

# REVIEWED INTERIM REPORT

SANTAM LIMITED  
AND ITS SUBSIDIARIES  
REVIEWED INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2012



# CONTENTS

2 - 3

Financial review

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4 - 18

Reviewed Interim Report for Santam  
Limited and its subsidiaries for the  
six months ended 30 June 2012

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## NON-EXECUTIVE DIRECTORS

B Campbell, MD Dunn, MP Fandesio,  
BTPKM Gamedze, GG Gelink, VP Khanyile  
(Chairman), ML Marole, JP Möller, YG Muthien,  
J van Zyl

## EXECUTIVE DIRECTORS

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

## SPONSOR

Investec Bank Limited

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg 2001  
PO Box 61051, Marshalltown 2107  
Tel: 011 370 5000  
Fax: 011 688 7721  
[www.computershare.com](http://www.computershare.com)

## COMPANY SECRETARY

Masood Allie

## SANTAM HEAD OFFICE AND REGISTERED ADDRESS

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Bellville 7530  
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**Registration number** 1918/001680/06

**ISIN** ZAE000093779

**JSE share code:** SNT

**NSX share code:** SNM

- **Gross written premium growth of 10%**
- **Underwriting margin of 6.1% within target range**
- **38% increase in investment income**
- **Group solvency ratio of 41%**
- **MiWay achieves maiden profits**
- **Strong cash generation**
- **Tax charge significantly impacted by STC on special dividend and CGT inclusion rate change**
- **Interim dividend of 230 cents per share, up 15%**

## FINANCIAL REVIEW

The Santam group maintained its growth momentum and achieved excellent gross written premium growth of 10% when compared to June 2011, while keeping the underwriting margin solidly within the medium-term targeted range of 5% to 7%. An underwriting margin of 6.1% was achieved against 8.4% for the comparative period in 2011 and 7.1% for the second half of 2011.

Compared to 2011, investment results were significantly higher mainly driven by an improvement in fair value movements on equities. The income before tax of R927 million was 1% higher than the 2011 level achieved. The income tax charge increased by 84% when compared to 2011. The most significant taxation drivers were the STC on the special dividend paid in the first half of the year with an impact of R96 million, as well as an increase in the deferred tax provision on fair value movements of equities due to the increase in the CGT inclusion rate effective from 2013, with an impact of R59 million. This resulted in headline earnings decreasing by 29%. Cash flow from operations was higher than for June 2011 while the solvency margin was at 41% at the end of June 2012, well within the targeted range of 35% to 45%.

The 2012 net underwriting result of R471 million was 21% below the R594 million achieved in 2011, significantly impacted by the flooding in Mpumalanga in January 2012 and some large fire claims early in the year, which adversely affected the property book of the core Santam personal lines and commercial business unit. Our diverse book of business, together with a continuous focus on risk management to further improve the quality and diversity of the risk pool, provided relief from this impact. The motor book continued to perform well, although not at the exceptional levels reported in 2011. Margins in the specialist classes were satisfactory with the exception of the liability business in the specialist underwriting manager Stalker Hutchison Admiral where we have seen a deterioration in the net claims ratio which is due to softer rating conditions and claims paid falling within our retention and consequent low reinsurance recoveries. Improved management practices in the portfolio administration business continued to deliver satisfactory underwriting results. MiWay and Santam Re produced results above expectation with MiWay producing their maiden six-month profitable results.

Despite the prevailing uncertainty in the economy and pressure on consumers, Santam's continued focus on its strategic growth initiatives, including the diversification of distribution channels and improvement of existing channels, resulted in the achievement of excellent growth of 10% in gross written premium. Positive growth was achieved across all significant insurance classes.

The net acquisition cost ratio of 27.8% increased marginally from 27.7% in 2011. The aim remains to manage the acquisition cost ratio down in the medium to long term, but taking cognisance of our business composition and regulatory changes in the industry, as well as the impact of investment in strategic change projects in the core Santam business.

Investment returns on insurance funds of R204 million increased from the R193 million earned in 2011, mainly due to a higher float balance. As a percentage of net premium investment returns on insurance funds reduced slightly from 2.7% in 2011 to 2.6%.

The combined effect of insurance activities resulted in a net insurance income of R674 million or an 8.8% margin, compared to R787 million and a margin of 11.2% in 2011. The net insurance margin for the second half of 2011 was 9.6%.

Performance of the investment portfolio was positively impacted by the realisation of positive fair value movements on equities which were sold in anticipation of the payment of the special dividend in March. This was set off to some extent by unrealised fair value movements at the end of June. Interest and dividend income was up from 2011 by 9% and 27% respectively. The result was a significant increase in investment income, excluding investment returns on insurance funds, when compared to 2011. Santam's investment portfolio performance was in line with the benchmarks set in the investment mandates.

Net earnings from associated companies of R42 million decreased from R46 million in 2011. Earnings from Credit Guarantee Insurance Corporation of Africa Ltd improved while earnings from NICO Holdings Ltd in Malawi deteriorated somewhat compared to the prior reporting period.

The group generated healthy cash flow from operations, amounting to R1.3 billion.

At 30 June 2012 the group's international solvency ratio was 41%, compared to the 48% reported in December 2011 following the payment of a special dividend in March 2012. Santam remains committed to maximise the return on shareholders' capital within an appropriate risk framework. R1 434 million was released from other reserves to distributable reserves due to a contingency reserve no longer being required by the Financial Services Board.

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

### Prospects

It is expected that South Africa's GDP growth will be less than 3% in 2012. Headline inflation is expected to average below 6% for the year. Short-term insurance industry growth for the first half of the year was very subdued, mainly due to soft premium rates in the market.

It is expected that while competitive forces may suppress premium rates in the short term, drivers of premium rates, being frequency, average claims cost, and reinsurance cost, will inevitably result in a hardened premium rate environment. Santam will continue to apply selective increases through our market and risk segmentation approach. The weaker rand is also expected to apply upward pressure on claims cost, most notably on the cost of motor vehicle repairs due to the increased cost of imported vehicle parts. Our continued efforts to reduce claims cost are expected to absorb some of the impact of the upward cost pressure. The underwriting margin for the second half of the year is expected to remain at the upper end of the target range, assuming the absence of large catastrophic events.

Nominal interest rates are now expected to remain at low levels well into 2013. Therefore, interest received is not expected to be higher in the second half of the year, implying a flat return on insurance funds for 2012 compared to 2011. It is expected that uncertainty and volatility will remain in the investment markets due to the impact of the instability in Europe.

### **Events after the reporting period**

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

### **Declaration of dividend (Number 117)**

Notice is hereby given that the board has declared an interim dividend of 230 cents per share (2011: 200 cents). Shareholders are advised that the last day to trade "cum dividend" will be Friday, 14 September 2012. The shares will trade "ex dividend" from the commencement of business on Monday, 17 September 2012. The record date will be Friday, 21 September 2012 and the payment date will be Tuesday, 25 September 2012. Certificated shareholders may not dematerialise or rematerialise their shares between 17 September 2012 and 21 September 2012, both dates inclusive.

The dividend has been declared from income reserves and will be subject to the new dividends tax that was introduced with effect from 1 April 2012. There are R19 187 021 STC credits available for utilisation. Accordingly the Secondary Tax on Companies ("STC") credit available is 16.07675 cents per share. The amount per share subject to the withholding of dividends tax at a maximum rate of 15% is therefore 213.92325 cents per share. A net dividend of 197.84650 cents per share will apply to shareholders liable for dividends tax at a rate of 15% and 230 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 29 August 2012 is 119 346 417 shares. The company's income tax reference number is 9475/144/71/4.

In terms of the dividends tax legislation, the dividends tax amount due will be withheld and paid over to the South African Revenue Service (SARS) by a nominee company, stockbroker or Central Security Depository Participant (CSDP) (collectively "Regulated Intermediary") on behalf of shareholders. However, all shareholders should declare their status to their Regulated Intermediary, as they may qualify for a reduced dividends tax rate or they may even be exempt from dividends tax. The increase in the dividend per share includes a once-off adjustment of approximately 7% to the dividend per share declared to account for the STC saving for the company resulting from the introduction of dividends tax.

### **Preparation and presentation of financial statements**

The preparation of the reviewed financial statements was supervised by the financial director of Santam Ltd, MJ Reyneke.

### **Auditors' report**

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

### **Retirement of executive director**

Machiel Reyneke earlier this year announced his intention to retire in 2012. His retirement will be effective during September 2012. He will however, remain on the board as a non-executive director of the company. He played an important role in the group over the years as chief financial officer (CFO) and as a member of the leadership team. Santam expresses its gratitude to him for ten years of dedicated service to the group and we look forward to his contribution as a non-executive director. As previously announced, Mr Reyneke's responsibilities as CFO will be assumed by Hennie Nel as from 17 September 2012. The Santam board welcomes Hennie to the company as CFO and executive director.

On behalf of the board

**VP Khanyile**  
Chairman

**IM Kirk**  
Chief Executive Officer

29 August 2012

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Reviewed At 30 June 2012 R million	Reviewed At 30 June 2011 R million	Audited At 31 Dec 2011 R million
	Notes			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		81	72	80
Intangible assets		1 024	1 018	994
Deferred income tax		196	237	207
Investment in associates		257	241	274
Financial assets – at fair value through income				
Equity securities	6	3 230	3 884	3 856
Debt securities	6	6 655	5 286	6 160
Derivatives	6	4	–	1
Financial assets – at amortised cost				
Cell owners' interest		33	17	40
Reinsurance assets	7	149	302	244
<b>Current assets</b>				
Financial assets – at fair value through income				
Short-term money market instruments	6	1 251	1 848	1 775
Reinsurance assets	7	1 542	1 013	1 256
Deferred acquisition costs		320	243	332
Loans and receivables including insurance receivables		1 492	2 010	1 836
Income tax assets		44	21	36
Cash and cash equivalents		1 821	2 160	1 598
<b>Total assets</b>		<b>18 099</b>	<b>18 352</b>	<b>18 689</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the company's equity holders</b>				
Share capital		107	107	107
Treasury shares		(588)	(648)	(635)
Other reserves		26	1 354	1 492
Distributable reserves		5 602	4 667	5 072
		<b>5 147</b>	<b>5 480</b>	<b>6 036</b>
<b>Non-controlling interest</b>		<b>98</b>	<b>88</b>	<b>105</b>
<b>Total equity</b>		<b>5 245</b>	<b>5 568</b>	<b>6 141</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred income tax		195	249	115
Financial liabilities – at fair value through income				
Debt securities	6	1 005	919	964
Derivatives	6	–	3	–
Financial liabilities – at amortised cost				
Cell owners' interest		644	612	643
Insurance liabilities	7	1 323	1 377	1 404
Provisions for other liabilities and charges		–	2	1
<b>Current liabilities</b>				
Financial liabilities – at fair value through income				
Debt securities	6	24	24	24
Investment contracts	6	71	472	104
Derivatives	6	–	21	–
Financial liabilities – at amortised cost				
Collateral guarantee contracts		72	111	114
Insurance liabilities	7	7 214	6 591	7 071
Deferred reinsurance acquisition revenue		93	11	102
Provisions for other liabilities and charges		103	29	105
Trade and other payables		2 046	2 136	1 828
Current income tax liabilities		64	227	73
<b>Total liabilities</b>		<b>12 854</b>	<b>12 784</b>	<b>12 548</b>
<b>Total shareholders' equity and liabilities</b>		<b>18 099</b>	<b>18 352</b>	<b>18 689</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Reviewed Six months ended 30 June 2012 R million	Reviewed Six months ended 30 June 2011 R million	Change %	Audited Year ended 31 Dec 2011 R million
Gross written premium		9 050	8 228	10%	17 707
Less: Reinsurance premium		1 739	1 293		3 033
<b>Net premium</b>		<b>7 311</b>	<b>6 935</b>	5%	<b>14 674</b>
Less: change in unearned premium					
Gross amount		(299)	(138)		241
Reinsurers' share		(92)	45		(219)
<b>Net insurance premium revenue</b>		<b>7 702</b>	<b>7 028</b>	10%	<b>14 652</b>
Investment income	8	337	301	12%	676
Income from reinsurance contracts ceded		245	183		321
Net gains on financial assets and liabilities at fair value through income	8	177	70		189
<b>Net income</b>		<b>8 461</b>	<b>7 582</b>	12%	<b>15 838</b>
Insurance claims and loss adjustment expenses		5 848	5 229		10 788
Insurance claims and loss adjustment expenses recovered from reinsurers		(759)	(742)		(1 384)
<b>Net insurance benefits and claims</b>		<b>5 089</b>	<b>4 487</b>	13%	<b>9 404</b>
Expenses for the acquisition of insurance contracts		1 269	1 220		2 324
Expenses for marketing and administration		1 118	910		2 114
Expenses for asset management services rendered		16	14		28
Amortisation of intangible assets		24	33		68
<b>Expenses</b>		<b>7 516</b>	<b>6 664</b>	13%	<b>13 938</b>
<b>Results of operating activities</b>		<b>945</b>	<b>918</b>	3%	<b>1 900</b>
Finance costs		(60)	(48)		(94)
Share of profit of associates		42	46		85
<b>Profit before tax</b>		<b>927</b>	<b>916</b>	1%	<b>1 891</b>
Income tax expense	9	(430)	(234)		(486)
<b>Profit for the period</b>		<b>497</b>	<b>682</b>	(27%)	<b>1 405</b>
<b>Other comprehensive income</b>					
Currency translation differences		(32)	25		108
<b>Total comprehensive income for the period</b>		<b>465</b>	<b>707</b>		<b>1 513</b>
<b>Profit attributable to:</b>					
– equity holders of the company		475	670	(29%)	1 376
– non-controlling interest		22	12		29
		<b>497</b>	<b>682</b>		<b>1 405</b>
<b>Total comprehensive income attributable to:</b>					
– equity holders of the company		443	695	(36%)	1 484
– non-controlling interest		22	12		29
		<b>465</b>	<b>707</b>		<b>1 513</b>
<b>Earnings attributable to equity shareholders</b>					
<b>Earnings per share (cents)</b>	12				
Basic earnings per share		419	593	(29%)	1 216
Diluted earnings per share		415	584	(29%)	1 202
Weighted average number of shares – millions		113.33	113.07		113.15
Weighted average number of ordinary shares for diluted earnings per share – millions		114.43	114.70		114.47

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Non-controlling interest	Total
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	R million	R million
<b>Balance as at 1 January 2011</b>	107	(651)	1 265	4 405	93	<b>5 219</b>
Profit for the period	–	–	–	1 376	29	<b>1 405</b>
Other comprehensive income:						
Currency translation differences	–	–	108	–	–	<b>108</b>
<b>Total comprehensive income for the period ended 31 December 2011</b>	–	–	108	1 376	29	<b>1 513</b>
Purchase of treasury shares	–	(37)	–	–	–	<b>(37)</b>
Sale of treasury shares	–	53	–	–	–	<b>53</b>
Loss on sale of treasury shares	–	–	–	(68)	–	<b>(68)</b>
Transfer to reserves	–	–	119	(119)	–	<b>–</b>
Share-based payments	–	–	–	63	–	<b>63</b>
Transfer to share-based payment liability	–	–	–	(30)	–	<b>(30)</b>
Dividends paid	–	–	–	(593)	(25)	<b>(618)</b>
Net excess received on acquisition of non-controlling interest	–	–	–	38	–	<b>38</b>
Interest acquired from non-controlling interest	–	–	–	–	8	<b>8</b>
<b>Balance as at 31 December 2011</b>	<b>107</b>	<b>(635)</b>	<b>1 492</b>	<b>5 072</b>	<b>105</b>	<b>6 141</b>
Profit for the period	–	–	–	475	22	<b>497</b>
Other comprehensive income:						
Currency translation differences	–	–	(32)	–	–	<b>(32)</b>
<b>Total comprehensive income for the period ended 30 June 2012</b>	–	–	(32)	475	22	<b>465</b>
Sale of treasury shares	–	47	–	–	–	<b>47</b>
Loss on sale of treasury shares	–	–	–	(46)	–	<b>(46)</b>
Transfer to reserves	–	–	(1 434)	1 434	–	<b>–</b>
Share-based payments	–	–	–	32	–	<b>32</b>
Dividends paid	–	–	–	(1 365)	(31)	<b>(1 396)</b>
Interest acquired from non-controlling interest	–	–	–	–	2	<b>2</b>
<b>Balance as at 30 June 2012</b>	<b>107</b>	<b>(588)</b>	<b>26</b>	<b>5 602</b>	<b>98</b>	<b>5 245</b>
<b>Balance as at 1 January 2011</b>						
Profit for the period	107	(651)	1 265	4 405	93	<b>5 219</b>
Other comprehensive income:	–	–	–	670	12	<b>682</b>
Currency translation differences	–	–	25	–	–	<b>25</b>
<b>Total comprehensive income for the period ended 30 June 2011</b>	–	–	25	670	12	<b>707</b>
Purchase of treasury shares	–	(37)	–	–	–	<b>(37)</b>
Sale of treasury shares	–	40	–	–	–	<b>40</b>
Loss on sale of treasury shares	–	–	–	(39)	–	<b>(39)</b>
Transfer to reserves	–	–	64	(64)	–	<b>–</b>
Share-based payments	–	–	–	24	–	<b>24</b>
Dividends paid	–	–	–	(367)	(24)	<b>(391)</b>
Net excess received on acquisition of non-controlling interest	–	–	–	38	–	<b>38</b>
Interest acquired from non-controlling interest	–	–	–	–	7	<b>7</b>
<b>Balance as at 30 June 2011</b>	<b>107</b>	<b>(648)</b>	<b>1 354</b>	<b>4 667</b>	<b>88</b>	<b>5 568</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Reviewed Six months ended 30 June 2012 R million	Reviewed Six months ended 30 June 2011 R million	Audited Year ended 31 Dec 2011 R million
Cash generated from operations		1 302	1 289	2 522
Interest paid		(60)	(73)	(119)
Income tax paid		(357)	(292)	(813)
<b>Net cash from operating activities</b>		<b>885</b>	<b>924</b>	<b>1 590</b>
<b>Cash flows from investing activities</b>				
Cash generated in investment activities		881	790	201
Acquisition of subsidiary	10	–	(240)	(343)
Cash acquired through acquisition of subsidiary	10	–	3	3
Purchases of equipment		(25)	(12)	(39)
Purchases of software		(14)	(18)	(28)
Proceeds from sale of equipment		1	–	1
Acquisition of associated companies		(3)	–	–
Acquisition of book of business		(42)	–	–
<b>Net cash from investing activities</b>		<b>798</b>	<b>523</b>	<b>(205)</b>
<b>Cash flows from financing activities</b>				
Purchase of treasury shares		–	(37)	(37)
Proceeds on sale of treasury shares		–	4	4
Decrease in investment contract liabilities		(35)	(35)	(413)
Decrease in collateral guarantee contracts		(45)	–	–
Dividends paid to company's shareholders		(1 365)	(367)	(593)
Dividends paid to non-controlling interest		(31)	(24)	(25)
Increase in cell owners' interest		8	18	26
<b>Net cash used in financing activities</b>		<b>(1 468)</b>	<b>(441)</b>	<b>(1 038)</b>
<b>Net increase in cash and cash equivalents</b>		<b>215</b>	<b>1 006</b>	<b>347</b>
Cash and cash equivalents at beginning of period		1 598	1 143	1 143
Exchange gains on cash and cash equivalents		8	11	108
<b>Cash and cash equivalents at end of period</b>		<b>1 821</b>	<b>2 160</b>	<b>1 598</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. Basis of presentation

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and in compliance with the Listings Requirements of the JSE Limited. The condensed consolidated interim financial statements do not include all of the information required by IFRS for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs.

### 2. Accounting policies

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

There are no new IFRSs or IFRICs that are effective for the first time for this interim period that are expected to have a material impact on the group.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

### 3. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

### 4. Risk management

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

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

The condensed interim consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2011.

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

### 5. Segment information

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 as well as underwriting result and net insurance result as a measure of profitability.

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

## 5.1 For the six months ended 30 June 2012

Business activity	Insurance activities R million	Investment activities R million	Total R million
<b>Revenue</b>	9 050	290	<b>9 340</b>
Gross written premium	9 050		<b>9 050</b>
Net written premium	7 311		<b>7 311</b>
Net earned premium	7 702		<b>7 702</b>
Claims incurred	5 089		<b>5 089</b>
Net commission	1 024		<b>1 024</b>
Management expenses	1 116	2	<b>1 118</b>
<b>Underwriting result</b>	473	(2)	<b>471</b>
Investment return on insurance funds	204		<b>204</b>
<b>Net insurance result</b>	677	(2)	<b>675</b>
Investment income net of management fee and finance costs		234	<b>234</b>
Income from associates		42	<b>42</b>
Amortisation of intangible assets	(24)		<b>(24)</b>
<b>Income before taxation</b>	653	274	<b>927</b>
<b>Total assets</b>	7 952	10 147	<b>18 099</b>
<b>Total liabilities</b>	11 825	1 029	<b>12 854</b>

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	137	(12)	38	152
Alternative risk	948	5	371	1 859
Crop	76	34	45	76
Engineering	444	48	366	651
Guarantee	9	3	4	19
Liability	552	96	275	1 820
Miscellaneous	10	–	1	16
Motor	4 047	186	145	1 766
Property	2 586	66	710	2 058
Transportation	241	47	54	213
Unallocated	–	(2)	16 090	4 224
<b>Total</b>	<b>9 050</b>	<b>471</b>	<b>18 099</b>	<b>12 854</b>

### Comprising:

Commercial insurance	4 389	348	1 526	5 451
Personal insurance	3 713	120	112	1 320
Alternative risk	948	5	371	1 859
Unallocated	–	(2)	16 090	4 224
<b>Total</b>	<b>9 050</b>	<b>471</b>	<b>18 099</b>	<b>12 854</b>

## 5.2 For the six months ended 30 June 2011

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

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

### Comprising:

Commercial insurance	4 010	503	1 151	4 846
Personal insurance	3 401	103	119	1 374
Alternative risk	817	(6)	289	1 761
Unallocated	–	(6)	16 793	4 803
<b>Total</b>	<b>8 228</b>	<b>594</b>	<b>18 532</b>	<b>12 784</b>

### 5.3 For the year ended 31 December 2011

Business activity	Insurance activities R million	Investment activities R million	Total R million
<b>Revenue</b>	17 707	468	<b>18 175</b>
Gross written premium	17 707		<b>17 707</b>
Net written premium	14 674		<b>14 674</b>
Net earned premium	14 652		<b>14 652</b>
Claims incurred	9 404		<b>9 404</b>
Net commission	2 003		<b>2 003</b>
Management expenses	2 103	11	<b>2 114</b>
<b>Underwriting result</b>	1 142	(11)	<b>1 131</b>
Investment return on insurance funds	388		<b>388</b>
<b>Net insurance result</b>	1 530	(11)	<b>1 519</b>
Investment income net of management fee and finance costs		355	<b>355</b>
Income from associates		85	<b>85</b>
Amortisation of intangible asset	(68)	–	<b>(68)</b>
<b>Income before taxation</b>	1 462	429	<b>1 891</b>
<b>Total assets</b>	8 398	10 291	<b>18 689</b>
<b>Total liabilities</b>	11 560	988	<b>12 548</b>

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	286	45	31	137
Alternative risk	1 924	(5)	354	1 941
Crop	575	12	234	386
Engineering	736	120	167	382
Guarantee	17	9	6	20
Liability	1 157	142	341	1 950
Miscellaneous	16	1	1	13
Motor	7 621	471	48	1 608
Property	4 981	256	613	1 930
Transportation	394	91	39	212
Unallocated	–	(11)	16 855	3 969
<b>Total</b>	<b>17 707</b>	<b>1 131</b>	<b>18 689</b>	<b>12 548</b>

#### Comprising:

Commercial insurance	8 844	940	1 425	5 402
Personal insurance	6 939	207	55	1 236
Alternative risk	1 924	(5)	354	1 941
Unallocated	–	(11)	16 855	3 969
<b>Total</b>	<b>17 707</b>	<b>1 131</b>	<b>18 689</b>	<b>12 548</b>

## 6. Financial assets and liabilities at fair value through income

### Fair value estimation

The table below analyses financial instruments, carried at fair value through income, by valuation method. The different levels have been defined as follows:

- **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, prices) or indirectly (that is, derived from prices)
- **Level 3:** Inputs for the asset or liability that are not based on observable data (that is, unobservable inputs)

	Reviewed At 30 June 2012 R million	Reviewed At 30 June 2011 R million	Audited At 31 Dec 2011 R million
<b>Financial assets at fair value through income</b>			

The group's financial assets are summarised below by measurement category.

<b>Total financial assets</b>	<b>11 140</b>	<b>11 018</b>	<b>11 792</b>
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	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
<b>June 2012</b>				
Equity securities				
Quoted				
Listed	2 730	–	–	2 730
Unitised funds	–	80	–	80
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	418	418
<b>Total equity securities</b>	<b>2 732</b>	<b>80</b>	<b>418</b>	<b>3 230</b>
Debt securities				
Quoted				
Government and public bonds	1 647	118	–	1 765
Unitised funds	–	269	–	269
Money market instruments > 1 year	–	1 496	–	1 496
Unquoted				
Government and public bonds	–	42	–	42
Money market instruments > 1 year	–	2 800	–	2 800
Redeemable preference shares	–	–	283	283
<b>Total debt securities</b>	<b>1 647</b>	<b>4 725</b>	<b>283</b>	<b>6 655</b>
Derivatives				
Interest rate swaps	–	–	4	4
<b>Total derivatives</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>4</b>
<b>Short-term money market instruments</b>	<b>–</b>	<b>1 251</b>	<b>–</b>	<b>1 251</b>
	<b>4 379</b>	<b>6 056</b>	<b>705</b>	<b>11 140</b>

<b>June 2011</b>	<b>Level 1 R million</b>	<b>Level 2 R million</b>	<b>Level 3 R million</b>	<b>Total R million</b>
Equity securities				
Quoted				
Listed	3 484	–	–	<b>3 484</b>
Unitised funds	–	39	–	<b>39</b>
Irredeemable preference shares	2	–	–	<b>2</b>
Unquoted	–	–	359	<b>359</b>
<b>Total equity securities</b>	<b>3 486</b>	<b>39</b>	<b>359</b>	<b>3 884</b>
Debt securities				
Quoted				
Government and public bonds	1 665	83	–	<b>1 748</b>
Unitised funds	–	383	–	<b>383</b>
Money market instruments > 1 year	–	1 154	–	<b>1 154</b>
Unquoted				
Government and public bonds	–	256	–	<b>256</b>
Money market instruments > 1 year	–	1 432	–	<b>1 432</b>
Redeemable preference shares	–	–	313	<b>313</b>
<b>Total debt securities</b>	<b>1 665</b>	<b>3 308</b>	<b>313</b>	<b>5 286</b>
<b>Short-term money market instruments</b>	<b>–</b>	<b>1 848</b>	<b>–</b>	<b>1 848</b>
	<b>5 151</b>	<b>5 195</b>	<b>672</b>	<b>11 018</b>

#### December 2011

Equity securities				
Quoted				
Listed	3 360	–	–	<b>3 360</b>
Unitised funds	–	80	–	<b>80</b>
Irredeemable preference shares	2	–	–	<b>2</b>
Unquoted	–	–	414	<b>414</b>
<b>Total equity securities</b>	<b>3 362</b>	<b>80</b>	<b>414</b>	<b>3 856</b>
Debt securities				
Quoted				
Government and public bonds	1 575	182	–	<b>1 757</b>
Unitised funds	–	392	–	<b>392</b>
Money market instruments > 1 year	–	1 371	–	<b>1 371</b>
Unquoted				
Government and public bonds	–	167	–	<b>167</b>
Money market instruments > 1 year	–	2 197	–	<b>2 197</b>
Redeemable preference shares	–	–	276	<b>276</b>
<b>Total debt securities</b>	<b>1 575</b>	<b>4 309</b>	<b>276</b>	<b>6 160</b>
Derivatives				
Interest rate swaps	–	–	1	<b>1</b>
<b>Total derivatives</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>
<b>Short-term money market instruments</b>	<b>–</b>	<b>1 775</b>	<b>–</b>	<b>1 775</b>
	<b>4 937</b>	<b>6 164</b>	<b>691</b>	<b>11 792</b>

**6. Financial assets and liabilities at fair value through income (continued)**

	Reviewed At 30 June 2012 R million	Reviewed At 30 June 2011 R million	Audited At 31 Dec 2011 R million
<b>Financial liabilities at fair value through income</b>			

The group's financial liabilities are summarised below by measurement category.

<b>Total financial liabilities</b>	<b>1 100</b>	<b>1 439</b>	<b>1 092</b>
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	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
<b>June 2012</b>				
<b>Debt securities</b>	<b>1 029</b>	<b>–</b>	<b>–</b>	<b>1 029</b>
<b>Investment contracts</b>	<b>–</b>	<b>71</b>	<b>–</b>	<b>71</b>
	<b>1 029</b>	<b>71</b>	<b>–</b>	<b>1 100</b>

**June 2011**

<b>Debt securities</b>	<b>943</b>	<b>–</b>	<b>–</b>	<b>943</b>
<b>Investment contracts</b>	<b>–</b>	<b>472</b>	<b>–</b>	<b>472</b>
<b>Derivatives</b>				<b>–</b>
Interest rate swaps	–	–	3	3
Fence	–	–	21	21
<b>Total derivatives</b>	<b>–</b>	<b>–</b>	<b>24</b>	<b>24</b>
	<b>943</b>	<b>472</b>	<b>24</b>	<b>1 439</b>

**December 2011**

<b>Debt securities</b>	<b>988</b>	<b>–</b>	<b>–</b>	<b>988</b>
<b>Investment contracts</b>	<b>–</b>	<b>104</b>	<b>–</b>	<b>104</b>
	<b>988</b>	<b>104</b>	<b>–</b>	<b>1 092</b>

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 maturity. The callable notes are therefore measured at fair value to minimise undue volatility in net profit.



	Reviewed At 30 June 2012 R million	Reviewed At 30 June 2011 R million	Audited At 31 Dec 2011 R million
<b>7. Insurance liabilities and reinsurance assets</b>			
<b>Gross</b>			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	–	–	–
– claims incurred but not reported	9	10	9
Short-term insurance contracts			
– claims reported and loss adjustment expenses	4 458	4 072	4 191
– claims incurred but not reported	1 333	1 253	1 246
– unearned premiums	2 737	2 633	3 029
<b>Total insurance liabilities – gross</b>	<b>8 537</b>	<b>7 968</b>	<b>8 475</b>
<b>Recoverable from reinsurers</b>			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	–	–	–
– claims incurred but not reported	1	1	1
Short-term insurance contracts			
– claims reported and loss adjustment expenses	895	877	920
– claims incurred but not reported	229	186	150
– unearned premiums	566	251	429
<b>Total insurance liabilities – reinsurers' share</b>	<b>1 691</b>	<b>1 315</b>	<b>1 500</b>
<b>Net</b>			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	–	–	–
– claims incurred but not reported	8	9	8
Short-term insurance contracts			
– claims reported and loss adjustment expenses	3 563	3 195	3 271
– claims incurred but not reported	1 104	1 067	1 096
– unearned premiums	2 171	2 382	2 600
<b>Total insurance liabilities – net</b>	<b>6 846</b>	<b>6 653</b>	<b>6 975</b>

	Reviewed At 30 June 2012 R million	Reviewed At 30 June 2011 R million	Audited At 31 Dec 2011 R million
<b>8. Investment income and net gains/(losses) on financial assets and liabilities at fair value through income</b>			
Dividend income	88	69	150
Interest income	248	227	436
Foreign exchange differences	1	4	90
Net realised gains on financial assets	322	51	140
Net fair value (losses)/gains on financial assets at fair value through income	(103)	(39)	21
Net fair value (losses)/gains on financial assets held for trading	(3)	11	9
Net realised/fair value gains on derivatives	3	54	80
Net fair value gains on financial liabilities at fair value through income	(42)	(6)	(61)
Net fair value (losses)/gains on debt securities	(40)	5	(39)
Net fair value losses on investment contracts	(2)	(11)	(22)
	<b>514</b>	<b>371</b>	<b>865</b>

**9. Income tax**

South African normal taxation

Current year	319	234	567
Charge for the year	180	200	531
STC	139	34	36
Prior year	10	1	(4)
Foreign taxation	14	13	34
Income taxation for the year	343	248	597
Deferred taxation	87	(14)	(111)
Current year	83	(13)	(111)
STC	4	(1)	–
	<b>430</b>	<b>234</b>	<b>486</b>

**Reconciliation of taxation rate (%)**

Normal South African taxation rate	28.0	28.0	28.0
Adjust for			
– Exempt income	(2.5)	(2.1)	(2.2)
– Investment results	(2.0)	(2.2)	(1.9)
– Change in CGT inclusion rate	6.5	–	–
– STC	15.5	3.6	1.9
– Other	0.9	(1.8)	–
Net increase/(reduction)	18.4	(2.5)	(2.2)
Effective rate	<b>46.4</b>	<b>25.5</b>	<b>25.8</b>

	Reviewed Six months ended 30 June 2012 R million	Reviewed Six months ended 30 June 2011 R million	Audited Year ended 31 Dec 2011 R million
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## 10. Business combinations

### Sale of subsidiary

#### a) Stilus Underwriting Managers (Pty) Ltd

On 1 January 2012, the Santam Group 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)		
<b>Net asset value sold</b>	<b>(2)</b>	<b>–</b>	<b>–</b>
Plus: Non-controlling interest	2		
<b>Purchase consideration received</b>	<b>–</b>	<b>–</b>	<b>–</b>

2011

### Acquisition/Increase in shareholding

#### 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 into Mirabilis. The new merged entity will be the leading engineering underwriter in the South African market.

Details of the assets and liabilities acquired at fair value are as follows:	a) MiWay Group Holdings Ltd R million	b) Mirabilis Engineering Underwriting Managers (Pty) Ltd R million	Total R million
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)
<b>Net asset value acquired</b>	<b>–</b>	<b>18</b>	<b>18</b>
Goodwill	–	28	28
Excess of acquirer's interest in the net fair value of the acquiree'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
<b>Purchase consideration paid</b>	<b>343</b>	<b>–</b>	<b>343</b>

	Reviewed Six months ended 30 June 2012 R million	Reviewed Six months ended 30 June 2011 R million	Audited Year ended 31 Dec 2011 R million
<b>11. Transactions with non-controlling parties</b>			
<b>a) Mirabilis Engineering Underwriting Managers (Pty) Ltd</b>			
On 1 March 2011, Santam Ltd sold the non-controlling interest of 45% in its construction and engineering business by merging it into Mirabilis Engineering Underwriting Managers (Pty) Ltd.			
Net excess received on sale of non-controlling interest	–	(38)	(38)
Settled through acquisition of Mirabilis Engineering Underwriting Managers (Pty) Ltd	–	38	38
<b>Purchase consideration paid</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>12. Earnings per share</b>			
<b>Basic earnings per share</b>			
Profit attributable to the company's equity holders (R million)	<b>475</b>	670	1 376
Weighted average number of ordinary shares in issue (million)	<b>113.33</b>	113.07	113.15
Earnings per share (cents)	<b>419</b>	593	1 216
<b>Diluted earnings per share</b>			
Profit attributable to the company's equity holders (R million)	<b>475</b>	670	1 376
Weighted average number of ordinary shares in issue (million)	<b>113.33</b>	113.07	113.15
Adjusted for share-options	<b>1.10</b>	1.63	1.32
Weighted average number of ordinary shares for diluted earnings per share (million)	<b>114.43</b>	114.70	114.47
Diluted basic earnings per share (cents)	<b>415</b>	584	1 202
<b>Headline earnings per share</b>			
Profit attributable to the company's equity holders	<b>475</b>	670	1 376
Weighted average number of ordinary shares in issue (million)	<b>113.33</b>	113.07	113.15
Headline earnings per share (cents)	<b>419</b>	593	1 216
<b>Diluted headline earnings per share</b>			
Headline earnings (R million)	<b>475</b>	670	1 376
Weighted average number of ordinary shares for diluted earnings per share (million)	<b>114.43</b>	114.70	114.47
Diluted headline earnings per share (cents)	<b>415</b>	584	1 202
<b>13. Dividends per share</b>			
Dividend per share (cents)	<b>230</b>	200	555
Special dividend per share (cents)	<b>–</b>	–	850