



SANTAM LTD AND ITS SUBSIDIARIES

AUDITED SUMMARY FINANCIAL RESULTS

FOR THE YEAR ENDED
31 DECEMBER 2013

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Gross written premium exceeded R20 billion for the first time

Gross written premium growth:
– including cell insurance 6%
– excluding cell insurance 9%

Underwriting margin of 2.8% significantly impacted by difficult underwriting conditions

Positive investment returns in a volatile market

Headline earnings increased by 4%

Group solvency ratio of 42%

Cash generation impacted by settlement of 2012 and 2013 catastrophe event claims

Geographic diversification into emerging markets

Final dividend of 433 cents per share, up 5.6%

FINANCIAL REVIEW

The Santam group experienced another very challenging underwriting year, characterised by a number of significant adverse weather events and exacerbated by the sharp decline in the rand-dollar exchange rate. Under these tough operating conditions, the group achieved a 2.8% (2012: 4.0%) net underwriting margin. While gross written premium (GWP) grew by 6%, this was impacted by lower cell insurance business and significant cell captive business not recorded as part of GWP. If cell insurance is excluded, GWP grew by 9% on a comparative basis. The investment portfolio performed in line with the positive market movements experienced during 2013, although the performance was limited by the downside protection over equities.

The income tax charge decreased by 52% compared to 2012. The 2012 tax charge was significantly impacted by a non-recurring secondary tax on companies charge and the effect of the increase in the capital gains tax inclusion rate.

Headline earnings increased by 4% compared to 2012. Cash generated from operations declined to R1.6 billion (2012: R2.4 billion) following increased claims being paid during 2013. The solvency margin of 42% remains within the long-term target range of 35% to 45%. The return on capital of 20% was affected by the adverse underwriting conditions.

The economic environment in South Africa in 2013 provided tough operating conditions with a combination of poor GDP growth and historically low interest rates. The rand-dollar decline of 24% since January 2013, posed a significant strain on the claims cost, and motor claims cost in particular.

For the second consecutive year, weather-related catastrophe events significantly impacted insurers. The most notable events were the floods in Limpopo (January 2013) and in the Western Cape (November 2013) and two significant hailstorms in Gauteng during November 2013, the second being one of the most severe catastrophe events experienced in South Africa to date, with total claims for the industry estimated to exceed R1.6 billion. Total gross claims from these catastrophe events for the Santam group exceeded R400 million for a second year in a row. However, the net of reinsurance loss for the group was reduced to R215 million (2012: R361 million) following the prudent purchase of additional reinsurance cover during 2013.

The underwriting results were further negatively affected by a net underwriting loss in crop insurance of R142 million (2012: profit of R38 million), mainly following significant hail damage to summer crops in the eastern region of South Africa, and drought-related input losses in the central and western regions in the first half of the financial year.

Following the weak underwriting performance of the Santam Commercial and Personal lines intermediated business unit during the six-month period to June 2013, due to the weather and rand factors, various underwriting measures, such as segregated premium increases on policy renewal and risk reviews have been put in place. The positive impact of these actions was evident in the results of the motor and property classes during the second half of 2013. There is continued focus on further process efficiencies, risk reviews, and premium actions to achieve target margins in this business unit. The group achieved satisfactory gross written premium growth in this business unit.

The specialist business classes had solid results compared to 2012, with acceptable margins across the various niche segments but on reduced growth. The engineering and accident and health classes reported significantly improved margins. Transportation reported lower underwriting results compared to an exceptional performance during the corresponding period in 2012. The liability class also reported reduced results, following competitive pressures and reduced exposures to certain risks.

MiWay supported the growth in the motor book of business with an increase in gross premiums of 22%, while achieving profitable underwriting results despite the severe Gauteng hail events in November.

In Centriq, growth was negatively impacted by lower cell business premiums as well as increased investment contract premiums, which are not recorded as gross written premium for IFRS purposes. Total Centriq gross premiums, including investment business, grew by 6% compared to 2012 and operating results were on target in this business unit.

Third-party business written by Santam Re increased by 27% to R669 million (2012: R526 million), which includes international reinsurance business of R227 million. The Santam Re underwriting results were negatively impacted by the adverse weather conditions in South Africa and some significant international catastrophe events combined with the first year premium paid on the international retrocession programme. We remain confident about the prospects for this business and the future diversification benefits to the Santam group.

Continued investments in a number of strategic projects have been undertaken to improve efficiency and service delivery. Significant start-up costs were incurred during the first phase of the strategic project to develop a new underwriting and product management system for the Santam Commercial and Personal business. This resulted in a project cost ratio of 1.4% of net earned premium, exceeding the target of 1% and contributing to the increase in the net acquisition cost ratio to 27.9% (2012: 27.7%). The first development phase of the project was successfully completed in December 2013 and direct development costs of R56 million were capitalised during the second half of 2013. We are confident that these projects will add to Santam's future competitive advantage and improved cost-efficiency.

Investment returns on insurance funds of R374 million decreased from the R415 million earned in 2012, resulting mainly from low interest rates, the negative performance of the bond market and reduced float margins on the alternative risk transfer business.

The combined effect of insurance activities resulted in a net insurance income of R851 million or a 5.0% net insurance margin, compared to R1 038 million (6.6% net insurance margin) in 2012.

Santam achieved satisfactory investment results relative to the market. Santam entered into three derivative fence structures with downside protection of 10% and upside participation of between 9.5% and 9.7% on equities to the value of R2 billion between March and May 2013. This arrangement will act as further protection against equity market volatility in 2014. An unrealised fair value loss of R204 million was recorded on the structure. The investment results were supported by a preference dividend of R51 million that was received on the Sanlam Emerging Markets (SEM) preference share linked to the Shriram General Insurance (SGIC) business in India, and foreign exchange gains totalling R91 million (2012: R14 million).

Net earnings from associated companies of R86 million was on par with 2012, with significant contribution from Credit Guarantee Insurance Corporation of Africa Ltd.

Santam entered into a series of transactions with SEM in December 2013, in terms of which Santam acquired participation interests in SEM's emerging markets short-term insurance investments in India, Malaysia, Botswana, Malawi, Zambia, Tanzania and Uganda for R509 million, by subscribing for shares of separate classes in SEM with each separate class linked to a specific participation interest.

As part of the transaction, SEM obtained a 37.4% participatory interest in Santam Namibia for R277 million, and Santam disposed of its 25.1% direct interest in NICO Holdings to SEM for R64 million. The group realised a non-headline loss of R18 million on the sale due to the reclassification from equity to earnings of a debit foreign currency translation reserve of R34 million, relating to the depreciation of the Malawian kwacha against the rand.

Santam will render technical services to the SEM short-term insurance partner companies. The transaction enables Santam to share in the economic interest of the current and future short-term insurance expansion by SEM in these markets. In principle, SEM and Santam will participate on a 65%/35% basis respectively in the Sanlam Group's short-term insurance businesses in emerging markets.

Santam concluded the acquisition of a 100% interest in Travel Insurance Consultants (TIC) in June 2013 for R95 million. The transaction will enable TIC to continue building its leadership position through its relationships within the travel market and leverage off Santam's support.

Santam also acquired a 40% interest in Western Group Holdings Ltd, a short-term insurance business, from PSG Konsult for R88 million in September 2013.

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.

Prospects

The reality of the upward movement in interest rates, the depreciating rand, increasing fuel, energy and food prices coupled with the need for us to increase premiums continues to make it a tough environment for the South African consumer and for our business.

The claims from weather-related events in 2013 reduced the group's net underwriting margin by 2.5%. Rand pressure on the cost of motor vehicle repairs relative to premium increases further depressed underwriting margins with the result that we have not achieved our medium-term targeted net underwriting margin of 5% to 7% in 2013. As a group, our biggest challenge in the short term will therefore be to balance growth and profitability and return to the target margin. We expect sluggish economic growth for the next financial year and uncertain investment returns, driving even more focus on the improvement of underwriting margins.

The exchange rate will still be a critical factor in determining future performance – the impact of which can be mitigated by improved procurement practices and segregated premium increases and through our international expansion plans – particularly where we have partnered with SEM. Despite the financial strain on clients, we are confident that penetration and diversification in South Africa will continue growing the total market. In addition to our premium actions we also intend to intensify our approach to addressing multi-claimants, acting on policies with below minimum rates and reviewing the underwriting of poorer risks.

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 reporting date.

Declaration of dividend (Number 120)

Notice is hereby given that the board has declared a final dividend of 433.00000 cents per share (2012: 230 cents). Shareholders are advised that the last day to trade "cum dividend" will be Thursday, 20 March 2014. The shares will trade "ex dividend" from the commencement of business on Monday, 24 March 2014. The record date will be Friday, 28 March 2014, and the payment date will be Monday, 31 March 2014. Certificated shareholders may not dematerialise or rematerialise their shares between 24 March 2014 and 28 March 2014, both dates inclusive.

FINANCIAL REVIEW

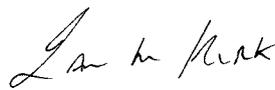
The dividend has been declared from income reserves and will be subject to dividends tax that was introduced with effect from 1 April 2012. There are R4 374 601.48061 STC credits available for utilisation. Accordingly, the Secondary Tax on Companies (STC) credit available is 3.66547 cents per share. The amount per share subject to the withholding of dividends tax at a maximum rate of 15% is therefore 429.33453 cents per share. A net dividend of 368.59982 cents per share will apply to shareholders liable for dividends tax at a rate of 15% and 433.00000 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 26 February 2014 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 by a nominee company, stockbroker or Central Security Depository Participant (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.

On behalf of the board



GG Gelink
Chairman



IM Kirk
Chief Executive Officer

26 February 2014

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

The summary consolidated financial statements of Santam Ltd, set out on pages 6 to 22, which comprise the summary consolidated statement of financial position as at 31 December 2013, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd the year ended 31 December 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 26 February 2013. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Santam Ltd.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 26 February 2013 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2013, 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 financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PRICEWATERHOUSECOOPERS INC

Director Chantel van den Heever

Registered Auditor

Cape Town

26 February 2014

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
ASSETS			
Non-current assets			
Property and equipment		95	99
Intangible assets		1 072	990
Deferred income tax		188	221
Investments in associates		318	261
Financial assets – at fair value through income			
Equity securities	6	4 011	3 551
Debt securities	6	7 306	6 957
Derivatives	6	1	6
Reinsurance assets	7	117	137
Current assets			
Cell owners' interest		15	24
Financial assets – at fair value through income			
Short-term money market instruments	6	1 424	917
Reinsurance assets	7	2 227	1 618
Deferred acquisition costs		369	340
Loans and receivables including insurance receivables	6	2 684	2 088
Income tax assets		31	57
Cash and cash equivalents		2 343	2 471
Non-current assets held for sale	8	415	–
Total assets		22 616	19 737
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		107	107
Treasury shares		(520)	(579)
Other reserves		224	77
Distributable reserves		6 321	5 904
		6 132	5 509
Non-controlling interest		400	108
Total equity		6 532	5 617
LIABILITIES			
Non-current liabilities			
Deferred income tax		315	284
Financial liabilities – at fair value through income			
Debt securities	6	997	1 034
Investment contracts	6	126	83
Cell owners' interest		814	712
Insurance liabilities	7	1 595	1 340
Current liabilities			
Financial liabilities – at fair value through income			
Debt securities	6	24	24
Investment contracts	6	–	12
Derivatives	6	204	–
Financial liabilities – at amortised cost			
Collateral guarantee contracts		82	75
Insurance liabilities	7	9 096	8 318
Deferred reinsurance acquisition revenue		171	147
Provisions for other liabilities and charges		84	161
Trade and other payables		2 561	1 886
Current income tax liabilities		15	44
Total liabilities		16 084	14 120
Total shareholders' equity and liabilities		22 616	19 737

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million	Change %
Gross written premium		20 631	19 386	6%
Less: Reinsurance premium		3 731	3 564	
Net premium		16 900	15 822	7%
Less: Change in unearned premium				
Gross amount		334	323	
Reinsurers' share		(185)	(127)	
Net insurance premium revenue		16 751	15 626	7%
Investment income	9	782	859	(9%)
Income from reinsurance contracts ceded		600	516	
Net gains on financial assets and liabilities at fair value through income	9	449	480	
Net income		18 582	17 481	6%
Insurance claims and loss adjustment expenses		13 807	12 167	
Insurance claims and loss adjustment expenses recovered from reinsurers		(2 200)	(1 488)	
Net insurance benefits and claims		11 607	10 679	9%
Expenses for the acquisition of insurance contracts		2 721	2 540	
Expenses for marketing and administration		2 562	2 349	
Expenses for asset management services rendered		29	31	
Amortisation and impairment of intangible assets		114	116	
Expenses		17 033	15 715	8%
Results of operating activities		1 549	1 766	(12%)
Finance costs		(118)	(106)	
Net income from associates		86	83	
Net loss on sale of associate		(18)	–	
Impairment on net investments and loans of associates		(26)	(43)	
Profit before tax		1 473	1 700	(13%)
Income tax expense	10	(300)	(624)	
Profit for the period		1 173	1 076	9%
Other comprehensive income				
Currency translation differences		143	23	
Total comprehensive income for the period		1 316	1 099	
Profit attributable to:				
– equity holders of the company		1 120	1 027	9%
– non-controlling interest		53	49	
		1 173	1 076	
Total comprehensive income attributable to:				
– equity holders of the company		1 263	1 050	20%
– non-controlling interest		53	49	
		1 316	1 099	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		982	904	8%
Diluted earnings per share		973	895	9%
Weighted average number of shares – millions		114.12	113.56	
Weighted average number of ordinary shares for diluted earnings per share – millions		115.12	114.81	

SUMMARY 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
Balance as at 1 January 2012	107	(635)	1 492	5 072	105	6 141
Profit for the period	-	-	-	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 payments	-	-	-	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
Profit for the period	-	-	-	1 120	53	1 173
Other comprehensive income:						
Currency translation differences	-	-	143	-	-	143
Total comprehensive income for the year ended 31 December 2013	-	-	143	1 120	53	1 316
Issue of target shares	-	-	-	-	277	277
Sale of treasury shares	-	59	-	-	-	59
Loss on sale of treasury shares	-	-	-	(60)	-	(60)
Transfer to reserves	-	-	4	(4)	-	-
Share-based payments	-	-	-	106	-	106
Dividends paid	-	-	-	(745)	(37)	(782)
Acquisition of subsidiary	-	-	-	-	(1)	(1)
Balance as at 31 December 2013	107	(520)	224	6 321	400	6 532

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
Cash generated from operations		1 616	2 362
Interest paid		(118)	(106)
Income tax paid		(221)	(521)
Net cash from operating activities		1 277	1 735
Cash flows from investing activities			
Cash (utilised in)/generated from investment activities		(945)	935
Acquisition of subsidiary	11	(105)	–
Cash acquired through acquisition of subsidiary	11	15	–
Purchases of equipment		(36)	(63)
Purchases of software		(71)	(31)
Proceeds from sale of equipment		1	1
Acquisition of associated companies		(88)	(6)
Proceeds from sale of associated companies		63	–
Acquisition of book of business		(9)	(81)
Net cash from investing activities		(1 175)	755
Cash flows from financing activities			
Proceeds from issue of target shares		277	–
Increase/(decrease) in investment contract liabilities		29	(17)
Increase/(decrease) in collateral guarantee contracts		7	(39)
Dividends paid to company's shareholders		(745)	(1 626)
Dividends paid to non-controlling interest		(37)	(48)
Net increase in cell owners' interest		111	90
Net cash used in financing activities		(358)	(1 640)
Net (decrease)/increase in cash and cash equivalents		(256)	850
Cash and cash equivalents at beginning of period		2 471	1 598
Exchange gains on cash and cash equivalents		128	23
Cash and cash equivalents at end of period		2 343	2 471

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

2. Accounting policies

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2013:

- Amendment to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Revised IAS 28, Investments in Associates and Joint Ventures

There was no material impact on the summary consolidated financial statements identified based on management's assessment of these standards.

3. Estimates

The preparation of summary consolidated 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 summary consolidated 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 annual financial statements for the year ended 31 December 2012.

4. Risk management

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

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

The summary 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 2013.

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

5. Segment information

Segments are reported in a manner consistent with the internal reporting 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.

The group consists of two core operating segments, i.e. insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly undertaken by the group and comprise commercial insurance, personal insurance and alternative risks. Insurance activities are also further analysed by insurance class. The performance of insurance activities is based on gross written premium as a measure of growth; with net underwriting result and net insurance result as measures of profitability.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Investment activities are all investment-related activities undertaken by the group. Investment activities are measured based on net investment income and net income from associated companies.

Given the nature of the operations there is no single external client that provides 10% or more of the group's revenues.

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay and the Santam BEE transaction costs are unrelated to the core underwriting, investment or strategic diversification performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of gross written premium and non-current assets and liabilities are based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and target shares.

5.1 For the year ended 31 December 2013

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	20 631	942*	–	21 573
Gross written premium	20 631	–	–	20 631
Net written premium	16 900	–	–	16 900
Net earned premium	16 750	–	–	16 750
Claims incurred	11 607	–	–	11 607
Net commission	2 121	–	–	2 121
Management expenses	2 545	–	–	2 545
Underwriting result	477	–	–	477
Investment return on insurance funds	374	–	–	374
Net insurance result	851	–	–	851
Investment income net of management fee and finance costs	–	710	–	710
Income from associates net of impairment and losses on sale	–	42	–	42
MiWay DBP and Santam BEE transaction costs	–	–	(30)	(30)
Amortisation of intangible assets	(100)	–	–	(100)
Income before taxation	751	752	(30)	1 473

* Finance cost is not included in 2013 revenue.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Insurance activities

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

	Gross written premium R million	Underwriting result R million
Accident and health	316	50
Alternative risk	1 931	2
Crop	831	(142)
Engineering	1 010	210
Guarantee	43	11
Liability	1 194	119
Miscellaneous	47	2
Motor	8 887	199
Property	5 832	(2)
Transportation	540	28
Total	20 631	477
Comprising:		
Commercial insurance	10 697	520
Personal insurance	8 003	(45)
Alternative risk	1 931	2
Total	20 631	477

Investment activities

For detailed analysis of investment activities refer to notes 6 and 8.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

5.2 For the year ended 31 December 2012

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
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 and finance costs	–	787	–	787
Income from associates	–	40	–	40
MiWay DBP and Santam BEE transaction costs	–	–	(57)	(57)
Amortisation of intangible assets	(108)	–	–	(108)
Income before taxation	930	827	(57)	1 700

Insurance activities

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

	Gross written premium R million	Underwriting result R million
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

Investment activities

For detailed analysis of investment activities refer to notes 6 and 8.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

5.3 Geographical analysis

	Gross written premium		Non-current assets	
	2013 R million	2012 R million	2013 R million	2012 R million
South Africa ¹	19 585	18 665	1 393	1 310
Rest of Africa ²	845	695	117	40
South East Asia and India	123	18	484	–
China	78	8	–	–
Group total	20 631	19 386	1 994	1 350

¹ Included all gross written premium managed by specialist business units.

² Included gross written premium relating to Santam Namibia of R812 million (2012: R682 million).

6. Financial assets and liabilities

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
The group's financial assets are summarised below by measurement category.		
Financial assets at fair value through income	12 742	11 431
Loans and receivables	2 684	2 088
Total financial assets	15 426	13 519

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. There were no significant changes in the valuation methods applied since 31 December 2012. The different levels have been defined as follows:

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

There were no transfers between the different levels defined above during the period.

All derivative instruments are classified as investments held for trading. The rest of the investment portfolio is designated as financial assets at fair value through income based on the principles that the entire portfolio is managed on a fair value basis.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Financial assets at fair value through income

December 2013	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 350	–	–	3 350
Unitised funds	–	130	–	130
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	529	529
Total equity securities	3 352	130	529	4 011
Debt securities				
Quoted				
Government and other bonds	1 607	178	–	1 785
Redeemable preference shares	–	288	–	288
Money market instruments > 1 year	–	1 636	–	1 636
Unquoted				
Government and other bonds	–	54	–	54
Money market instruments > 1 year	–	3 520	–	3 520
Redeemable preference shares	–	–	23	23
Total debt securities	1 607	5 676	23	7 306
Derivatives				
Interest rate swaps	–	–	1	1
Total derivatives	–	–	1	1
Short-term money market instruments	–	1 424	–	1 424
	4 959	7 230	553	12 742
December 2012				
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 > 1 year	–	1 513	–	1 513
Unquoted				
Government and other bonds	–	31	–	31
Money market instruments > 1 year	–	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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

In the current year, the unquoted equity instruments recognised as level 3 instruments consist mainly of the participation instruments issued by Sanlam Emerging Markets (Pty) Ltd (SEM). The prior year balance consisted mainly of the investment in Cardrow Insurance Ltd, which has been classified as held for sale.

In December 2013 Santam subscribed in separate classes of target shares issued by SEM, with each separate class linked to a participatory interest in the target companies listed below. The total fair value of these investment at year-end was R528 million.

- a) A 15.4% interest in the fair value of Pacific & Orient Insurance Co. Berhad (P&O), incorporated in Malaysia. P&O is a niche short-term insurer based in Kuala Lumpur, Malaysia.
- b) A 7.0% interest in the fair value of Shriram General Insurance Company Ltd (SGIC), incorporated in India. SGIC is the short-term insurance business of the Shriram Group, a financial conglomerate based in India. SGIC is positioned to be a market leader in motor insurance.
- c) An 18.6% interest in the fair value of BIHL Insurance Company Ltd (BIHL Sure), incorporated in Botswana. BIHL Sure is a subsidiary of Botswana Insurance Holdings Ltd, a company listed on the Botswana Stock Exchange. BIHL Sure is a start-up short-term insurer providing a variety of insurance products.
- d) An 8.7% interest in the fair value of the short-term insurance subsidiaries of NICO Holdings in Malawi, Zambia and Uganda, and 5.7% in Tanzania (collectively the NICO subsidiaries), following the disposal of Santam's direct interest in NICO Holdings in terms of the NICO Holdings transaction. The NICO subsidiaries offer predominantly personal and commercial insurance products.

Santam previously held an entitlement to participate in the appreciation of SGIC above agreed minimum hurdle rates through a preference share issued by SEM, and which has been redeemed at SEM's election and paid a dividend of R51 million. Santam will now, in terms of the participation transaction, participate in 7.0% of the economic benefits of SGIC.

The net fair value movements recognised on level 3 instruments amounted to -R196 million for the year ended 31 December 2013 (2012: -R176 million).

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R108 million (2012: R110 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable note. 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 risk on assets supporting the bond liability. The derivatives mature on 30 September 2016 and 10 June 2017.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Financial liabilities at fair value through income

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
December 2013				
Debt securities	1 021	–	–	1 021
Investment contracts	–	126	–	126
Derivatives – Fence structure	–	–	204	204
	1 021	126	204	1 352
December 2012				
Debt securities	1 058	–	–	1 058
Investment contracts	–	95	–	95
	1 058	95	–	1 153

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 the statement of comprehensive income.

During the first half of 2013, Santam entered into three derivative fence structures on 28 March 2013, 3 April 2013 and 8 May 2013 covering equities to the value of R700 million, R700 million and R600 million respectively. The implementation level of the first tranche was 7593 (SWIX40 index) with downside protection of 10% from a market level of 7441 and upside participation of 9.7%. The implementation level of the second tranche was 7515 with downside protection of 10% from a market level of 7365 and upside participation of 9.6%. The implementation level of the third tranche was 7694 with downside protection of 10% from a market level of 7540 and upside participation of 9.5%. The upside participation is calculated from the implementation level and the average duration of the structures is 12 months.

At 31 December 2013, the SWIX40 index closed at 9000 and the structures had a fair value of negative R204 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
7. Insurance liabilities and reinsurance assets		
Gross		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	3	–
– claims incurred but not reported	22	14
Short-term insurance contracts		
– claims reported and loss adjustment expenses	5 520	4 948
– claims incurred but not reported	1 427	1 311
– unearned premiums	3 719	3 385
Total insurance liabilities – gross	10 691	9 658
Non-current liabilities	1 595	1 340
Current liabilities	9 096	8 318
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	1	–
– claims incurred but not reported	4	2
Short-term insurance contracts		
– claims reported and loss adjustment expenses	1 315	977
– claims incurred but not reported	207	192
– unearned premiums	817	584
Total reinsurers' share of insurance liabilities	2 344	1 755
Non-current assets	117	137
Current assets	2 227	1 618
Net		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	2	–
– claims incurred but not reported	18	12
Short-term insurance contracts		
– claims reported and loss adjustment expenses	4 205	3 971
– claims incurred but not reported	1 220	1 119
– unearned premiums	2 902	2 801
Total insurance liabilities – net	8 347	7 903

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

8. Non-current asset held for sale

Santam Ltd initially set-up the Santam International Group to facilitate the expansion into Europe. Santam International Ltd (Santam International) directly and indirectly held three subsidiaries called Santam UK Ltd, Westminster Motor Insurance Agency Ltd (WMIA) and Santam Europe Ltd (Europe). The holdings in WMIA and Europe were sold in 2008 and Santam International only retained deferred conditional rights relating to the sale contracts. WMIA and Europe were renamed subsequent to the sale to Cardrow Insurance Ltd and Beech Hill Insurance Ltd, respectively.

Santam Ltd will realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at 31 December 2013. This process is expected to be concluded during 2014.

Once the assets have been realised, management will commence a process to unwind the Santam International Group. The investment in Santam International as well as the loan to Santam International have therefore been classified as current assets on a company level. The completion of the unwinding process is subject to Regulatory approval.

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
Assets that are classified as held for sale		
Financial assets – at fair value through income		
Equity securities	299	–
Loans and receivables including insurance receivables	116	–
	<u>415</u>	<u>–</u>

In accordance with IFRS 5, the assets held for sale were recognised at their fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business and related costs that will be incurred in order to conclude the unwinding process. It was therefore also recognised within level 3 of the fair value hierarchy.

	At 31 Dec 2013 R million	At 31 Dec 2012 R million
9. Investment income and net gains/(losses) on financial assets and liabilities at fair value through income		
Investment income	782	859
Dividend income*	177	342
Interest income	514	503
Foreign exchange differences	91	14
Net realised gains on financial assets	368	358
Net fair value gains on financial assets designated as at fair value through income	240	360
Net fair value gains/(losses) on financial assets classified as held for sale	13	(166)
Net fair value losses on short-term money market instruments	(3)	–
Net realised/fair value (losses)/gains on derivatives	(209)	5
Net fair value gains on financial liabilities designated as at fair value through income	40	(77)
Net fair value gains/(losses) on debt securities	37	(70)
Net fair value gains/(losses) on investment contracts	3	(7)
	<u>1 231</u>	<u>1 339</u>

* 2012 dividend income includes a dividend of R181 million from Santam's International run-off business.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
10. Income tax		
South African normal taxation		
Current year	259	499
Charge for the year	258	360
STC	1	139
Prior year	(4)	10
Recovered from cell owners	(66)	(66)
Foreign taxation	40	38
Income taxation for the year	229	481
Deferred taxation	74	143
Current year	75	139
STC	–	4
Prior year	(1)	–
Income tax recovered from cell owners	(3)	–
Deferred taxation for the year	71	143
Total taxation as per statement of comprehensive income	300	624
 Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjust for		
– Exempt income	(3.4)	(2.6)
– Investment results	(2.0)	(3.2)
– Change in CGT inclusion rate	–	4.7
– STC	0.1	8.4
– Disallowable expenses	0.9	1.0
– Income from associates	(1.6)	(0.7)
– Prior year (overs)/unders	(0.3)	0.6
– Other	(1.3)	0.5
Net (reduction)/increase	(7.6)	8.7
Effective rate	20.4	36.7

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

11. Business combinations

2013

Additions

Travel Insurance Consultants (Pty) Ltd

Santam Ltd has acquired 100% of the shareholding in Travel Insurance Consultants (Pty) Ltd (TIC) with effect from 1 June 2013. TIC is one of the leading travel insurance underwriting managers and have been in operation for over 25 years. The purchase price amounted to R95 million. The goodwill of R76 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R16 million, brandname of R1 million and an additional deferred tax liability of R6 million were recognised on acquisition.

	At 31 Dec 2013 R million
Details of the assets and liabilities acquired at fair value are as follows:	
Intangible assets	22
Loans and receivables (including tax receivables)	1
Cash and cash equivalents	15
Deferred taxation	(7)
Trade and other payables	(12)
Net asset value acquired	19
Goodwill	76
Purchase consideration paid	95

Beyonda Group (Pty) Ltd

Centriq Insurance Holdings Ltd acquired the additional 51% of the shareholding in Beyonda Group (Pty) Ltd for an amount of R8 million with effect 1 March 2013. Intangible assets of R15 million, net assets of R1 million as well as a profit on the sale of the investment in associate previously held of R1 million was recognised. The fair value of the investment in associate previously held was R7 million.

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 broker administration businesses, 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 business.

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, the Santam group sold its 60% interest in Stilus Underwriting Managers (Pty) Ltd.

	At 31 Dec 2012 R million
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	-

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited At 31 Dec 2013 R million	Audited At 31 Dec 2012 R million
12. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	1 120	1 027
Weighted average number of ordinary shares in issue (million)	114.12	113.56
Earnings per share (cents)	982	904
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	1 120	1 027
Weighted average number of ordinary shares in issue (million)	114.12	113.56
Adjusted for share options	1.00	1.25
Weighted average number of ordinary shares for diluted earnings per share (million)	115.12	114.81
Diluted basic earnings per share (cents)	973	895
Headline earnings per share		
Profit attributable to the company's equity holders	1 120	1 027
Adjust for:		
Impairment on net investment and loans of associates	26	43
Impairment of goodwill	5	35
Impairment of software	–	25
Net loss on sale of investment in associate	18	–
Tax charge	9	–
Headline earnings (R million)	1 178	1 130
Weighted average number of ordinary shares in issue (million)	114.12	113.56
Headline earnings per share (cents)	1 033	995
Diluted headline earnings per share		
Headline earnings (R million)	1 178	1 130
Weighted average number of ordinary shares for diluted earnings per share (million)	115.12	114.81
Diluted headline earnings per share (cents)	1 023	984
13. Dividends per share		
Dividend per share (cents)	675	640

Non-executive directors

GG Gelink (Chairman),
B Campbell, MD Dunn, MP Fandesio,
BTPKM Gamedze, ML Marole,
JP Möller, MJ Reyneke, J van Zyl

Executive directors

IM Kirk (Chief Executive Officer),
HD Nel (Chief Financial Officer),
Y Ramiah

Sponsor

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NSX share code: SNM