ANNUAL FINANCIAL STATEMENTS 2012

Santam

Table of contents

Approval of annual financial statements

TO THE SHAREHOLDERS OF SANTAM LTD

RESPONSIBILITY FOR AND APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

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

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

The board 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 International Financial Reporting Standards (IFRS).

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

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

VP KHANYILE
Chairman

IM KIRK
Chief Executive Officer

27 February 2013

Preparation and presentation of annual financial statements

The preparation of the annual financial statements was supervised by the Chief financial officer of Santam Ltd, HD Nel.

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act 2008 (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.

M ALLIE
Group secretary

27 February 2013

Independent auditor's report

TO THE SHAREHOLDERS OF SANTAM LTD

We have audited the consolidated and separate financial statements of Santam Ltd set out on pages 8 to 83, which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Santam Ltd as at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PRICEWATERHOUSECOOPERS INC
Director: C van den Heever
Registered auditor
Cape Town

27 February 2013

Report of the audit committee

The Santam audit committee appointed to hold office until the conclusion of the annual general meeting (AGM) on 29 May 2013, comprises five independent non-executive directors of the company. Messrs MD Dunn, B Campbell, MP Fandeso and BTPKM Gamedze were elected to the committee by the company's shareholders at the AGM on 30 May 2012. Mr GG Gelink was appointed to the committee by the board on 1 June 2012. The qualifications of the members of the committee are listed on page 10 of the integrated report. The members possess the necessary expertise to direct the committee in the execution of its duties.

The audit committee of Santam acts as such for all subsidiaries of the group where an audit committee is required in terms of the Companies Act, 71 of 2008, as amended. The committee has a charter, approved by the board, dealing, inter alia, with its membership, frequency of meetings and responsibilities. The charter is reviewed annually and was updated during November 2012. The committee has a formal work plan to structure the execution of its responsibilities. The committee reviews reports from the external and internal auditors and the chairman of the committee reports on the findings at board meetings.

The responsibility and functions of the audit committee includes the review of financial reporting (and their recommendation for approval to the board), regulatory compliance matters and monitoring litigation. The audit committee also has the responsibility of reviewing the basis on which the company has been determined a going concern and is responsible for considering changes to the dividend policy and recommending dividend declarations to the board. The committee's charter allows it to consult with external consultants to assist it with the performance of its functions, subject to a board approval process.

The committee nominates the independent external auditor to the Santam group and its subsidiaries for appointment by the shareholders and approves the terms of engagement and remuneration for the external audit engagement.

The committee held four scheduled meetings and two unscheduled meetings during the year under review. The required quorum was present at all meetings held. During the year the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors. The committee also considered and determined the fees and terms of engagement of the external auditors. Furthermore, the nature and extent of all non-audit services provided by PricewaterhouseCoopers and the fees in connection therewith were reviewed and approved by the committee. The audit committee also considered and reviewed the company's memorandum of incorporation before it was tabled for shareholder approval at the 2012 annual general meeting.

As required by the JSE Listings Requirement 3.84, the audit committee has considered the expertise and experience of the financial director, Mr HD Nel, and concluded that the appropriate requirements have been met. The committee is satisfied that the expertise, resources and experience of the company's finance function is satisfactory.

The audit committee reviewed the 2012 Santam Group Ltd integrated report and considered factors and risks that may impact on the integrity of the report. The audit committee also reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board as it is of the view that the assurance provided is adequate, given the maturity of the processes in place. The committee has recommended the integrated report and annual financial statements to the board for approval.

The effectiveness of controls were reviewed principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Other relevant input to the review included combined assurance reports, reports from internal and external auditors, compliance and the 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 (which include the internal financial controls) occurred during the year under review.

The committee is satisfied that it had fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory and other responsibilities for the year.

M.D. Dunn

MD DUNN
Chairman of the audit committee

27 February 2013

ACTIVITIES

Santam Ltd (a public company incorporated in South Africa) and its subsidiaries transact all classes of short-term insurance.

OPERATING RESULTS

The Santam group achieved positive underwriting results in a financial year characterised by a number of catastrophe events in the final quarter, while also achieving 9.5% growth in gross written premium, significantly above industry growth. The negative financial impact of the tough underwriting conditions was partially offset by the excellent investment market returns in 2012. Income before tax of R1 700 million was 10% below the 2011 level achieved. The income tax charge increased by 28%, mainly due to a secondary tax on companies charge of R96 million on the special dividend paid in the first half of the year and an increase of R80 million in the deferred tax provision on fair value movements of equities due to the increase in the capital gains tax inclusion rate effective from 2013.

Headline earnings decreased by 18% compared to 2011. Net cash generated from operating activities increased to R1.7 billion (2011: R1.6 billion) while the solvency margin of 41% remains within our long-term target range of 35% to 45%, following the payment of the special dividend in March 2012. Return on capital was impacted by the adverse underwriting conditions and the increased taxation charge and reduced to 19.3% (2011: 25.0%). Excluding the impact of the taxation charges noted above, Santam achieved a 22.6% return on capital.

The South African insurance industry was significantly impacted by a number of catastrophe events during 2012, most notably the floods in Mpumalanga in January, a number of significant hail storms in Gauteng during October and November and a devastating fire at St Francis Bay, also in November. These events resulted in losses to Santam in excess of R400 million net of catastrophe reinsurance, more than three times the average annual catastrophe claims registered by the group over the past 12 years (restated to 2012 rand values and exposure). Despite the high claims volumes experienced following these events we comfortably met our obligations to our clients.

Our net claims margin was 68.3%, compared to 64.2% reported in 2011. The 2012 underwriting result of R623 million (2011: R1 186 million) and net underwriting margin of 4.0% (2011: 8.1%) was significantly impacted by these events and an increase in claims frequency and severity, most notably fire claims, resulting in the net underwriting margin dropping to below the medium-term target of 5% to 7%.

The benefits of our diversified business model were evident again this year. While our traditional intermediated and direct business units were under bottom-line pressure in the final quarter, our specialist and reinsurance business units were able to use their market position and expertise to protect margins and continue growing premiums.

Premium growth continued the solid performance of 2011, with gross written premium for the group increasing by 9.5% (2011: 11.7%), gaining market share with industry premiums reflecting marginal growth. Positive growth was achieved across all significant insurance classes, with MiWay reaching gross written premiums of R1 billion, an increase of 38% compared to 2011.

The group's net acquisition cost ratio of 27.7% was in line with 2011. The increase in management expenses ascribed to the significant growth in MiWay which currently has a higher level of management expenses, as well as increased external management fees, was offset by a lower performance bonus provision and commission expenses. We have continued to invest 1% of net earned premium in strategic initiatives in the traditional Santam intermediated business to ensure the group achieves its long-term goals. Spending on current projects will continue for the next two years and we anticipate that the full benefits will start to accrue from 2016. These initiatives will ensure the group remains agile and competitive.

Investment returns on insurance funds of R415 million increased from the R388 million earned in 2011, resulting mainly from higher float levels despite lower interest rates in 2012.

The combined effect of insurance activities resulted in a net insurance income of R1 038 million or a 6.6% margin, compared to R1 574 million and a margin of 10.7% in 2011.

Following the strong equity markets, investment income, including dividends, interest received and management expenses paid, increased to R787 million in 2012 compared to the R355 million generated in 2011. The weakening of the rand during 2012 had a positive impact on the valuations of our foreign currency assets held by our local operations of R14 million (2011: R90 million). Santam's investment portfolio performance compared favourably to the benchmarks set.

Net earnings from associated companies decreased from R85 million in 2011 to R40 million in 2012. Credit Guarantee Insurance Corporation of Africa Ltd delivered a positive contribution to associated earnings. The 26% investment in NICO Holdings Ltd in Malawi was impaired by R43 million following the devaluation of the Malawian currency which had an adverse effect on the banking and other financial services business units of NICO Holdings.

Since the acquisition of Santam's controlling stake in Indwe during 2010, the market conditions have weakened due to increased competition and low premium increases resulting in a slowdown in Indwe's growth rate. An impairment of R35 million of the goodwill acquired and R25 million relating to software developed by Indwe was therefore deemed necessary.

The board would like to extend its gratitude to Santam's management, employees, intermediaries and other business partners for their efforts and contributions during the past year.

ORDINARY SHARES ISSUED

The shares in issue remained at 119 346 417 (2011: 119 346 417) shares of no par value (including 5 543 754 (2011: 6 086 185) treasury shares). In accordance with the share incentive scheme, as approved at the annual general meeting on 23 January 1997, no additional share options were awarded under the scheme during the year under review. In 2011, 4 000 share options lapsed as a result of resignations and 145 500 treasury shares were sold as a result of share options being exercised or released. In terms of the deferred share plan (DSP), implemented in 2007, 392 261 (2011: 417 480) shares were granted to employees on a deferred delivery basis during the year, 110 565 shares were granted in lieu of the special dividend, 86 585 (2011: 77 765) shares lapsed as a result of resignations and 542 394 (2011: 383 163) treasury shares were sold in terms of the DSP. Full details are set out in note 15 to the annual financial statements.

A subsidiary in the group holds 5 543 754 (2011: 6 086 185) Santam shares. The shares are held as 'Treasury shares'. The company has the right to reissue these shares at a later date.

CAPITAL STRUCTURE

Debt securities

For details on debt securities, refer to note 18 to the financial statements.

DIVIDENDS

The following dividends were paid and are proposed.

	Group 2012 R million	Group 2011 R million
Interim dividend of 230 cents per share (2011: 200 cents)	274	239
A final dividend of 410 cents per share (2011: 355 cents)	489	424
	763	663

SPECIAL DIVIDEND

As part of its process to optimise its capital, Santam Ltd paid a special dividend of 850 cents per share to shareholders on 16 March 2012.

SUBSIDIARIES

Details of the holding company's interest in subsidiaries are set out in note 45 to the financial statements. The following changes in shareholding took place during the year:

– On 1 January 2012 Swanvest 120 (Pty) Ltd sold its 60% interest in Stilus Underwriting Managers (Pty) Ltd.
– On 1 September 2012, Swanvest 120 (Pty) Ltd acquired a 100% interest in Riscor Underwriting Managers (Pty) Ltd.

ASSOCIATED COMPANIES

Details of the holding company's interest in associated companies are set out in note 45 to the financial statements. The following changes in shareholding took place during the year:

– Swanvest 120 (Pty) Ltd and Indwe Broker Holdings (Pty) Ltd subscribed for a combined 33.3% shareholding in STRIDE (Pty) Ltd.
– Centriq Insurance Holdings Ltd acquired a further 23.5% shareholding in Nautical Underwriting Managers (Pty) Ltd.

RELATED PARTIES

Related-party relationships exist between the company, subsidiaries, associated companies, Sanlam group, company directors and key management. Intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to note 41 to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear in note 41 to the annual financial statements.

HOLDING COMPANY

Sanlam Ltd, the company's holding company, holds 59.9% of the ordinary share capital.

SEGMENT INFORMATION

Refer to note 4 in the notes to the financial statements for the segmental report.

DIRECTORATE AND COMPANY SECRETARY

Committee memberships	Risk committee	Audit committee	Human resources committee	Sustainability and ethics committee	Investment committee
Non-executive directors					
B Campbell	•	•			
MD Dunn	•	•			
MP Fandeso	•	•			
BTPKM Gamedze	•	•		•	
GG Gelink	•	•			•
VP Khanyile (Chairman)			•		
MLD Marole			•	•	
JP Möller	•				•
MJ Reyneke	•				•
J van Zyl			•		
Executive directors					
IM Kirk (Chief Executive Officer)	•				•
HD Nel (Chief financial officer)	•				•
Y Ramiah				•	

The following changes took place on the company's board of directors during the year under review:
BP Vundla – Resigned on 17 January 2012
GG Gelink – Appointed on 1 June 2012
YG Muthien – Resigned on 5 September 2012
MJ Reyneke – Became non-executive on 17 September 2012
HD Nel – Appointed on 17 September 2012

Company secretary
M Allie

Registered office for company secretary
PO Box 3881, Tyger Valley 7536
Santam Ltd, 1 Sportica Crescent, Bellville 7530

Mr M Allie was in the position for the whole financial year.

AUDITORS
PricewaterhouseCoopers Inc will continue in office in accordance with section 90(1) of the Companies Act 2008.

SPECIAL RESOLUTIONS PASSED
The following special resolution was passed by Santam Ltd at the annual general meeting on 30 May 2012:
– Authorise the company or any of its subsidiaries to, by way of general approval, acquire ordinary shares issued by the company.
– Approval of directors' remuneration.
– General authority to provide financial assistance to related companies (or inter-related companies or corporations).
– Adoption of the memorandum of incorporation.

Statement of financial position

	Notes	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
ASSETS					
Non-current assets					
Property and equipment	5	99	80	45	29
Intangible assets	6	990	994	7	–
Deferred income tax	17	221	207	–	–
Investments in subsidiaries	7			1 927	1 927
Investments in associates	8	261	274	133	133
Financial assets – at fair value through income					
Equity securities	9	3 551	3 856	3 127	3 299
Debt securities	9	6 957	6 160	4 739	4 310
Derivatives	10	6	1	6	1
Financial assets – at amortised cost					
Cell owners' interest	20	24	40	–	–
Reinsurance assets	11	137	244	144	259
Current assets					
Financial assets – at fair value through income					
Short-term money market instruments	9	917	1 775	670	1 270
Reinsurance assets	11,22	1 618	1 256	1 332	1 033
Deferred acquisition costs	22.2	340	332	275	276
Loans and receivables including insurance receivables	12	2 088	1 836	2 370	1 932
Income tax assets		57	36	20	–
Cash and cash equivalents	13	2 471	1 598	1 645	930
Total assets		19 737	18 689	16 440	15 399
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	14	107	107	107	107
Treasury shares	14	(579)	(635)	–	–
Other reserves	16	77	1 492	–	1 360
Distributable reserves	16	5 904	5 072	5 059	4 419
		5 509	6 036	5 166	5 886
Non-controlling interest		108	105		
Total equity		5 617	6 141	5 166	5 886
LIABILITIES					
Non-current liabilities					
Deferred income tax	17	284	115	223	51
Financial liabilities – at fair value through income					
Debt securities	18	1 034	964	1 034	964
Investment contracts	19	83	48	–	–
Financial liabilities – at amortised cost					
Cell owners' interest	20	712	643	–	–
Insurance liabilities	22	1 340	1 404	1 333	1 407
Provisions for other liabilities and charges	23	–	1	–	1
Current liabilities					
Financial liabilities – at fair value through income					
Debt securities	18	24	24	24	24
Investment contracts	19	12	56	–	–
Financial liabilities – at amortised cost					
Collateral guarantee contracts	21	75	114	75	114
Insurance liabilities	22	8 318	7 071	6 231	5 088
Deferred reinsurance acquisition revenue	22.2	147	102	131	110
Provisions for other liabilities and charges	23	161	105	12	34
Trade and other payables	24	1 886	1 828	2 211	1 671
Income tax liabilities		44	73	–	49
Total liabilities		14 120	12 548	11 274	9 513
Total shareholders' equity and liabilities		19 737	18 689	16 440	15 399

Statement of comprehensive income

	Notes	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
Gross written premium		19 386	17 707	16 527	15 162
Less: reinsurance written premium		3 564	3 033	1 921	1 569
Net written premium		15 822	14 674	14 606	13 593
Change in unearned premium					
Gross amount		323	241	139	98
Reinsurers' share		(127)	(219)	(95)	(120)
Net insurance premium revenue		15 626	14 652	14 562	13 615
Investment income	25	859	676	731	741
Income from reinsurance contracts ceded		516	321	396	321
Net gain on financial assets and liabilities at fair value through income	26	480	189	610	260
Net income		17 481	15 838	16 299	14 937
Insurance claims and loss adjustment expenses	27	12 167	10 788	10 648	9 320
Insurance claims and loss adjustment expenses recovered from reinsurers	27	(1 488)	(1 384)	(686)	(634)
Net insurance benefits and claims		10 679	9 404	9 962	8 686
Expenses for the acquisition of insurance contracts	28	2 540	2 324	2 715	2 494
Expenses for marketing and administration	28	2 349	2 114	1 881	1 754
Expenses for asset management services	28	31	28	24	23
Amortisation and impairment of intangible assets	6,28	116	68	2	6
Expenses		15 715	13 938	14 584	12 963
Results of operating activities		1 766	1 900	1 715	1 974
Finance costs	30	(106)	(94)	(100)	(88)
Net income from associates	8	83	85	24	28
Impairment on investment in associates		(43)	–	–	–
Profit before tax		1 700	1 891	1 639	1 914
Income tax expense	31	(624)	(486)	(543)	(460)
Profit for the year		1 076	1 405	1 096	1 454
Other comprehensive income					
Currency translation differences		23	108	–	–
Total comprehensive income for the year		1 099	1 513	1 096	1 454
Profit attributable to:					
– equity holders of the company		1 027	1 376	1 096	1 454
– non-controlling interest		49	29	–	–
		1 076	1 405	1 096	1 454
Total comprehensive income attributable to:					
– equity holders of the company		1 050	1 484	1 096	1 454
– non-controlling interest		49	29	–	–
		1 099	1 513	1 096	1 454
Earnings attributable to the equity holders	32				
Basic earnings per share (cents)		904	1 216		
Diluted earnings per share (cents)		895	1 202		
Weighted average number of shares (millions)		113.56	113.15		
Weighted average number of ordinary shares for diluted earnings per share (millions)		114.81	114.47		

Statement of changes in equity

	Attributable to equity holders of the company					
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Non-controlling interest R million	Total R million
GROUP						
Balance as at 1 January 2011	107	(651)	1 265	4 405	93	5 219
Profit for the year	–	–	–	1 376	29	1 405
Other comprehensive income:						
Currency translation differences	–	–	108	–	–	108
Total comprehensive income for the year ended 31 December 2011	–	–	108	1 376	29	1 513
Purchase of treasury shares	–	(37)	–	–	–	(37)
Sale of treasury shares	–	53	–	–	–	53
Loss on sale of treasury shares	–	–	–	(68)	–	(68)
Transfer to reserves	–	–	119	(119)	–	–
Share-based payment costs	–	–	–	63	–	63
Transfer to share-based payment liability	–	–	–	(30)	–	(30)
Dividends paid	–	–	–	(593)	(25)	(618)
Net excess received on acquisition of non-controlling interest	–	–	–	38	–	38
Interest acquired from non-controlling interest	–	–	–	–	8	8
Balance as at 31 December 2011	107	(635)	1 492	5 072	105	6 141
Profit for the year	–	–	–	1 027	49	1 076
Other comprehensive income:						
Currency translation differences	–	–	23	–	–	23
Total comprehensive income for the year ended 31 December 2012	–	–	23	1 027	49	1 099
Sale of treasury shares	–	56	–	–	–	56
Loss on sale of treasury shares	–	–	–	(57)	–	(57)
Transfer to reserves	–	–	(1 438)	1 438	–	–
Share-based payment costs	–	–	–	50	–	50
Dividends paid	–	–	–	(1 626)	(48)	(1 674)
Interest acquired from non-controlling interest	–	–	–	–	2	2
Balance as at 31 December 2012	107	(579)	77	5 904	108	5 617
COMPANY						
Balance as at 1 January 2011	107	–	1 270	3 634	–	5 011
Profit for the year	–	–	–	1 454	–	1 454
Total comprehensive income for the year ended 31 December 2011	–	–	–	1 454	–	1 454
Transfer to reserves	–	–	90	(90)	–	–
Transfer to share-based payment liability	–	–	–	(5)	–	(5)
Share-based payment costs	–	–	–	53	–	53
Dividends paid	–	–	–	(627)	–	(627)
Balance as at 31 December 2011	107	–	1 360	4 419	–	5 886
Profit for the year	–		–	1 096	–	1 096
Total comprehensive income for the year ended 31 December 2012	–	–	–	1 096	–	1 096
Transfer to reserves	–	–	(1 360)	1 360	–	–
Share-based payment costs	–	–	–	50	–	50
Loss on delivery of shares in terms of share scheme				(153)		(153)
Dividends paid	–	–	–	(1 713)	–	(1 713)
Balance as at 31 December 2012	107	–	–	5 059	–	5 166

	Notes	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
Cash generated from operations	34	2 362	2 522	2 013	1 641
Interest paid		(106)	(119)	(100)	(88)
Income tax paid	35	(521)	(813)	(441)	(737)
Net cash from operating activities		1 735	1 590	1 472	816
Cash flows from investing activities					
Cash generated in investment activities		935	201	1 020	27
Acquisition of subsidiary	36	–	(343)	–	–
Cash acquired through acquisition of subsidiary	36	–	3	–	–
Purchases of equipment		(63)	(39)	(38)	(19)
Purchases of software		(31)	(28)	–	–
Proceeds from sale of equipment		1	1	1	–
Acquisition of associated companies		(6)	–	–	–
Acquisition of book of business		(81)	–	(9)	–
Net cash from/(used) in investing activities		755	(205)	974	8
Cash flows from financing activities					
Purchase of treasury shares		–	(37)	–	–
Proceeds on sale of treasury shares		–	4	–	–
Decrease in investment contract liabilities		(17)	(413)	–	–
Decrease in collateral guarantee contracts		(39)		(39)	
Dividends paid to company's shareholders	38	(1 626)	(593)	(1 713)	(627)
Dividends paid to non-controlling interest	38	(48)	(25)	–	–
Increase in cell owners' interest		90	26	–	–
Net cash used in financing activities		(1 640)	(1 038)	(1 752)	(627)
Net increase in cash and cash equivalents		850	347	694	197
Cash and cash equivalents at the beginning of the year		1 598	1 143	930	641
Exchange gains on cash and cash equivalents		23	108	21	92
Cash and cash equivalents at the end of the year		2 471	1 598	1 645	930

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as defined by IAS 1 and the interpretations issued by the International Accounting Standards Board (IASB), and are in compliance with the JSE Ltd's Listings Requirements and the Companies Act, 71 of 2008, as amended.

1.2 Basis of presentation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income and the application of the equity method of accounting for investments in associated companies.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

The group did not early adopt any of the IFRS standards.

All amounts in the financial statements are presented in South African rand, rounded to the nearest million, unless otherwise stated.

a) Standards, amendments and interpretations effective in 2012

The following amendments to published standards are mandatory for the group's accounting periods beginning on or after 1 January 2012:

Number	Effective date	Executive summary
Amendments to IFRS 1– *First-time adoption* on hyperinflation and fixed dates	1 July 2011	The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IFRS 7 – *Financial instruments: Disclosures* – transfer of financial assets	1 July 2011	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.
Amendment to IAS 12 – *Income taxes* on deferred tax	1 January 2012	Currently IAS 12 – *Income taxes*, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, *Investment property*. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 – *Income taxes – recovery of revalued non-depreciable assets*, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

b) **Standards, amendments and interpretations not yet effective in 2012**

International Financial Reporting Standards and amendments issued but not effective for 31 December 2012 year-end:

Number	Effective date	Executive summary
Amendment to IFRS 1 – *First-time adoption* on government loans	1 January 2013	This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
Amendment to IFRS 7– *Financial instruments: Disclosures* – asset and liability offsetting	1 January 2013	The IASB has published an amendment to IFRS 7 – *Financial instruments: Disclosures*, reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
Amendments to IAS 1 – *Presentation of financial statements*, on presentation of items of OCI	1 July 2012	The IASB has issued an amendment to IAS 1 – *Presentation of financial statements*. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
IAS 19 – *Employee benefits*	1 January 2013	The IASB has issued an amendment to IAS 19 – *Employee benefits*, which makes significant changes to the recognition and measurement of defined-benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
IFRS 9 – *Financial instruments*	1 January 2013	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
IFRS 9 – *Financial instruments*	1 January 2013	The IASB has updated IFRS 9 – *Financial instruments* to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 – *Financial instruments: recognition and measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendments to IFRS 9 – *Financial instruments*	1 January 2015	The IASB has published an amendment to IFRS 9 – *Financial instruments*, that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

Number	Effective date	Executive summary
IFRS 10 – *Consolidated financial statements*	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.
IFRS 11 – *Joint arrangements*	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
IFRS 12 – *Disclosures of interests in other entities*	1 January 2013	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off statement of financial position vehicles.
IFRS 13 – *Fair value measurement*	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
IAS 27 (revised 2011) – *Separate financial statements*	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
IAS 28 (revised 2011) – *Associates and joint ventures*	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
Amendments to IAS 32 – *Financial instruments: Presentation*	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32 – *Financial instruments: Presentation*, that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.
Amendment to the transition requirements in IFRS 10 – *Consolidated financial statements*, IFRS 11 – *Joint arrangements*, and IFRS 12 – *Disclosure of interests in other entities*	1 January 2013	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

c) Improvements to IFRSs

Improvements to IFRSs (Issued May 2012) was issued by the IASB as part of the 'annual improvements process' resulting in the following amendments to standards issued, but not yet effective for 31 December 2012 year-end:

IFRS	Effective date	Subject of amendment
Amendments to IFRS 1 – *First-time adoption of IFRS*	1 January 2013	– clarifies that an entity may apply IFRS 1 more than once under certain circumstances. – clarifies that an entity can choose to adopt IAS 23 – *Borrowing costs*, either from its date of transition or from an earlier date. – the consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.
Amendment to IAS 1 – *Presentation of financial statements*	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third statement of financial position either: as required by IAS 8 – *Accounting policies, changes in accounting estimates and errors*; or voluntarily.
Amendment to IAS 16 – *Property, plant and equipment*	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
Amendment to IAS 32 – *Financial instruments: Presentation*	1 January 2013	The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.
Amendment to IAS 34 – *Interim financial reporting*	1 January 2013	The amendment brings IAS 34 in line with the requirements of IFRS 8 – *Operating segments*. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision-maker and there has been a material change in those measures since the last annual financial statements.

1.3 Consolidation

a) Subsidiaries and business combinations

Subsidiaries are all entities (including special-purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses the existence of control where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the group. Consolidation is discontinued from the date on which control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss, or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The company accounts for its investments in subsidiaries at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related asset or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition (see note 1.8).

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

On consolidation exchange differences arising from the translation of the net investment in foreign associates are taken to shareholders' equity. When a foreign associate is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to share of profit or loss of and associate in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the statement of other comprehensive income.

Equity accounting is discontinued when the group no longer has significant influence over the investment.

The company accounts for its investment in associates at cost less provision for impairment.

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, supported by the group executive committee (Exco).

1.5 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand, which is the group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the closing exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss.

c) Group companies

The results and financial position of all group entities (none of which uses a currency linked to a hyperinflationary economy) that use a functional currency other than the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

(ii) Income and expenses for each statement of comprehensive income presented are translated at average exchange rates during each period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

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

1.6 Property and equipment

a) Property

All owner-occupied buildings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the building. Land is not depreciated. Buildings are depreciated on a straight-line basis to allocate the cost over the estimated useful life (50 years) of the building. The residual values and useful lives of buildings are reviewed at each statement of financial position date and adjusted accordingly.

b) Equipment

Equipment is stated at cost less accumulated depreciation and impairment charges. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the statement of comprehensive income over the estimated useful life of each significant part of an item of equipment, using the straight-line basis.

Estimated useful lives are as follows:

Computer equipment	3 years
Furniture and equipment	3 – 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax.

Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits from the existing asset will flow to the group.

1.7 Leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income in equal instalments over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.8 Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures; it represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the acquisition date.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in the carrying amount of investments in associates.

b) Computer software

Computer software is recognised at cost less amortisation and impairment charges. Cost associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, which do not exceed three years.

c) Brands, trademarks and trade names

Separately acquired brands, trademarks and trade names are shown at historical cost. Brands, trademarks and trade names acquired in a business combination are recognised at fair value at the acquisition date. Brands, trademarks and trade names have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of brands, trademarks and trade names over their estimated useful lives of three to five years.

d) Key business relationships

Key business relationships acquired in a business combination are recognised at fair value at the acquisition date. The key business relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the estimated useful life of three to six years of the key business relationship.

1.9 Financial assets

1.9.1 Classification

a) Financial assets at fair value through income

This category has two subcategories: financial assets held for trading and those designated at fair value through income at inception.

A financial asset is classified into the "financial asset at fair value through income" at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profittaking, or if so designated by management. Derivatives are also classified as held for trading except when designated as hedges.

Financial assets designated as at fair value through income at inception are the following:

- Those that are held in funds to match investment contract liabilities that are linked to the changes in fair value of these assets.
  The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.
- Those that are managed and whose performance is evaluated on a fair value basis.
  Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. The group's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term or that it has designated as at fair value through income. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

1.9.2 Recognition and measurement

Purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset.

Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through income" category are included in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through income is recognised in the statement of comprehensive income as part of investment income when the group's right to receive payments is established. Realised gains on instruments at fair value through income are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets and liabilities at fair value through income.

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

1.9.3 Determination of fair value

The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unquoted, the group establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The fair values of unit-linked investment contracts are measured with reference to their respective underlying assets. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

1.10 Impairment of assets

a) Financial assets carried at amortised cost

The group assesses at each statement of financial position date whether there is objective evidence that a financial asset should be impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the group about one or more of the following events:

- Significant financial difficulty of the issuer or debtor
- A breach of contract, such as a default or delinquency in payments
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for that financial asset because of financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the impairment account. The amount of the reversal is recognised in the statement of comprehensive income.

b) Impairment of other non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

1.11 Derivative financial instruments

Derivatives are initially recognised in the statement of financial position at fair value on the date on which the contract is entered into and subsequently measured at their fair value. These derivatives are regarded as non-hedge derivatives. Changes in the fair value of such derivative instruments are recognised immediately in the statement of comprehensive income. Quoted derivative instruments are valued at quoted market prices, while unquoted derivatives are valued independently using valuation techniques such as discounted cash flow models and option models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

1.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

1.14 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares) the consideration paid, including any directly incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed any consideration received is included in equity attributable to the company's equity holders net of any directly attributable incremental transaction costs and the related income tax effects.

1.15 Debt securities

Debt securities issued by the group comprise subordinated debt instruments fair valued against similar quoted debt instruments. Debt securities are designated as at fair value through income. The designation of these liabilities to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.

Fair value movements are recognised in the statement of comprehensive income. Interest accruals are recognised as finance costs in the statement of comprehensive income. Financial liabilities are derecognised when all obligations have been met.

1.16 Insurance and investment contracts – classification

The group issues contracts that transfer insurance risk, financial risk or both.

Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

1.17 Insurance contracts

Insurance contracts are classified into three main categories, depending on the type of insurance risk exposure; namely, short-term, long-term and cell insurance.

a) Short-term insurance

Short-term insurance provides benefits under short-term policies, which include engineering, guarantee, liability, miscellaneous, motor, accident and health, property, transportation and crop policies, or a contract comprising a combination of any of those policies. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property
- Commercial insurance, providing cover on the assets and liabilities of business enterprises

Recognition and measurement

i) Gross written premiums

Gross premiums exclude value added tax. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

ii) Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. Unearned premium is calculated using the 365th method, except for insurance classes where allowance is made for uneven exposure consisting of engineering, crop and alternative risk business and on inwards reinsurance treaties.

iii) 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, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

iv) Provision for claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. The company's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted.

v) Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the company at that date. This provision is calculated using actuarial modelling (refer note 2).

vi) Deferred acquisition costs (DAC)

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

vii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts in note 1.16 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are dependent on the gross outstanding claims and IBNR provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method, except in the case of non-proportional treaties where unearned premiums on minimum and deposit premiums are calculated using the 12th method. For uneven exposure the reinsurers' share of unearned premium follow the same basis used for calculating gross unearned premium.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a six-monthly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

viii) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under loans and receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

ix) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

b) Long-term insurance

These contracts provide long-term benefits usually associated with insured events such as death or retirement. Long-term insurance contracts underwritten mainly consist of funeral policies with limited exposure to group life risks. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

The liabilities under life insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis containing a discounted cash flow valuation based on best estimates of future cash flows plus margins for adverse deviation as prescribed by PGN 104 issued by the Actuarial Society of South Africa and are reflected as "Insurance liabilities" in the statement of financial position. The operating surpluses or losses arising from life insurance contracts are determined by the annual valuation. These surpluses or losses are arrived at after taking into account the movement within the policyholder liabilities.

c) Cell insurance

The group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell. There are currently two distinct types of cell captive arrangements:

– First party – where the risks that are being insured relate to the cell shareholders' own operations or operations within the cell shareholders' group of companies; and
– Third party – where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder.

First-party cells are classified as special-purpose entities and are regarded as being controlled by the cell owner. For this reason, such cell captive facilities are not consolidated by the company.

In the case of third-party cells, the insurer is still the principal to the insurance transaction, although the business is written on behalf of the cell owner. However, the insurer, in substance reinsures this business to the cell as the cell owner remains responsible for the solvency of the cell. In the event that the cell owner is unable to meet the cell's insurance liabilities, the insurer is still liable in terms of the insurance contract between the insurer and the insured.

The cell owner's interest represents the cell owner's funds held by the insurer and is included under financial liabilities held at amortised cost. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayments to cells.

1.18 Investment contracts

The group issues investment contracts without fixed terms (unit-linked contracts) and investment contracts with fixed terms (collateral guarantee contracts).

a) Investment contracts without fixed terms

Investment contracts without fixed terms are financial liabilities of which the value is dependent on the fair value of underlying financial assets and are designated at inception as at fair value through income. The group designates these investments to be measured at fair value through income because it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.

The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of these financial liabilities is determined by the fair value of the corresponding financial assets for the same date.

The fair value movement on the financial liabilities without fixed terms is recognised in the statement of comprehensive income.

b) Investment contracts with fixed terms

Investment contracts with fixed terms are recognised at amortised cost. In this case, the liability is initially recognised at its fair value less transaction costs that are incremental and directly attributable to the issue of the contract. Subsequent measurement of these contracts uses the effective-interest method. This method requires the determination of an interest rate that discounts the estimated future cash payments over the expected life of the contract to the net carrying value recognised on the statement of financial position. Any adjustments due to the re-estimation of the carrying value, based on the annual computing of the present value of estimated future cash flows, are immediately recognised in the statement of comprehensive income.

1.19 Taxation

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle the balances on a net basis.

c) Secondary tax on companies (STC)

On 1 April 2012 dividends withholding tax became effective and replaced STC (refer note 1.19(d)). Prior to 1 April 2012 STC that arose from the distribution of dividends was recognised at the same time as the liability to pay the related dividend. Where there was an unutilised secondary tax credit it is carried forward and applied to the secondary tax liability when this arose. A deferred tax asset was recognised on any unutilised secondary tax credits at year-end.

d) Withholding tax on dividends

Withholding taxes are measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income originates. The tax rates and tax laws used to compute the amount are those that are enacted when the dividend was declared.

1.20 Employee benefits

a) Pension obligations

The group has only defined-contribution pension plans. A defined-contribution plan is a pension plan under which the group pays a fixed contribution into a separate entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined-contribution plans the group pays contributions to publicly and privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Other post-employment obligations

The group has settled its contractual medical contribution commitments in respect of pensioners with the Santam Pension Fund in 1998. The Santam Pension Fund bought an insurance policy to cover this commitment. The group will stand in for any shortfall should the present value of the contractual medical contribution commitments exceed the value of the Pension Fund's insurance policy. The present value of this post-retirement medical aid obligation is actuarially determined annually and any shortfall on the underlying security is immediately recognised in the statement of comprehensive income. Any surplus on the underlying security is not recognised in the statement of comprehensive income as it belongs to the Santam Pension Fund.

c) Long-term incentive and retention bonus plan

Certain employees were paid retention bonuses in terms of the long-term incentive and retention bonus plan. These beneficiaries – including executive directors, executive management (Exco) and full-time senior and middle management – are subject to retention periods. Should the beneficiary be in breach of the retention period, a certain amount is subject for repayment. The costs associated with the long-term incentive and retention bonus plan are recognised in the statement of comprehensive income over the retention period.

d) Deferred share plan (DSP)

In terms of the DSP, Santam undertakes to deliver a fixed number of shares to selected employees on predetermined dates in the future, on condition that the employee is still in the employment of Santam on those dates. Vesting occurs in three tranches over a period of five years from the grant date.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

e) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

f) Performance bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments as well as growth targets. The group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

g) Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

1.21 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.

1.22 Trade and other payables

Trade and other payables, including accruals, are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are carried at amortised cost.

1.23 Interest income

Interest income is recognised using the effective-interest method.

1.24 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the board of directors approves the dividend.

1.25 Solvency margin

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and incurred but not reported (IBNR) claims.

Process to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) Unearned premium provision

Unearned premiums represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. Most of the group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis. For the remainder of the insurance portfolio, which consists of engineering, crop and alternative risk business, the unearned premium is released on a basis consistent with the increasing, decreasing or uneven risk profile of the contracts involved. This risk profile is determined based on a historic time-based analysis of the incurred claims.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provisions for unearned premiums.

At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate. A separate provision can be made, based on information available at the reporting date, for any estimated future underwriting losses relating to unexpired risks (unexpired risk provision).

ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risks provision.

The need for an unexpired risks provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risks provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) Outstanding claims

Outstanding claims represent the group's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs employees experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

iv) Claims incurred but not reported (IBNR)

There is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the reporting date. The IBNR provision relates to these events.

The Stochastic chain-ladder methodology assists in developing a greater understanding of the trends inherent in the data being projected to estimate the ultimate cost of claims. This process is performed separately for each line of business.

Stochastic chain-ladder methodology

The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

It is the nature of this technique that a weighted average of claims inflation within the past data will be projected into the future. A stochastic process is applied to the choice of development factors for each accident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

The claims provisions are subject to close scrutiny both within the group's business units and at a company level. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

The IBNR reserve is held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution.

In the southern African operations, excluding alternative risk business, a 5% upward adjustment in the level of sufficiency of the IBNR reserve would result in an additional charge of approximately R41 million (2011: R28 million) while a 5% downward adjustment in the level of sufficiency would result in a release of reserves in the statement of comprehensive income of approximately R35 million (2011: R25 million) (before taxation).

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:

- change in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim.

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates, particularly for the group's long tail lines of business. The group seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

b) Impairment of goodwill

In accordance with the accounting policy stated in note 1.8(a), the group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined by estimating the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value.

c) Business combinations

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. Intangible assets acquired through business combinations were valued using a discount rate of between 17% and 22%. Asset-specific assumptions used in the valuation of these intangible assets are listed below.

i) Brand and trade names

The main assumptions used in the valuation of brand and trade names are the useful lives of these assets and the future revenue growth of the underlying business.

The useful life of a brand and trade name is estimated based on how strong and recognised the brand currently is in the market as well as the annual spend on brand marketing. For the brands and trade names recognised on the statement of financial position a useful life range of three to five years was assumed.

Future revenue growth margins used in determining a brand and trade name value were consistent with the margins applied in determining the fair value of the related investment.

ii) Key business relationships

The main assumptions used in the valuation of key business relationships are the useful lives of these assets and the future profitability and cancellation rate of the underlying revenue streams.

The useful life of a key business relationship is estimated based on the cancellation experience of the existing business and the useful life of client relationships of other players in the market. For the key business relationships recognised at 31 December 2011 a useful life range of three to six years and an average cancellation rate of between 14% and 33% were assumed.

If a useful life range of two to five years were applied in 2011 the asset value would have been R5 million lower and if a range of four to seven years were applied, the asset value would have been R3 million higher.

Future profit margins used in determining client contracts and relationships values, were consistent with the margins applied in determining the fair value of the related investment.

d) Fair value of financial assets that are not listed or quoted

The fair value of financial assets and liabilities that are not listed or quoted in an active market are determined using valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in note 3.3.

e) Deferred income tax assets

Deferred income tax assets are recognised to the extent that management estimates that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3. RISK AND CAPITAL MANAGEMENT

3.1 Risk management framework

The group has an established enterprise risk management framework that is designed to identify, assess, measure and manage exposure to risk. Its primary objective is to protect the group from events that hinder the sustainable achievement of the group's performance objectives, including failing to exploit opportunities.

The following key elements of Santam's risk management framework are discussed in the governance section of the integrated report:

- The boards' responsibility for risk management and their opinion on the effectiveness of the process.
- The risk strategy, key principles and policy for the overall management and governance of enterprise risk management including roles, responsibilities and reporting structures.
- The approach followed to build an enterprise view of the risks faced by Santam.

For the discussions below, the following financial instruments and insurance balances are disclosed in classes based on their similar characteristics:

Financial and insurance assets	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
Quoted equity securities	3 279	3 442	3 106	3 285
Unquoted equity securities	272	414	21	14
Total equity securities	3 551	3 856	3 127	3 299
Quoted debt securities	3 519	3 520	2 780	2 884
Unquoted debt securities	3 438	2 640	1 959	1 426
Total debt securities	6 957	6 160	4 739	4 310
Derivatives	6	1	6	1
Short-term money market instruments	917	1 775	670	1 270
Receivables due from contract holders	1 503	1 147	1 349	911
Reinsurance receivables	97	222	28	95
Other loans and receivables	488	467	994	926
Total loans and receivables including insurance receivables	2 088	1 836	2 370	1 932
Reinsurance assets	1 755	1 500	1 476	1 292
Deferred acquisition costs	340	332	275	276
Cash and cash equivalents	2 471	1 598	1 645	930
Total financial and insurance assets	18 085	17 058	14 309	13 310

Financial and insurance liabilities	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
Debt securities	1 058	988	1 058	988
Investment contracts	95	104	–	–
Net cell owners' interest	688	603	–	–
Collateral guarantee contracts	75	114	75	114
Insurance liabilities	9 658	8 475	7 565	6 495
Deferred reinsurance acquisition revenue	147	102	131	110
Trade and other payables	1 886	1 828	2 211	1 671
Total financial and insurance liabilities	13 607	12 214	11 041	9 378

3.2 Regulatory impact on risk and risk assessments

The group's insurance operations are subject to regulatory requirements that prescribe the type, quality and concentrations of investments, and the level of assets to be maintained in local currency to meet insurance liabilities.

The group monitors specific risks on a regular basis through the group risk monitoring framework. Business units are required to disclose to the group risk function all material risks, along with information on likelihood and severity of risks, and the mitigating actions taken or planned. This enables the group to assess its overall risk exposure and to develop a group-wide risk map, identifying any concentration of risk that may exist, and to define which risks and what level of risk the group is prepared to accept. The risk map is reviewed quarterly, and business units are required to escalate material changes intra-quarter.

3.3 Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following tables present the assets and liabilities that are measured at fair value

31 December 2012

GROUP Financial assets	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 183	–	–	**3 183**
Unitised funds	–	94	–	**94**
Irredeemable preference shares	2	–	–	**2**
Unquoted	–	–	272	**272**
Total equity securities	**3 185**	**94**	**272**	**3 551**
Debt securities				
Quoted				
Government and other bonds	1 644	87	–	**1 731**
Redeemable preference shares	–	275	–	**275**
Money market instruments (long-term instruments)	–	1 513	–	**1 513**
Unquoted				
Government and other bonds	–	31	–	**31**
Money market instruments (long-term instruments)	–	3 378	–	**3 378**
Redeemable preference shares	–	–	29	**29**
Total debt securities	**1 644**	**5 284**	**29**	**6 957**
Derivatives				
Interest rate swaps	–	–	6	**6**
Total derivatives	**–**	**–**	**6**	**6**
Short-term money market instruments	**–**	**917**	**–**	**917**
	4 829	**6 295**	**307**	**11 431**

GROUP Financial liabilities	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	**1 058**	**–**	**–**	**1 058**
Investment contracts	**–**	**95**	**–**	**95**
	1 058	**95**	**–**	**1 153**

COMPANY Financial assets	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 090	–	–	3 090
Unitised funds	–	14	–	14
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	21	21
Total equity securities	3 092	14	21	3 127
Debt securities				
Quoted				
Government and other bonds	1 399	70	–	1 469
Redeemable preference shares	–	275	–	275
Money market instruments (long-term instruments)	–	1 036	–	1 036
Unquoted				
Government and other bonds	–	27	–	27
Money market instruments (long-term instruments)	–	1 932	–	1 932
Total debt securities	1 399	3 340	–	4 739
Derivatives				
Interest rate swaps	–	–	6	6
Total derivatives	–	–	6	6
Short-term money market instruments	–	670	–	670
	4 491	4 024	27	8 542

COMPANY Financial liabilities	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	1 058	–	–	1 058
	1 058	–	–	1 058

31 December 2011

GROUP Financial assets	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 360	–	–	3 360
Unitised funds	–	80	–	80
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	414	414
Total equity securities	3 362	80	414	3 856
Debt securities				
Quoted				
Government and other bonds	1 575	182	–	1 757
Redeemable preference shares	–	392	–	392
Money market instruments (long-term instruments)	–	1 371	–	1 371
Unquoted				
Government and other bonds	–	167	–	167
Money market instruments (long-term instruments)	–	2 197	–	2 197
Redeemable preference shares	–	–	276	276
Total debt securities	1 575	4 309	276	6 160
Derivatives				
Interest rate swaps	–	–	1	1
Total derivatives	–	–	1	1
Short-term money market instruments	–	1 775	–	1 775
	4 937	6 164	691	11 792

GROUP Financial liabilities	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	988	–	–	988
Investment contracts	–	104	–	104
	988	104	–	1 092

COMPANY Financial assets	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 274	–	–	3 274
Unitised funds	–	9	–	9
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	14	14
Total equity securities	3 276	9	14	3 299
Debt securities				
Quoted				
Government and other bonds	1 378	118	–	1 496
Redeemable preference shares	–	392	–	392
Money market instruments (long-term instruments)	–	996	–	996
Unquoted				
Government and other bonds	–	167	–	167
Money market instruments (long-term instruments)	–	987	–	987
Redeemable preference shares	–	–	272	272
Total debt securities	1 378	2 660	272	4 310
Derivatives				
Interest rate swaps	–	–	1	1
Total derivatives	–	–	1	1
Short-term money market instruments	–	1 270	–	1 270
	4 654	3 939	287	8 880

COMPANY Financial liabilities	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	988	–	–	988
	988	–	–	988

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the bid price. These instruments are included in level 1 and comprise mainly equity and debt instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange and debt instruments listed on the Bond Exchange.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Level 2 instruments comprise the following:

- Collective Investments Schemes
- Debt and short-term money market instruments where the value is determined by using market observable inputs, e.g. JIBAR, prime rate, listed bond rates of similar instruments, without significant adjustments
- Investment contract liabilities

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 3 financial instruments include:

- Unquoted equity instruments
  - Fair value is determined based on valuation techniques where the inputs are determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 1 and 11. A 10% decrease or increase in the discount applied to the net asset values and/or the valuation multiples would decrease or increase the market value by R8 million (2011: R3 million).
- Unquoted redeemable preference shares
  - Instruments with limited duration and low credit risk are valued at nominal values.
  - Other instruments are valued based on variable rate instruments available in the market with similar maturity dates or by using discounted cash flow calculations using the R153 and R206 risk-free rate (depending on the instrument's maturity date) as the discount rate. As at 31 December 2012 and 31 December 2011 there were no such instruments.

- Derivatives
  - o The interest rate swaps are valued using Sanlam Investment Managers (SIM) swap curve to separately discount (i.e. calculate the present value) the future flows of the fixed and floating leg. The market value of the swap is the sum of these two present values. A 1% increase in the discount rate would result in a R4 million (2011: R5 million) decrease in the fair value of these instruments, but a 1% decrease in the discount rate would result in a R4 million (2011: R5 million) increase in the fair value, resulting in similar decreases and increases in investment income.

The following table presents the changes in level 3 instruments

31 December 2012 GROUP	Equity securities Unquoted R million	Debt securities Unquoted Redeemable preference shares R million	Derivatives R million	Total R million
At the beginning of the year	414	276	1	**691**
Acquisitions	2	25	–	**27**
Disposals	(1)	(272)	–	**(273)**
Exchange rate differences	38	–	–	**38**
(Losses)/gains recognised in profit or loss	(181)	–	5	**(176)**
At the end of the year	**272**	**29**	**6**	**307**
COMPANY				
At the beginning of the year	14	272	1	**287**
Acquisitions	1	–	–	**1**
Disposals	–	(272)	–	**(272)**
Gains recognised in profit or loss	6	–	5	**11**
At the end of the year	**21**	**–**	**6**	**27**

31 December 2011 GROUP	Equity securities Unquoted R million	Debt securities Unquoted Redeemable preference shares R million	Derivatives R million	Total R million
At the beginning of the year	334	309	(75)	**568**
Acquisitions	2	5	–	**7**
Disposals	–	(38)	(4)	**(42)**
Exchange rate differences	65	–	–	**65**
Gains recognised in profit or loss	13	–	80	**93**
At the end of the year	**414**	**276**	**1**	**691**
COMPANY				
At the beginning of the year	12	295	(75)	**232**
Disposals	–	(23)	(4)	**(27)**
Gains recognised in profit or loss	2	–	80	**82**
At the end of the year	**14**	**272**	**1**	**287**

3.4 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates. Financial and insurance assets are disclosed in the following classes based on their similar characteristics:

- Equity securities
- Debt securities
- Receivables due from contract holders
- Reinsurance receivables
- Reinsurance assets
- Deferred acquisition costs
- Other loans and receivables
- Cash and cash equivalents
- Short-term money market instruments
- Cell owners' interest
- Derivatives

Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

The group has established a policy on market risk which sets out the principles that business units are expected to adopt in respect of management of the key market risks to which the group is exposed. The group monitors adherence to this market risk policy and regularly reviews how business units are managing these risks through the group investment committee. For each of the major components of market risk, described in more detail below, the group has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

3.4.1 Price risk

The group is subject to price risk due to daily changes in the market values of its equity and debt securities portfolios. The group is not exposed to commodity price risk.

The group's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. The group's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by management and statutory requirements. The group's largest investment in any one company comprises 8.4% (2011: 8.3%) of the total quoted equities and 1.4% (2011: 1.5%) of the total assets. The company's largest investment in any one company comprises 8.4% (2011: 8.3%) of the total quoted equities and 1.6% (2011: 1.7%) of the total assets.

At 31 December 2012, the group's quoted equities were recorded at their fair value of R3 279 million (2011: R3 442 million). These figures include linked policy investments to the value of R60 million (2011: R54 million). The group is not exposed to significant price risk in respect of these investments as a corresponding fair value movement is recognised against the policyholder liability. A 10% decline in each individual unit price would have the net effect of decreasing profit before taxation by R322 million (2011: R344 million). A 10% increase in each individual unit price would have the net effect of increasing profit before taxation by R322 million (2011: R344 million). The company's quoted equities were recorded at their fair value of R3 106 million (2011: R3 285 million). A 10% decline in each individual unit price would have the net effect of decreasing profit before taxation by R311 million (2011: R329 million). A 10% increase in each individual unit price would have the net effect of increasing profit before taxation by R311 million (2011: R329 million).

Each of the following investments has an individual value of more than 1.5% of the total quoted equity investment portfolio. Details of the investments below 1.5%, summarised as Other, are open to inspection at the registered office of the company.

	Group				Company			
	2012		2011		2012		2011	
	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million
Listed								
MTN Group Ltd	1 514 054	**269**	1 950 754	280	1 458 558	**259**	1 885 058	271
BHP Billiton Plc	688 724	**202**	844 334	198	668 514	**196**	820 414	192
Sasol Ltd	527 177	**191**	679 177	262	511 145	**185**	660 645	255
Anglo American Plc	591 778	**154**	718 678	213	591 778	**154**	718 678	213
SAB Miller Ltd	382 991	**149**	589 341	167	368 460	**143**	571 360	162
Standard Bank Group Ltd	1 149 910	**137**	1 486 110	147	1 149 910	**137**	1 486 110	147
Naspers Ltd	246 056	**134**	317 016	112	237 600	**129**	307 000	108
British American Tobacco Plc	260 570	**112**	335 550	129	254 750	**109**	329 250	126
Old Mutual Plc	4 362 659	**107**	6 281 567	107	4 252 646	**104**	6 281 567	107
Vodacom Group Ltd	860 045	**107**	1 114 495	99	848 831	**105**	1 097 031	98
Remgro Ltd	669 201	**107**	672 601	80	650 719	**104**	650 719	77
Absa Bank Ltd	615 391	**101**	793 911	112	602 182	**99**	778 282	110
The Bidvest Group Ltd	451 183	**97**	581 663	90	438 237	**94**	566 337	88
Woolworths Holdings Ltd	1 294 025	**92**	1 868 225	73	1 269 145	**90**	1 838 765	72
Compagnie Financière Richemont SA	1 283 237	**85**	1 654 217	67	1 244 189	**83**	1 607 989	66
Investec Plc	1 145 439	**67**	1 264 759	54	1 124 608	**66**	1 240 108	53
Tiger Brands Ltd	195 745	**64**	291 855	73	192 308	**63**	287 778	72
RMB Holdings Ltd	1 519 001	**62**	1 961 371	54	1 502 342	**61**	1 941 642	53
Imperial Holdings Ltd	272 642	**54**	–	–	268 682	**53**	–	–
Impala Platinum Holdings Ltd	322 058	**54**	370 233	62	309 923	**52**	357 008	60
Nedbank Group Ltd	257 202	**48**	–	–	257 202	**48**	–	–
African Bank Investments Ltd	–	**–**	2 285 039	78	–	**–**	2 264 152	78
Anglo Platinum Ltd	–	**–**	101 164	54	–	**–**	98 258	52
Lewis Group Ltd	–	**–**	–	–	–	**–**	625 723	50
Other		**790**		849		**756**		764
		3 183		3 360		**3 090**		3 274
Unitised funds		**94**		80		**14**		9
Irredeemable preference shares		**2**		2		**2**		2
		3 279		3 442		**3 106**		3 285

Short-term insurance liabilities are not directly sensitive to equity price risk. Long-term investment contract liabilities are sensitive to price risk of linked assets.

The board actively monitors equity assets owned directly by the group, which include some material shareholdings in the group's strategic business partners. Concentrations of specific equity holdings are also monitored.

3.4.2 Interest rate risk

Interest rate risk arises primarily from the group's investments in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration.

Interest rate risk is also managed using derivative instruments, such as swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2012, the group had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair values of the fixed rate interest-bearing instruments.

GROUP Financial assets	2012 1% increase R million	 1% decrease R million	2011 1% increase R million	 1% decrease R million
Quoted debt securities	(62)	62	(71)	71
Unquoted debt securities	(14)	14	(6)	6
Short-term money market instruments	(1)	1	(1)	1
Derivative instruments	(4)	4	–	–
Total interest-bearing securities	(81)	81	(78)	78

An increase or decrease of 1% in the interest rates relating to interest-bearing securities and derivative instruments would result in an increase in income before taxation of R10 million (2011: R10 million) or a decrease in income before taxation of R8 million (2011: R10 million) respectively.

GROUP Financial liabilities	2012 1% increase R million	 1% decrease R million	2011 1% increase R million	 1% decrease R million
Debt securities – quoted	40	(40)	42	(42)
Derivative instruments	–	–	(5)	5
Total interest-bearing securities	40	(40)	37	(37)

An increase or decrease of 1% in the interest rates relating to debt securities and derivative instruments would result in an increase in income before taxation of R40 million (2011: R37 million) or a decrease in income before taxation of R40 million (2011: R37 million) respectively.

COMPANY Financial assets	2012 1% increase R million	 1% decrease R million	2011 1% increase R million	 1% decrease R million
Quoted debt securities	(50)	50	(63)	63
Unquoted debt securities	–	–	(5)	5
Derivative instruments	(4)	4	–	–
Total interest-bearing securities	(54)	54	(68)	68

An increase or decrease of 1% in the interest rates relating to interest-bearing securities and derivative instruments would result in an increase in income before taxation of R6 million (2011: R26 million) or a decrease in income before taxation of R4 million (2011: R26 million) respectively.

COMPANY Financial liabilities	2012 1% increase R million	 1% decrease R million	2011 1% increase R million	 1% decrease R million
Debt securities – quoted	40	(40)	42	(42)
Derivative instruments	–	–	(5)	5
Total interest-bearing securities	40	(40)	37	(37)

An increase or decrease of 1% in the interest rates relating to debt securities and derivative instruments would result in an increase in income before taxation of R40 million (2011: R37 million) or a decrease in income before taxation of R40 million (2011: R37 million) respectively.

Included in debt securities are financial assets relating to cell owners and investment contracts. Interest on these instruments accrue to the cell owners and investment contracts and therefore does not affect profit before tax.

3.4.3 Foreign currency risk

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 to expand its income stream. The company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily to the British pound. In addition, the Southern African operations have foreign exchange exposure in respect of net monetary assets denominated in foreign currency, predominantly US dollar and the British pound.

The group does not take cover on foreign currency balances, but evaluates the need for cover on transactions on a case-by-case basis.

Assets and liabilities denominated in foreign currencies included in the statement of financial position.

31 December 2012 GROUP	Euro € million	United States dollar $ million	British pound £ million	Total exposure R million
Cash, deposits and similar securities	0.72	49.02	7.66	527
Reinsurance assets	–	0.62	–	5
Deferred acquisition costs	–	0.10	–	1
Trade and other receivables	0.27	8.31	0.23	80
Insurance liabilities	–	(1.91)	–	(16)
Deferred reinsurance acquisition revenue	–	(0.02)	–	–
Trade and other payables	–	(0.42)	(25.81)	(355)
Foreign currency exposure	0.99	55.70	(17.92)	242
COMPANY				
Cash, deposits and similar securities	0.72	37.20	7.66	427
Reinsurance assets	–	0.62	–	5
Deferred acquisition costs	–	0.10	–	1
Trade and other receivables	0.27	8.31	0.23	80
Insurance liabilities	–	(1.91)	–	(16)
Deferred reinsurance acquisition revenue	–	(0.02)	–	–
Trade and other payables	–	(0.42)	(25.81)	(355)
Foreign currency exposure	0.99	43.88	(17.92)	142
Exchange rates:				
Closing rate	11.2032	8.4746	13.6855	
Average rate	10.5318	8.1955	12.9849	

31 December 2011 GROUP	Euro € million	United States dollar $ million	British pound £ million	Total exposure R million
Cash, deposits and similar securities	0.64	68.09	6.23	641
Reinsurance assets	–	0.87	–	7
Deferred acquisition costs	–	0.18	–	1
Trade and other receivables	0.13	4.82	0.26	47
Insurance liabilities	–	(2.29)	–	(20)
Deferred reinsurance acquisition revenue	–	(0.09)	–	(1)
Trade and other payables	–	(0.55)	(12.82)	(165)
Foreign currency exposure	0.77	71.03	(6.33)	510
COMPANY				
Cash, deposits and similar securities	0.64	57.06	6.23	551
Reinsurance assets	–	0.87	–	7
Deferred acquisition costs	–	0.18	–	1
Trade and other receivables	0.13	4.82	0.26	47
Insurance liabilities	–	(2.29)	–	(20)
Deferred reinsurance acquisition revenue	–	(0.09)	–	(1)
Trade and other payables	–	(0.55)	(12.82)	(165)
Foreign currency exposure	0.77	60.00	(6.33)	420
Exchange rates:				
Closing rate	10.4822	8.0730	12.5471	
Average rate	10.0576	7.2203	11.5862	

A 10% change in the rand exchange rate against GBP and USD would have the following impact on net assets and income before taxation:

GROUP	10% increase in rand/GBP R million	10% decrease in rand/GBP R million	10% increase in rand/USD R million	10% decrease in rand/USD R million
Impact on net assets at 31 December 2012	(24.53)	24.53	47.20	(47.20)
Impact on net assets at 31 December 2011	(7.94)	7.94	57.34	(57.34)
COMPANY				
Impact on net assets at 31 December 2012	(24.53)	24.53	37.19	(37.19)
Impact on net assets at 31 December 2011	(7.94)	7.94	48.44	(48.44)

The impact of a 10% change in the rand exchange rate against the euro is not disclosed as it is not material for the group or the company.

The foreign exchange profits or losses arising from the translation of international business unit statements of financial position from their functional currencies into rand are recognised in the currency translation reserve. On disposal of the foreign companies, the reserve is realised and released to the statement of comprehensive income.

3.4.4 Derivatives risk

Derivatives are primarily used for efficient investment management, risk hedging purposes or to structure specific products. The group does not use derivative financial instruments for speculative purposes, but instead to manage financial risks and to preserve its capital base. Mandates, as set by the investment committee, govern the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with group policies, effectively reducing the risk of credit loss. The group applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

3.5 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where the group is exposed to credit risk are:

– financial assets and cash and cash equivalents;
– amounts due from insurance policyholders;
– amounts due from insurance contract intermediaries;
– amounts due from reinsurers; and
– reinsurers' share of insurance liabilities.

Santam determines counterparty credit quality by reference to ratings from independent ratings agencies such as Global Credit Ratings or, where such ratings are not available, by internal analysis. Internal ratings were used for assets amounting to R121 million (2011: R406 million) in the group and for assets amounting to R87 million (2011: R335 million) in the company. Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types, and geographical segments.

Sanlam Investment Managers (SIM) provides management with reports generated by their credit system on a quarterly basis, detailing Santam's counterparty, duration and credit risk. This information is provided to and discussed at the investment committee meetings and opportunity is given to discuss any potential concerns with SIM at their quarterly feedback sessions.

Financial assets are graded according to current issuer credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits are set for each counterparty, based on default probabilities that are in turn based on the ratings of the counterparty concerned.

The following table provides information regarding the aggregated credit risk exposure for financial assets.

31 December 2012	Credit rating									
									Not	Carrying
	AAA	AA+	AA	AA-	A+	A	A-	BBB	rated	value
GROUP	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
Debt securities – quoted	432	896	375	1 001	56	370	95	7	287	3 519
Debt securities – unquoted	–	1 132	931	991	9	60	–	51	264	3 438
Total	**432**	**2 028**	**1 306**	**1 992**	**65**	**430**	**95**	**58**	**551**	**6 957**
Short-term money market instruments	**101**	**204**	**144**	**256**	**67**	**49**	**33**	**2**	**52**	**917**
Receivables due from contract holders/intermediaries	–	29	14	–	–	21	–	2	1 437	1 503
Reinsurance receivables	–	1	–	4	6	5	26	–	55	97
Other loans and receivables	6	53	11	27	3	5	21	1	361	488
Total	**6**	**83**	**25**	**31**	**9**	**31**	**47**	**3**	**1 853**	**2 088**
Derivatives	**–**	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**6**
Cash and cash equivalents	**25**	**1 276**	**85**	**711**	**201**	**145**	**–**	**15**	**13**	**2 471**
COMPANY										
Debt securities – quoted	279	703	289	809	41	290	75	6	288	2 780
Debt securities – unquoted	–	519	550	545	–	31	–	51	263	1 959
Total	**279**	**1 222**	**839**	**1 354**	**41**	**321**	**75**	**57**	**551**	**4 739**
Short-term money market instruments	**70**	**204**	**82**	**217**	**47**	**34**	**16**	**–**	**–**	**670**
Receivables due from contract holders/intermediaries	–	29	14	–	–	21	–	2	1 283	1 349
Reinsurance receivables	–	–	–	–	3	1	11	–	13	28
Other loans and receivables	4	16	8	20	1	4	–	1	940	994
Total	**4**	**45**	**22**	**20**	**4**	**26**	**11**	**3**	**2 236**	**2 371**
Derivatives	**–**	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**6**
Cash and cash equivalents	**25**	**739**	**35**	**585**	**118**	**143**	**–**	**–**	**–**	**1 645**
31 December 2011										
GROUP										
Debt securities – quoted	335	336	709	1 012	321	186	5	616	–	3 520
Debt securities – unquoted	284	196	1 128	580	431	6	15	–	–	2 640
Total	**619**	**532**	**1 837**	**1 592**	**752**	**192**	**20**	**616**	**–**	**6 160**
Short-term money market instruments	**135**	**250**	**605**	**395**	**204**	**10**	**50**	**86**	**40**	**1 775**
Receivables due from contract holders/intermediaries	–	18	16	–	18	–	–	–	1 095	1 147
Reinsurance receivables	–	3	–	41	5	3	10	81	79	222
Other loans and receivables	52	15	18	13	9	2	–	7	351	467
Derivatives	–	–	1	–	–	–	–	–	–	1
Total	**52**	**36**	**35**	**54**	**32**	**5**	**10**	**88**	**1 525**	**1 837**
Cash and cash equivalents	**196**	**1 053**	**194**	**27**	**89**	**33**	**5**	**–**	**1**	**1 598**

	Credit rating									
	AAA R million	AA+ R million	AA R million	AA- R million	A+ R million	A R million	A- R million	BBB R million	Not rated R million	Carrying value R million
COMPANY										
Debt securities – quoted	201	330	603	895	257	160	–	438	–	2 884
Debt securities – unquoted	5	196	569	389	252	–	15	–	–	1 426
Total	**206**	**526**	**1 172**	**1 284**	**509**	**160**	**15**	**438**	**–**	**4 310**
Short-term money market instruments	**88**	**250**	**488**	**276**	**86**	**–**	**–**	**82**	**–**	**1270**
Receivables due from contract holders/intermediaries	–	18	16	–	17	–	–	–	860	911
Reinsurance receivables	–	2	–	5	–	–	–	81	7	95
Other loans and receivables	2	7	18	12	8	2	–	5	872	926
Derivatives	–	–	1	–	–	–	–	–	–	1
Total	**2**	**27**	**35**	**17**	**25**	**2**	**–**	**86**	**1 739**	**1 933**
Cash and cash equivalents	**–**	**747**	**113**	**20**	**50**	**–**	**–**	**–**	**–**	**930**

The carrying amount of assets included on the statement of financial position represents the maximum credit exposure.

Receivables that are due from contract holders and intermediaries emanating from the southern African business units amounted to R1 503 million (2011: R1 147 million). The group is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. The protected portion of receivables due from contract holders and intermediaries amounts to 56.5% (2011: 58.6%). For the company, this amounts to 59.9% (2011: 66.2%). Debtors falling into the 'Not rated' category are managed by the internal credit control business units on a daily basis to ensure recoverability of amounts.

The group's financial instruments, except for amounts owed by reinsurers and Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework not more than 15% of portfolio assets are invested in any one of the four major South African banks. Accounts receivable is spread among a number of major companies and intermediary parties, clients and geographic areas.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparty is Lloyds (2011: Lloyds).

This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the group will arise. BBB-rated reinsurance receivables of RNil million (2011: R81 million) relate to intermediaries for the group. In the company BBB-rated reinsurance receivables of RNil million (2011: R81 million) relate to reinsurance intermediaries. The reinsurance receivable balances, disclosed as not-rated on a group level, relate mainly to cell owners 2012: R23 million, (2011: R35 million) and intermediaries.

Cell owners' interest

In the event that claims incurred by the cell captive exceed the related assets, the group will be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner.

Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

Impairment history

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

The due date for receivables due from contract holders or intermediaries, where premiums are collected via intermediaries, is based on the agreement with the intermediaries. In terms of the agreement, payment is due 15 days after the month in which the premiums were collected in accordance with the Short-term Insurance Act.

At 31 December 2012

GROUP	Neither past due nor impaired R million	Financial assets that are past due but not impaired: 0 – 3 months R million	3 – 6 months R million	6 months – 1 year R million	Greater than 1 year R million	Financial assets that have been impaired R million	Impair-ment R million	Carrying value R million
Debt securities – quoted	3 519	–	–	–	–	–	–	3 519
Debt securities – unquoted	3 438	–	–	–	–	–	–	3 438
Total	**6 957**	**–**	**–**	**–**	**–**	**–**	**–**	**6 957**
Short-term money market instruments	**917**	**–**	**–**	**–**	**–**	**–**	**–**	**917**
Receivables due from contract holders/intermediaries	1 503	–	–	–	–	–	–	1 503
Reinsurance receivables	60	25	12	–	–	31	(31)	97
Other loans and receivables	472	13	3	–	–	114	(114)	488
Total	**2 035**	**38**	**15**	**–**	**–**	**145**	**(145)**	**2 088**
Derivatives	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**6**
Cash and cash equivalents	**2 471**	**–**	**–**	**–**	**–**	**–**	**–**	**2 471**
COMPANY								
Debt securities – quoted	2 780	–	–	–	–	–	–	2 780
Debt securities – unquoted	1 959	–	–	–	–	–	–	1 959
Total	**4 739**	**–**	**–**	**–**	**–**	**–**	**–**	**4 739**
Short-term money market instruments	**670**	**–**	**–**	**–**	**–**	**–**	**–**	**670**
Receivables due from contract holders/intermediaries	1 349	–	–	–	–	–	–	1 349
Reinsurance receivables	28	–	–	–	–	22	(22)	28
Other loans and receivables	994	–	–	–	–	152	(152)	994
Total	**2 371**	**–**	**–**	**–**	**–**	**174**	**(174)**	**2 371**
Derivatives	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**6**
Cash and cash equivalents	**1 645**	**–**	**–**	**–**	**–**	**–**	**–**	**1 645**

At 31 December 2011

GROUP	Neither past due nor impaired R million	0 – 3 months R million	3 – 6 months R million	6 months – 1 year R million	Greater than 1 year R million	Financial assets that have been impaired R million	Impair-ment R million	Carrying value R million
Debt securities – quoted	3 520	–	–	–	–	–	–	3 520
Debt securities – unquoted	2 636	–	–	–	4	–	–	2 640
Total	**6 156**	**–**	**–**	**–**	**4**	**–**	**–**	**6 160**
Short-term money market instruments	**1 775**	**–**	**–**	**–**	**–**	**–**	**–**	**1 775**
Receivables due from contract holders/intermediaries	1 117	25	2	–	3	–	–	1 147
Reinsurance receivables	86	47	71	11	6	9	(9)	222
Other loans and receivables	423	15	29	–	–	108	(108)	467
Derivatives	1	–	–	–	–	–	–	1
Total	**1 627**	**87**	**103**	**11**	**9**	**117**	**(117)**	**1 837**
Cash and cash equivalents	**1 598**	**–**	**–**	**–**	**–**	**–**	**–**	**1 598**
COMPANY								
Debt securities – quoted	2 884	–	–	–	–	–	–	2 884
Debt securities – unquoted	1 426	–	–	–	–	–	–	1 426
Total	**4 310**	**–**	**–**	**–**	**–**	**–**	**–**	**4 310**
Short-term money market instruments	**1 270**	**–**	**–**	**–**	**–**	**–**	**–**	**1 270**
Receivables due from contract holders/intermediaries	911	–	–	–	–	–	–	911
Reinsurance receivables	–	21	55	10	9	9	(9)	95
Other loans and receivables	926	–	–	–	–	94	(94)	926
Derivatives	1	–	–	–	–	–	–	1
Total	**1 838**	**21**	**55**	**10**	**9**	**103**	**(103)**	**1 933**
Cash and cash equivalents	**930**	**–**	**–**	**–**	**–**	**–**	**–**	**930**

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

There is no concentration of credit risk with respect to loans and receivables other than reinsurance debtors, as the group has a large number of locally and internationally dispersed debtors.

The impairment of financial assets was based on a high degree of uncertainty to recover the amounts that are due.

3.6 Insurance risk

The group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the group manages them.

Terms and conditions of insurance contracts

Engineering – Provides cover for risks relating to:

- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the erection of buildings or other structures or the undertaking of other works; and
- the installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provide cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provide cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Inwards reinsurance – The acceptance of reinsurance risk over multiple insurance classes via reinsurance sessions from insurance companies, both locally and internationally.

Insurance risk in the group arises from:

- fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- unexpected claims arising from a single source;
- inaccurate pricing of risks when underwritten;
- inadequate reinsurance protection or other risk transfer techniques; and
- inadequate reserving.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks the group face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, prove to be insufficient.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Pricing

The group bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and intermediaries to ensure that this policy is consistently applied. The group also has the right to reprice and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

Through the use of Santam's extensive expertise, well-maintained data resources, selective underwriting practices and pricing techniques it is able to produce appropriate and competitive premium rates.

The net claims ratio for the group (continued activities only), which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	2012	2011	2010	2009	2008	2007	2006
Net claims paid and provided %*	68.3	64.2	64.1	70.6	68.4	68.2	68.6

** Expressed as a percentage of net earned premiums*

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location and the industries covered. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Therefore a diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted, to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. A specialised catastrophe reinsurance programme mitigates the risk arising from this.

The group underwrites insurance contracts in southern Africa. The Santam Re business unit underwrites insurance contracts in other emerging market territories, including Africa, India and Southeast Asia. These exposures are currently not material.

Reserving

Claims are analysed separately for long-tail and short-tail claims. Short-tail claims can be estimated with greater reliability, and the group estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow the group to achieve a higher degree of certainty about the estimated cost of claims, and relatively lower levels of IBNR are held at year-end.

The longer time needed to assess the emergence of a long-tail claim makes the estimation process more uncertain for such claims. The uncertain nature of the costs of this type of claim causes greater uncertainty in the estimates, hence the higher level of IBNR. Where possible, the group adopts multiple techniques to estimate the required level of reserving. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. At year-end, the group believes that its liabilities for long-tail and short-tail claims are adequate.

In calculating the estimated cost of unpaid claims, the group's estimation methodology is based on standard statistical techniques. For claims that have been reported to Santam by the valuation date, expert assessors estimate the expected cost of final settlement. In addition to this, testing of the entire portfolio is done to determine whether or not these estimates will be sufficient in aggregate or if an additional reserve amount is required.

For claims that have not been reported to Santam by the valuation date the chain-ladder methodology is used to determine the expected cost of these unreported claims (refer note 2).

A stochastic reserving process is performed and Santam holds its reserves for unpaid claims at the 75th percentile level of sufficiency at least.

Claim provisions for all classes of business are regularly reviewed and audited internally to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as actuaries, underwriting and accounting experts.

Accumulation risk

The group is exposed to accumulation risk in the form of geographical (large metropolitan areas) as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the company is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio.

Reinsurance

The group obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the company's capital.

This cover is placed on the local and international reinsurance markets. The group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses to measure the effectiveness of the reinsurance programme and the net exposure of the group. The core components of the reinsurance programme comprise:

– Individual excess-of-loss cover for property, liability and engineering risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover.
– Catastrophe cover to the extent of 1.3% of the total exposure of the significant geographical areas, amounting to protection of up to R7.5 billion per event in excess of an attachment point or R100 million.

The board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- from Standard & Poor's or AM Best.

3.7 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

The group is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The board sets limits on the minimum proportion of maturing funds available to meet such calls.

The group actively manages its cash resources, split between short term and long term to ensure sufficient cash is at hand to settle insurance liabilities, based on monthly cash flow projections. Net insurance funds are fully covered by cash and cash equivalents, short-term money market instruments and debt securities.

Insurance liabilities are presented on an undiscounted contractual cash flow basis.

The following maturity analysis provides details of the contractual settlement of the financial and insurance assets and liabilities recognised at reporting date:

31 December 2012

GROUP Financial assets	< 1 year R million	1 to 5 years R million	> 5 years R million	Open ended R million	Carrying value R million
Equity securities – quoted	–	–	–	3 279	3 279
Equity securities – unquoted	–	–	–	272	272
Total	**–**	**–**	**–**	**3 551**	**3 552**
Debt securities – quoted	515	2 385	619	–	3 519
Debt securities – unquoted	6	2 979	453	–	3 438
Total	**521**	**5 364**	**1 072**	**–**	**6 957**
Short-term money market instruments	**917**	**–**	**–**	**–**	**917**
Receivables due from contract holders/intermediaries	1 503	–	–	–	1 503
Reinsurance receivables	97	–	–	–	97
Other loans and receivables	488	–	–	–	488
Reinsurance assets (incl DAC)	2 095	–	–	–	2 095
Total	**4 183**	**–**	**–**	**–**	**4 183**
Derivatives	**–**	**6**	**–**	**–**	**6**
Cash and cash equivalents	**2 471**	**–**	**–**	**–**	**2 471**
Total financial assets	**8 093**	**5 370**	**1 072**	**3 551**	**18 086**

GROUP Financial liabilities	Within 1 year R million	1 to 5 years R million	More than 5 years R million	Total R million
Debt securities	83	1 306	–	1 389
Investment contracts	12	58	25	95
Net cell owners' interest	74	614	–	688
Collateral guarantee contracts	75	–	–	75
Insurance liabilities (incl Reinsurance DAC)	9 735	69	1	9 805
Trade and other payables	1 886	–	–	1 886
Total	**11 865**	**2 047**	**26**	**13 938**

COMPANY Financial assets	< 1 year R million	1 to 5 years R million	> 5 years R million	Open ended R million	Carrying value R million
Equity securities – quoted	–	–	–	3 106	3 106
Equity securities – unquoted	–	–	–	21	21
Total	**–**	**–**	**–**	**3 127**	**3 127**
Debt securities – quoted	480	1 822	478	–	2 780
Debt securities – unquoted	6	1 552	401	–	1 959
Total	**486**	**3 374**	**879**	**–**	**4 739**
Short-term money market instruments	**670**	**–**	**–**	**–**	**670**
Receivables due from contract holders/intermediaries	1 349	–	–	–	1 349
Reinsurance receivables	28	–	–	–	28
Other loans and receivables	994	–	–	–	994
Reinsurance assets (incl DAC)	1 751	–	–	–	1 751
Total	**4 122**	**–**	**–**	**–**	**4 122**
Derivatives	**–**	**6**	**–**	**–**	**6**
Cash and cash equivalents	**1 645**	**–**	**–**	**–**	**1 645**
Total financial assets	6 923	3 380	879	3 127	14 309

COMPANY Financial liabilities	Within 1 year R million	1 to 5 years R million	More than 5 years R million	Total R million
Debt securities	83	1 306	–	1 389
Collateral guarantee contracts	75	–	–	75
Insurance liabilities (incl Reinsurance DAC)	7 696	–	–	7 696
Trade and other payables	2 211	–	–	2 211
Total	**10 065**	**1 306**	**–**	**11 371**

31 December 2011

GROUP Financial assets	< 1 year R million	1 to 5 years R million	> 5 years R million	Open ended R million	Carrying value R million
Equity securities – quoted	–	–	–	3 442	3 442
Equity securities – unquoted	–	–	–	414	414
Total	**–**	**–**	**–**	**3 856**	**3 856**
Debt securities – quoted	429	1 997	1 094	–	3 520
Debt securities – unquoted	130	2 510	–	–	2 640
Total	**559**	**4 507**	**1 094**	**–**	**6 160**
Short-term money market instruments	**1 775**	**–**	**–**	**–**	**1 775**
Receivables due from contract holders/intermediaries	1 147	–	–	–	1 147
Reinsurance receivables	222	–	–	–	222
Other loans and receivables	414	48	–	5	467
Reinsurance assets (incl DAC)	1 477	316	39	–	1 832
Derivatives	–	–	1	–	1
Total	**3 260**	**364**	**40**	**5**	**3 669**
Cash and cash equivalents	**1 597**	**1**	**–**	**–**	**1 598**
Total financial assets	7 191	4 872	1 134	3 861	17 058

GROUP Financial liabilities	Within 1 year R million	1 to 5 years R million	More than 5 years R million	Total R million
Debt securities	83	330	1 058	1 471
Investment contracts	56	48	–	104
Cell owners' interest	60	543	–	603
Collateral guarantee contracts	114	–	–	114
Insurance liabilities (incl Reinsurance DAC)	6 953	1 437	187	8 577
Trade and other payables	1 800	28	–	1 828
Total	**9 066**	**2 386**	**1 245**	**12 697**

COMPANY Financial assets	< 1 year R million	1 to 5 years R million	> 5 years R million	Open ended R million	Carrying value R million
Equity securities – quoted	–	–	–	3 285	3 285
Equity securities – unquoted	–	–	–	14	14
Total	**–**	**–**	**–**	**3 299**	**3 299**
Debt securities – quoted	413	1 556	915	–	2 884
Debt securities – unquoted	130	1 296	–	–	1 426
Total	**543**	**2 852**	**915**	**–**	**4 310**
Short-term money market instruments	**1 270**	**–**	**–**	**–**	**1 270**
Receivables due from contract holders/intermediaries	911	–	–	–	911
Reinsurance receivables	95	–	–	–	95
Other loans and receivables	926	–	–	–	926
Reinsurance assets (incl DAC)	1 273	259	36	–	1 568
Derivatives	–	–	1	–	1
Total	**3 205**	**259**	**37**	**–**	**3 501**
Cash and cash equivalents	**930**	**–**	**–**	**–**	**930**
Total financial assets	**5 948**	**3 111**	**952**	**3 299**	**13 310**

COMPANY Financial liabilities	Within 1 year R million	1 to 5 years R million	More than 5 years R million	Total R million
Debt securities	83	330	1 058	1 471
Collateral guarantee contracts	114	–	–	114
Insurance liabilities (incl Reinsurance DAC)	5 122	1 302	181	6 605
Trade and other payables	1 671	–	–	1 671
Total	**6 990**	**1 632**	**1 239**	**9 861**

3.8 Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events. These risks are mitigated through a comprehensive system of internal controls, comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals.

This definition is intended to include all risks to which the group is exposed, other than the strategic, legal and financial risks considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks. Our operational risk landscape includes the minimising of possible reputational damage, wide-ranging communication as well as enhancing our brand to be the brand of choice.

Business unit management has primary responsibility for the effective identification, management, monitoring and reporting of operational risks to the business unit management team and to the group as part of the quarterly risk reporting process described in the governance section of the annual report.

The initiation of transactions and their administration is conducted based on the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened through the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the entity's securities. To ensure validity, all transactions are confirmed with counterparties independently from the initial executors.

3.9 Legal risk

Legal risk is the risk that the group will be exposed to contractual obligations which have not been provided for. The risk arises from the uncertainty of the enforceability, through legal or juridical processes, of the obligations of Santam's clients and counterparties, including contractual provisions intended to reduce credit and product exposure by providing for the netting of mutual obligations.

3.10 Capital risk management

Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. The aim is to increase shareholder wealth by assisting management to make informed, strategic business decisions around:

- the amount and sources of capital in the company;
- the allocation of capital between business units; and
- the level and type of risk within the company.

3.10.1 Quantification of risk

Santam has developed an internal dynamic financial analysis model of its business to assess its capital requirements. This stochastic model was initially developed in 2003 and has undergone extensive development and testing since then. The model is used, within Santam, for the following purposes:

- Calculating internal capital requirements at a global and line of business level
- Allocating capital to individual lines of business
- Determining the underwriting margins needed to achieve Santam's required return on risk adjusted capital (RoRAC) at a global and line of business level
- Evaluating Santam's reinsurance structure by looking at the type and level of reinsurance required as well as the expected cost of this reinsurance

The model incorporates the following areas of risk:

- Market risk
- Underwriting risk
- Reserve risk
- Credit risk
- Operational and other risk

Internal capital requirement are determined at the 99.5th level of sufficiency over a one-year time period. This level is based on regulatory requirements published by the Financial Services Board (FSB) with recommendations in line with global developments.

Market risk

Market risk refers to the risk that a fall in the value of Santam's invested assets can negatively affect its solvency levels.

A stochastic simulation of the assets held by Santam is performed at an asset class level. Assumptions for each asset class are determined based on historic experience and are adjusted for the current market climate.

In addition to the stochastic simulation of assets, various market shock scenarios are run on the value of assets to determine their effect on solvency levels and help set the capital required for this type of risk.

Underwriting risk

Underwriting risk refers to the risk that premiums charged may be insufficient or that losses incurred are substantially above expectations.

The model incorporates assumptions for attritional, large and catastrophe losses at a line of business level. After allowing for correlations between the various lines of business, internal capital is allocated for underwriting risk based on the difference between the losses occurring at the 99.5th percentile and their expected value.

Reserve risk

Reserve risk refers to the risk that the net technical reserves held on the statement of financial position to pay for reported and future claims as well as their associated expenses may prove insufficient.

Santam holds its technical reserves at a minimum of the 75th percentile level of sufficiency in accordance with regulatory guidelines and global best practice. An additional capital amount is held to bring the reserve sufficiency up to the 99.5th percentile based on the cost-of-capital approach to reserving.

Credit risk

Credit risk refers to the risk that the default of a third party may affect Santam's solvency. Santam's main credit risk exposure is to its reinsurers and financial counterparties. The risk being that the reinsurers will not be able to meet their financial obligations to Santam as and when they fall due or that financial counterparties default and are unable to repay their obligations.

The solvency capital required for credit risk is calculated by using a model based on the Basel II regulation which incorporates the international credit rating of Santam's counterparties.

Operational and other risks

Operational risk refers to the risk arising from the failure of operational processes, internal procedures and controls leading to financial loss.

Internal capital requirements

The results of the internal model indicate that Santam requires solvency capital approximately equal to 25% of net written premium which is below the current regulatory solvency level of 28% of net written premium in terms of the FSB interim requirements under the Solvency and Assessment Management (SAM) initiative.

3.10.2 Target capital

Santam's board of directors have targeted a solvency level in the range of 35% to 45% of net written premium. The margin over the internal solvency requirement is needed for the following reasons:

- As a buffer over regulatory capital requirements
- To fund new business growth
- To maintain Santam's insurer financial strength credit rating
- To allow for any corporate action that may arise

Santam's solvency margin has historically been well above the statutory limit of 28%. The statutory solvency margin is based on the individual company's capital, excluding intangible assets, prepaid expenses and non-approved reinsurance assets and liabilities (refer note 42).

3.10.3 Source of capital

During 2007, Santam reorganised the source of its capital. This involved the substitution of a portion of its ordinary equity capital for hybrid capital in the form of subordinated debt.

FSB approval was obtained for the debt issue, and Santam obtained regulatory 'equity credit' for the fair value of the full R1 billion debt in issue (refer note 18).

3.10.4 Capital allocation

One of the uses of the internal model is to allocate capital to the individual lines of business. Each business unit within Santam is aware of the capital allocated to the lines of business within its ambit and the return on capital performance of each line is closely monitored.

By combining the capital required at a line of business level with the required return on this capital it is possible to determine the net underwriting margin that the various lines of business need to achieve to meet their required RoRAC target. This knowledge allows Santam to price its products appropriately and competitively in the market.

3.10.5 Risk appetite

Santam has formulated a risk appetite policy which aims to quantify the amount of capital the company is willing to put at risk in the pursuit of value creation. By analysing the various risk/reward outcomes under different reinsurance, capital and asset allocation scenarios, Santam is able to identify its most appropriate structure given the defined-assessment criteria.

Based on the output of the internal model, various probabilities relating to return on capital and solvency measures are determined and compared to predetermined benchmarks.

It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and hence capital requirements within the company.

Santam has further developed its risk appetite policy to allow for the monitoring of non-financial risks. A list of risk appetite criteria are assessed on a continuous basis and the level of compliance is reported quarterly to the board. The risk appetite criteria are categorised as follows:

- Earnings risks
- Solvency risks
- Liquidity risks
- Strategic risks
- Insurance risks
- Market and asset concentration risks
- Credit risks
- Reserve risks
- Brand and reputation risks
- Operational risks

4. SEGMENT INFORMATION

Segments have been identified by business activity, i.e. insurance activities and investment activities, as these activities mainly affect the group's risk and returns. No geographical segmentation is disclosed as southern Africa is regarded as one reportable segment for management purposes.

Segments are reported in a manner consistent with the internal report provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer, supported by the group executive committee (Exco).

The group's internal reporting is reviewed in order to assess performance and allocate resources. The operating segments identified are representative of the internal structure of the group.

Two core activities of the group, i.e. insurance activities, and investment activities, are reviewed 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.

The performance of insurance activities is considered based on gross written premium as a measure of growth; with underwriting result and net insurance result as measures of profitability.

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

In the past, group underwriting results included the MiWay deferred bonus plan expense (DBP) and the Santam BEE transaction costs. The MiWay DBP was introduced in 2011 to compensate management for the 10% stake they previously held in MiWay. An additional share incentive scheme was subsequently introduced representing a standard long-term incentive scheme. The BEE transaction costs relate to the Santam BEE transaction in 2007 in terms of which Santam shares are allocated to black employees and business partners.

The MiWay DBP, relating to the compensation of the 10% interest previously held by management in MiWay and the Santam BEE transaction costs are unrelated to the core underwriting performance of the group. Therefore, the underwriting results are shown excluding these expenses and the comparative segmental numbers have been restated as follows:

	2011 R million	2011 % of net earned premium
Net underwriting results as previously reported	1 131	7.7
MiWay DBP and Santam BEE transaction costs	55	0.4
Restated net underwriting result	1 186	8.1

In previous financial years technical assets and liabilities per insurance class were disclosed. The disclosure has been discontinued given that the chief operating decision-maker does not review this information.

Business activity	Insurance activities R million	Investment activities R million	Unallocated R million	Total R million
2012				
Revenue	19 386	858		**20 244**
Gross written premium	19 386			**19 386**
Net written premium	15 822			**15 822**
Net earned premium	15 626			**15 626**
Claims incurred	10 679			**10 679**
Net commission	2 024			**2 024**
Management expenses	2 300	–		**2 300**
Underwriting result	623	–		**623**
Investment return on insurance funds	415			**415**
Net insurance result	1 038	–		**1 038**
Investment income net of management fee*		787		**787**
Income from associates net of impairment		40		**40**
MiWay DBP and Santam BEE transaction costs			(57)	**(57)**
Amortisation and impairment of intangible assets	(108)			**(108)**
Income before taxation	930	827	(57)	**1 700**

** Interest income of R88 million and finance costs of R106 million are included.*

4. SEGMENT INFORMATION (continued)

Business activity – Restated	Insurance activities R million	Investment activities R million	Unallocated R million	Total R million
2011				
Revenue	17 707	468		**18 175**
Gross written premium	17 707			**17 707**
Net written premium	14 674			**14 674**
Net earned premium	14 652			**14 652**
Claims incurred	9 404			**9 404**
Net commission	2 003			**2 003**
Management expenses	2 059			**2 059**
Underwriting result	1 186			**1 186**
Investment return on insurance funds	388			**388**
Net insurance result	1 574			**1 574**
Investment income net of management fee*		355		**355**
Income from associates net of impairment		85		**85**
MiWay DBP and Santam BEE transaction costs			(55)	**(55)**
Amortisation and impairment of intangible assets	(68)			**(68)**
Income before taxation	1 506	440	(55)	**1 891**

** Interest income of R48 million and finance costs of R94 million are included.*

Insurance activities

The group's insurance activities are spread over various classes of short-term insurance.

Insurance class	Gross written premium R million	Underwriting result R million
2012		
Accident and health	286	10
Alternative risk	2 103	(7)
Crop	687	38
Engineering	860	158
Guarantee	40	8
Liability	1 227	206
Miscellaneous	23	6
Motor	8 361	89
Property	5 291	32
Transportation	508	83
Total	19 386	623
Comprising:		
Commercial insurance	9 660	767
Personal insurance	7 623	(137)
Alternative risk	2 103	(7)
Total	19 386	623

Insurance class	Gross written premium R million	Underwriting result R million
2011		
Accident and health	286	45
Alternative risk	1 924	(5)
Crop	575	12
Engineering	736	121
Guarantee	17	9
Liability	1 157	143
Miscellaneous	16	1
Motor	7 621	511
Property	4 981	258
Transportation	394	91
Total	**17 707**	**1 186**
Comprising:		
Commercial insurance	8 844	941
Personal insurance	6 939	250
Alternative risk	1 924	(5)
Total	**17 707**	**1 186**

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
5. PROPERTY AND EQUIPMENT				
GROUP				
At 1 January 2011				
Cost or valuation	2	111	126	**239**
Accumulated depreciation	–	(63)	(88)	**(151)**
Net book amount	2	48	38	**88**
Year ended 31 December 2011				
Opening net book amount	2	48	38	**88**
Additions	–	26	13	**39**
Disposals	–	–	(9)	**(9)**
Depreciation charge	–	(27)	(11)	**(38)**
Closing net book amount	2	47	31	**80**
At 31 December 2011				
Cost or valuation	2	137	105	**244**
Accumulated depreciation	–	(90)	(74)	**(164)**
Net book amount	2	47	31	**80**
Year ended 31 December 2012				
Opening net book amount	2	47	31	**80**
Additions	1	38	24	**63**
Depreciation charge	(1)	(32)	(11)	**(44)**
Closing net book amount	2	53	44	**99**
At 31 December 2012				
Cost or valuation	3	130	129	**262**
Accumulated depreciation	(1)	(77)	(85)	**(163)**
Net book amount	2	53	44	**99**

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
5. PROPERTY AND EQUIPMENT (continued)				
COMPANY				
At 1 January 2011				
Cost or valuation	1	56	62	**119**
Accumulated depreciation	–	(33)	(46)	**(79)**
Net book amount	1	23	16	**40**
Year ended 31 December 2011				
Opening net book amount	1	23	16	**40**
Additions	–	16	3	**19**
Disposals	–	–	(9)	**(9)**
Depreciation charge	–	(16)	(5)	**(21)**
Closing net book amount	1	23	5	**29**
At 31 December 2011				
Cost or valuation	1	68	29	**98**
Accumulated depreciation	–	(45)	(24)	**(69)**
Net book amount	1	23	5	**29**
Year ended 31 December 2012				
Opening net book amount	1	23	5	**29**
Additions	–	20	18	**38**
Depreciation charge	–	(17)	(5)	**(22)**
Closing net book amount	1	26	18	**45**
At 31 December 2012				
Cost or valuation	1	43	47	**91**
Accumulated depreciation	–	(17)	(29)	**(46)**
Net book amount	1	26	18	**45**

Depreciation expense has been included in Expenses for marketing and administration in the statement of comprehensive income (refer note 28).

	Goodwill R million	Computer software R million	Brand, trademark and tradenames R million	Key business relationships R million	Total R million
6. INTANGIBLE ASSETS					
GROUP					
At 1 January 2011					
Cost	801	82	39	127	**1 056**
Impairment/Accumulated amortisation	(10)	(44)	(1)	(6)	**(68)**
Net book amount	791	38	38	121	**988**
Year ended 31 December 2011					
Opening net book amount	791	38	38	121	**988**
Acquisition of subsidiaries (refer note 36)	28	–	–	18	**46**
Acquisitions	–	28	–	–	**28**
Amortisation	–	(27)	(12)	(29)	**(68)**
Closing net book amount	819	39	26	110	**994**
At 31 December 2011					
Cost	829	110	39	145	**1 130**
Impairment/Accumulated amortisation	(10)	(71)	(13)	(35)	**(136)**
Net book amount	819	39	26	110	**994**
Year ended 31 December 2012					
Opening net book amount	819	39	26	110	**994**
Acquisitions	–	31	–	81	**112**
Impairment	(35)	(25)	–	–	**(60)**
Amortisation	–	(13)	(12)	(31)	**(56)**
Closing net book amount	784	32	14	160	**990**
At 31 December 2012					
Cost	829	141	39	226	**1 242**
Impairment/Accumulated amortisation	(45)	(109)	(25)	(66)	**(252)**
Net book amount	784	32	14	160	**990**

	Goodwill R million	Computer software R million	Brand, trademark and tradenames R million	Key business relationships R million	Total R million
COMPANY					
At 1 January 2011					
Cost	–	39	–	–	39
Accumulated amortisation	–	(33)	–	–	(33)
Net book amount	–	6	–	–	6
Year ended 31 December 2011					
Opening net book amount	–	6	–	–	6
Amortisation	–	(6)	–	–	(6)
Closing net book amount	–	–	–	–	–
At 31 December 2011					
Cost	–	39	–	–	39
Accumulated amortisation	–	(39)	–	–	(39)
Net book amount	–	–	–	–	–
Year ended 31 December 2012					
Opening net book amount	–	–	–	–	–
Acquisitions	–	–	–	9	9
Amortisation	–	–	–	(2)	(2)
Closing net book amount	–	–	–	7	7
At 31 December 2012					
Cost	–	39	–	9	48
Accumulated amortisation	–	(39)	–	(2)	(41)
Net book amount	–	–	–	7	7

Impairment tests of goodwill

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

	Group 2012 R million	Group 2011 R million
Agri Risk Specialists (Pty) Ltd	19	19
Centriq Insurance Holdings Ltd	1	1
Indwe Broker Holdings (Pty) Ltd	321	356
Isure Services (Pty) Ltd	5	5
Mirabilis Engineering Underwriting Managers (Pty) Ltd	28	28
MiWay Group Holdings (Pty) Ltd	319	319
Stalker Hutchison Admiral (Pty) Ltd	91	91
	784	819

When testing for impairment, the recoverable amount of a CGU is determined based on discounted cash flow projections. The cash flow projections are based on budgets approved by management. Goodwill balances were assessed at year-end and the goodwill on Indwe Broker Holdings (Pty) Ltd was impaired with R35 million. The nature of goodwill mainly relates to employee skill and industry knowledge.

The Indwe Broker Holdings (Pty) Ltd impairment test was based on management's projections and a discounted cash flow methodology was applied using the following internal assumptions:

- More conservative revenue projections.
- Indwe stopped the development of a new system and decided to migrate to a new administration platform over the next two years. Initial migration costs and savings in systems costs over the longer term have been incorporated in the projections.
- The discount rate was increased to 19% (previously used 16.5%) to compensate for the increased competitive environment as well as to compensate for the risk of not achieving the projected system efficiencies as result of the migration.

	Company 2012 R million	Company 2011 R million
7. INVESTMENT IN SUBSIDIARIES		
At the beginning of the year	1 927	1 843
Additional investment	–	84
Unlisted shares at cost price less amounts written off	1 927	1 927

To the extent that capital is remitted from offshore subsidiaries, the carrying value is adjusted to keep in line with net asset value. Approval is required from the Regulator for the declaration of dividends by Guardian National Insurance Company Ltd.

Details of investments are set out in note 45.

	Group 2012 R million	Group 2011 R million
8. INVESTMENT IN ASSOCIATES		
GROUP		
At the beginning of the year	274	211
Acquisitions	6	–
Share of results after tax*	85	91
Share of results before tax	118	125
Share of tax	(33)	(34)
Dividends received from associated companies	(27)	(28)
Exchange difference due to translation	(34)	–
Impairment	(43)	–
At the end of the year	261	274
Fair value/Directors' valuation	404	392

Details of investments are set out in note 45.

** The share of results after tax include equity losses of R2 million (2011: R6 million) recognised against loans to associates.*

The equity accounted value of NICO Holdings Ltd in Malawi was reduced by an impairment of R43 million and translation losses of R34 million following the devaluation of the Malawian currency which had an adverse effect on the banking and other financial services business units of NICO Holdings Ltd.

	Company 2012 R million	Company 2011 R million
COMPANY		
At the beginning/end of the year	133	133
	133	133
Fair value/Directors' valuation	367	361
Dividend income received from associates	24	28
Total income from associates	24	28

The aggregate assets, liabilities, revenues, profits/(losses) of the principal associates, all of which are unlisted, were as follows:

2012	Assets R million	Liabilities R million	Revenues R million	After tax profit/(loss) R million
NICO Holdings Ltd	3 181	1 945	771	23
Credit Guarantee Insurance Corporation of Africa Ltd	1 372	728	842	222
Paladin Underwriting Managers (Pty) Ltd	150	122	170	14
Beyonda Group (Pty) Ltd	20	12	31	4
Censeo (Pty) Ltd	18	9	38	(1)
Fame and Fortune Trading 152 (Pty) Ltd	16	22	56	(5)
Other	9	13	17	1
Total	4 766	2 851	1 925	258

2011	Assets R million	Liabilities R million	Revenues R million	After tax profit/(loss) R million
NICO Holdings Ltd	4 162	2 384	615	59
Credit Guarantee Insurance Corporation of Africa Ltd	1 142	654	784	182
Paladin Underwriting Managers (Pty) Ltd	144	130	163	2
Fame and Fortune Trading 152 (Pty) Ltd	21	22	28	(11)
Censeo (Pty) Ltd	20	12	80	8
Beyonda Group (Pty) Ltd	17	12	31	2
Other	5	10	12	(1)
Total	5 511	3 224	1 713	241

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
9. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME (EXCLUDING DERIVATIVES)				
The group's financial assets are summarised below by measurement category.				
Equity securities				
– quoted	3 279	3 442	3 106	3 285
– unquoted	272	414	21	14
	3 551	3 856	3 127	3 299
Debt securities				
– quoted				
government and other bonds	1 731	1 757	1 469	1 496
money market instruments (long-term instruments)	1 513	1 371	1 036	996
redeemable preference shares	275	392	275	392
– unquoted				
government and other bonds	31	167	27	167
money market instruments (long-term instruments)	3 378	2 197	1 932	987
redeemable preference shares	29	276	–	272
	6 957	6 160	4 739	4 310
Short-term money market instruments	917	1 775	670	1 270
Financial assets at fair value through income	11 425	11 791	8 536	8 879
10. DERIVATIVES				
Financial assets – at fair value through income				
Over the counter				
Interest rate swaps	6	1	6	1
	6	1	6	1

The interest rate derivatives represent the fair value of interest rate swaps effected on a portion of fixed interest securities held in the investment portfolio underlining the subordinated callable note amounting to R221 million (2011: R113 million) (refer note 18). The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate cash flow risk on assets supporting the bond liability. The derivatives mature on 30 September 2016 and 10 June 2017.

11. REINSURANCE ASSETS	Group 2012	Group 2011	Company 2012	Company 2011
Non-current	137	244	144	259
Current	1 618	1 256	1 332	1 033
Total assets arising from reinsurance contracts	1 755	1 500	1 476	1 292

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included in loans and other receivables (refer note 12).

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
12. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables arising from insurance and reinsurance contracts:				
– due from contract holders/intermediaries	1 503	1 147	1 349	911
– due from reinsurers	128	231	50	104
– less provision for impairment of receivables from reinsurers	(31)	(9)	(22)	(9)
Other loans and receivables:				
– other receivables	577	553	332	320
– less provision for impairment	(114)	(108)	(113)	(94)
– loans to associated companies	25	22	–	–
– loans to subsidiaries	–	–	812	738
– less provision for impairment of loans to subsidiaries	–	–	(38)	(38)
Total	2 088	1 836	2 370	1 932

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximate fair value. Provisions for impairment are based on the recoverability of individual loans and receivables.

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
13. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	2 471	1 598	1 645	930
	2 471	1 598	1 645	930

	Group and company Ordinary shares		Group Treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
14. SHARE CAPITAL				
At 1 January 2011	119 346	107	6 324	651
Purchase of treasury shares			289	37
Reissue of treasury shares			(527)	(53)
At 31 December 2011	119 346	107	6 086	635
Purchase of treasury shares			–	–
Reissue of treasury shares			(542)	(56)
At 31 December 2012	119 346	107	5 544	579

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. 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 10 million of the unissued shares for any purpose and in accordance with such rules and conditions as they see fit.

In 2007, a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. In 2012, 542 394 shares were reissued in terms of the deferred share plan (DSP) (2011: 383 163 shares in terms of DSP and 145 500 shares in terms of the share option plan). The net amount of these transactions has been deducted from shareholders' equity. The shares are held as 'Treasury shares'. The company has the right to reissue these shares at a later date subject to approval by the JSE and the Regulator.

15. SHARE INCENTIVE SCHEMES

The introduction of a deferred share plan (DSP) replaced the two independent share incentive schemes, namely as option scheme and a deferred payout/delivery scheme, in 2007. Options issued were exercised by option holders at the respective vesting periods. As at December 2011, both share incentive schemes have run out.

In terms of the DSP, shares are granted to employees on a deferred delivery basis over a five-year period. The fair value used in determining the grant is based on the Santam share price five-day weighted average on grant date, adjusted for dividends not accruing to participants during the vesting period and expected employee attrition over the vesting period.

(i) Deferred share plan (DSP)

2011

The following shares were awarded and the delivery thereof deferred to a predetermined future date.

Date awarded	Latest irreversible date	Grant price	Number of shares
1 June 2007	31 May 2012	R94.53	74 084
17 September 2010	31 May 2012	R111.42	7 558
1 June 2008	31 May 2013	R74.91	337 028
17 September 2010	31 May 2013	R107.44	28 641
1 June 2009	31 May 2014	R66.81	537 428
17 September 2010	31 May 2014	R102.87	28 892
1 June 2010	31 May 2015	R92.99	525 717
17 September 2010	31 May 2015	R98.46	28 594
1 June 2011	31 May 2016	R113.94	402 660
			1 970 602

Movements during the period	Average price	
As at 1 January 2011	R80.51	2 014 050
Shares awarded	R113.94	417 480
Awarded shares lapsed due to resignations	R87.53	(77 765)
Shares issued	R79.01	(383 163)
As at 31 December 2011	R87.60	1 970 602

2012

Date awarded	Latest irreversible date	Grant price	Number of shares
16 March 2012	31 May 2012	R158.35	60
1 June 2008	31 May 2013	R74.91	128 760
17 September 2010	31 May 2013	R107.44	28 641
16 March 2012	31 May 2013	R156.70	19 604
1 June 2009	31 May 2014	R66.81	260 267
17 September 2010	31 May 2014	R102.87	28 892
16 March 2012	31 May 2014	R153.45	31 314
1 June 2010	31 May 2015	R92.99	494 002
17 September 2010	31 May 2015	R98.46	28 594
16 March 2012	31 May 2015	R148.10	31 455
1 June 2011	31 May 2016	R113.94	382 057
16 March 2012	31 May 2016	R142.91	23 858
1 June 2012	31 May 2017	R151.80	368 287
17 September 2012	31 May 2017	R164.69	15 174
			1 840 965

Movements during the period	Average price	
As at 1 January 2012	R87.60	1 970 602
Shares awarded	R152.30	392 261
Shares awarded in lieu of special dividend	R150.42	110 565
Awarded shares lapsed due to resignations	R88.87	(86 585)
Shares issued	R76.17	(545 878)
As at 31 December 2012	R108.49	1 840 965

15. SHARE INCENTIVE SCHEMES (continued)

(ii) Share option scheme 2011

Date awarded	Latest irreversible date	Exercise price*	
10 November 2005	10 November 2011	R37.68	–
			–

Movements during the period	Average price	
As at 1 January 2011	R37.68	149 500
Awarded options lapsed due to resignations	R37.68	(4 000)
Options exercise	R37.68	(145 500)
As at 31 December 2011	R37.68	–

* *On 22 September 2010 a special dividend of 500 cents per share was paid to shareholders. The exercise price of all options granted before that date was reduced by R5.00, but limited to R1.00. For those options where the new exercise price, after the R5.00 per share adjustment, was less than R1.00 the option holders received, on the relevant vesting dates, an amount equal to the calculated loss in fair value likely suffered, plus interest on such an amount, calculated at the risk-free rate.*

Valuation of share incentive scheme and charge to the statement of comprehensive income

In terms of the DSP, shares are granted to employees on a deferred delivery basis over a five-year period. The fair value used in determining the grant is based on the Santam share price five-day weighted average on grant date, adjusted for dividends not accruing to participants during the vesting period and expected employee attrition over the vesting period. Shares awarded under the DSP are valued at the grant price and expensed to the income statement over the five-year vesting period. Total share-option costs for the above options amounting to R57 million (2011: R63 million) has been included in the statement of comprehensive income.

16. RESERVES

	Group		Company	
A) Other reserves	**2012 R million**	2011 R million	**2012 R million**	2011 R million
Translation reserve	**44**	21	**–**	–
Contingency reserve	**33**	1 471	**–**	1 360
	77	1 492	**–**	1 360

Exchange differences, resulting from the translation of the financial statements of foreign operations with a presentation currency different to that of the group, are taken to the translation reserve on consolidation to form part of equity. On disposal of such a foreign operation the translation differences are recognised in the statement of comprehensive income as part of the profit or loss on disposal.

The Financial Services Board requirement to maintain a contingency reserve at 10% of net written premium has been waived for South African insurers. However, the contingency reserve is still maintained for Santam Namibia in terms of NAMFISA regulations.

	Group 2012	Group 2011	Company 2012	Company 2011
a) Movements in the translation reserve were as follows				
At the beginning of the year	**21**	(87)		
Currency translation differences	**23**	108		
At the end of the year	**44**	21		
b) Movements in the contingency reserve were as follows				
At the beginning of the year	**1 471**	1 352	**1 360**	1 270
Transfer (to)/from retained earnings	**(1 438)**	119	**(1 360)**	90
At the end of the year	**33**	1 471	**–**	1 360
B) Distributable reserves				
Retained earnings	**5 757**	4 933	**5 065**	4 280
Share-based payment reserve	**147**	139	**(6)**	139
	5 904	5 072	**5 059**	4 419

The obligation that flows from an agreement between the entity and another party to enter into a share-based payment transaction, which entitles the other party to receive benefits in terms of the agreement are accounted for as part of other comprehensive income as a share-based payment reserve.

	Group		Company	
	2012	2011	2012	2011
	R million	R million	R million	R million
a) Movements in the share-based payment reserve were as follows				
At the beginning of the year	139	191	139	191
Transfer from retained earnings	50	63	50	53
Transfer to retained earnings	(42)	(110)	(42)	(100)
Transfer to employee benefit provision	–	(5)	–	(5)
Loss on delivery of shares in terms of share scheme	–	–	(153)	–
At the end of the year	147	139	(6)	139

17. DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2011: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable.

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
The amounts are as follows:				
Deferred tax assets	(221)	(207)	–	–
Deferred tax liabilities	284	115	223	51
Total net deferred income tax account	63	(92)	223	51
Deferred tax is made up as follows:				
Unrealised appreciation of investments	360	214	346	202
Provisions and accruals	(152)	(226)	(41)	(146)
Tax losses carried forward	(111)	(112)	–	–
STC credits	–	(4)	–	(5)
Other differences	(34)	36	(82)	–
	63	(92)	223	51
Movement of deferred tax				
Balance as at 1 January 2012	(92)	18	51	95
Charge to the income statement	143	(111)	172	(44)
Unrealised appreciation of investments	147	(2)	142	20
Provisions and accruals	74	(114)	25	(58)
Tax losses carried forward	(1)	27	–	–
STC credits	4	(1)	5	–
Other differences	(81)	(21)	–	(6)
Business combinations	2	9	–	–
Foreign currency translation difference	–	2	–	–
Tax credited directly to equity	–	(10)	–	–
Acquisition of book of business	10	–	–	–
Balance as at 31 December 2012	63	(92)	223	51

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group has no unrecognised tax losses (2011: RNil).

No deferred tax has been provided on temporary differences relating from investments in associates amounting to R142 million (2011: R119 million).

No deferred tax has been provided on temporary differences relating from investments in subsidiaries amounting to R84 million (2011: R84 million).

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
18. DEBT SECURITIES				
At the beginning of the year	964	925	964	925
Net fair value losses on debt securities	70	39	70	39
	1 034	964	1 034	964
Accrued interest	24	24	24	24
	1 058	988	1 058	988
Estimated redemption value on maturity date	1 000	1 000	1 000	1 000

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 final maturity date of 15 September 2022, a variable interest rate (JIBAR-based plus additional margin) will apply.

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

As there was no change in Santam's credit rating during the year, the movement in the fair value of the unsecured subordinated callable notes represent the market movement.

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
19. INVESTMENT CONTRACTS				
At the beginning of the year	104	495		
Investment contracts issued	7	284		
Investment contracts sold/matured	(23)	(697)		
Net fair value losses on investment contracts	7	22		
Investment contracts (unit-linked)	95	104		
Non-current	83	48		
Current	12	56		

The net fair value gains on investment contracts are equal to the net fair value gains on the linked financial assets at fair value through income. The movement in the net fair value of the linked assets and liabilities are included in 'Net fair value gains on assets and liabilities at fair value through income' in the statement of comprehensive income. The maturity values of these financial liabilities are determined by the fair values of the linked assets.

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
20. CELL OWNERS' INTEREST				
At the beginning of the year	603	577		
Net increase in cell owners' interest	169	87		
Preference shares issued by subsidiary	19	5		
Redemption of preference shares	(36)	(8)		
Dividends paid to preference shareholders	(67)	(58)		
	688	603		
Amounts owed by cell owners	24	40		
	712	643		
21. COLLATERAL GUARANTEE CONTRACTS				
At the beginning of the year	114	108	114	108
New contracts issued	1	–	1	–
Contracts sold/matured	(45)	–	(45)	–
Interest	5	6	5	6
	75	114	75	114

Santam issued a guarantee on behalf of one of its corporate clients regarding mining rehabilitation. The guarantee was issued on the back of a full collateral guarantee in the form of moneys deposited with Santam. These assets are included in financial assets, debt securities, at fair value through income and amounted to R75 million (2011: R114 million). As a result, the transaction is not recorded as an insurance transaction in terms of IFRS 4, but as a financial instrument in terms of IAS 39.

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
22. INSURANCE LIABILITIES AND REINSURANCE ASSETS				
Gross				
Long-term insurance contracts				
– claims incurred but not reported	14	9	–	–
Short-term insurance contracts				
– claims reported and loss adjustment expenses	4 948	4 191	4 523	3 711
– claims incurred but not reported	1 311	1 246	1 112	1 031
– unearned premiums	3 385	3 029	1 929	1 753
Total insurance liabilities – gross	9 658	8 475	7 564	6 495
Non-current	1 340	1 404	1 333	1 407
Current	8 318	7 071	6 231	5 088
Recoverable from reinsurers				
Long-term insurance contracts				
– claims incurred but not reported	2	1	–	–
Short-term insurance contracts				
– claims reported and loss adjustment expenses	977	920	826	758
– claims incurred but not reported	192	150	114	93
– unearned premiums	584	429	536	441
Total reinsurers' share of insurance liabilities	1 755	1 500	1 476	1 292
Non-current	137	244	144	259
Current	1 618	1 256	1 332	1 033
Net				
Long-term insurance contracts				
– claims incurred but not reported	12	8	–	–
Short-term insurance contracts				
– claims reported and loss adjustment expenses	3 971	3 271	3 697	2 953
– claims incurred but not reported	1 119	1 096	998	938
– unearned premiums	2 801	2 600	1 393	1 312
Total insurance liabilities – net	7 903	6 975	6 088	5 203

22.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

Year ended 31 December	2012 Gross R million	2012 Reinsurance R million	2012 Net R million	2011 Gross R million	2011 Reinsurance R million	2011 Net R million
GROUP						
Notified claims	4 191	(920)	3 271	3 777	(880)	2 897
Incurred but not reported	1 255	(151)	1 104	1 198	(147)	1 051
Total at the beginning of the year	5 446	(1 071)	4 375	4 975	(1 027)	3 948
Cash paid for claims settled in the year	(11 340)	1 436	(9 904)	(10 327)	1 338	(8 989)
Increase in liabilities						
– arising from current year claims	12 167	(1 488)	10 679	10 788	(1 384)	9 404
– arising from portfolio transfer	–	–	–	10	–	10
Cell accounting	–	(48)	(48)	–	2	2
Total at the end of the year	6 273	(1 171)	5 102	5 446	(1 071)	4 375
Notified claims	4 948	(977)	3 971	4 191	(920)	3 271
Incurred but not reported	1 325	(194)	1 131	1 255	(151)	1 104
Total at the end of the year	6 273	(1 171)	5 102	5 446	(1 071)	4 375

22. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

22.1 Movements in insurance liabilities and reinsurance assets (continued)

Year ended 31 December	2012 Gross R million	2012 Reinsurance R million	2012 Net R million	2011 Gross R million	2011 Reinsurance R million	2011 Net R million
COMPANY						
Notified claims	3 711	(758)	2 953	3 360	(749)	2 611
Incurred but not reported	1 031	(93)	938	979	(79)	900
Total at the beginning of the year	4 742	(851)	3 891	4 339	(828)	3 511
Cash paid for claims settled in the year	(9 755)	598	(9 157)	(8 917)	609	(8 308)
Increase in liabilities						
– arising from current year claims	10 648	(686)	9 962	9 320	(634)	8 686
– arising from portfolio transfer	–	(1)	(1)	–	2	2
Total at the end of the year	5 635	(940)	4 695	4 742	(851)	3 891
Notified claims	4 523	(826)	3 697	3 711	(758)	2 953
Incurred but not reported	1 112	(114)	998	1 031	(93)	938
Total at the end of the year	5 635	(940)	4 695	4 742	(851)	3 891

b) Provision for unearned premiums

Year ended 31 December	2012 Gross R million	2012 Reinsurance R million	2012 Net R million	2011 Gross R million	2011 Reinsurance R million	2011 Net R million
GROUP						
At the beginning of the year	3 029	(429)	2 600	2 788	(240)	2 548
Charged to the statement of comprehensive income	323	(127)	196	241	(219)	22
Portfolio transfer	33	–	33	–	–	–
Cell accounting	–	(27)	(27)	–	30	30
Total at the end of the year	3 385	(583)	2 802	3 029	(429)	2 600
COMPANY						
At the beginning of the year	1 753	(441)	1 312	1 655	(321)	1 334
Movement for the period	139	(95)	44	98	(120)	(22)
Portfolio transfer	37	–	37			
Total at the end of the year	1 929	(536)	1 393	1 753	(441)	1 312

22.2 Movements in deferred acquisition costs and deferred reinsurance acquisition revenue

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
a) Deferred acquisition costs				
At the beginning of the year	332	251	276	273
Movement for the period	8	81	(1)	3
Total at the end of the year	340	332	275	276
b) Deferred reinsurance acquisition revenue				
At the beginning of the year	102	40	110	74
Movement for the period (included in Income from reinsurance contracts ceded)	45	62	21	36
Total at the end of the year	147	102	131	110

22.3 Claims development tables

The presentation of the claims development tables for the Santam group is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of actual claims paid for continuing operations.

PAYMENT DEVELOPMENT

GROUP – Short-term insurance claims – gross	Total R million	Claims paid in respect of 2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
Reporting year										
Actual claims costs:										
– 2012	**11 340**	8 176	2 366	370	171	158	58	40	1	–
– 2011	**10 327**	–	7 767	2 141	247	52	54	60	6	–
– 2010	**9 999**	–	–	7 144	2 236	411	116	41	23	28
– 2009	**10 016**	–	–	–	7 702	1 959	197	92	28	38
– 2008	**8 996**	–	–	–	–	7 181	1 547	156	47	65
– 2007	**7 971**	–	–	–	–	–	6 219	1 385	132	235
– 2006	**6 988**	–	–	–	–	–	–	5 521	1 062	405
– 2005	**5 955**	–	–	–	–	–	–	–	4 711	1 244
– 2004	**4 797**	–	–	–	–	–	–	–	–	4 797
– 2003	**5 076**	–	–	–	–	–	–	–	–	5 076
– 2002	**4 832**	–	–	–	–	–	–	–	–	4 832
Cumulative payments to date		8 176	10 133	9 655	10 356	9 761	8 191	7 295	6 010	16 720

– Short-term insurance claims – net	Total R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
Reporting year										
Actual claims costs:										
– 2012	**9 904**	7 616	1 743	250	116	137	36	5	1	–
– 2011	**8 989**		7 082	1 673	148	39	23	19	5	–
– 2010	**8 710**	–	–	6 401	1 816	323	103	35	17	15
– 2009	**8 805**	–	–	–	6 928	1 651	131	41	19	35
– 2008	**7 727**	–	–	–	–	6 172	1 381	93	31	50
– 2007	**6 672**	–	–	–	–	–	5 292	1 197	99	84
– 2006	**6 020**	–	–	–	–	–	–	4 924	909	187
– 2005	**5 185**	–	–	–	–	–	–	–	4 223	962
– 2004	**4 064**	–	–	–	–	–	–	–	–	4 064
– 2003	**4 194**	–	–	–	–	–	–	–	–	4 194
– 2002	**3 754**	–	–	–	–	–	–	–	–	3 754
Cumulative payments to date		7 616	8 825	8 324	9 008	8 322	6 966	6 314	5 304	13 345

22. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

22.3 Claims development tables (continued)

COMPANY

– Short-term insurance claims – gross	Total R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
		Claims paid in respect of								
Reporting year										
Actual claims costs:										
– 2012	**9 755**	7 505	1 744	226	114	129	37	–	–	–
– 2011	**8 917**	–	7 106	1 575	160	33	22	18	3	–
– 2010	**8 996**	–	–	6 333	2 065	395	113	40	22	28
– 2009	**8 833**	–	–	–	6 777	1 779	154	72	15	36
– 2008	**7 673**	–	–	–	–	5 905	1 507	152	45	64
– 2007	**6 740**	–	–	–	–	–	5 039	1 348	130	223
– 2006	**6 110**	–	–	–	–	–	–	4 806	983	321
– 2005	**5 193**	–	–	–	–	–	–	–	4 092	1 101
– 2004	**4 099**	–	–	–	–	–	–	–	–	4 099
– 2003	**4 326**	–	–	–	–	–	–	–	–	4 326
– 2002	**4 230**	–	–	–	–	–	–	–	–	4 230
Cumulative payments to date		7 505	8 850	8 134	9 116	8 241	6 872	6 436	5 290	14 428

– Short-term insurance claims – net	Total R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
Reporting year										
Actual claims costs:										
– 2012	**9 157**	7 173	1 563	157	103	124	37	–	–	–
– 2011	**8 308**	–	6 681	1 424	138	27	20	17	1	–
– 2010	**8 199**	–	–	6 010	1 719	308	99	33	16	14
– 2009	**8 188**	–	–	–	6 434	1 552	115	34	15	38
– 2008	**7 124**	–	–	–	–	5 609	1 345	91	30	49
– 2007	**6 142**	–	–	–	–	–	4 789	1 172	98	83
– 2006	**5 614**	–	–	–	–	–	–	4 611	864	139
– 2005	**4 672**	–	–	–	–	–	–	–	3 798	874
– 2004	**3 609**	–	–	–	–	–	–	–	–	3 609
– 2003	**3 794**	–	–	–	–	–	–	–	–	3 794
– 2002	**3 542**	–	–	–	–	–	–	–	–	3 542
Cumulative payments to date		7 363	8 250	7 587	8 321	7 518	6 386	5 960	4 822	12 142

22.4 Reporting development

GROUP

– Short-term insurance claims provision – gross	Total R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
		Financial year in which claim occurred								
Reporting year										
Provision raised:										
– 2012	**4 948**	3 133	599	434	304	213	170	76	19	–
– 2011	**4 192**	–	2 448	652	333	303	191	113	108	44
– 2010	**3 777**	–	–	2 325	556	312	171	146	137	130
– 2009	**4 288**	–	–	–	2 617	712	401	281	174	103
– 2008	**4 075**	–	–	–	–	2 579	630	356	260	250
– 2007	**3 774**	–	–	–	–	–	2 804	405	202	363
– 2006	**3 922**	–	–	–	–	–	–	2 929	375	618
– 2005	**3 187**	–	–	–	–	–	–	–	2 340	847
– 2004	**2 436**	–	–	–	–	–	–	–	–	2 436
– 2003	**2 303**	–	–	–	–	–	–	–	–	2 303
– 2002	**1 747**	–	–	–	–	–	–	–	–	1 747

GROUP – Short-term insurance claims provision – net	Financial year in which claim occurred									
	Total R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
Reporting year										
Provision raised:										
– 2012	**3 971**	2 550	466	326	241	162	145	64	17	–
– 2011	**3 273**	–	1 919	509	260	220	149	93	82	41
– 2010	**2 896**	–	–	1 813	402	228	132	117	105	99
– 2009	**2 952**	–	–	–	1 861	435	280	200	103	73
– 2008	**2 699**	–	–	–	–	1 805	403	195	145	151
– 2007	**2 444**	–	–	–	–	–	1 807	268	134	235
– 2006	**2 484**	–	–	–	–	–	–	1 916	214	354
– 2005	**1 909**	–	–	–	–	–	–	–	1 453	456
– 2004	**1 056**	–	–	–	–	–	–	–	–	1 056
– 2003	**1 104**	–	–	–	–	–	–	–	–	1 104
– 2002	**768**	–	–	–	–	–	–	–	–	768

COMPANY – Short-term insurance claims provision – gross	Financial year in which claim occurred									
	Total R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 R million	2006 R million	2005 R million	2004 and prior R million
Reporting year										
Provision raised:										
– 2012	**4 523**	2 915	586	370	265	202	109	58	19	–
– 2011	**3 711**	–	2 256	508	296	277	128	98	105	43
– 2010	**3 360**	–	–	2 023	487	291	161	140	132	126
– 2009	**3 842**	–	–	–	2 312	663	362	254	149	102
– 2008	**3 492**	–	–	–	–	2 030	616	348	254	244
– 2007	**3 371**	–	–	–	–	–	2 430	395	197	349
– 2006	**2 961**	–	–	–	–	–	–	2 015	355	591
– 2005	**2 342**	–	–	–	–	–	–	–	1 547	795
– 2004	**1 848**	–	–	–	–	–	–	–	–	1 848
– 2003	**1 206**	–	–	–	–	–	–	–	–	1 206
– 2002	**1 007**	–	–	–	–	–	–	–	–	1 007
– Short-term insurance claims provision – net										
Reporting year										
Provision raised:										
– 2012	**3 697**	2 391	468	278	226	171	95	50	17	–
– 2011	**2 953**	–	1 795	404	236	220	102	78	84	34
– 2010	**2 611**	–	–	1 607	356	214	125	113	101	95
– 2009	**2 681**	–	–	–	1 666	404	255	191	93	72
– 2008	**2 446**	–	–	–	–	1 569	396	191	142	148
– 2007	**2 261**	–	–	–	–	–	1 631	265	132	233
– 2006	**1 766**	–	–	–	–	–	–	1 202	212	352
– 2005	**1 318**	–	–	–	–	–	–	–	870	448
– 2004	**863**	–	–	–	–	–	–	–	–	863
– 2003	**396**	–	–	–	–	–	–	–	–	396
– 2002	**265**	–	–	–	–	–	–	–	–	265

22.5 Liability adequacy test

An unexpired risk reserve (URR) is required if a company believes that its URR will prove insufficient to cover the unexpired risk on its books at the valuation date. An actuarial review indicated that there is no need for a URR.

	Pension fund holiday exposure* R million	Litigation exposures R million	Onerous contracts R million	Employee benefits** R million	Other R million	Total R million
23. PROVISION FOR OTHER LIABILITIES AND CHARGES						
GROUP						
At 1 January 2011	19	9	3	–	5	**36**
Charged to statement of comprehensive income:						
– additional provisions/releases	–	–	–	42	–	**42**
– transfer from share-based payment reserve	–	–	–	8	–	**8**
– transfer directly from equity	–	–	–	36	–	**36**
Used during the year	(1)	–	(2)	(10)	(4)	**(16)**
Year ended 31 December 2011	18	9	1	76	1	**105**
Charged to statement of comprehensive income:						
– additional provisions/releases	(1)	(9)	–	85	–	**75**
Used during the year	(17)	–	(1)	(1)	–	**(19)**
Year ended 31 December 2012	**–**	**–**	**–**	**160**	**1**	**161**
COMPANY						
At 1 January 2011	19	9	3	–	5	**36**
Charged to statement of comprehensive income:						
– additional provisions/releases	(1)	–	–	2	–	**2**
– transfer from share-based payment reserve	–	–	–	5	–	**5**
Used during the year	(1)	–	(2)	–	(5)	**(8)**
Year ended 31 December 2011	17	9	1	7	–	**34**
Charged to statement of comprehensive income:						
– additional provisions/releases	–	(9)	–	5	–	**(4)**
Used during the year	(17)	–	(1)	–	–	**(18)**
Year ended 31 December 2012	**–**	**–**	**–**	**12**	**–**	**12**

* *This potential exposure emanated in the past when deferred benefit plans were converted to defined-contribution plans.*

** *The balance consists of the cash-settled share-based payment liability in Santam Ltd and the provision for the MiWay deferred bonus plans.*

	Group		Company	
	2012 R million	2011 R million	**2012 R million**	2011 R million
24. TRADE AND OTHER PAYABLES				
Amounts due to subsidiaries	**–**	–	**945**	606
Trade payables and accrued expenses	**812**	912	**395**	413
Amounts due to intermediaries	**258**	185	**234**	173
Amounts due to reinsurers	**711**	576	**589**	404
Amounts due to policyholders	**28**	97	**–**	36
Employee benefits	**77**	58	**48**	39
Total	**1 886**	1 828	**2 211**	1 671

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
25. INVESTMENT INCOME				
Dividend income	342	150	320	299
Quoted	136	123	130	120
Unquoted*	206	27	190	179
Interest income	503	436	399	369
Quoted	232	217	189	202
Unquoted	271	219	210	167
Foreign exchange differences	14	90	12	73
	859	676	731	741

** Dividend income for the group includes a dividend of R181 million from Santam's run-off international business.*

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
26. NET GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH INCOME				
Net realised gains on financial assets	358	140	347	210
Net fair value gains on financial assets designated as at fair value through income	360	21	328	9
Net fair value (losses)/gains on financial assets held for trading	(166)	9	–	–
Net realised gains on derivatives	5	80	5	80
Net fair value losses on financial liabilities designated as at fair value through income	(77)	(61)	(70)	(39)
Net fair value losses on debt securities	(70)	(39)	(70)	(39)
Net fair value losses on investment contracts	(7)	(22)	–	–
	480	189	610	260

	Gross R million	Reinsurance R million	Net R million
27. INSURANCE BENEFITS AND CLAIMS			
2012			
GROUP			
Claims paid	11 340	(1 436)	9 904
Movement in the expected cost of outstanding claims	827	(52)	775
Total claims and loss adjustment expense	**12 167**	**(1 488)**	**10 679**
COMPANY			
Claims paid	9 755	(598)	9 157
Movement in the expected cost of outstanding claims	893	(88)	805
Total claims and loss adjustment expense	**10 648**	**(686)**	**9 962**
2011			
GROUP			
Claims paid	10 327	(1 338)	8 989
Movement in the expected cost of outstanding claims	461	(46)	415
Total claims and loss adjustment expense	**10 788**	**(1 384)**	**9 404**
COMPANY			
Claims paid	8 917	(609)	8 308
Movement in the expected cost of outstanding claims	403	(25)	378
Total claims and loss adjustment expense	**9 320**	**(634)**	**8 686**

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
28. EXPENSES BY NATURE				
Auditor's remuneration	18	16	8	11
Audit fees				
– Current year	13	12	7	7
– Prior year	2	–	–	–
Audit-related services	3	4	1	4
Depreciation	44	38	22	21
Amortisation of intangible assets	56	68	2	6
Impairment of intangible assets	60	–	–	–
Employee benefit expense (note 29)	1 866	1 706	1 143	1 116
Operating lease rentals	287	293	239	247
– Offices	123	129	79	87
– Computer equipment	145	146	145	146
– Furniture and mechanical equipment	4	4	–	–
– Motor vehicles	15	14	15	14
Costs incurred for the acquisition of insurance contracts	2 540	2 324	2 715	2 494
Asset management services	31	28	24	23
Other expenses	134	61	470	359
Total expenses	5 036	4 534	4 623	4 277
29. EMPLOYEE BENEFIT EXPENSE				
Wages, salaries and bonus	1 520	1 387	915	907
Social security costs	113	102	108	96
Long-term incentive scheme costs	166	139	65	45
Pension costs – defined-contribution plans	74	67	62	57
BBBEE cost (refer note 43)	(7)	11	(7)	11
	1 866	1 706	1 143	1 116

For directors' emoluments included above refer to note 41.

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
30. FINANCE COSTS				
Interest expense				
– interest on collateral guarantee	5	6	5	5
– banks and other	6	5	–	–
– subordinated callable note	83	83	83	83
– revenue authorities	12	–	12	–
	106	94	100	88
31. INCOME TAX EXPENSE				
South African normal taxation				
Current year	433	567	361	504
– Charge for the year	294	531	223	468
– STC	139	36	138	36
Prior year	10	(4)	10	–
Foreign taxation – current year	38	34	–	–
Income taxation for the year	481	597	371	504
Deferred taxation	143	(111)	172	(44)
Current year	139	(111)	168	(44)
STC	4	–	4	–
Total taxation	624	486	543	460

	Group 2012	Group 2011	Company 2012	Company 2011
Reconciliation of taxation rate (%)				
Normal South African taxation rate	28.0	28.0	28.0	28.0
Adjusted for				
– Disallowable expenses	1.0	1.1	1.0	0.9
– Foreign tax differential	0.1	0.4	–	–
– Exempt income	(2.6)	(2.2)	(5.5)	(4.4)
– Investment results	(3.2)	(1.9)	(4.4)	(2.0)
– Change in CGT inclusion rate	4.7	–	4.9	–
– Income from associates	(0.7)	(1.3)	(0.4)	(0.4)
– Previous years' under/(over)provision	0.6	(0.3)	0.6	–
– Other permanent differences	0.3	–	0.2	–
– STC	8.5	1.9	8.7	1.9
Net increase/(reduction)	8.7	(2.3)	5.1	(4.0)
Effective rate (%)	36.7	25.7	33.1	24.0

32. EARNINGS PER SHARE

32.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Group 2012	Group 2011
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	1 027	1 376
Weighted average number of ordinary shares in issue (millions)	113.56	113.15
Earnings per share (cents)	904	1 216

32.2 Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. In the diluted earnings per share calculation for the shares granted to employees under the deferred share plan, a calculation is made to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit.

	2012	2011
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	1 027	1 376
Weighted average number of ordinary shares in issue (millions)	113.56	113.15
Adjusted for share options	1.25	1.32
Weighted average number of ordinary shares for diluted earnings per share	114.81	114.47
Diluted basic earnings per share (cents)	895	1 202

32.3 Headline earnings per share

For the calculation of headline earnings per share, the profit attributable to equity holders of the company is adjusted with items excluded from headline earnings per share as listed below, divided by the normal weighted average number of ordinary shares in issue.

	2012	2011
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	1 027	1 376
Impairment of goodwill	35	–
Impairment of software	25	–
Impairment of investment in associate	43	–
Tax charge and non-controlling interest	–	–
Headline earnings (R million)	1 130	1 376
Weighted average number of ordinary shares in issue (millions)	113.56	113.15
Headline earnings per share (cents)	995	1 216

	Group 2012	Group 2011
32. EARNINGS PER SHARE (continued)		
32.4 Diluted headline earnings per share		
Headline earnings (R million)	1 130	1 376
Weighted average number of ordinary shares for diluted earnings per share (millions)	114.81	114.47
Diluted headline earnings per share (cents)	984	1 202

	Group 2012	Group 2011
33. DIVIDENDS PER SHARE		
Ordinary dividend per share		
Interim of 230 cents per share (2011: 200 cps)	274	239
Proposed final of 410 cents per share (2011: 355 cps)	489	424
	763	663
Special dividend per share		
Special dividend of Nil cents per share (2011: 850 cps)	–	1 014
	–	1 014

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
34. CASH GENERATED FROM OPERATIONS				
Profit before tax	1 700	1 891	1 639	1 914
Adjustments for:				
Non-cash items	177	92	81	4
– Loss on disposal of fixed assets	–	8	–	8
– Profit on sale of business operations	–	–	–	(84)
– Share option costs	57	63	57	53
– Amortisation/impairment of intangible asset	81	68	2	6
– Impairment of goodwill	35	–	–	–
– Depreciation	44	38	22	21
– Impairment on net investment in associated company	43	–	–	–
– Income from associated companies	(83)	(85)	–	–
Investment income, realised and fair value gains	(1 338)	(865)	(1 341)	(1 000)
Finance costs	106	94	100	88
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)	859	678	803	(35)
Reinsurance assets	(256)	(232)	(183)	(144)
Deferred acquisition costs	(8)	(82)	1	(3)
Loans and receivables including insurance receivables	(212)	(108)	(444)	(569)
Insurance liabilities	1 182	714	1 070	501
Deferred reinsurance acquisition revenue	45	62	22	36
Provisions for other liabilities and charges	56	31	(22)	(1)
Trade and other payables	52	293	359	145
Investment income received in cash	858	632	731	670
Dividends received	364	179	319	299
Interest received	503	436	399	368
Foreign exchange differences	8	1	8	(1)
Movement in provision for investment income	(17)	16	5	4
Cash generated from operations	2 362	2 522	2 013	1 641

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
35. INCOME TAX PAID				
Amounts charged to the statement of comprehensive income	**(624)**	(486)	**(543)**	(460)
Movement in deferred taxation	**143**	(111)	**172**	(44)
Movement in taxation liability	**(40)**	(216)	**(70)**	(233)
	(521)	(813)	**(441)**	(737)

36. BUSINESS COMBINATIONS

2012

Additions

Riscor Underwriting Managers (Pty) Ltd

The group acquired 100% of Riscor Underwriting Managers (Pty) Ltd (Riscor) on 1 September 2012 for a nominal amount. Riscor acquired from Topexec Management Bureau (Pty) Ltd and Combined Administration Management Services (Pty) Ltd their intermediary administration business units, comprising fixed assets and intangible assets on 1 September 2012 and 1 November 2012 respectively. The merged Riscor entity will operate as an independent administration company.

The total purchase price amounted to R29 million. Intangible assets of R39 million and deferred taxation of R10 million were recognised. Net operating assets amounted to approximately R1 million.

Disposals

Stilus Underwriting Managers (Pty) Ltd

On 1 January 2012, Swanvest 120 (Pty) Ltd sold its 60% interest in Stilus Underwriting Managers (Pty) Ltd.

Details of the assets and liabilities sold are as follows:		
Deferred taxation	**(2)**	–
Trade and other payables	**4**	–
Net asset value sold	**2**	–
Plus: Non-controlling interest	**(2)**	–
Purchase consideration received	**–**	–

2011

Additions

a) MiWay Group Holdings (Pty) Ltd

During the year the deferred purchase consideration for MiWay Group Holdings (Pty) Ltd was settled in cash. A profit of R4 million was recognised in the statement of comprehensive income.

b) Mirabilis Engineering Underwriting Managers (Pty) Ltd

On 1 March 2011, the Santam group acquired 55% of the voting equity interest in Mirabilis Engineering Underwriting Managers (Pty) Ltd by merging its construction and engineering business units into Mirabilis.

Details of the assets and liabilities acquired at fair value are as follows:	a) MiWay Group Holdings (Pty) Ltd	b) Mirabilis Engineering Underwriting Managers (Pty) Ltd	Total
Deferred taxation		(5)	**(5)**
Intangible assets		18	**18**
Financial assets at fair value through income		5	**5**
Loans and receivables		1	**1**
Cash and cash equivalents		3	**3**
Trade and other payables		(4)	**(4)**
Net asset value acquired	–	18	**18**
Goodwill		28	**28**
Excess of acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost		(38)	**(38)**
Less: Investment in non-controlling share previously acquired		(8)	**(8)**
Deferred purchase consideration paid	343	–	**343**
Purchase consideration paid	343	–	**343**

	Group 2012 R million	Group 2011 R million	Company 2012 R million	Company 2011 R million
37. TRANSACTIONS WITH NON-CONTROLLING PARTNERS				
Mirabilis Engineering Underwriting Managers (Pty) Ltd				
On 1 March 2011, Santam Ltd sold the non-controlling interest of 45% in its construction and engineering business unit by merging it into Mirabilis Engineering Underwriting Managers (Pty) Ltd.				
Excess received on acquisition of non-controlling interest	–	(38)	–	(38)
Settled through acquisition of Mirabilis Engineering Underwriting Managers (Pty) Ltd	–	38	–	38
Purchase consideration paid	–	–	–	–
38. DIVIDENDS PAID				
Amounts paid for the year to company's shareholders	1 626	593	1 713	627
Amounts paid for the year to non-controlling interests	48	25	–	–
	1 674	618	1 713	627

39. CONTINGENCIES

The group, like all other insurers, is subject to litigation in the normal course of its business. The group does not believe that such litigation will have a material effect on its profit or loss and financial condition.

40. COMMITMENTS

Operating lease commitments – where group company is the lessee

The group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The group also leases vehicles under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 28.

The future aggregate minimum lease payments under operating leases are as follows:

2012	Up to 1 year R million	Between 1 to 5 years R million	More than 5 years R million	Total R million
Motor vehicles	15	18	–	**33**
Office equipment	3	3	–	**6**
Offices	94	257	153	**504**
	112	278	153	**543**
2011				
Motor vehicles	13	13	–	**26**
Offices	74	137	25	**236**
	87	150	25	**262**
2012				
Computer equipment	179	157	–	336
2011				
Computer equipment	174	148	–	322

41. RELATED-PARTY TRANSACTIONS

Major shareholders

Sanlam Ltd (incorporated in South Africa) is the ultimate holding company with a 59.9% shareholding in Santam Ltd. The balance of the shareholders (40.1%) do not have significant influence and thus no other shareholder is treated as a related party. The shares are widely held by public, non-public, individual and corporate shareholders (refer to Analysis of shareholders on page 81 for detail).

Transactions with the Sanlam group

The company transacts with the Sanlam group on various levels, predominantly insurance-related cover, provided to Sanlam group companies. Sanlam Investment Management acts as the largest investment fund manager for the group with its fees negotiated on a regular basis.

Transactions with entities in the group

During the year the company and its subsidiaries in the ordinary course of business entered into various transactions with other group companies, associated companies and other stakeholders.

The company has several intercompany balances owed by and to subsidiaries in the group as at the end of the year. Loans to subsidiaries with outside shareholders are interest-bearing and are repayable on demand. Loans to wholly owned subsidiaries are interest-free and repayable on demand. These inter-Santam group balances have been eliminated on consolidation (for detail on balances, refer note 45).

The company has guaranteed liabilities of MiWay Group Holdings (Pty) Ltd with Absa Bank Ltd and IBM South Africa (Pty) Ltd, for an amount of R19 million (2011: R19 million) and R13 million (2011: R7 million) respectively.

Transactions with key management

Remuneration is paid to key management (executive committee members) of the group.

Key management also have short-term insurance contracts with the company in their private capacity. Premiums on these contracts amounted to less than R1 million in total.

The following is a summary of transactions and balances with related parties:

	2012 R million	2011 R million
a) Sale of insurance contracts and other services		
Insurance contracts		
– Sanlam Ltd and related parties	11	33
Reinsurance contracts		
– MiWay Group Holdings Ltd	955	632
– Centriq Insurance Holdings Ltd	142	306
Sale of services		
– subsidiaries	3	4
b) Purchase of services		
– associates (for administration services)	(75)	(80)
– subsidiaries (for administration services)	(417)	(337)
– subsidiaries (for brokerage commission)	(483)	(514)
– Sanlam Ltd and related parties (for investment management services)	(31)	(28)
– Sanlam Ltd and related parties (for IT infrastructure costs)	(170)	(167)
– Sanlam Ltd and related parties (for insurance claims paid)	(1)	(21)
– MiWay Group Holdings Ltd (for reinsurance claims paid)	(537)	(407)
– Centriq Insurance Holdings Ltd (for reinsurance claims paid)	(56)	(182)
– Sanlam Ltd and related parties (for commission paid)	(6)	(4)

	2012 R million	2011 R million
41. RELATED-PARTY TRANSACTIONS (continued)		
c) Investment income and net realised/unrealised (gains)/losses received from:		
– Sanlam Ltd and related parties	**(43)**	(230)
d) Key management compensation		
Salaries and other short-term employee benefits	**28**	15
Share-based payments	**6**	5
e) Dividends paid	**(973)**	(339)
– to Sanlam Group		
f) Year-end balances with related parties		
Sanlam Group: Sanpref (Pty) Ltd		
– preference shares	**–**	235
Sanlam Alternative Income Fund		
– investment	**275**	392
Sanlam Property Fund		
– investment	**24**	9
Sanlam Capital Markets		
– Sanlam Bond	**56**	207
– money market instruments	**179**	115
Sanlam Life Insurance Ltd		
– bond	**–**	25
– trade payable	**(14)**	(11)
– prepaid insurance cover for directors and officers	**–**	–
– shares	**1**	1
Simhedgo (Pty) Ltd		
– Gen-X Enhanced Cash Fund	**259**	–

Transaction with directors and prescribed officers

Remuneration is paid to directors and prescribed officers in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Santam Ltd have notified that they did not have material interest in any contract of significance with the company or any of its subsidiaries, which could have given rise to a conflict of interest during the year

Certain directors have short-term insurance contracts with the company in their private capacity. These contracts are not material.

Directors' and prescribed officers' emoluments

The group human resources committee considers the remuneration of all executive directors as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval. 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, 2008, and Listings Requirements introduced by the JSE Ltd.

	Salary R000	Performance bonus** R000	Other benefits R000	Total R000
2012				
Paid by the company				
IM Kirk	3 222	2 500	578	**6 300**
HD Nel (appointed 17 September 2012)	685	500	1 612*	**2 797**
Y Ramiah	1 769	1 200	173	**3 142**
MJ Reyneke (resigned as executive director on 17 September 2012)	1 604	1 500	2 262*	**5 366**
	7 280	5 700	4 625	17 605

** HD Nel: Includes a retention payment of R1.5 million.*
MJ Reyneke: Includes a restraint of trade payment of R2 million.

	Salary R000	Performance bonus** R000	Other benefits R000	Total R000
2011				
Paid by the company				
IM Kirk	2 933	5 100	665	**8 698**
Y Ramiah	1 839	2 000	155	**3 994**
MJ Reyneke	1 968	3 000	345	**5 313**
	6 740	10 100	1 165	18 005

*** Bonus in respect of 2012 paid in 2013 (2011 paid in 2012).*

	Directors' fees 2012 R000	2011 R000
Non-executive directors		
Paid by the company		
B Campbell	**381**	313
MD Dunn	**447**	376
MP Fandeso	**381**	72
BTPKM Gamedze	**331**	251
GG Gelink	**261**	–
DCM Gihwala	**–**	190
VP Khanyile	**750**	711
JG le Roux	**–**	174
NM Magau	**–**	285
MLD Marole	**397**	–
JP Möller*	**397**	360
YG Muthien*	**188**	313
P de V Rademeyer	**–**	159
MJ Reyneke	**438**	–
GE Rudman	**–**	159
J van Zyl*	**331**	313
BP Vundla	**8**	313
	4 310	3 989
Total directors' remuneration	**21 915**	21 994

* *Fees were paid to the holding company, Sanlam Ltd*

Shares granted under the deferred share plan to executive directors and prescribed officers

The deferred share plan (DSP), was implemented during 2007, in terms of which shares are granted to employees on a deferred delivery basis over a five-year period (refer to note 15). Performance hurdles apply to the vesting of the DSP shares.

DEFERRED SHARE PLAN (DSP) – DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION

2012	As at 31 December 2011	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2012
Santam shares						
IM Kirk	5 212	283	(2 748)	167.00	01/06/08	2 747
	51 928	2 876	(21 922)	167.00	01/06/09	32 882
	7 910	454			01/06/10	8 364
	9 890	591			01/06/11	10 481
		6 551			01/06/12	6 551
	74 940	10 755	(24 670)			61 025
MJ Reyneke*	1 695	91	(1 786)	167.00	01/06/07	–
	1 716	93	(905)	167.00	01/06/08	904
	28 209	1 562	(11 909)	167.00	01/06/09	17 862
	1 130	65			01/06/10	1 195
	878	52			01/06/11	930
	33 628	1 863	(14 600)			20 891
HD Nel	–	15 174			17/09/12	15 174
Y Ramiah	21 425	1 230			01/06/10	22 655
	1 636	97			01/06/11	1 733
		659			01/06/12	659
	23 061	1 986	–			25 047
TOTAL	131 629	29 778	(39 270)			122 137

* *Resigned as executive director and became a non-executive director on 17 September 2012. It was agreed that all unvested shares will vest at the end of June 2013.*

41. RELATED-PARTY TRANSACTIONS (continued)

2011	As at 31 December 2010	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2011
IM Kirk	8 688		(3 476)	127.16	01/06/08	5 212
	51 928				01/06/09	51 928
	7 910				01/06/10	7 910
		9 890			01/06/11	9 890
	68 526	9 890	(3 476)			74 940
MJ Reyneke	3 391		(1 696)	127.16	01/06/07	1 695
	2 861		(1 145)	127.16	01/06/08	1 716
	28 209				01/06/09	28 209
	1 130				01/06/10	1 130
		878			01/06/11	878
	35 591	878	(2 841)			33 628
Y Ramiah	21 425				01/06/10	21 425
		1 636			01/06/11	1 636
	21 425	1 636	–			23 061
TOTAL	**125 542**	**12 404**	**(6 317)**			**131 629**

2012	As at 31 December 2011	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2012
Sanlam shares						
IM Kirk	92 736		(37 096)	33.30	01/06/09	55 640
	14 375				01/06/10	14 375
	19 536				01/06/11	19 536
		14 221			01/06/12	14 221
	126 647	14 221	(37 096)			103 772
MJ Reyneke*	2 701		(2 701)	33.30	01/06/07	–
	3 008		(1 504)	33.30	01/06/08	1 504
	50 376		(20 152)	33.30	01/06/09	30 224
	56 085	–	(24 357)			31 728
HD Nel	–	32 028			01/10/12	32 028
Y Ramiah	38 937				01/06/10	38 937
	3 217				01/06/11	3 217
	42 154	–	–			42 154
TOTAL	**224 886**	**46 249**	**(61 453)**			**209 682**

* *Resigned as executive director and became a non-executive director on 17 September 2012. It was agreed that all unvested shares will vest at the end of June 2013.*

2011	As at 31 December 2010	Number of shares granted during year	Number of shares exercised during year	Gain per share on options exercised	Date awarded	As at 31 December 2011
IM Kirk	92 736				01/06/09	92 736
	14 375				01/06/10	14 375
		19 536			01/06/11	19 536
	107 111	19 536	–			126 647
MJ Reyneke	5 404		(2 703)	27.25	01/06/07	2 701
	5 014		(2 006)	27.25	01/06/08	3 008
	50 376				01/06/09	50 376
	60 794	–	(4 709)			56 085
Y Ramiah	38 937				01/06/10	38 937
		3 217			01/06/11	3 217
	38 937	3 217	–			42 154
TOTAL	206 842	22 753	(4 709)			224 886

OUTPERFORMANCE PLAN (OPP)

The Santam Ltd human resources committee has extended an OPP to the Chief Executive Officer to reward superior performance over a five-year measurement period. No payment is made under the OPP unless expected growth in net insurance results over hurdle for the period is exceeded and full payment is only made if the stretch performance targets are met. The maximum payment that can be made under the OPP is 200% of annual guaranteed package over the five-year measurement period.

	Measurement period	Achievement	Reward
IM Kirk	1 January 2010 – 31 December 2014	46%	Final measurement and payment on 1 April 2015

DIRECTORS' AND PRESCRIBED OFFICERS' INTEREST IN THE SHARES OF THE COMPANY

	Beneficial holding at 31 December 2012 R000	2011 R000
Executive directors and prescribed officers		
IM Kirk	**42 265**	63 169
HD Nel	**–**	–
Y Ramiah	**100**	100
Non-executive directors		
B Campbell	**100**	100
MD Dunn	**100**	100
MP Fandeso	**103**	103
BTPKM Gamedze	**200**	200
VP Khanyile	**110**	110
JP Möller	**108**	108
YG Muthien	**–**	100
MJ Reyneke (became a non-executive director on 17 September 2012)	**56 351**	101 264
J van Zyl	**108**	108
BP Vundla	**–**	100
	99 545	165 562

41. RELATED-PARTY TRANSACTIONS (continued)

Remuneration received by Santam directors from other Sanlam group companies for services provided to these companies (disclosed in accordance with section 30(5)(b) of the Companies Act 2008).

Emoluments for the year ended 31 December 2012

	Salary R000	Performance bonus R000	Other benefits R000	Total R000
2012				
JP Möller	2 759	3 700	1 116	**7 575**
Y Ramiah	396	300	20	**716**
J van Zyl	4 502	–	798	**5 300**
	7 657	4 000	1 934	13 591
2011				
JP Möller	3 013	3 200	574	**6 787**
J van Zyl	4 452	–	848	**5 300**
	7 465	3 200	1 422	12 087

Deferred share plan

Sanlam shares

	Balance 31 December 2011	Awarded in 2012	Shares vested	Balance 31 December 2012
J van Zyl	289 060	–	125 130	**163 930**
JP Möller	203 525	35 605	49 688	**189 442**
Total	492 585	35 605	174 818	353 372

Performance deferred share plan

	Balance 31 December 2011	Awarded in 2012	Shares vested	Balance 31 December 2012
J van Zyl	470 889	–	97 139	**373 750**
JP Möller	221 502	44 146	54 967	**210 681**
Total	692 391	44 146	152 106	584 431

Restricted share plan

	Balance 31 December 2011	Awarded in 2012	Shares vested	Balance 31 December 2012
J van Zyl	1 607 832	–	699 008	**908 824**
JP Möller	556 607	62 093	233 737	**384 963**
Total	2 164 439	62 093	932 745	1 293 787

Please refer to the Sanlam Financial statements for detail on a separate arrangement with J van Zyl with effect from January 2011 in terms of which 5 million restricted shares, the vesting of which are subject to the achievement of specific performance hurdles, were issued to him in lieu of further salary increases, bonus payments and other long-term incentive allocations.

For further details refer to the 2012 Sanlam integrated report.

42. SOLVENCY MARGIN

The group is subject to insurance solvency regulations in all territories in which it issues insurance contracts, and it has complied with all the local solvency regulations. The group complied with all statutory solvency regulations within all regulated entities.

The group solvency margin is calculated as the ratio of capital and reserves to net written premium per the international method. This method differs from the statutory solvency calculation in that it takes into account all reinsurance, whereas the statutory solvency calculation allows only approved reinsurance, as defined in the Short-term Insurance Act, to be taken into account.

	Group	
	2012	2011
Group capital and reserves attributable to equity holders (R million)	**5 509**	6 036
Debt securities	**1 034**	964
	6 543	7 000
Net written premium (R million)	**15 822**	14 674
Group solvency margin (%)	**41.4%**	47.7%

43. BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

The Santam BBBEE scheme is hosted in a special-purpose company (BEE SPV) and consists of three components:

- The Emthunzini Black Economic Empowerment Staff Trust (the Staff Trust)
- The Emthunzini Black Economic Empowerment Business Partners Trust (the Business Partners Trust)
- The Emthunzini Broad-based Black Economic Empowerment Community Trust (the Community Trust)

The total value in the scheme at 31 December 2012 was R985 million. The value in the scheme is proportionally allocated to these three trusts. Of the current value in the scheme, 49% (R483 million) is attributable to the Business Partners Trust, 26% (R256 million) to the Staff Trust and 25% (R246 million) to the Community Trust. During 2012 the dividend income received by BEE SPV was sufficient to fully service the senior debt facility and make a proportional payment towards servicing of the mezzanine debt.

Within the trusts, allocations are made to beneficiaries according to the specific rules in the respective trust deeds. To date, more than 50% of the value in the scheme has been allocated to participants.

During 2012, the scheme made further unit allocations to new black employees that joined the Santam group and to black employees that were promoted since the previous allocation.

In total, 25% of the value in the scheme will be allocated to specific projects within previously disadvantaged communities. The scheme allocated R6 million to the Community Trust for distribution to identified beneficiaries during 2012. More information on the scheme can be found in our sustainability report on our website at www.santam.co.za.

As the BEE SPV company is not controlled by Santam in terms of the requirements as defined by SIC 12 Consolidation – Special Purpose Entities, the entity is not consolidated into the Santam group.

44. 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.

45. ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investment in subsidiaries

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2012	Proportion held by the company 2011	Book value R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
Aegis Insurance Company Ltd	Insurance	RSA	179 195 142	100.0%	100.0%	262	267	–
Centriq Insurance Holdings Ltd	Insurance	RSA	102 330 000	100.0%	100.0%	150	–	22
Guardian National Insurance Company Ltd	Insurance	RSA	178 603 840	100.0%	100.0%	624	322	247
Indwe Broker Holdings Group (Pty) Ltd	Intermediary	RSA	28 552 225	100.0%	100.0%	132	–	–
Main Street 409 (Pty) Ltd	Holding Co.	RSA	850	100.0%	100.0%	84	–	–
Mirabilis Engineering Underwriting Managers (Pty) Ltd	Underwriting	RSA	84 000 850	55.0%	55.0%	84	–	8
Santam International Ltd	Holding co.	Guernsey	692 505 672	100.0%	100.0%	538	351	–
Santam Namibia Ltd	Insurance	Namibia	8 307 147	60.0%	60.0%	5	4	13
Sentinel Insurance Corporation Ltd	Investments	RSA	1 000 000	100.0%	100.0%	–	1	–
Swanvest 120 (Pty) Ltd	Holding co.	RSA	100	100.0%	100.0%	1	–	466
Thebe Risk Services Holdings (Pty) Ltd	Holding co.	RSA	1 000	100.0%	100.0%	47	–	–
						1 927	945	756
Indirect								
Admiral Professional Underwriting Agency (Pty) Ltd	Underwriting	RSA	2 270 403	100.0%	100.0%	12	–	–
Africa Group Financial Services (Pty) Ltd	Holding co.	RSA	100	100.0%	100.0%	–	–	–
Centriq Insurance Company Ltd	Insurance	RSA	55 000 084	100.0%	100.0%	102	–	3
Centriq Life Insurance Company Ltd	Insurance	RSA	21 000 000	100.0%	100.0%	23	–	–
C-Sure Underwriting Managers (Pty) Ltd	Underwriting	RSA	1 000	100.0%	100.0%	3	–	3
Echelon Private Client Solutions (Pty) Ltd	Underwriting	RSA	1 000	60.0%	60.0%	–	–	11
Emerald Risk Transfer (Pty) Ltd	Insurance	RSA	2 000 174	100.0%	100.0%	94	–	1
Insurance Broker Resource Centre (Pty) Ltd	Underwriting	RSA	85 000	100.0%	100.0%	–	–	
Isure Services (Pty) Ltd	IT Services	RSA	100	100.0%	100.0%	–	–	–
Isure Systems (Pty) Ltd	IT Services	RSA	100	100.0%	100.0%	–	–	–
Just I-Insure Consultants (Pty) Ltd	Underwriting	RSA	120	100.0%	100.0%	–	–	–
Legal Exchange Corporation (Pty) Ltd	Underwriting	RSA	1 166 830	70.0%	70.0%	1	–	–
Misty Sea Trading 267 (Pty) Ltd	Investments	RSA	11 200 952	100.0%	100.0%	–	–	–
MiWay Group Holdings (Pty) Ltd	Holding co.	RSA	211 101 111	100.0%	100.0%	257	–	–
Namibian National Insurance Company Ltd	Insurance	Namibia	3 100 000	100.0%	100.0%	3	–	–
Nova Risk Partners Ltd	Insurance	RSA	3 000 000	100.0%	100.0%	3	–	–
Riscor Underwriting Managers (Pty) Ltd*	Underwriting	RSA	100	100.0%	0.0%	–	–	–
Santam UK Ltd	Holding co.	UK	100 006 588	100.0%	100.0%	75	–	–
Stalker Hutchison Admiral (Pty) Ltd	Underwriting	RSA	7 914 393	100.0%	100.0%	53	–	–
Stilus Underwriting Managers (Pty) Ltd**	Underwriting	RSA	1 000	0.0%	60.0%	–	–	–
Wheatfields Investments no 136 (Pty) Ltd	Underwriting	RSA	120	100.0%	100.0%	–	–	–
						626	–	18
TOTAL INVESTMENTS IN SUBSIDIARIES						2 553	945	774

* *On 1 September 2012, Swanvest 120 (Pty) Ltd acquired a 100% interest in Riscor Underwriting Managers (Pty) Ltd.*

** *On 1 January 2012, Swanvest 120 (Pty) Ltd sold its 60% interest in Stilus Underwriting Managers (Pty) Ltd.*

Investment in associated companies
Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2012	Proportion held by the company 2011	Carrying value including equity accounted earnings R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
Credit Guarantee Insurance Corporation of Africa Ltd	Insurance	RSA	2 649 333	33.6%	33.6%	192	–	–
NICO Holdings Ltd	Fin. Services	Malawi	15 030 206	25.1%	25.1%	40	–	–
South African Nuclear Pool Administrators (Pty) Ltd	Insurance	RSA	120	25.0%	25.0%	–	–	–
						232	–	–
Indirect								
Beyonda Group (Pty) Ltd	Insurance	RSA	200	49.0%	49.0%	6	–	–
Censeo (Pty) Ltd	Claim assessment	RSA	3 000	37.5%	37.5%	3	–	–
H and L Underwriting Managers (Pty) Ltd	Underwriting	RSA	100	30.0%	30.0%	–	–	–
STRIDE South Africa (RF) (Pty) Ltd	IT	RSA	25 140 000	33.3%	0.0%	3	–	–
Paladin Underwriting Managers (Pty) Ltd	Insurance	RSA	3 008 000	40.0%	40.0%	15	–	–
Fame and Fortune Trading 152 (Pty) Ltd	Motor body repairs	RSA	5 000 100	49.0%	49.0%	–	–	–
Nautical Underwriting Managers (Pty) Ltd***	Underwriting	RSA	200	68.5%	45.0%	1	–	–
Vulindlela Underwriting Management (Pty) Ltd	Underwriting	RSA	800	31.4%	31.4%	1	–	–
						29	–	–
TOTAL INVESTMENTS IN ASSOCIATED COMPANIES						261	–	–

*** *Centriq increased its shareholding in Nautical Underwriting Managers (Pty) Ltd to 68.5% at the end of the financial year. For 2012 the entity was equity accounted as an associate. From 2013 the results for Nautical Underwriting Managers (Pty) Ltd will be consolidated.*

(I) Analysis of shareholders

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	928	16.66%	67 791	0.06%
101 – 1 000 shares	2 829	50.85%	1 247 405	1.05%
1 001 – 50 000 shares	1 732	31.12%	9 640 750	8.08%
50 001 – 100 000 shares	34	0.61%	2 350 135	1.97%
100 001 – 10 000 000 shares	40	0.72%	26 742 737	22.41%
More than 10 000 000 shares	2	0.04%	79 297 599	66.43%
Total	**5 565**	**100.00%**	**119 346 417**	**100.00%**
Type of shareholder				
Individuals	3 871	69.57%	4 624 484	3.89%
Companies	347	6.23%	79 595 419	66.68%
Growth funds/unit trusts	142	2.55%	20 804 109	17.43%
Nominee companies or trusts	1 107	19.89%	4 116 457	3.45%
Pension and retirement funds	98	1.76%	10 205 948	8.55%
Total	**5 565**	**100.00%**	**119 346 417**	**100.00%**

	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
Shareholder spread	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	5 411	26.27%	140	100.00%	5 551	28.77%
Directors	10	0.14%	–	–	10	0.14%
Trustees of employees' share scheme	1	0.00%	–	–	1	0.00%
Holdings of 5% or more	3	73.59%	–	–	3	71.09%
Sanlam Ltd	1	59.10%	–	–	1	57.09%
Central Plaza Investments 112 (Pty) Ltd*	1	9.68%	–	–	1	9.35%
Guardian National Insurance Ltd**	1	4.81%	–	–	1	4.65%
Total	**5 425**	**100.00%**	**140**	**100.00%**	**5 565**	**100.00%**

The analysis includes the shares held as treasury shares.

* *BEE special-purpose company*
** *Owner of treasury shares*

(II) Analysis of debt security holders

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	1	1.09%	31 700	–
50 001 – 100 000 units	2	2.17%	185 600	0.02%
100 001 – 1 000 000 units	31	33.70%	18 467 000	1.85%
1 000 000 – 10 000 000 units	42	45.65%	176 822 000	17.68%
More than 10 000 000 units	16	17.39%	804 493 700	80.45%
Total	92	100.00%	1 000 000 000	100.00%
Type of debt security holder				
Intermediaries	2	2.17%	53 531 700	5.35%
Endowment funds	5	5.43%	13 458 600	1.35%
Insurance companies	9	9.78%	213 792 800	21.38%
Investment companies	1	1.09%	125 000 000	12.50%
Medical aid schemes	2	2.17%	1 150 000	0.12%
Mutual funds	35	38.04%	209 120 900	20.91%
Nominees and trusts	2	2.17%	1 490 000	0.15%
Pension funds	33	35.89%	356 546 000	35.65%
Private companies	3	3.26%	25 910 000	2.59%
Total	92	100.00%	1 000 000 000	100.00%

	Debt security holders in South Africa	
Debt security holder spread	Nominal number	% Interest
Government Employees Pension Fund	214 767 500	21.48%
Old Mutual Life Assurance Company (South Africa) Ltd	145 051 400	14.51%
Momentum Group Ltd	125 000 000	12.50%
RMB Capital Markets	53 500 000	5.35%
Other	461 681 100	46.16%
Total	1 000 000 000	100.00%

Administration

NON-EXECUTIVE DIRECTORS
B Campbell, MD Dunn, MP Fandeso, BTPKM Gamedze, GG Gelink,
VP Khanyile (Chairman), MLD Marole, JP Möller, MJ Reyneke, J van Zyl

EXECUTIVE DIRECTORS
IM Kirk (Chief Executive Officer), HD Nel (Chief financial officer), Y Ramiah

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ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM

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