



SANTAM LTD
AND ITS SUBSIDIARIES
AUDITED SUMMARY
CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2016



TABLE OF CONTENTS

1	SALIENT FEATURES
2	FINANCIAL REVIEW
5	INDEPENDENT AUDITOR'S REPORT
6	SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
7	SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
8	SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
9	SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS
10	NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Gross written premium growth including cell captive insurance 7%

Gross written premium growth excluding cell captive insurance 6%

Underwriting margin 6.4%

Capital coverage ratio 155%

Return on shareholders' funds 15.9%
(Normalised 18.5%)

Earnings per share decreased by 47%

Headline earnings per share decreased by 41%

Final dividend of 570 cents per share, up 8%

FINANCIAL REVIEW

The Santam group reported underwriting results for the 2016 financial year well within the target range of 4% to 8% with a net underwriting margin of 6.4% compared to the exceptional 9.6% in 2015.

Acceptable gross written premium growth of 7% was achieved (6% excluding the impact of cell captive insurance business) in the current low-growth economic environment.

Investment income, inclusive of fair value movements on financial assets and liabilities, of R832 million was significantly lower compared to R1 445 million in 2015. The South African investment portfolio performed better than the market. The relative strengthening of the rand during 2016 compared to the very weak position at December 2015 resulted in significant foreign currency losses of R372 million (including the SEM investment portfolio) compared to gains of R467 million in 2015 included in investment income. In addition, the value of the Santam Emerging Markets (SEM) general insurance business portfolio showed negative unrealised fair value movements following tough trading conditions in certain emerging markets.

The lower underwriting profits compared to the exceptional performance in 2015 and significantly lower investment results reduced headline earnings per share by 41% compared to December 2015. An annualised return on capital of 15.9% was achieved. Normalising the results for the impact of the foreign currency gains and losses in 2015 and 2016, headline earnings per share would have decreased by 14%, while return on capital would have improved to 18.5%. The economic capital coverage ratio was 155%, close to the midpoint of the target range of 130% to 170%.

The property class achieved strong growth of 11% on the back of increased corporate property business written in the rest of Africa and Asia and good growth achieved by the Santam re property portfolio. The motor class benefitted from the 19% growth reported by MiWay, the direct insurance business (gross written premium of R2 101 million; 2015: R1 771 million), but was negatively impacted by corrective actions on unprofitable books of business on outsourced platforms.

The liability and transport classes experienced significant competitive market pressure and reported a decline in gross written premiums of 9% and 1% respectively. The engineering business for large construction contracts was under strain following reduced construction activity in the current economic climate, reflecting growth of only 2%.

The crop insurance business showed significant growth of 17% following the low premium growth in 2015 due to prevailing drought conditions. Acceptable growth of 7% was achieved in the alternative risk class.

The group's focus on international diversification continued to reflect positive growth results with gross written premium from the rest of Africa, India, Southeast Asia and China written on the Santam Ltd licence of R1 431 million for the period (2015: R1 354 million). Santam Namibia reported gross written premium of R1 118 million (2015: R1 056 million), resulting in total gross written premium from outside South Africa for 2016 increasing to R2 549 million compared to the R2 410 million achieved in 2015. In addition, Santam's portion of the gross written premium from SEM insurance businesses increased to R1 939 million (2015: R675 million).

The net underwriting margin of 6.4% decreased from the exceptional margin of 9.6% achieved in 2015. It is on par with the 10-year average of 6%.

The motor and property classes of business were positively impacted by continued disciplined underwriting, including a significant improvement in the underwriting results from business on outsourced platforms. The impact of the catastrophe hail events during 2016 was significantly reduced by recoveries from the catastrophe and sideways reinsurance programmes, resulting in the net impact of 2016 catastrophe events to be in line with 2015. A number of large corporate property claims reduced the underwriting results in the property class of business. MiWay reported a claims ratio of 63.6%, up from 60.9% in 2015, mainly due to the impact of significant new business growth and an increase in motor parts cost following the weakening of the rand in 2015. MiWay contributed an underwriting profit of R160 million (2015: R163 million). The continued investment in the expansion of Santam Direct, MiWay Business Insurance and MiWay Broker Direct reduced the net underwriting margin in 2016. These new initiatives, however, performed in line with their business plans to generate future profitable growth.

The underwriting profit of the engineering class of business showed a decrease compared to 2015, mainly due to the impact of competitive market conditions. The liability class reflected a significant improvement in underwriting results following claims estimate releases and the absence of large claims during 2016.

Despite the severe drought conditions during the first half of 2016, the crop insurance business achieved a net underwriting profit of R69 million (2015: R131 million). This was as a result of disciplined underwriting and fewer hail-related claims during the crop season. Gross drought claims of R231 million were incurred during 2016. The transportation class was negatively impacted by a number of significant aviation claims. Santam re delivered satisfactory results on third-party business.

There were no significant changes to the group's reinsurance programme for 2016 as the soft reinsurance market continued to provide opportunities to optimise reinsurance placements.

The net acquisition cost ratio of 28.5% increased from 28.3% in 2015.

The management expense ratio decreased from 17.5% in 2015 to 16.5% in 2016. The 2015 comparatives included the management expenses of Indwe Broker Holdings Group (Pty) Ltd (Indwe). Following the sale of the controlling stake in Indwe in December 2015, the management expenses of Indwe are no longer consolidated in 2016. The adjusted ratio, excluding Indwe, for 2015 was 16.9%. Management expenses growth was well contained despite the new growth initiatives.

Strategic project costs, included as part of management expenses, amounted to 0.8% of net earned premium (2015: 0.9%). These costs mainly relate to the continued development of a new core underwriting, administration and product management platform for the Santam intermediated business.

The project is progressing according to plan with the majority of personal lines policies now migrated to the new system. The development phase of the commercial business product was completed in June 2016 and the migration processes has commenced. Development costs of R17 million were capitalised in 2016, bringing the total amount capitalised since inception to R212 million. Santam will maintain its focus on cost efficiencies to improve the management expense ratio over the medium term.

The net commission ratio was 12.0% (2015: 10.8%). The comparative ratio in 2015, excluding Indwe, was 11.5%. A decrease in the commission ratio due to the growth in MiWay, where limited commission expenses are incurred, was offset by lower reinsurance commissions earned, mainly on crop and corporate property business, following relatively worse loss ratios compared to 2015. Furthermore, commission on inwards reinsurance business from Santam re, as well as business written in Africa, typically carries higher commission rates than South African business.

The investment return on insurance funds increased to R619 million (2015: R499 million), supported by a 75 basis points increase in interest rates during 2016, higher average insurance funds for the year, as well as the good investment performance of the investment portfolios backing the insurance funds.

The South African investment portfolio achieved good returns in 2016; however, the investment results were negatively impacted by foreign currency losses and the performance of the SEM investments.

Listed equities achieved a return of 3.3%, lagging the SWIX benchmark of 4.1%. A hedge structure over R1 billion of equities entered into for the period May to December 2016 realised a profit of R75 million, increasing the total return of the listed equity portfolio to 8.4%. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The active income portfolios achieved a strong performance of 10.6% for the year, comfortably exceeding the StEFI-related benchmark.

Negative fair value movements (excluding foreign currency losses) of R67 million (2015: positive movement of R47 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia had a further negative impact on the investment performance.

Key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- A downward adjustment to the value of the Pacific & Orient Insurance Co. Berhad (P&O) business in Malaysia of R88 million due to lower premium growth in competitive market conditions. There is a significant focus on expanding the current P&O product offering, and growth reported on non-motor business lines was positive.
- A reduction in the value of the investment in SORAS Assurance Générales Ltd (SORAS) in Rwanda of R47 million following financial irregularities identified during 2016 relating to prior years. Corrective measures were taken to address these irregularities, and the business was recapitalised during the second half of 2016.
- An increase in the value of Shriram General Insurance Company Ltd (SGI) of R51 million was mainly attributed to good growth achieved in the Indian insurance market.

Santam increased its participatory interest in SGI during the second half of 2016 by 8% to 15% at a cost of R251 million. At 31 December 2016, the SEM investments had a fair value of R1 127 million (2015: R1 005 million), which accounted for 16.4% (2015: 12.4%) of the group's shareholder funds.

The acquisition of a 25% shareholding in SAN JV (RF) (Pty) Ltd (SAN JV), with SEM acquiring 75%, was finalised during the first quarter of 2016. SAN JV subsequently acquired a 30% shareholding in Saham Finances.

In December 2016, SEM and Santam announced a further investment in SAN JV, for the purpose of SAN JV acquiring a further 16.6% interest in Saham Finances via a subscription for new shares for \$325 million, which is still subject to regulatory approval. Santam's share of the purchase price is \$7.35 million plus transaction costs. Santam's ability to participate in the transaction was limited due to the size of the investment already held in SAN JV. The investment in SAN JV comprised more than 17.5% of Santam's shareholder funds at 31 December 2016, making it the most significant strategic investment held by Santam. Santam's interest in SAN JV will therefore dilute to 15% (previously 25%). The dilution of Santam's interest in SAN JV will, however, not affect any of its existing shareholder rights.

Net earnings from associated companies of R67 million increased from the R53 million reported in 2015 following the acquisition of the SAN JV investment, which contributed earnings of R43 million in 2016. No earnings were recognised from Credit Guarantee Insurance Corporation of Africa Ltd following the sale of this investment in 2015.

Prospects

Trading conditions in the South African insurance industry remain very competitive in a low-growth economic environment. Real annual GDP was a low 0.7% for 2016, with inflation (average CPI) of 6.4%, which equates to low growth of insurable assets for the insurance industry. The repo rate increased by a further 75 basis points in 2016, following the 50 basis points increase in 2015, which resulted in more pressure on consumers and increased interest income for the group.

The rand appreciated by 12% against the US dollar since January 2016 following the significant weakening in December 2015, which resulted in significant currency losses on foreign assets in 2016. The rand is, however, still weaker than pre-2014 levels, which continues to have a negative impact on claims cost (mainly imported motor parts). Santam continues to focus on the optimisation of the claims and procurement value chains to increase efficiency and counter the impact of the weakening rand.

South Africa's foreign currency sovereign rating was affirmed at BBB- (negative outlook) in December 2016. S&P, however, lowered its local currency rating on South Africa to BBB from BBB+, reflecting their view of South Africa's weakening debt position and continued low GDP growth.

FINANCIAL REVIEW

As a result of this downgrade, Santam's international counterparty credit and insurer financial strength rating was also lowered to BBB from BBB+ as it is limited to the level of the S&P local currency sovereign credit rating. The revised rating was a reflection of S&P's view on South Africa and was not driven by any change in the financial performance of Santam.

In order to compete in the international insurance market, an A- or better international credit rating is often required. Santam has therefore entered into an agreement with Munich Reinsurance Company of Africa Ltd (Munich Re of Africa) in October 2016 in terms of which selected Santam business units will be able to use the reinsurer's S&P AA- credit rating to write inwards international reinsurance business on Munich Re of Africa's licence. This will enable Santam to further the group's strategic objective to profitably grow its business flows from territories outside South Africa in situations where an international credit rating of A- or better is required. The agreement between Santam and Munich Re of Africa is effective 1 January 2017.

The agreement with Munich Re of Africa replaces the credit rating agreement Santam had with another international reinsurer, which expired on 31 December 2016, in terms of which Santam could use that insurer's licence for business, which was dependent on a minimum international credit rating.

The group's focus remains on profitable growth in South Africa and to increase its international diversification through the Santam Specialist Business and Santam re. Santam continues to strategically focus on supporting the development of the SEM general insurance businesses in emerging markets by allocating appropriate technical resources. In South Africa, focus areas include developing Santam's full multichannel capability and MiWay's business insurance and broker-direct offerings, as well as the MiWay Life insurance initiative in conjunction with Sanlam Life.

Santam will maintain its focus on cost efficiencies to improve the management expense ratio over the medium term. The investment market is likely to remain uncertain. The higher interest rate environment will result in increased interest income for the group, but higher volatility is expected on interest-bearing instruments. The increased exposure to non-rand-denominated business further increases foreign exchange volatility.

The group economic capital requirement at 31 December 2016, based on the Santam internal model, amounted to R5.8 billion or an economic capital coverage ratio of 155%, close to the midpoint of the target range of 130% to 170%.

We remain committed to efficient capital management.

Events after the reporting period

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

Declaration of ordinary dividend (Number 126)

Notice is hereby given that the board has declared a gross final dividend of 570 cents per share (2015: 528 cents per share).

Shareholders are advised that the last day to trade "cum dividend" will be Monday, 20 March 2017. The shares will trade "ex dividend" from the commencement of business on Wednesday, 22 March 2017. The record date will be Friday, 24 March 2017, and the payment date will be Monday, 27 March 2017. Certificated shareholders may not dematerialise or rematerialise their shares between Wednesday, 22 March 2017 and Friday, 24 March 2017, both dates inclusive.

The dividend has been declared from income reserves and will be subject to dividends tax. The amounts per share, subject to the withholding of dividends tax at a maximum rate of 20%, are therefore 570 cents per share. A net dividend of 456 cents per share will apply to shareholders liable for dividends tax at a rate of 20%, and 570 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 1 March 2017 is 115 131 417 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.

Appreciation

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 year.

Preparation and presentation of the financial statements

The preparation of the independently audited financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel CA(SA).



GG Gelink
Chairman



L Lambrechts
Chief executive officer

1 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

OPINION

The summary consolidated financial statements of Santam Ltd, set out on pages 6 to 24, which comprise the summary consolidated statement of financial position as at 31 December 2016, 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 for the year ended 31 December 2016.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as 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.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 1 March 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised) – Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc

Director: Zuhdi Abrahams

Registered auditor

Cape Town

1 March 2017

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Audited at 31 December 2016	Audited at 31 December 2015
	Notes	R million	R million
ASSETS			
Non-current assets			
Property and equipment		106	90
Intangible assets		885	827
Deferred income tax		105	140
Investment in associates and joint ventures		1 536	252
Financial assets at fair value through income			
Equity securities	6	2 581	2 730
Debt securities	6	10 849	9 721
Reinsurance assets	7	140	164
Deposit with cell owner		163	187
Total non-current assets		16 365	14 111
Current assets			
Cell owners' interest		7	6
Financial assets at fair value through income			
Derivatives	6	1	2
Short-term money market instruments	6	1 361	2 281
Reinsurance assets	7	4 349	3 514
Deposit with cell owner		56	67
Deferred acquisition costs		469	525
Loans and receivables including insurance receivables	6	3 754	3 449
Income tax assets		19	13
Cash and cash equivalents		2 887	3 349
Non-current assets held for sale	8	8	541
Total current assets		12 911	13 747
Total assets		29 276	27 858
EQUITY AND LIABILITIES			
Capital and reserves attributable to the company's equity holders			
Share capital		103	103
Treasury shares		(472)	(450)
Other reserves		(41)	548
Distributable reserves		7 286	7 880
		6 876	8 081
Non-controlling interest		469	466
Total equity		7 345	8 547
Non-current liabilities			
Deferred income tax		101	107
Financial liabilities at fair value through income			
Debt securities	6	2 005	974
Derivatives	6	-	1
Cell owners' interest		1 153	980
Insurance liabilities	7	1 312	1 525
Reinsurance liability relating to cell owners		163	187
Total non-current liabilities		4 734	3 774
Current liabilities			
Financial liabilities at fair value through income			
Debt securities	6	48	24
Investment contracts	6	101	70
Financial liabilities at amortised cost			
Collateral guarantee contracts		123	105
Insurance liabilities	7	12 284	11 139
Reinsurance liability relating to cell owners		56	67
Deferred reinsurance acquisition revenue		273	280
Provisions for other liabilities and charges		71	122
Trade and other payables including insurance payables		4 093	3 412
Current income tax liabilities		148	318
Total current liabilities		17 197	15 537
Total liabilities		21 931	19 311
Total shareholders' equity and liabilities		29 276	27 858

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Audited Year ended 31 December 2016 R million	Audited Year ended 31 December 2015 R million	Change
Gross written premium		25 909	24 319	7%
Less: reinsurance written premium		6 137	5 435	
Net written premium		19 772	18 884	5%
Less: change in unearned premium				
Gross amount		137	528	
Reinsurers' share		(191)	(167)	
Net insurance premium revenue		19 826	18 523	7%
Investment income	9	777	1 210	(36%)
Income from reinsurance contracts ceded		1 337	1 236	
Net gains on financial assets and liabilities at fair value through income	9	42	235	
Investment income and fair value losses on financial assets held for sale	9	13	–	
Net income		21 995	21 204	4%
Insurance claims and loss adjustment expenses		17 100	13 980	
Insurance claims and loss adjustment expenses recovered from reinsurers		(4 189)	(2 470)	
Net insurance benefits and claims		12 911	11 510	12%
Expenses for the acquisition of insurance contracts		3 716	3 240	
Expenses for marketing and administration		3 247	3 277	
Expenses for investment-related activities		70	53	
Amortisation and impairment of intangible assets		51	117	
Total expenses		19 995	18 197	10%
Results of operating activities		2 000	3 007	(33%)
Finance costs		(212)	(116)	
Net income from associates and joint ventures		67	53	
Profit on sale of associated companies	11	–	413	
Profit on sale of subsidiary	11	–	15	
Profit before tax		1 855	3 372	(45%)
Income tax expense	10	(524)	(908)	
Profit for the year		1 331	2 464	(46%)
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Currency translation differences		(197)	163	
Share of associates' currency translation differences		(255)	–	
Hedging reserve movement		(140)	134	
Tax on hedging reserve movement		–	(37)	
Total comprehensive income for the year		739	2 724	(73%)
Profit attributable to:				
– equity holders of the company		1 212	2 348	(48%)
– non-controlling interest		119	116	
		1 331	2 464	
Total comprehensive income attributable to:				
– equity holders of the company		620	2 608	(76%)
– non-controlling interest		119	116	
		739	2 724	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		1 100	2 090	(47%)
Diluted earnings per share		1 088	2 065	(47%)
Weighted average number of ordinary shares (millions)		110.21	112.34	
Weighted average number of ordinary shares for diluted earnings per share (millions)		111.37	113.72	

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Total R million	Non- controlling interest R million	Total R million
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million			
Balance as at 1 January 2015	107	(506)	238	7 171	7 010	430	7 440
Profit for the year	-	-	-	2 348	2 348	116	2 464
Other comprehensive income:							
Currency translation differences	-	-	163	-	163	-	163
Hedging reserve movement	-	-	134	(37)	97	-	97
Total comprehensive income for the year ended 31 December 2015	-	-	297	2 311	2 608	116	2 724
Issue of treasury shares in terms of share option schemes	-	56	-	(56)	-	-	-
Repurchase of shares (refer to note 14)	(4)	-	-	(797)	(801)	-	(801)
Transfer to reserves	-	-	4	(4)	-	-	-
Share-based payment costs	-	-	-	124	124	-	124
Increase in capital contribution reserve (refer to note 14)	-	-	9	-	9	-	9
Dividends paid	-	-	-	(869)	(869)	(82)	(951)
Interest sold to non-controlling interest	-	-	-	-	-	2	2
Balance as at 31 December 2015	103	(450)	548	7 880	8 081	466	8 547
Profit for the year	-	-	-	1 212	1 212	119	1 331
Other comprehensive income:							
Currency translation differences	-	-	(197)	-	(197)	-	(197)
Share of associates' currency translation differences	-	-	(255)	-	(255)	-	(255)
Hedging reserve movement	-	-	(140)	-	(140)	-	(140)
Total comprehensive income for the year ended 31 December 2016	-	-	(592)	1 212	620	119	739
Issue of treasury shares in terms of share option schemes	-	76	-	(76)	-	-	-
Purchase of treasury shares	-	(98)	-	-	(98)	-	(98)
Transfer to reserves	-	-	3	(3)	-	-	-
Share-based payment costs	-	-	-	79	79	-	79
Dividends paid	-	-	-	(1 806)	(1 806)	(116)	(1 922)
Balance as at 31 December 2016	103	(472)	(41)	7 286	6 876	469	7 345

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2016 R million	Audited Year ended 31 December 2015 R million
Cash flows from operating activities			
Cash generated from operations		2 171	3 656
Interest paid		(161)	(110)
Income tax paid		(681)	(1 002)
Net cash from operating activities		1 329	2 544
Cash flows from investing activities			
Acquisition of financial assets		(17 594)	(14 086)
Proceeds from sale of financial assets		17 764	13 348
Settlement of fence		75	42
Acquisition of business, net of cash acquired	11	70	-
Cash received/(disposed of) through sale of subsidiaries	11	208	(183)
Staff trust acquired	14	-	132
Purchases of equipment		(60)	(39)
Purchases of intangible assets		(50)	(85)
Proceeds from sale of equipment		2	-
Acquisition of associated companies and joint ventures		(1 467)	(2)
Capitalisation of associated companies		(10)	(28)
Proceeds from sale of associated companies	11	-	625
Settlement of deferred conditional right relating to non-current assets held for sale		509	-
Net cash used in investing activities		(553)	(276)
Cash flows from financing activities			
Purchase of treasury shares		(98)	-
Repurchase of shares		-	(801)
Proceeds from issue of unsecured subordinated callable notes		1 000	-
Increase/(decrease) in investment contract liabilities		31	(35)
Increase in collateral guarantee contracts		12	11
Dividends paid to company's shareholders		(1 806)	(869)
Dividends paid to non-controlling interest		(116)	(82)
(Decrease)/increase in cell owners' interest		(114)	16
Net cash used in financing activities		(1 091)	(1 760)
Net (decrease)/increase in cash and cash equivalents			
		(315)	508
Cash and cash equivalents at the beginning of the year		3 349	2 561
Exchange (losses)/gains on cash and cash equivalents		(147)	280
Cash and cash equivalents at the end of the year		2 887	3 349

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of 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 IFRS 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 2016:

- Amendments to IFRS 10 and IAS 28 – Investment entities: Applying the consolidation exemption
- Amendments to IFRS 11 – Joint arrangements
- IFRS 14 – Regulatory deferral accounts
- Amendments to IAS 1 – Disclosure initiative
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer plants
- Amendment to IAS 27 – Equity method in separate financial statements
- Annual Improvements 2012 –14 cycle

There was no material impact on the summary consolidated financial statements identified.

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 expenses. Actual results may differ from these estimates.

In preparing this summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2016. There have been no changes since 31 December 2015.

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 2016.

There have been no material changes in the risk management policies since 31 December 2015.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. Segment information

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

The group conducts mainly insurance, investment and strategic diversification activities.

Insurance activities are all core general insurance and reinsurance underwriting activities undertaken by the group and are analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with net underwriting result as measure of profitability.

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income (excluding net investment income generated by strategic activities).

Strategic diversification activities relate to all strategic investing activities where the purpose of the activities is to obtain certain diversification benefits. The investments in SEM target shares, associates and joint ventures are included in this segment. This segment was included in 2016, subsequent to the acquisition of the shareholding in SAN JV. The segment report was amended to also provide the comparative information relating to SEM. Strategic diversification activities are measured based on net investment income from SEM target share investments and net income from associated companies and joint ventures.

Growth is measured based on the gross written premium generated by the underlying businesses. The underwriting and investment return on insurance funds are provided for each of the underlying components included in the strategic diversification segment for consideration by the chief operating decision-maker. As this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associated companies and joint ventures, it is also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associated companies and joint ventures.

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

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Insurance business denominated in foreign currencies is covered by foreign denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

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 the gross written premium and non-current assets and liabilities is 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 joint ventures and SEM target shares (included in financial instruments).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. Segment information (continued)

5.1 For the year ended 31 December 2016

Business activity	Insurance R million	Investment R million	Strategic diversification R million	Total R million	Reconciling and unallocated R million	IFRS total R million
Revenue	25 909	418	1 939	28 266	(2 357)	25 909
Gross written premium	25 909	–	1 939	27 848	(1 939)	25 909
Net written premium	19 772	–	1 477	21 249	(1 477)	19 772
Net earned premium	19 826	–	1 414	21 240	(1 414)	19 826
Net claims incurred	12 911	–	982	13 893	(982)	12 911
Net commission	2 379	–	121	2 500	(121)	2 379
Management expenses (excluding BEE costs) ²	3 268	–	347	3 615	(347)	3 268
Underwriting result	1 268	–	(36)	1 232	36	1 268
Investment return on insurance funds	619	–	180	799	(180)	619
Net insurance result	1 887	–	144	2 031	(144)	1 887
Reallocation of net insurance results ¹	–	–	(144)	(144)	144	–
Investment income/ (losses) net of investment-related fees and finance costs	–	136	(205)	(69)	–	(69)
Income from associates and joint ventures	–	–	67	67	–	67
Santam BEE costs	–	–	–	–	(9)	(9)
Amortisation and impairment of intangible assets ²	(21)	–	–	(21)	–	(21)
Income before taxation	1 866	136	(138)	1 864	(9)	1 855

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

² Amortisation of computer software included as part of management expenses.

	Gross written premium R million	Underwriting result R million
Insurance activities		
The group's insurance activities are spread over various classes of general insurance.		
Accident and health	374	49
Alternative risk	2 406	16
Crop	984	69
Engineering	1 196	196
Guarantee	86	(31)
Liability	1 202	301
Miscellaneous	9	(3)
Motor	11 004	622
Property	7 972	22
Transportation	676	27
Total	25 909	1 268
Comprising:		
Commercial insurance	13 330	735
Personal insurance	10 173	517
Alternative risk	2 406	16
Total	25 909	1 268

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	R million
Additional information	
Investment activities	
The group's return on investment-related activities can be analysed as follows:	
Investment income	150
Net gains on financial assets and liabilities at fair value through income	268
Investment-related revenue	418
Expenses for investment-related activities	(70)
Finance costs	(212)
Net total investment-related transactions	136

For detailed analysis of investment activities, refer to notes 6 and 9.

	SEM target shares R million	SAN JV (Saham Finances) R million	Other R million	Total R million
Strategic diversification activities				
The group's return on strategic diversification-related activities can be analysed as follows:				
Revenue	962	977	-	1 939
Gross written premium	962	977	-	1 939
Net written premium	688	789	-	1 477
Net earned premium	665	749	-	1 414
Net claims incurred	484	498	-	982
Net commission	32	89	-	121
Management expenses (excluding BEE costs)	162	185	-	347
Underwriting result	(13)	(23)	-	(36)
Investment return on insurance funds	119	61	-	180
Net insurance result	106	38	-	144
Reallocation of net insurance results ¹	(106)	(38)	-	(144)
Investment losses net of investment-related fees and finance costs	(205)	-	-	(205)
Income from associates and joint ventures	-	43	24	67
(Loss)/income before taxation	(205)	43	24	(138)

	Gross written premium R million	Underwriting result R million
South Africa	-	-
Rest of Africa	1 427	(18)
Southeast Asia, India, Middle East and China	512	(18)
	1 939	(36)
Reallocation of net underwriting results ¹		36
Investment income		8
Net losses on financial assets and liabilities at fair value through income		
- Net fair value losses		(67)
- Net foreign exchange losses		(146)
Net income from associates and joint ventures		67
Strategic diversification-related loss		(138)

¹ Reconciling items consist of the reallocation of net underwriting results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

	Dividend income R million	Net fair value losses R million	Net foreign exchange losses R million	Net income from associates and joint ventures R million	Total R million
SAN JV (Saham Finances)	-	-	-	43	43
SEM target shares	8	(67)	(146)	-	(205)
Other	-	-	-	24	24
Total	8	(67)	(146)	67	(138)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. Segment information (continued) 5.2 For the year ended 31 December 2015 (restated)

Business activity	Insurance R million	Investment R million	Strategic diversification R million	Total R million	Reconciling and unallocated R million	IFRS total R million
Revenue	24 319	772	675	25 766	(1 447)	24 319
Gross written premium	24 319	-	675	24 994	(675)	24 319
Net written premium	18 884	-	494	19 378	(494)	18 884
Net earned premium	18 523	-	499	19 022	(499)	18 523
Net claims incurred	11 510	-	397	11 907	(397)	11 510
Net commission	2 004	-	19	2 023	(19)	2 004
Management expenses (excluding BEE costs) ²	3 230	-	103	3 333	(103)	3 230
Underwriting result	1 779	-	(20)	1 759	20	1 779
Investment return on insurance funds	499	-	79	578	(79)	499
Net insurance result	2 278	-	59	2 337	(59)	2 278
Reallocation of net insurance results ¹	-	-	(59)	(59)	59	-
Investment income net of investment-related fees and finance costs	-	603	174	777	-	777
Income from associates including profit on sale	-	-	466	466	-	466
Profit on sale of subsidiary	-	-	15	15	-	15
Santam BEE costs	-	-	-	-	(71)	(71)
Amortisation and impairment of intangible assets ²	(93)	-	-	(93)	-	(93)
Income before taxation	2 185	603	655	3 443	(71)	3 372

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

² Amortisation of computer software included as part of management expenses.

	Gross written premium ¹ R million	Underwriting result ¹ R million
Insurance activities		
The group's insurance activities are spread over various classes of general insurance.		
Accident and health	371	60
Alternative risk	2 248	20
Crop	840	131
Engineering	1 176	216
Guarantee	149	13
Liability	1 327	234
Miscellaneous	62	11
Motor	10 247	673
Property	7 213	330
Transportation	686	91
Total	24 319	1 779
Comprising:		
Commercial insurance	12 665	1 195
Personal insurance	9 406	564
Alternative risk	2 248	20
Total	24 319	1 779

¹ The following reclassifications between insurance classes were made as a result of more granular information becoming available: a decrease of R477 million in gross written premium for commercial lines and a corresponding increase of R477 million in gross written premium for personal lines; a decrease of R36 million in underwriting result for commercial lines and a corresponding increase of R36 million in underwriting result for personal lines.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

R million

Additional information

Investment activities

The group's return on investment-related activities can be analysed as follows:

Investment income	689
Net gains on financial assets and liabilities at fair value through income	83
Investment-related revenue	772
Expenses for investment-related activities	(53)
Finance costs	(116)
Net total investment-related transactions	603

For detailed analysis of investment activities, refer to notes 6 and 9.

	SEM target shares R million	Other R million	Total R million
Strategic diversification activities			
The group's return on strategic diversification-related activities can be analysed as follows:			
Revenue	675	-	675
Gross written premium	675	-	675
Net written premium	494	-	494
Net earned premium	499	-	499
Net claims incurred	397	-	397
Net commission	19	-	19
Management expenses (excluding BEE costs)	103	-	103
Underwriting result	(20)	-	(20)
Investment return on insurance funds	79	-	79
Net insurance result	59	-	59
Reallocation of net insurance results ¹	(59)	-	(59)
Investment income net of investment-related fees and finance costs	174	-	174
Income from associates and joint ventures including profit on sale	-	466	466
Profit on sale of subsidiary	-	15	15
Income before taxation	174	481	655

	Gross written premium R million	Underwriting result R million
South Africa	-	-
Rest of Africa	272	(3)
Southeast Asia, India, Middle East and China	403	(17)
	675	(20)
Reallocation of net underwriting results ¹		20
		-
Investment income		22
Net gains on financial assets and liabilities at fair value through income		
- Net fair value gains		47
- Net foreign exchange gains		105
Net income from associates and joint ventures		53
Profit on sale of associates		413
Profit on sale of subsidiary		15
Strategic diversification-related revenue		655

¹ Reconciling items consist of the reallocation of net underwriting results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Dividend income R million	Net fair value gains R million	Net foreign exchange gains R million	Net income from associates and joint ventures R million	Total R million
5. Segment information (continued)					
5.2 For the year ended 31 December 2015 (restated) (continued)					
SEM target shares	22	47	105	-	174
Other ¹	-	-	-	481	481
Total	22	47	105	481	655

¹ Includes profit on sale of associates of R413 million and profit on sale of subsidiary of R15 million.

	Gross written premium		Non-current assets	
	31 December 2016 R million	Restated 31 December 2015 R million	31 December 2016 R million	31 December 2015 R million
5.3 Geographical analysis				
South Africa	23 360	21 909	1 126	1 000
Rest of Africa ¹	3 479	2 245	1 670	441
Southeast Asia, India, Middle East and China ²	1 009	840	857	733
	27 848	24 994	3 653	2 174
Reconciling items ³	[1 939]	[675]	-	-
Group total	25 909	24 319	3 653	2 174

¹ Includes gross written premium relating to Namibia of R1 118 million (Dec. 2015: R1 056 million).

² Includes gross written premium relating to China of R116 million (Dec. 2015: R140 million).

³ Reconciling items relate to the underlying investments included in strategic diversification activities for management reporting purposes.

	Audited at 31 December 2016 R million	Audited at 31 December 2015 R million
6. Financial assets and liabilities		
The group's financial assets and liabilities are summarised below by measurement category.		
Financial assets		
Financial assets at fair value through income	14 792	14 734
Loans and receivables	3 754	3 449
	18 546	18 183
Financial liabilities		
Financial liabilities at fair value through income	2 154	1 069
Financial liabilities at amortised cost	123	105
Trade and other payables	4 093	3 412
	6 370	4 586

Financial instruments measured at fair value on a recurring basis

The table that follows 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 2015. 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). The fair value of level 2 instruments is predominantly determined using discounted cash flow models based on market observable input.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

All government and corporate bonds were transferred from level 1 to level 2 based on management's current assessment of an active market for debt instruments. There were no significant transfers between level 1 and level 2 during the prior year.

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 principle that the entire portfolio is managed on a fair value basis and reported as such to the investment committee.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income	R million	R million	R million	R million
Equity securities				
Quoted				
Listed	1 321	-	-	1 321
Unitised funds	-	77	-	77
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 181	1 181
Total equity securities	1 323	77	1 181	2 581
Debt securities				
Quoted				
Government and other bonds	-	2 469	-	2 469
Collateralised securities	-	407	-	407
Unit-linked investments	-	268	-	268
Money market instruments more than one year	-	2 592	-	2 592
Equity-linked notes	-	244	-	244
Unquoted				
Government and other bonds	-	151	-	151
Collateralised securities	-	10	-	10
Money market instruments more than one year	-	4 516	-	4 516
Redeemable preference shares	-	163	29	192
Total debt securities	-	10 820	29	10 849
Derivative instruments				
Exchange traded futures	-	1	-	1
Interest rate swaps ¹	-	-	-	-
Total derivative instruments	-	1	-	1
Short-term money market instruments	-	1 361	-	1 361
Total financial assets at fair value through income	1 323	12 259	1 210	14 792

¹ Carrying value as at 31 December 2016 is less than R1 million.

Financial liabilities at fair value through income

Debt securities	-	2 053	-	2 053
Investment contracts	-	101	-	101
Total financial liabilities at fair value through income	-	2 154	-	2 154

31 December 2015

Financial assets at fair value through income

Equity securities				
Quoted				
Listed	1 643	-	-	1 643
Unitised funds	-	66	-	66
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 019	1 019
Total equity securities	1 645	66	1 019	2 730
Debt securities				
Quoted				
Government and other bonds	1 378	1 122	36	2 536
Collateralised securities	-	190	-	190
Unit-linked investments	-	214	-	214
Money market instruments more than one year	-	1 799	-	1 799
Unquoted				
Government and other bonds	-	132	-	132
Money market instruments more than one year	-	4 459	-	4 459
Redeemable preference shares	-	101	29	130
Equity-linked notes	-	261	-	261
Total debt securities	1 378	8 278	65	9 721
Derivative instruments				
Exchange traded futures	-	2	-	2
Total derivative instruments	-	2	-	2
Short-term money market instruments	-	2 237	44	2 281
Total financial assets at fair value through income	3 023	10 583	1 128	14 734

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
6. Financial assets and liabilities (continued)				
31 December 2015				
Financial liabilities at fair value through income				
Debt securities	998	-	-	998
Investment contracts	-	70	-	70
Derivative instruments				
Interest rate swaps ¹	-	-	1	1
Total derivative instruments	-	-	1	1
Total financial liabilities at fair value through income	998	70	1	1 069

¹ Carrying value as at 31 December 2016 is less than R1 million.

The following tables present the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
31 December 2016					
Opening balance	1 019	65	44	(1)	1 127
Acquisitions	376	-	-	-	376
Disposals/settlements	(2)	-	-	(75)	(77)
Transfers between asset classes	-	44	(44)	-	-
Transfers to level 1 and/or 2	-	(90)	-	-	(90)
(Losses)/gains recognised in profit or loss	(212)	10	-	76	(126)
Closing balance	1 181	29	-	-	1 210
31 December 2015					
Opening balance	820	56	38	-	914
Acquisitions	51	-	1	-	52
Disposals/settlements	(5)	-	(2)	-	(7)
Transfers between asset classes	-	(4)	4	-	-
Gains/(losses) recognised in profit or loss	153	13	3	(1)	168
Closing balance	1 019	65	44	(1)	1 127

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). Santam increased its participatory interest in SGI during the second half of 2016 by 8% to 15% at a cost of R251 million. Of the R212 million loss (Dec 2015: R153 million gain) recognised on equity securities, R212 million (Dec 2015: R152 million) relates to the SEM target shares, of which R145 million (Dec 2015: R105 million) relates to foreign exchange losses (Dec 2015: gains), and R67 million (Dec 2015: R47 million) to a decrease (Dec 2015: increase) in fair value in local currency terms. Key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- A downward adjustment to the value of the P&O business in Malaysia of R88 million due to lower premium growth in competitive market conditions. There is a significant focus on expanding the current P&O product offering, and growth reported on non-motor business lines was positive.
- A reduction in the value of the investment in SORAS Assurances Générales Ltd (SORAS) in Rwanda of R47 million following financial irregularities identified during 2016 relating to prior years. Corrective measures were taken to address these irregularities, and the business was recapitalised during the second half of 2016.
- An increase in the value of SGI of R51 million was mainly attributed to good growth achieved in the Indian insurance market.

The fair value of the SEM target shares is determined using predominantly discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R140 million (Dec. 2015: R114 million) or increase by R213 million (Dec. 2015: R172 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R85 million (Dec. 2015: R73 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R91 million (Dec. 2015: R79 million) or decrease by R90 million (Dec. 2015: R78 million), respectively.

At 31 December 2016, the group had exchange traded futures with an exposure value of R345 million (Dec. 2015: R585 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2016 of R27 million (Dec. 2015: R31 million) and R27 million (Dec. 2015: R31 million) respectively.

The interest rate derivative liabilities represent the fair value of interest rate swaps effected on a total of R100 million (Dec. 2015: R100 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable notes. 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 12 June 2017. The gross exposure asset and liability at year-end amounted to R3 million (Dec. 2015: R10 million) and R3 million (Dec. 2015: R11 million) respectively.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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.

During April 2016, the company issued additional unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes amounted to 9.81%, representing the three-month JIBAR (as at 31 December 2016) plus 245 basis points at the time of the issue, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have a call date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes a call date of 12 April 2023 with a final maturity date of 12 April 2028.

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. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest.

In February 2015, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 443, with upside participation (excluding dividends) of 10.9%. The structure matured on 17 December 2015 (resulting in a realised gain of R42 million) and was not renewed. In May 2016, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 621, with upside participation (excluding dividends) of 10.3%. The structure matured on 15 December 2016 (resulting in a realised gain of R75 million) and was not renewed. These were economic hedges over R1 billion of the listed equity portfolio.

	Audited at 31 December 2016 R million	Audited at 31 December 2015 R million
7. Insurance liabilities and reinsurance assets		
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	25	6
– claims incurred but not reported	42	30
General insurance contracts		
– claims reported and loss adjustment expenses	6 789	6 273
– claims incurred but not reported	1 873	1 567
– unearned premiums	4 867	4 788
Total gross insurance liabilities	13 596	12 664
Non-current liabilities	1 312	1 525
Current liabilities	12 284	11 139
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	6	3
– claims incurred but not reported	12	7
General insurance contracts		
– claims reported and loss adjustment expenses	2 835	2 220
– claims incurred but not reported	329	272
– unearned premiums	1 307	1 176
Total reinsurers' share of insurance liabilities	4 489	3 678
Non-current assets	140	164
Current assets	4 349	3 514
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	19	3
– claims incurred but not reported	30	23
General insurance contracts		
– claims reported and loss adjustment expenses	3 954	4 053
– claims incurred but not reported	1 544	1 295
– unearned premiums	3 560	3 612
Total net insurance liabilities	9 107	8 986

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. Non-current assets held for sale

Santam Ltd initially set up the Santam International group in 2002 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 (Cardrow) and Beech Hill Insurance Ltd (Beech Hill), respectively.

The deferred conditional rights relating to Cardrow were realised during the first half of 2016 when it paid a dividend of R394 million. The deferred conditional rights relating to Beech Hill were substantially realised during the second half of 2016 with the receipt of an amount of R115 million. The remaining balance of R8 million is expected to be realised during the first half of 2017.

	Audited at 31 December 2016 R million	Audited at 31 December 2015 R million
Assets that are classified as held for sale		
Financial assets at fair value through income		
Equity securities	-	390
Loans and receivables including insurance receivables	8	151
	8	541
Opening balance	541	428
Settlements	(509)	-
Dividend income	394	-
Foreign exchange (losses)/gains	(37)	113
Net fair value losses	(381)	-
Closing balance	8	541

9. Investment income and net gains/(losses) on financial assets and liabilities

	Audited Year ended 31 December 2016 R million	Audited Year ended 31 December 2015 R million
Investment income	777	1 210
Dividend income	64	119
Interest income	941	729
Foreign exchange differences	(228)	362
Net gains on financial assets and liabilities at fair value through income	42	235
Net realised gains on financial assets	284	1 010
Net fair value losses on financial assets designated as at fair value through income	(300)	(850)
Net realised/fair value gains on derivative instruments	75	43
Net fair value gains on short-term money market instruments	14	7
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	(31)	25
Net fair value (losses)/gains on debt securities	(31)	25
Investment income and net losses on financial assets held for sale ¹	13	-
Dividend income	394	-
Net fair value losses	(381)	-
	832	1 445

¹ Dividend income for the group includes a dividend of R394 million resulting from the realisation of the value in the non-current assets held for sale relating to Cardrow. This resulted in the net fair value of the related investment being reduced by R381 million. Refer to note 8 for more detail.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited Year ended 31 December 2016 R million	Audited Year ended 31 December 2015 R million
10. Income tax		
Normal taxation		
Current year	553	1 077
Prior year	(8)	24
Recovered from cell owners	(89)	(67)
Foreign taxation – current year	56	57
Total income taxation for the year	512	1 091
Deferred taxation		
Current year	12	(170)
Prior year	–	(13)
Total deferred taxation for the year	12	(183)
Total taxation as per statement of comprehensive income	524	908
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.6	0.7
Foreign tax differential	0.4	0.2
Exempt income	(1.4)	(1.2)
Investment results	(0.5)	(0.9)
Change in CGT inclusion rate ¹	2.4	–
Income from associates and joint ventures	(1.1)	(1.0)
Previous years' (over)/underprovision	(0.4)	0.3
Other permanent differences	0.1	0.7
Other taxes	0.1	0.1
Net increase/(reduction)	0.2	(1.1)
Effective rate (%)	28.2	26.9

¹ The increase in the CGT inclusion rate resulted in an increase in the deferred tax provision on fair value movements of R45 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. Corporate transactions

2016

Acquisitions

SAN JV (RF) (Pty) Ltd (Saham Finances)

The transaction to acquire a 25% shareholding in SAN JV (with SEM acquiring 75%), announced in November 2015, was finalised during the first quarter of 2016. The total cash consideration was US\$400 million. Santam's share of the purchase consideration, amounting to US\$100 million, was funded from internal cash resources. In November 2015, Santam acquired sufficient foreign currency, in addition to existing dollar assets, to cover the purchase consideration before the transaction was concluded. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating these US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R140 million (Dec. 2015: R134 million) recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. Therefore, the cost price of the investment, net of the cash flow hedge impact, was R1 412 million.

Professional Provident Society Short-term Insurance Company Ltd (PST)

During March 2016, Santam purchased 49% of PST for R55 million in cash. During November 2016, a pro rata recapitalisation took place in terms of which Santam injected a further R10 million into the company.

Absa Intermediated Commercial Lines business

During November 2016, Santam purchased the Absa Intermediated Commercial Lines business from Absa Insurance Company Ltd for R13 million in cash, including contingent payments estimated at R28 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets – key business relationships	59
Cash and cash equivalents	83
Insurance liabilities	(83)
Trade and other payables	(2)
Deferred tax liabilities	(16)
Net asset value acquired	41
Future contingent consideration payable	(28)
Purchase consideration paid	13

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

2015

Disposals

Indwe Broker Holdings Group (Pty) Ltd

On 31 December 2015, Santam Ltd, as well as Swanvest 120 (Pty) Ltd, Main Street 409 (Pty) Ltd and Thebe Risk Services Holdings (Pty) Ltd (all wholly-owned subsidiaries of Santam Ltd) sold 26.34%, 13.82%, 16.8% and 19.04% respectively of their shareholding in Indwe Broker Holdings Group (Pty) Ltd to Sanlam Life Insurance Ltd (25%) and African Rainbow Capital (Pty) Ltd (51%) for R208 million in total. The net profit realised was R15 million and capital gains tax of R5 million was recognised. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture and remeasured to fair value, resulting in a gain of R3 million (included in the profit on sale).

	R million
Details of the assets and liabilities disposed of are as follows:	
Property and equipment	23
Intangible assets	223
Deferred taxation	5
Loans and receivables	6
Cash and cash equivalents	183
Provisions for other liabilities and charges	(1)
Trade and other payables	(170)
Current income tax liabilities	(10)
Net asset value disposed of	259
Profit on sale	15
Less: fair value of remaining investment	(66)
Less: purchase price receivable	(208)
Purchase consideration received	-

The purchase consideration was received in 2016.

Credit Guarantee Insurance Corporation of Africa Ltd

On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd for R602 million. Net profit of R392 million and capital gains tax of R73 million (initially recognised as R91 million) was realised.

Censeo (Pty) Ltd

On 31 May 2015, Swanvest 120 (Pty) Ltd sold its 37.5% shareholding in Censeo (Pty) Ltd for R23 million. The net profit realised was R21 million and capital gains tax of R4 million was recognised.

	Audited at 31 December 2016 R million	Audited at 31 December 2015 R million
Goodwill reconciliation		
Opening balance	598	833
Impairment	(3)	(47)
Disposal of subsidiary	-	(188)
Closing balance	595	598

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited Year ended 31 December 2016	Audited Year ended 31 December 2015
12. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	1 212	2 348
Weighted average number of ordinary shares in issue (million)	110.21	112.34
Earnings per share (cents)	1 100	2 090
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	1 212	2 348
Weighted average number of ordinary shares in issue (million)	110.21	112.34
Adjusted for share options	1.16	1.38
Weighted average number of ordinary shares for diluted earnings per share (million)	111.37	113.72
Diluted basic earnings per share (cents)	1 088	2 065
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	1 212	2 348
Adjusted for:		
Impairment of goodwill and other intangible assets	3	52
Profit on sale of subsidiary	-	(15)
Tax charge on profit on sale of subsidiary	-	5
Profit on sale of associated companies	-	(413)
Tax charge on profit on sale of associated companies	-	95
Capital gains tax overprovision on sale of associated companies	(18)	-
Headline earnings (R million)	1 197	2 072
Weighted average number of ordinary shares in issue (million)	110.21	112.34
Headline earnings per share (cents)	1 086	1 844
Diluted headline earnings per share		
Headline earnings (R million)	1 197	2 072
Weighted average number of ordinary shares for diluted headline earnings per share (million)	111.37	113.72
Diluted headline earnings per share (cents)	1 075	1 822
13. Dividend per share		
Dividend per share (cents)	881	816
Special dividend per share (cents)	800	-
14. Broad-based black economic empowerment (BBBEE)		
In May 2007, Central Plaza Investments 112 (Pty) Ltd (Central Plaza) acquired 10% of Santam's shares with the following beneficiaries:		
- Emthunzini Black Economic Empowerment Staff Trust		
- Emthunzini Black Economic Empowerment Business Partners Trust		
- Emthunzini Broad-based Black Economic Empowerment Community Trust		
The scheme matured in February 2015. Of the shares held by Central Plaza Investments 112 (Pty) Ltd, Santam repurchased 38% of the shares (4 215 000 shares at a price of R190 per share for a total consideration of R801 million) and 24% were sold in the market through a successful bookbuild during the unwinding process, and the balance was distributed to participants.		
The consequent distribution of Santam shares and cash valued at R1.1 billion to the beneficiaries started in September 2015 with R530 million allocated to close to 2 400 Santam and Sanlam employees. Santam shares and cash to the value of R330 million were distributed to 68 black business partners, while the Emthunzini Broad-Based Black Economic Empowerment Community Trust received Santam shares and cash to the value of R275 million. The unwinding of the scheme had a minimal impact on Santam's black ownership status.		
The Emthunzini Black Economic Empowerment Staff Trust (staff trust) is also under the control of Santam Ltd since the unwinding of Central Plaza and is therefore consolidated as at 31 December 2015 and 2016. The net impact of the inclusion of the staff trust at 31 December 2015 was an increase in cash of R132 million, the recognition of the capital contribution reserve of R9 million and an increase of 684 482 in treasury shares.		
15. 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.		

NON-EXECUTIVE DIRECTORS

B Campbell, MP Fandesio, BTPKM Gamedze, GG Gelink (chairman),
IM Kirk, MLD Marole, NV Mtetwa, T Nyoka (née Fubu), Y Ramiah,
MJ Reyneke, PE Speckmann, HC Werth

EXECUTIVE DIRECTORS

L Lambrechts (chief executive officer),
HD Nel (chief financial officer)

COMPANY SECRETARY

M Allie

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa
PO Box 61051, Marshalltown 2107
Tel: 011 370 5000
Fax: 011 688 7721
www.computershare.com

SANTAM HEAD OFFICE AND REGISTERED ADDRESS

1 Sportica Crescent
Tyger Valley
Bellville 7530
PO Box 3881, Tyger Valley 7536
Tel: 021 915 7000
Fax: 021 914 0700
www.santam.co.za

Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

SPONSOR

Investec Bank Ltd

Santam is an authorised financial services provider (licence number 3416).

