>806 414</b>
<b>Balance sheet summary on 31 December 2003</b>			
Segment assets	9 326 134	1 232 592	10 558 726
Associates	119 982	30 146	150 128
<b>Total assets</b>	<b>9 446 116</b>	<b>1 262 738</b>	<b>10 708 854</b>
Segment liabilities	5 894 223	805 632	6 699 855
<b>Total liabilities</b>	<b>5 894 223</b>	<b>805 632</b>	<b>6 699 855</b>

#### 2002

##### GEOGRAPHICAL

##### Income statement for the year ended 31 December 2002

Gross written premium	7 910 906	286 487	8 197 393
Earned premium	5 446 804	101 485	5 548 289
Claims incurred	3 868 010	57 040	3 925 050
Commission	672 608	25 841	698 449
Management expenses	762 197	20 753	782 950
<b>Underwriting surplus</b>	<b>143 989</b>	<b>(2 149)</b>	<b>141 840</b>
Investment income	286 820	6 106	292 926
<b>Income before taxation</b>	<b>430 809</b>	<b>3 957</b>	<b>434 766</b>
Taxation	112 975	2 610	115 585
Minority interest	13 640	–	13 640
Amortisation of goodwill	3 299	–	3 299
<b>Attributable earnings</b>	<b>300 895</b>	<b>1 347</b>	<b>302 242</b>
<b>Balance sheet summary on 31 December 2002</b>			
Segment assets	8 528 844	356 823	8 885 667
Associates	30 898	–	30 898
<b>Total assets</b>	<b>8 559 742</b>	<b>356 823</b>	<b>8 916 565</b>
Segment liabilities	5 246 654	255 469	5 502 123
<b>Total liabilities</b>	<b>5 246 654</b>	<b>255 469</b>	<b>5 502 123</b>

## Notes to the Financial Statements

### INCOME STATEMENT

INCOME STATEMENT		GROUP		COMPANY	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
3. CLAIMS INCURRED					
Claims incurred include a portion of the direct expenses of the claims and internal assessors departments.					
4. MANAGEMENT EXPENSES					
Management expenses are stated after:					
4.1 Auditors' remuneration	5 075	3 377	3 589	3 251	
Audit fees					
Current year	2 477	1 981	1 315	1 861	
Previous years' (over)/under provision	31	502	(26)	502	
Tax services	139	15	92	15	
Other services	2 428	879	2 208	873	
4.2 Rentals under operating leases:	157 473	125 776	148 252	124 757	
Offices	52 797	43 173	46 094	42 283	
Computer equipment	87 340	67 708	86 644	67 705	
Furniture and mechanical equipment	4 700	3 703	4 013	3 577	
Motor vehicles	12 636	11 192	11 501	11 192	
4.3 Profit on disposal of property and equipment	195	199	594	64	
4.4 Depreciation on equipment	22 401	15 462	17 910	15 246	
4.5 Staff costs	706 140	525 817	640 342	516 672	
Salaries and bonus	603 459	429 847	542 183	422 271	
Social security costs	74 368	69 262	72 688	68 222	
Retirement benefit costs	28 313	26 708	25 471	26 179	
	Salary R'000	Directors' fees R'000	Performance bonus R'000	Other benefits R'000	Total R'000
4.6 Directors' emoluments					
Executive directors					
Paid by the company					
SC Gilbert (appointed 14 July 2003)	715	35	1 690	120	2 560
MJ Reyneke (appointed 26 August 2003)	318	26	267	53	664
JA van Tonder (resigned 26 August 2003)	79	48	–	111	238
J van Zyl (resigned 31 March 2003)	347	18	–	69	434
JW Wilken (resigned 26 August 2003)	614	48	–	99	761
Paid by subsidiaries					
JA van Tonder (resigned 26 August 2003)	1 273	–	–	–	1 273
	3 346	175	1 957	452	5 930*
Non-executive directors					
Paid by the company					
JJ Geldenhuys	–	107	–	–	107
EM Groeneweg (retired 27 May 2003)	–	26	–	–	26
JG le Roux	–	87	–	–	87
NM Magau	–	65	–	–	65
AR Martin	–	93	–	–	93
JE Newbury	–	80	–	–	80
P de V Rademeyer**	–	107	–	–	107
GE Rudman	–	143	–	–	143
DK Smith	–	274	–	–	274
J van Zyl** (appointed 28 May 2003)	–	44	–	–	44
BP Vundla	–	65	–	–	65
	–	1 091	–	–	1 091
TOTAL	3 346	1 266	1 957	452	7 021

\* Directors' remuneration accrued to directors on a pro rata basis for period served as director.

\*\* Fees were paid to the holding company Sanlam Ltd.

All executive directors are eligible for an annual performance-related bonus payment 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	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>4.7 Remuneration paid to transfer secretary for secretarial services</b>	<b>433</b>	<b>451</b>	<b>433</b>	<b>451</b>
<b>5. INVESTMENT INCOME</b>				
<b>Interest earned</b>	<b>292 041</b>	<b>228 279</b>	<b>198 863</b>	<b>150 815</b>
Listed	79 096	79 182	35 031	38 828
Unlisted	212 945	149 097	163 832	111 987
<b>Dividends received</b>	<b>151 163</b>	<b>113 463</b>	<b>136 228</b>	<b>110 486</b>
Listed	87 725	72 825	84 124	71 750
Unlisted	63 438	40 638	52 104	38 736
<b>Net investment surplus</b>	<b>289 460</b>	<b>(21 788)</b>	<b>275 655</b>	<b>(6 777)</b>
Realised	70 568	294 806	71 742	260 422
Unrealised	218 892	(316 594)	203 913	(267 199)
<b>Rent received</b>	<b>1 778</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Foreign exchange differences</b>	<b>(20 616)</b>	<b>(17 294)</b>	<b>(20 622)</b>	<b>(17 294)</b>
<b>Investment management fee</b>	<b>(11 351)</b>	<b>(9 088)</b>	<b>(11 030)</b>	<b>(8 852)</b>
	<b>702 475</b>	<b>293 572</b>	<b>579 094</b>	<b>228 378</b>
<b>Less: Investment return on insurance funds</b>	<b>(204 825)</b>	<b>(114 830)</b>	<b>(170 586)</b>	<b>(91 837)</b>
<b>Investment income</b>	<b>497 650</b>	<b>178 742</b>	<b>408 508</b>	<b>136 541</b>
<b>6. TAXATION</b>				
South African normal taxation				
Current year	223 151	172 153	181 969	142 940
Current	214 066	172 153	173 097	142 940
Other taxes	9 085	–	8 872	–
Previous years' (over)/under provision	(8 145)	–	–	–
Foreign taxation				
Current year	33 363	14 063	–	–
Previous years' (over)/ under provision	(2)	–	–	–
Income taxation for the year	248 367	186 216	181 969	142 940
Deferred taxation	107 493	(70 631)	88 213	(79 318)
Current year	107 493	(70 631)	88 213	(79 318)
<b>TOTAL TAXATION AS PER THE INCOME STATEMENT</b>	<b>355 860</b>	<b>115 585</b>	<b>270 182</b>	<b>63 622</b>
<b>Reconciliation of taxation rate (%)</b>				
Normal South African taxation rate	30.0	30.0	30.0	30.0
Adjusted for:				
Disallowable expenses	1.0	1.6	–	0.3
Foreign tax	0.2	0.5	–	–
Exempt income	(3.4)	(8.6)	(4.2)	(10.3)
Investment results	1.1	3.1	1.3	0.1
Previous years' (over)/under provision	(0.5)	–	–	–
Other taxes	0.7	–	0.9	–
Net reduction	(0.9)	(3.4)	(2.0)	(9.9)
<b>EFFECTIVE RATE (%)</b>	<b>29.1</b>	<b>26.6</b>	<b>28.0</b>	<b>20.1</b>

## Notes to the Financial Statements

### INCOME STATEMENT

	GROUP		COMPANY	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>7. AMORTISATION OF GOODWILL</b>				
Subsidiary companies	26 791	3 299	1 200	–
Associated companies	9 617	–	–	–
	<b>36 408</b>	<b>3 299</b>	<b>1 200</b>	<b>–</b>
<b>8. PRO FORMA EARNINGS BASED ON LONG-TERM RATE OF RETURN</b>				
Attributable earnings to shareholders	806 414	302 242		
Net pro forma long-term rate of return adjustment	(29 323)	213 740		
Gross investment return	(79 044)	254 646		
Tax	(49 721)	40 906		
Pro forma earnings based on long-term rate of return	<b>777 091</b>	<b>515 982</b>		
<b>A comparison of the aggregate actual and calculated long-term rate of returns after tax excluding investment return on insurance funds since 1 January 2001 is set out below:</b>				
Actual returns	984 511	607 764		
Long-term returns	1 042 047	694 624		
Aggregate short-term fluctuations	<b>57 536</b>	<b>86 860</b>		
<b>9. EARNINGS PER SHARE</b>				
The attributable earnings per share calculation is based on the consolidated net income of R806 414 000 (2002: R302 242 000) attributable to shareholders and the weighted average number of ordinary shares in issue during the year of 112 254 075 (2002: 111 372 310). The headline earnings per share calculation is based on the consolidated net income of R842 822 000 (2002: R305 541 000) attributable to shareholders and the weighted average number of ordinary shares in issue during the year of 112 254 075 (2002: 111 372 310).				
Diluted earnings per share arising from share options are not provided as these are considered to be immaterial.				
<b>10. DIVIDENDS PER SHARE</b>				
Interim of 72 cents per share (2002: 65c)	80 823	72 475		
Proposed final of 148 cents per share (2002: 105c)	168 157	117 438		
	<b>248 980</b>	<b>189 913</b>		

# Notes to the Financial Statements

## BALANCE SHEET

	GROUP		COMPANY	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
<b>11. PROPERTY AND EQUIPMENT</b>				
<b>Land and buildings</b>				
Cost	17 037	5 793	–	–
Accumulated depreciation	274	–	–	–
Net book value	16 763	5 793	–	–
<b>Reconciliation of net book value:</b>				
Opening net book value	5 793	5 793	–	–
Acquisition of subsidiaries	10 681	–	–	–
Exchange differences	4	–	–	–
Revaluation surplus	507	–	–	–
Depreciation charge	222	–	–	–
Closing net book value	16 763	5 793	–	–
<b>Computer equipment</b>				
Cost	81 381	60 055	72 176	52 681
Accumulated depreciation	51 994	42 742	45 810	39 311
Net book value	29 387	17 313	26 366	13 370
<b>Reconciliation of net book value:</b>				
Opening net book value	17 313	10 903	13 370	10 382
Acquisition of subsidiaries	2 392	27	–	–
Revaluation surplus	2	–	–	–
Additions	22 498	15 236	22 827	11 500
Disposals	467	918	158	704
Depreciation charge	12 351	7 935	9 673	7 808
Closing net book value	29 387	17 313	26 366	13 370
<b>Furniture, equipment and vehicles</b>				
Cost	66 581	54 487	54 752	46 825
Accumulated depreciation	42 285	36 192	35 619	32 130
Net book value	24 296	18 295	19 133	14 695
<b>Reconciliation of net book value:</b>				
Opening net book value	18 295	19 148	14 695	17 234
Acquisition of subsidiaries	1 481	8	–	–
Exchange differences	(80)	–	–	–
Additions	15 576	7 065	12 934	5 040
Disposals	1 148	399	259	141
Depreciation charge	9 828	7 527	8 237	7 438
Closing net book value	24 296	18 295	19 133	14 695
<b>TOTAL</b>				
Cost	164 999	120 335	126 928	99 506
Accumulated depreciation	94 553	78 934	81 429	71 441
Net book value	70 446	41 401	45 499	28 065
<b>Reconciliation of net book value:</b>				
Opening net book value	41 401	35 844	28 065	27 616
Acquisition of subsidiaries	14 554	35	–	–
Exchange differences	(76)	–	–	–
Revaluation surplus	509	–	–	–
Additions	38 074	22 301	35 761	16 540
Disposals	1 615	1 317	417	845
Depreciation charge	22 401	15 462	17 910	15 246
Closing net book value	70 446	41 401	45 499	28 065



## Notes to the Financial Statements

### BALANCE SHEET

	GROUP		COMPANY	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>12. GOODWILL</b>				
Balance at the beginning of the year	33 075	–	4,800	–
Acquisition of subsidiaries	99 588	36 374	–	4 800
Adjustments to goodwill on acquisition of subsidiaries	2 667	–	–	–
Amortisation charge	(26 791)	(3 299)	(1 200)	–
<b>Balance at the end of the year</b>	<b>108 539</b>	<b>33 075</b>	<b>3 600</b>	<b>4 800</b>
<b>Comprising:</b>				
Cost	138 629	36 374	4 800	4 800
Accumulated amortisation	(30 090)	(3 299)	(1 200)	–
Balance at the end of the year	108 539	33 075	3 600	4 800
<b>13. INVESTMENTS IN SUBSIDIARIES</b>				
Unlisted shares at cost price less amounts written off			1 521 330	1 068 719
<i>The details of investments are set out in note 33.</i>				
<b>14. INVESTMENTS IN ASSOCIATED COMPANIES</b>				
Balance at the beginning of the year	30 898	40 789	12 662	28 336
Acquisitions	92 707	7 857	25 193	–
Transfer from/(to) unlisted investments	55 921	(12 500)	55 921	(12 500)
Share of results after tax	(11 622)	(646)	1 683	(3 174)
Share of results before tax	(9 763)	773	2 355	(3 122)
Share of tax	(1 859)	(1 419)	(672)	(52)
Amortisation of goodwill	(9 617)	–	–	–
Disposals	(50)	(4 602)	–	–
Transferred to subsidiary investments	(8 429)	–	–	–
Impairment of associated company	(142)	–	–	–
Other movements	462	–	–	–
<b>Balance at the end of the year</b>	<b>150 128</b>	<b>30 898</b>	<b>95 459</b>	<b>12 662</b>
<b>Directors' valuation</b>	<b>150 128</b>	<b>30 898</b>	<b>95 459</b>	<b>12 662</b>
<i>The details of investments are set out in note 33.</i>				
Investments in associates at 31 December 2003 include goodwill of R18 673 269 (2002: RNil), net of accumulated amortisation of R9 617 302 (2002: RNil)				
<b>Summarised financial position of associates' balance sheets:</b>				
Property and equipment	46 465	5 476		
Investments	374 526	8 038		
Technical assets	306 392	224 369		
Current assets	559 779	228 365		
Deferred tax	16 831	5 057		
<b>Net assets</b>	<b>1 303 993</b>	<b>471 305</b>		
Shareholders' funds	360 718	56 907		
Technical provision	657 021	267 927		
Current liabilities	286 254	146 471		
<b>Total funds employed</b>	<b>1 303 993</b>	<b>471 305</b>		

# Notes to the Financial Statements

## BALANCE SHEET

	GROUP		COMPANY	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>15. AVAILABLE-FOR-SALE INVESTMENTS</b>				
Balance at the beginning of the year	3 136 353	3 558 785	2 663 651	3 027 206
Net additions/(disposals)	38 544	(82 407)	101 844	(70 409)
Acquisition of subsidiaries	250 518	8 909	–	–
Fair value adjustment	219 408	(348 934)	204 433	(293 146)
Balance at the end of the year	3 644 823	3 136 353	2 969 928	2 663 651
<b>Comprising:</b>				
Listed at market value	3 023 772	2 439 609	2 467 681	2 086 707
Unlisted at directors' valuation	621 051	696 744	502 247	576 944
Total	3 644 823	3 136 353	2 969 928	2 663 651
The details of investments are set out on page 60.				
Available-for-sale investments, principally comprising marketable equity securities, are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments.				
Details of the above investments are included in a register, which is open for inspection at the registered offices of the company.				
<b>16. TRADING FINANCIAL ASSETS</b>				
Balance at the beginning of the year	40 344	–	40 344	–
Additions	–	40 344	–	40 344
Fair value adjustment	(627)	–	(627)	–
Balance at the end of the year	39 717	40 344	39 717	40 344
<b>Comprising:</b>				
Derivatives	39 717	40 344	39 717	40 344
Total	39 717	40 344	39 717	40 344
The details of investments are set out on page 60.				
Fair value of derivatives is determined by an investment manager who performs an independent valuation.				
<b>17. SHARE CAPITAL</b>				
<b>Ordinary share capital</b>				
Authorised 150 000 000 shares of no par value				
Stated capital 113 619 837 (2002: 111 845 762) of no par value	1 129 856	1 090 618	1 129 856	1 090 618
<b>Authorised and unissued shares</b>				
Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting. Until the next annual general meeting, the directors are authorised to issue twenty million of the unissued shares for any purpose and in accordance with such rules and conditions as they see fit.				

## Notes to the Financial Statements

### 18. SHARE OPTIONS

Santam has two independent share incentive schemes, namely an option scheme and a deferred payout/delivery scheme. The incentive scheme is managed in a trust and the trustees will, on instruction from Santam's board of directors, offer shares to Santam employees based on participating employees' constant good performance and potential. An employee who is offered shares has the choice of either participating in the option scheme, or in the deferred payout/delivery scheme.

Share option scheme	Date awarded	Latest irreversible date	Exercise price	Number of shares
The following share options – which lapse after six years, when they become irreversible – were awarded and are outstanding in terms of the Santam Limited Share Incentive Scheme:	23 October 1998	23 October 2003	R15.25	39 000
	23 October 1998	23 October 2003	R27.00	15 900
	3 March 1999	3 March 2004	R19.25	7 500
	3 March 1999	3 March 2004	R27.00	3 750
	15 March 2000	15 March 2005	R26.80	252 900
	1 April 2000	1 April 2005	R26.10	12 000
	20 February 2001	20 February 2006	R32.50	772 600
	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	361 250
	26 January 2003	26 January 2008	R33.00	40 000
	25 February 2003	25 February 2008	R31.00	893 800
				2 502 700
<b>Movements during the period:</b>				
	As at 1 January 2003			1 919 250
	New options awarded			1 019 900
	Awarded options lapsed due to resignations			(93 100)
	Options exercised			(343 350)
	As at 31 December 2003			2 502 700
Deferred payout/delivery scheme	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. It 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, with the exercise date no later than the sixth anniversary date.	23 October 1998	23 October 2003	R15.25	329 200
	23 October 1998	23 October 2003	R27.00	170 400
	3 March 1999	3 March 2004	R19.25	54 900
	3 March 1999	3 March 2004	R27.00	31 400
	15 March 2000	15 March 2005	R26.80	519 100
	20 February 2001	20 February 2006	R32.50	452 000
	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	306 750
	25 February 2003	25 February 2008	R31.00	395 700
	1 July 2003	1 July 2008	R32.62	25 000
	14 July 2003	14 July 2008	R35.20	284 100
				2 755 550
<b>Movements during the period:</b>				
	As at 1 January 2003			3 561 125
	New shares awarded			714 800
	Awarded shares lapsed due to resignations			(89 650)
	Scheme shares released			(1 430 725)
	As at 31 December 2003			2 755 550
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 6 103 733.				

## Notes to the Financial Statements

### BALANCE SHEET

	GROUP		COMPANY	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
<b>19. NON-DISTRIBUTABLE RESERVES</b>				
Comprising:				
Contingency reserve	577 435	516 896	577 435	516 896
Unrealised surplus arising from revaluation of investments	453 372	319 327	479 500	348 369
Translation reserve	(66 784)	–	–	–
	<b>964 023</b>	<b>836 223</b>	<b>1 056 935</b>	<b>865 265</b>
<b>20. MINORITY SHAREHOLDERS' INTEREST</b>				
At the beginning of the year	38 953	29 025		
Minority shareholders' interest per income statement	22 157	13 640		
Dividends paid	(3 299)	(2 116)		
Additional interest in subsidiary acquired	(4 908)	(1 596)		
<b>Balance at the end of year</b>	<b>52 903</b>	<b>38 953</b>		
<b>21. DEFERRED TAXATION</b>				
<b>The movement on the deferred income tax account is as follows:</b>				
Balance at the beginning of the year	20 147	104 604	27 793	107 111
Acquisition of subsidiaries	(17 821)	(13 826)	–	–
Income statement charge	107 493	(70 631)	88 213	(79 318)
Exchange difference	(470)	–	–	–
Translation effect on acquisition of subsidiary	11 563	–	–	–
<b>Balance at the end of the year</b>	<b>120 912</b>	<b>20 147</b>	<b>116 006</b>	<b>27 793</b>
<b>Comprising:</b>				
<b>Deferred tax liability</b>	<b>134 721</b>	<b>34 210</b>	<b>116 006</b>	<b>27 793</b>
Fair value surplus	133 755	37 854	120 728	36 810
Provisions	(13 276)	(27 332)	(13 276)	(27 269)
Pre-paid expenses	13 044	21 513	13 044	21 514
Pre-taxed income	(4 725)	(3 414)	(4 490)	(3 262)
Contingency reserve	5 923	5 589	–	–
<b>Deferred tax asset</b>	<b>(13 809)</b>	<b>(14 063)</b>	<b>–</b>	<b>–</b>
Assessed losses and provisions	(13 809)	(14 063)	–	–
	<b>120 912</b>	<b>20 147</b>	<b>116 006</b>	<b>27 793</b>

## Notes to the Financial Statements

### BALANCE SHEET

	GROUP		COMPANY	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>22. PROVISIONS</b>				
<b>Leave pay</b>				
At the beginning of the year	38 500	38 479	38 500	38 479
Acquisition of subsidiary	3 915	–	–	–
Additional provisions	1 923	21	1 750	21
Charged to income statement	1 923	21	1 750	21
Utilised	(981)	–	–	–
At the end of the year	43 357	38 500	40 250	38 500
<b>Restructuring</b>				
At the beginning of the year	385	3 900	385	3 900
Unused amounts reversed	(385)	–	(385)	–
Credit to income statement	(385)	–	(385)	–
Utilised	–	(3 515)	–	(3 515)
At the end of the year	–	385	–	385
<b>Contributions to pensioners' medical aid</b>				
At the beginning of the year	25 859	17 659	25 859	17 659
Additional provisions	–	8 200	–	8 200
Unused amounts reversed	(22 847)	–	(22 847)	–
Credit to income statement	(22 847)	8 200	(22 847)	8 200
At the end of the year	3 012	25 859	3 012	25 859
<b>Guarantees</b>				
At the beginning of the year	23 062	21 061	23 062	21 061
Additional provisions	3 212	2 001	3 212	2 001
Unused amounts reversed	(12 242)	–	(12 242)	–
Credit to income statement	(9 030)	2 001	(9 030)	2 001
Utilised	(14 032)	–	(14 032)	–
At the end of the year	–	23 062	–	23 062
<b>TOTAL</b>				
At the beginning of the year	87 806	81 099	87 806	81 099
Acquisition of subsidiary	3 915	–	–	–
Additional provisions	5 135	10 222	4 962	10 222
Unused amounts reversed	(35 474)	–	(35 474)	–
Credit to income statement	(30 339)	10 222	(30 512)	10 222
Utilised	(15 013)	(3 515)	(14 032)	(3 515)
At the end of the year	46 369	87 806	43 262	87 806
<b>Analysis of total provisions</b>				
Non-current	–	–	–	–
Current	46 369	87 806	43 262	87 806
	46 369	87 806	43 262	87 806



# Notes to the Financial Statements

## CASH FLOW STATEMENT

	GROUP		COMPANY	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>23. CASH GENERATED BY OPERATIONS</b>				
<b>Net profit before taxation</b>	<b>1 220 839</b>	434 766	<b>965 817</b>	316 307
Adjustments for:				
Non-cash items	<b>17 173</b>	7 859	<b>(1 164)</b>	18 356
Profit on disposal of fixed assets	<b>(195)</b>	(199)	<b>(594)</b>	(64)
Profit on disposal of associated companies	<b>–</b>	(8 049)	<b>–</b>	–
Foreign exchange differences	<b>(16 797)</b>	–	<b>(16 797)</b>	–
Impairment of associated company	<b>142</b>	–	<b>–</b>	–
Depreciation	<b>22 401</b>	15 461	<b>17 910</b>	15 246
Income from associate company	<b>11 622</b>	646	<b>(1 683)</b>	3 174
Investment income	<b>(702 475)</b>	(293 572)	<b>(579 094)</b>	(228 378)
Dividends from subsidiaries			<b>(2 875)</b>	(1 772)
<b>Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries):</b>	<b>556 246</b>	533 317	<b>361 675</b>	921 189
Technical assets	<b>(175 048)</b>	(110 793)	<b>(142 664)</b>	(281 022)
Technical provisions	<b>532 244</b>	532 195	<b>96 293</b>	588 281
Outstanding premiums and other debtors	<b>(3 350)</b>	(144 705)	<b>(109 606)</b>	(28 414)
Amounts owed by reinsurers	<b>127 250</b>	(91 912)	<b>67 703</b>	(108 523)
Amounts due to reinsurers	<b>(193 313)</b>	324 290	<b>(101 670)</b>	312 554
Trade and other payables and provisions	<b>268 463</b>	24 242	<b>221 879</b>	39 172
Amounts due to subsidiaries	<b>–</b>	–	<b>329 740</b>	399 141
<b>Cash generated by operations</b>	<b>1 091 783</b>	682 370	<b>744 359</b>	1 025 702
<b>24. INVESTMENT INCOME RECEIVED</b>				
Dividends	<b>151 163</b>	113 463	<b>139 103</b>	112 258
Interest	<b>292 040</b>	228 279	<b>198 863</b>	150 815
Rent received	<b>1 778</b>	–	<b>–</b>	–
Foreign exchange differences	<b>(3 819)</b>	(1 995)	<b>(3 825)</b>	(1 995)
Investment management fee	<b>(11 351)</b>	(9 088)	<b>(11 030)</b>	(8 852)
Movement in provision for investment income	<b>(12 228)</b>	(22 021)	<b>–</b>	–
	<b>417 583</b>	308 638	<b>323 111</b>	252 226
<b>25. TAXATION PAID</b>				
Amounts charged in the income statement	<b>(355 860)</b>	(115 585)	<b>(270 182)</b>	(63 622)
Movement in deferred taxation	<b>118 585</b>	(70 631)	<b>88 213</b>	(79 319)
Movement in taxation liability	<b>4 461</b>	89 988	<b>9 321</b>	54 049
	<b>(232 814)</b>	(96 228)	<b>(172 648)</b>	(88 892)
<b>26. DIVIDENDS PAID</b>				
Amounts unpaid at beginning of year	<b>(2 332)</b>	(2 116)	<b>–</b>	–
Amounts charged to the statement of changes in equity	<b>(198 261)</b>	(177 884)	<b>(198 261)</b>	(177 884)
Amounts unpaid at end of year	<b>417</b>	2 332	<b>–</b>	–
	<b>(200 176)</b>	(177 668)	<b>(198 261)</b>	(177 884)

## Notes to the Financial Statements

### CASH FLOW STATEMENT

GROUP

	2003	2002
	R'000	R'000
<b>27. INVESTMENT IN SUBSIDIARIES</b>		
During the course of the year, the group acquired two new subsidiary investments in addition to increasing its shareholding in existing subsidiaries. Details of the assets and liabilities acquired and goodwill arising are as follows:		
Deferred taxation	17 821	13 826
Fixed assets	14 554	35
Investments	250 518	8 909
Technical assets	54 571	314 780
Current assets	33 716	72 712
Cash & cash equivalents	406 371	143 609
Technical provisions	(397 963)	(398 131)
Current liabilities	(64 929)	(155 740)
Transfer from associate	(8 429)	–
Goodwill	102 255	36 374
<b>Total purchase consideration paid</b>	<b>408 485</b>	<b>36 374</b>

### 28. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate and credit risks arise in the normal course of the Group's business. These risks are managed with policies and guidelines approved by the board.

#### Derivative financial instruments

Santam makes use of derivative financial instruments for hedging its investment decisions and portfolios. Refer to note 16.

#### 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 15.

#### Interest rate risk

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

Interest bearing investments are valued on a fair value basis and are therefore exposed to interest rate movements.

#### Currency risk

*Currency risk is the risk that the value of a financial instrument will fluctuate in rand owing 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. The company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily to pound Sterling. Refer to note 2.

In addition, the group has foreign exchange exposure in respect of net monetary assets denominated in foreign currency.

At 31 December 2003 the net monetary assets consisted of the following:

'000	Net foreign currency amount	Exchange rate	Rand equivalent
Pound Sterling	1 463	11.9294	17 453
USA Dollar	5 802	6.6802	38 759
Euro	1 869	8.4176	15 732

#### 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 significant liquid resources to cover its obligations.

## Notes to the Financial Statements

### Legal risk

Legal risk is the risk that the Group will be exposed to contractual obligations, which 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 document to ensure that rights and obligations of all parties are clearly set out.

### 29. RELATED PARTY TRANSACTIONS

The company is controlled by Sanlam Ltd (incorporated in South Africa), which owns 53,27% of the company's shares. The remaining 46,73% of the shares are widely held.

#### Within Santam group

During the year the company and its subsidiaries entered into various transactions with other Santam 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.

Refer to note 33 for details of investments and loans to/from subsidiaries and associated companies.

#### Related parties outside of the Santam group

The following transactions took place between Santam and the Sanlam group of companies during the current year:

- Sanlam Investment Management manages a part of the group's total investment portfolio, R1,740 billion as at 31 December 2003 (2002: R1.071 billion). It is managed in terms of a normal arms length mandate with market related fees payable.
- ABSA serves as the banker to the Santam group. This function is performed under a normal arms length contract with market related fees payable.
- ABSA has also provided a loan facility to Thebe Risk Services, of which the risk exposure is guaranteed by Santam under its normal guarantee policy business, at market related rates. Exposure at 31 December 2003 amounted to R74 million (2002: R nil) and is covered by normal insurance reserving.
- Santam has entered into an ALSI 40 derivative contract 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 2003 was R39,7 million (2002: R40,2 million).
- Gensec provides bank facility arrangements to the insurance industry. Its exposure under this facility is guaranteed by Santam under its normal guarantee policy business, at market related rates. Exposure at 31 December 2003 amounted to R103.6 million (2002: R122.6 million) and is covered by normal insurance reserving.
- Sanlam Life administers the Santam Pension Fund in terms of a normal arms length mandate with market related fees payable.
- Santam also has an investment policy with Sanlam Life, covering its post retirement medical aid liability. Market value at 31 December 2003 was R55 million.

In terms of an outsourced agreement, Santam performs certain administration functions for Lion of Africa, an associated company of Santam Limited. The fee amounted to R13 million for 2003 (2002: R10 million).

During the year, Santam provided funding of R10.4 million to Pamodzi Ukuvikela Investments (Pty) Ltd. This loan is provided in terms of a normal arm's length contract and is interest-bearing.

### Directors

All directors of Santam Limited 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 disclosed in note 4, and share options granted are disclosed in the directors' report on page 33.

### 30. COMMITMENTS AND CONTINGENCIES

#### Operating lease commitments

	2003 R'000		
<i>Future minimum lease payments for the group and the company</i>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
Motor vehicles	10 570	7 197	17 767
Computer equipment	64 531	44 500	109 031
Offices	49 081	133 167	182 248
	<b>124 182</b>	<b>184 864</b>	<b>309 046</b>
	2002 R'000		
	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
Motor vehicles	10 996	12 392	23 388
Computer equipment	87 340	107 406	194 746
Offices	48 002	75 046	123 048
	<b>146 338</b>	<b>194 844</b>	<b>341 182</b>

## Notes to the Financial Statements

### 31. 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 in the income statement 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 medical aid schemes for the benefit of permanent employees and their dependents. Contributions are charged to the income statement as incurred.

#### Post-employment medical benefits

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 the shortfall between post-retirement medical aid obligations for retired employees as actuarially determined, and the matching investment policy serving as a hedge.

The principle actuarial assumptions used were the following:

Discount rate	9.50%
Future subsidy increases	5.50%
Mortality	PA (90)

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### 32. POST BALANCE SHEET EVENTS

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the balance sheet date.

## Notes to the Financial Statements

### 33. INVESTMENT ANALYSIS

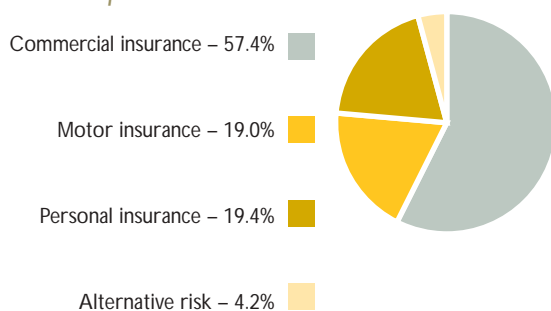
	Nature of business	Country of incorporation	Issued capital	Proportion held by the company	Book value of shares R'000	Owing by the company R'000	Owing to the company R'000
<b>INVESTMENT IN SUBSIDIARIES</b>							
<b>UNLISTED COMPANIES</b>							
<b>Direct:</b>							
Aegis Insurance Company Ltd	Insurance	RSA	7 600 000	100.0%	291 377	290 969	–
Gilts Broker Solutions Ltd	Retail	RSA	2	100.0%	–	–	2 138
Guardian National Insurance Company Ltd	Insurance	RSA	12 124 930	100.0%	624 494	436 078	–
Santam International Ltd	Holding co.	Guernsey	100 006 588	100.0%	531 875	2 357	–
Santam Namibia Ltd	Insurance	Namibia	4 400 000	66.7%	5 538	15 713	–
Santam Risk Finance Ltd	Insurance	RSA	203	100.0%	67 046	75 605	–
Sentinel Insurance Corporation Ltd	Investments	RSA	1 000 000	100.0%	1 000	3 386	–
Swanvest 120 (Pty) Ltd	Investments	RSA	100	100.0%	–	–	100 443
					1 521 330	824 108	102 581
<b>Indirect:</b>							
Africa Group Financial Services (Pty) Ltd	Fin. Services	RSA	1	100.0%	–	–	12 174
Agri Risk Specialists (Pty) Ltd	Insurance	RSA	21 500 795	100.0%	30 647	–	–
Associated Marine Underwriters (Pty) Ltd	Underwriting	RSA	50	100.0%	5 437	–	5 629
Capricorn Investment Company (Pty) Ltd	Insurance	Namibia	4 000 000	66.7%	4 307	–	520
Construction and Engineering Underwriters (Pty) Ltd	Underwriting	RSA	25 000	100.0%	1 461	–	137
Guardian South Africa Ltd	Investments	RSA	1 600 000	100.0%	113 948	62 098	–
Hegel Street 26 Investments Ltd	Insurance	Namibia	4 000 000	66.7%	9 365	–	–
Insurance Broker Resource Centre (Pty) Ltd	Administration	RSA	85 000	100.0%	–	–	13 638
Namibian National Insurance Company (Pty) Ltd	Insurance	Namibia	3 100 000	100.0%	3 823	–	–
Novation RSA (Pty) Ltd	Underwriting	RSA	120	100.0%	–	–	4
SA Aviation Insurance Managers (Pty) Ltd	Underwriting	RSA	100	51.0%	–	–	–
Santam Corporate UK Ltd	Insurance	UK	1 403	100.0%	–	–	2 846
Santam UK Ltd	Holding co.	UK	100 006 574	100.0%	–	–	13
SRU Properties (Pty) Ltd	Underwriting	RSA	5 000	52.0%	3	–	–
Stalker Hutchinson & Associates (Pty) Ltd	Underwriting	RSA	50 000	80.0%	22 890	–	–
Thatch Risk Acceptances (Pty) Ltd	Underwriting	RSA	50 000	51.0%	26	–	–
Westminster Motor Insurance Ltd	Insurance	UK	20 000 000	100.0%	–	–	889
					191 907	62 098	35 850
<b>TOTAL INVESTMENTS IN SUBSIDIARIES</b>					<b>1 713 237</b>	<b>886 206</b>	<b>138 431</b>
<b>INVESTMENTS IN ASSOCIATE COMPANIES</b>							
<b>UNLISTED COMPANIES</b>							
Admiral Professional Underwriting Agency (Pty) Ltd	Underwriting	RSA	40 286	28.9%	8 703	–	–
African General Insurance Company Ltd	Insurance	RSA	1 000	49.6%	3 765	–	–
Alacrity Financial Services	Broker	RSA	130 389 713	20.4%	13 831	–	–
Bluesure Ltd	Broker	UK	9 501 689	47.3%	30 146	–	–
Credit Guarantee Insurance Corporation of Africa Ltd	Underwriting	RSA	2 729 333	26.3%	81 115	–	–
Credit Underwriting Agency (Pty) Ltd	Underwriting	RSA	501 000	29.0%	419	–	–
Integrisure Brokers (Pty) Ltd	Broker	RSA	100	25.0%	84	–	–
NICO Holdings Ltd (Malawi)	Holding co.	Malawi	100 000	25.1%	–	–	–
Samber Trading no.4 (Pty) Ltd	Property	RSA	120	22.5%	14	–	–
StatSure (Pty) Ltd	Administration	RSA	10	30.0%	1 471	–	–
Thebe Risk Services Holdings (Pty) Ltd	Broker	RSA	998	49.99%	–	–	–
The Lion of Africa Holdings Company (Pty) Ltd	Insurance	RSA	250 000	50.0%	10 580	–	16 941
<b>TOTAL INVESTMENTS IN ASSOCIATE COMPANIES</b>					<b>150 128</b>	<b>–</b>	<b>16 941</b>



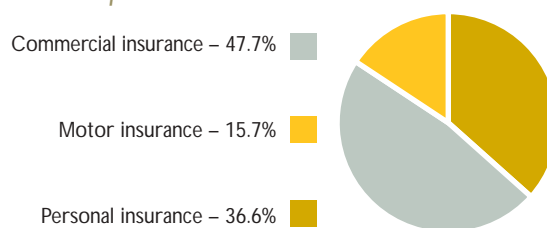
## Analysis of Income

Insurance class	GROSS WRITTEN PREMIUM		UNDERWRITING SURPLUS	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
Accident and health	252 576	214 631	5 722	10 743
Alternative risk	401 850	390 353	9 520	7 573
Crop	637 653	610 564	49 694	35 814
Engineering	352 029	300 016	21 691	(6 806)
Guarantee	202 447	209 250	28 495	(14 662)
Liability	616 499	481 757	29 992	17 955
Miscellaneous	346 536	608 101	61 246	33 252
Motor	3 773 495	2 998 855	177 484	43 751
Property	2 648 162	2 133 011	133 451	(26 062)
Transportation	281 823	250 855	12 691	40 282
	<b>9 513 070</b>	<b>8 197 393</b>	<b>529 986</b>	<b>141 840</b>

*Business portfolio composition – 2003*



*Business portfolio composition – 2002*



## I n v e s t m e n t s

	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.		
<b>AVAILABLE-FOR-SALE INVESTMENTS</b>		
<b>Fixed-interest-bearing investments</b>		
<b>Listed</b>		
RSA		195 066
Other		652 823
		<b>847 889</b>
<b>Unlisted</b>		
Other		87 563
<b>Ordinary shares</b>		
<b>Listed</b>		
ABSA Group Limited	1 376 301	57 997
Amalgamated Beverage Industries Limited	883 433	59 102
Anglo American Plc	1 019 534	145 793
Barloworld Limited	568 338	39 869
Bidvest Limited	990 043	49 502
BHP Billiton Plc	779 227	45 195
Firststrand Limited	10 573 469	94 315
Gold Fields Limited	567 980	54 242
Impala Platinum Holdings Limited	82 442	47 816
Liberty International Plc	962 381	76 990
Old Mutual Plc	3 340 442	37 179
Pick 'n Pay Holdings Limited	5 014 301	40 114
Remgro Limited	864 558	61 038
Reunert Limited	1 853 663	40 410
Richemont Securities AG	3 648 089	56 582
SAB Miller Plc	1 655 298	112 577
Sasol Limited	1 074 669	102 094
Standard Bank Group Limited	3 894 768	152 597
Tiger Brands Limited	993 374	78 477
Other		816 243
		<b>2 168 132</b>
<b>Unlisted</b>		
		<b>10 184</b>
<b>Redeemable preference shares</b>		
<b>Unlisted</b>		
Electra Investments (SA) Limited – Sanlam Subsidiaries	98 000	98 000
URD Beleggings (Edms) Beperk – Sanlam Subsidiaries	235 000	235 000
Investec – AELPREF	37 000	37 000
Rand Merchant Bank – RMBPREF	131 000	131 000
		<b>501 000</b>
<b>Irredeemable preference shares</b>		
<b>Listed</b>		
		7 751
<b>Non-interest-bearing loans</b>		
		22 207
<b>Staff mortgage bonds</b>		
		97
<b>TOTAL AVAILABLE-FOR-SALE INVESTMENTS</b>		<b>3 644 823</b>
<b>TRADING FINANCIAL ASSETS</b>		
<b>Derivatives</b>		
		39 717
<b>TOTAL TRADING FINANCIAL ASSETS</b>		<b>39 717</b>

## Analysis of Shareholders

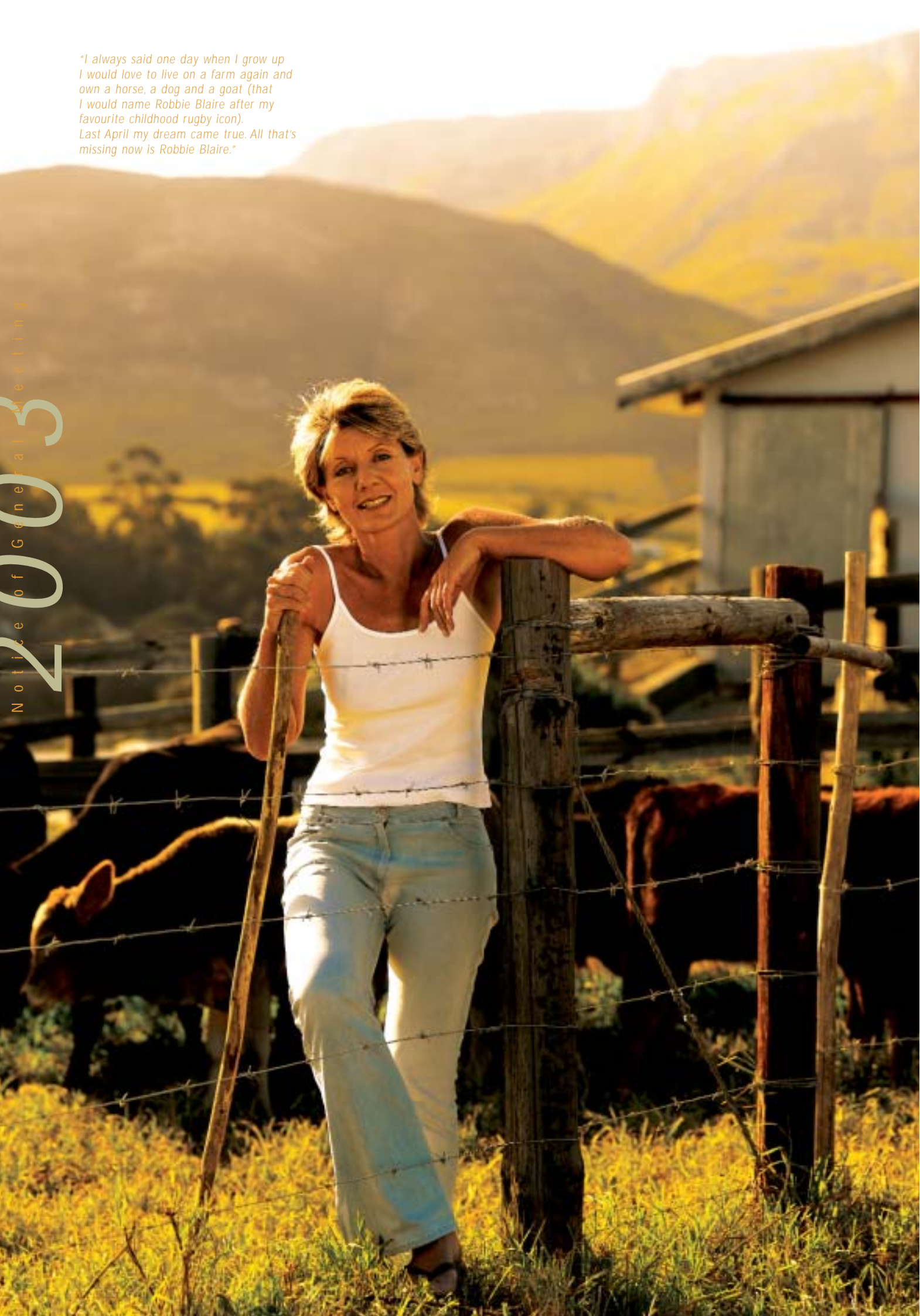
	No. of shareholders	% of total	No. of shares	% Interest
<b>Analysis of shareholders</b>				
1 – 100 Shares	783	20.80	68 542	0.06
101 – 1 000 Shares	1 651	43.86	761 223	0.67
1 001 – 50 000 Shares	1 174	31.19	9 927 574	8.74
50 001 – 100 000 Shares	60	1.59	4 508 501	3.97
100 001 – 10 000 000 Shares	95	2.50	37 827 641	33.29
More than 10 000 000 Shares	1	0.06	60 526 356	53.27
	<b>3 764</b>	<b>100.00</b>	<b>113 619 837</b>	<b>100.00</b>

<b>Type of shareholder</b>				
Individuals	3 428	91.07	16 433 143	14.46
Companies	139	3.69	67 613 922	59.51
Growth funds/unit trusts	34	0.90	6 999 638	6.16
Nominee companies or trusts	84	2.23	18 505 471	16.29
Pension and retirement funds	79	2.11	4 067 663	3.58
	<b>3 764</b>	<b>100.00</b>	<b>113 619 837</b>	<b>100.00</b>

### Shareholder spread

	No. of shareholders in SA		No. of shareholders other than in SA		Total shareholders	
	Nominal number	%	Nominal number	%	Nominal number	%
Public shareholders	3 661	44.66	89	100.00	3 750	46.54
Directors	12	0.12	–	0.00	12	0.11
Trustees of employees' share scheme	1	0.09	–	0.00	1	0.08
Holdings of 5% or more	1	55.13	–	0.00	1	53.27
Sanlam Limited	1	55.13	–	0.00	1	53.27
	<b>3 675</b>	<b>100.00</b>	<b>89</b>	<b>100.00</b>	<b>3 764</b>	<b>100.00</b>

*"I always said one day when I grow up I would love to live on a farm again and own a horse, a dog and a goat (that I would name Robbie Blaire after my favourite childhood rugby icon). Last April my dream came true. All that's missing now is Robbie Blaire."*



*Marietjie Mostert*

# *Dynamic, perceptive multi-tasker*

*IT Business Analyst (Bellville)*



# Notice of General Meeting

## SANTAM LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1918/001680/06)  
JSE Code: SNT NSX Code: SNM ISIN: ZAE000006854  
("Santam" or "the Company")

Notice is hereby given that the annual general meeting of Santam Limited ("the Company") shareholders will be held on Friday, 28 May 2004 at 09:30 in the auditorium on the ground floor of the Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, Cape Town to deal with the following matters:

1. To consider the financial statements for the year ended 31 December 2003, 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 DK Smith who will retire by rotation in accordance with section 63 of the Company's articles of association. Mr Smith is available for re-election.
4. To elect a director in place of Mr AR Martin who will retire by rotation in accordance with section 63 of the Company's articles of association. Mr Martin is available for re-election.
5. To elect a director in place of Mr P de V Rademeyer who will retire by rotation in accordance with section 63 of the Company's articles of association. Mr Rademeyer is available for re-election.
6. To elect a director in place of Dr J van Zyl who will retire in terms of section 65 of the Company's articles of association. Dr van Zyl is available for re-election.
7. To elect a director in place of Mr SC Gilbert who will retire in terms of section 65 of the Company's articles of association. Mr Gilbert is available for re-election.
8. To elect a director in place of Mr MJ Reyneke who will retire in terms of section 65 of the Company's articles of association. Mr Reyneke is available for re-election.
9. To approve the directors' remuneration for the year ended 31 December 2003.
10. To approve the directors' remuneration scale for the year 2004. The remuneration scale, which will be tabled at the meeting, is as follows:
  1. The Chairman of the Board would receive a retainer of R300 000 and no attendance fee for meetings.
  2. The Chairman of the Audit and Risk Committee would receive a retainer of R100 000, an attendance fee of R20 000 for each Audit and Risk Committee meeting attended, and a further R10 000 for each of the other Board meetings attended.
  3. Other directors would receive a retainer of R100 000, and an attendance fee of R10 000 per meeting, for each meeting attended (Board and Committee).
  4. Executive directors would not receive any board fees.
11. To authorise the directors to determine the remuneration of the Company's auditors.
12. To place 10 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, as amended, and the Listing Requirements of the JSE Securities Exchange South Africa.
13. To approve the following special resolution:

### Special Resolution Number 1

"the Company or any of its subsidiaries be and are hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of Sections 85 (2) and 85 (3) of the Companies Act No. 61 of 1973, as amended, and in terms of the rules and requirements of the JSE Securities Exchange South Africa ("the JSE"), being that:

- Any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement;
- This general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution number 1;
- An announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions;
- Acquisitions of shares in aggregate in any one financial year may not exceed 20% of the Company's ordinary issued share capital as at the date of passing of this special resolution number 1;
- In determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
- The Company has been given authority by its Articles of Association;
- At any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- The Company's sponsor must confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE before entering the market to proceed with the repurchase;
- The Company remaining in compliance with the minimum shareholder spread requirements of the JSE Listings Requirements; and
- The Company and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, will ensure that for a period of 12 (twelve) months after the date of the notice of Annual General Meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the assets of the Company and the Group, fairly valued in accordance with generally accepted accounting practice, will exceed the liabilities of the Company and the Group;

# Notice of General Meeting

## SANTAM LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1918/001680/06)

JSE: Code SNT NSX Code: SNM ISIN: ZAE000006854

("Santam" or "the Company")

- the Company and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

Prior to the reduction of its share capital, the Company shall obtain approval from the Financial Services Board in terms of Section 23(a)(vi) of the Short-term Insurance Act.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- Directors and management – page 12;
- Major beneficial shareholders – page 61;
- Directors' interests in ordinary shares – page 33; and
- Share capital of the Company – page 50.

### *Litigation statement*

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 12 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

### *Directors' responsibility statement*

The directors, whose names appear on page 12 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted, which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

### *Material changes*

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the formal approval of the financial statements by the board of directors.

The directors have no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity, which is in the best interests of the Company and its shareholders, present itself to do so during the year.

The reason for and effect of the special resolution is to grant the directors of the Company a general authority in terms of the Companies Act and the JSE Listings Requirements for the repurchase by the Company, or a subsidiary of the Company, of the Company's shares.

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

On behalf of the board



**VF MALIE**

Group Secretary

24 February 2004

## Abridged CVs of directors available for re-election

### MR DK SMITH (DESMOND)

Chairman, B.Sc., FASSA, FIA

Appointed 1 April 1994

#### OTHER DIRECTORSHIPS:

Chairman: Council of the University of Stellenbosch, Plexus Financial Services and Snyman & Van der Vyver.

Deputy chairman: Optivest Holdings and Reinsurance Group of America (SA).

Director: Reinsurance Group of America Holding Ltd (UK), Clover SA (Pty) Ltd, Clover Danone Beverages (Pty) Ltd, First International Security Trust (Pty) Ltd, Gensec Properties Ltd, Life Offices' Association, Plexus Holdings (Pty) Ltd, Plexus Asset Management (Pty) Ltd, Professional Provident Society Insurance Company Ltd and Strategy Partners (Pty) Ltd.

### MR AR MARTIN (ALWYN)

Director, B.Com., CA (SA)

Member of Audit and Risk Committee.

Appointed 18 November 1996

#### OTHER DIRECTORSHIPS:

Chairman: ER24 Holdings (Pty) Ltd and Tswane Private Hospitals (Pty) Ltd.

Director: Trans Hex Group Ltd, Medi Clinic Corporation Ltd, Credit Guarantee Insurance Corporation of Africa Ltd, Air Traffic and Navigation Services Ltd and FNB Corporate Division.

### MR P DE V RADEMEYER (FLIP)

Director, CA (SA)

Member of Audit and Risk Committee

Appointed 20 February 2001

#### OTHER DIRECTORSHIPS:

Director: Sanlam Ltd, Sanlam Life Insurance Ltd, Genbel Securities Ltd, Gensec Bank Ltd, Sanlam Investment Management (Pty) Ltd and Sanlam Netherlands Holdings BV.

### DR J VAN ZYL (JOHAN)

Director, Ph.D., D.Sc. (Agric)

Member of Human Resources Committee

Appointed 1 August 2001

#### OTHER DIRECTORSHIPS:

Chairman: Sanlam Netherlands Holdings BV.

Director: Genbel Securities Ltd, Gensec Bank Ltd, National Research Foundation, Sanlam Ltd, Sanlam Life Insurance Ltd and Sanlam Investment Management (Pty) Ltd.

### MR SC GILBERT (STEFFEN)

Chief Executive, FASSA, FIA

Appointed 14 July 2003

#### OTHER DIRECTORSHIPS:

Chairman: Westminster Motor Insurance Ltd.

Director: Santam Risk Finance Ltd, Insurance Institute of South Africa (IISA) and South African Insurance Association (SAIA), Bluesure Ltd.

Alternate director: Sanlam Ltd.

### MR MJ REYNEKE (MACHIEL)

Finance Director, B.Com. (Hons), CA (SA)

Appointed 26 August 2003

#### OTHER DIRECTORSHIPS:

Director: Santam Namibia Ltd, Santam Risk Finance Ltd, Multiplex Investment Holding Company (Pty) Ltd, Credit Guarantee Insurance Corporation of Africa Ltd, Admiral Professional Underwriting Agency (Pty) Ltd, African General Insurance Company Ltd, The Lion of Africa Insurance Company Ltd and Thebe Risk Services Holdings (Pty) Ltd.

# Form of Proxy

## SANTAM LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1918/001680/06)  
JSE: Code SNT NSX Code: SNM ISIN: ZAE000006854  
("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 at 09:30, on Friday, 28 May 2004.

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 (To consider the financial statements for the year ended 31 December 2003)			
Ordinary resolution number 2 (To reappoint PWC as auditors)			
Ordinary resolution number 3 (To reappoint DK Smith as director)			
Ordinary resolution number 4 (To reappoint AR Martin as director)			
Ordinary resolution number 5 (To reappoint P de V Rademeyer as director)			
Ordinary resolution number 6 (To reappoint J van Zyl as director)			
Ordinary resolution number 7 (To reappoint SG Gilbert as director)			
Ordinary resolution number 8 (To reappoint MJ Reyneke as director)			
Ordinary resolution number 9 (To approve directors' remuneration for 2003)			
Ordinary resolution number 10 (To approve directors' remuneration scale for 2004)			
Ordinary resolution number 11 (To authorise directors' to determine the remuneration of auditors)			
Ordinary resolution number 12 (To place 10 million shares under the control of the directors)			
Ordinary resolution number 13 (To transact any other business)			
Special resolution number 1 (Authority to buy back shares)			

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 \_\_\_\_\_ 2004

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)  
JSE: Code SNT NSX Code: SNM ISIN: ZAE000006854  
("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 office of the transfer secretaries, Computershare Limited, PO Box 61051, Marshalltown 2107, or the registered office of the company, Santam Head Office, I Sportica Crescent, Tyger Valley, Bellville, 7530 by not later than 09:30 on Thursday, 27 May 2004.
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 that 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.

