REVIEWED INTERIM REPORT

SANTAM LIMITED
AND ITS SUBSIDIARIES
REVIEWED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

CONTENTS

NON-EXECUTIVE DIRECTORS

B Campbell, MD Dunn, BTPKM Gamedze, VP Khanyile (Chairman), NM Magau, JP Möller, YG Muthien, J van Zyl, BP Vundla

EXECUTIVE DIRECTORS

IM Kirk (Chief Executive Officer), MJ Reyneke (Chief Financial Officer)

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JSE share code: SNT
NSX share code: SNM

- **16% increase in headline earnings**
- **Exceptional underwriting returns achieved**
- **Strong cash flows generated**
- **Group solvency ratio of 45%**
- **Interim dividend of 200 cents per share**

FINANCIAL REVIEW

The Santam group achieved excellent returns for the first half of 2011 with headline earnings of 593 cents per share showing an increase of 16% compared to the very solid results of the same period in 2010. An outstanding underwriting return was the main driver for the favourable results. Investment returns were under pressure as a result of weak equity markets. The 25.2% return on weighted average shareholders' funds compared favourably with the 24% achieved in 2010.

Growth in gross written premiums of 7% (9% excluding cell business) improved from the 6% recorded in 2010 and was achieved despite Santam's resolve to maintain appropriate underwriting discipline across all classes of business as well as increased competition in the market. Positive growth was achieved across the largest insurance classes, including motor and property, but the strain on growth in the portfolio management business reflected the continued focus on positive underwriting results for this business unit.

The net underwriting result for the first six months of the year was very pleasing, building on the momentum from the excellent returns of the 2010 financial year. A net underwriting margin of 8.4% compared favourably to the 8% achieved for the corresponding period in 2010. Most business units and insurance classes performed well when compared to 2010, mainly due to the absence of large industrial accident and fire-related claims in the commercial and corporate business units. However, specialist business classes, although still favourable, did not perform at the exceptional levels experienced for the comparative June 2010 period. The largest underwriting classes, motor and property, did very well with increased underwriting results of more than 90% and 50% respectively when compared to 2010. Continued focus on the reduction of claims cost and the positive effects of the implementation of the Insurance Services Transformation Project during 2010 and 2011 contributed in driving down the average claims cost, positively impacting the net claims ratio and underwriting result. The net acquisition cost ratio of 27.7% was higher than the 26.9% for the same period in 2010, mainly due to timing differences on management expenses as well as pressure on fee structures of outsourced business. Spend on strategic projects driving improvements to technology and processes across various areas of the business contributed approximately 1% to acquisition cost.

Investment return on insurance funds of R193 million was below the R203 million for the comparable period in 2010. Despite increased float balances, returns from interest-bearing instruments were lower due to lower interest rates. The group's operating activities generated healthy cash flows of R924 million, considerably more than the R645 million generated for the same period in 2010.

The combined effect of the insurance activities resulted in a net insurance margin of 11.2% for the past six months compared to 11.1% for the comparable period in 2010.

Performance of the investment portfolio was under pressure due to the weak performance of the equity markets closing below the December 2010 levels as well as from low interest rates. The company's equity portfolio outperformed the ALSI index as mandates are essentially linked to the SWIX index. Dividend income was somewhat higher than for the comparative period in 2010. Reported investment results benefited from the derivative fence structures entered into during September and October 2010, which generated a credit of R52 million for the six months ended June 2011. These structures were substantially unwound during July and August at no cost to the company.

Net earnings from associated companies were almost double when compared to 2010, mainly due to higher earnings from two key associates, Credit Guarantee Insurance Corporation of Africa Ltd and NICO Holdings Ltd.

At 30 June 2011 the group's international solvency ratio of 45% was at the upper end of the long-term target range of between 35% and 45%, similar to the level reported at 31 December 2010. Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. At this stage it is not considered appropriate to declare a special dividend given the volatility in global financial markets, but it will remain under constant consideration.

On 1 March 2011, Santam acquired 55% of the voting equity in Mirabilis Engineering Underwriting Managers (Pty) Ltd (Mirabilis) by merging its construction and engineering business into Mirabilis. The new merged entity is the leading engineering underwriter in the South African market.

The board would like to extend its gratitude to Santam's management, staff, brokers and other business partners for their efforts and contributions during the past six months.

Prospects

Although the global economy slowed down during the second quarter of 2011, it is still expected that South African gross domestic product (GDP) growth will exceed 3% in 2011, while the inflation (CPI) is expected to average 4.9%. Historically GDP growth and CPI provided a good indication of gross written premium growth expectancies in the short-term insurance market. Competition in the market will, however, increase from both new entrants as well as from existing incumbents entering into new product lines, putting pressure on premium rates. Santam is positioned to manage increases selectively through our market and risk segmentation approach.

The rand is considered to be strong. A weakening rand will impact claims cost, specifically the motor class where the import cost of parts is impacted by the strength of the currency. Santam will, however, continue its efforts to optimise profitability in all aspects of the business with a strong focus on risk management, improving efficiencies and lowering claims cost. Underwriting margins are expected to reduce somewhat in the second half of the year.

Interest rates are expected to remain at current levels for the rest of 2011. A lower return on insurance funds is therefore expected in 2011 when compared to 2010. The equity market is not expected to deliver exceptional returns in 2011 and therefore investment returns are expected to be lower in 2011 than in 2010.

Events after the reporting period

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

Declaration of dividend (Number 115)

Notice is hereby given that the board has declared an interim dividend for the six months ended 30 June 2011 of 200 cents per share (2010: 185 cents). Shareholders are advised that the last day to trade “cum dividend” will be Friday, 16 September 2011. The shares will trade “ex dividend” from the commencement of business on Monday, 19 September 2011. The record date will be Friday, 23 September 2011, and the payment date will be Monday, 26 September 2011. Certificated shareholders may not dematerialise or rematerialise their shares between Monday, 19 September 2011, and Friday, 23 September 2011, both dates inclusive.

Auditors’ report

The company’s external auditors, PricewaterhouseCoopers Inc, have reviewed the condensed interim financial report. A copy of their unqualified review opinion is available on request at the company’s registered office.

On behalf of the board

VP Khanyile	**IM Kirk**
Chairman	*Chief Executive Officer*

31 August 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Reviewed At 30 June 2011 R million**	Reviewed At 30 June 2010 R million	Audited At 31 Dec 2010 R million
ASSETS				
Non-current assets				
Property and equipment		**72**	53	88
Intangible assets		**1 018**	139	988
Deferred income tax		**237**	106	251
Investments in associates		**241**	217	211
Financial assets – at fair value through income				
Equity securities	6	**3 884**	3 116	3 832
Debt securities	6	**5 286**	3 570	4 246
Financial assets – at amortised cost				
Cell owners' interest		**17**	–	12
Reinsurance assets		**302**	347	315
Current assets				
Financial assets – at fair value through income				
Short-term money market instruments	6	**1 848**	4 065	3 685
Reinsurance assets		**1 013**	1 196	952
Deferred acquisition costs		**243**	238	251
Loans and receivables including insurance receivables	6	**2 010**	1 966	1 735
Income tax assets		**21**	6	26
Cash and cash equivalents		**2 160**	1 717	1 143
Total assets		**18 352**	16 736	17 735
EQUITY				
Capital and reserves attributable to the company's equity holders				
Share capital		**107**	107	107
Treasury shares		**(648)**	(652)	(651)
Other reserves		**1 354**	1 297	1 265
Distributable reserves		**4 667**	3 997	4 405
		5 480	4 749	5 126
Non-controlling interest		**88**	73	93
Total equity		**5 568**	4 822	5 219
LIABILITIES				
Non-current liabilities				
Deferred income tax		**249**	131	269
Financial liabilities – at fair value through income				
Debt securities	7	**919**	885	925
Derivatives	6	**3**	5	1
Financial liabilities – at amortised cost				
Cell owners' interest		**612**	598	589
Insurance liabilities		**1 377**	1 302	1 323
Provisions for other liabilities and charges		**2**	4	3
Current liabilities				
Financial liabilities – at fair value through income				
Debt securities	7	**24**	24	24
Investment contracts		**472**	345	495
Derivatives	6	**21**	5	74
Financial liabilities – at amortised cost				
Collateral guarantee contracts		**111**	104	108
Insurance liabilities		**6 591**	6 323	6 440
Deferred reinsurance acquisition revenue		**11**	32	40
Provisions for other liabilities and charges		**29**	28	33
Trade and other payables		**2 136**	1 606	1 890
Current income tax liabilities		**227**	522	302
Total liabilities		**12 784**	11 914	12 516
Total shareholders' equity and liabilities		**18 352**	16 736	17 735

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Reviewed Six months ended 30 June 2011 R million**	Reviewed Six months ended 30 June 2010 R million	Change %	Audited Year ended 31 Dec 2010 R million
Gross written premium		**8 228**	7 717	7%	15 855
Less: Reinsurance premium		**1 293**	1 418		2 336
Net premium		**6 935**	6 299	10%	13 519
Change in unearned premium					
Gross amount		**(138)**	(308)		(65)
Reinsurers' share		**45**	(39)		34
Net insurance premium revenue		**7 028**	6 646	6%	13 550
Investment income	8	**301**	335	(10%)	633
Income from reinsurance contracts ceded		**183**	134		236
Net gains/(losses) on financial assets and liabilities at fair value through income		**70**	(15)		537
Gain on remeasuring existing interest in associates on transfer to subsidiaries		**–**	–		215
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**–**	–		6
Net income		**7 582**	7 100	7%	15 177
Insurance claims and loss adjustment expenses		**5 229**	4 728		9 531
Insurance claims and loss adjustment expenses recovered from reinsurers		**(742)**	(397)		(848)
Net insurance benefits and claims		**4 487**	4 331	4%	8 683
Expenses for the acquisition of insurance contracts		**1 220**	1 148		2 311
Expenses for marketing and administration		**910**	768		1 648
Expenses for asset management services rendered		**14**	16		29
Amortisation of intangible assets		**33**	4		27
Expenses		**6 664**	6 267	6%	12 698
Results of operating activities		**918**	833	10%	2 479
Finance costs		**(48)**	(42)		(120)
Share of profit of associates		**46**	24		63
Impairment reversal on net investment of associates		**–**	–		6
Profit before tax		**916**	815	12%	2 428
Income tax expense	9	**(234)**	(229)		(639)
Profit for the period		**682**	586	16%	1 789
Other comprehensive income					
Currency translation differences		**25**	(19)		(72)
Total comprehensive income for the period		**707**	567		1 717
Profit attributable to:					
– equity holders of the company		**670**	578	16%	1 762
– non-controlling interest		**12**	8		27
		682	586		1 789
Total comprehensive income attributable to:					
– equity holders of the company		**695**	559	24%	1 690
– non-controlling interest		**12**	8		27
		707	567		1 717
Earnings attributable to equity shareholders					
Earnings per share (cents)	12				
Basic earnings per share		**593**	512	16%	1 560
Diluted earnings per share		**584**	503	16%	1 532
Weighted average number of shares – millions		**113.07**	112.91		112.96
Weighted average number of ordinary shares for diluted earnings per share – millions		**114.70**	114.94		114.99

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Non-controlling interest	Total
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	R million	**R million**
Restated balance as at 1 January 2010	107	(660)	1 268	3 813	144	**4 672**
Balance as at 1 January 2010	107	(660)	1 268	4 080	144	**4 939**
Restatement	–	–	–	(267)	–	**(267)**
Profit for the period	–	–	–	1 762	27	**1 789**
Other comprehensive income:						
Currency translation differences	–	–	(72)	–	–	**(72)**
Total comprehensive income for the period ended 31 December 2010	–	–	(72)	1 762	27	**1 717**
Purchase of treasury shares	–	(34)	–	–	–	**(34)**
Sale of treasury shares	–	43	–	–	–	**43**
Loss on sale of treasury shares	–	–	–	(34)	–	**(34)**
Transfer to reserves	–	–	69	(69)	–	**–**
Share-based payments	–	–	–	58	–	**58**
Dividends paid	–	–	–	(1 113)	–	**(1 113)**
Excess paid on acquisition of non-controlling interest	–	–	–	(12)	–	**(12)**
Interest acquired from non-controlling interest	–	–	–	–	(78)	**(78)**
Balance as at 31 December 2010	**107**	**(651)**	**1 265**	**4 405**	**93**	**5 219**
Profit for the period	–	–	–	670	12	**682**
Other comprehensive income:						
Currency translation differences	–	–	25	–	–	**25**
Total comprehensive income for the period ended 30 June 2011	–	–	25	670	12	**707**
Purchase of treasury shares	–	(37)	–	–	–	**(37)**
Sale of treasury shares	–	40	–	–	–	**40**
Loss on sale of treasury shares	–	–	–	(39)	–	**(39)**
Transfer to reserves	–	–	64	(64)	–	**–**
Share-based payments	–	–	–	24	–	**24**
Dividends paid	–	–	–	(367)	(24)	**(391)**
Excess received on sale of non-controlling interest	–	–	–	38	–	**38**
Interest acquired from non-controlling interest	–	–	–	–	7	**7**
Balance as at 30 June 2011	**107**	**(648)**	**1 354**	**4 667**	**88**	**5 568**
Restated balance as at 1 January 2010	107	(660)	1 268	3 813	144	**4 672**
Balance as at 1 January 2010	107	(660)	1 268	4 080	144	**4 939**
Restatement	–	–	–	(267)	–	**(267)**
Profit for the period	–	–	–	578	8	**586**
Other comprehensive income:						
Currency translation differences	–	–	(19)	–	–	**(19)**
Total comprehensive income for the period ended 30 June 2010	–	–	(19)	578	8	**567**
Purchase of treasury shares	–	(13)	–	–	–	**(13)**
Sale of treasury shares	–	21	–	–	–	**21**
Loss on sale of treasury shares	–	–	–	(18)	–	**(18)**
Transfer to reserves	–	–	48	(48)		**–**
Share-based payments	–	–	–	23	(1)	**22**
Dividends paid	–	–	–	(339)	–	**(339)**
Excess paid on acquisition of non-controlling interest	–	–	–	(12)	–	**(12)**
Interest acquired from non-controlling interest	–	–	–	–	(78)	**(78)**
Balance as at 30 June 2010	**107**	**(652)**	**1 297**	**3 997**	**73**	**4 822**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Reviewed Six months ended 30 June 2011 R million**	Reviewed Six months ended 30 June 2010 R million	Audited Year ended 31 Dec 2010 R million
Cash generated from operations		**1 289**	825	2 115
Interest paid		**(73)**	(42)	(95)
Income tax paid		**(292)**	(138)	(755)
Net cash from operating activities		**924**	645	1 265
Cash flows from investing activities				
Cash generated/(utilised) in investment activities		**790**	66	(270)
Acquisition of subsidiary	10	**(240)**	(94)	(357)
Cash acquired through acquisition of subsidiary	10	**3**	95	262
Purchases of equipment		**(12)**	(19)	(26)
Purchases of software		**(18)**	–	(1)
Proceeds from sale of equipment		**–**	1	–
Acquisition of associated companies		**–**	–	(17)
Net cash from investing activities		**523**	49	(409)
Cash flows from financing activities				
Purchase of treasury shares		**(37)**	(13)	(34)
Proceeds on sale of treasury shares		**4**	4	11
(Decrease)/increase in investment contract liabilities		**(35)**	1	129
Dividends paid to company's shareholders		**(367)**	(339)	(1 113)
Dividends paid to non-controlling interest		**(24)**	–	–
Increase in cell owners' interest		**18**	62	42
Purchase of subsidiary from non-controlling interest	11	**–**	(90)	(90)
Net cash used in financing activities		**(441)**	(375)	(1 055)
Net increase/(decrease) in cash and cash equivalents		**1 006**	319	(199)
Cash and cash equivalents at beginning of period		**1 143**	1 379	1 379
Exchange gains/(losses) on cash and cash equivalents		**11**	19	(37)
Cash and cash equivalents at end of period		**2 160**	1 717	1 143

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of presentation

This abridged consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34 – *Interim Financial Reporting* and in compliance with the Listing Requirements of the JSE Limited. The abridged consolidated interim financial information does not include all of the information required by IFRS for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these abridged consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

4. Risk management

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The interim abridged consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management policies since year-end.

5. Segment information

The executive committee (Exco) reviews the group's internal reporting in order to assess performance and allocate resources. The operating segments identified are representative of the internal structure of the group.

Exco reviews the two core activities of the group, i.e. insurance activities and investment activities, on a monthly basis. Insurance activities are all insurance underwriting activities undertaken by the group and comprise commercial insurance, personal insurance and alternative risks. Insurance activities are also further analysed by insurance class. Investment activities are all investment-related activities undertaken by the group.

Exco considers the performance of insurance activities based on gross written premium as a measure of growth as well as underwriting result and net insurance result as a measure of profitability.

Investment activities are measured based on net investment income and income from associated companies.

Other information provided to Exco is measured in a manner consistent with that in the financial statements.

5.1 For the six months ended 30 June 2011

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	8 228	172	**8 400**
Gross written premium	8 228		**8 228**
Net written premium	6 935		**6 935**
Net earned premium	7 028		**7 028**
Claims incurred	4 487		**4 487**
Net commission	1 037		**1 037**
Management expenses	904	6	**910**
Underwriting result	600	(6)	**594**
Investment return on insurance funds	193		**193**
Net insurance result	793	(6)	**787**
Investment income net of management fee and finance costs		116	**116**
Income from associates net of impairment		46	**46**
Amortisation of intangible assets	(33)		**(33)**
Income before taxation	760	156	**916**
Total assets	9 666	8 686	**18 352**
Total liabilities	11 816	968	**12 784**

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	136	21	10	127
Alternative risk	817	(6)	289	1 761
Crop	67	25	26	51
Engineering	330	64	119	280
Guarantee	7	3	10	24
Liability	538	113	415	1 914
Miscellaneous	7	1	1	11
Motor	3 749	212	51	1 754
Property	2 393	115	576	1 841
Transportation	184	52	62	218
Unallocated	–	(6)	16 793	4 803
Total	**8 228**	**594**	**18 352**	**12 784**
Comprising:				
Commercial insurance	4 010	503	1 151	4 846
Personal insurance	3 401	103	119	1 374
Alternative risk	817	(6)	289	1 761
Unallocated	–	(6)	16 793	4 803
Total	**8 228**	**594**	**18 352**	**12 784**

5.2 For the six months ended 30 June 2010

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	7 717	93	**7 810**
Gross written premium	7 717		**7 717**
Net written premium	6 299		**6 299**
Net earned premium	6 646		**6 646**
Claims incurred	4 331		**4 331**
Net commission	1 014		**1 014**
Management expenses	762	6	**768**
Underwriting result	539	(6)	**533**
Investment return on insurance funds	203		**203**
Net insurance result	742	(6)	**736**
Investment income net of management fee and finance costs		59	**59**
Income from associates		24	**24**
Amortisation of intangible assets	(4)		**(4)**
Income before taxation	738	77	**815**
Total assets	9 833	6 903	**16 736**
Total liabilities	10 995	919	**11 914**

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	185	13	22	144
Alternative risk	1 240	11	332	1 683
Crop	57	5	9	23
Engineering	282	62	124	307
Guarantee	7	5	11	25
Liability	500	190	461	1 850
Miscellaneous	11	3	2	14
Motor	3 059	111	44	1 562
Property	2 189	81	699	1 803
Transportation	187	58	77	248
Unallocated	–	(6)	14 955	4 255
Total	**7 717**	**533**	**16 736**	**11 914**
Comprising:				
Commercial insurance	3 535	444	1 327	4 706
Personal insurance	2 942	84	122	1 270
Alternative risk	1 240	11	332	1 683
Unallocated	–	(6)	14 955	4 255
Total	**7 717**	**533**	**16 736**	**11 914**

5.3 For the year ended 31 December 2010

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	15 855	937	**16 792**
Gross written premium	15 855		**15 855**
Net written premium	13 519		**13 519**
Net earned premium	13 550		**13 550**
Claims incurred	8 683		**8 683**
Net commission	2 075		**2 075**
Management expenses	1 631	15	**1 646**
Underwriting result	1 161	(15)	**1 146**
Investment return on insurance funds	396		**396**
Net insurance result	1 557	(15)	**1 542**
Investment income net of management fee and finance costs		840	**840**
Income from associates net of impairment		69	**69**
Amortisation of intangible asset	(23)		**(23)**
Income before taxation	1 534	894	**2 428**
Total assets	9 446	8 289	**17 735**
Total liabilities	11 492	1 024	**12 516**

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	264	7	14	131
Alternative risk	1 751	13	266	1 769
Crop	429	(85)	204	379
Engineering	595	156	95	256
Guarantee	21	6	6	29
Liability	1 103	315	422	1 900
Miscellaneous	22	6	1	12
Motor	6 684	371	2	1 538
Property	4 615	269	498	1 608
Transportation	371	103	53	225
Unallocated	–	(15)	16 174	4 669
Total	**15 855**	**1 146**	**17 735**	**12 516**
Comprising:				
Commercial insurance	8 054	886	1 158	4 817
Personal insurance	6 050	262	137	1 261
Alternative risk	1 751	13	266	1 769
Unallocated	–	(15)	16 174	4 669
Total	**15 855**	**1 146**	**17 735**	**12 516**

	Reviewed At 30 June 2011 R million	Reviewed At 30 June 2010 R million	Audited At 31 Dec 2010 R million
6. Financial assets			
The group's financial assets are summarised below by measurement category.			
Financial assets at fair value through income	**10 994**	10 741	11 688
Loans and receivables	**2 010**	1 966	1 735
Total financial assets	**13 004**	12 707	13 423
Financial assets at fair value through income			
Equity securities			
– quoted	**3 523**	2 808	3 498
– unquoted	**361**	308	334
	3 884	3 116	3 832
Derivatives (net)	**(24)**	(10)	(75)
Debt securities			
– quoted			
government and other bonds	**1 748**	1 793	1 839
long-term money market instruments	**1 154**	1 026	1 174
redeemable preference shares	**383**	–	375
– unquoted			
government and other bonds	**256**	–	195
long-term money market instruments	**1 432**	–	354
redeemable preference shares	**313**	751	309
	5 286	3 570	4 246
Short-term money market instruments	**1 848**	4 065	3 685
Total financial assets at fair value through income	**10 994**	10 741	11 688
7. Debt securities – at fair value through income			
At the beginning of the year	**925**	839	839
Fair value adjustment	**(6)**	46	86
	919	885	925
Accrued interest	**24**	24	24
	943	909	949

During 2007 the company issued unsecured subordinated callable notes to the value of R1 billion in two tranches. The fixed effective rate for the R600 million issue was 8.6% and 9.6% for the second tranche of R400 million, representing the R203 companion bond plus an appropriate credit spread at the time of the issues. The fixed coupon rate, based on the nominal value of the issues, amounts to 8.25% and for both tranches the optional redemption date is 15 September 2017. Between the optional redemption date and the final maturity date of 15 September 2022, a variable interest rate (JIBAR-based) plus additional margin will apply.

Per conditions set by the Regulator, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue income statement volatility.

	Reviewed At 30 June 2011 R million	Reviewed At 30 June 2010 R million	Audited At 31 Dec 2010 R million
8. Investment income			
Dividend income	**69**	55	118
Interest income	**228**	258	535
Foreign exchange differences	**4**	22	(20)
	301	335	633
9. Income tax			
South African normal taxation			
Current year	**234**	240	580
Charge for the year	**200**	206	472
STC	**34**	34	108
Prior year	**1**	(7)	(10)
Foreign taxation	**13**	13	33
Income taxation for the year	**248**	246	603
Deferred taxation	**(14)**	(17)	36
Current year	**(13)**	(12)	37
STC	**(1)**	(5)	(1)
	234	229	639
Reconciliation of taxation rate (%)			
Normal South African taxation rate	**28.0**	28.0	28.0
Adjust for			
– Exempt income	**(2.1)**	(1.9)	(1.6)
– Investment results	**(2.3)**	(1.2)	(5.1)
– STC	**3.6**	3.6	4.4
– Other	**(1.7)**	(0.4)	0.6
Net reduction	**(2.5)**	0.1	(1.7)
Effective rate	**25.5**	28.1	26.3

	Reviewed Six months ended 30 June 2011	Reviewed Six months ended 30 June 2010	Audited Year ended 31 Dec 2010
10. Business combinations			
Acquisition/Increase in shareholding			
On 1 March 2011, Santam Ltd acquired 55% of the voting equity interest in Mirabilis Engineering Underwriting Managers (Pty) Ltd by merging its construction and engineering business into Mirabilis. The new merged entity will be the leading engineering underwriter in the South African market.			
Details of the assets and liabilities acquired at fair value are as follows:			
Deferred taxation	**(5)**	3	61
Property and equipment	**–**	4	41
Intangible assets	**18**	–	196
Investments	**5**	–	9
Reinsurance assets	**–**	13	3
Loans and receivables	**1**	67	211
Short-term money market instruments	**–**	–	18
Cash and cash equivalents	**3**	95	262
Insurance liabilities	**–**	(32)	(9)
Trade and other payables	**(4)**	(53)	(478)
Taxation	**–**	(2)	2
Net asset value acquired	**18**	95	316
Goodwill	**28**	–	675
Non-controlling interest recognised on acquisition	**(8)**	–	–
Excess received on sale of non-controlling interest	**(38)**	–	–
Excess of acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost	**–**	(1)	(6)
Investment in associated share previously acquired	**–**	–	(281)
Deferred purchase consideration paid/(provided)*	**240**	–	(347)
Purchase consideration paid	**240**	94	357
Mirabilis Engineering Underwriting Managers (Pty) Ltd	**–**	–	–
MiWay Group Holdings (Pty) Ltd	**240**	–	–
Other	**–**	94	357

* Amount is variable and will be impacted by returns achieved over the next three years.

Comparative information on acquisitions relates to the transactions below reported on in detail in prior periods.

	Net asset value acquired	Goodwill	Purchase consideration paid
a) Emerald Risk Transfer (Pty) Ltd			
On 1 January 2010, Swanvest 120 (Pty) Ltd acquired 100% of the voting equity interest in Emerald Risk Transfer (Pty) Ltd to obtain specialist underwriting skills in the corporate property environment.	100	–	94
b) Indwe Broker Holdings (Pty) Ltd			
Effective 1 September 2010, the Santam Group increased its shareholding in Indwe Broker Holdings (Pty) Ltd from 37.8% to 100% by exercising its right to purchase shares on offer from other shareholders. The company is being independently managed as an intermediary.	97	356	263
c) MiWay Group Holdings Ltd			
On 31 December 2010, Swanvest 120 (Pty) Ltd increased its shareholding in MiWay Group Holdings Ltd from 31.25% to 100%. It is strategically important that Santam makes proper inroads into the emerging direct short-term insurance market to retain its leadership position in the industry. MiWay continues to be managed independently, servicing the direct segment of the market.	119	319	–
	316	**675**	**357**

	Reviewed Six months ended 30 June 2011	Reviewed Six months ended 30 June 2010	Audited Year ended 31 Dec 2010
11. Transactions with non-controlling parties			
On 1 March 2011, Santam Ltd sold the non-controlling interest of 45% in its construction and engineering business by merging it into Mirabilis Engineering Underwriting Managers (Pty) Ltd.			
Non-controlling interest acquired/(sold)	**–**	78	78
Excess (received)/paid on sale/acquisition of non-controlling interest	**(38)**	12	12
Settled through acquisition of Mirabilis Engineering Underwriting Managers (Pty) Ltd	**38**	–	–
Purchase consideration paid	**–**	90	90

Comparative information relates to the acquisition of the non-controlling interest in Centriq Holdings (Pty) Ltd on 1 January 2010.

	Reviewed Six months ended 30 June 2011	Reviewed Six months ended 30 June 2010	Audited Year ended 31 Dec 2010
12. Earnings per share			
Basic earnings per share			
Profit attributable to the company's equity holders (R million)	**670**	578	1 762
Weighted average number of ordinary shares in issue (million)	**113.07**	112.91	112.96
Earnings per share (cents)	**593**	512	1 560
Diluted earnings per share			
Profit attributable to the company's equity holders (R million)	**670**	578	1 762
Weighted average number of ordinary shares in issue (million)	**113.07**	112.91	112.96
Adjusted for share-options	**1.63**	2.03	2.03
Weighted average number of ordinary shares for diluted earnings per share (million)	**114.70**	114.94	114.99
Diluted basic earnings per share (cents)	**584**	503	1 532
Headline earnings per share			
Profit attributable to the company's equity holders	**670**	578	1 762
Adjust for:			
Impairment reversal on net investment of associates	**–**	–	(6)
Impairment of goodwill	**–**	–	10
Gain on remeasuring existing interest in associates on transfer to subsidiaries	**–**	–	(215)
Excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost	**–**	(1)	(6)
Headline earnings (R million)	**670**	577	1 545
Weighted average number of ordinary shares in issue (million)	**113.07**	112.91	112.96
Headline earnings per share (cents)	**593**	511	1 367
Diluted headline earnings per share			
Headline earnings (R million)	**670**	577	1 545
Weighted average number of ordinary shares for diluted earnings per share (million)	**114.70**	114.94	114.99
Diluted headline earnings per share (cents)	**584**	502	1 343
13. Dividends per share			
Dividend per share (cents)	**200**	185	510
Special dividend per share (cents)	**–**	500	500