



**ANNUAL FINANCIAL
STATEMENTS
2015**

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

RESPONSIBILITY FOR AND APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

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

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

The board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards (IFRS).

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

The financial statements were authorised for issue and publication by the board and signed on their behalf by:



GG Gelink
Chairman



L Lambrechts
Chief executive officer

2 March 2016

PREPARATION AND PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008 (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'M Allie', with a stylized flourish above the 'M'.

M Allie
Company secretary

2 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Santam Ltd set out on pages 10 to 100, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Santam Ltd as at 31 December 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc has been the auditor of Santam Ltd for 87 years.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC

Director: Z Abrahams

Registered auditor

Cape Town

2 March 2016

REPORT OF THE AUDIT COMMITTEE

The Santam audit committee appointed to hold office until the conclusion of the annual general meeting (AGM) on 1 June 2016, comprises five independent non-executive directors of the company. Messrs MD Dunn, B Campbell, MP Fandeso, GG Gelink and Ms T Nyoka (née Fubu) were elected to the committee by the company's shareholders at the AGM on 1 June 2015. The qualifications of the members of the committee are listed on page 44 of the integrated report. The members possess the necessary expertise to direct the committee in the execution of its duties.

The audit committee of Santam acts as such for all subsidiaries of the group where an audit committee is required in terms of the Companies Act, 71 of 2008, as amended. The committee has a charter, approved by the board, dealing, inter alia, with its membership, frequency of meetings and responsibilities. The charter is reviewed annually and was updated during November 2015. The committee has a formal work plan to structure the execution of its responsibilities. The committee reviews reports from the external and internal auditors and the chairman of the committee reports on the findings at board meetings.

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

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

The head of internal audit functionally reports to the chairman of the audit committee and the audit committee is responsible to review and approve the internal audit charter, the internal audit coverage, as well as resource and financial plans of the internal audit department. The committee also evaluates and promotes the independence of internal audit.

The committee ensures a combined assurance model is applied to provide a co-ordinated approach to all assurance activities in the Santam group.

The committee held four scheduled meetings during the year under review. The required quorum was present at all meetings held. During the year the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors. The committee also considered and determined the fees and terms of engagement of the external auditors. Furthermore, the nature and extent of all non-audit services provided by PricewaterhouseCoopers and the fees in connection therewith were reviewed and approved by the committee.

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

The audit committee reviewed the 2015 Santam Ltd integrated report and considered factors and risks that may impact on the integrity of the report. The audit committee also reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board as it is of the view that the assurance provided is adequate, given the maturity of the processes in place. The committee has recommended the integrated report and annual financial statements to the board for approval.

The effectiveness of controls was reviewed principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Other relevant input to the review included combined assurance reports, reports from internal and external auditors, compliance and the enterprise risk management process. Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the directors, or to the attention of the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which include the internal financial controls) occurred during the year under review.

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



MD DUNN

Chairman of the audit committee

2 March 2016

DIRECTORS' REPORT

ACTIVITIES

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

FINANCIAL REVIEW

The Santam group reported excellent underwriting results for the 2015 financial year with a net underwriting margin of 9.6% compared to 8.7% in 2014. The results were positively impacted by disciplined underwriting actions and a relatively benign claims environment. Satisfactory gross written premium growth of 7% was achieved (8%, excluding the impact of cell captive insurance business) in the current low-growth economic environment.

Investment income was positively impacted by foreign exchange gains and solid investment performance in volatile markets. Headline earnings per share increased by 28%, while a return on capital of 32.5% on a rolling 12-month basis was achieved. The solvency margin of 48.1% was higher than the target range of 35% to 45%.

Gross written premium growth of 8%, excluding the impact of cell insurance business, was lower than the 12% achieved in the corresponding period in 2014, reflecting the impact of competitive market conditions and the downturn in the economic environment. Growth in the crop insurance business was negatively impacted by the strong El Niño weather system and the consequential drought conditions in South Africa. The drought resulted in significantly less crops being planted, reducing gross written premium for the crop insurance class by 19% compared to 2014.

The property and motor classes achieved solid growth, notwithstanding the cancellation of specific unprofitable books of business on outsourced platforms. The motor class benefited from the 19% growth reported by MiWay (gross written premium of R1 771 million; 2014: R1 485 million). The engineering and transportation classes were under pressure due to competitive market conditions.

Growth of 15% was achieved in the alternative risk class, following good performance by the risk finance and underwriting management businesses.

The group's focus on international diversification gained momentum with gross written premium from the rest of Africa (excluding Namibia), India, Southeast Asia and China of R1.4 billion (2014: R1.1 billion). Santam Namibia reported gross written premium in excess of R1 billion for the second consecutive year, resulting in total gross written premium outside South Africa increasing to R2.4 billion (2014: R2.1 billion).

As part of managing its exposure to South Africa's sovereign credit rating, Santam entered into a three-year alternative risk transfer (ART) reinsurance quota share agreement with an international insurer towards the end of 2013, effective 1 January 2014, with an annual reinsurance quota share premium of R1 billion. The agreement includes a facility whereby Santam can use the insurer's AA-rated licence for business which is dependent on a minimum international scale rating. The agreement generated dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence and also reduced Santam's net catastrophe exposure.

The net underwriting margin of 9.6% increased from the excellent margin of 8.7% achieved in 2014. It also exceeded the seven-year average of 6.4%. Following the assessment of the five-year strategic plan, the group has revised its average net underwriting margin target range to 4% to 8% (previously 4% to 6%).

The motor and property classes of business delivered substantially improved underwriting results compared to 2014 on the back of lower claims frequencies and sustained corrective underwriting actions. The loss ratio was negatively impacted by the catastrophe hail events mainly in February and November 2015 with gross claims amounting to R290 million (2014 catastrophe event gross claims: R187 million). MiWay, the direct insurance business, achieved a claims ratio of 60.9% (2014: 57.4%) and contributed an underwriting profit of R163 million (2014: R159 million) despite significant investment in the new business insurance and broker-direct business models during 2015 amounting to R55 million.

The underwriting profit of the engineering class of business showed a significant increase compared to 2014, following fewer large claims reported. The contribution from the liability class also improved.

The crop insurance business achieved solid underwriting results despite the severe drought conditions which resulted in gross drought claims of more than R230 million being paid during the period January to June 2015. However, the lack of rainfall also resulted in lower exposure to hail damage. The net underwriting profit of R131 million was significantly lower than the exceptional results of R251 million in the comparative period, following the favourable weather conditions experienced in 2014.

Santam Re successfully retained profitable underwriting business for the group while delivering satisfactory results on third party business. The soft reinsurance market also provided opportunities to optimise reinsurance placements in 2015.

The net acquisition cost ratio of 28.7% (excluding the impact of the ART reinsurance quota share agreement) increased from 28.5% in 2014.

The management expense ratio (excluding the impact of the ART reinsurance quota share agreement) increased marginally to 15.6% (2014: 15.4%). New growth initiatives, as well as the impact of new business written by Centriq underwriting managers resulting in increased management fees, were the key drivers of the increased cost ratio.

DIRECTORS' REPORT

Strategic project costs amounted to 0.9% of net earned premium (2014: 1%). These costs mainly related to the continued development of a new core underwriting, administration and product management platform for the Santam intermediated business. Development costs of R58 million were capitalised in 2015 bringing the total amount capitalised since inception to R195 million. The project is progressing according to plan with more than 138 000 new and existing personal lines policies captured on the new system during 2015.

The net commission ratio (excluding the impact of the ART reinsurance quota share agreement) was 12.2% (2014: 12.1%). 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 on specialist business lines, including crop, following relatively worse loss ratios on this business compared to 2014.

The investment return on insurance funds of R499 million increased from the R425 million earned in 2014, supported by a 50 basis points increase in interest rates during 2015, higher average insurance funds for the year, as well as the optimisation of the international asset portfolio.

Positive investment returns on the equity portfolio were locked in through the proactive rebalancing of the portfolio in February, May and November 2015. A hedge structure over R1.3 billion of equities entered into for the period February to December 2015 realised a profit of R42 million. Listed equities achieved a return of 4.1%, outperforming the SWIX 40 benchmark of 3.6%. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The active income portfolios achieved an average return of 6.5% for the year which is considered to be a good outcome for the group in the light of the volatility experienced in the fixed interest market in December 2015. The weakening of the rand during 2015 resulted in significant foreign currency gains of R362 million (2014: R71 million) included in investment income.

Positive fair value movements of R152 million (2014: R93 million) in Santam's interest in Sanlam Emerging Market's (SEM's) general insurance businesses in Africa, India and Southeast Asia enhanced the investment performance. The fair value movement included foreign exchange gains of R105 million (2014: R22 million). Dividend income of R22 million (2014: R21 million) from the SEM portfolio was also recognised. At year-end the SEM investments had a fair value of R1 005 million (2014: R807 million) which accounted for 12.4% of the group's shareholder funds at 31 December 2015.

During November 2015 agreements were concluded whereby SEM and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham group. Saham Finances operates in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. The acquisition will be structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration, including transaction costs, of US\$400 million. The transaction is expected to be finalised during the first quarter of 2016.

Santam's share of the purchase consideration, including transaction costs, of US\$100 million will be funded from internal cash resources. 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 R134 million recognised on the designated cash balances since implementation date were not recognised in the income statement, but were recognised in the statement of changes in equity.

Net earnings from associated companies of R53 million was slightly less than the R58 million reported in 2014, following the sale of the key contributor, Credit Guarantee Insurance Corporation of Africa Ltd, for R602 million in October 2015. A profit of R392 million before tax was realised from this sale. The group also disposed of its 37.5% investment in Censeo (Pty) Ltd in May 2015, realising a profit of R21 million before tax.

On 31 December 2015, Santam sold 76% of its shareholding in Indwe Broker Holdings Group (Pty) Ltd (Indwe) for R208 million to African Rainbow Capital (Pty) Ltd, a wholly-owned subsidiary of Ubuntu-Botho Investments (Pty) Ltd (51%) and Sanlam Ltd (25%), realising a profit of R15 million. Santam retained the remaining 24% interest in Indwe. The transaction will establish Indwe as a leading black-owned insurance brokerage firm in South Africa with direct ties to Santam and Sanlam.

Investment results were negatively impacted by an impairment of intangible assets of R47 million relating to the group's administration businesses, Original Co-Sourcing SA (Pty) Ltd and Riscor Underwriting Managers (Pty) Ltd, following the reorganisation of the group's administration businesses.

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.

DIRECTORS' REPORT

ORDINARY SHARES ISSUED

The shares in issue decreased to 115 131 417 (2014: 119 346 417) shares of no par value (including 5 009 470 (2014: 4 710 975) treasury shares). In terms of the deferred share plan (DSP) implemented in 2007, 361 886 (2014: 348 196) shares were granted to employees on a deferred delivery basis during the year, 23 424 (2014: 62 880) shares lapsed as a result of resignations and 389 500 (2014: 446 158) treasury shares were issued in terms of the DSP. Full details are set out in note 17 to the annual financial statements.

A subsidiary in the group holds a total of 4 324 988 (2014: 4 710 975) Santam shares. The shares are held as 'Treasury shares'. Furthermore, since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd, resulting in an increase of 684 482 in the treasury shares (refer note 15 and 44 for further details).

CAPITAL STRUCTURE

Debt securities

For details on debt securities, refer to note 20 to the financial statements.

DIVIDENDS

The following dividends were paid and are proposed.

Interim dividend of 288 cents per share (2014: 262 cents)

A final dividend of 528 cents per share (2014: 480 cents)

	Group	
	2015	2014
	R million	R million
	332	313
	608	573
	<u>940</u>	<u>886</u>

SPECIAL DIVIDEND

No special dividend was declared or paid during 2015 and 2014.

SUBSIDIARIES

Details of the company's direct and indirect interests in subsidiaries are set out in note 46 to the financial statements. The following changes in shareholding took place during the year:

- On 9 June 2015, Centriq Insurance Holdings Ltd sold 25% of its effective 87% shareholding in Nautical Underwriting Managers (Pty) Ltd.
- On 1 December 2015, Centriq Insurance Holdings Ltd sold 12.5% of its effective 100% shareholding in Beyonda Group (Pty) Ltd.
- On 15 December 2015, Santam Ltd acquired one share in Riscor Underwriting Managers (Pty) Ltd in which the group has an effective 100% shareholding before and after the transaction.
- On 31 December 2015, the Santam group sold 76% of its effective 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture.

ASSOCIATED COMPANIES AND JOINT VENTURES

Details of the holding company's interest in associated companies and joint ventures are set out in note 46 to the financial statements. The following changes in shareholding took place during the year:

- On 31 May 2015, Swanvest 120 (Pty) Ltd sold its 37.5% shareholding in Censeo (Pty) Ltd.
- On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd.
- On 26 October 2015, Swanvest 120 (Pty) Ltd acquired an additional 15.6% of the shareholding in Vulindlela Underwriting Managers (Pty) Ltd, increasing its shareholding from 31.4% to 47%.
- On 31 December 2015, the Santam group sold 76% of its 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture.

RELATED PARTIES

Related-party relationships exist between the company, subsidiaries, associated companies, joint ventures, Santam group, company directors and key management. All material intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to note 42 to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear in note 42 to the annual financial statements.

HOLDING COMPANY

Santam Ltd, the company's holding company, holds 61.2% (2014: 59.21%) of the total issued ordinary share capital.

SEGMENT INFORMATION

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

DIRECTORS' REPORT

DIRECTORATE AND COMPANY SECRETARY AT 31 DECEMBER 2015

Committee memberships	Risk committee	Audit committee	Human resources and remun- eration committee	Nomi- nations committee	Social, ethics and sus- tainability committee	Investment committee
Non-executive directors						
CB Booth						
B Campbell	•	•			•	
MD Dunn	•	•				
MP Fandesio	•	•				
BTPKM Gamedze	•				•	
GG Gelink (chairman)	•	•	•	•		•
IM Kirk			•	•		
MLD Marole			•	•	•	
JP Möller	•					•
T Nyoka (née Fubu)	•	•				
MJ Reyneke	•					•
Executive directors						
L Lambrechts (chief executive officer)	•					•
HD Nel (chief financial officer)	•					•
Y Ramiah					•	

The following changes took place on the company's board of directors during the year:

- L Lambrechts – Appointed as chief executive officer from 1 January 2015
- IM Kirk – Resigned as chief executive officer and appointed as non-executive director from 1 January 2015
- T Nyoka (née Fubu) – Appointed to the board on 1 January 2015
- CB Booth – Appointed to the board on 1 July 2015
- J van Zyl – Resigned from the board on 1 September 2015

Company secretary

M Allie

Registered office for company secretary

PO Box 3881, Tyger Valley 7536
Santam Ltd, 1 Sportica Crescent, Bellville 7530

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

AUDITORS

PricewaterhouseCoopers Inc will continue in office in accordance with section 90(1) of the Companies Act, 71 of 2008.

SPECIAL RESOLUTIONS PASSED

The following special resolutions were passed by Santam Ltd at the annual general meeting on 1 June 2015:

- Approval of directors' remuneration.
- General authority to the directors, in accordance with the JSE Listings Requirements and Companies Act, to repurchase the company's shares.
- General authority to provide direct or indirect financial assistance to related companies or persons (or inter-related companies or corporations).

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, 2008 (THE ACT)

The company is from time to time, as an essential part of conducting the business of the group, required to provide financial assistance to group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act. In accordance with section 45(5) of the Act this serves to give notice that the Santam board, in line with existing practice, approved that the company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the company's annual general meeting in 2015, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Santam board and may in total exceed the reporting threshold of 0.1% of the Santam group's net asset value provided for in the Act.

STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		2015 R million	2014 R million	2015 R million	2014 R million
ASSETS					
Non-current assets					
Property and equipment	5	90	117	52	52
Intangible assets	6	827	1 086	275	223
Deferred income tax	19	140	161	-	-
Investment in subsidiaries	7	-	-	1 355	1 499
Investment in associates and joint ventures	8	252	355	-	117
Financial assets at fair value through income					
Equity securities	9	2 730	3 896	2 610	3 777
Debt securities	9	9 721	7 837	6 865	5 562
Reinsurance assets	11, 24	164	144	147	140
Deposit with cell owner	22.2	187	-	-	-
Total non-current assets		14 111	13 596	11 304	11 370
Current assets					
Cell owners' interest	22.1	6	9	-	-
Investment in subsidiaries	7	-	-	538	538
Financial assets at fair value through income					
Derivatives	10	2	-	2	-
Short-term money market instruments	9	2 281	1 892	1 459	1 156
Reinsurance assets	11, 24	3 514	3 372	3 116	3 113
Deposit with cell owner	22.2	67	-	-	-
Deferred acquisition costs	24.2	525	447	484	408
Loans and receivables including insurance receivables	12	3 449	2 869	3 385	3 170
Current income tax assets		13	10	-	-
Cash and cash equivalents	13	3 349	2 561	2 519	1 457
Non-current assets held for sale	14	541	428	-	-
Total current assets		13 747	11 588	11 503	9 842
Total assets		27 858	25 184	22 807	21 212
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	15	103	107	103	107
Treasury shares	15	(450)	(506)	-	-
Other reserves	18	548	238	134	-
Distributable reserves	18	7 880	7 171	7 330	6 715
		8 081	7 010	7 567	6 822
Non-controlling interest	16	466	430	-	-
Total equity		8 547	7 440	7 567	6 822
LIABILITIES					
Non-current liabilities					
Deferred income tax	19	107	301	60	239
Financial liabilities at fair value through income					
Debt securities	20	974	999	974	999
Investment contracts	21	-	105	-	-
Derivatives	10	1	-	1	-
Cell owners' interest	22.1	980	924	-	-
Insurance liabilities	24	1 525	1 528	1 493	1 514
Reinsurance liability relating to cell owners	22.3	187	-	-	-
Total non-current liabilities		3 774	3 857	2 528	2 752
Current liabilities					
Financial liabilities at fair value through income					
Debt securities	20	24	24	24	24
Investment contracts	21	70	-	-	-
Financial liabilities at amortised cost					
Collateral guarantee contracts	23	105	88	105	88
Insurance liabilities	24	11 139	10 514	8 554	8 256
Reinsurance liability relating to cell owners	22.3	67	-	-	-
Deferred reinsurance acquisition revenue	24.2	280	232	250	215
Provisions for other liabilities and charges	25	122	91	43	23
Trade and other payables including insurance payables	26	3 412	2 717	3 452	2 823
Current income tax liabilities		318	221	284	209
Total current liabilities		15 537	13 887	12 712	11 638
Total liabilities		19 311	17 744	15 240	14 390
Total shareholders' equity and liabilities		27 858	25 184	22 807	21 212

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		2015 R million	2014 R million	2015 R million	2014 R million
Gross written premium		24 319	22 710	21 085	19 866
Less: reinsurance written premium		5 435	5 075	4 082	3 987
Net written premium		18 884	17 635	17 003	15 879
Less: change in unearned premium					
Gross amount		528	532	250	476
Reinsurers' share		(167)	(119)	(108)	(251)
Net insurance premium revenue		18 523	17 222	16 861	15 654
Investment income	27	1 210	807	1 134	1 090
Income from reinsurance contracts ceded		1 236	1 119	1 066	1 013
Net gains on financial assets and liabilities at fair value through income	28	235	286	260	297
Net income		21 204	19 434	19 321	18 054
Insurance claims and loss adjustment expenses	29	13 980	14 315	12 238	12 639
Insurance claims and loss adjustment expenses recovered from reinsurers	29	(2 470)	(3 437)	(1 796)	(2 792)
Net insurance benefits and claims		11 510	10 878	10 442	9 847
Expenses for the acquisition of insurance contracts	30	3 240	2 983	3 582	3 327
Expenses for marketing and administration	30	3 277	3 050	2 529	2 397
Expenses for investment-related activities	30	53	31	44	24
Amortisation and impairment of intangible assets	6, 30	117	130	17	7
Expenses		18 197	17 072	16 614	15 602
Results of operating activities		3 007	2 362	2 707	2 452
Finance costs	32	(116)	(93)	(112)	(90)
Net income from associates and joint ventures	8	53	58	38	34
Impairment on net investments and loans of subsidiaries		-	-	(119)	(69)
Profit on sale of associates	8, 38	413	-	485	-
Profit on sale of subsidiary	38	15	-	9	-
Profit before tax		3 372	2 327	3 008	2 327
Income tax expense	33	(908)	(660)	(714)	(515)
Profit for the year		2 464	1 667	2 294	1 812
Other comprehensive income, net of tax					
Items that may subsequently be reclassified to income					
Currency translation differences		163	8	-	-
Hedging reserve movement		134	-	134	-
Tax on hedging reserve movement		(37)	-	(37)	-
Total comprehensive income for the year		2 724	1 675	2 391	1 812
Profit attributable to:					
– equity holders of the company		2 348	1 579	2 294	1 812
– non-controlling interest		116	88	-	-
		2 464	1 667	2 294	1 812
Total comprehensive income attributable to:					
– equity holders of the company		2 608	1 587	2 391	1 812
– non-controlling interest		116	88	-	-
		2 724	1 675	2 391	1 812
Earnings attributable to equity holders	34				
Basic earnings per share (cents)		2 090	1 382		
Diluted earnings per share (cents)		2 065	1 372		
Weighted average number of ordinary shares (millions)		112.34	114.26		
Weighted average number of ordinary shares for diluted earnings per share (millions)		113.72	115.09		

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company					Non-controlling interest	
	Share capital	Treasury shares	Other reserves	Distributable reserves	Total	interest	Total
	R million	R million	R million	R million	R million	R million	R million
GROUP							
Balance as at 1 January 2014	107	(520)	224	6 321	6 132	400	6 532
Profit for the year	-	-	-	1 579	1 579	88	1 667
Other comprehensive income:							
Currency translation differences	-	-	8	-	8	-	8
Total comprehensive income for the year ended 31 December 2014	-	-	8	1 579	1 587	88	1 675
Sale of treasury shares	-	51	-	(51)	-	-	-
Purchase of treasury shares	-	(37)	-	-	(37)	-	(37)
Transfer to reserves	-	-	6	(6)	-	-	-
Share-based payment costs	-	-	-	123	123	-	123
Dividends paid	-	-	-	(795)	(795)	(58)	(853)
Balance as at 31 December 2014	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
Sale of treasury shares	-	56	-	(56)	-	-	-
Repurchase of shares (refer note 44)	(4)	-	-	(797)	(801)	-	(801)
Transfer to reserves	-	-	4	(4)	-	-	-
Share-based payment costs	-	-	-	124	124	-	124
Increase in capital contribution reserve (refer note 18)	-	-	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
COMPANY							
Balance as at 1 January 2014	107	-	-	5 700	5 807	-	5 807
Profit for the year	-	-	-	1 812	1 812	-	1 812
Total comprehensive income for the year ended 31 December 2014	-	-	-	1 812	1 812	-	1 812
Share-based payment costs	-	-	-	151	151	-	151
Loss on delivery of shares in terms of share scheme	-	-	-	(119)	(119)	-	(119)
Dividends paid	-	-	-	(829)	(829)	-	(829)
Balance as at 31 December 2014	107	-	-	6 715	6 822	-	6 822
Profit for the year	-	-	-	2 294	2 294	-	2 294
Other comprehensive income:							
Hedging reserve movement	-	-	134	(37)	97	-	97
Total comprehensive income for the year ended 31 December 2015	-	-	134	2 257	2 391	-	2 391
Repurchase of shares (refer note 44)	(4)	-	-	(797)	(801)	-	(801)
Share-based payment costs	-	-	-	118	118	-	118
Loss on delivery of shares in terms of share scheme	-	-	-	(59)	(59)	-	(59)
Dividends paid	-	-	-	(904)	(904)	-	(904)
Balance as at 31 December 2015	103	-	134	7 330	7 567	-	7 567

STATEMENT OF CASH FLOWS

	Notes	Group		Company	
		2015 R million	2014 R million	2015 R million	2014 R million
Cash flows from operating activities					
Cash generated from operations	36	3 656	2 443	2 999	1 731
Interest paid		(110)	(93)	(106)	(90)
Income tax paid	37	(1 002)	(420)	(851)	(280)
Net cash from operating activities		2 544	1 930	2 042	1 361
Cash flows from investing activities					
Acquisition of financial assets		(14 086)	(8 040)	(10 647)	(5 798)
Proceeds from sale of financial assets		13 348	7 556	10 610	5 573
Settlement of fence		42	(297)	42	(297)
Acquisition of subsidiaries	38	-	(28)	(38)	-
Cash (disposed of)/received through sale of subsidiaries	38	(183)	3	-	-
Staff trust acquired	44	132	-	-	-
Purchases of equipment		(39)	(69)	(23)	(31)
Purchases of intangible assets		(85)	(102)	(69)	(81)
Proceeds from sale of equipment		-	4	-	-
Acquisition of associated companies		(2)	-	-	-
Capitalisation of associated companies		(28)	(16)	-	-
Proceeds from sale of associated companies		625	-	602	-
Net cash (used in)/from investing activities		(276)	(989)	477	(634)
Cash flows from financing activities					
Purchase of treasury shares		-	(37)	-	-
Repurchase of shares		(801)	-	(801)	-
Decrease in investment contract liabilities	21	(35)	(21)	-	-
Increase in collateral guarantee contracts	23	11	6	11	6
Dividends paid to company's shareholders	39	(869)	(795)	(904)	(829)
Dividends paid to non-controlling interest	39	(82)	(58)	-	-
Increase in cell owners' interest		16	110	-	-
Net cash used in financing activities		(1 760)	(795)	(1 694)	(823)
Net increase/(decrease) in cash and cash equivalents		508	146	825	(96)
Cash and cash equivalents at beginning of year		2 561	2 343	1 457	1 505
Exchange gains on cash and cash equivalents		280	72	237	48
Cash and cash equivalents at end of year		3 349	2 561	2 519	1 457

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Statement of compliance

The annual financial statements are prepared in accordance with the JSE Ltd Listings Requirements and the requirements of the Companies Act. The Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations and the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

1.2 Basis of presentation

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

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

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

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

a) Standards, amendments and interpretations effective in 2015

The following amendments to published standards are mandatory for the group's accounting periods beginning on or after 1 January 2015:

Number	Effective date	Executive summary
Amendment to IAS 19 Employee Benefits	1 July 2014	<p>The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.</p> <p>The amendment had no impact on the group.</p>
Annual Improvements 2010-12 cycle	1 July 2014	<p><i>IFRS 8 Operating segments</i> The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.</p> <p>The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.</p> <p><i>IFRS 13 Fair value measurement</i> The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial.</p> <p><i>IAS 16 Property, plant and equipment, and IAS 38 Intangible assets</i> Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model.</p>

NOTES TO THE FINANCIAL STATEMENTS

Number	Effective date	Executive summary
Annual Improvements 2010-12 cycle (continued)	1 July 2014	<p><i>IAS 24 Related party disclosures</i></p> <p>The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').</p> <p>These amendments had no material impact on the group.</p>
Annual Improvements 2011-13 cycle	1 July 2014	<p><i>IFRS 1 First-time adoption of International Financial Reporting Standards</i></p> <p>The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.</p> <p><i>IFRS 3 Business combinations</i></p> <p>The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.</p> <p><i>IFRS 13 Fair value measurement</i></p> <p>The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.</p> <p>The amendment is effective for annual periods beginning on or after 1 July 2014. An entity shall apply the amendment prospectively from the beginning of the first annual period in which IFRS 13 is applied.</p> <p><i>IAS 40 Investment property</i></p> <p>The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.</p> <p>The amendment is effective for annual periods beginning on or after 1 July 2014, but can be applied to individual acquisitions of investment property before that date if, and only if, the information necessary to apply the amendment is available.</p> <p>These amendments had no material impact on the group.</p>

NOTES TO THE FINANCIAL STATEMENTS

- b) Standards and interpretations to published standards that are not yet effective and have not been early adopted by the group

Number	Effective date
IFRS 9 Financial instruments	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	Indefinite
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities – Applying the consolidation exception	1 January 2016
Amendments to IFRS 11 – Joint arrangements	1 January 2016
IFRS 14 Regulatory deferral accounts	1 January 2016
IFRS 15 Revenue from contracts with customers	1 January 2018
Amendments to IAS 1 – Disclosure initiative	1 January 2016
Amendment to IAS 7 – Statement of cash flows	1 January 2017
Amendment to IAS 12 – Income taxes	1 January 2017
Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to IAS 16 and IAS 41 – Agriculture: Bearer plants	1 January 2016
Amendment to IAS 27 – Equity method in separate financial statements	1 January 2016
Annual Improvements 2012 – 14 cycle	1 January 2016

Management is still in the process of assessing the impact of IFRS 9, and is yet to assess the impact of IFRS 16. The other standards and amendments are not expected to have a material impact on the group.

1.3 Consolidation

a) Subsidiaries and business combinations

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

b) Changes in ownership interests without change of control

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

c) Disposal of subsidiaries

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

d) Interest in equity accounted investees

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

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

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

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

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

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

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

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

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

1.4 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

1.5 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies

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

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- (ii) Income and expenses for each statement of comprehensive income presented are translated at average exchange rates during each period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- (iii) All resulting exchange differences are recognised as a separate component of equity.

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

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

1.6 Property and equipment

a) Property

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

b) Equipment

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

Estimated useful lives are as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1.7 Leases

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

1.8 Intangible assets

a) Goodwill

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

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

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

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

b) Computer software

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

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

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

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

c) Brands, trademarks and trade names

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

d) Key business relationships

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

NOTES TO THE FINANCIAL STATEMENTS

1.9 Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal groups are available for immediate sale in their present condition and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale, the carrying amount of the non-current assets or disposal groups is measured in accordance with the applicable IFRS. After classification as held for sale, it is measured at the lower of the carrying amount or fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

1.10 Financial assets

1.10.1 Classification

a) Financial assets at fair value through income

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

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

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

- Those that are held in funds to match investment contract liabilities that are linked to the changes in fair value of these assets.
The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.
- Those that are managed and whose performance is evaluated on a fair value basis.

Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. The group's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income.

b) Loans and receivables

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

1.10.2 Recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

1.10.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unquoted, the group establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

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

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

1.11 Impairment of assets

a) Financial assets carried at amortised cost

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

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

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

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

b) Impairment of other non-financial assets

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

1.12 Derivative financial instruments

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

1.13 Hedging activities

The group can designate certain non-derivative financial instruments as hedges of foreign currency risk relating to highly probable forecast transactions (cash flow hedges).

When such hedging opportunities are identified, the group documents the relationship between hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction at the inception of the hedging transaction. The group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that will be used in the hedging transaction is and will continue to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the foreign currency value of the hedging instrument that will be designated and qualifies as a cash flow hedge, is recognised in other comprehensive income and accumulates in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within investment income (if applicable). The tax charge on the accumulated foreign currency movements is also recognised in equity.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, the acquisition of an associate) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss when the relating asset is impaired or sold.

When the highly probably forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

1.14 Offsetting financial and other instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1.15 Cash and cash equivalents

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

1.16 Share capital

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

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

Where such shares are subsequently reissued for no consideration to employees under long-term incentive schemes, the cost of these shares when acquired as treasury shares is transferred from treasury shares to distributable reserves.

1.17 Debt securities

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

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

1.18 Insurance and investment contracts – classification

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

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

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

1.19 Insurance contracts

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

a) General insurance

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

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

Recognition and measurement

i) Gross written premium

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

ii) Provision for unearned premiums

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

iii) Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of general insurance liabilities.

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iv) Provision for claims

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

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

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

vi) Deferred acquisition costs (DAC)

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

vii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts in note 1.18 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

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

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

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

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

viii) Receivables and payables related to insurance contracts

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

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

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ix) Salvage reimbursements

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

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

b) Long-term insurance

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

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

c) Cell insurance

The group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the group with a cell shareholder, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements: a) first party and b) third party.

- First-party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contract liabilities.
- Third-party cell captive arrangements are arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The insurance company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder. The shareholder's agreement, however, determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

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

1.20 Investment contracts

The group recognises the following investment contracts:

a) First-party cells

First-party cell captives are disclosed in accordance with the requirement detailed in the accounting policy under 'First party' (refer to accounting policy note 1.19(c)).

b) Policies with no significant risk transfer

A risk is a significant risk if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance and is assessed on a contract by contract basis except in circumstances where there is a relatively homogeneous book of small contracts which are known to transfer risk. Should an insurance contract not result in significant risk transfer, the contract will be accounted for as an investment contract.

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1.21 Liability to cell shareholders

Liability to cell shareholders is measured in accordance with the requirement detailed in the accounting policy under 'Cell insurance' (refer to accounting policy note 1.19(c)).

Liabilities to cell shareholders represent the cells' shareholder funds in respect of the insurance business conducted in the cell structures. The premiums and claims relating to first-party cells have been excluded from the statement of comprehensive income and are accounted for directly in the liability. The premium and claims payments relating to contracts in third-party cells have been included in the statement of comprehensive income but as the third-party cell shareholder, in substance, is the reinsurer, the net result is accounted for as part of the reinsurance contract liability.

1.22 Taxation

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

a) Current tax

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

b) Deferred tax

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

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

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

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

c) Withholding tax on dividends

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

1.23 Employee benefits

a) Pension obligations

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

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b) Other post-employment obligations

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

c) Long-term incentive and retention bonus plan

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

d) Deferred share plan (DSP)

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

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

e) The Emthunzini Black Economic Empowerment (BEE) Scheme

In terms of the BBBEE scheme, Central Plaza (a structured entity within the Sanlam group), undertook to deliver a specified number of units to selected black Santam employees or strategic business partners on predetermined dates in the future. Employees still need to be in the employment of Santam on or by those dates. Vesting occurs based on the contracts with employees or the strategic business partners, but does not exceed a period of seven years.

The Central Plaza structure unwound on 28 February 2015. Unvested and unallocated units relating to black Santam employees were transferred to the Emthunzini Black Economic Empowerment staff trust (the Staff Trust) that is controlled by Santam Ltd. The Staff Trust is consolidated. All units relating to strategic business partners were settled as part of the unwinding process. The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the cost of funding, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

f) Termination benefits

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

g) Performance bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the net insurance result after certain adjustments as well as growth targets. The group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

h) Leave pay

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

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1.24 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.25 Trade and other payables

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

1.26 Other revenue recognition

Interest income

Interest income is recognised using the effective-interest method.

1.27 Dividend distribution

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

1.28 Solvency margin

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

a) Insurance liabilities

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

Insurance liabilities include the provisions for unearned premiums (including an evaluation of the necessity for an unexpired risk provision), outstanding claims and incurred but not reported (IBNR) claims.

Process to determine significant assumptions

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

ij) Unearned premium provision

Unearned premiums represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year.

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

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

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

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ii) Unexpired risk provision

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

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

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

iii) Outstanding claims

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

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

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

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

iv) Claims incurred but not reported (IBNR)

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

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

Stochastic chain-ladder methodology

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

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

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

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

IBNR is considered to be the most sensitive to changes in assumptions, therefore a sensitivity analysis is performed. In the southern African operations, excluding alternative risk business, a 5% upward adjustment in the level of sufficiency of the IBNR reserve would result in an additional charge of approximately R66 million (2014: R48 million), while a 5% downward adjustment in the level of sufficiency would result in a release of reserves in the statement of comprehensive income of approximately R56 million (2014: R43 million) (before taxation).

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

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

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

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates, particularly for the group's long tail lines of business. The group seeks to provide appropriate levels of claims provisions taking the known facts and experience into account. It should be emphasised that the estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

b) Impairment of goodwill

In accordance with the accounting policy stated in note 1.8(a) the group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined by estimating the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value. Refer to note 6 for impairment of goodwill recognised.

c) Business combinations

The group makes acquisitions and disposes of businesses as part of its normal operations. All acquisitions are made after due diligence, which will include, amongst other matters, assessment of the adequacy of claims reserves, assessment of the recoverability of reinsurance balances, inquiries with regard to outstanding litigation and inquiries of local regulators and taxation authorities. Consideration is also given to potential costs, risks and issues in relation to the integration of any proposed acquisitions with existing group operations. The group will seek to receive the benefit of appropriate contractual representations and warranties in connection with any acquisition and, where necessary, additional indemnifications in relation to specific risks, although there can be no guarantee that these processes and any such protection will be adequate in all circumstances. The group may also provide relevant representations, warranties and indemnities to counterparties on any disposal. These clauses are customary in such contracts and may from time to time lead to the group receiving claims from counterparties. Further details of acquisitions and disposals during the year are provided in note 38.

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. Intangible assets acquired through business combinations were valued using a discount rate of between 15% and 19%. Asset-specific assumptions used in the valuation of these intangible assets are listed below.

i) Brand and trade names

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

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

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

ii) Key business relationships

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

The useful life of a key business relationship is estimated based on the cancellation experience of the existing business and the useful life of client relationships on other players in the market. For the newly acquired key business relationships recognised at 31 December 2014, a useful life range of two to four years and an average cancellation rate of between 18% and 35% were assumed. If a useful life range of one to three years were applied the asset value would have been R5 million lower and if a range of six to nine years were applied, the asset would have been R2 million higher.

There were no material acquisitions during 2015.

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

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

The fair value of financial assets and liabilities that are not listed or quoted in an active market are determined using valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in note 3.

e) Fair value hierarchy assumptions applied to bond disclosure

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity and debt instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange and debt instruments listed on the Bond Exchange. Listed bonds that did not trade actively during a financial reporting period are classified as Level 2 financial instruments.

f) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk, in this case the foreign currency risk associated with a forecast transaction, and could affect profit or loss. For a forecast transaction, the key criterion for hedge accounting purposes is that the forecast transaction must be "highly probable". Management has assessed the facts and circumstances relating to the proposed acquisition of a 30% interest in Saham Finances, as announced jointly with Sanlam Ltd on 24 November 2015, and concluded that the likelihood of the transaction not being concluded was remote. The expected effectiveness of the hedging relationship was also assessed and it is expected that the hedge would be effective throughout the hedging period. It was therefore concluded that hedge accounting can be applied. Refer to note 3 for more information on the hedging transaction.

3. RISK AND CAPITAL MANAGEMENT

3.1 Objective and framework

As an insurance group, Santam Ltd and its subsidiaries are in the business of actively seeking risk with a view to adding value by managing it. This section summarises the key risks to the group and the steps taken to manage them.

The underlying premise of enterprise risk management (ERM) is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value.

Enterprise risk management enables management to effectively deal with uncertainty and thus enhance the capacity to build value. Value is maximised when management sets strategies and objectives that strike an optimal balance between risk and reward and then efficiently and effectively deploy resources in pursuit of the entity's objectives.

Santam has adopted an ERM approach and framework that is appropriate to the nature, scale and complexity of its business and risks. The Santam approach is aligned with the principles of King III, ISO 31000, SAM requirements as well as the requirements of our majority shareholder, Sanlam.

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Santam's ERM framework and process is designed to assist the board in ensuring that management continually monitors risk and reports back to the risk committee on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. Santam believes that its ERM process is well defined and businesses are responsible and accountable for integrating ERM in the business. ERM adds value by being aligned to the business strategy and objectives. More information relating to the overall enterprise risk management and governance process is available in the integrated report at www.santam.co.za.

A key component of the ERM framework is the risk management process. This process consists of:

- Risk identification;
- Risk analysis;
- Risk evaluation; and
- Risk treatment and/or response

3.2 Risk assessment process

Santam's risk assessment process aims to identify, analyse, evaluate and manage those risks that are relevant to the company and group's strategic objectives. Risks are identified from a top down (strategic) and bottom up (operational) perspective to create and maintain an integrated view of material risk exposures.

The top down approach is undertaken at an executive and senior management level and considers strategic risks affecting Santam in the medium to long term. In parallel, the bottom up approach is undertaken by enterprise, risk and compliance management (ERCM) at a business unit or specialist unit level to assess all categories of risks from their perspectives with specific focus on operational risks.

The risk identification process is used to build an aggregated view of all significant risks faced by the organisation. This, together with the risk categories and knowledge base is translated into the Santam Risk Universe. The risk universe is a summary of the most common risk themes across all categories of risk within the company and group and assists management in understanding and effectively managing the relevant risks.

Risk analysis provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur.

Santam has developed an internal model to analyse the quantifiable risks. The model covers the following risk categories:

- market risk
- insurance risk
- reinsurance risk
- credit risk
- operational risk

The model is also used to aggregate the individual risk modules into a single economic capital requirement amount.

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Risk management involves selecting and implementing one or more options for addressing risks. Risk management options are not necessarily mutually exclusive or appropriate in all circumstances. The options available include the following: transfer risk, treat risk, terminate risk or tolerate risk.

Selecting the most appropriate risk management option involves balancing the costs and effort of implementation against the benefits derived. A number of treatment options may be considered and applied either individually or in combination.

The risk appetite framework governs the management of risk within the organisation. Santam has formulated a risk appetite policy which aims to quantify the amount of capital the company is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's board.

NOTES TO THE FINANCIAL STATEMENTS

The discussions that follow will focus mainly on the financial reporting risks affecting the following financial instruments and insurance balances:

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
Financial and insurance assets				
Quoted equity securities	1 711	3 076	1 591	2 957
Unquoted equity securities	1 019	820	1 019	820
Total equity securities	2 730	3 896	2 610	3 777
Quoted debt securities	4 739	3 608	3 709	2 958
Unquoted debt securities	4 982	4 229	3 156	2 604
Total debt securities	9 721	7 837	6 865	5 562
Derivatives	2	–	2	–
Short-term money market instruments	2 281	1 892	1 459	1 156
Receivables due from contract holders/intermediaries	2 463	2 237	2 258	2 143
Reinsurance receivables	209	162	134	133
Other loans and receivables	777	470	993	894
Total loans and receivables including insurance receivables	3 449	2 869	3 385	3 170
Cell owners' interest	6	9	–	–
Reinsurance assets	3 678	3 516	3 263	3 253
Deposit with cell owner	254	–	–	–
Deferred acquisition costs	525	447	484	408
Cash and cash equivalents	3 349	2 561	2 519	1 457
Total financial and insurance assets	25 995	23 027	20 587	18 783
Financial and insurance liabilities				
Debt securities	998	1 023	998	1 023
Investment contracts	70	105	–	–
Derivatives	1	–	1	–
Cell owners' interest	980	924	–	–
Collateral guarantee contracts	105	88	105	88
Insurance liabilities	12 664	12 042	10 047	9 770
Reinsurance liability relating to cell owners	254	–	–	–
Deferred reinsurance acquisition revenue	280	232	250	215
Trade and other payables including insurance payables	3 412	2 717	3 452	2 823
Total financial and insurance liabilities	18 764	17 131	14 853	13 919

3.2.1 Insurance risk

The group issues contracts that transfer insurance risk or financial risk or both. The group manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. This section summarises these risks and the way the group manages those risks.

In general, the group issues personal, commercial and cell insurance policies that include the following terms and conditions:

Engineering – Provides cover for risks relating to:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Insurance risk results from fluctuations in the timing, frequency and severity of insured events. Insurance risk also includes the risk that premium provisions turn out to be insufficient to compensate claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the insurance risk.

In order to quantify the insurance risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal model. Assumptions for each line of business are determined based on more than 10 years' worth of historic data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely: attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled: Earthquake, Storm (small), Storm (large), Hail (excluding crop damage), Marine (cargo), Aviation (hull/liability), Conflagration (property), Conflagration (liability), Utility Failure, Latent Liability and Economic Downturn.

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

Loss history	2015	2014	2013	2012	2011	2010	2009
Net claims paid and provided %*	62.1	63.1	69.3	68.3	64.2	64.1	70.6

* Expressed as a percentage of net earned premiums.

Pricing for the group's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the group's principal cost, the group also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits are set for business units, underwriting managers and intermediaries to ensure that this policy is consistently applied. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset and major use of the covered item. The group has the right to reprice and change the conditions for accepting risks on renewal and/or 30 days.

NOTES TO THE FINANCIAL STATEMENTS

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes as demonstrated in the segmental report. The group is currently focusing on obtaining international geographical diversification through the business written by Santam Re and the Santam Specialist business. The current geographical allocation of premium income is provided in the segmental report.

Insurance risk is further mitigated by ensuring that reserve and reinsurance risk is adequately managed.

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

Santam currently calculates its technical reserves on two different methodologies, namely the 'percentile approach' and the 'cost-of-capital approach'. The 'percentile approach' is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the 'cost-of-capital approach' is used as one of the inputs for regulatory reporting purposes.

Percentile approach

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims. For more detail on the reserving techniques used in this approach, refer to note 2.

Cost-of-capital approach

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the statement of financial position involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third party would need to hold to back the future claims payments.

Two key differences between the percentile and cost-of-capital approaches are that under the cost-of-capital approach, reserves must be discounted using a term-dependent interest rate structure and that an allowance must be made for unallocated loss adjustment expenses.

The cost-of-capital approach will result in different levels of sufficiency per class underwritten so as to capture the differing levels of risk inherent within the different classes. This is in line with the principles of risk-based solvency measurement.

Refer to section 3.3 for more detail on the capital management process.

3.2.2 Reinsurance risk

Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to the group and company's risk management strategy and objectives. The group and company obtain third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the company's capital. Santam has an extensive reinsurance programme that has developed over a number of years to suit the risk management needs of the business.

The internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

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The core components of the reinsurance programme comprise:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover. In 2016 the range was increased to a maximum of R85 million per risk.
- Catastrophe cover to the extent of 1.3% of the total exposure of the significant geographical areas, amounting to protection of up to R8.4 billion (2014: R8.0 billion) per event in excess of an attachment point of R100 million (excluding the alternative risk transfer quota share arrangement). These balances include catastrophe cover of R1.2 billion for each year included in the alternative risk transfer quota share arrangement as described below. At the same time catastrophe protection for an aggregate of losses from events above R50 million where such losses exceed R100 million was put in place in 2013. This cover continues to be purchased. The cover is for an amount of R100 million in excess of a R100 million aggregate deductible.
- Our agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme loss events.
- Santam Re purchases retrocession protection on its international portfolio. This protection is in the form of a 45% quota share on specified territories and catastrophe excess of loss with a gross attachment point of US\$10 million. For exposures in South Africa and Africa a per risk protection is in place.

Santam has implemented arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In terms of these arrangements, Santam has facilitated the use of an international insurer's AA-rated licence for such business, if required. As part of the arrangement with the international insurer, Santam entered into an alternative risk transfer quota share agreement effective from 1 January 2014 which reduced net earned premiums by R1 billion during 2015 and 2014. The agreement generated dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. During 2015, the collateral was replaced with an unsecured letter of credit and the cash was repaid to Santam. The agreement also reduces Santam's net catastrophe exposure.

The board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- from Standard & Poor's or AM Best, unless specific approval is obtained from the board to use reinsurers with ratings lower than the agreed benchmark. The group's reinsurers currently have credit ratings of between AA- and A- (2014: A and BBB-), measured on an international scale.

3.2.3 Credit risk

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations
- Reinsurer default on presentation of a large claim
- Reinsurers default on their share of Santam's insurance liabilities
- Default on amounts due from insurance contract intermediaries

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

Santam determines the credit quality for each of its counterparties by reference to the probability of default on the basis of assessments made by the rating agency over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by Standard & Poor's, Fitch and Moody's which incorporate up to 90 years' worth of credit default information.

For default risk Santam uses a model which is largely based on the Basel II regulation.

Credit risk capital is held for the following type of exposure:

- Risk-based assets such as bonds and bank deposits
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers
- Reinsurance claims provisions
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model

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For concentration risk Santam uses the proposed Solvency Assessment and Management (SAM) methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty
- Calculate the excess exposure above a specified threshold level
- Apply a charge to this excess exposure
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk

The group is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. The protected portion of receivables due from contract holders and intermediaries amounts to 48.2% (2014: 55.7%). For the company, this amounts to 50.7% (2014: 56.4%). Debtors falling into the 'Not rated' category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts.

Santam seeks to avoid concentration of credit risk to groups of counterparties, business sectors, product types and geographical segments. The group's financial instruments, except for amounts owed by reinsurers and Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. The group assesses concentration risk for debt securities, money market instruments and cash collectively. The group does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash, except for Absa where the total exposure amounted to 22.8%, mainly due to the designated foreign bank balance held in anticipation of the acquisition of the Saham Finances investment.

Santam uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. The group's largest reinsurance counterparty is Allianz (2014: Allianz). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

In the event that claims incurred by the cell captive exceed the related assets, the group will be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner. Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

The following table provides information regarding the aggregated credit risk exposure for financial and insurance assets. The credit ratings provided in this table were determined as follows: Sanlam Investment Management (SIM) provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty, duration and credit risk. These reports include international, national and internal ratings. SIM also provides management with a conversion table that is then applied to standardise the ratings to the equivalent Fitch international long-term rates.

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31 December 2015

GROUP	Credit rating											Not rated R million	Carrying value R million
	AA+ R million	AA- R million	A+ R million	A R million	A- R million	BBB+ R million	BBB R million	BBB- R million	BB+ R million	BB R million	BB- R million		
Debt securities – quoted	–	–	–	180	3	791	2 196	1 265	138	24	14	128	4 739
Debt securities – unquoted	–	–	16	–	–	1 266	153	3 435	77	–	22	13	4 982
Total	–	–	16	180	3	2 057	2 349	4 700	215	24	36	141	9 721
Short-term money market instruments	–	–	–	1	44	415	336	1 251	86	5	56	87	2 281
Receivables due from contract holders/intermediaries	5	38	5	–	28	5	28	39	–	–	–	2 315	2 463
Reinsurance receivables	–	28	8	33	12	–	–	–	–	–	–	128	209
Other loans and receivables	9	11	4	17	–	25	85	54	2	2	–	568	777
Total	14	77	17	50	40	30	113	93	2	2	–	3 011	3 449
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	–	6	6
Deposit with cell owner	–	–	–	–	–	–	–	–	–	–	–	254	254
Cash and cash equivalents	–	353	207	–	–	–	2 350	413	–	–	–	26	3 349
Total	14	430	240	231	87	2 502	5 148	6 457	303	31	92	3 525	19 060
COMPANY													
Debt securities – quoted	–	–	–	145	–	571	1 783	943	134	19	–	114	3 709
Debt securities – unquoted	–	–	16	–	–	854	102	2 095	77	–	–	12	3 156
Total	–	–	16	145	–	1 425	1 885	3 038	211	19	–	126	6 865
Short-term money market instruments	–	–	–	–	30	283	148	868	86	–	–	44	1 459
Receivables due from contract holders/intermediaries	5	25	5	–	28	5	28	39	–	–	–	2 123	2 258
Reinsurance receivables	–	2	–	5	6	–	–	–	–	–	–	121	134
Other loans and receivables	–	1	1	1	–	17	24	54	2	–	–	893	993
Total	5	28	6	6	34	22	52	93	2	–	–	3 137	3 385
Cash and cash equivalents	–	344	178	–	–	–	1 901	90	–	–	–	6	2 519
Total	5	372	200	151	64	1 730	3 986	4 089	299	19	–	3 313	14 228

Included in the "Not rated" category is R86 million (group) and R77 million (company) relating to African Bank Investments Ltd and African Bank Ltd investments.

31 December 2014

GROUP	Credit rating											Not rated R million	Carrying value R million
	AA- R million	A+ R million	A R million	A- R million	BBB+ R million	BBB R million	BBB- R million	BB+ R million	BB- R million	B R million			
Debt securities – quoted	–	–	–	–	1 361	1 195	367	275	38	–	–	372	3 608
Debt securities – unquoted	–	–	–	–	1 638	2 424	29	92	41	–	–	5	4 229
Total	–	–	–	–	2 999	3 619	396	367	79	–	–	377	7 837
Short-term money market instruments	–	–	–	–	809	665	223	10	67	–	–	118	1 892
Receivables due from contract holders/intermediaries	–	–	13	38	36	8	20	–	–	–	–	2 122	2 237
Reinsurance receivables	–	–	1	32	–	10	17	–	–	–	–	102	162
Other loans and receivables	–	–	–	22	37	47	11	21	2	–	–	330	470
Total	–	–	14	92	73	65	48	21	2	–	–	2 554	2 869
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	–	9	9
Cash and cash equivalents	207	251	163	329	511	959	–	5	–	2	134	2 561	
Total	207	251	177	421	4 392	5 308	667	403	148	2	3 192	15 168	
COMPANY													
Debt securities – quoted	–	–	–	–	1 023	1 088	284	171	28	–	–	364	2 958
Debt securities – unquoted	–	–	–	–	997	1 525	21	16	40	–	–	5	2 604
Total	–	–	–	–	2 020	2 613	305	187	68	–	–	369	5 562
Short-term money market instruments	–	–	–	–	599	395	93	–	66	–	–	3	1 156
Receivables due from contract holders/intermediaries	–	–	13	38	36	8	6	–	–	–	–	2 042	2 143
Reinsurance receivables	–	–	–	32	–	–	–	–	–	–	–	101	133
Other loans and receivables	–	–	–	–	34	36	4	2	2	–	–	816	894
Total	–	–	13	70	70	44	10	2	2	–	–	2 959	3 170
Cash and cash equivalents	207	251	116	206	266	384	–	–	–	2	25	1 457	
Total	207	251	129	276	2 955	3 436	408	189	136	2	3 356	11 345	

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

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

NOTES TO THE FINANCIAL STATEMENTS

Impairment history

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

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

31 December 2015	Financial assets that are past due but not impaired					Financial assets that have been impaired		Carrying value R million
	Neither past due nor impaired R million	0 – 3 months R million	3 – 6 months R million	6 months – 1 year R million	Greater than 1 year R million	Impairment R million		
GROUP								
Debt securities – quoted	4 739	-	-	-	-	-	-	4 739
Debt securities – unquoted	4 978	-	-	-	4	-	-	4 982
Total	9 717	-	-	-	4	-	-	9 721
Short-term money market instruments								
Receivables due from contract holders/intermediaries	2 207	182	48	26	-	-	-	2 463
Reinsurance receivables	129	51	23	1	5	60	(60)	209
Other loans and receivables	774	2	1	-	-	101	(101)	777
Total	3 110	235	72	27	5	161	(161)	3 449
Cell owners' interest	6	-	-	-	-	-	-	6
Deposit with cell owner	254	-	-	-	-	-	-	254
Cash and cash equivalents	3 349	-	-	-	-	-	-	3 349
COMPANY								
Debt securities – quoted	3 709	-	-	-	-	-	-	3 709
Debt securities – unquoted	3 156	-	-	-	-	-	-	3 156
Total	6 865	-	-	-	-	-	-	6 865
Short-term money market instruments								
Receivables due from contract holders/intermediaries	1 964	183	37	74	-	-	-	2 258
Reinsurance receivables	128	-	-	1	5	59	(59)	134
Other loans and receivables	993	-	-	-	-	126	(126)	993
Total	3 085	183	37	75	5	185	(185)	3 385
Cash and cash equivalents	2 519	-	-	-	-	-	-	2 519
31 December 2014								
GROUP								
Debt securities – quoted	3 608	-	-	-	-	-	-	3 608
Debt securities – unquoted	4 225	-	-	-	4	-	-	4 229
Total	7 833	-	-	-	4	-	-	7 837
Short-term money market instruments								
Receivables due from contract holders/intermediaries	2 166	28	43	-	-	-	-	2 237
Reinsurance receivables	131	21	5	5	-	41	(41)	162
Other loans and receivables	467	2	1	-	-	99	(99)	470
Total	2 764	51	49	5	-	140	(140)	2 869
Cell owners' interest	9	-	-	-	-	-	-	9
Cash and cash equivalents	2 561	-	-	-	-	-	-	2 561
COMPANY								
Debt securities – quoted	2 958	-	-	-	-	-	-	2 958
Debt securities – unquoted	2 604	-	-	-	-	-	-	2 604
Total	5 562	-	-	-	-	-	-	5 562
Short-term money market instruments								
Receivables due from contract holders/intermediaries	2 108	-	35	-	-	-	-	2 143
Reinsurance receivables	128	-	-	5	-	41	(41)	133
Other loans and receivables	894	-	-	-	-	128	(128)	894
Total	3 130	-	35	5	-	169	(169)	3 170
Cash and cash equivalents	1 457	-	-	-	-	-	-	1 457

NOTES TO THE FINANCIAL STATEMENTS

3.2.4 Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

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

The group uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal capital model to inform the group's decision-making and planning process and also for identification and management of risks within the business units. Each of the major components of market risk faced by Santam is described in more detail below.

Financial instruments measured at fair value on a recurring basis

The following financial instruments are measured at fair value. The table below analyses these financial instruments per valuation method. There were no significant changes in the valuation methods applied since 31 December 2014.

The valuation methods are categorised 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, as prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments is predominantly determined using discounted cash flow models using market observable input.
- Level 3: Input for the asset or liability that is not based on observable market data (that is, unobservable input).

There were no transfers between level 1 and level 2 during the current year. In the prior year, holdings in securities and other financial instruments of African Bank Investments Ltd and African Bank Ltd were transferred to level 3 subsequent to these companies being placed into curatorship and the suspension of these securities by the JSE Ltd.

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.

31 December 2015

GROUP	Level 1	Level 2	Level 3	Total
Financial assets	R million	R million	R million	R million
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
Redeemable preference shares	-	214	-	214
Money market instruments > 1 year	-	1 799	-	1 799
Unquoted				
Government and other bonds	-	132	-	132
Money market instruments > 1 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
Derivatives				
Exchange traded futures	-	2	-	2
Total derivatives	-	2	-	2
Short-term money market instruments	-	2 237	44	2 281
	3 023	10 583	1 128	14 734

NOTES TO THE FINANCIAL STATEMENTS

GROUP	Level 1	Level 2	Level 3	Total
Financial liabilities	R million	R million	R million	R million
Debt securities	998	-	-	998
Investment contracts	-	70	-	70
Derivatives				
Interest rate swaps	-	-	1	1
Total derivatives	-	-	1	1
	998	70	1	1 069

COMPANY

COMPANY	Level 1	Level 2	Level 3	Total
Financial assets	R million	R million	R million	R million
Equity securities				
Quoted				
Listed	1 539	-	-	1 539
Unitised funds	-	50	-	50
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 019	1 019
Total equity securities	1 541	50	1 019	2 610
Debt securities				
Quoted				
Government and other bonds	1 052	906	35	1 993
Collateralised securities	-	190	-	190
Redeemable preference shares	-	213	-	213
Money market instruments > 1 year	-	1 313	-	1 313
Unquoted				
Government and other bonds	-	119	-	119
Money market instruments > 1 year	-	2 675	-	2 675
Redeemable preference shares	-	101	-	101
Equity-linked notes	-	261	-	261
Total debt securities	1 052	5 778	35	6 865
Derivatives				
Exchange traded futures	-	2	-	2
Total derivatives	-	2	-	2
Short-term money market instruments	-	1 423	36	1 459
	2 593	7 253	1 090	10 936

Financial liabilities				
Debt securities	998	-	-	998
Derivatives				
Interest rate swaps	-	-	1	1
Total derivatives	-	-	1	1
	998	-	1	999

31 December 2014

GROUP

GROUP	Level 1	Level 2	Level 3	Total
Financial assets	R million	R million	R million	R million
Equity securities				
Quoted				
Listed	2 999	-	-	2 999
Unitised funds	-	75	-	75
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	820	820
Total equity securities	3 001	75	820	3 896
Debt securities				
Quoted				
Government and other bonds	1 250	492	13	1 755
Collateralised securities	-	152	-	152
Redeemable preference shares	-	250	-	250
Money market instruments > 1 year	-	1 436	15	1 451
Unquoted				
Government and other bonds	-	24	-	24
Money market instruments > 1 year	-	4 127	-	4 127
Redeemable preference shares	-	50	28	78
Total debt securities	1 250	6 531	56	7 837
Derivatives				
Interest rate swaps	-	-	-	-
Total derivatives	-	-	-	-
Short-term money market instruments	-	1 854	38	1 892
	4 251	8 460	914	13 625

NOTES TO THE FINANCIAL STATEMENTS

GROUP	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial liabilities				
Debt securities	1 023	-	-	1 023
Investment contracts	-	105	-	105
	1 023	105	-	1 128
COMPANY				
Financial assets				
Equity securities				
Quoted				
Listed	2 907	-	-	2 907
Unitised funds	-	48	-	48
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	820	820
Total equity securities	2 909	48	820	3 777
Debt securities				
Quoted				
Government and other bonds	994	480	13	1 487
Collateralised securities	-	124	-	124
Redeemable preference shares	-	250	-	250
Money market instruments > 1 year	-	1 090	7	1 097
Unquoted				
Government and other bonds	-	20	-	20
Money market instruments > 1 year	-	2 534	-	2 534
Redeemable preference shares	-	50	-	50
Total debt securities	994	4 548	20	5 562
Total derivatives	-	-	-	-
Short-term money market instruments	-	1 118	38	1 156
	3 903	5 714	878	10 495
Financial liabilities				
Debt securities	1 023	-	-	1 023
	1 023	-	-	1 023

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity and debt instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange and debt instruments listed on the Bond Exchange. Listed bonds that did not trade actively during a financial reporting period are classified as level 2 financial instruments.

Level 2

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

- Collective investments schemes
- Derivative, debt and short-term money market instruments where the value is determined by using market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments
- Investment contract liabilities

NOTES TO THE FINANCIAL STATEMENTS

Level 3

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

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

- Unquoted equity instruments
 - Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 1 and 11.
 - The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rates, underwriting results and exchange rate expectations.
 - Refer to pages 45 and 46 for the sensitivity analysis on the key assumptions used in the valuation of unquoted equity instruments.

- Derivatives
 - The interest rate swaps are valued using Sanlam Investment Managers' (SIM) swap curve to separately discount (i.e. calculate the present value of) the future flows of the fixed and floating leg. The market value of the swap is the sum of these two present values. The fair value of the swap is disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. The gross exposure asset and liability at year-end amounted to R10 million (2014: R16 million) and R11 million (2014: R16 million) respectively.
 - The fence structures are valued by the respective commercial banks using option models with the SWIX 40 index as reference point. Refer to page 46 for detail regarding derivative fence structures.
 - Refer to page 46 for the sensitivity analysis on the key assumptions used in the valuation of derivative instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2015

31 December 2015	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
Opening balance	820	56	38	-	914
Acquisitions	51	-	1	-	52
Disposals	(5)	-	(2)	-	(7)
Transfers between asset classes	-	(4)	4	-	-
Gains/(losses) recognised in profit or loss	153	13	3	(1)	168
Closing balance	<u>1 019</u>	<u>65</u>	<u>44</u>	<u>(1)</u>	<u>1 127</u>

The investments in Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill) are classified as held for sale (refer to note 14). The investment in Cardrow had an opening balance of R308 million (2014: R299 million) with exchange gains of R82 million (2014: R8 million) and fair value gains of Rnil (2014: R1 million) during the year. The closing balance at 31 December 2015 amounted to R390 million (2014: R308 million). The investment in Beech Hill had an opening balance of R120 million (2014: R116 million) with exchange gains of R31 million (2014: R4 million) during the year. The closing balance at 31 December 2015 amounted to R151 million (2014: R120 million).

COMPANY

Opening balance	820	20	38	-	878
Acquisitions	51	-	-	-	51
Disposals	(5)	-	(1)	-	(6)
Transfers between asset classes	-	4	(4)	-	-
Gains/(losses) recognised in profit or loss	153	11	3	(1)	166
Closing balance	<u>1 019</u>	<u>35</u>	<u>36</u>	<u>(1)</u>	<u>1 089</u>

Of the R153 million gain recognised on equity securities for both group and company, R152 million relates to SEM target shares, of which R105 million relates to foreign exchange gains, and R47 million to an increase in fair value.

In February 2015, a zero cost fence structure was entered into that matured on 17 December 2015, resulting in a profit of R42 million.

NOTES TO THE FINANCIAL STATEMENTS

The following table presents the changes in level 3 instruments for the year ended 31 December 2014

31 December 2014	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
GROUP					
Opening balance	529	23	–	(203)	349
Acquisitions	186	–	–	–	186
Settlements	–	–	–	297	297
Transfer from level 1 and/or level 2	–	27	38	–	65
Gains/(losses) recognised in profit or loss	105	6	–	(94)	17
Closing balance	820	56	38	–	914
COMPANY					
Opening balance	529	–	–	(203)	326
Acquisitions	186	–	–	–	186
Settlements	–	–	–	297	297
Transfer from level 1 and/or level 2	–	20	38	–	58
Gains/(losses) recognised in profit or loss	105	–	–	(94)	11
Closing balance	820	20	38	–	878

Of the R105 million gain recognised on equity securities for both group and company, R93 million relates to SEM target shares, of which R22 million relates to foreign exchange gains, and R71 million to an increase in fair value.

Price risk

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

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. The group's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. The group sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. The group's largest investment in any one company comprises 15.4% (2014: 11.6%) of the total quoted equities and 0.9% (2014: 1.4%) of the total assets. The company's largest investment in any one company comprises 15.3% (2014: 11.6%) of the total quoted equities and 1.1% (2014: 1.6%) of the total assets. Each of the following investments has an individual value of more than 1.5% of the total quoted equity investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS

Details of the investments below 1.5%, summarised as "Other", are open to inspection at the registered office of the company.

	Group				Company			
	2015		2014		2015		2014	
	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million
Listed								
Naspers Ltd	124 226	263	235 335	357	115 080	244	226 689	343
British American Tobacco Plc	128 793	112	230 418	146	119 958	105	221 593	140
Steinhoff International Holdings Ltd	1 225 693	96	2 285 524	136	1 159 942	91	2 219 823	132
SAB Miller Ltd	97 606	92	214 306	130	90 884	85	206 724	125
MTN Group Ltd	608 077	81	1 167 078	258	565 007	75	1 124 038	249
Sasol Ltd	181 404	76	380 733	164	167 358	70	366 697	158
Old Mutual Plc	1 768 453	73	2 915 161	101	1 668 102	69	2 915 161	101
Standard Bank Group Ltd	479 492	54	919 607	132	444 716	50	884 851	127
The Bidvest Group Ltd	152 940	50	292 782	89	141 426	46	281 268	85
Remgro Ltd	196 827	48	398 544	101	182 271	45	383 998	98
Compagnie Financière Richemont SA	396 300	44	799 362	84	371 083	41	774 165	81
Intuprop Plc	576 803	43	–	–	568 380	42	–	–
Woolworths Holdings Ltd	418 956	42	897 480	69	397 802	40	873 516	67
Investec Plc	353 350	39	788 586	77	335 669	37	770 915	75
Mondi Ltd	98 331	30	–	–	96 821	30	–	–
RMB Holdings Ltd	525 394	29	1 037 585	67	517 653	29	1 029 844	66
BHP Billiton Plc	168 015	29	384 657	96	157 966	27	372 748	93
Barclays Group Africa Ltd	189 509	27	445 942	81	178 280	26	434 713	79
Other		415		911		387		888
		<u>1 643</u>		<u>2 999</u>		<u>1 539</u>		<u>2 907</u>
Listed								
Unitised funds		66		75		50		48
Irredeemable preference shares		2		2		2		2
		<u>1 711</u>		<u>3 076</u>		<u>1 591</u>		<u>2 957</u>

The group takes a long-term view when agreeing investment mandates with the relevant portfolio managers and looks to build value over a sustained period of time rather than utilising high levels of purchases and sales in order to generate short-term gains from its equity holdings.

Sensitivity analysis on equity securities and derivatives

At 31 December 2015, the group's quoted equities were recorded at their fair value of R1 711 million (2014: R3 076 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R171 million (2014: R308 million).

The company's quoted equities were recorded at their fair value of R1 591 million (2014: R2 957 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R159 million (2014: R296 million).

The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin expectations. A sensitivity analysis was performed for the material SEM holdings to determine the impact of a 10% change in these assumptions. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R114 million (2014: R102 million) or increase by R172 million (2014: R156 million), respectively. If exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R73 million (2014: R60 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 R79 million (2014: R73 million) or decrease by R78 million (2014: R74 million), respectively. Another assumption applied in the valuation model is that relating to terminal growth. For the purpose of this assumption, market expectations of nominal GDP growth have been utilised.

NOTES TO THE FINANCIAL STATEMENTS

A 10% decrease or increase in the discount rate applied to the net asset values and/or the valuation multiples of the remaining unquoted equities held by the group would decrease or increase the market value by R6 million (2014: Rnil). A 10% increase or decrease in foreign exchange rates would increase or decrease the market value of the unquoted equities by R39 million.

The group makes use of derivative products as appropriate to manage equity exposure and to protect the portfolio from losses outside of its risk appetite. A 1% increase in the discount rate used to value the swap would result in a R1 million increase (2014: R2 million decrease) in the fair value of these instruments, but a 1% decrease in the discount rate would result in a R1 million decrease (2014: R2 million increase) in the fair value, resulting in opposite (2014: similar) decreases and increases in investment income.

During the first half of 2013, Santam entered into three derivative fence structures between 28 March 2013 and 8 May 2013 covering equities to the value of R2 billion. All three tranches had downside protection of 10% with upside participation of 9.7%, 9.6% and 9.5%, respectively. The implementation levels were 7593 (SWIX 40 index), 7515 and 7694, respectively. A negative fair value of R204 million was recorded as at 31 December 2013 and a further loss of R93 million was incurred during the six months to 30 June 2014. The final tranche expired in May 2014 and the hedge was not renewed.

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 and was not renewed.

Interest rate risk

Interest rate risk arises from the net effect on assets and liabilities of a change in the level of interest rates. The market value of bonds and other fixed interest-bearing financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating rate interest-bearing financial instruments is also affected by changes in interest rates.

An assumption is made that the assets backing the subordinated debt are adequately providing cover for the liabilities i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment. The risk-free rate used for modelling is 9.0% as at 31 December 2015 (2014: 7.8%).

Interest rate risk is also managed using derivative instruments, such as swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2015, the group had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes. The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R100 million (2014: R106 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 12 June 2017. At 31 December 2015 the group also had exchange traded futures with an exposure value of R585 million (2014: no exposure). Refer to table on page 47 for information regarding sensitivity.

Sensitivity analysis on interest-bearing instruments

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

GROUP	2015		2014	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
Financial assets – fixed rate				
Quoted debt securities	(96)	98	(63)	67
Unquoted debt securities	(36)	36	(17)	17
Short-term money market instruments	(2)	2	(2)	2
Derivative instruments	22	(25)	(2)	2
Financial assets – variable rate				
Cash and cash equivalents	15	(15)	24	(24)
Quoted debt securities	19	(19)	11	(11)
Unquoted debt securities	21	(21)	19	(19)
Short-term money market instruments	11	(11)	9	(9)
Financial liabilities – fixed rate				
Debt securities – quoted	15	(15)	23	(24)
Derivative instruments	(1)	1	-	-
Total change in investment income, finance cost and net fair value movements before tax	(32)	31	2	1
COMPANY				
Financial assets – fixed rate				
Quoted debt securities	(78)	78	(50)	52
Unquoted debt securities	(28)	28	(13)	13
Short-term money market instruments	(1)	1	(1)	1
Derivative instruments	22	(25)	(3)	3
Financial assets – variable rate				
Cash and cash equivalents	7	(7)	13	(13)
Quoted debt securities	15	(15)	11	(11)
Unquoted debt securities	19	(19)	19	(19)
Short-term money market instruments	11	(11)	9	(9)
Financial liabilities – fixed rate				
Debt securities – quoted	15	(15)	23	(24)
Derivative instruments	(1)	1	-	-
Total change in investment income, finance cost and net fair value movements before tax	(19)	16	9	(6)

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

NOTES TO THE FINANCIAL STATEMENTS

Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African rand. The group's primary foreign currency exposures are to the pound sterling and the US dollar.

The group incurs exposure to currency risk in two ways:

- Operational currency risk – by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies)
- Structural currency risk – by mainly investing in SEM target shares.

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts. The fair value of the investments in the SEM target shares is impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers.

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

During November 2015, agreements were concluded whereby SEM and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham Group, from the Abraaj Group, the International Finance Corporation and the IFC African Latin American and Caribbean Fund. The acquisition will be structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration, including transaction costs, of US\$400 million.

The transaction is expected to be finalised during the first quarter of 2016.

In terms of Santam's risk management strategy, foreign currency risks can be assessed on a case by case basis to determine whether specific hedging requirements exist. The proposed transaction with Saham Finances was therefore assessed and it was concluded by the investment committee and the board that the foreign currency risk relating to this transaction should be appropriately hedged.

The hedging strategy that was approved consists of obtaining funding from the following internal capital resources:

- US\$35 million was purchased in the market in November 2015;
- The balance was obtained from existing US dollar assets.

The dedicated capital resources mentioned above were designated as the hedging instrument and the proposed acquisition as described above was identified as the hedged item. The implementation date of the hedge was 24 November 2015. The impact of this was that the foreign currency gains of R134 million recognised on the dedicated cash balances since the designation date were not recognised in profit or loss but was recognised in equity.

The tables presented on pages 49 and 50 provide a summary of the foreign exposures relating to assets and liabilities included in the statement of financial position at the reporting date. Only the material currencies held at the reporting date are disclosed in the table. The exposure disclosed in Rand value does, however, represent the group and the company's total exposure to all currencies held at the reporting date irrespective of whether it was separately disclosed in the table. The foreign currency exposure for reinsurance assets disclosed in the table only includes reinsurance contracts denominated in foreign currencies.

The tables for both 2015 and 2014 were expanded to include assets and liabilities relating to Santam International that is exposed to currency translation risk. The 2014 tables were also enhanced to include comparative information relating to the additional currencies presented in 2015.

NOTES TO THE FINANCIAL STATEMENTS

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

31 December 2015

GROUP	Euro € million	United States dollar \$ million	British pound £ million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Total exposure R million
Debtentures, insurance policies, public sector stocks and other loans	-	57.97	-	-	-	-	897.83
Cash, deposits and similar securities	2.00	30.03	1.04	-	-	-	515.64
Reinsurance assets	0.18	38.71	0.03	-	-	-	599.91
Trade and other receivables	0.54	22.35	0.44	6.16	387.11	2 913.47	567.86
Insurance liabilities	(0.95)	(74.24)	(2.35)	(27.55)	(583.93)	(6 109.07)	(1 624.15)
Trade and other payables	(0.18)	(26.61)	(0.09)	(2.11)	(162.98)	(598.68)	(465.83)
Total foreign currency exposure relating to insurance business (excluding alternative risk)	1.59	48.21	(0.93)	(23.50)	(359.80)	(3 794.28)	491.26
Cash designated for hedging purposes	-	100.00	-	-	-	-	1 549.00
Cash, deposits and similar securities relating to alternative risk business	-	8.93	-	-	-	-	132.76
Cash, deposits and similar securities relating to non-current assets held for sale	-	-	1.90	-	-	-	43.38
Trade and other payables relating to alternative risk business	-	(8.93)	-	-	-	-	(132.76)
Trade and other receivables relating to non-current assets held for sale	-	-	25.80	-	-	-	580.73
Trade and other payables relating to non-current assets held for sale	-	-	(25.80)	-	-	-	(580.73)
Non-current assets held for sale	-	-	23.69	-	-	-	540.91
Foreign currency exposure	1.59	148.21	24.66	(23.50)	(359.80)	(3 794.28)	2 624.55
COMPANY							
Debtentures, insurance policies, public sector stocks and other loans	-	57.97	-	-	-	-	897.83
Cash, deposits and similar securities	2.00	30.03	1.04	-	-	-	515.64
Reinsurance assets	0.18	38.71	0.03	-	-	-	599.91
Trade and other receivables	0.54	22.35	0.44	6.16	387.11	2 913.47	567.86
Insurance liabilities	(0.95)	(74.24)	(2.35)	(27.55)	(583.93)	(6 109.07)	(1 624.15)
Trade and other payables	(0.18)	(26.61)	(0.09)	(2.11)	(162.98)	(598.68)	(465.83)
Total foreign currency exposure relating to insurance business	1.59	48.21	(0.93)	(23.50)	(359.80)	(3 794.28)	491.26
Cash designated for hedging purposes	-	100.00	-	-	-	-	1 549.00
Trade and other payables relating to Santam International loan	-	-	(25.80)	-	-	-	(580.73)
Foreign currency exposure	1.59	148.21	(26.73)	(23.50)	(359.80)	(3 794.28)	1 459.53
Exchange rates:							
Closing rate	16.84	15.49	22.83	2.40	0.24	0.01	
Average rate	14.09	12.69	19.40	2.04	0.20	0.01	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014		United States	British pound	Chinese yuan	Indian rupee	South Korean won	Total exposure
	Euro	dollar		CNY	INR	KRW	R million
GROUP	€ million	\$ million	£ million	million	million	million	
Debentures, insurance policies, public sector stocks and other loans	-	34.57	-	-	-	-	399.85
Cash, deposits and similar securities	2.94	56.32	1.98	-	-	-	726.16
Reinsurance assets	0.22	20.89	-	-	-	-	252.25
Trade and other receivables ¹	1.57	14.44	1.25	8.91	161.24	807.72	400.44
Insurance liabilities ²	(1.84)	(54.50)	(4.33)	(26.89)	(481.82)	(1 795.55)	(1 000.75)
Trade and other payables ³	(0.17)	(11.60)	(6.72)	-	(67.59)	-	(248.87)
Total foreign currency exposure relating to insurance business (excluding alternative risk)	2.72	60.12	(7.82)	(17.98)	(388.17)	(987.83)	529.08
Cash, deposits and similar securities relating to alternative risk business	-	6.08	-	-	-	-	70.35
Cash, deposits and similar securities relating to non-current assets held for sale	-	-	2.26	-	-	-	40.65
Trade and other receivables relating to non-current assets held for sale	-	-	25.80	-	-	-	464.90
Trade and other payables relating to non-current assets held for sale	-	-	(25.80)	-	-	-	(464.90)
Non-current assets held for sale	-	-	23.69	-	-	-	427.54
Foreign currency exposure	2.72	66.20	18.13	(17.98)	(388.17)	(987.83)	1 067.62
COMPANY							
Debentures, insurance policies, public sector stocks and other loans	-	34.57	-	-	-	-	399.85
Cash, deposits and similar securities	2.94	56.32	1.98	-	-	-	726.16
Reinsurance assets	0.22	20.89	-	-	-	-	252.25
Trade and other receivables ¹	1.57	14.44	1.25	8.91	161.24	807.72	400.44
Insurance liabilities ²	(1.84)	(54.50)	(4.33)	(26.89)	(481.82)	(1 795.55)	(1 000.75)
Trade and other payables ³	(0.17)	(11.60)	(6.72)	-	(67.59)	-	(248.87)
Total foreign currency exposure relating to insurance business	2.72	60.12	(7.82)	(17.98)	(388.17)	(987.83)	529.08
Trade and other payables relating to Santam International loan ⁴	-	-	(25.80)	-	-	-	(464.90)
Foreign currency exposure	2.72	60.12	(33.62)	(17.98)	(388.17)	(987.83)	64.18
Exchange rates:							
Closing rate	14.01	11.57	18.05	1.87	0.18	0.01	
Average rate	14.38	10.84	17.85	1.77	0.18	0.01	

¹ Total exposure reported in prior year amounted to R294.58 million.

² Total exposure reported in prior year amounted to R736.80 million.

³ Total exposure reported in prior year amounted to R737.74 million.

⁴ This balance represents the loan with Santam International which is considered to be part of the net foreign investment which is classified as a non-current asset held for sale.

NOTES TO THE FINANCIAL STATEMENTS

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

GROUP	10% increase in rand/GBP R million	10% decrease in rand/GBP R million	10% increase in rand/USD R million	10% decrease in rand/USD R million
Impact on profit or loss at 31 December 2015	(2.12)	2.12	74.68	(74.68)
Impact on profit or loss at 31 December 2014	(14.12)	14.12	69.56	(69.56)
COMPANY				
Impact on net assets at 31 December 2015	(2.12)	2.12	74.68	(74.68)
Impact on net assets at 31 December 2014	(14.12)	14.12	69.56	(69.56)

The impact of a 10% change in the rand exchange rate against the euro, Chinese yuan, Indian rupee and South Korean won is not disclosed as it is not material for the group or the company.

The foreign exchange profits or losses arising from the translation of international business unit statements of financial position from their functional currencies into rand are recognised in the currency translation reserve. These movements in exchange rates therefore have no impact on profit. On disposal of the foreign companies, the reserve is realised and released to profit or loss.

Exchange rate profits or losses relating to the SEM target shares are included in the fair value movements of the instruments.

Derivative risk

The group uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. The group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the investment committee and the board. Refer to note 10 for more detail on the derivatives held by the group.

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

3.2.5 Liquidity risk

Liquidity risk is the risk that Santam will encounter difficulty in raising funds to meet the commitments associated with its financial obligations as a result of assets not being available in a form that can immediately be converted into cash.

Santam manages the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by investments with limited capital risk (i.e. cash and interest-bearing instruments) while Santam's subordinated debt obligation is covered by matching cash and interest-bearing instruments (including interest rate swaps).

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for financial assets and liabilities that are subject to fixed and variable interest rates. Insurance contract liabilities are also presented and are analysed by remaining estimated duration until settlement. Insurance and financial liabilities are presented on an undiscounted contractual cash flow basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

GROUP	< 1 year R million	1 to 5 years R million	> 5 years R million	Open ended R million	Carrying value R million
Financial and insurance assets					
Equity securities – quoted	–	–	–	1 711	1 711
Equity securities – unquoted	–	–	–	1 019	1 019
Total	–	–	–	2 730	2 730
Debt securities – quoted	190	3 345	990	214	4 739
Debt securities – unquoted	36	4 845	–	101	4 982
Total	226	8 190	990	315	9 721
Short-term money market instruments	2 281	–	–	–	2 281
Receivables due from contract holders/intermediaries	2 463	–	–	–	2 463
Reinsurance receivables	209	–	–	–	209
Cell owners' interest	6	–	–	–	6
Other loans and receivables	760	17	–	–	777
Reinsurance assets (incl DAC)	3 548	573	82	–	4 203
Deposit with cell owner	67	143	44	–	254
Total	7 053	733	126	–	7 912
Cash and cash equivalents	3 349	–	–	–	3 349
Total financial and insurance assets	12 909	8 923	1 116	3 045	25 993

COMPANY

Financial and insurance assets					
Equity securities – quoted	–	–	–	1 591	1 591
Equity securities – unquoted	–	–	–	1 019	1 019
Total	–	–	–	2 610	2 610
Debt securities – quoted	190	2 567	738	214	3 709
Debt securities – unquoted	36	3 019	–	101	3 156
Total	226	5 586	738	315	6 865
Short-term money market instruments	1 459	–	–	–	1 459
Receivables due from contract holders/intermediaries	2 258	–	–	–	2 258
Reinsurance receivables	134	–	–	–	134
Other loans and receivables	993	–	–	–	993
Reinsurance assets (incl DAC)	3 082	582	83	–	3 747
Total	6 467	582	83	–	7 132
Cash and cash equivalents	2 519	–	–	–	2 519
Total financial and insurance assets	10 671	6 168	821	2 925	20 585

GROUP	Within 1 year R million	1 to 5 years R million	More than 5 years R million	Total R million
Financial liabilities				
Debt securities	83	1 083	–	1 166
Investment contracts	70	–	–	70
Cell owners' interest	–	980	–	980
Collateral guarantee contracts	105	–	–	105
Insurance liabilities (incl Reinsurance DAC)	10 791	1 886	267	12 944
Reinsurance liability relating to cell owners	67	143	44	254
Trade and other payables	3 252	53	107	3 412
Total	14 368	4 145	418	18 931

COMPANY

Financial liabilities				
Debt securities	83	1 083	–	1 166
Collateral guarantee contracts	105	–	–	105
Insurance liabilities (incl Reinsurance DAC)	8 190	1 843	264	10 297
Trade and other payables	3 452	–	–	3 452
Total	11 830	2 926	264	15 020

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

GROUP	< 1 year R million	1 to 5 years R million	> 5 years R million	Open ended R million	Carrying value R million
Financial and insurance assets					
Equity securities – quoted	–	–	–	3 076	3 076
Equity securities – unquoted	–	–	–	820	820
Total	–	–	–	3 896	3 896
Debt securities – quoted	292	2 211	855	250	3 608
Debt securities – unquoted	2	4 145	7	75	4 229
Total	294	6 356	862	325	7 837
Short-term money market instruments					
Receivables due from contract holders/intermediaries	1 892	–	–	–	1 892
Reinsurance receivables	2 237	–	–	–	2 237
Cell owners' interest	161	1	–	–	162
Other loans and receivables	9	–	–	–	9
Reinsurance assets (incl DAC)	459	8	–	3	470
Total	3 284	618	61	–	3 963
Total	6 150	627	61	3	6 841
Cash and cash equivalents	2 561	–	–	–	2 561
Total financial and insurance assets	10 897	6 983	923	4 224	23 027

COMPANY

Financial and insurance assets					
Equity securities – quoted	–	–	–	2 957	2 975
Equity securities – unquoted	–	–	–	820	820
Total	–	–	–	3 777	3 777
Debt securities – quoted	271	1 764	673	250	2 958
Debt securities – unquoted	–	2 554	–	50	2 604
Total	271	4 318	673	300	5 562
Short-term money market instruments					
Receivables due from contract holders/intermediaries	1 156	–	–	–	1 156
Reinsurance receivables	2 143	–	–	–	2 143
Other loans and receivables	133	–	–	–	133
Reinsurance assets (incl DAC)	894	–	–	–	894
Total	2 959	638	63	–	3 660
Total	6 129	638	63	–	6 830
Cash and cash equivalents	1 457	–	–	–	1 457
Total financial and insurance assets	9 013	4 956	736	4 077	18 782

GROUP	Within 1 year R million	1 to 5 years R million	More than 5 years R million	Total R million
Financial liabilities				
Debt securities	83	1 165	–	1 248
Investment contracts	2	103	–	105
Cell owners' interest	–	924	–	924
Collateral guarantee contracts	88	–	–	88
Insurance liabilities (incl Reinsurance DAC)	10 115	1 970	189	12 274
Trade and other payables	2 684	33	–	2 717
Total	12 972	4 195	189	17 356

COMPANY

Financial liabilities				
Debt securities	83	1 165	–	1 248
Collateral guarantee contracts	88	–	–	88
Insurance liabilities (incl Reinsurance DAC)	7 870	1 924	191	9 985
Trade and other payables	2 823	–	–	2 823
Total	10 864	3 089	191	14 144

NOTES TO THE FINANCIAL STATEMENTS

3.2.6 Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in the group's operations and are typical of any large enterprise. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

The group manages operational risk using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with the group's risk appetite. These tools include Risk and Control Self Assessments and questionnaires, Key Risk Indicators (e.g. fraud and service indicators), Scenario Analyses and Loss Reporting. In addition, the group has developed a number of contingency plans including Incident Management and Business Continuity Plans. Quantitative analysis of operational risk exposures material to the group is used to inform decisions on the overall amount of capital held and the adequacy of contingency arrangements. Comprehensive scenario testing, involving senior and executive management, is conducted every three years with more focused testing done annually.

Although conduct risk is regarded as an operational risk, we have included it in our updated risk universe as a separate risk category, given the importance and potential risk exposure. In the 2011 Retail Conduct Risk Outlook, the Financial Conduct Authority (previously known as the Financial Services Authority) defined conduct risk as the risk that a firm's behaviour will result in poor outcomes for clients. For example: repudiation of claims without due consideration of the circumstances of the loss and selling insurance products to clients that do not meet the clients' insurance needs.

3.3 Solvency and capital management

Capital adequacy risk is the risk that the group and company are holding insufficient reserves to cover the variations in actual future experience that is worse than what has been assumed in the setting of the general insurance technical provisions as well as in the financial soundness valuation of its long-term insurance business.

The group must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations, such as a 1-in-200-year event, from the main risk assumptions affecting the group's business.

The overall capital management objectives of the group are:

- to comply with the requirements set by the regulators of the insurance markets where the group operates;
- to protect policyholders against adverse results that may affect the solvency of the group and therefore its ability to meet its financial obligations;
- to retain sufficient capital to fund the strategic objectives of the group; and
- to provide an adequate return for shareholders and benefits for other various stakeholders.

The material components to the capital management process are described in more detail below.

3.3.1 Own Risk and Solvency Assessment (ORSA)

Solvency Assessment and Management (SAM) introduces a requirement for general insurers to conduct an ORSA. Santam has performed an ORSA of its business annually since 2011 and presented the results to its executive management and board.

A generally accepted definition of an insurance company's ORSA is "the entirety of the processes and procedures employed to: identify, assess, monitor, manage and report the short and long-term risks an insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's solvency needs are met at all times."

This definition of an ORSA process requires Santam to identify all the risks facing the organisation. The next step involves quantifying the capital requirements for these risks and finally compare this capital requirement to the own funds available on its statement of financial position.

3.3.2 Capital appetite

The group's objective is to maintain sufficient capital, which comprises shareholders' equity and subordinated debt capital, to meet its strategic business plan and objectives. This represents sufficient surpluses for both regulatory and economic capital. To assist in managing its capital position, the group has set internal target coverage ratios for each of the principal capital measures.

When determining capital requirements, Santam uses a risk measure of value-at-risk at the 99.5th percentile confidence level over a one-year time period. This means that the model is used to determine the expected losses for each modelled risk category due to a 1-in-200-year worst case event.

NOTES TO THE FINANCIAL STATEMENTS

3.3.3 *Economic capital*

Economic capital is the group's preferred measure of capital sufficiency. It is the group's own assessment of the amount of capital it needs to hold to meet its obligations given the group's risk appetite.

The economic capital analysis compares available capital with the economic capital assessment.

The economic capital model is used to support, inform and improve the group's decision-making across the group. It is used to determine the group's optimum capital structure, its investment strategy, its reinsurance programme and to determine the pricing and target returns for each portfolio.

3.3.4 *Regulatory solvency position*

In each country in which the group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

Management regards share capital, retained earnings and subordinated debt as capital for regulatory solvency purposes.

3.4 Regulatory and compliance risk management

Regulatory and compliance risk is the risk that Santam will be negatively impacted by a change in regulations or will fall foul of regulations or non-compliance with internal policies which are already in place resulting in either penalties or fines and significantly impacting Santam's reputation.

Over the past few years there have been several changes in the group's regulatory and compliance business landscape. These changes are primarily driven by larger regulatory projects, which will continue to impact the group in the foreseeable future. It is expected that the group's solvency requirements, system requirements, financial reporting and the way it conducts its business will be impacted by the implementation of these projects.

The Santam board of directors and management are actively monitoring the changes. The possible implications in the business plans and governance structures going forward is analysed on a continuous basis and the necessary changes are implemented where deemed reasonable. The group and its subsidiaries seek constructive engagement with their various regulators and policymakers. This is done through appropriate participation in industry forums.

In 2015, a significant amount of time has been spent participating in various industry workgroups and engaging with industry bodies and the Regulator. Key highlights for 2015 include providing comments on: the Insurance Bill 2015 which was approved by cabinet on 4 November 2015 and which is primarily focused on introducing various prudential standards which insurers will be required to comply with; the Financial Sector Regulation Bill which has been tabled in Parliament on 27 October 2015 and is aimed at crystallising the regulator's twin peak approach to regulatory supervision; the proposed amendments to the binder regulations which is intended to empower the registrar to cap binder remuneration; the introduction of the fit and proper requirements which was released on 14 August 2015 which prescribes the minimum fit and proper requirements and the proposed demarcation regulations under the Short-term Insurance Act which is aimed at recognising certain accident and health policies as short-term insurance policies despite the fact that they may be construed as medical schemes business.

Other activities that have impacted the business for 2015 include the Treating Customers Fairly (TCF) initiative and the Protection of Personal Information Act 2013. In respect of both activities Santam has been and will continue to refine its processes to ensure that it is able to evidence fair treatment of its customers and that the principles of data privacy are adhered to.

3.5 Conduct risk

Conduct risk is the risk that a firm's behaviour may result in unfair treatment of its clients. These risks can manifest through various distributional channels adopted by firms, conflicts of interest between distribution channels that may arise in the distribution of insurance products and remuneration strategies adopted by firms. To this end the South African regulator has introduced the TCF initiative as a precursor to conduct risk, which is primarily based on the UK approach.

Santam constituted a TCF committee, consisting of key stakeholders, to monitor the manner in which TCF outcomes are evidenced within Santam and the Santam group. This committee meets on a quarterly basis. Quarterly reports are also submitted to the Santam board on the progress of TCF initiatives within the group.

NOTES TO THE FINANCIAL STATEMENTS

4. 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 conducts mainly insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly 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, including strategic diversification activities. 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 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 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 results are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay (2014 only), 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 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).

4.1 For the year ended 31 December 2015

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	24 319	1 428	-	25 747
Gross written premium	24 319	-	-	24 319
Net written premium	18 884	-	-	18 884
Net earned premium	18 523	-	-	18 523
Net claims incurred	11 510	-	-	11 510
Net commission	2 004	-	-	2 004
Management expenses (excluding BEE cost)	3 230	-	-	3 230
Underwriting result	1 779	-	-	1 779
Investment return on insurance funds	499	-	-	499
Net insurance result	2 278	-	-	2 278
Investment income net of investment-related fees and finance costs	-	777	-	777
Income from associates including profit on sale	-	466	-	466
Profit on sale of subsidiary	-	15	-	15
Santam BEE transaction costs	-	-	(71)	(71)
Amortisation and impairment of intangible assets	(93)	-	-	(93)
Income before taxation	2 185	1 258	(71)	3 372

NOTES TO THE FINANCIAL STATEMENTS

Insurance activities

The group's insurance activities are spread over various classes of general insurance.

	Gross written premium R million	Underwriting result R million
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	13 142	1 231
Personal insurance	8 929	528
Alternative risk	2 248	20
Total	24 319	1 779

Investment activities

For detailed analysis of investment activities refer to notes 9 and 28.

4.2 For the year ended 31 December 2014

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	22 710	726	-	23 436
Gross written premium	22 710	-	-	22 710
Net written premium	17 635	-	-	17 635
Net earned premium	17 222	-	-	17 222
Net claims incurred	10 878	-	-	10 878
Net commission	1 864	-	-	1 864
Management expenses	2 986	-	-	2 986
Underwriting result	1 494	-	-	1 494
Investment return on insurance funds	425	-	-	425
Net insurance result	1 919	-	-	1 919
Investment income net of management fee and finance costs	-	543	-	543
Income from associates net of impairment and losses on sale	-	58	-	58
MiWay DBP and Santam BEE transaction costs	-	-	(82)	(82)
Amortisation and impairment of intangible assets	(111)	-	-	(111)
Income before taxation	1 808	601	(82)	2 327

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (continued)

Insurance activities

The group's insurance activities are spread over various classes of general insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	350	49
Alternative risk	1 953	15
Crop	1 044	251
Engineering	1 127	169
Guarantee	22	-
Liability	1 246	220
Miscellaneous	53	5
Motor	9 629	524
Property	6 552	221
Transportation	734	40
Total	22 710	1 494
Comprising:		
Commercial insurance	12 298	1 177
Personal insurance	8 459	302
Alternative risk	1 953	15
Total	22 710	1 494

Investment activities

For detailed analysis of investment activities refer to notes 9 and 28.

4.3 Geographical analysis

	Gross written premium		Non-current assets	
	2015 R million	2014 R million	2015 R million	2014 R million
South Africa	21 909	20 565	1 000	1 435
Rest of Africa ^{1,2}	1 973	1 837	441	331
Southeast Asia, India, Middle East and China ^{1,3}	437	308	733	599
Group total	24 319	22 710	2 174	2 365

¹ Includes gross written premium managed by specialist business and Santam Re.

² Includes gross written premium relating to Namibia of R1 056 million (2014: R1 055 million).

³ Includes gross written premium relating to China of R140 million (2014: R88 million).

NOTES TO THE FINANCIAL STATEMENTS

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
5. PROPERTY AND EQUIPMENT GROUP				
At 1 January 2014				
Cost or valuation	3	157	137	297
Accumulated depreciation	(1)	(104)	(97)	(202)
Net book amount	2	53	40	95
Year ended 31 December 2014				
Opening net book amount	2	53	40	95
Additions	-	26	43	69
Disposals	(1)	(1)	(5)	(7)
Depreciation charge	-	(28)	(12)	(40)
Closing net book amount	1	50	66	117
At 31 December 2014				
Cost or valuation	2	176	166	344
Accumulated depreciation	(1)	(126)	(100)	(227)
Net book amount	1	50	66	117
Year ended 31 December 2015				
Opening net book amount	1	50	66	117
Additions	-	31	8	39
Depreciation charge	-	(27)	(16)	(43)
Disposal of subsidiary	-	(12)	(11)	(23)
Closing net book amount	1	42	47	90
At 31 December 2015				
Cost or valuation	2	208	132	342
Accumulated depreciation	(1)	(166)	(85)	(252)
Net book amount	1	42	47	90
COMPANY				
At 1 January 2014				
Cost or valuation	1	63	50	114
Accumulated depreciation	-	(34)	(35)	(69)
Net book amount	1	29	15	45
Year ended 31 December 2014				
Opening net book amount	1	29	15	45
Additions	-	13	18	31
Disposals	-	(1)	(1)	(2)
Depreciation charge	-	(17)	(5)	(22)
Closing net book amount	1	24	27	52
At 31 December 2014				
Cost or valuation	1	72	61	134
Accumulated depreciation	-	(48)	(34)	(82)
Net book amount	1	24	27	52
Year ended 31 December 2015				
Opening net book amount	1	24	27	52
Additions	-	22	1	23
Depreciation charge	-	(17)	(6)	(23)
Closing net book amount	1	29	22	52
At 31 December 2015				
Cost or valuation	1	128	74	203
Accumulated depreciation	-	(99)	(52)	(151)
Net book amount	1	29	22	52

Depreciation expense has been included in "Expenses for marketing and administration" in the statement of comprehensive income (refer note 30).

NOTES TO THE FINANCIAL STATEMENTS

	Goodwill R million	Computer software R million	Brand, trademark and trade names R million	Key business relationships R million	Total R million
6. INTANGIBLE ASSETS					
GROUP					
At 1 January 2014					
Cost	921	218	40	252	1 431
Accumulated impairment/amortisation	(50)	(137)	(37)	(135)	(359)
Net book amount	871	81	3	117	1 072
Year ended 31 December 2014					
Opening net book amount	871	81	3	117	1 072
Acquisitions	34	93	1	16	144
Impairment	(72)	-	-	-	(72)
Amortisation	-	(18)	(3)	(37)	(58)
Closing net book amount	833	156	1	96	1 086
At 31 December 2014					
Cost	955	311	41	268	1 575
Accumulated impairment/amortisation	(122)	(155)	(40)	(172)	(489)
Net book amount	833	156	1	96	1 086
Year ended 31 December 2015					
Opening net book amount	833	156	1	96	1 086
Acquisitions	-	78	-	7	85
Disposals	-	-	-	(4)	(4)
Impairment	(47)	-	-	(5)	(52)
Amortisation	-	(24)	(1)	(40)	(65)
Disposal of subsidiary	(188)	-	-	(35)	(223)
Closing net book amount	598	210	-	19	827
At 31 December 2015					
Cost	688	389	31	136	1 244
Accumulated impairment/amortisation	(90)	(179)	(31)	(117)	(417)
Net book amount	598	210	-	19	827
COMPANY					
At 1 January 2014					
Cost	76	101	1	33	211
Accumulated amortisation	-	(43)	-	(18)	(61)
Net book amount	76	58	1	15	150
Year ended 31 December 2014					
Opening net book amount	76	58	1	15	150
Acquisitions	-	81	-	-	81
Amortisation	-	(2)	(1)	(5)	(8)
Closing net book amount	76	137	-	10	223
At 31 December 2014					
Cost	76	182	1	33	292
Accumulated amortisation	-	(45)	(1)	(23)	(69)
Net book amount	76	137	-	10	223
Year ended 31 December 2015					
Opening net book amount	76	137	-	10	223
Acquisitions	-	62	-	7	69
Amortisation	-	(10)	-	(7)	(17)
Closing net book amount	76	189	-	10	275
At 31 December 2015					
Cost	76	244	1	34	355
Accumulated amortisation	-	(55)	(1)	(24)	(80)
Net book amount	76	189	-	10	275

NOTES TO THE FINANCIAL STATEMENTS

Key business relationships

Key business relationships consist of client lists acquired R5 million (2014: R44 million) and key intermediary or other relationships R14 million (2014: R52 million) acquired as part of business combinations.

The valuation of key intermediary or other relationships is based on discounted cash flow models. Discount rates between 17% and 19% (2014: 17% and 19%) as well as cancellation rates of between 15% and 35% (2014: 15% and 35%) are used as significant input.

Impairment tests of goodwill

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

	Group	
	2015 R million	2014 R million
Crop	19	19
Alternative risk	17	17
Brokerage	-	252
Policy administration	46	27
Engineering	28	28
MiWay group	319	319
Liability	93	95
Accident and health	76	76
	<u>598</u>	<u>833</u>

All CGUs were tested for impairment. When testing for impairment, the recoverable amount of a CGU, based on the fair value less cost of disposal, is determined using discounted cash flow projections. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment tests are applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary.
- Current changes in operations are assessed to determine whether it will have an impact on the valuation.
- The discount rates applied in the cash flow projections are reassessed.

The nature of goodwill mainly relates to employee skill and industry knowledge. In 2015, the group's policy administration and brokerage businesses were reorganised resulting in the following: Original Co-Sourcing SA (Pty) Ltd (Orico), previously held by Indwe Broker Holdings (Pty) Ltd (Indwe), was sold to Brolink (Pty) Ltd. The goodwill relating to Orico (R64 million) was therefore transferred from brokerage to policy administration. The remaining goodwill included under brokerage of R188 million related to Indwe and was sold (refer note 38). The goodwill balance relating to the policy administration business was reviewed for impairment and it was concluded that R45 million of the balance needs to be impaired. Goodwill on dormant companies amounting to R2 million was also impaired.

In 2014, the total goodwill balance was evaluated using discounted cash flow projections resulting in the goodwill on Indwe Broker Holdings (Pty) Ltd (included as part of Brokerage) being impaired by R69 million. In the prior year goodwill on dormant companies amounting to R3 million was also impaired.

Discount rates between 15% and 19% (2014: 15% and 19%) were applied in the recoverable amount valuation. As discount rates are considered a significant input in the valuation of these entities, a sensitivity analysis was performed on the valuation outcome of the two most significant CGUs. If discount rates increase by 10% the valuations would decrease on average by 12% (2014: 14%). Should the discount rates decrease by 10% the valuations would increase on average by 15% (2014: 20%). These sensitivities and other relevant factors were considered in the overall impairment testing and it was concluded that no further impairment would be required.

Computer software

Additional software acquired by the group during the year consists of external software of R20 million (2014: R12 million) and internally developed software of R58 million (2014: R81 million). Additional software acquired by the company consisted of internally developed software. The internally developed software forms part of a strategic project to develop a new underwriting and product management system. Implementation of phase 1 of the project commenced in 2015. No amortisation was therefore raised on these costs for 2014. It is expected that the useful life of the technology will be 10 years from the implementation date for each phase.

NOTES TO THE FINANCIAL STATEMENTS

	Company	
	2015 R million	2014 R million
7. INVESTMENT IN SUBSIDIARIES		
At the beginning of the year	2 037	2 106
Acquisitions	38	-
Disposals	(63)	-
Impairment	(119)	(69)
Unlisted shares at cost price less impairment	1 893	2 037
Non-current assets	1 355	1 499
Current assets	538	538

To the extent that capital is remitted from offshore subsidiaries, the carrying value is adjusted to keep in line with net asset value.

On 15 December 2015, Santam Ltd acquired one share in Riscor Underwriting Managers (Pty) Ltd for R38 million.

On 31 December 2015, the Santam group sold 76% of its effective 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd. Santam Ltd held 26.34% of the total shareholding that was sold, directly. Refer to note 38 for further details. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture.

Management performed an impairment review on all investments in subsidiaries. The carrying values of dormant companies were adjusted to align with the current net asset values.

Details of investments are set out in note 46.

	Group	
	2015 R million	2014 R million
8. INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
At the beginning of the year	355	318
Capitalisation	28	16
Acquisitions	68	-
Share of results after tax	53	58
Share of results before tax	71	77
Share of tax	(18)	(19)
Dividends received from associated companies and joint ventures	(40)	(37)
Disposals	(212)	-
At the end of the year	252	355

Details of investments are set out in note 46.

On 26 February 2015 a further capital contribution of R28 million was made to Western Group Holdings Ltd.

On 31 May 2015, Swanvest 120 (Pty) Ltd, a wholly-owned subsidiary of Santam Ltd, sold its 37.5% shareholding in Censeo (Pty) Ltd.

On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd.

On 26 October 2015, Swanvest 120 (Pty) Ltd acquired an additional 15.6% of the shareholding in Vulindlela Underwriting Managers (Pty) Ltd for R2.3 million, increasing its shareholding from 31.4% to 47%.

On 31 December 2015, the Santam group sold 76% of its 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd. Refer to note 38 for further details. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was reclassified as a joint venture at the fair value of R66 million.

On 15 May 2014, Swanvest 120 (Pty) Ltd acquired the remaining 70% of the H & L Underwriting Managers (Pty) Ltd shareholding and the loans for R0.7 million and R5 million respectively. The carrying value of the associate was R0.3 million before the step up transaction.

NOTES TO THE FINANCIAL STATEMENTS

	Company	
	2015	2014
	R million	R million
At the beginning of the year	117	117
Disposals	(117)	–
At the end of the year	–	117
Dividend income received from associates	38	34
Total income from associates	38	34

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

	Indwe Broker Holdings Group (Pty) Ltd (joint venture) R million	Credit Guarantee Insurance Corporation of Africa Ltd* (associate) R million	Western Group Holdings Ltd** (associate) R million	Censeo (Pty) Ltd*** (associate) R million	Other (associates) R million	Total R million
2015						
Current assets	189	–	418	–	5	612
Non-current assets	131	–	432	–	17	580
Current liabilities	181	–	63	–	8	252
Non-current liabilities	2	–	482	–	3	487
Revenue	128	–	463	–	32	623
Depreciation and amortisation	10	–	–	–	1	11
Interest income	12	–	16	–	–	28
Interest expense	–	–	–	–	–	–
Income tax expense	5	–	(9)	–	–	(4)
Profit/(loss) from continuing operations	19	–	28	–	1	48
Total comprehensive income	19	–	28	–	1	48
2014						
Current assets	–	1 697	185	15	4	1 901
Non-current assets	–	250	476	4	17	747
Current liabilities	–	877	69	9	7	962
Non-current liabilities	–	345	401	–	3	749
Revenue	–	971	363	117	21	1 472
Depreciation and amortisation	–	5	–	2	1	8
Interest income	–	41	12	–	–	53
Interest expense	–	4	–	–	–	4
Income tax expense	–	36	(8)	2	–	30
Profit/(loss) from continuing operations	–	118	20	5	1	144
Total comprehensive income	–	126	20	5	1	152

* The associate applies the Short-term Insurance Act, 53 of 1998, in terms of regulatory requirements. The 2014 information was based on the last financial report that was publicly available (i.e. 31 December 2014).

** Western Group Holdings has a financial period ending 28 February. The information included in the summary is based on the unaudited management accounts for the six months ended 31 August 2015 (2014: six months ended 31 August 2014).

*** Censeo has a financial period ending 30 June. The information included in the summary consisted of the last reported information (i.e. 30 June 2014).

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Additional information regarding joint ventures is as follows:

	Indwe Broker Holdings Group (Pty) Ltd R million
2015	
Cash and cash equivalents	183
Current liabilities (excluding trade and other payables and provisions)	10
Non-current liabilities (excluding trade and other payables and provisions)	2

The group's share of future aggregate minimum lease payments under operating leases of joint ventures are as follows:

	Up to 1 year R million	Between 1 to 5 years R million	More than 5 years R million	Total R million
Offices	2	2	-	4
	2	2	-	4

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME (EXCLUDING DERIVATIVES)

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

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
Equity securities				
- quoted	1 711	3 076	1 591	2 957
- unquoted	1 019	820	1 019	820
	2 730	3 896	2 610	3 777
Debt securities				
- quoted				
government and other bonds	2 536	1 755	1 993	1 487
collateralised securities	190	152	190	124
money market instruments (long-term instruments)	1 799	1 451	1 313	1 097
redeemable preference shares	214	250	213	250
	4 739	3 608	3 709	2 958
- unquoted				
government and other bonds	132	24	119	20
money market instruments (long-term instruments)	4 459	4 127	2 675	2 534
redeemable preference shares	130	78	101	50
equity-linked notes	261	-	261	-
	4 982	4 229	3 156	2 604
Total debt securities	9 721	7 837	6 865	5 562
Short-term money market instruments	2 281	1 892	1 459	1 156
Financial assets at fair value through income	14 732	13 625	10 934	10 495

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The group considers collective investment schemes and other unit-linked investments to be structured entities. Collective investment schemes and other unit-linked investments are included in equity and debt securities. The following note provides information on significant unconsolidated structured entities in which the group holds an interest.

Unit-linked investments comprise local and foreign collective investment schemes as well as other unit-linked investments. Collective investment schemes are categorised into equity, property or interest-bearing instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event no one category meeting this threshold, it is classified as a mixed class. Money market collective investment schemes are categorised as such.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
Collective investment schemes				
Local and foreign	254	298	254	298
Property	40	48	40	48
Money market	214	250	214	250
Other unit-linked investments				
Local and foreign	16	27	-	-
Property	6	15	-	-
Mixed	10	12	-	-
Total investment in unconsolidated structured entities	270	325	254	298

Santam subscribes from time to time in separate classes of target shares issued by SEM in terms of a Participation Transaction, with each separate class linked to a participatory interest in the target companies listed below. The fair value of these instruments at year-end was R1 005 million (2014: R807 million). The shares were classified as unquoted equity securities.

	Incorporated in	Type of business	Santam Effective Holding 2015 %	Santam Effective Holding 2014 %
Pacific & Orient Insurance Co. Berhad (P&O)	Malaysia	P&O is a niche general insurer based in Kuala Lumpur, Malaysia.	15.4	15.4
Shriram General Insurance Company Ltd (SGIC)	India	SGIC is the general insurance business of the Shriram group, a financial conglomerate based in India.	7.0	7.0
BIHL Insurance Company Ltd (BIHL Sure)	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 general insurer providing a variety of insurance products.	20.5	20.4
NICO Holdings (NICO subsidiaries)	Malawi, Zambia	The NICO subsidiaries offer predominantly personal and commercial insurance products.	21.6	21.6
NICO Holdings (NICO subsidiaries)	Uganda	The NICO subsidiaries offer predominantly personal and commercial insurance products.	29.3	21.6
NICO Holdings (NICO subsidiaries)	Tanzania	The NICO subsidiaries offer predominantly personal and commercial insurance products.	18.1	14.4
Soras Assurance Generales Ltd	Rwanda	The group offers motor, medical, fire, goods in transit, weather index and other miscellaneous insurance products.	22.1	22.1
Socar SA Burundi	Burundi	Forms part of the Soras group and offers general insurance products.	7.3	7.3
FBN General Insurance (previously Oasis Insurance PLC)	Nigeria	FBN General Insurance offers a wide range of general insurance products.	12.3	8.7
Enterprise Insurance Company Ltd	Ghana	Enterprise Insurance Company Ltd offers general insurance products.	14.0	14.0
Gateway Insurance Company Ltd (Gateway)	Kenya	Gateway offers a wide range of general insurance products.	10.9	-

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
10. DERIVATIVES				
Financial assets – at fair value through income				
Exchange traded futures	2	-	2	-
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
Financial liabilities – at fair value through income				
Over the counter				
Interest rate swaps	1	-	1	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>

The interest rate derivatives represent the fair value of interest rate swaps effected on a portion R100 million (2014: R106 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable note (refer note 20). 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. At 31 December 2015 the group also had exchange traded futures with an exposure value of R585 million (2014: no exposure).

During the first half of 2013 Santam entered into three derivative fence structures between 28 March 2013 and 8 May 2013 covering equities to the value of R2 billion. All three tranches had downside protection of 10% with upside participation of 9.7%, 9.6% and 9.5% respectively. The implementation levels were 7593 (SWIX 40 index), 7515 and 7694 respectively. A negative fair value of R204 million was recorded as at 31 December 2013 and a further loss of R93 million was incurred during the twelve months to 31 December 2014. The final tranche expired in May 2014 and the hedge was not renewed.

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 and was not renewed.

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
11. REINSURANCE ASSETS				
Non-current	164	144	147	140
Current	3 514	3 372	3 116	3 113
Total assets arising from reinsurance contracts	<u>3 678</u>	<u>3 516</u>	<u>3 263</u>	<u>3 253</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
12. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES				
Receivables arising from insurance and reinsurance contracts:				
– due from contract holders/intermediaries	2 463	2 237	2 258	2 143
– due from reinsurers	269	203	193	174
– less provision for impairment of receivables from reinsurers	(60)	(41)	(59)	(41)
Other loans and receivables:				
– other receivables	878	569	568	344
– less provision for impairment	(101)	(99)	(88)	(90)
– loans to subsidiaries	–	–	551	678
– less provision for impairment of loans to subsidiaries	–	–	(38)	(38)
Total	3 449	2 869	3 385	3 170
Reconciliation of provisions for impairment of receivables from reinsurers and other receivables				
At the beginning of the year	140	149	169	177
Charge to the statement of comprehensive income:				
– Increase in provisions	21	–	16	–
– Provisions utilised	–	(9)	–	(8)
Total at the end of the year	161	140	185	169

Amounts due from reinsurers in 2014 included collateral held in terms of the alternative risk transfer quota share arrangement of R236 million, which exceeded the receivable balance as there was a right to set off. In 2015 it was replaced with a letter of credit facility covering US\$35 million (R542.1 million). Also refer to page 36 for further detail.

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

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

13. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3 349	2 561	2 519	1 457
	3 349	2 561	2 519	1 457

The carrying value of cash and cash equivalents approximates fair value.

Included in the group and company cash and cash equivalents balance is an amount of US\$100 million (R1 549 million) that was designated to fund the acquisition of Saham Finances.

14. 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.

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 2014 and 2015. During the last quarter of 2015, agreements have been signed to commence the realisation of the deferred conditional rights.

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.

NOTES TO THE FINANCIAL STATEMENTS

14. NON-CURRENT ASSETS HELD FOR SALE (continued)

	Group	
	2015 R million	2014 R million
Group assets that are classified as held for sale		
Financial assets – at fair value through income		
Equity securities	390	308
Loans and receivables including insurance receivables	151	120
	<u>541</u>	<u>428</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 (see note 3).

	Group and Company Ordinary shares		Group Treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
15. SHARE CAPITAL				
At 1 January 2014	119 346	107	4 969	520
Purchase of treasury shares	–	–	195	37
Reissue of treasury shares	–	–	(453)	(51)
At 31 December 2014	<u>119 346</u>	<u>107</u>	<u>4 711</u>	<u>506</u>
Reissue of treasury shares	–	–	(386)	(56)
Specific repurchase and cancellation of shares	(4 215)	(4)	–	–
Staff trust	–	–	684	–
At 31 December 2015	<u>115 131</u>	<u>103</u>	<u>5 009</u>	<u>450</u>

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007 a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. In total 385 987 (2014: 453 083) shares were reissued in terms of the deferred share plan (DSP). The net amount of these transactions has been deducted from shareholders' equity. In 2014 the subsidiary acquired 194 932 shares to utilise as part of the DSP. The shares are held as 'Treasury shares'.

Effective 30 June 2015, Santam repurchased and cancelled 4 215 000 Santam shares held by the Santam BBBEE scheme at a price of R190 per share for a total consideration of R801 million. Refer to note 44 for more detail.

Furthermore, since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd, resulting in an increase of 684 482 in the treasury shares (refer note 44 for further detail).

NOTES TO THE FINANCIAL STATEMENTS

16. NON-CONTROLLING INTEREST IN SUBSIDIARIES

The following table summarises the information relating to the group's subsidiaries that have material non-controlling interests (NCI), before any intra-group eliminations.

	Group	
	2015 R million	2014 R million
Santam Namibia Ltd	446	421
Mirabilis Engineering Underwriting Managers (Pty) Ltd	25	15
Other	(5)	(6)
Total	466	430

	Mirabilis Engineering Underwriting Managers (Pty) Ltd		Santam Namibia Ltd	
	2015 R million	2014 R million	2015 R million	2014 R million
Ownership and voting right	45.0%	45.0%	40.0%	40.0%
Target share interest			37.4%	37.4%
Current assets	57	33	719	576
Non-current assets	9	7	294	288
Current liabilities	11	6	664	527
Non-current liabilities	-	-	17	22
Net assets	55	34	332	315
Carrying amount of NCI	25	15	446	421
SEM target shares	-	-	314	295
Ordinary shareholders	25	15	132	126
Revenue	110	86	1 056	1 055
Profit after tax	47	36	122	100
Total comprehensive income	47	36	122	100
Profit allocated to NCI	21	16	95	78
Cash flows from operating activities	26	38	176	168
Cash flows from investing activities	-	-	(6)	(77)
Cash flows from financing activities, before dividends to NCI	(15)	(21)	(63)	(32)
Cash flows from financing activities – cash dividends to NCI	(12)	(17)	(42)	(21)
Net (decrease)/increase in cash and cash equivalents	(1)	-	65	38

Santam set up a wholly-owned subsidiary, Santam Namibia Holdings (Pty) Ltd (Namibian HoldCo), in December 2013. Namibian HoldCo purchased the 60% of the issued ordinary shares of Santam Namibia that was held by Santam Ltd. SEM subscribed for target shares to the value of R277 million in Santam Namibia HoldCo linked to a 37.4% participatory interest in Santam Namibia. The target shares issued to SEM are also disclosed as part of non-controlling interest. Santam Ltd's effective participation in Santam Namibia is therefore 22.6%. However, Santam Ltd retains control over Santam Namibia by way of a service level agreement and representation on board committees, the duration of which is under the control of Santam Ltd.

17. SHARE INCENTIVE SCHEMES

(i) Deferred share plan (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the group throughout the vesting period and maintains agreed individual performance hurdles. The vesting period is five years and staggered vesting occurs in year three to five as follows:

- a) Three years – 40%
- b) Four years – 30%
- c) Five years – 30%

The award granted under the DSP is not subject to the satisfaction of the group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 105% of total guaranteed package (TGP). To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE INCENTIVE SCHEMES (continued)

For the year ended 31 December 2015 allocations in respect of 361 886 shares (2014: 348 196) were made to 260 participants (2014: 269) under the DSP. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R71 million (2014: R67 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Santam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

2014	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 June 2010	31 May 2015	R92.99	84 018
	17 September 2010	31 May 2015	R98.46	28 594
	16 March 2012	31 May 2015	R148.10	31 455
	1 June 2011	31 May 2016	R113.94	186 874
	16 March 2012	31 May 2016	R142.91	23 858
	1 June 2012	31 May 2017	R151.80	327 157
	17 September 2012	31 May 2017	R164.69	15 174
	1 June 2013	31 May 2018	R166.57	337 054
	1 June 2014	31 May 2019	R193.60	345 849
				<u>1 380 033</u>
	Movements during the period		Average price	Number of shares
	As at 1 January 2014		R130.98	1 540 875
	Shares awarded		R193.60	348 196
	Awarded shares lapsed due to resignations		R143.61	(62 880)
	Accelerated vesting and issued		R116.11	(6 110)
	Shares issued		R100.54	<u>(440 048)</u>
	As at 31 December 2014		R155.97	<u>1 380 033</u>
2015	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	16 March 2012	31 May 2015	R148.10	628
	1 June 2011	31 May 2016	R113.94	77 791
	16 March 2012	31 May 2016	R142.91	23 858
	1 June 2012	31 May 2017	R151.80	189 836
	17 September 2012	31 May 2017	R164.69	9 104
	1 June 2013	31 May 2018	R166.57	329 677
	1 June 2014	31 May 2019	R193.60	339 777
	1 June 2015	31 May 2020	R196.54	358 324
				<u>1 328 995</u>
	Movements during the period		Average price	Number of shares
	As at 1 January 2015		R155.97	1 380 033
	Shares awarded in 2015		R196.54	358 324
	Shares awarded in lieu of specific contract changes		R196.54	3 562
	Awarded shares lapsed due to resignations		R167.98	(23 424)
	Accelerated vesting and issued		R119.16	(12 027)
	Shares issued		R125.05	<u>(377 473)</u>
	As at 31 December 2015		R175.92	<u>1 328 995</u>

(ii) The Emthunzini Black Economic Empowerment Staff Trust (the Staff Trust)

The Staff Trust is one of three components of a structured entity which hosted the Santam BBBEE scheme that unwound during 2015. Refer to note 44 for further information on the structured entity. Units were allocated to new black employees that joined the Santam group and to black employees that were promoted since the previous allocation. These units were allocated on a deferred delivery basis over a seven-year period. The fair value used in determining the allocation was based on the unit price on grant date, adjusted for expected employee attrition over the vesting period. The unit price reflected the net asset value of the units in the Staff Trust. The total unit allocation costs for the Staff Trust amounting to R14 million (2014: R17 million) has been included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2014	Date awarded	Latest irreversible date	Grant price	Number of units
The following units were awarded and the delivery thereof deferred to a predetermined future date.	1 December 2007	30 November 2014	R47.00	688 970
	1 September 2008	31 August 2015	R0.00	164 698
	1 September 2009	31 August 2016	R8.00	218 783
	1 September 2010	31 August 2017	R31.05	174 775
	1 September 2011	31 August 2018	R53.65	198 980
	1 September 2012	31 August 2019	R97.90	207 493
	1 January 2013	31 December 2019	R87.48	293 676
	1 September 2013	31 August 2020	R80.44	181 709
	1 December 2013	30 November 2020	R84.47	12 161
	1 September 2014	31 August 2021	R87.97	178 269
			<u>2 319 514</u>	

Movements during the period	Average price	Number of units
As at 1 January 2014	R53.72	2 252 992
Units awarded	R87.97	179 122
Awarded units lapsed due to resignations	R72.57	(112 285)
Accelerated vesting and issued	R80.44	(315)
As at 31 December 2014	R55.00	<u>2 319 514</u>

2015	Date awarded	Latest irreversible date	Grant price	Number of units
The following units were awarded and the delivery thereof deferred to a predetermined future date.	1 September 2008	31 August 2015	R0.00	17 419
	1 September 2009	31 August 2016	R8.00	57 068
	1 September 2010	31 August 2017	R31.05	69 248
	1 September 2011	31 August 2018	R53.65	106 487
	1 September 2012	31 August 2019	R97.90	197 901
	1 January 2013	31 December 2019	R87.48	275 191
	1 September 2013	31 August 2020	R80.44	167 224
	1 December 2013	30 November 2020	R84.47	12 161
	1 September 2014	31 August 2021	R87.97	171 182
	1 December 2014*	30 November 2021	R88.94	12 368
	1 July 2015	30 June 2022	R105.10	3 425
	1 September 2015	31 August 2022	R105.10	2 855
				<u>1 092 529</u>

* Awarded in 2014 but only formalised in 2015.

Movements during the period	Average price	Number of units
As at 1 January 2015	R55.00	2 319 514
Units awarded in 2015	R84.56	18 648
Units awarded in lieu of specific contract changes	R84.56	5 006
Awarded units lapsed due to resignations	R59.44	(119 484)
Accelerated vesting and issued	R55.31	(2 557)
Units issued	R34.78	(1 128 598)
As at 31 December 2015	R76.03	<u>1 092 529</u>

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE INCENTIVE SCHEMES (continued)

(iii) The Emthunzini Black Economic Empowerment Business Partners Trust (the Business Partners Trust)

The Business Partners Trust is one of three components of a structured entity which hosted the Santam BBBEE scheme. The scheme unwound during 2015 and all participating units were issued. Refer to note 44 for further information on the structured entity. Units were allocated to strategic business partners. Participants included black intermediaries, black non-executive directors, black strategic business partners and:

- Key black employees of select Santam subsidiaries and associates on a discretionary basis.
- Sanlam black senior employees, responsible for driving synergies between the two groups.
- Santam black non-executive directors.

Units vested as per the agreements with employees and business partners. The fair value used in determining the allocation was based on the unit price on grant date. The unit price reflected the net asset value of the units in the Business Partners Trust. The total unit allocation costs for the Business Partners Trust amounting to R57 million (2014: R64 million) has been included in the statement of comprehensive income.

2014	Date awarded	Latest irreversible date	Grant price	Number of units
The following units were awarded and the delivery thereof deferred to a predetermined future date.	1 September 2008	1 February 2015	(R2.00)	1 170 857
	27 August 2010	1 February 2015	R29.10	442 067
	15 September 2010	1 February 2015	R37.51	1 700 000
	1 September 2011	1 February 2015	R53.65	13 404
	13 March 2011	1 February 2015	R81.21	354 913
	31 October 2013	1 February 2015	R86.75	50 194
	1 December 2014	1 February 2015	R80.17	571 850
				<u>4 303 285</u>
	Movements during the period		Average price	Number of units
	As at 1 January 2014		R43.64	3 762 782
	Units awarded		R80.17	571 850
	Awarded units lapsed due to resignations		R82.30	(31 347)
	As at 31 December 2014		R35.79	<u>4 303 285</u>
2015	Movements during the period		Average price	Number of units
	As at 1 January 2015		R35.79	4 303 285
	Units awarded		R86.52	639 595
	Units issued		R42.36	(4 942 880)
	As at 31 December 2015		R0.00	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
18. RESERVES				
A) Other reserves				
Translation reserve – classified as held for sale	358	195	–	–
Contingency reserve	47	43	–	–
Capital contribution reserve	9	–	–	–
Hedging reserve	134	–	134	–
	<u>548</u>	<u>238</u>	<u>134</u>	<u>–</u>

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

The contingency reserve is still maintained for Santam Namibia in terms of NAMFISA regulations. A reversal of this provision will not be recognised in the statement of comprehensive income.

The capital contribution reserve reflects the reserves of the Emthunzini BBBEE staff trust that came under control of Santam Ltd as a result of the unwinding of the Central Plaza structure in 2015 (refer note 44).

The hedging reserve represents the cumulative foreign currency movements on the cash resources designated for the funding of the acquisition of 30% of the shareholding in Saham Finances. Refer to note 3 and 13 for more detail.

a) Movements in the translation reserve were as follows

At the beginning of the year	195	187
Currency translation differences	163	8
At the end of the year	<u>358</u>	<u>195</u>

b) Movements in the contingency reserve were as follows

At the beginning of the year	43	37
Transfer from retained earnings	4	6
At the end of the year	<u>47</u>	<u>43</u>

c) Movements in the capital contribution reserve were as follows

At the beginning of the year	–	–
Movement for the year	9	–
At the end of the year	<u>9</u>	<u>–</u>

d) Movements in the hedging reserve were as follows

At the beginning of the year	–	–	–	–
Movement for the year	134	–	134	–
At the end of the year	<u>134</u>	<u>–</u>	<u>134</u>	<u>–</u>

B) Distributable reserves

Retained earnings	7 386	6 801	7 220	6 664
Share-based payment reserve	494	370	110	51
	<u>7 880</u>	<u>7 171</u>	<u>7 330</u>	<u>6 715</u>

The obligation that flows from an agreement between the entity and another party to enter into a share-based payment transaction, which entitles the other party to receive benefits in terms of the agreement which is recognised as a share-based payment expense in the statement of comprehensive income. A release of this reserve will not be recognised in profit or loss.

a) Movements in the share-based payment reserve were as follows

At the beginning of the year	370	253	51	25
Transfer from retained earnings	124	123	118	151
Transfer to retained earnings	–	(6)	–	(6)
Loss on delivery of shares in terms of share scheme	–	–	(59)	(119)
At the end of the year	<u>494</u>	<u>370</u>	<u>110</u>	<u>51</u>

NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2014: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable.

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
The amounts are as follows:				
Deferred tax assets	(140)	(161)	-	-
Deferred tax liabilities	107	301	60	239
Total net deferred income tax account	(33)	140	60	239
<i>Deferred tax is made up as follows:</i>				
Unrealised appreciation of investments	223	400	222	388
Provisions and accruals	(194)	(171)	(116)	(106)
Tax losses carried forward	(63)	(98)	-	-
Other differences	1	9	(46)	(43)
	(33)	140	60	239
<i>Movement of deferred tax</i>				
Balance as at 1 January	140	127	239	242
Charge to the income statement	(183)	13	(190)	(5)
Unrealised (depreciation)/appreciation of investments	(177)	32	(166)	36
Provisions and accruals	(28)	(67)	(10)	(59)
Tax losses carried forward	35	34	-	-
Other differences	(13)	14	(14)	18
Business combinations	-	(8)	-	-
Disposal of subsidiary	5	-	-	-
Tax credited directly to equity	5	8	11	2
Balance as at 31 December	(33)	140	60	239

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group has unrecognised tax losses of R3.5 million (2014: Rnil).

20. DEBT SECURITIES

At the beginning of the year	999	997	999	997
Net fair value (gains)/losses on debt securities	(25)	2	(25)	2
	974	999	974	999
Accrued interest	24	24	24	24
	998	1 023	998	1 023
Estimated redemption value on maturity date	1 000	1 000	1 000	1 000

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

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

Santam's national credit rating remained unchanged during the year, irrespective of the negative impact that the sovereign downgrade had on Santam's international rating. The movement in the fair value of the unsecured subordinated callable notes therefore mainly represents the market movement.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
21. INVESTMENT CONTRACTS				
At the beginning of the year	105	126		
Investment contracts issued	32	48		
Investment contracts sold/matured	(67)	(69)		
Investment contracts (unit-linked)	70	105		
Non-current liabilities	-	105		
Current liabilities	70	-		

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

22. CELL OWNERS' INTEREST AND OTHER ASSETS AND LIABILITIES RELATING TO CELLS

22.1 Reconciliation of cell owner's interest

At the beginning of the year	915	799
Net increase in cell owners' interest	175	198
Preference shares issued by subsidiary	1	9
Redemption of preference shares	(13)	(3)
Dividends paid to preference shareholders	(104)	(88)
	974	915
Amounts owed by cell owners	6	9
	980	924

22.2 Reconciliation of deposit with cell owner

At the beginning of the year	-	-
New contracts entered into	254	-
	254	-

22.3 Reconciliation of reinsurance liability relating to cell owners

At the beginning of the year	-	-
New contracts entered into	254	-
	254	-

During 2015, Centriq Life Insurance Company Ltd (Centriq Life) entered into a financial reinsurance agreement whereby the profit in respect of a book of business reinsured, was paid upfront by the reinsurer to the cell owner. Centriq Life's reinsurance liability due to the reinsurer was recognised as a "Reinsurance liability relating to cell owners". The payment made to the cell owner is regarded by Centriq Life as the upfront payment of profits to the cell owner in terms of the cell shareholder agreement and is therefore recognised as a "Deposit with cell owner".

23. COLLATERAL GUARANTEE CONTRACTS

At the beginning of the year	88	82	88	82
New contracts entered into	29	-	29	-
Contracts ended	(18)	-	(18)	-
Interest	6	6	6	6
	105	88	105	88

Santam issues guarantees on behalf of its corporate clients covering various risks such as mining rehabilitation. The guarantees are issued on the back of full collateral guarantees in the form of moneys deposited with Santam. These assets are included in financial assets, debt securities, at fair value through income and cash, and amounted to R105 million (2014: R88 million) as at 31 December. As a result, the transaction is not recorded as an insurance transaction in terms of IFRS 4, but as a financial instrument in terms of IAS 39.

The carrying value of collateral guarantee contracts approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
24. INSURANCE LIABILITIES AND REINSURANCE ASSETS				
Gross				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	6	13	–	–
– claims incurred but not reported	30	25	–	–
General insurance contracts				
– claims reported and loss adjustment expenses	6 273	6 227	5 675	5 711
– claims incurred but not reported	1 567	1 515	1 351	1 296
– unearned premiums	4 788	4 262	3 021	2 763
Total insurance liabilities – gross	12 664	12 042	10 047	9 770
Non-current	1 525	1 528	1 493	1 514
Current	11 139	10 514	8 554	8 256
Recoverable from reinsurers				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	3	6	–	–
– claims incurred but not reported	7	5	–	–
General insurance contracts				
– claims reported and loss adjustment expenses	2 220	2 266	2 019	2 155
– claims incurred but not reported	272	237	200	167
– unearned premiums	1 176	1 002	1 044	931
Total reinsurers' share of insurance liabilities	3 678	3 516	3 263	3 253
Non-current	164	144	147	140
Current	3 514	3 372	3 116	3 113
Net				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	3	7	–	–
– claims incurred but not reported	23	20	–	–
General insurance contracts				
– claims reported and loss adjustment expenses	4 053	3 961	3 656	3 556
– claims incurred but not reported	1 295	1 278	1 151	1 129
– unearned premiums	3 612	3 260	1 977	1 832
Total insurance liabilities – net	8 986	8 526	6 784	6 517

24.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

Year ended 31 December	2015			2014		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
GROUP						
Notified claims	6 240	(2 272)	3 968	5 523	(1 316)	4 207
Incurring but not reported	1 540	(242)	1 298	1 449	(211)	1 238
Total at the beginning of the year	7 780	(2 514)	5 266	6 972	(1 527)	5 445
Cash paid for claims settled in the year	(14 019)	2 543	(11 476)	(13 556)	2 516	(11 040)
Increase in liabilities						
– arising from current year claims	13 980	(2 470)	11 510	14 315	(3 437)	10 878
– arising from foreign currency adjustments	135	(58)	77	49	(79)	(30)
Transfer to cell owners' interest	–	(3)	(3)	–	13	13
Total at the end of the year	7 876	(2 502)	5 374	7 780	(2 514)	5 266
Notified claims	6 279	(2 223)	4 056	6 240	(2 272)	3 968
Incurring but not reported	1 597	(279)	1 318	1 540	(242)	1 298
Total at the end of the year	7 876	(2 502)	5 374	7 780	(2 514)	5 266

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December	2015			2014		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
COMPANY						
Notified claims	5 711	(2 155)	3 556	5 038	(1 182)	3 856
Incurring but not reported	1 296	(167)	1 129	1 167	(133)	1 034
Total at the beginning of the year	7 007	(2 322)	4 685	6 205	(1 315)	4 890
Cash paid for claims settled in the year	(12 335)	1 936	(10 399)	(11 901)	1 880	(10 021)
Increase in liabilities						
– arising from current year claims	12 238	(1 796)	10 442	12 639	(2 792)	9 847
– arising from portfolio transfer	–	–	–	14	–	14
– arising from foreign currency adjustments	116	(37)	79	50	(95)	(45)
Total at the end of the year	7 026	(2 219)	4 807	7 007	(2 322)	4 685
Notified claims	5 675	(2 019)	3 656	5 711	(2 155)	3 556
Incurring but not reported	1 351	(200)	1 151	1 296	(167)	1 129
Total at the end of the year	7 026	(2 219)	4 807	7 007	(2 322)	4 685

b) Provision for unearned premiums

Year ended 31 December

GROUP

At the beginning of the year	4 262	(1 002)	3 260	3 719	(817)	2 902
Charged to the statement of comprehensive income	528	(167)	361	532	(119)	413
Foreign currency movement	(2)	6	4	11	(11)	–
Transfer to cell owners' interest	–	(13)	(13)	–	(55)	(55)
Total at the end of the year	4 788	(1 176)	3 612	4 262	(1 002)	3 260

COMPANY

At the beginning of the year	2 763	(931)	1 832	2 272	(670)	1 602
Charged to the statement of comprehensive income	250	(108)	142	476	(251)	225
Foreign currency movement	8	(5)	3	15	(10)	5
Total at the end of the year	3 021	(1 044)	1 977	2 763	(931)	1 832

24.2 Movements in deferred acquisition costs and deferred reinsurance acquisition revenue

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
<i>a) Deferred acquisition costs</i>				
At the beginning of the year	447	369	408	328
Movement for the period (included in "Expenses for the acquisition of insurance contracts")	78	78	76	80
Total at the end of the year	525	447	484	408
<i>b) Deferred reinsurance acquisition revenue</i>				
At the beginning of the year	232	171	215	155
Movement for the period (included in "Income from reinsurance contracts ceded")	48	61	35	60
Total at the end of the year	280	232	250	215

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

24.3 Claims development tables

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

PAYMENT DEVELOPMENT

GROUP	Claims paid in respect of									
	Total	2015	2014	2013	2012	2011	2010	2009	2008	2007 and prior
- General insurance claims – gross	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
Reporting year										
Actual claims costs:										
- 2015	14 019	9 786	3 388	354	247	112	86	14	32	-
- 2014	13 556	-	9 031	3 578	493	173	188	64	14	15
- 2013	13 148	-	-	9 152	3 411	250	154	106	47	28
- 2012	11 340	-	-	-	8 176	2 366	370	171	158	99
- 2011	10 327	-	-	-	-	7 767	2 141	247	52	120
- 2010	9 999	-	-	-	-	-	7 144	2 236	411	208
- 2009	10 016	-	-	-	-	-	-	7 702	1 959	355
- 2008	8 996	-	-	-	-	-	-	-	7 181	1 815
- 2007	7 971	-	-	-	-	-	-	-	-	7 971
- 2006	6 988	-	-	-	-	-	-	-	-	6 988
Cumulative payments to date		9 786	12 419	13 084	12 327	10 668	10 083	10 540	9 854	17 599
- General insurance claims – net										
Reporting year										
Actual claims costs:										
- 2015	11 476	8 734	2 239	171	172	75	71	7	7	-
- 2014	11 040	-	7 927	2 489	323	131	108	50	7	5
- 2013	11 335	-	-	8 423	2 493	168	127	79	35	10
- 2012	9 904	-	-	-	7 616	1 743	250	116	137	42
- 2011	8 989	-	-	-	-	7 082	1 673	148	39	47
- 2010	8 710	-	-	-	-	-	6 401	1 816	323	170
- 2009	8 805	-	-	-	-	-	-	6 928	1 651	226
- 2008	7 727	-	-	-	-	-	-	-	6 172	1 555
- 2007	6 672	-	-	-	-	-	-	-	-	6 672
- 2006	6 020	-	-	-	-	-	-	-	-	6 020
Cumulative payments to date		8 734	10 166	11 083	10 604	9 199	8 630	9 144	8 371	14 747
COMPANY										
- General insurance claims – gross										
Reporting year										
Actual claims costs:										
- 2015	12 335	9 009	2 708	262	191	89	70	6	-	-
- 2014	11 901	-	8 539	2 645	357	137	166	51	6	-
- 2013	11 525	-	-	8 539	2 576	184	107	84	29	6
- 2012	9 755	-	-	-	7 505	1 744	226	114	129	37
- 2011	8 917	-	-	-	-	7 106	1 575	160	33	43
- 2010	8 996	-	-	-	-	-	6 333	2 065	395	203
- 2009	8 833	-	-	-	-	-	-	6 777	1 779	277
- 2008	7 673	-	-	-	-	-	-	-	5 905	1 768
- 2007	6 740	-	-	-	-	-	-	-	-	6 740
- 2006	6 110	-	-	-	-	-	-	-	-	6 110
Cumulative payments to date		9 009	11 247	11 446	10 629	9 260	8 477	9 257	8 276	15 184

NOTES TO THE FINANCIAL STATEMENTS

COMPANY	Claims paid in respect of									
	Total	2015	2014	2013	2012	2011	2010	2009	2008	2007 and prior
- General insurance claims – net	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
Reporting year										
Actual claims costs:										
- 2015	10 399	8 053	1 894	152	159	70	66	5	-	-
- 2014	10 021	-	7 354	2 118	284	122	91	47	5	-
- 2013	10 446	-	-	7 740	2 335	167	97	77	26	4
- 2012	9 157	-	-	-	7 173	1 563	157	103	124	37
- 2011	8 308	-	-	-	-	6 681	1 424	138	27	38
- 2010	8 199	-	-	-	-	-	6 010	1 719	308	162
- 2009	8 188	-	-	-	-	-	-	6 434	1 552	202
- 2008	7 124	-	-	-	-	-	-	-	5 609	1 515
- 2007	6 142	-	-	-	-	-	-	-	-	6 142
- 2006	5 614	-	-	-	-	-	-	-	-	5 614
Cumulative payments to date		8 053	9 248	10 010	9 951	8 603	7 845	8 523	7 651	13 714

24.4 Reporting development

GROUP	Financial year in which claim occurred									
	Total	2015	2014	2013	2012	2011	2010	2009	2008	2007 and prior
- General insurance claims provision – gross	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
Reporting year										
Provision raised:										
- 2015	6 279	3 100	1 577	758	208	193	223	109	111	-
- 2014	6 240	-	4 069	844	410	206	257	212	106	136
- 2013	5 523	-	-	3 267	788	376	462	195	175	260
- 2012	4 948	-	-	-	3 133	599	434	304	213	265
- 2011	4 192	-	-	-	-	2 448	652	333	303	456
- 2010	3 777	-	-	-	-	-	2 325	556	312	584
- 2009	4 288	-	-	-	-	-	-	2 617	712	959
- 2008	4 075	-	-	-	-	-	-	-	2 579	1 496
- 2007	3 774	-	-	-	-	-	-	-	-	3 774
- 2006	3 922	-	-	-	-	-	-	-	-	3 922
- General insurance claims provision – net										
Reporting year										
Provision raised:										
- 2015	4 056	2 291	581	348	197	257	193	103	86	-
- 2014	3 968	-	2 337	448	325	239	221	191	87	120
- 2013	4 207	-	-	2 459	568	331	298	172	146	233
- 2012	3 971	-	-	-	2 550	466	326	241	162	226
- 2011	3 273	-	-	-	-	1 919	509	260	220	365
- 2010	2 896	-	-	-	-	-	1 813	402	228	453
- 2009	2 952	-	-	-	-	-	-	1 861	435	656
- 2008	2 699	-	-	-	-	-	-	-	1 805	894
- 2007	2 444	-	-	-	-	-	-	-	-	2 444
- 2006	2 484	-	-	-	-	-	-	-	-	2 484

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

24.4 Reporting development (continued)

COMPANY	Financial year in which claim occurred									
	Total	2015	2014	2013	2012	2011	2010	2009	2008	2007
insurance claims provision – gross	R million	R million	R million	R million	R million	R million	R million	R million	R million	and prior R million
Reporting year										
Provision raised:										
– 2015	5 675	2 782	1 442	705	191	217	170	110	58	–
– 2014	5 711	–	3 768	741	375	231	203	206	114	73
– 2013	5 038	–	–	3 101	676	389	326	185	172	189
– 2012	4 523	–	–	–	2 915	586	370	265	202	185
– 2011	3 711	–	–	–	–	2 256	508	296	277	374
– 2010	3 360	–	–	–	–	–	2 023	487	291	559
– 2009	3 842	–	–	–	–	–	–	2 312	663	867
– 2008	3 492	–	–	–	–	–	–	–	2 030	1 462
– 2007	3 371	–	–	–	–	–	–	–	–	3 371
– 2006	2 961	–	–	–	–	–	–	–	–	2 961
– General insurance claims provision – net										
Reporting year										
Provision raised:										
– 2015	3 656	2 104	487	317	174	280	153	93	48	–
– 2014	3 556	–	2 122	374	289	256	177	178	99	61
– 2013	3 865	–	–	2 279	502	354	245	159	155	171
– 2012	3 697	–	–	–	2 391	468	278	226	171	162
– 2011	2 953	–	–	–	–	1 795	404	236	220	298
– 2010	2 611	–	–	–	–	–	1 607	356	214	434
– 2009	2 681	–	–	–	–	–	–	1 666	404	611
– 2008	2 446	–	–	–	–	–	–	–	1 569	877
– 2007	2 261	–	–	–	–	–	–	–	–	2 261
– 2006	1 766	–	–	–	–	–	–	–	–	1 766

24.5 Liability adequacy test

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

	Group		Company	
	2015	2014	2015	2014
	R million	R million	R million	R million
25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES				
At the beginning of the year	91	84	23	15
Charged to statement of comprehensive income:				
– additional provisions	59	41	20	8
Used during the year	(27)	(34)	–	–
Disposal of subsidiary	(1)	–	–	–
Year ended 31 December	122	91	43	23

The balance consists of the cash-settled share-based payment liability in Santam Ltd and the provision for the MiWay deferred bonus plans. Participants to the MiWay deferred bonus schemes (A and B) can redeem their units at any time from their respective vesting dates. In addition, there is a compulsory redemption of Scheme A units upon the completion of the seventh year from the date of issue, and upon the completion of the fifth year of issue for Scheme B units. All units in terms of Scheme A were redeemed during the year.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
26. TRADE AND OTHER PAYABLES INCLUDING INSURANCE PAYABLES				
Amounts due to subsidiaries	-	-	928	766
Trade payables and accrued expenses	1 335	1 290	683	753
Amounts due to intermediaries	435	329	408	296
Amounts due to reinsurers	1 411	933	1 346	913
Amounts due to policyholders	121	56	8	23
Employee benefits	110	109	79	72
Total	3 412	2 717	3 452	2 823

The carrying value of trade and other payables approximates fair value.

27. INVESTMENT INCOME				
Dividend income	119	127	306	554
Quoted	91	101	84	95
Unquoted	28	26	222	459
Interest income	729	609	617	514
Quoted	286	250	200	160
Unquoted	443	359	417	354
Foreign exchange differences	362	71	211	22
	1 210	807	1 134	1 090

28. NET GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH INCOME				
Net realised gains on financial assets	1 010	481	998	472
Net fair value losses on financial assets at fair value through income	(850)	(79)	(813)	(63)
Net fair value losses on financial assets held for sale	-	(3)	-	-
Net realised/fair value gains/(losses) on derivatives	43	(93)	43	(93)
Net fair value gains/(losses) on short-term money market instruments	7	(18)	7	(17)
Net fair value gains/(losses) on financial liabilities designated as at fair value through income	25	(2)	25	(2)
Net fair value gains/(losses) on debt securities	25	(2)	25	(2)
	235	286	260	297

NOTES TO THE FINANCIAL STATEMENTS

	Gross R million	Reinsurance R million	Net R million
29. INSURANCE BENEFITS AND CLAIMS			
2015			
GROUP			
Claims paid	14 019	(2 543)	11 476
Movement in the expected cost of outstanding claims	(39)	73	34
Total claims and loss adjustment expenses	13 980	(2 470)	11 510
COMPANY			
Claims paid	12 335	(1 936)	10 399
Movement in the expected cost of outstanding claims	(97)	140	43
Total claims and loss adjustment expenses	12 238	(1 796)	10 442
2014			
GROUP			
Claims paid	13 556	(2 516)	11 040
Movement in the expected cost of outstanding claims	759	(921)	(162)
Total claims and loss adjustment expenses	14 315	(3 437)	10 878
COMPANY			
Claims paid	11 901	(1 880)	10 021
Movement in the expected cost of outstanding claims	738	(912)	(174)
Total claims and loss adjustment expenses	12 639	(2 792)	9 847

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
30. EXPENSES BY NATURE				
Auditor's remuneration	23	22	13	13
Audit fees				
– Current year	16	15	8	8
– Prior year	2	2	–	–
– Audit-related services	1	1	1	1
– Non-audit services	4	4	4	4
Depreciation	43	40	23	22
Amortisation of intangible assets	65	58	17	8
Impairment of intangible assets	52	72	–	–
Employee benefit expense	2 553	2 450	1 658	1 580
Operating lease rentals	389	339	312	271
– Offices	170	156	102	95
– Computer equipment	194	160	194	160
– Furniture and mechanical equipment	8	6	–	–
– Motor vehicles	17	17	16	16
Research and development costs	91	81	91	81
Commission expenses	3 240	2 983	3 582	3 327
Investment-related activities	53	31	44	24
Other expenses*	178	118	432	429
Total expenses	6 687	6 194	6 172	5 755

* Includes allocation of claims handling costs to claims costs.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
31. EMPLOYEE BENEFIT EXPENSE				
Wages, salaries and bonus	2 110	2 047	1 308	1 270
Social security costs	117	102	113	93
Long-term incentive scheme costs	133	124	61	59
Pension costs – defined-contribution plans	122	96	105	77
BBBEE cost	71	81	71	81
	2 553	2 450	1 658	1 580

For directors' emoluments included above refer to note 42.

32. FINANCE COSTS				
Interest expense				
– interest on collateral guarantee	6	5	6	5
– banks and other	26	4	23	2
– subordinated callable note	83	83	83	83
– revenue authorities	1	1	-	-
	116	93	112	90

33. INCOME TAX EXPENSE				
South African normal taxation				
Current year	1 077	684	886	520
– Charge for the year	1 072	684	882	520
– Other taxes	5	-	4	-
Prior year	24	-	18	-
Recovered from cell owners	(67)	(77)	-	-
Foreign taxation – current year	57	43	-	-
Income taxation for the year	1 091	650	904	520
Deferred taxation	(183)	13	(190)	(5)
Current year	(170)	13	(177)	(5)
Prior year	(13)	-	(13)	-
Recovered from cell owners	-	(3)	-	-
Deferred taxation for the year	(183)	10	(190)	(5)
Total taxation as per the statement of comprehensive income	908	660	714	515

	Group		Company	
	2015	2014	2015	2014
Reconciliation of taxation rate (%)				
Normal South African taxation rate	28.0	28.0	28.0	28.0
Adjusted for				
– Disallowable expenses	0.7	1.9	0.7	1.0
– Foreign tax differential	0.2	0.3	-	-
– Exempt income	(1.2)	(1.6)	(3.0)	(6.8)
– Investment results	(0.9)	(0.6)	(1.0)	(0.5)
– Income from associates	(1.0)	(0.7)	(1.7)	(0.4)
– Previous years' underprovision	0.3	-	0.2	-
– Other permanent differences	0.7	1.0	0.4	0.9
– Other taxes	0.1	0.1	0.1	-
Net (reduction)/increase	(1.1)	0.4	(4.3)	(5.8)
Effective rate (%)	26.9	28.4	23.7	22.2

NOTES TO THE FINANCIAL STATEMENTS

34. EARNINGS PER SHARE

34.1 Basic earnings per share

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

	Group	
	2015	2014
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Weighted average number of ordinary shares in issue (millions)	112.34	114.26
Earnings per share (cents)	2 090	1 382

34.2 Diluted earnings per share

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

Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Weighted average number of ordinary shares in issue (millions)	112.34	114.26
Adjusted for share options	1.38	0.83
Weighted average number of ordinary shares for diluted earnings per share	113.72	115.09
Diluted basic earnings per share (cents)	2 065	1 372

34.3 Headline earnings per share

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

Headline earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Impairment of goodwill and other intangible assets	52	72
Profit on sale of subsidiary	(15)	-
Tax charge on profit on sale of subsidiary	5	-
Profit on sale of associates	(413)	-
Tax charge on profit on sale of associates	95	-
Headline earnings (R million)	2 072	1 651
Weighted average number of ordinary shares in issue (millions)	112.34	114.26
Headline earnings per share (cents)	1 844	1 446

34.4 Diluted headline earnings per share

Headline earnings (R million)	2 072	1 651
Weighted average number of ordinary shares for diluted earnings per share (millions)	113.72	115.09
Diluted headline earnings per share (cents)	1 822	1 435

35. DIVIDENDS PER SHARE

Ordinary dividend per share

Interim of 288 cents per share (2014: 262 cps)	332	313
Proposed final of 528 cents per share (2014: 480 cps)	608	573
	940	886

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
36. CASH GENERATED FROM OPERATIONS				
Profit before tax	3 372	2 327	3 008	2 327
Adjustments for:				
Non-cash items	(183)	251	(214)	238
– Profit on sale of associates	(413)	–	(485)	–
– Share-based payment costs	138	139	121	139
– Amortisation of intangible assets	65	58	17	8
– Profit on sale of subsidiary	(15)	–	(9)	–
– Impairment of goodwill and other intangible assets	52	72	–	–
– Depreciation	43	40	23	22
– Income from associated companies	(53)	(58)	–	–
– Impairment of subsidiary	–	–	119	69
Investment income, realised and fair value gains	(1 445)	(1 093)	(1 394)	(1 387)
Finance costs	116	93	112	90
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)	934	102	590	(312)
Reinsurance assets	(119)	(1 083)	33	(1 161)
Deferred acquisition costs	(78)	(78)	(76)	(80)
Loans and receivables including insurance receivables	(173)	(187)	(27)	(145)
Insurance liabilities	539	1 292	154	1 227
Deferred reinsurance acquisition revenue	48	61	35	59
Provisions for other liabilities and charges	28	(4)	16	8
Trade and other payables including insurance payables	689	101	455	(220)
Investment income received in cash	862	762	897	775
Dividends received	159	164	297	274
Interest received	729	609	617	514
Foreign exchange differences	–	15	–	12
Movement in provision for investment income	(26)	(26)	(17)	(25)
Cash generated from operations	3 656	2 443	2 999	1 731
37. INCOME TAX PAID				
Amounts charged to profit or loss	(908)	(660)	(714)	(515)
Income tax credited directly to equity	(6)	4	(33)	21
Movement in deferred taxation	(171)	9	(179)	(5)
Movement in taxation liability	83	227	75	219
	(1 002)	(420)	(851)	(280)

NOTES TO THE FINANCIAL STATEMENTS

38. CORPORATE TRANSACTIONS

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	-

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. The net profit realised was R392 million and capital gains tax of R91 million was recognised.

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.

Additions

Riscor Underwriting Managers (Pty) Ltd

On 15 December 2015, Santam Ltd acquired one share in Riscor Underwriting Managers (Pty) Ltd, in which the group has an effective 100% shareholding before and after the transaction, for R38 million.

2014

Additions

Brolink (Pty) Ltd and H & L Underwriting Managers (Pty) Ltd

On 15 May 2014, Swanvest 120 (Pty) Ltd acquired the remaining 70% of the H & L Underwriting Managers (Pty) Ltd shareholding and on 1 July 2014, Swanvest 120 (Pty) Ltd acquired 100% of Brolink (Pty) Ltd (Brolink). The purchase price for these transactions amounted to R28 million. The goodwill of R25 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R15 million, brandname of R1 million and an additional deferred tax liability of R4 million were also recognised on acquisition.

	R million
Details of the assets and liabilities acquired at fair value are as follows:	
Intangible assets	16
Loans and receivables	8
Cash and cash equivalents	3
Deferred taxation	(4)
Trade and other payables	(10)
Net asset value acquired	13
Goodwill	25
Less: Deferred purchase consideration*	(10)
Purchase consideration paid	28

* Amount is variable and will be impacted by returns achieved until February 2016 and August 2017.

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2015 R million	2014 R million	2015 R million	2014 R million
39. DIVIDENDS PAID				
Amounts paid for the year to company's shareholders	869	795	904	829
Amounts paid for the year to non-controlling interests	82	58	-	-
	951	853	904	829

40. CONTINGENCIES AND UNCERTAINTIES

Contracts with third parties

The group enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Litigation, disputes and investigations

The group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The outcome of these can be uncertain, but based on current information, the directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the group's financial position.

41. COMMITMENTS

Operating lease commitments – where group company is the lessee

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

The group also leases vehicles under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 30.

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

	Up to 1 year R million	Between 1 to 5 years R million	More than 5 years R million	Total R million
2015				
Motor vehicles	15	20	-	35
Office equipment	1	1	-	2
Offices	100	273	162	535
	116	294	162	572
2014				
Motor vehicles	13	17	-	30
Office equipment	1	2	-	3
Offices	122	370	162	654
	136	389	162	687
2015				
Computer equipment	115	114	-	229
2014				
Computer equipment	215	228	-	443

NOTES TO THE FINANCIAL STATEMENTS

42. RELATED-PARTY TRANSACTIONS

Major shareholders

Sanlam Ltd (incorporated in South Africa) is the ultimate holding company with a 61.2% (2014: 59.21%) shareholding in Santam Ltd. The balance of the shareholders (38.8% (2014: 40.79%)) do not have significant influence and thus no other shareholder is treated as a related party. The shares are widely held by public, non-public, individual and corporate shareholders (refer to Analysis of shareholders on page 99 for detail).

Transactions with the Sanlam group

The company transacts with the Sanlam group on various levels, predominantly insurance-related cover, provided to Sanlam group companies. Sanlam Investment Management acts as the largest investment fund manager for the group with its fees negotiated on a regular basis. Santam also subscribed to target shares in Santam Emerging Markets (SEM) as described in note 9.

Transactions with entities in the group

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

The company has several intercompany balances owed by and to subsidiaries in the group as at the end of the year. Loans to subsidiaries with outside shareholders are interest-bearing and are repayable on demand. Loans to wholly-owned subsidiaries are interest free and repayable on demand. These inter-Santam group balances have been eliminated on consolidation (for detail on balances, refer note 46).

In the prior year the company had guaranteed liabilities of MiWay Group Holdings (Pty) Ltd with Absa Bank Ltd for an amount of R19 million. This guarantee was not renewed in the current year.

In 2013 Santam entered into a contingent capital facility with Centriq Insurance Company Ltd of R50 million. A facility fee of 0.5% of the contingent capital facility is charged. The capital facility ensures appropriate capital levels for the future implementation of the Financial Services Board's new solvency regime, Solvency Assessment and Management (SAM). The contingent capital facility remained in place for 2015.

Transactions with key management

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2015 R million	2014 R million
a) Insurance contracts and other services		
– Sanlam Ltd and related parties (for insurance premiums)	9	13
– MiWay Group Holdings Ltd (for insurance premiums)	1 589	1 335
– Centriq Insurance Holdings Ltd (for insurance premiums)	59	171
– Santam Namibia Ltd (for insurance premiums)	77	83
– other subsidiaries (for administration services)	19	17
– associates (for administration services)	(33)	(83)
– associates (for outward reinsurance contracts)	(170)	(157)
– associates (for outward reinsurance claims covered)	96	94
– associates (for outward reinsurance commissions covered)	19	17
– associates (for inward reinsurance contracts)	127	61
– associates (for inward reinsurance claims covered)	(96)	(37)
– associates (for inward reinsurance commissions covered)	(34)	(14)
– subsidiaries (for administration services)	(500)	(382)
– subsidiaries (for brokerage commission)	(671)	(647)
– Sanlam Ltd and related parties (for investment management services)	(36)	(31)
– Sanlam Ltd and related parties (for IT infrastructure costs)	(223)	(208)
– MiWay Group Holdings Ltd (for insurance claims paid)	(943)	(817)
– Centriq Insurance Holdings Ltd (for insurance claims paid)	(43)	(54)
– Santam Namibia Ltd (for insurance claims paid)	(37)	(24)
– Sanlam Ltd and related parties (for administration services)	(9)	(8)
– Sanlam Ltd (for insurance services)	(5)	(4)
– Santam Namibia Ltd (for reinsurance services)	(66)	(72)
– Santam Namibia Ltd (for reinsurance claims)	56	43
– Santam Namibia Ltd (for reinsurance commission)	20	24
b) Investment income and net realised/unrealised (gains)/losses received from:		
– Sanlam Ltd and related parties	(212)	(144)
c) Key management compensation paid		
Salaries and other short-term employee benefits paid	48	28
Share-based payments and long-term deferred bonus schemes	35	18
d) Dividends paid		
– to Sanlam group	(521)	(472)
e) Year-end balances with related parties		
Sanlam group: Santam Emerging Markets		
– target shares acquired (refer note 9)	1 005	807
– target shares issued (refer note 16)	(314)	(295)
Sanlam Alternative Income Fund		
– investment	214	250
Sanlam Property Fund		
– investment	46	64
Sanlam Capital Markets		
– Sanlam Investec note	50	51
– money market instruments	217	189
– bond	26	–
Sanlam Life Insurance Ltd		
– trade payable	(9)	(10)
– shares	16	1
– receivable relating to disposal of Indwe Broker Holdings Group (Pty) Ltd	68	–
Staff trust	123	–
Western National Insurance	(2)	(6)

NOTES TO THE FINANCIAL STATEMENTS

42. RELATED-PARTY TRANSACTIONS (continued)

Transaction with directors and prescribed officers

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

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

Directors' and prescribed officers' emoluments

The group human resources committee considers the remuneration of all executive directors as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval. This note reflects the total of executive and non-executive directors' earnings, other benefits and costs incurred by the company, in accordance with the requirements of the Companies Act and listing requirements introduced by the JSE Ltd.

	Salary R000	Performance bonus* R000	Other benefits and costs** R000	Total R000
Executive directors and prescribed officers				
2015				
<i>Paid by the company</i>				
L Lambrechts	3 905	6 000	821	10 726
HD Nel	2 321	3 050	551	5 922
Y Ramiah***	898	900	8	1 806
	7 124	9 950	1 380	18 454
2014				
<i>Paid by the company</i>				
IM Kirk	3 519	7 000	793	11 312
HD Nel	2 174	2 750	457	5 381
Y Ramiah***	860	750	54	1 664
	6 553	10 500	1 304	18 357

* Bonus in respect of 2015 paid in 2016 (2014 paid in 2015).

** Includes retirement funding benefits. During 2015 R525 297 was paid in respect of L Lambrechts and R444 335 (2014: R421 000) was paid in respect of HD Nel. During 2014 R670 300 was also paid in respect of IM Kirk.

*** Total TGP recharged by Santam Ltd for services provided to Santam Ltd.

	Directors' fees	
	2015 R000	2014 R000
Non-executive directors		
<i>Paid by the company</i>		
CB Booth	193	-
B Campbell	592	465
MD Dunn	612	539
MP Fandeso	354	408
BTPKM Gamedze*	513	447
GG Gelink	843	795
IM Kirk*	356	-
MLD Marole	472	409
JP Möller*	494	465
T Nyoka (née Fubu)	452	-
MJ Reyneke**	1 293	1 608
J van Zyl*	279	372
	6 453	5 508
Total directors' remuneration	24 907	23 865

* Fees were paid to the holding company, Santam Ltd.

** Fees include amounts paid by subsidiaries of the group.

NOTES TO THE FINANCIAL STATEMENTS

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

The deferred share plan (DSP) has been implemented during 2007, in terms of which shares are granted to employees on a deferred delivery basis over a five-year period (refer to note 17).

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

	As at 31 December 2014	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2015
2015						
Santam shares						
IM Kirk*	2 509	–	(2 509)	R213.00	01/06/10	–
	6 271	–	(3 157)	R213.00	01/06/11	3 114
	6 551	–	(2 621)	R213.00	01/06/12	3 930
	19 092	–	–		01/06/13	19 092
	11 263	–	–		01/06/14	11 263
	45 686	–	(8 287)			37 399
L Lambrechts	–	29 169	–		01/06/15	29 169
	–	29 169	–			29 169
HD Nel	15 174	–	(6 070)	R213.00	17/09/12	9 104
	625	–	–		01/06/13	625
	941	–	–		01/06/14	941
	–	6 007	–		01/06/15	6 007
	16 740	6 007	(6 070)			16 677
Y Ramiah	6 797	–	(6 797)	R213.00	01/06/10	–
	1 040	–	(520)	R213.00	01/06/11	520
	659	–	(261)	R213.00	01/06/12	398
	8 496	–	(7 578)			918
TOTAL	70 922	35 176	(21 935)			84 163

* Shares were received in position of chief executive officer prior to 1 January 2015 and will vest in due course. No new shares will be awarded.

	As at 31 December 2013	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2014
2014						
Santam shares						
IM Kirk	16 441	–	(16 441)	R217.91	01/06/09	–
	5 018	–	(2 509)	R217.91	01/06/10	2 509
	10 481	–	(4 210)	R217.91	01/06/11	6 271
	6 551	–	–		01/06/12	6 551
	19 092	–	–		01/06/13	19 092
	–	11 263	–		01/06/14	11 263
	57 583	11 263	(23 160)			45 686
HD Nel	15 174	–	–		17/09/12	15 174
	625	–	–		01/06/13	625
	–	941	–		01/06/14	941
	15 799	941	–			16 740
Y Ramiah	13 594	–	(6 797)	R217.91	01/06/10	6 797
	1 733	–	(693)	R217.91	01/06/11	1 040
	659	–	–		01/06/12	659
	15 986	–	(7 490)			8 496
TOTAL	89 368	12 204	(30 650)			70 922

NOTES TO THE FINANCIAL STATEMENTS

42. RELATED-PARTY TRANSACTIONS (continued)

	As at 31 December 2014	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2015
2015						
Sanlam shares						
IM Kirk*	4 313	-	(4 313)	R68.19	01/06/10	-
	11 722	-	(5 861)	R68.19	01/06/11	5 861
	14 221	-	(5 686)	R68.19	01/06/12	8 535
	32 099	-	-		01/06/13	32 099
	16 991	-	-		01/06/14	16 991
	79 346	-	(15 860)			63 486
HD Nel	32 028	-	(12 812)	R68.35	01/10/12	19 216
	1 051	-	-		01/06/13	1 051
	1 420	-	-		01/06/14	1 420
	-	8 225	-		01/06/15	8 225
	34 499	8 225	(12 812)			29 912
Y Ramiah	11 681	-	(11 681)	R63.20	01/06/10	-
	1 930	-	(965)	R63.20	01/06/11	965
	13 611	-	(12 646)			965
TOTAL	127 456	8 225	(41 318)			94 363

* Shares were received in position of chief executive officer prior to 1 January 2015 and will vest in due course. No new shares will be awarded.

	As at 31 December 2013	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2014
2014						
Sanlam shares						
IM Kirk	27 820	-	(27 820)	R59.50	01/06/09	-
	8 626	-	(4 313)	R59.50	01/06/10	4 313
	19 536	-	(7 814)	R59.50	01/06/11	11 722
	14 221	-	-		01/06/12	14 221
	32 099	-	-		01/06/13	32 099
	-	16 991	-		01/06/14	16 991
	102 302	16 991	(39 947)			79 346
HD Nel	32 028	-	-		01/10/12	32 028
	1 051	-	-		01/06/13	1 051
	-	1 420	-		01/06/14	1 420
	33 079	1 420	-			34 499
Y Ramiah	23 362	-	(11 681)	R59.50	01/06/10	11 681
	3 217	-	(1 287)	R59.50	01/06/11	1 930
	26 579	-	(12 968)			13 611
TOTAL	161 960	18 411	(52 915)			127 456

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OUTPERFORMANCE PLAN (OPP)

The Santam Ltd Human resources committee has extended an OPP to the new chief executive officer to reward superior performance over a three-year measurement period from 1 January 2015 to 31 December 2017. No payment is made under the OPP unless operational targets are outperformed and growth in net insurance results exceeds the hurdle set for the Santam group for the period. Full payment is only made if the stretch performance targets are met. There is no interim measurement period. Final measurement and payment will be on 1 April 2018. The maximum payment that can be made under the OPP is 200% of annual total guaranteed package over the three-year measurement period.

The five-year measurement period for the OPP extended to the previous chief executive officer ended on 31 December 2014. A final assessment based on the required criteria was performed and it was concluded that no payment was due in terms of the OPP. The OPP had stretch hurdles related to real growth in net insurance result over a five-year period, which was negatively impacted by the 2012 and 2013 underwriting results.

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

At 31 December 2015 the directors of the company held direct and indirect interests, including family interests, in 25 514 of the company's issued ordinary shares (2014: 28 795). Details of shares held per individual director are listed below. A total of 84 163 (2014: 70 922) conditional rights, share appreciation rights, performance shares and bonus shares are allocated to directors in terms of the company's employee share schemes. No material changes occurred between the reporting date and the date of approval of the financial statements.

2015	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Executive directors and prescribed officers					
L Lambrechts	-	-	-	-	-
HD Nel	3 557	-	-	-	3 557
Y Ramiah	100	-	-	-	100
Non-executive directors					
CB Booth	-	-	-	-	-
B Campbell	8 370	-	-	-	8 370
MD Dunn	100	-	-	-	100
MP Fandesio	103	-	-	-	103
BTPKM Gamedze	200	-	-	-	200
GG Gelink	-	-	-	-	-
IM Kirk	2 265	-	-	-	2 265
MLD Marole	-	-	-	-	-
JP Möller	108	-	-	-	108
T Nyoka (née Fubu)	-	-	-	-	-
MJ Reyneke	-	-	10 711	-	10 711
	14 803	-	10 711	-	25 514
2014					
Executive directors and prescribed officers					
IM Kirk	2 265	-	-	-	2 265
HD Nel	-	-	-	-	-
Y Ramiah	100	-	-	-	100
Non-executive directors					
B Campbell	100	-	-	-	100
MD Dunn	100	-	-	-	100
MP Fandesio	103	-	-	-	103
BTPKM Gamedze	200	-	-	-	200
GG Gelink	-	-	-	-	-
MLD Marole	-	-	-	-	-
JP Möller	108	-	-	-	108
MJ Reyneke	-	-	25 711	-	25 711
J van Zyl	108	-	-	-	108
	3 084	-	25 711	-	28 795

NOTES TO THE FINANCIAL STATEMENTS

42. RELATED-PARTY TRANSACTIONS (continued)

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

Emoluments for the year ended 31 December 2015

	Salary R000	Performance bonus* R000	Other benefits R000	Total R000
2015				
JP Möller	4 001	5 000	762	9 763
Y Ramiah**	2 973	2 500	190	5 663
J van Zyl	2 226	-	424	2 650
BTPKM Gamedze	3 194	2 300	-	5 494
L Lambrechts	-	9 903	-	9 903
IM Kirk	5 733	-	1 092	6 825
	18 127	19 703	2 468	40 298
2014				
JP Möller	3 717	4 000	708	8 425
Y Ramiah**	2 820	2 000	180	5 000
J van Zyl	4 452	-	848	5 300
BTPKM Gamedze	3 131	1 700	-	4 831
	14 120	7 700	1 736	23 556

* Performance bonus in respect of 2014 paid in 2015 (2013 paid in 2014).

** Total TGP includes amounts recharged by Sanlam Ltd to Santam Ltd for services provided.

Deferred share plan

Sanlam shares

	Balance 31 December 2014	Awarded in 2015	Shares vested	Balance 31 December 2015
J van Zyl	399	-	(399)	-
JP Möller	133 467	22 867	(41 117)	115 217
Y Ramiah	50 875	16 143	(284)	66 734
BTPKM Gamedze	64 605	-	-	64 605
L Lambrechts*	122 376	-	(39 747)	82 629
IM Kirk	-	76 676	-	76 676
Total	371 722	115 686	(81 547)	405 861

	Balance 31 December 2013	Awarded in 2014	Shares vested	Balance 31 December 2014
J van Zyl	57 706	-	(57 307)	399
JP Möller	164 075	25 948	(56 556)	133 467
Y Ramiah	34 391	16 484	-	50 875
BTPKM Gamedze	61 823	2 782	-	64 605
Total	317 995	45 214	(113 863)	249 346

* Shares were received prior to 1 January 2015 and will vest in due course. No new shares will be awarded.

Performance deferred share plan

	Balance 31 December 2014	Awarded in 2015	Shares vested	Balance 31 December 2015
J van Zyl	105 472	-	(105 472)	-
JP Möller	159 912	31 180	(59 577)	131 515
Y Ramiah	40 747	6 979	-	47 726
L Lambrechts*	84 628	-	(31 488)	53 140
IM Kirk	-	141 221	-	141 221
Total	390 759	179 380	(196 537)	373 602

	Balance 31 December 2013	Awarded in 2014	Shares vested	Balance 31 December 2014
J van Zyl	222 681	-	(117 209)	105 472
JP Möller	190 705	27 802	(58 595)	159 912
Y Ramiah	32 940	7 807	-	40 747
Total	446 326	35 609	(175 804)	306 131

* Shares were received prior to 1 January 2015 and will vest in due course. No new shares will be awarded.

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Restricted share plan

	Balance 31 December 2014	Awarded in 2015	Shares vested	Balance 31 December 2015
J van Zyl	218 195	–	(218 195)	–
JP Möller	234 526	65 738	(70 940)	229 324
Y Ramiah	–	31 924	–	31 924
BTPKM Gamedze	18 776	–	–	18 776
L Lambrechts*	189 551	–	(71 293)	118 258
Total	661 048	97 662	(360 428)	398 282

	Balance 31 December 2013	Awarded in 2014	Shares vested	Balance 31 December 2014
J van Zyl	469 672	–	(251 477)	218 195
JP Möller	274 727	56 327	(96 528)	234 526
Y Ramiah	–	–	–	–
BTPKM Gamedze	–	18 776	–	18 776
Total	744 399	75 103	(348 005)	471 497

* Shares were received prior to 1 January 2015 and will vest in due course. No new shares will be awarded.

The Sanlam board entered into a five-year employment arrangement with the previous Sanlam chief executive officer, Johan van Zyl, with effect from 1 January 2011. The objective of the arrangement is to address the leadership requirements for the Sanlam group in order to deliver strategic objectives determined by the board.

The previous chief executive officer's annual fixed cash remuneration package was fixed at R5.3 million (based on the 2010 remuneration level) for the full period until 31 December 2015, with no other variable cash incentives for this employment period. He was allocated five million restricted Sanlam shares of which three million were transferred and delivered during 2011 and two million during 2012. During 2013 a further 281 209 shares were transferred in lieu of dividends not received on the two million shares that were only transferred during 2012. The vesting of these shares will be measured over a six-year period until 31 December 2016, the shares being grouped into various distinct components – each with its own measurement period and detailed group and individual performance hurdles.

43. SOLVENCY MARGIN

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

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

	Group	
	2015	2014
Group capital and reserves attributable to equity holders (R million)	8 081	7 010
Debt securities (R million)	998	1 023
	9 079	8 033
Net written premium (R million)	18 884	17 635
Group solvency margin (%)	48.1%	45.6%

NOTES TO THE FINANCIAL STATEMENTS

44. BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

In May 2007, Central Plaza Investments 112 (Pty) Ltd 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 (refer note 15) and 24% were sold in the market through a successful bookbuild during the unwinding process, and the balance 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 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 is also under the control of Santam Ltd since the unwinding of Central Plaza and is therefore consolidated as at 31 December 2015. The net impact of the inclusion of the staff trust is 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.

45. EVENTS AFTER THE REPORTING PERIOD

Santam Ltd established a new R4 billion unsecured subordinated callable note programme on 29 February 2016 and intends to issue notes under the programme of up to R1 billion in April 2016.

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.

46. ANALYSIS OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investment in subsidiaries

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2015	Proportion held by the company 2014	Book value R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
Aegis Insurance Company Ltd	Insurance	RSA	179 195 142	100.0%	100.0%	186	187	-
Centriq Insurance Holdings Ltd	Holding co.	RSA	102 330 000	100.0%	100.0%	150	-	13
Guardian National Insurance Company Ltd	Insurance	RSA	178 603 840	100.0%	100.0%	624	90	-
Indwe Broker Holdings Group (Pty) Ltd ¹	Intermediary	RSA	28 552 225	0.0%	100.0%	-	-	-
Main Street 409 (Pty) Ltd	Holding co.	RSA	850	100.0%	100.0%	84	-	-
Mirabilis Engineering Underwriting Managers (Pty) Ltd	Underwriting	RSA	84 000 850	55.0%	55.0%	84	-	-
Riscor Underwriting Managers (Pty) Ltd ²	Underwriting	RSA	37 500 100	100.0%	100.0%	-	-	-
Santam International Ltd	Holding co.	Guernsey	692 505 672	100.0%	100.0%	538	581	-
Santam Namibia Holdings (Pty) Ltd	Holding co.	RSA	445 000 001	100.0%	100.0%	168	20	-
Sentinel Insurance Corporation Ltd	Investments	RSA	1 000 000	100.0%	100.0%	1	1	-
Swanvest 120 (Pty) Ltd	Holding co.	RSA	100	100.0%	100.0%	-	-	472
Thebe Risk Services Holdings (Pty) Ltd	Holding co.	RSA	1 000	100.0%	100.0%	47	-	-
Travest Investments (Pty) Ltd	Investments	RSA	6 680 860	100.0%	100.0%	11	-	12
						1 893	879	497

NOTES TO THE FINANCIAL STATEMENTS

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2015	Proportion held by the company 2014	Book value R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Indirect								
Admiral Professional Underwriting Agency (Pty) Ltd	Underwriting	RSA	2 270 403	100.0%	100.0%	12	-	-
Africa Group Financial Services (Pty) Ltd	Holding co.	RSA	100	100.0%	100.0%	-	-	-
Beyonda Group (Pty) Ltd ³	Insurance	RSA	200	87.5%	100.0%	15	-	-
Brolink (Pty) Ltd ⁶	Admini- stration co.	RSA	1 000	100.0%	100.0%	26	-	-
Centriq Insurance Company Ltd	Insurance	RSA	55 000 084	100.0%	100.0%	102	-	-
Centriq Life Insurance Company Ltd ⁴	Insurance	RSA	15 000 000	100.0%	100.0%	16	-	-
C-Sure Underwriting Managers (Pty) Ltd	Underwriting	RSA	1 000	100.0%	100.0%	-	-	4
Echelon Private Client Solutions (Pty) Ltd	Underwriting	RSA	1 000	60.0%	60.0%	-	-	12
Emerald Risk Transfer (Pty) Ltd	Underwriting	RSA	2 000 174	100.0%	100.0%	94	-	-
H & L Underwriting Managers (Pty) Ltd ⁷	Underwriting	RSA	100	100.0%	100.0%	1	-	-
Insurance Broker Resource Centre (Pty) Ltd	Underwriting	RSA	85 000	100.0%	100.0%	-	-	38
Isure Services (Pty) Ltd	IT Services	RSA	100	100.0%	100.0%	-	-	-
Isure Systems (Pty) Ltd	IT Services	RSA	100	100.0%	100.0%	-	-	-
Just I-Insure Consultants (Pty) Ltd	Underwriting	RSA	120	100.0%	100.0%	-	-	-
Legal Exchange Corporation (Pty) Ltd ⁸	Underwriting	RSA	1 166 830	0.0%	0.0%	-	-	-
Misty Sea Trading 267 (Pty) Ltd	Investments	RSA	11 200 952	100.0%	100.0%	-	-	-
MiWay Group Holdings (Pty) Ltd	Holding co.	RSA	211 101 111	100.0%	100.0%	257	-	-
Namibian National Insurance Company Ltd	Insurance	Namibia	3 100 000	100.0%	100.0%	3	4	-
Nautical Underwriting Managers (Pty) Ltd ⁵	Underwriting	RSA	200	62.0%	87.0%	4	-	-
Nova Risk Partners Ltd	Insurance	RSA	3 000 000	100.0%	100.0%	3	-	-
Santam Namibia Ltd	Insurance	Namibia	445 000 001	60.0%	60.0%	5	17	-
Santam UK Ltd	Holding co.	United Kingdom	100 006 588	100.0%	100.0%	75	-	-
Stalker Hutchison Admiral (Pty) Ltd	Underwriting	RSA	7 914 393	100.0%	100.0%	53	-	-
Travel Insurance Consultants (Pty) Ltd	Underwriting	RSA	13 988 239	100.0%	100.0%	24	28	-
Wheatfields Investments no 136 (Pty) Ltd	Underwriting	RSA	120	100.0%	100.0%	-	-	-
						690	49	54
TOTAL INVESTMENTS IN SUBSIDIARIES						2 583	928	551

¹ On 31 December 2015, the Santam group sold 76% of its 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture.

² On 15 December 2015, Riscor Underwriting Managers (Pty) Ltd issued 1 ordinary share to Santam Ltd for R37.5 million. The group has an effective 100% shareholding before and after the transaction.

³ On 1 December 2015, Centriq Insurance Holdings Ltd sold 12.5% of its shareholding in Beyonda Group (Pty) Ltd.

⁴ On 29 June 2015, Centriq Life Insurance Company Ltd had a capital reduction of R8 million, reducing its carrying value in Centriq Insurance Holdings Ltd to R16 million.

⁵ On 1 November 2014, Centriq Insurance Holdings Ltd acquired an additional 18.5% of the shareholding in Nautical Underwriting Managers (Pty) Ltd. On 9 June 2015, Centriq Insurance Holdings Ltd sold 25% of its shareholding in Nautical Underwriting Managers (Pty) Ltd.

⁶ On 1 July 2014, Swanvest 120 (Pty) Ltd acquired 100% of the shareholding in Brolink (Pty) Ltd.

⁷ On 15 May 2014, Swanvest 120 (Pty) Ltd acquired the remaining 70% of the shareholding in H & L Underwriting Managers (Pty) Ltd.

⁸ On 1 June 2014, Swanvest 120 (Pty) Ltd sold its shareholding of 70% in Legal Exchange Corporation (Pty) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

46. ANALYSIS OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investment in associated companies and joint ventures

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2015	Proportion held by the company 2014	Carrying value including equity accounted earnings R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
Credit Guarantee Insurance Corporation of Africa Ltd ¹	Insurance	RSA	2 649 333	0.0%	33.6%	-	-	-
South African Nuclear Pool Administrators (Pty) Ltd	Insurance	RSA	120	25.0%	25.0%	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>
Indirect								
Censeo (Pty) Ltd ²	Claim assessment	RSA	3 000	0.0%	37.5%	-	-	-
STRIDE South Africa (RF) (Pty) Ltd	IT Company	RSA	25 140 000	33.3%	33.3%	-	-	-
Indwe Broker Holdings Group (Pty) Ltd ³	Intermediary	RSA	28 552 225	24.0%	0.0%	66	-	35
Paladin Underwriting Managers (Pty) Ltd	Insurance	RSA	3 008 000	40.0%	40.0%	15	-	-
Vulindlela Underwriting Managers (Pty) Ltd ⁴	Underwriting	RSA	800	47.0%	31.4%	3	-	-
Western Group Holdings Ltd	Insurance	Namibia	31 919 643	40.0%	40.0%	168	-	-
						<u>252</u>	<u>-</u>	<u>35</u>
TOTAL INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES						<u>252</u>	<u>-</u>	<u>35</u>

¹ On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd.

² On 31 May 2015, Swanvest 120 (Pty) Ltd sold its 37.5% shareholding in Censeo (Pty) Ltd.

³ On 31 December 2015, the Santam group sold 76% of its 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture.

⁴ On 26 October 2015, Swanvest 120 (Pty) Ltd acquired an additional 15.6% of the shareholding in Vulindlela Underwriting Managers (Pty) Ltd.

(II) ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	1 093	18.66%	75 177	0.07%
101 – 1 000 shares	2 964	50.59%	1 244 288	1.08%
1 001 – 50 000 shares	1 691	28.86%	9 548 000	8.29%
50 001 – 100 000 shares	50	0.85%	3 706 774	3.22%
100 001 – 10 000 000 shares	60	1.02%	32 812 987	28.50%
More than 10 000 000 shares	1	0.02%	67 744 191	58.84%
Total	5 859	100.00%	115 131 417	100.00%

Type of shareholder				
Individuals	3 947	67.37%	3 646 815	3.17%
Companies	431	7.35%	86 506 756	75.14%
Growth funds/unit trusts	174	2.97%	12 163 754	10.56%
Nominee companies or trusts	1 163	19.85%	3 667 800	3.19%
Pension and retirement funds	144	2.46%	9 146 292	7.94%
Total	5 859	100.00%	115 131 417	100.00%

Shareholder spread	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	5 674	26.53%	172	100.00%	5 846	30.48%
Directors	8	0.02%	–	–	8	0.02%
Guardian National Insurance Ltd*	1	3.97%	–	–	1	3.76%
Trustees of employees' share scheme*	2	2.02%	–	–	2	1.91%
Holdings of 5% or more	2	67.46%	–	–	2	63.83%
Sanlam Ltd	1	62.19%	–	–	1	58.84%
Government Employees Pension Fund	1	5.27%	–	–	1	4.99%
Total	5 687	100.00%	172	100.00%	5 859	100.00%

The analysis includes the shares held as treasury shares.

* Owners of treasury shares.

(III) ANALYSIS OF DEBT SECURITY HOLDERS

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	3	3.30%	116 622	0.01%
50 001 – 100 000 units	3	3.30%	266 656	0.03%
100 001 – 1 000 000 units	30	32.96%	16 197 430	1.62%
1 000 000 – 10 000 000 units	39	42.86%	142 953 025	14.29%
More than 10 000 000 units	16	17.58%	840 466 267	84.05%
Total	91	100.00%	1 000 000 000	100.00%

Type of debt security holder

Brokers	2	2.20%	53 566 656	5.36%
Endowment funds	5	5.49%	11 958 600	1.20%
Insurance companies	12	13.18%	213 911 778	21.39%
Investment companies	1	1.10%	125 000 000	12.50%
Medical aid schemes	2	2.20%	1 150 000	0.12%
Mutual funds	40	43.96%	267 680 922	26.76%
Nominees and trusts	2	2.20%	1 490 000	0.15%
Pension funds	26	28.57%	287 542 044	28.75%
Private companies	1	1.10%	37 700 000	3.77%
Total	91	100.00%	1 000 000 000	100.00%

Debt security holders in South Africa

Debt security holder spread	Nominal number	% Interest
Government Employees Pension Fund	215 996 877	21.60%
Old Mutual Life Assurance Company (South Africa) Ltd	145 251 400	14.53%
MMI Group Ltd	125 000 000	12.50%
Sanlam Investment Management Enhanced Yield Fund	65 442 000	6.54%
RMB Capital Markets	53 500 000	5.35%
Other	394 809 723	39.48%
Total	1 000 000 000	100.00%

ADMINISTRATION

NON-EXECUTIVE DIRECTORS

CB Booth, B Campbell, MD Dunn, MP Fandesio, BTPKM Gamedze, GG Gelink (chairman), IM Kirk, MLD Marole, JP Möller, T Nyoka (née Fubu), MJ Reyneke

EXECUTIVE DIRECTORS

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

SPONSOR

Investec Bank Ltd

TRANSFER SECRETARIES

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Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

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