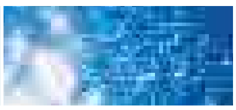
1918
1922
1928
1932
1936
1938
1939
1943
1953
1954
1958
1965
1967
1968
1993
1996
2001
2003
2008

Sanlam

90 years of thinking ahead

ANNUAL REPORT 2007



Contents

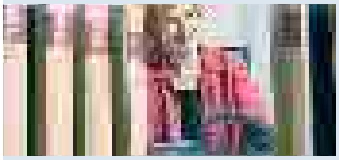
Financial Calendar

Annual General Meeting:	4 June 2008
Interim results:	4 September 2008
Trading update:	4 June 2008 and 3 December 2008

Dividends

Last date to trade for 2007 dividend:	18 April 2008
Shares will trade ex dividend from:	21 April 2008
Record date for 2007 dividend:	25 April 2008
Payment of dividend for 2007:	7 May 2008

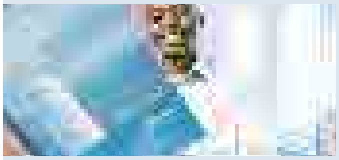
Sanlam, a journey for life.



Anna Oliver
employee since 1962

Frank Louw
employee since 1998

Tina Shamu
employee since 2005



Monde Matolengwe
employee since 2006

For your convenience we include the Annual Report on a flash disc *(in pdf format)*. We have also included additional financial information on the Group's 2007 interim results.The full version of the Sustainability Report will be available on our website, **www.sanlam.co.za,** in June this year. All financial information can be viewed on our website under the Investor Relations link.

Upfront

If you owned one Sanlam share on 31 December 2007 you were a stakeholder in a financial services group that again delivered sterling annual financial results and a solid share price performance.

Your Sanlam share also entitled you to ownership in a group that forges ahead with a clear strategy to enhance returns and deliver on promises. Backed by sound management, an enviable workforce and strong distribution channels, Sanlam again led the industry last year by delivering innovative financial solutions like SanlamConnect, Sanlam Liquid and the Sanlam LifePower range.

We have been focused on enhancing shareholder value since our demutualisation and listing on the JSE and Namibian stock exchanges on 30 November 1998.

But your Sanlam share also gave you ownership of a Group driven by principles and ideals for transformation and empowerment over the past 90 years.

This quick read sets the tone of what you can expect in our comprehensive Sanlam Annual Report for 2007.

Our history and corporate citizenship

We will be turning 90 on 8 June 2008.

In nine decades we have grown from a modest life insurance company in 1918, *Die Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappij Beperk,* to a leading financial services group in South Africa, *Sanlam,* with business interests elsewhere in Africa, Europe and India.

Apart from our business successes over the decades, there is another golden thread that runs through our history. We have been at the forefront with empowerment and transformation for 90 years.

While Sanlam's establishment in 1918 was mainly aimed at empowering impoverished Afrikaners after two wars and the Great Flu epidemic, Sanlam was also responsible for the first national Black Economic Empowerment (BEE) transaction as far back as in 1993 when Sanlam sold Metropolitan Life to a black-owned consortium that led to the establishment of NAIL.

In 1998 we completed the largest demutualisation programme in the country at that stage and listed on the JSE and Namibian stock exchanges on 30 November. In 2006 we again led the financial services industry in SA through our own groundbreaking BEE transaction with Ubuntu-Botho.

These are but just a few of the milestones in our history that epitomise what we stand for, and some highlights over the past 90 years are indicated on the timeline at the bottom of these pages.

To put this in a nutshell: Over the past 90 years we have been leading with empowerment and transformation in living our vision of being the leader in wealth creation and protection.

Details of our continuing Corporate Social Investment and BEE initiatives are included in our Sustainability and Corporate Citizenship Report on page 58.

What we do

We have grown from a life insurance company to a leading financial services group. We pride ourselves on giving our clients professional financial advice and delivering solutions tailored to meet their needs. We do that through a number of mutually dependent business entities focusing mainly, but not exclusively, on offering solutions for wealth creation and protection, investment management and ancillary financial services solutions for individuals and institutions.

These include life and risk solutions to all segments of the market, provision for retirement, investment management solutions for institutional and individual investors, administration of estates, home loans, personal loans, short-term insurance and individual savings mechanisms such as collective investments.

Our vision

Our vision is to be the leader in wealth creation and protection, and in this pursuit we remain primed to seize opportunities that come our way and to meet the challenges that confront us.

JUNE 1918 –

Sanlam founded on 8 June.

MAY 1922 –

Sanlam introduces a first in SA: disability cover.

1924 –

Receiver of Revenue acknowledges Sanlam as a mutual company. First disability payout made to a Mr Helsden, a railways worker.

1927 –

A pension fund for Sanlam office staff established.

1918

1922

1924

1927

Our values

Our shared business philosophy has its roots in an entrepreneurial culture with its essence captured in traditional values of honesty, diligence, superior ethical behaviour, innovation, stakeholder values and strong ties with business partners. Our business model is focused on client-centricity and on being solution oriented.

Our strategy

In 2008 our strategy will be to continue our strong focus on effective capital utilisation, to pursue growth opportunities and to maintain our tight grip on cost structures, transformation and diversification through a broader range of solutions over a wider geographical area.

Our brand

The Sanlam brand has been part of the South African financial and economic landscape since 1918 and has evolved over time as the environment in which we operate has changed.

To communicate our differentiated offering to the retail market, we have four individual subbrands to identify unique portfolios of solutions tailored for relevant and specific retail segments: Sanlam Sky for the entry-level market, Sanlam Topaz for the middle market, Sanlam Cobalt for self-employed individuals and Glacier by Sanlam for the affluent market.

Our businesses in the investments and the institutional markets traditionally all provide customised solutions specifically designed to meet the needs of their clients and they strongly reinforce the overall corporate brand positioning.

How we performed in 2007

In his Chairman's Report (page 16), Roy Andersen highlights the fact that in 2007 the Group's core earnings exceeded R4 billion for the first time and that Sanlam shareholders were rewarded with a return of 29% for the year ended 31 December 2007, outperforming the ALSI by a margin of 10%.

Group Chief Executive Johan van Zyl refers in his Report (page 26) to the milestone in 2007 when new business volumes exceeded the R100 billion mark for the first time, an achievement accredited to all the businesses in the Group. He also highlights the fact that compared to 2003 when more than three quarters of all inflows were generated by Sanlam's life insurance business, the latter accounted for only about one fifth in 2007 – a direct result of the Group's successful diversification strategy.

Our main performance highlights for 2007 include:

- Net result from financial services increased by 20% to 133,3 cents per share;
- Core earnings per share increased by 27% to 182,4 cents per share;
- New business volumes of R102 billion are 26% higher than 2006;
- Value of new life business improved by 31% to R567 million;
- Return on Group Equity Value per share of 18,8%;
- Dividend per share increased by 21% to 93 cents per share.

These results are analysed comprehensively in our Financial Review (page 118).

SEPTEMBER 1929 –
Sanlam establishes pension scheme for municipalities.

1932 –
Sanlam moves into its own head office at 28 Wale Street, Cape Town.

1936 –
Premium income tops R1 million per annum for the first time.

MAY 1940 –
The establishment of Federale Volksbeleggings, after Sanlam had taken the lead to pave the way for Afrikaner investment in business enterprises.

1929 1932 1936 1940

We believe that in 2008 we will continue to be operating in an environment marked by uncertainty. We have, however, developed a strong operational base through a solid strategy and have the building blocks in place from which our strong focus on diversification in recent years will stand us in good stead in such uncertain times.

Where to find or contact us

- Postal address: PO Box 1, Sanlamhof, 7532, South Africa
- Internet address: **http://www.sanlam.co.za**
- Physical address: 2 Strand Road, Bellville, Western Cape, South Africa
- Telephone: 021 947 9111
- Fax: 021 947 3670
- E-mail: **webmaster@sanlam.co.za**

Some corporate achievements in 2007

- Sanlam again received an A Rating against the Financial Sector Charter for our Broad-based Black Economic Empowerment initiatives. This is the highest rating financial services companies can achieve.
- We were ranked as the 19th (56th in 2006) most empowered company listed on the JSE by Empowerdex.
- For the fourth consecutive year we were listed on the JSE Socially Responsible Investment Index, which for the first time adopted international criteria.
- Sanlam received a positive corporate governance assessment by Deutsche Bank measured against an international best practice set of criteria last year.
- Sanlam Investment's flagship fund, The Sanlam Global Best Ideas Fund, has been top 10 out of 600 global peers and the Sanlam Global Financial Fund was rated by Morningstar as number one over all reporting periods since its inception in 2004.
- African Life achieved accreditation from the international Investors In People Standards. Earlier, Sanlam Personal Finance became the first life company in South Africa to receive full accreditation.
- For the seventh time since its listing in 1998, the Investment Analysts Society of Southern Africa voted Sanlam as the best communicator to its shareholders in the Financial – Life Assurance and Insurance Sector of the JSE in 2007.
- For the second year running, Sanlam was rated first in the long-term insurance industry for client service in the independent Ask Africa Orange Index survey. In addition, the client contact centre of Sanlam Personal Finance won the best customer service award in the Western Cape and was the only financial institution among the top three of the National Business Processing Enabling South Africa awards. It was also voted one of the top 100 call and contact centres in the world.

1946 –

Establishment of Bonuskor, for reinvestment of policyholders' bonuses, allowing Sanlam to mobilise capital for the development of Afrikaner businesses.

1953 –

Sanlam's 800 or so staff members move into " Sanlamhof", the current Head Office in Bellville.

1954 –

Sanlam officially declared a mutual company.

1946 1953 1954

Highlights

Earnings

- Net result from financial services up 16%
- Core earnings per share up 27%
- Normalised headline earnings per share decreased by 19%

Business volumes

- Total new business volumes up 26% to R102 billion
- Net fund inflows of R11,4 billion

Group equity value

- Group equity value per share of R23,50
- Return on Group equity value per share of 18,8%
- Value of new life insurance business up 31% to R567 million
- Life new business margin of 2,37%

Capital management

- 5,5% of issued shares bought back during 2007 for R2,9 billion
- Discretionary capital of R6,1 billion at 31 December 2007

Dividend

- Dividend increased by 21% to 93 cents per share

1967 –
First Sanlam unit trust launched.

MAY 1978 –
Sanlam buys Metropolitan Life (MetLife) from Trustbank.

JUNE 1988 –
Record premium income (over R5 billion) for a South African insurance company.

MARCH 1989 –
Sanlam makes R2 000 million available to Sankorp to encourage job-creation.

1967 1978 1988 1989

New business volumes

up 26% –
R102 billion

(2006: R80,6 billion)

Dividend per share

up 20,8% –
93 cents

(2006: 77 cents)

Net result from financial services

up 16% –
R3 billion

(2006: R2,6 billion)

Core earnings per share

up 27% –
182,4 cents

(2006: 143,1 cents)

		2007	2006
New business volumes	R million	**102 004**	80 648
Net result from financial services	R million	**3 029**	2 605
Core earnings	cents per share	**182,4**	143,1
Normalised headline earnings	cents per share	**228,7**	282,0
Dividend	cents per share	**93**	77
Group Equity Value	cents per share	**2 350**	2 047

JUNE 1993 –

In SA's first BEE transaction, Sanlam sells Metropolitan Life (MetLife) to Methold, a company with an 85% black shareholding consortium. The MetLife transaction resulted in the formation of New Africa Investments Limited (NAIL).

1996 –

Sanlam launches Community Builder Fund and establishes the Sanlam Development Fund with start-up capital of R100 million, to fund development projects.

1998 –

Sanlam demutualises, listing on the Johannesburg and Namibian Stock exchanges, giving over 2,2 million South Africans a stake in the Group's future by way of free shares.

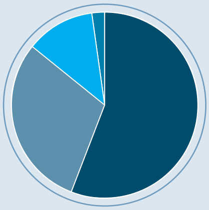
1993

1996

1998

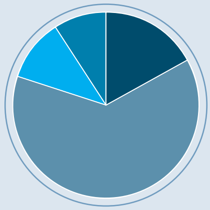
Financial performance

Sanlam Group Equity Value



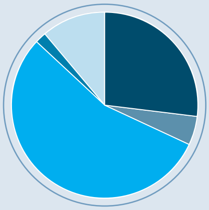
Covered business	56%
Other operations	30%
Discretionary capital	12%
Other capital	2%

Contribution to new business volumes



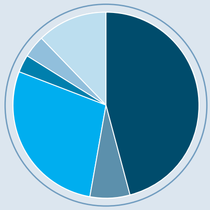
Life business	17%
Investment business	63%
Short-term insurance	11%
White label	9%

Contribution to new business volumes



Sanlam Personal Finance	27%
Sanlam Developing Markets	5%
Sanlam Investments	55%
Sanlam Employee Benefits	2%
Santam	11%

Contribution to net result from financial services



Sanlam Personal Finance	46%
Sanlam Developing Markets	7%
Sanlam Investments	28%
Sanlam Capital Markets	3%
Sanlam Employee Benefits	4%
Santam	12%

2000 –

The start of Sanlam's sponsorship of Takalani Sesame, a national educational children's TV programme aimed at teaching literacy and numeracy through the edutainment medium.

2004 –

Sanlam shareholders approve a major BEE transaction with the broad-based empowerment consortium Ubuntu-Botho, wherein the latter acquires a 10% equity stake in Sanlam.

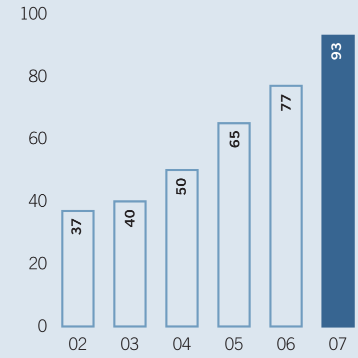
2006 –

Sanlam's acquisition of African Life, Channel Life and Safrican boosts the provision of financial services to the previously underserviced market.

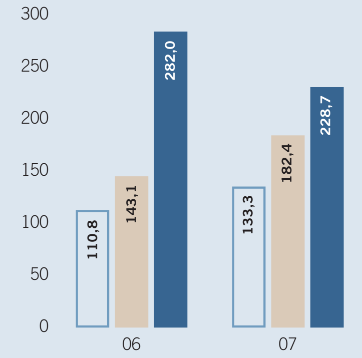
TODAY

Business inflows exceed R100 billion for the first time in the company's history.

2000 2004 2006 2007 »

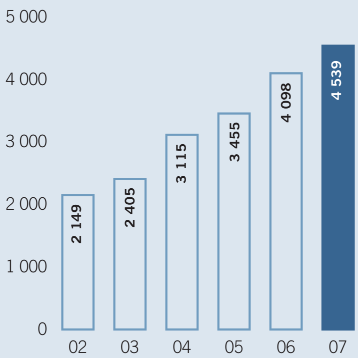


Dividend per share *(cents)*

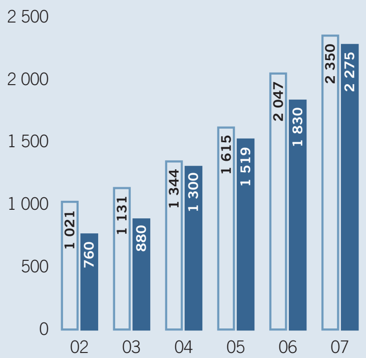


Earnings per share *(cents)*

Net result from financial services
Core earnings
Normalised headline earnings



Gross result from financial services *(R million)*



Value of Sanlam shares *(cents)*

Group Equity Value
Closing share price

Sanlam, thinking ahead

The 2007 financial year has been another outstanding year for the Group with a number of performance highlights. The success of the Group's strategy over the past few years is evident in the reported results over this period.

Salient results

for the year ended 31 December 2007

		2007	2006	%
Sanlam Limited Group				
Earnings:				
Net result from financial services	R million	**3 029**	2 605	16
Core earnings[1]	R million	**4 146**	3 365	23
Normalised headline earnings[2]	R million	**5 199**	6 633	(22)
Headline earnings	R million	**4 833**	6 838	(29)
Net result from financial services per share	cents	**133,3**	110,8	20
Core earnings per share[1]	cents	**182,4**	143,1	27
Normalised headline earnings per share[2]	cents	**228,7**	282,0	(19)
Diluted headline earnings per share	cents	**220,8**	304,9	(28)
Group administration cost ratio[3]	%	**27,8**	27,1	
Group operating margin[4]	%	**20,8**	21,1	
Gross business volumes:				
New business volumes	R million	**102 004**	80 648	26
Net fund flows	R million	**11 363**	(7 451)	
Value of new life insurance business	R million	**567**	434	31
Life insurance PVNBP[5]	R million	**23 886**	20 308	18
Life new business margin[6]	%	**2,37**	2,14	
Value of new non-life linked and loan business	R million	**69**	64	8
Group Equity Value:				
Group Equity Value	R million	**51 293**	46 811	10
Group Equity Value per share	cents	**2 350**	2 047	15
Return on Group Equity Value per share[7]	%	**18,8**	31,0	
Sanlam Life Insurance Limited				
Shareholders' fund	R million	**37 933**	34 197	
Capital Adequacy Requirements (CAR)	R million	**7 525**	5 800	
CAR covered by prudential capital	times	**3,5**	4,4	

Notes

[1] *Core earnings = net result from financial services and net investment income (including dividends received from non-operating associates).*

[2] *Normalised headline earnings = core earnings, net investment surpluses, secondary tax on companies and equity-accounted headline earnings less dividends received from non-operating associates, but excluding fund transfers. Headline earnings include fund transfers.*

[3] *Administration costs as a percentage of income after sales remuneration.*

[4] *Result from financial services as a percentage of income after sales remuneration.*

[5] *PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.*

[6] *Life new business margin = value of new business as a percentage of life insurance PVNBP.*

[7] *Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the period.*

Group ten-year review

	2007 R million	2006 R million	2005 R million
Extracts from financial statements			
Result from financial services before tax	**4 539**	4 098	3 455
Core earnings	**4 146**	3 365	3 280
Headline earnings	**4 833**	6 838	5 813
Shareholders' funds	**29 334**	29 121	25 020
Policy liabilities	**244 660**	237 864	198 234
Net asset value per share (cents)[(2)]	**1 826**	1 640	1 293
New business embedded value (after minorities)	**493**	379	291
Group Equity Value per share (cents)	**2 350**	2 047	1 615
Group administration cost ratio (%)[(3)]	**27,8**	27,1	29,1
Group operating margin (%)[(3)]	**20,8**	21,1	20,7
New business			
Long-term insurance business			
Individual insurance	**16 216**	11 824	8 391
■ Recurring premiums	**3 222**	1 969	946
■ Single premiums	**10 770**	8 187	5 803
■ Continuations	**2 224**	1 668	1 642
Employee benefits	**2 394**	2 400	2 829
■ Recurring premiums	**204**	194	199
■ Single premiums – gross	**2 190**	2 206	2 630
■ Single premiums – intergroup switches	**—**	—	—
Total long-term insurance business	**18 610**	14 224	11 220
Other business	**83 394**	66 424	51 004
■ Linked products	**10 901**	8 653	7 340
■ Segregated funds – Sanlam Investment Management	**19 219**	15 706	12 602
■ Segregated funds – International	**3 218**	4 170	1 812
■ SIM Multi-Manager	**5 238**	2 131	3 094
■ Collective investments: Retail	**17 377**	10 546	8 937
■ Collective investments: Wholesale	**8 240**	7 368	2 510
■ Collective investments: White Label	**7 794**	7 647	5 838
■ Short-term insurance	**11 407**	10 203	8 871
Total new business	**102 004**	80 648	62 224
Recurring premiums			
Long-term insurance business			
Individual insurance	**11 340**	10 860	8 838
Employee benefits	**3 566**	2 901	2 977
Total recurring premiums	**14 906**	13 761	11 815
Staff			
Office staff (excluding intermediaries) (number of persons)	**9 393**	9 037	8 945

[(1)] *Restated for the adoption of IFRS in the 2005 financial year. Figures for years prior to 2004 have not been restated.*

[(2)] *Shareholders' interest in subsidiaries adjusted from net asset value to fair value.*

[(3)] *Administration costs and result from financial services (excluding Sanlam Life restructuring cost) as a percentage of income earned by the shareholders' funds less sales remuneration.*

2004(1) R million	2003 R million	2002 R million	2001 R million	2000 R million	1999 R million	1998 R million	Average annual growth rate %
3 115	2 405	2 149	2 092	1 656	1 722	1 237	16
2 659	2 641	2 280	2 628	2 406	1 955	—	10
2 963	2 351	2 127	2 628	2 406	1 955	—	12
19 685	21 687	20 651	22 231	19 012	18 075	14 904	8
163 556	134 079	129 329	145 248	133 952	134 319	114 176	9
1 093	883	798	927	831	810	630	13
321	232	320	290	240	101	57	27
1 344	1 131	1 021	1 167	1 067	1 004	827	12
31,4	33,6	34,7	35,2	32,3	29,8	27,8	
21,6	17,5	16,9	18,4	16,5	17,9	12,9	
8 088	6 923	9 811	9 177	9 270	7 177	5 819	12
829	861	976	974	1 149	749	830	16
5 700	4 506	7 033	6 009	5 881	4 804	3 107	15
1 559	1 556	1 802	2 194	2 240	1 624	1 882	2
2 493	2 446	2 748	3 562	4 399	2 633	5 247	(8)
140	127	156	171	219	139	137	5
2 429	2 384	2 618	3 466	4 180	2 494	5 110	(9)
(76)	(65)	(26)	(75)	—	—	—	0
10 581	9 369	12 559	12 739	13 669	9 810	11 066	6
42 702	27 274	18 461	23 284	23 506	15 473	18 280	18
6 068	5 103	4 199	3 450	1 687	1 706	1 423	25
11 815	6 014	673	3 479	7 973	2 310	4 498	18
1 619	127	157	276	—	—	—	51
3 226	1 032	—	—	—	—	—	50
6 779	4 370	4 388	4 908	9 342	8 154	8 266	9
2 145	1 363	1 521	2 382	—	—	—	23
3 331	2 510	1 975	3 482	—	—	—	14
7 719	6 755	5 548	5 307	4 504	3 303	4 093	12
53 283	36 643	31 020	36 023	37 175	25 283	29 346	15
8 629	7 911	9 198	8 894	8 980	8 871	8 996	3
2 869	2 829	2 903	2 910	3 050	3 029	2 740	3
11 498	10 740	12 101	11 804	12 030	11 900	11 736	3
8 575	9 570	9 716	10 024	9 709	10 159	11 669	(2)

Sanlam Limited

	Retail cluster	Institutional cluster
Scope of business	The Retail cluster includes Sanlam Personal Finance and Sanlam Developing Markets. **Sanlam Personal Finance** is a major provider of a wide range of individual life insurance and personal financial services and solutions, including estate planning and trusts, home loans, personal loans, linked products, money transfer and financial services in South Africa, Namibia and the UK. **Sanlam Developing Markets** provides affordable financial services solutions primarily to the entry-level market in South Africa and to the wider financial services segments in other developing markets in which Sanlam operates (five other African countries as well as India).	The Institutional cluster includes Sanlam Investments, Sanlam Employee Benefits and Sanlam Capital Markets. **Sanlam Investments** incorporates Sanlam's investment-related businesses in South Africa, USA, Europe and Rest of Africa. Sanlam Investments' areas of service and solutions include traditional asset management, alternative investment solutions, property asset management, collective investments (unit trusts), private client investment management and stockbroking, multi-manager management and investment administration. **Sanlam Employee Benefits** provides life insurance, investment and annuity solutions for group schemes and retirement funds and fund administration for retirement and umbrella funds. **Sanlam Capital Markets** provides risk management, structured product solutions and associated capital market activities.
Contribution to net Group operating result (R million)	1 677	1 086

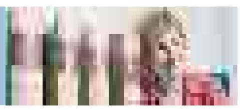
Short-term Insurance cluster	Corporate
The Short-term Insurance cluster is comprised of a 55,9% shareholding in **Santam**, the leading short-term insurer in South Africa. Santam focuses on the corporate, commercial and personal markets. It has a market share in excess of 20% and a countrywide infrastructure and broker network. Santam has related business interests in Africa and Europe.	The corporate head office is responsible for the Group's centralised functions, which include strategic direction, financial and risk management, group marketing and communications, group human resources and information technology, corporate social investment and general group services. **Sanlam Independent Financial Services** invests in independent customer-facing entities and intermediary businesses in the financial services industry that are generally not Sanlam branded.
372	**(106)**

Sanlam is one of the largest financial services groups in South Africa. The Group has business interests elsewhere in Africa, Europe and India.

– Anna Oliver, Sanlam employee since 1962

sanlam,
a journey for life

Anna Oliver started her career at Sanlam in 1962 as a typist in the "Agentesake" department (Agent Affairs) and was promoted to a secretary in 1964, working for six different managers until 1977. From 1978 to 1983 she acted as a permanent stand-in secretary for Sanlam's executive management after which she became involved with Board matters as personal assistant for the company secretary in 1983. In addition to this role, she is now the Group's permanent Board Secretary, a position to which she was appointed in 1994.



Chairman's Report

Roy Andersen,
Chairman

Sanlam remains on a growth trajectory. Supported by a loyal and sizeable existing policyholder and investor base, diversification into other financial services opportunities continues to gain momentum.

I am pleased to be reporting on a financial year that saw the Sanlam group achieve significant growth for its shareholders.

Shareholders were rewarded with a return of 29% for the year ended 31 December 2007, which exceeded the performance of the JSE All Share Index by a margin of 10%. This return consists of a R4,45 increase in the Sanlam share price for the year and a dividend per share of 77 cents.

Last year's performance was not an isolated event – the Sanlam share price also outperformed its peer group as measured by the South African Life Assurance Index over the five-year period ended 31 December 2007 by an average of 7% per annum. This bears testimony to the Group's ability to adapt and perform in an environment where uncertainty prevails and challenges are the norm.

Sanlam remains on a growth trajectory. Supported by a loyal and sizeable existing policyholder and investor base, diversification into other financial services opportunities continues to gain momentum. The goal is to achieve a world-class South African financial services group that delivers wealth creation and protection for clients both in South Africa and beyond our borders across a range of different financial services solutions.

Therefore, each Sanlam share not only comes with the credentials of solid past performance, but also with a commitment from the Sanlam board and management to keep on delivering long-term value and growth.

Sanlam is well positioned to continue to maximise shareholder value. During 2007 the Group delivered improved performances in both new business margin and efficiency terms and enhanced its non-traditional distribution channels significantly within a very competitive operating environment. The effective management of the Group's capital base remains a key component of our strategy to maximise shareholder value.

Performance review

The Sanlam group delivered a solid performance in 2007. A cause for celebration is the fact that we reached two important milestones during the 2007 financial year: new business volumes exceeded R100 billion for the first time and core earnings passed the R4 billion mark.

In 2007 we changed over from Embedded Value to Group Equity Value (GEV) as the preferred term for reporting on the aggregate value of the Group operations (refer financial review on page 118 for more information). Reporting on GEV is considered a more meaningful method of disclosing information for the combined Group given the transformation of Sanlam into a diversified financial services organisation. At the end of 2007, the GEV per share amounted to R23,50 compared to R20,47 at the end of the previous financial year. A return on GEV per share of 18,8% was achieved during the year, again well in excess of the Group's target.

There has also been an improvement in consumer confidence in the life insurance industry since hitting an all-time low around three years ago. A strong contributor to last year's new business flows was our life business – life sales grew by 25%. Combined with 32% growth in new investment business, the Group's total new business volumes increased by 26% to reach R102 billion in 2007. The value of new life business of R567 million is 31% up on the comparable 2006 period with an increase in the average margin from 2,14% in 2006 to 2,37% in 2007.

Core earnings for the year amounted to R4 146 million, up by 23% on 2006. When analysing the sources of this earnings growth, it becomes apparent that our strong diversification focus in recent years is continuing to pay off. An increase of 16% in the net result from financial services contributed towards the earnings growth, together with an increase in net investment income of 47%. All the major businesses performed satisfactorily within the context of a challenging business environment and volatile debt and equity markets in the latter part of 2007. In addition, we have managed to contain costs within inflationary limits, with a marginal increase of 0,7% in the Group administration cost ratio over 2006 – substantially due to new ventures and an increase in capacity.

A more subdued investment market performance in 2007, compared to the exceptional returns in 2006, largely contributed to a 22% decline in normalised headline earnings. Diluted headline earnings per share, including the IFRS impact of Sanlam shares held by the policyholders' funds, are 29% lower than in 2006.

Sustainability and transformation

Our operating environment is not only influenced by market conditions and economic challenges (as outlined in the CEO Report), but also social and environmental factors.

In order to ensure sustained profits over the long term the Sanlam group needs to understand and manage sustainability and corporate citizenship issues that influence its operating environment. We therefore continue to aim for profitable growth on a sustainable basis measured not only by the financial bottom line, but also by the triple bottom line (economic, social and environmental performance).

Since we strongly believe that triple bottom line performance is relevant to delivering shareholder value, our mission is to ensure that Sanlam remains a sustainable socially responsible investment that delivers superior returns to our investors. In this regard it is noteworthy that Sanlam was again listed on the JSE Socially Responsible Investment Index for the fourth consecutive year in 2007. This achievement took on even more significance last year since the Index adopted the internationally rated FTSE criteria.

A dedicated Sanlam board subcommittee known as The Sustainability committee focuses on the governance of sustainability. Under the guidance of this committee, we once again received an A Rating against the Financial Sector Charter (FSC) for our Broad-based Black Economic Empowerment (BBBEE) initiatives. This is the highest rating financial sector companies can achieve for BBBEE. Sanlam remains an active participant in the FSC process and supports its continuation.

We continue to monitor the significant risk that HIV/Aids poses to South Africa's population and to the development of the country. As a life insurer we are more than adequately covered through specific provisions for HIV/Aids-related claims. We are also pro-actively addressing the problem through innovative solutions, like the Sanlam LifePower range of solutions with life and disability for people living with HIV, that we launched in 2007.

Embracing empowerment

Sanlam was the first major financial institution in South Africa to translate black economic empowerment (BEE) into ownership. Our broad-based empowerment transaction resulted in the Ubuntu-Botho (UB) consortium buying a 10% share in Sanlam in 2004.

Over 800 individual broad-based UB shareholders, as well as the Sanlam Ubuntu-Botho Community Development Trust, benefited from a R50 million dividend paid by UB during 2007.

As a majority shareholder, we also supported Santam's R915 million broad-based black economic empowerment transaction last year. Together with all other Santam shareholders, Sanlam made 10% of its holding in Santam available at a discount.

Corporate governance

Sound governance principles remain one of the top priorities of the Sanlam board and Sanlam's executive management. I am happy to report that Sanlam again completed the year under review compliant with all relevant corporate governance standards and practices.

Last year, Deutsche Bank conducted a survey on corporate governance practices in South Africa, covering a large number of JSE-listed companies. The report was released at the end of November last year and Sanlam was given a positive governance assessment score against an international best practice set of criteria.

Board review

As at the end of the 2007 financial year, the Sanlam board comprised 18 members: two were non-executives, 14 were independent non-executives (in accordance with King II's "independence" standards), and two were executive directors.

Two independent non-executive directors, Eugene van As and Boetie van Zyl, who had served as directors of Sanlam Limited for four and nine years respectively, retired at the annual general meeting in 2007, thus reducing the total number of directors to 18. We would like to again express our gratitude to both for their valuable contributions over the years to the board and to Sanlam as a whole.

The value of the contribution by each director is measured annually by the Nominations committee. In addition, the effectiveness of the board, its subcommittees and the chairman of the board are assessed annually.

This assessment, which is performed in alternate years either by an external service provider or internally, is aimed at determining how the board's effectiveness can be improved. At the end of the year under review the board-effectiveness review was conducted by Deloitte & Touche and the results were positive.

An industry transforming

Sanlam has been at the forefront of encouraging greater value for policyholders and the convergence of the financial services industry, as we believe that it is in the best interests of our clients. To enable us to deliver complete client-centric solutions aimed at creating and protecting wealth for both private as well as institutional investors, as is our strategy, the silo approach currently still prevalent in our industry must be phased out.

We will therefore also be supporting the amalgamation of different associations representing different aspects of our offerings to consumers.

Although still at a very early stage, we have begun to prepare for the Social Security and Retirement Reform process, which we are confident will gather momentum this year. In addition, we are also ready to implement the new commission dispensation applicable to the life industry's savings solutions, once finalised.

Looking ahead

A number of significant challenges started emerging onto the South African investment horizon towards the end of last year and at the beginning of 2008.

Together with the intense volatility that started to plague international equity markets, the threat of continuing interest-rate hikes, increasing inflation and Eskom's power supply dilemma have started impacting on investor confidence as measured by the Sanlam Investment Management (SIM) Investor Confidence Index, which surveys sentiment among financial planners and institutional investors every month.

Adding to the negative sentiment is the continued weakness in the US housing market and the potential of a US and European slowdown.

It would be naïve to think that Sanlam as a Group would not be impacted by the current challenges in the investment environment. But we are confident that our strong focus on diversification will make a difference and assist performance in what will be a challenging year.

Johan van Zyl in his CEO Report alludes to a number of diversification projects initiated over the past two years and the benefits to shareholders. Our most recent acquisition (subject to regulatory approval) in line with our internationalisation strategy is the purchase of a majority interest in Principal Investment Holdings, a UK-based private client investment business. Principal manages approximately £1 billion (R15,1 billion) worth of assets in the UK and complements the existing private client business of Sanlam Private Investments (SPI).

This year is of particular importance for us at Sanlam as we reflect on the past 90 years during which we have made every effort to grow into one of the foremost financial institutions in Africa. It is with pride that we look back on our history that has taken us from our humble beginnings as the *Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappij Beperk* (Sanlam) in 1918 to the Sanlam of today, a leader in wealth creation. We remain committed to continuing on our path of transforming into a diversified financial services organisation, with a clear focus on maximising return for our clients and shareholders.

In closing

As we approach our 90th birthday and 10th year of listing on the JSE and Namibian stock exchanges, I would like to thank my fellow board members, Johan van Zyl and his management team, each and every Sanlam staff member and our intermediary force for their role in setting Sanlam on a firm growth path into the future.

Despite the challenges lying ahead in 2008, I look forward to being able to report on another year of solid achievements a year from now.

Roy Andersen
Chairman

Sanlam board of directors and committee memberships

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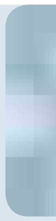

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Independent non-executive directors

1 Roy Andersen (59) (Chairman)

Appointed in 2004

Qualifications: CA (SA), CPA (Texas)

Major external positions, directorships or associations: Murray & Roberts, Virgin Active Group – United Kingdom, JHB Children's Home, The Business Trust, Business Against Crime (SA), Chief of Defence Reserves, SA National Defence Force

Sanlam and Sanlam Life committee membership: Nominations (Chairman), Human Resources, Non-executive Directors (Chairman)

2 Manana Bakane-Tuoane (59)

Director since 2004

Qualifications: PhD (Economics) (University of Saskatchewan, Canada)

Major external positions, directorships or associations: Municipal Manager Emfuleni, African Rainbow Minerals

Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive Directors, Retail Cluster

3 Anton Botha (54)

Director since 2006

Qualifications: BProc, BCom (Hons) Investment Management, Stanford Executive Program

Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Sanlam Capital Markets, Sanlam Investment Management, Imalivest

Sanlam and Sanlam Life committee membership: Human Resources (Chairman), Non-executive Directors, Institutional Cluster

4 Attie du Plessis (63)

Director since 2001

Qualifications: BCom, CA (SA), AMP (Harvard), AEP (Unisa)

Major external positions, directorships or associations: Absa (retired 31/12/2007), KWV, Sanlam Investment Management

Sanlam and Sanlam Life committee membership: Audit and Risk, Non-executive Directors, Institutional Cluster


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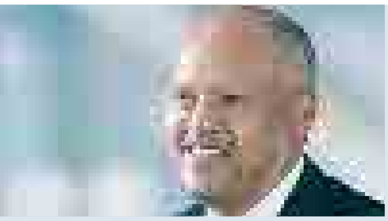
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5 Fran du Plessis (53)

Director since 2004

Qualifications: BCom (Hons) Taxation, BCom LLB, CA (SA)

Major external positions, directorships or associations: KWV, Naspers, Keeromstraat 30 Beleggings, Heemstede Beleggings, South African Airways, IDC, Findevco, LDP Incorporated

Sanlam and Sanlam Life committee membership: Audit and Risk, Policyholders' Interest (Chairperson), Non-executive Directors

6 Wilmot James (54)

Director since 2004

Qualifications: PhD (Wisconsin)

Major external positions, directorships or associations: Media 24, Cape Philharmonic Orchestra, African Genome Education Institute, Grape Company, The Fynbos Foundation, Fynbos

Sanlam and Sanlam Life committee membership: Policyholders' Interest, Sustainability, Non-executive Directors

7 Valli Moosa (51)

Director since 2004

Qualifications: BSc (University of Durban-Westville)

Major external positions, directorships or associations: Lereko Investments, Eskom, Imperial, Sun International, Real Africa Holdings, Anglo Platinum, ANC (National Executive Council), Auditor General Advisory Board, IUCN (World Conservation Union)

Sanlam and Sanlam Life committee membership: Sustainability (Chairman), Non-executive Directors, Institutional Cluster

8 Raisibe Morathi (38)

Director since 2006

Qualifications: CA (SA)

Major external positions, directorships or associations: Afrisam, Santam

Sanlam and Sanlam Life committee membership: Policyholders' Interest, Non-executive Directors, Institutional Cluster

9 Sipho Nkosi (53)

Director since 2006

Qualifications: BCom (Hons) Economics, MBA

Major external positions, directorships or associations: Eyesizwe, Exxaro, Anooraq Resources

Sanlam and Sanlam Life committee membership: Non-executive Directors, Retail Cluster

10 Ian Plenderleith (64)

Director since 2006

Qualifications: MA (Oxon), MBA (Columbia), FCT, FSI, CBE

Major external positions, directorships or associations: Past Deputy Governor of the SA Reserve Bank, Past Executive Director of the Bank of England, BH Macro, MediCapital Bank, Bond Exchange of South Africa, International Capital Markets Association, Invoice Clearing Bureau South Africa, British Museum Friends, Columbia Business School Board of Overseers, Wits Business School Advisory Board

Sanlam and Sanlam Life committee membership: Audit and Risk, Non-executive Directors, Institutional Cluster

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11 Maria Ramos (49)

Director since 2004

Qualifications: BCom (Hons), MSc Economics (London)

Major external positions, directorships or associations: Transnet, Remgro

Sanlam and Sanlam Life committee membership: Nominations, Non-executive Directors

12 George Rudman (64)

Director since 2001

Qualifications: BSc, FFA, FASSA, ISMP (Harvard)

Major external positions, directorships or associations: Santam

Sanlam and Sanlam Life committee membership: Audit and Risk (Chairman), Non-executive Directors, Retail Cluster, Short-term Insurance Cluster

13 Bernard Swanepoel (46)

Director since 2004

Qualifications: BCom (Hons), BSc (Mining Engineering)

Major external positions, directorships or associations: African Rainbow Minerals, Mintails, Wits Business School Advisory Board, Pretoria University Mining Engineering Advisory Board

Sanlam and Sanlam Life committee membership: Sustainability, Non-executive Directors, Retail Cluster

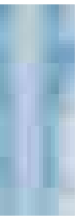
14 Lazarus Zim (47)

Director since 2006

Qualifications: BCom (Hons), MCom, DCom (HC)

Major external positions, directorships or associations: Anglo American SA, Chamber of Mines of SA, Kumba, Telkom, Afripalm, Northam Platinum, Mvelaphanda Resources, Transhex

Sanlam and Sanlam Life committee membership: Non-executive Directors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Non-executive directors

15 Patrice Motsepe (46) (Deputy Chairman)

Director since 2004

Qualifications: BA (Legal), LLB

Major external positions, directorships or associations: African Rainbow Minerals, Harmony, Ubuntu-Botho Investments, Sizanani-Thusanang-Helpmekaar Investments, President of Mamelodi Sundowns Football Club, President of Business Unity South Africa (BUSA), African Fashion International, Leisureworx

Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive Directors

16 Rejoice Simelane (55)

Director since 2004

Qualifications: PhD (Econ) (Connecticut)

Major external positions, directorships or associations: African Rainbow Minerals, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, Bureau for Economic Policy Analysis (BEPA), Presidential Economic Advisory Panel

Sanlam and Sanlam Life committee membership: Sustainability, Non-executive Directors, Retail Cluster

Executive directors

17 Johan van Zyl (51)

Director since 2001 – Group Chief Executive since 2003

Qualifications: PhD, DSc (Agric)

Major external positions, directorships or associations: Sanlam Investment Management, Sanlam Netherlands Holding BV, Santam, African Life Assurance Company, University of Pretoria, Hans Merensky Foundation

Sanlam and Sanlam Life committee membership: Short-term Insurance Cluster (Chairman), Retail Cluster (Chairman), Institutional Cluster (Chairman)

18 Kobus Möller (48)

Financial Director since 2006

Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)

Major external positions, directorships or associations: Sanlam Capital Markets, African Life Assurance Company, Sanlam Investment Management, Santam

Sanlam and Sanlam Life committee membership: Short-term Insurance Cluster, Retail Cluster, Institutional Cluster

Report of the Group Chief Executive

Johan van Zyl,
Group Chief Executive

Our results reflect a company that has started to reap the benefits of a focused business strategy, implemented four years ago.

2007 – How did we do?

I am extremely pleased to be reporting back on a financial year that reflects a company that has started to reap the benefits of a focused business strategy, implemented four years ago.

The essence of this ongoing strategy is to grow a trusted world-class South African financial services group that delivers complete client-centric solutions aimed at creating and protecting wealth for both private as well as institutional investors.

The fact that new business volumes exceeded the R100 billion mark during the 2007 financial year for the first time ever is a clear indication that we are on the right track with this strategy. Last year every single business cluster contributed to the strong performance, which makes this achievement even more significant.

Our strategy continues to centre around five pillars: capital efficiency, earnings, costs and efficiencies, transformation and diversification. However, two of these pillars attracted additional focus last year for strategic reasons, namely transformation with regard to people and diversification.

Only five years ago more than three quarters of all inflows were generated by our life insurance business. Last year only about a one fifth of our inflows came from the life side – a direct result of our successful diversification strategy.

We are also proud to boast the fastest growing private client business in the country. Sanlam Private Investments now boasts assets under management of more than R50 billion. Six years ago this operation was making a loss – in 2007 it generated pre-tax profits of more than R80 million.

Over the past two years most of our growth has emanated from new efforts such as:

- Focusing on the Gauteng market where we were under-represented;
- Venturing into the South African entry-level market with African Life, Channel Life and Safrican;
- Our diversification into Africa where we now have some 1 500 intermediaries selling our solutions;
- Expansion into India where some 16 400 people are representing us, and the UK market where we have more than 500 people on the ground; and
- Focusing on the institutional market where Sanlam Investment Management and Sanlam Capital Markets have grown their income base substantially by leveraging off the life platform.

In addition, we succeeded in freeing up capital of more than R3 billion last year. This has been added to our discretionary capital, which we will invest in new projects that will spearhead the growth of this business well into the future, apart from a portion that will be returned to shareholders through share buy-backs. Much of our focus this year will be on bedding down these initiatives.

R2,9 billion was utilised to buy back Sanlam shares in 2007. The aggregate amount of capital return through share buy-backs since the start of 2005 now amounts to R9 billion. This represents 588,8 million shares or 21,4% of Sanlam's issued share capital as in the beginning of 2005.

One of the significant new initiatives launched last year is SanlamConnect, a revolutionary new distribution model that will help position Sanlam as a leader in our rapidly changing financial services industry.

We also introduced Sanlam Liquid, our transactional banking initiative, with the aim of increasing the choice of solutions available to our clients as part of our client retention strategy.

And towards the end of 2007, we became the first big South African financial services company to launch more affordable and flexible life and disability cover for people living with HIV, known as the Sanlam LifePower range.

In summary, the past year represents the fifth year of our long-term journey which is going to take us to our goal of being the world-class financial services provider that we have promised we will become. For us at Sanlam, 2007 was significant because it was our first real growth year after spending the previous years fixing the business and developing a wider base.

Maximising Return on Group Equity Value (ROGEV) through improved capital efficiency and earnings growth remains a central target of our strategy since this is the most relevant measure of value creation. In this regard, the Group has set a target of outperforming the 10-year bond yield plus 3% to 4% on a sustainable basis. This was achieved in 2007, with a total return on GEV per share of 18,8%. All of the businesses contributed to the growth, with a particular strong performance from the investment return earned on Santam.

Our shareholders will also have noticed that the Sanlam share price went up by more than 20% during 2007, from R18,30 on 31 December 2006 to R22,75 a year later.

Overall, I firmly believe that we succeeded in creating value for our shareholders in 2007.

Performance highlights

We reached important milestones during 2007 with new business volumes and core earnings exceeding R100 billion and R4 billion respectively for the first time. This performance epitomises an overall solid performance in 2007, highlighted by the following achievements:

- Net result from financial services increased by 20% to 133,3 cents per share.
- Core earnings per share increased by 27% to 182,4 cents per share.
- New business volumes of R102 billion are 26% higher than 2006.
- Value of new life business improved by 31% to R567 million.
- Return on Group Equity Value per share of 18,8%.
- Dividend per share increased by 21% to 93 cents per share.

Operating environment

We expect that 2007 may well be remembered as a major inflection point, not only for the global economy, but also for South Africa.

For the equity market, 2007 turned out to be a year of two halves. The first half of the year brought with it a steady rise in equity prices. However, the second half of the year was characterised by increased volatility, largely as a result of the crisis in the US subprime lending market. A sharp correction in equity prices in the third quarter of last year was, however, followed by a vigorous recovery, allowing the market to end the year on a substantially higher level. The JSE All Share Index managed to grow by 16% for the year ended December 2007, mainly off the back of resources.

Despite the volatility and uncertainty in the markets, the majority of our investment portfolios outperformed and even earned accolades. It comes as no surprise then that the Sanlam Investments cluster reported performance fees of just over R525 million for 2007, compared to R356 million in 2006.

Globally, our flagship fund, the Sanlam Global Best Ideas Fund, has consistently ranked in the top 10 out of 600 global peers since its inception in September 2004. And the Sanlam Global Financial Fund has been rated by Morningstar as number one over all reporting periods since its inception in April 2004.

The recent Raging Bull Awards for 2007 also recognised a number of our local unit trust funds for their consistent performance.

Real economic activity remained strong in 2007, but growth in real household disposable income nevertheless slowed down as higher inflation, combined with rising interest rates, took its toll. The household debt burden continued to rise to record levels, and debt-servicing costs increased to a level last seen in 1999. Household savings remained in negative territory and this is of concern to us.

Realising that in a low savings environment the majority of consumers consider the home they live in as their core savings, we expanded into the home loans arena a few years ago. Solid growth in this area backs our convergence strategy aimed at meeting clients' financial needs, whatever they are.

The 2007 financial year will also be remembered by the financial services industry as a year during which a number of of positive and pro-active steps were taken to better align the industry with changing consumer needs.

Sanlam, together with the rest of the life insurance industry, implemented the Statement of Intent and enhanced the values of thousands of retirement annuity funds and endowment policies during the first half of last year. The implementation of the Statement of Intent represented an important step for the life insurance industry towards regaining consumer confidence.

We also expect the Social Security and Retirement Reform process announced last year to gather momentum during 2008. This process represents an important step towards establishing a system that will encourage a wider spectrum of South Africans to save for their retirement and provide for risk events such as death and disability.

This year we will be embracing the new commission regulations that will be applicable to our industry's long-term savings solutions. We are hopeful that this will culminate in a commission model that will offer a better balance between upfront and as-and-when commission.

Transforming Sanlam

In 2007, Sanlam once again received an A Rating against the Financial Sector Charter (FSC) for our Broad-based Black Economic Empowerment (BBBEE) initiatives. This is the highest rating financial sector companies can achieve for BBBEE. We were also ranked as the 19th most empowered company listed on the JSE by Empowerdex, up from 56th place in 2006.

We remain committed to transforming the Sanlam group into a business that is representative of our diversified client base. Significant effort has therefore been channelled into attracting and retaining black staff members across the organisation, but in particular at the senior level.

Combined with our efforts to become the employer of choice in the financial services industry, we have therefore managed to attract a black staff complement consisting of top industry talent. In 2007, 82% of all new appointments were black. At the end of January 2008 we had 45% black and 64% female staff members.

However, the financial services industry continues to experience a shortage of skilled staff and a high turnover of staff therefore continues to be of concern.

To counter this over the long term, focused development of internal staff members is encouraged with the aim of growing Sanlam's own supply of talent. All our businesses have introduced specific initiatives to implement this approach with urgency.

We view the continued transformation of our organisation's culture and diversity as key in terms of our competitiveness and long-term sustainability. A critical component to achieving this is the development and management of our human capital.

In this regard Sanlam has accepted the international Investors in People Standard as a standard by which training and development are closely linked to the performance development process. This standard sets out a level of good practice for the training and development of people to achieve business goals. We are proud of the fact that Sanlam Personal Finance became the first life company in South Africa to receive full accreditation. African Life also achieved accreditation in 2007.

During 2007, Sanlam spent approximately 3%, or R77 million, of its total payroll on training and development.

2008 – Delivering sustainable growth

We remain firmly on the right track and a fundamental shift in strategy would therefore not be appropriate. We have, however, set ourselves the firm goal for 2008 and beyond to lift the performance bar and to further strengthen our long-term strategic positions to:

- ***Aggressively improve performance and attain a leadership position in wealth creation in South Africa beyond life insurance***
  - Improve the effectiveness of our traditional distribution models and introduce new initiatives such as SanlamConnect.
  - Release capital and investigate acquisitions that will deepen our presence.
  - Systematically build our bancassurance arrangements and transactional banking capability.
- ***Improve capital efficiency even further***
  - Ensure effective management of our capital base by making strategic investments, building a balanced portfolio and applying capital in the most efficient manner.
- ***Prioritise the international positioning***
  - Expand international operations' share of Group operating profits.
  - We believe attractive opportunities are to be found in India.
  - Create a leading position in the financial services emerging markets.
- ***Accelerate transformation***
  - Maintain a relevance to a changing market demographic and respond to the requirements of our key stakeholders in terms of BBBEE.

In 2008 we will also be focusing on achieving a sustainable superior rating of our Group by enhancing ROGEV through:

- Further optimisation of the Sanlam group capital structure;
- Delivering topline growth; and
- Improved operational efficiency.

Our big thrust in 2008 will be to retain clients by ensuring that our offering meets all their needs – from financial planning process to investing to banking. Every year billions of benefit payouts leave the Sanlam group – it is our aim to produce an offering that will convince clients to stay with us, even once their policies or investments have paid out.

The same is true for our investment management operation, where we have started structuring the business into a comprehensive wealth management cluster so that we no longer need to pass on client money to outside multi-managers or alternative investment managers.

Hence our strong focus on internationalisation. Not only does a strong offshore offering support our diversification strategy, but it also ensures that clients have more options within the Sanlam group. Our acquisition of Principal Investment Holdings, a UK-based private-client asset manager, at the beginning of 2008, forms part of this strategy.

Sanlam is now well represented in all market segments, from the entry-level market through to the high net worth market. Different opportunities continue to present themselves in each of the segments and different aspects of our overall strategy take priority in these segments.

During 2008 we will focus on growing our market share in the entry-level market, which represents a major growth area for us. Increasing our slice in the affluent market segment will be much tougher. In the affluent market segment we are looking at strategic acquisitions to expand our footing, and at the top end of the market improving our international offering is likely to attract a bigger client base.

In 2008, we will be operating in an environment marked by heightened uncertainty. In addition, we will also be grappling with the impact of the Social Security and Retirement Reform process. We believe that our strong focus on diversification in recent years will pay off handsomely in these times where uncertainty prevails.

Special focus areas

During 2007 the majority of our business clusters continued to perform well and in line with our strategy. There are, however, two business units requiring special focus this year.

Channel Life in the Sanlam Developing Markets cluster posted disappointing returns on the back of poor performance in the Channel Life call centre. New business controls were implemented towards the end of last year and a mainly new executive team was appointed. The focus this year will be on implementing the turnaround strategy for Channel Life.

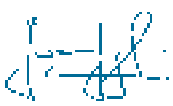
Employee Benefits was incorporated into the Sanlam Investments cluster in January 2007 and underwent a significant restructuring during the first half of 2007. While this approach has already started yielding the desired results, this business is not yet where we would like it to be and will therefore enjoy increased attention during 2008.

We were also slower than anticipated in releasing surplus capital in 2007. But we will be making announcements in this regard during the course of this year.

On the growth and innovation front, we are partnering in an exciting new venture called MiWay, a direct sales business aimed at selling a range of financial service solutions directly to the South African middle market. This venture, launched in February 2008, promises to effectively compete in a space that is growing in importance at the expense of intermediated solutions.

In closing

I am proud of the achievements delivered in 2007 by the majority of the businesses that make up the Sanlam group. Our people hold the key to Sanlam's ability to operate profitably and to transform successfully, and I would like to thank our staff and our intermediaries for taking the necessary ownership and for demonstrating the required responsibility that made 2007 such a successful year. My appreciation also goes to my management team and the board for their ongoing commitment, support and guidance.



Johan van Zyl

Group Chief Executive

Executive committee

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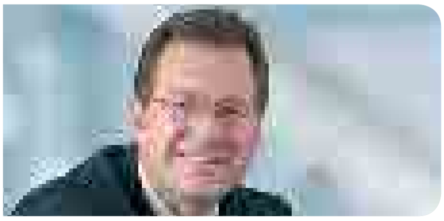

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1 Johan van Zyl (51)

Appointed: 2001 – Group Chief Executive

Qualifications: PhD, DSc (Agric)

Group Chief Executive of Sanlam since March 2003. Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holding and African Life Assurance Company. Council member of the University of Pretoria and Trustee of the Hans Merensky Trust.

Former Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria.

2 Kobus Möller (48)

Appointed: 2003 – Financial Director

Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)

Appointed Financial Director in 2006. Executive director of Sanlam Limited and Sanlam Life, non-executive director of Santam, Sanlam Capital Markets, African Life Assurance Company and Sanlam Investment Management.

Former Chief Executive: Finance of Sanlam Limited, Executive director: Operations and Finance of Sanlam Life, Executive director: Finance of Impala Platinum Holdings.

3 Themba Gamedze (49)

Appointed: 2004 – Chief Executive: Marketing and Strategic Investments

Qualifications: BA (Hons), MSc, FIA, FASSA

Chief Executive of Sanlam Employee Benefits from 2003 to 2006. Non-executive director of Santam, Coris Capital and Simeka Consultants and Actuaries, Council member of the Actuarial Society of South Africa and founding president of the Association of South African Black Actuarial Professionals.

Former empowerment executive at Liberty Life and associate director: Structured products at HSBC Securities.

4 Ian Kirk (50)

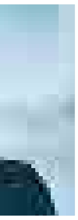
Appointed: 2006 – Chief Executive: Santam

(Formerly Chief Executive: Strategy and Special Projects at Sanlam)

Qualifications: FCA (Ireland), CA (SA), HDip BDP (Wits)

Director of Centriq Insurance Company, Centriq Insurance Holdings, Centriq Life Insurance Company, Nova Risk Partners, SAIA, Sanlam Independent Financial Services, Solcor Investments, The Standard General Insurance Company and Beaux Lane (SA) Properties.

Former partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group.



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5 Lizé Lambrechts (44)

Appointed: 2002 – Chief Executive: Sanlam Personal Finance

Qualifications: BSc (Hons), FIA, EDP (Manchester)

Non-executive director of Sanlam Life Namibia, Sanlam Namibia Holdings, African Life Assurance Company, Sanlam Netherlands Holding and Merchant Investors Assurance. Director of Glacier and Chairperson of the Life Offices' Association.

Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's individual life business.

6 Temba Mvusi (52)

Appointed: 2004 – Chief Executive: Market Development

Qualifications: BA, ELP (Warton School of Business), MAP (Wits), PDP (UCT)

Appointed Chief Executive: Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004. Non-executive director of Sanlam Private Investments, African Life Assurance Company, Sanlam Investment Management, Sanlam Employee Benefits and The National Business Initiative. Council member of the Walter Sisulu University and Bishops Cape Town.

Former head of external interface at Sanlam Investment Management, General Manager of Gensec Property Services and Marketing Manager of Franklin Asset Management.

7 Johan van der Merwe (43)

Appointed: 2002 – Chief Executive Officer: Sanlam Investments

Qualifications: MCom, MPhil, CA (SA), AMP (Harvard)

Appointed Chief Executive Officer of Sanlam Investment Management in July 2002. Executive director of Sanlam Investment Management and director of all the companies in Sanlam Investments and Chairman of Sanlam Capital Markets, Simeka Consultants & Actuaries, Sanlam Properties, Sanlam Multi-Manager International and Sanlam Asset Management (Ireland).

Former director of Investec Asset Management and head of corporate finance and tax at Billiton. A director of the Investment Managers Association of SA.

8 Heinie Werth (44)

Appointed: 2005 – Chief Executive: Sanlam Developing Markets

Qualifications: Hons B Accountancy, CA (SA), MBA (Stellenbosch), EDP (Manchester)

Appointed Chief Executive: Developing Markets in December 2005 after serving as Financial Director of Sanlam Life from April 2002. Chief Executive of African Life Assurance Company and a director of a number of African Life affiliate boards, non-executive director of Shriram Life Insurance (India) and Chairman of Channel Life.

Former Senior General Manager (IT) of Sanlam Life, Financial Director of Sanlam Employee Benefits and Manager: Corporate Finance of Gencor and Financial Director of Kelgran.

9 André Zeeman (47)

Appointed: 2005 – Chief Actuary

Qualifications: BCom, FIA, CFP, EDP (Manchester)

Appointed Chief Actuary of Sanlam Limited and Statutory Actuary of Sanlam Life in September 2005.

Non-executive director of Sanlam Customised Insurance.

Former Chief Executive: Actuarial of Sanlam Life and held various managerial positions in the Actuarial department since appointment at Sanlam in 1982.

Johan Bester,
Company Secretary

Upholding Corporate Governance Best Practice

The board recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

Statement of commitment

The Sanlam board of directors is committed to and fully endorses the principles of the South African Code of Corporate Practices and Conduct as recommended in the King Report on Corporate Governance (King II), and to the highest level of corporate governance and global best practice. We subscribe to a governance system whereby in particular ethics and integrity set the standards for compliance, and we constantly review and adapt our structures and processes to accommodate internal corporate developments and to reflect national and international best practice.

The directors of Sanlam believe that Sanlam complies with and has implemented the applicable requirements of King II in all significant respects, with regard to the year under review. Sanlam also takes due cognisance of international corporate governance standards and practices.

The board recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders. The board also appreciates that corporate governance is a component of equity risk and acknowledges the relationship between governance and risk management practices, equity performance and corporate profitability. Sound governance principles remain one of the top priorities demonstrated by the board and Sanlam's executive management.

Application of and approach to the Code

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of the Code of Corporate Practices and Conduct. All the business and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Sustainability performance

Sanlam's overall philosophy, policy and governance on sustainability are set out in the Sustainability and Corporate Citizenship Report on page 58 of this annual report.

Governance developments entrenched

The revised corporate governance structure for the Sanlam group, appropriately entrenched during 2007, was as follows:

Board structures

The non-executive directors of Sanlam Limited (Sanlam) serve in the same capacity on the board of Sanlam Life Insurance Limited (Sanlam Life). The two boards function as an integrated unit in practice as far as possible. Both boards have the same independent director as chairman as well as the same executive director as CEO.

Board responsibilities and functioning

The Sanlam and Sanlam Life board meetings are combined meetings, thereby removing one layer in the decision-making process in an attempt to prevent duplication of effort and to improve the flow of information, as well as to increase the efficiency of the two boards.

The agenda of the Sanlam board focuses more on Group strategy, capital management, accounting policies, financial results and dividend policy, human resource development, as well as corporate governance and JSE requirements. It is also responsible for the relationship with shareholders and other stakeholders in the Group. The Sanlam board has the following board committees:

- Audit and Risk
- Nominations
- Human Resources
- Sustainability
- Non-executive Directors
- Policyholders' Interest

The Sanlam Life board is responsible for statutory issues across all Sanlam businesses as well as monitoring operational efficiency and operational risk issues throughout the Group. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life board. The Sanlam Life board has the following board committees:

- Audit, Actuarial and Risk
- Human Resources
- Retail Cluster
- Institutional Cluster
- Short-term Insurance Cluster
- Policyholders' Interest

Business clusters

The Group's businesses and underlying business units consist of two macro-business clusters, Retail and Institutional, to improve management and operational focus. Santam is seen as a third macro-business cluster. The clusters are operationally autonomous with commercial, arm's-length relationships between them where appropriate.

Each of the business clusters reports into a cluster board committee. These are board committees of the Sanlam Life board, appropriately authorised to direct and monitor all strategic and operational aspects of a particular business cluster. A majority of non-executive directors from the Sanlam Life board, the Group Chief Executive and Financial Director, as well as key cluster executives, are members of the cluster board committees. External experts/specialists were also appointed to each committee in an advisory capacity. The Group Chief Executive acts as chairman of each of the cluster board committees, which meet at least once per quarter. The committees consider proposals and receive reports regarding strategy implementation, operational performance, finance and actuarial issues as far as these affect business operations, risks, governance and human resources.

The cluster board committees perform no statutory functions. They escalate issues to the relevant Sanlam or Sanlam Life board committees when appropriate, and regularly provide summarised feedback on cluster activities to the Sanlam Life board. The cluster board committees function within the authority levels delegated to them by the Sanlam Life board.

Business divisions and divisional boards

The business divisions all fall within a cluster and include Sanlam Investments, Sanlam Capital Markets, Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Developing Markets. Each business division is managed by a chief executive, supported by Exco and support functions that are appropriate to their particular operational needs. The divisions function within the strategy approved by the relevant business cluster board committee and according to a set of management principles established by the Group Office for the Sanlam group.

Divisional boards were established for the five business divisions. Each of these boards has committees (or forums) with specific responsibilities for the operation of that particular business division.

The divisional boards and committees mainly consist of executives as the majority of the operating business decisions are made by these boards and committees. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life board and business cluster committees. Each of the divisional boards has its own Audit and Risk as well as Human Resources (HR) forum/committee. The divisional boards and forums/committees are strengthened where appropriate by the appointment of "expert directors" or invitees who may be members of the Sanlam Life board or may be additional external appointments.

Business units and business boards

The business units include the underlying businesses within the business divisions such as Glacier, Sanlam Home Loans, Sanlam Trust and Merchant Investors. The business units and their boards with their executive committees structure their own activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary and associated companies.

Group Office

The Group Chief Executive is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); co-ordinating (synergy seeking); performance monitoring and the allocation of capital.

Magda Lombard,
Company Secretary: Sanlam Life Insurance Limited

The Sanlam board and board committees (as at 31 December 2007)

Board charter

In accordance with the principles of sound corporate governance, the Sanlam board charter – modelled on the charter principles recommended by King II – incorporates the powers of the board, providing a clear and concise overview of the division of responsibilities and accountability of the board members, collectively and individually, to ensure a balance of power and authority. The annual evaluation process to review the effectiveness of the board, its committees and individual directors has been entrenched. The board charter (and the committee charters) can be viewed on Sanlam's website (www.sanlam.co.za).

Committee charters

The board committee charters, which describe the terms of reference of the committees as delegated and approved by the board, are reviewed at least annually.

Board composition

As at the 2007 financial year-end the Sanlam board comprised 18 members, two of whom were non-executive, 14 were independent non-executives (in accordance with King II's "independence" standards), and two executive directors.

Particulars of the Sanlam board members and their capacities, categorised as executive, non-executive and independent, are set out on page 22. Two of the independent non-executive directors, Eugene van As and Boetie van Zyl, retired at the annual general meeting (AGM) in 2007, thus reducing the total number of directors to 18. The roles of Chairman and Group Chief Executive are separated, with Roy Andersen and Johan van Zyl holding these positions respectively. Senior management attend the board meetings on invitation. At least a third of all board members retire every year at Sanlam's AGM.

The Sanlam board of directors

Director	Executive (E) Non-executive (N) Independent (I)	Changes during 2007
RC Andersen (Chairman)	I	
MMM Bakane-Tuoane	I	
AD Botha	I	
AS du Plessis	I	
FA du Plessis	I	
WG James	I	
MV Moosa	I	
JP Möller	E	
PT Motsepe	N	
RK Morathi	I	
SA Nkosi	I	
I Plenderleith	I	
M Ramos	I	
GE Rudman	I	
RV Simelane	N	
ZB Swanepoel	I	
E van As	I	Retired on 6 June 2007
JJM van Zyl	I	Retired on 6 June 2007
J van Zyl	E	
PL Zim	I	

Composition of the board as at 31 December 2007: Three black female, five black male, two white female, eight white male.

Independence of board members

Through its Nominations committee the board annually considers and reconfirms the categorising of independent directors with reference to the guidelines in King II. Their independence in character and judgement, and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration. The independent and non-executive directors on the Sanlam and Sanlam Life boards are highly respected and experienced, having the required integrity, knowledge and skills to make sound judgements on various key issues relevant to the business of Sanlam, independent of management. These include the key issues of strategy, performance, human resources, transformation, diversity, employment equity and corporate governance. Consideration of gender and racial diversity, as well as diversity in business, geographic and academic backgrounds are taken into account, in accordance with Sanlam's commitment to transformation.

The Nominations committee is of the view that all the Sanlam directors meet the criteria set for independence except for PT Motsepe and RV Simelane due to their involvement in Ubuntu-Botho, as well as J van Zyl and JP Möller being executive directors.

Appointment and re-election of directors

The board charter contains a policy detailing the formal and transparent procedures for appointment to the board. While the Nominations committee ensures that the board's composition reflects demographic diversity, Sanlam's Articles of Association also empower the board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Articles, directors are subject to retirement by rotation every three years and, if available, are considered for reappointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. Abridged biographical details of the nominated directors accompany the notice of the AGM. All directors are consequently appointed at an AGM by a shareholders' resolution.

Board member orientation and training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each director, and approved by the board. The Company Secretary, in co-operation with the head of Group Human Resources, manages the induction programme. Ongoing training is provided to board members as applicable.

Board effectiveness evaluation

The Nominations committee annually assesses the contribution of each director standing for re-election, using an individual director evaluation process that is conducted by the board Chairman or an external service provider. These assessments are transparent and well documented. The board Chairman's own performance is appraised by the board under the direction of the Deputy Chairman.

The Sanlam board as a whole considers the result of the evaluation processes. This culminates in a determination by the board as to whether the board will endorse a retiring director's re-election. Where a director's performance is not considered satisfactory, the board will not endorse the re-election.

The names of the directors standing for re-election at the AGM are contained in the explanatory notes to resolutions for the AGM (refer to page 308).

Every year, a collective board-effectiveness evaluation is conducted. This assessment, which is performed in alternate years by an external service provider, or by the Chairman, is aimed at determining how the board's effectiveness can be improved. The Nominations committee considers the results of the evaluation process and makes recommendations to the board where deemed appropriate. At the end of the year under review the board-effectiveness review was conducted by Deloitte & Touche. The results were positive. The assessment included an effectiveness assessment of the board itself collectively, an assessment of five key board committees, as well as 360º peer reviews of the individual directors, including the Chairman.

Independent assessment of Sanlam's corporate governance practices

In 2007, Deutsche Bank conducted a survey on corporate governance practices in South Africa, covering a large number of JSE-listed companies, based upon Deutsche Bank's approach taken to corporate governance, which included that an "independent" non-executive director does not include a director who has held an executive position within the Sanlam group at any stage. In this report dated 30 November 2007 Sanlam was given a positive governance assessment score of 79% against an international best practice set of criteria. Its governance momentum was indicated as stable and it was rated 5th amongst 12 financial institutions in South Africa.

Board meetings

The board meets at least five times a year to consider business philosophy and strategic issues, to set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends are considered.

Board committees

The board has established a number of permanent standing committees with specific responsibilities, defined in terms of their respective charters as approved by the board, to assist the board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the board and, as such, it will not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the board at each board meeting, while the chairpersons of the committees attend the AGM and are available to respond to any shareholder queries. For the period under review, all the committees are satisfied that they have fulfilled their responsibilities in terms of their respective charters.

– Audit and Risk committee

Members:

GE Rudman (Chairman), AS du Plessis, FA du Plessis (from 01/04/2007), E van As (until 06/06/2007) and I Plenderleith.

Composition:

Three white males, one white female. All independent directors.

Attendees:

RC Andersen (Board Chairman), J van Zyl (Group Chief Executive), JP Möller (Financial Director), D Ladds, P de V Rademeyer, CG Swanepoel, AP Zeeman (Statutory Actuary and Chief Risk Officer), JP Bester (Company Secretary) and M Lombard (Committee Secretary).

The role of the Audit and Risk committee is to assist the board in fulfilling its responsibility with regard to financial matters and risk management activities. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. Annually the committee reviews compliance of the external auditor with the non-audit services policy of the Group.

This committee's charter is reviewed annually by the board to ensure that it is aligned with King II and international best practice. As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditors. The committee is satisfied that the external auditor is independent of the company.

The committee comprises four financially experienced members, all of whom are independent directors. In view of this committee's Group-wide relevance, members of senior management, the chief audit executive, the Chief Actuary and the external audit partners as well as other assurance providers also attend committee meetings. The committee meets four times per year.

– Human Resources committee

Members:

AD Botha (Chairman), RC Andersen, PT Motsepe, M Ramos (until 09/10/2007), JJM van Zyl (until 06/06/2007) and MMM Bakane-Tuoane (from 05/12/2007).

Composition:

One black female, one black male, two white males. All independent directors, except PT Motsepe (non-executive).

Attendees:

J van Zyl (Group Chief Executive), E van der Straaten (Group HR Executive) and JP Bester (Company Secretary).

This committee is responsible for monitoring and advising on the Group's human intellectual capital and transformation processes regarding employees. In particular, the committee approves executive appointments and reviews succession planning, including the position of the Group Chief Executive. The committee is also responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes, and the annual determination of remuneration packages for members of the Sanlam group's Executive committee. The committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that excellent performance is rewarded. It also makes recommendations to the board regarding directors' remuneration (except for the HR committee). The committee meets four times a year.

– Nominations committee

Members:

RC Andersen (Chairman), MMM Bakane-Tuoane, PT Motsepe and M Ramos.

Composition:

One black female, one black male, one white female, one white male. All independent directors, except PT Motsepe (non-executive).

Attendees:

J van Zyl (Group Chief Executive), E van der Straaten (Group HR Executive) and JP Bester (Company Secretary).

The committee is responsible for making recommendations to the board on all new appointments to the board and its committees. A formal process of reviewing the balance and effectiveness of the board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the board and its committees remain effective and focused. This includes a regular review of the composition of the board committees. It also includes assisting the Chairman with the annual evaluation of board members' performance. It is responsible for identifying appropriate board candidates and evaluating them against the specific disciplines and areas of expertise required. The board approves all interim appointments, with the final appointments being made by the shareholders at the AGM. The committee is chaired by the Chairman of the board and meets at least twice a year.

– Committee of non-executive directors

Members:

RC Andersen (Chairman), MMM Bakane-Tuoane, AD Botha, AS du Plessis, FA du Plessis, WG James, MV Moosa, PT Motsepe, RK Morathi, SA Nkosi, I Plenderleith, M Ramos, GE Rudman, RV Simelane, ZB Swanepoel, E van As (until 06/06/2007), JJ van Zyl (until 06/06/2007) and PL Zim.

Composition:

Three black females, five black males, two white females, six white males. All independent directors, except PT Motsepe and RV Simelane (both non-executive).

Attendees:

JP Bester (Company Secretary).

This committee is responsible for the governance and functioning of the board. The committee gives due regard to the general requirements of the JSE as well as the King Code, and ensures that there are appropriate and balanced corporate governance practices and processes in place within Sanlam. The committee objectively and independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholder groups.

The committee comprises all the non-executive and independent directors. The committee meets subsequent to board meetings.

– Sustainability committee

Members:

MV Moosa (Chairman), WG James, RV Simelane, ZB Swanepoel and PL Zim (until 05/06/2007).

Composition:

One black female, two black males, one white male. All independent directors, except RV Simelane (non-executive).

Attendees:

TI Mvusi (Chief Executive: Market Development), E van der Straaten (Group HR Executive) and M Lombard (Meeting Secretary).

This committee addresses transformational and safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group. With regard to safety, health and environmental matters, the committee's main responsibility is to recommend for approval, monitor and advise on matters pertaining to such matters throughout the Group. Suitably qualified persons are co-opted on to the committee when necessary to render specialist services. The committee meets four times per year.

– Policyholders' Interest committee

Members:

FA du Plessis (Chairperson), WG James, JJM van Zyl (until 06/06/2007), CG Swanepoel and RK Morathi (from 01/04/2007).

Composition: one black female, one black male, one white female, one white male. All independent directors except CG Swanepoel.

Attendees:

AP Zeeman (Statutory Actuary) and JP Bester (Company Secretary).

The main responsibility of the committee is to review and monitor all policyholder-related decisions and other related matters in the Sanlam group at a strategic level. Its main function is to act as an advisory body and to provide guidance to the board on strategic issues relating to policyholders. The committee meets four times per year.

– Ad hoc board committees

The board has the right to appoint and authorise special ad hoc board committees from time to time to perform specific tasks. The appropriate board members make up these committees.

In addition to the abovementioned board committees, there is also a

– Sanlam Group Executive committee

Members:

J van Zyl (Group Chief Executive and Chairman), T Gamedze, SC Gilbert (until 14/06/2007), M Jenks (until 30/04/2007), I Kirk, L Lambrechts, JP Möller, TI Mvusi, JHP van der Merwe, AP Zeeman and HC Werth.

Composition:

Two black males, one white female, six white males.

Attendees:

JP Bester (Company Secretary).

The Sanlam Group Executive committee, which functions under the chairmanship of the Group Chief Executive, is responsible for assisting the Group Chief Executive in the operational management of Sanlam, subject to statutory and delegated limits of authority. Its main functions are strategic directing, co-ordination and monitoring performance. The committee comprises the Group Chief Executive, the Financial Director, heads of business divisions, the Chief Actuary and selected senior Group executives. The committee meets every fortnight.

Attendance of meetings

During the period under review the board and committee members' attendance was as follows:

Board and committee meetings 2007

	Board		Audit and Risk	HR	Nominations committee		Sustain-ability	Policy-holders' Interest	Ad hoc
	Planned	Special			Planned	Special			
Scheduled/Held	5/5	0/2	4/4	4/4	4/4	0/1	4/4	4/4	
RC Andersen	5	2		4	4	1			2
MMM Bakane-Tuoane[(a)]	3	2			3	0			
AD Botha	5	2		4					3
AS du Plessis	5	2	4						2
FA du Plessis[(b)]	5	2	3					4	
WG James	5	1					4	4	
MV Moosa	5	2					3		
JP Möller	5	2							3
PT Motsepe	5	1		4	4	1			2
RK Morathi[(c)]	5	2						2	1
SA Nkosi	4	0							
I Plenderleith	5	0	4						2
M Ramos[(d)]	4	0		3	3	1			
GE Rudman	4	1	4						1
RV Simelane	5	2					4		
ZB Swanepoel	5	2					4		
J van Zyl	5	2							3
PL Zim[(e)]	4	2					1		
E van As[(f)]	0	1	0						
JJM van Zyl[(f)]	1	2		2				1	
CG Swanepoel[(g)]								4	

(a) Appointed to the HR committee: 05/12/2007
(b) Appointed to Audit and Risk committee: 01/04/2007
(c) Appointed to Policyholders' Interest committee: 01/04/2007
(d) Retired from HR committee: 09/10/2007
(e) Retired from Sustainability committee: 05/06/2007
(f) Retired from board and committees: 06/06/2007
(g) Only member of committee – not of board

Company secretary and professional advice

The board-appointed Company Secretary is JP Bester. He is also the Public Officer, Compliance Officer and the delegated Information Officer, and is responsible for the execution of all relevant and regulatory requirements applicable to those positions. Magda Lombard is the meeting secretary of the board.

All directors have unlimited access to the advice and services of the Company Secretary, who is accountable to the board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at Sanlam's expense.

Dealings in JSE securities

Sanlam complies with the JSE Limited (JSE) requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff are precluded from dealing in Sanlam securities from 1 January and 1 July, until the release of the Group's final and interim results respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants in the share incentive scheme and staff who may have access to price-sensitive information. A pre-approval policy and process for all dealings in Sanlam securities by directors and selected key employees are strictly followed. Details of directors' and the Company Secretary's dealings in Sanlam securities are disclosed to the JSE through the Stock Exchange News Service (SENS). Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at Sanlam's investment management companies. The Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation, and advises them of closed periods.

Investor relations and communication with stakeholders

Sanlam strives to be a leader in transparent, open and clear communications with all of its relevant stakeholders. In this regard, the Group seeks to continuously improve upon its communication efforts through more detailed disclosure of relevant financial and other information. The board appreciates the importance of dissemination of accurate information to all Sanlam stakeholders, and highly regards open and relevant dialogue with all parties with whom we do business. Reports and announcements to all audiences and meetings with investment analysts and journalists, as well as the Sanlam website, are useful conduits for information. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group. All board members are expected to attend Sanlam's AGM, and shareholders are encouraged to attend the AGM and to use this opportunity to direct questions at a Sanlam spokesperson. A summary of the proceedings of all general meetings, and the outcome of voting on the items of business are posted on the website following the AGM.

Communication with institutional shareholders and the investment community is conducted by Sanlam's Investor Relations (IR) department, and a comprehensive IR programme is also in place to ensure appropriate communication channels are maintained with domestic and international institutional shareholders, fund managers and investment analysts. An important component of this includes regular face-to-face meetings with various institutional investors on a global basis, through investor roadshows and investor conferences conducted by Sanlam's executive management.

Sanlam's remuneration philosophy and strategy

The Group Human Resources committee of the board is responsible for determining the remuneration strategy of the Group, approving mandates for bonus and all long-term incentive schemes and decisions about the Sanlam Exco remuneration packages relative to local and international industry benchmarks. The Group Human Resources committee retains the prerogative to make all remuneration decisions it deems appropriate and may amend any part of the Group's remuneration policy as necessitated by changing circumstances. It also makes recommendations to the board regarding the remuneration of Sanlam directors, other than Human Resources committee members. The board is convinced that appropriate remuneration for executive directors is inextricably linked to the development and retention of top-level talent and intellectual capital within the Group.

Employee remuneration

Sanlam is the sole or part owner of a number of businesses and joint ventures. The organisation recognises the difference between these entities and allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework.

Sanlam's remuneration philosophy aims to:

- Inform stakeholders of Sanlam's approach to rewarding its employees;
- Identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- Provide a general framework for all the other elements of the reward philosophy;
- Offer guidelines for short- and long-term incentive and retention processes; and
- Offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

The company has adopted a Total Reward Strategy for its staff members. This offering comprises remuneration (which includes cash remuneration and short- and long-term incentives), benefits, learning and development, an attractive work environment and a range of lifestyle benefits.

The key criterion for the implementation of this strategy is that of differentiation based on performance.

Core remuneration principles

The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit.

Consistent overall design with differentiation where appropriate: Consistent overall principles and design parameters are applied within the Group in support of a common Sanlam philosophy and to ensure good corporate governance. Where the nature of the job, its operating environment, or market realities dictate, differences within this framework are accommodated.

Pay for performance: Performance is the cornerstone of remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance.

Competitiveness: A key objective of the remuneration philosophy is that remuneration packages should enable the company and its businesses to attract and retain employees of the highest quality.

Quantum and structure of pay elements: The quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- The short-term variable component of remuneration is based on a combination of individual and annual business performance.
- The long-term variable component is based on the individual's performance, potential and the overall value to the business.

Leverage and alignment: The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:

- The interests of the shareholders;
- The performance of the company as a whole;
- The performance of any region, business unit or support function; and
- The employee's own contribution.

Within this framework, however, rewards can be modified by performance against company values.

Consistency: The reward philosophy strives to be both consistent and transparent. Differentiation in terms of market comparison for specific skill groups or roles and performance is, however, imperative.

Unfair discrimination is unacceptable and equal opportunities in respect of service practices and benefits must be guaranteed.

Attraction and retention: Remuneration practices should be recognised as a key instrument in attracting and retaining talent.

Shared participation: Employee identification with the success of the Group is important due to the fact that it is directly linked to both company and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to the Group, and, in particular, for achieving excellent performance and results.

Best practice: Reward packages and practices must reflect local and international best practice.

Communication: The remuneration philosophy and practices, as well as the processes to determine individual pay levels, must be transparent and communicated effectively to all employees.

Market information: Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.

Areas requiring full motivation and approval

There are some areas where the dictates of good corporate governance, the protection of shareholder interests and that of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resource committees either at Group or business level.

Areas in which autonomy is granted to all businesses within Group-mandated parameters

In some instances, the Sanlam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own Remuneration/Human Resources committees will play in ensuring good governance.

Sanlam shares and other long-term incentive mechanisms

The Sanlam group aims to make available a suite of long-term incentive plans in order to improve both performance and retention of key staff. These vary from broad-based participation schemes to very specialised plans with limited participation by key staff.

Executive directors

The packages for executive directors include a basic salary, a variable performance-linked short-term bonus and a variety of long-term incentive/retention plans. All of these are established in terms of the remuneration principles outlined.

In line with the Group's remuneration philosophy, the remuneration of the executive directors, including that of the Group Chief Executive is reviewed annually. The Group Human Resources committee reviews each executive director's performance and makes the necessary adjustments based on a number of market comparison surveys.

Short-term performance bonuses are calculated by the committee, based on predetermined performance targets in relation to the company's actual performance for that period. Long-term incentives are managed in the same way but the predetermined performance hurdles stretch over longer periods and benefits are paid only on achievement of these performance targets.

Executive directors are employed on a permanent basis and all Sanlam's human resources policies are applicable to their conditions of service. No special arrangements regarding severance or corporate actions have been put in place. The board is responsible for the appointment of the Sanlam executive directors as well as managing the exit arrangements that may be formulated.

Non-executive directors

Fee structures are recommended to the board by the Group Human Resources committee (other than for services as a Human Resources committee member) and reviewed annually with the assistance of external service providers. The committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new acts, regulations and corporate governance guidelines. The board recommends the fee structure for the next year to the company's shareholders at the AGM for approval.

Non-executive directors receive an annual fee for their input. In addition, a fee is paid for attending board meetings. Sanlam pays for all travelling and accommodation expenses in respect of board meetings. The Chairman receives a fixed annual fee that is inclusive of all board and committee attendances as well as all other tasks performed on behalf of the Group.

Disclosure of individual directors' emoluments, as required in terms of the JSE Listing Requirements, is detailed below.

Directors' emoluments

Non-executive directors

Directors' emoluments for the year ended 31 December 2007 (R'000)

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
Non-executive directors					
RC Andersen (Chairman)	961	—	412	—	1 373
MMM Bakane-Tuoane	128	133	55	—	316
AD Botha	128	232	55	290	705
AS du Plessis	128	200	55	224	607
FA du Plessis	128	225	55	—	408
WG James	128	172	55	—	355
MV Moosa	128	212	55	—	395
PT Motsepe	193	172	82	—	447
RK Morathi	128	173	55	255	611
SA Nkosi	128	91	55	—	274
I Plenderleith	128	170	55	—	353
M Ramos	128	120	55	—	303
GE Rudman	128	237	55	315	735
RV Simelane	128	174	55	—	357
ZB Swanepoel	128	174	55	—	357
E van As (resigned 06/06/2007)	62	40	26	—	128
JJM van Zyl (resigned 06/06/2007)	62	83	26	—	171
PL Zim	128	114	55	—	297
Travel and subsistence	—	91	—	—	91
Total non-executive directors	**3 070**	**2 813**	**1 316**	**1 084**	**8 283**

Directors' emoluments for the year ended 31 December 2006 (R'000)

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
Non-executive directors					
RC Andersen (Chairman)	882	—	378	—	1 260
MMM Bakane-Tuoane	118	92	50	48	308
AD Botha (from March 2006)	99	128	42	210	479
DC Brink (resigned 30 June 2006)	56	53	24	—	133
AS du Plessis	118	168	50	224	560
FA du Plessis	118	162	50	144	474
WG James	118	132	50	48	348
MV Moosa	118	160	50	—	328
PT Motsepe	176	110	76	—	362
RK Morathi (from March 2006)	99	72	42	—	213
SA Nkosi (from March 2006)	99	71	42	—	212
I Plenderleith (from June 2006)	71	112	30	—	213
M Ramos	118	100	50	—	268
GE Rudman	118	227	50	334	729
RV Simelane	118	145	50	61	374
ZB Swanepoel	118	111	50	—	279
E van As	118	105	50	70	343
JJM van Zyl	118	173	50	46	387
PL Zim (from March 2006)	99	92	42	—	233
Travel and subsistence	—	362	—	—	362
Total non-executive directors	**2 879**	**2 575**	**1 226**	**1 185**	**7 865**

Fees from Group companies for the year ended 31 December 2007 (R'000)

Name	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	130	70	90	290
AS du Plessis	65	159	—	224
RK Morathi	135	72	48	255
GE Rudman	135	84	96	315
Total fees from Group companies	**465**	**385**	**234**	**1 084**

Fees from Group companies for the year ended 31 December 2006 (R'000)

Name	Directors' fees	Attendance fees	Committee fees	Total
MMM Bakane-Tuoane	20	28	—	48
AD Botha	96	83	31	210
AS du Plessis	65	159	—	224
FA du Plessis	53	74	17	144
WG James	20	28	—	48
GE Rudman	145	105	84	334
RV Simelane	33	28	—	61
E van As	42	28	—	70
JJM van Zyl	20	14	12	46
Total fees from Group companies	**494**	**547**	**144**	**1 185**

Executive directors

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long-term incentive plans.

The Human Resources committee believes that participation in a short-term incentive scheme enhances the focus of the executive directors by providing a meaningful incentive to outperform. The form of the incentive is an annual bonus, which is granted only when certain criteria are met.

Short-term emoluments for the year ended 31 December 2007 (R'000)

Name	Months in office	Salary/ Fees	Bonus	Company contribu-tions	Other benefits	Total
JP Möller	12	2 378	2 933	505	—	5 816
J van Zyl	12	4 154	9 214	387	—	13 755
Total executive directors		**6 532**	**12 147**	**892**	**—**	**19 571**

Bonuses reflected are payable in 2008, based on the 2007 results and the formulae applicable to the different businesses.

Short-term emoluments for the year ended 31 December 2006 (R'000)

Name	Months in office	Salary/ Fees	Bonus	Company contribu-tions	Other benefits	Total
PdeV Rademeyer (until 31/10/2006)	10	1 880	—	251	1 000	3 131
JP Möller (from 01/11/2006)	2	390	2 200	77	—	2 667
J van Zyl	12	3 926	6 100	358	—	10 384
Total executive directors		**6 196**	**8 300**	**686**	**1 000**	**16 182**

Long-term emoluments for the year ended 31 December 2007

The extent of long-term incentives granted is based on a percentage of executive directors' gross remuneration. The annual grant made depends on previous amounts granted, the performance of the director, and the need to retain the services of the director in future. Grants in excess of a certain percentage are also subject to specific predetermined performance hurdles that are aligned with the long-term strategic goals of the company.

Existing long-term incentives include share options, loans granted, restricted shares and deferred performance bonuses.

Share options (000's)

Name	31 Dec 2006 No of options	Strike price	Exer-cised	31 Dec 2007 No of options	Unre-stricted	Re-stricted	Becoming unrestricted in: 2008	2009	2010	Expiry date
JP Möller										
Granted 01/12/2000	26	R8,20	26	—	—	—	—	—	—	01/12/2007
Granted 01/03/2002	28	R8,26	13	15	—	15	15	—	—	01/03/2009
Granted 01/05/2003	224	R6,03	90	134	67	67	67	—	—	01/05/2011
Granted 01/05/2004	247	R9,80	—	247	99	148	74	74	—	01/05/2012
Granted 01/06/2004	308	R8,40	—	308	122	186	93	93	—	01/06/2012
Total	**833**		**129**	**704**	**288**	**416**	**249**	**167**	**—**	
J van Zyl										
Granted 01/02/2002	27	R6,03	27	—	—	—	—	—	—	01/02/2010
Granted 01/02/2003	117	R6,03	59	58	—	58	58	—	—	01/02/2011
Granted 01/05/2003	1 505	R6,03	—	1 505	753	752	752	—	—	01/05/2011
Granted 01/05/2004	312	R9,80	—	312	125	187	94	93	—	01/05/2012
Granted 01/06/2004	197	R8,40	—	197	79	118	59	59	—	01/06/2012
Total	**2 158**		**86**	**2 072**	**957**	**1 115**	**963**	**152**	**—**	
Total executive directors	**2 991**		**216**	**2 775**	**1 245**	**1 530**	**1 211**	**319**	**—**	

The following gains were made on the exercise of share options during the year. The gain is calculated as the difference between the market value on the date of exercise and the strike price. The date of exercise is the date that the director takes ownership of the shares and is entitled to dispose of them.

	2007	2006
Gains on options exercised (R'000)	**3 286**	23 820
Weighted average strike price	**R6,43**	R6,42
Weighted average market price	**R21,68**	R16,47

Share purchase plan

Loans were granted to directors for the purpose of acquiring Sanlam shares. The loans are secured, bear interest at market-related rates, and will be repaid over four years. An annual bonus is payable to the directors, based on the number of Sanlam shares held by the director. Details of the loans granted are as follows:

Name	Original loan (R'000)	Original no of shares purchased '000	Purchase price (Rands)	Total loan balance at 31 Dec 2006 (R'000)	Interest accrued (R'000)	Repay-ments (R'000)	Balance at 31 Dec 2007 (R'000)
JP Möller							
Granted 08/06/2006	2 808	188	14,21	2 808	277	286	2 799
J van Zyl							
Granted 14/06/2006	15 330	1 021	14,31	15 330	1 476	2 511	14 295
Total	**18 138**	**1 209**		**18 138**	**1 753**	**2 797**	**17 094**

Restricted Share Plan

Directors were granted fully paid-up Sanlam shares at no consideration entitling the director to all dividends in respect of such shares, subject to the director agreeing to retention and performance conditions as determined by the board at the time.

Details of the shares granted (000's) are as follows:

		Becoming unrestricted in*				
Name	Shares granted	2008	2009	2010	2011	2012
JP Möller						
– March 2007	306	—	—	122	92	92
J van Zyl						
– June 2006	300	120	90	90	—	—
– March 2007	1 094	—	—	438	328	328
Total	**1 700**	**120**	**90**	**650**	**420**	**420**

** Provided that the performance hurdles were met for the period since the date of grant.*

Deferred Performance Bonus Plan

The company entered into agreements with the directors in terms of which cash bonuses linked to the performance of the Sanlam share price will be payable on predetermined future dates subject to the company meeting certain performance hurdles. On the assumption that all performance hurdles are met over the period and based on a Sanlam share price of R22,75, the following amounts will become payable in future:

	Amounts (R'000) payable in:			
Name	2010	2011	2012	Number of shares exposed to (000's)
JP Möller	1 030	773	773	113
J van Zyl	2 382	1 786	1 786	262
Total	**3 412**	**2 559**	**2 559**	**375**

Total interest of directors in share capital and options exercised at the date of this Report

	Beneficial	Non-beneficial	Share option scheme
Executive directors			
JP Möller	692 838	—	703 790
J van Zyl	—	2 476 749	2 072 116
Total executive directors	692 838	2 476 749	2 775 906
Non-executive directors			
RC Andersen	820	—	—
MMM Bakane-Tuoane	—	—	—
AD Botha	—	286 999	—
AS du Plessis	—	15 000	—
FA du Plessis	370	390	—
WG James	—	—	—
MV Moosa	—	—	—
PT Motsepe (refer below)	—	—	—
RK Morathi	300	550	—
SA Nkosi	—	—	—
I Plenderleith	—	—	—
M Ramos	—	—	—
GE Rudman	63 887	65 700	—
RV Simelane	—	—	—
ZB Swanepoel	—	—	—
PL Zim	444	—	—
Total non-executive directors	**65 821**	**368 639**	**—**
Total	**758 659**	**2 845 388**	**2 775 906**

The majority shareholder of Ubuntu-Botho is Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited (Sizanani), which holds 55% of the ordinary share capital of Ubuntu-Botho. The shares of Sizanani are beneficially owned by a company and trusts established for the benefit of PT Motsepe and that of his immediate family.
A number of directors have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective holdings in the 10 000 000 Ubuntu-Botho shares in issue are: MMM Bakane-Tuoane, WG James, MV Moosa, M Ramos, RV Simelane, SA Nkosi, RK Morathi, PL Zim and ZB Swanepoel – 7 142 shares each. As a result they are the indirect beneficial shareholders of a part of the 226 000 000 Sanlam ordinary shares and a part of the 56 500 000 Sanlam "A" deferred shares held by Ubuntu-Botho.

Interest of directors in share capital and options exercised at the date of the previous Report

	Beneficial	Non-beneficial	Share option scheme
Executives			
JP Möller	323 388	—	832 951
J van Zyl	—	1 321 325	2 158 447
Total executives	323 388	1 321 325	2 991 398
Non-executives			
RC Andersen	820	—	—
MMM Bakane-Tuoane	—	—	—
AD Botha	—	286 999	—
AS du Plessis	—	15 000	—
FA du Plessis	370	390	—
WG James	—	—	—
MV Moosa	—	—	—
PT Motsepe (refer above)	—	—	—
RK Morathi	300	550	—
SA Nkosi	—	—	—
I Plenderleith	—	—	—
M Ramos	—	—	—
GE Rudman	122 095	107 428	—
RV Simelane	—	—	—
ZB Swanepoel	—	—	—
E van As	814	900	—
JJM van Zyl	8 603	—	—
PL Zim	444	—	—
Total non-executives	**133 446**	**411 267**	**—**
Total	**456 834**	**1 732 592**	**2 991 398**

Corporate code of ethical conduct

Business ethics and organisational integrity

The Sanlam group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at board and general management level by their endorsement of the code of ethics for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Actuary and is representative of the business clusters. The Group's Ethics committee monitors compliance with the principles underlying the code of ethics and investigates all matters brought to its attention, if necessary. A facility for the reporting of unethical conduct, the Sanlam fraud and ethics hotline, is available to all staff members in the Group. This hotline allows staff members to make anonymous reports and guarantees the protection of their identity, in accordance with the provisions of the Protected Disclosures Act, 2000.

In terms of Sanlam's code of ethics, no director or employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence in unduly favouring any party. Sanlam therefore has a formal Group gift/gratification policy to provide for the official declaration and recording of corporate gifts received or given.

The board is satisfied that adequate grievance and disciplinary procedures are in place to ensure enforcement of the code of ethics and to address any breaches of the code. The results of an independent ethical climate study conducted by KPMG at the end of 2007 were very positive. The study concluded that the integrity profile of the company was strong and that this provides an excellent base for further improvements in future. The Group's Ethics committee is tasked with monitoring compliance, to the satisfaction of the board, in line with the recommendations of the King II Report on organisational integrity and ethical conduct.

Forensics

The Sanlam group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethics, and undermines the organisational integrity of the Group.

The financial crime combating policy for the Sanlam group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted.

A forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business division is responsible for the implementation of the policy in his or her respective business division and is accountable to the Group Chief Executive and the Sanlam board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Audit and Risk committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, and investigate and deal with such conduct.

Compliance

Sanlam considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the compliance functions of the business divisions and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Temba Mvusi,
Chief Executive:
Market Development

Sanlam strongly believes that triple bottom line performance is relevant to building shareholder value, as it contributes significantly to the intangible value of our business and brand. Our mission is therefore to position Sanlam as a socially responsible investment that delivers superior returns to our investors.

Vision and mission for sustainability

Sanlam's core purpose is to be the leader in wealth creation.

Achieving sustained profits over the long term, however, requires that Sanlam understands and manages sustainability and corporate citizenship issues that influence its operating environment. Our vision therefore remains to achieve profitable growth on a sustainable basis measured not only by the financial bottom line, but also by the triple bottom line (economic, social and environmental performance).

Together with this abridged version of its Sustainability Report, Sanlam will also publish a more detailed report based on the Global Reporting Indicators (GRI) by 31 May 2008.

Introduction

Sustainable development has been an integral part of Sanlam's business strategy for a number of years. The following issues are considered material to Sanlam's business from a corporate citizenship perspective:

- Broad-based Black Economic Empowerment (BBBEE) – Sanlam is committed to the economic transformation of the SA economy and has a large presence in the South African market and it is thus imperative that the company maintains its relevance to a changing market demographic, whilst also responding to the requirements of its key clients in terms of BBBEE.
- Responsible product stewardship – The reputation of the long-term insurance industry has come under threat by consumers due to various issues relating mainly to the business model that has historically been deployed. Sanlam has responded to this on numerous levels across the client solutions life cycle.
- The employer brand – Financial services is largely about intellectual capital. It is therefore essential that Sanlam continues to attract and retain the right talent in accordance with the requirements of the markets in which we operate.
- Economic impacts – Sanlam is a major contributor to the South African economy and a significant investor in the South African market, and thus recognises the necessity to govern these impacts in a responsible manner.

It is through the management of primarily the above issues, based on a set of values and ethics that support our core purpose, that we believe Sanlam will achieve its mission to represent a socially responsible investment that delivers superior returns to our investors.

Governance of sustainability

A dedicated Sanlam board subcommittee, "The Sustainability committee", is responsible on behalf of the Group board for the governance of sustainability. Where necessary, sustainability issues are also dealt with by other subcommittees of the Sanlam board, such as the Audit and Risk committee, the Human Resources committee, and the Policyholder Protection committee.

The Sustainability committee comprises four non-executive directors chaired by Valli Moosa, and an independent non-executive director. In 2007 the committee addressed *inter alia* the following:

- Progress with the implementation of sustainability and related corporate citizenship, transformation and corporate social investment strategies.
- Progress with BBBEE and related Financial Sector Charter (FSC) transformation initiatives including:
  - Ubuntu-Botho partnership updates;
  - Human Resource management;
  - Procurement and enterprise development;
  - Empowerment financing;
  - Access to financial services;

- Corporate Social Investment; and
- BBBEE ratings.
- JSE Social Responsibility Index (SRI) results.
- Environmental sustainability.
- Ethics and ethical codes of conduct.
- Infectious disease related issues including HIV/Aids.
- Issues relevant to occupational health and safety of Group employees.
- Progress with the implementation of employment equity.

The chief executives of the various Group businesses were required to report to the committee on aspects relevant to their businesses. A dedicated sustainability management function which reports to the Group Financial Director also assisted the committee in carrying out its responsibilities.

Management process

Sanlam defines sustainability management as a discipline through which corporate citizenship is implemented.

Sustainability management is fundamentally about understanding and managing the non-financial impact of our activities on all major stakeholder groups, both internal and external, including clients, shareholders, employees, suppliers, civil society, government, regulators, etc. Sustainability is measured in the context of the triple bottom line, i.e. environmental, social and economic impacts relevant to the following stakeholder groups:

Influencers

The main stakeholders are:

- Forums for the development of relevant regulations;
- Industry associations;
- Consumer groups and the “market” in generic context;
- The non-governmental organisation (NGO) community;
- “Opinion-shaping” stakeholders in other groups; and
- The media.

Authorisers

The main stakeholders are:

- Shareholders (capital providers);
- The Sanlam board;
- Government regulators (those managing established regulation); and
- The JSE and other non-governmental regulators.

Strategic intervention that is identified through interaction with the influencers above needs to be “filtered” through the above group of authorisers.

Business partners

The main stakeholders are:

- Employees;
- Distribution/Broker force;

- Suppliers; and
- Strategic equity partners (e.g. Ubuntu-Botho).

This stakeholder group implements transformation across the organisation.

Customers

The main stakeholders are:

- Traditional existing and prospective clients as categorised through the various brand segments;
- Prospective employees as envisaged by the concept of an employer brand; and
- Prospective shareholders as envisaged by the concept of an investor brand.

It is through the above stakeholder group that the value of corporate citizenship is realised.

Key achievements during 2007

- ***JSE SRI Index***

  Sanlam was again listed on the JSE SRI Index for the fourth consecutive year. The Index criteria were internationalised significantly this year.

- ***Empowerment***

  Sanlam remains an active participant in the Financial Sector Charter (FSC) process. We are confident of once again receiving an A Rating against the FSC for our BBBEE initiatives. This is the highest rating financial sector companies can achieve for BBBEE.

- ***Products and solutions***

  The South African financial services industry is currently going through a period of tremendous change, driven by a fluctuating socio-economic environment, changing consumer needs and new regulatory requirements. Our additional business model, SanlamConnect, allows Sanlam to present all the mechanics of financial planning to clients in a simple and well-considered process, thereby empowering clients to determine their level of involvement in their own financial planning. This solution has greatly contributed to the responsible stewardship of our product, from sale to maturity, and is a world first.

- ***Client service***

  For the second year running, Sanlam was rated first in the long-term insurance industry, for client service, in the independent Ask Africa Orange Index survey. This milestone represents testimony to the commitment of Sanlam Personal Finance to drive shareholder value through a strategy based on client centricity.

  In addition, the Sanlam Personal Finance Client Contact Centre won the Best in Customer Service Award for the Western Cape from National Business Processing Enabling South Africa.

  It was also voted one of the top 100 call and contact centres worldwide this year.

- ***Progress on environmental issues***

  Sanlam has made further strides in the roll-out of sound environmental management principles, with the assistance of our partners, the WWF. We will for the first time disclose our carbon footprint in our detailed Sustainability Report this year, together with a number of other environmental metrics.

Trevor Chandler, *Head: Group Sustainability Management*

Key transformation initiatives

Empowerment

- ***The Ubuntu-Botho partnership***

Sanlam was the first major financial institution in South Africa to do an empowerment transaction. The broad-based transaction resulted in Ubuntu-Botho (UB) paying a special dividend of R50 million to over 800 broad-based shareholders, as well as the Development Trust, during 2007. The trust is mandated to assist and empower the poorest of the poor. In this way, people in the rural areas will be assisted through the building of schools, clinics and personal development. This will be done via a structured rural development programme.

As part of its mandate, UB ensured that its appointed representatives made the UB structure a tool for transformation. In 2007, the focus was mainly on ensuring that there is integration with Sanlam and UB structures in every province. This objective was met and ensured the following:

- There was an understanding by shareholders about the kind of value add sought by Sanlam.
- That there was strategy co-creation and joint implementation by Sanlam and UB shareholders in every province. This was done in line with expectations from both parties.

Through regular engagement and education, UB shareholders have demonstrated understanding of the Sanlam business. The engagement with Sanlam has also assisted with the identification of market and product extensions.

- ***Entrenching employment equity***

Sanlam is striving to establish a staff complement that is representative of our wide-spread client base. Significant effort has been channelled into the attraction and appointment of black staff members, especially at the senior levels in the organisation. This has resulted in steady progress over the last three years in increasing the black staff complement. In keeping with the industry trend, turnover of staff continues to be a challenge.

Targeted recruitment and selection are done in accordance with the numeric goals contained in the Three-Year Employment Equity Plan. Where the necessary skills are not available in the market, focused development is encouraged to create Sanlam's own supply of talent. All the businesses have implemented specific initiatives to address this.

- ***Promoting greater access to financial services amongst LSM 1-5 client groups***

Sanlam, through its entry-level market business, Channel Life and African Life, has developed a number of products aimed at the LSM 1-5 market, that are compliant with the provisions of the FSC (Zimele standard). These standards require that insurance products are more accessible, affordable and understandable to this market from multiple perspectives.

In this context, the Channel Life Ubuntu programme, a joint effort with community leaders, has already placed more than 29 Ubuntu Point service centres in deep rural communities with plans to increase this number to 47 in 2008. These container service centres are a first for the life insurance industry and are fully equipped with CAT standard product and facilities required to help pensioners and policyholders in their dealings with Channel Life. State-of-the-art cellular technology helps to ensure the best service delivery and fast turnaround time on claims, right on the policyholder's doorstep.

- ***Funding transformation and BEE***

Sanlam Private Equity (SPE) represents the primary area through which Sanlam's FSC-compliant Investment programme is implemented. This programme is driven by a formal investment mandate.

SPE also contributes on an ongoing basis to the development and monitoring of transformation of its Investee companies. It achieves this through active participation on the various boards and subcommittees of these investee companies. The following are more specific examples of SPE's facilitation of BEE and transformation during the year ended 31 December 2007:

- SPE was the sole financier of and advised on the creation of the largest black-owned welding supplies business in South Africa.
- SPE facilitated the participation of BEE shareholders in the Consol Limited LBO through a sell-down of our equity to BEE parties.
- Funding of Destiny Corporation (Pty) Limited, a black-owned and controlled investment holding company, through acquisition of a 19,9% equity interest by SPE.
- Majority financier of the Shanduka Group's participation in SEACOM, the project currently under way to construct the first submarine fibre-optic telecoms cable on the African East Coast (total transaction value of USD25,5 million);
- Invested R40 million in Sphere Fund I, a black-owned and managed private equity fund.
- Increased our shareholding in a number of BEE companies such as Thebe Investment Corporation and Sphere.
- Funded and participated in the acquisition of the third largest outdoor media company in South Africa, Outdoor Network Group, by a consortium led by Zungu Investment Company Limited (ZICO).
- Selling of a portion of Sanlam's shares in a number of companies to increase the BEE shareholding.

SPE also contracted the African Centre for Investment Analysis at the University of Stellenbosch Business School (ACIA) to compile social impact reports for two of its major clients. These reports provide in-depth analyses of the company's transformation progress and targets in all relevant areas.

Lerato Molebatsi,
Head: CSI, Ubuntu-Botho and Public Affairs

■ *Corporate Social Investment (CSI)*

Sanlam CSI is driven by an investment philosophy that puts value at the forefront of what we do. Sanlam does well when the community we operate in does well.

Sanlam's focus in 2007 in CSI was on ensuring that, where possible, Sanlam CSI partnerships with NGOs, community-based organisations, trade unions, etc. would have an effective, informed and active CSI programme. The programmes that are supported are identified because of our belief that if our interactions are not sustainable, then we should not participate.

All our flagship programmes are aimed at minimum three-year partnerships. They include aspects such as skills transformation and co-operation on internal transformation and change. Our programmes are based on partnerships that appeal to multiple stakeholders. In 2007, our big initiative was with the World Wildlife Fund (WWF) on the Living Waters programme.

Sanlam's CSI focus areas are:

- Environment – Sanlam/WWF Living Waters Partnership;
- Early Childhood Development – Takalani Crèches;
- Education;
- HIV/Aids;
- The Sanlam Staff Community Involvement Programme; and
- Entrepreneurial Development Programme.

The focus going forward is about embedding CSI into the DNA of the organisation, communicating consistently and ensuring CSI initiatives find resonance with Sanlam's stakeholders.

- ***Targeted procurement***

  In 2007, Sanlam subsidiaries excluding Santam, purchased in excess of R640 million from BEE companies. When our enterprise development activity is included, this amount equates to approximately 50% of our overall procurement spend.

Solutions that address critical social needs

In 2007, Sanlam launched a comprehensive personal cover solution for people living with HIV/Aids. The LifePower range is ideal for people living with HIV/Aids and who want to provide for those who depend on them financially to give their families peace of mind and financial security in the event of their death or disability.

HIV/Aids is currently treated through anti-retroviral therapy (ART) according to internationally accepted treatment guidelines. All solutions in the range have adherence requirements and are available only to individuals who have initiated appropriate anti-retroviral therapy (ART) or who will do so at the appropriate time.

Following the treatment guidelines of the LifePower solution range will mean that people with HIV will receive cover at an affordable rate. This definition of adherence is included with the application form, and applicants will need to accept this definition and commit to being adherent in terms of the definition.

Human intellectual capital

In support of Sanlam's strategy to continue transforming to be the leading financial services group and its quest to become the employer of choice for all South Africans, Sanlam continues to view the development and management of its human capital as critical.

In terms of its strategic positioning Sanlam focused on embracing diversity through initiatives revolving around creating an environment and culture with which all employees could identify. Sanlam is aiming at changing the culture from exclusivity to diversity. An international survey was conducted during 2006 to gain a better understanding of the Employment Value Proposition. The results from this survey were used to guide the work done on the employment brand ensuring that Sanlam's employment value proposition is relevant and attractive to key talent across all demographic groups.

The appropriate positioning and continued transformation of the organisation's culture and diversity are viewed as key factors in terms of the organisation's competitiveness and long-term sustainability.

Sanlam has accepted the Investors in People Standard as a standard by which training and development are closely linked to the performance development process. In this regard Sanlam Personal Finance, our largest employer, became the first life company to receive full accreditation. Within Sanlam, the businesses have launched a number of initiatives of which very specific ones address the development of black staff members, resulting in the increase of available skills for the company. These initiatives range from fast-tracking programmes for black staff members to specialised development programmes to increase skills in particular disciplines.

Key sustainability metrics

Empowerment

The FSC is currently being updated with the Department of Trade and Industry (DTI) codes of practice for BBBEE, and is thus subject to change. The table below is based on current FSC guidelines, and is currently subject to independent verification.

Component	Notes	FSC target	Actuals 2007	Actuals 2006
Human resource development		20	**9**	5
Senior management		25%	13%	9%
Senior management – Black female		4%	3%	2%
Middle management		30%	19%	17%
Middle management – Black female		10%	7%	4%
Junior management		50%	26%	21%
Junior management – Black female		15%	12%	10%
Skills development		1,5%	1,64%	2,6%
Learnerships		1,5%	0,17%	1,39%
Procurement and enterprise development		15	**15**	11
Procurement and enterprise development		50%	50%	40%
Access to financial services		14	**10**	6
Compliant products		3	2	0
Transactional access		75%	71,5%	75,5%
Penetration		100%	160%	62%
Consumer education		0,2%	0	0
Empowerment financing		22	**19**	13
BEE transactions		R3 024m	R3 488m	R1 056m
Targeted investments		R3 840m	R2 459m	R1 944m
Direct empowerment		20	**24**	24
Black ownership	2	25%	31,82%	28,75%
Black directors		33%	44%	40%
Black female directors		11%	17%	15%
Black executives		25%	30%	28%
Black female executives		4%	8%	5%
Corporate Social Investment		3	**3**	3
Corporate Social Investment		0,5%	0,6%	0,5%
Total		94	**80**	62
Rating	1		**A**	A

Notes

1. An A rating against the Financial Sector Charter provides Sanlam with *100% recognition* when tendering for contracts.

2. Sanlam's BEE shareholding is calculated as follows:

Share register	2007	2006
Total number of issued shares	**2 303 608 000**	2 303 608 000
Treasury shares	**242 788 621**	120 393 444
Shares owned outside Group	**2 060 819 379**	2 183 214 556
Adjustment for foreign business operations	**222 568 493**	218 321 456
BEE baseline	**1 838 250 886**	1 964 893 100
Total number of shares held by black people	**339 000 000**	339 000 000
Vested number of shares held by black people	**226 000 000**	226 000 000
Non-vested number of shares held by black people	**113 000 000**	113 000 000
Total direct shareholding per FSC excluding effects of indirect shareholding and qualifying transactions	**18,44%**	17,25%
SANTAM TRANSACTION	**1,08%**	0%
Total direct black shareholding	**19,52%**	17,25%
Indirect shareholding excluded (limited to 40%*)	**735 300 354**	785 957 240
Total number of shares net of indirect shares held	**1 102 950 532**	1 178 935 860
TOTAL BEE INTEREST – FSC BASED ON EXCLUSION OF INDIRECT SHAREHOLDING	**31,82%**	28,75%
TOTAL ECONOMIC INTEREST VESTED (DTI CODES)	**21,21%**	19,17%

**The 2006 BEE interest of 34,73% disclosed in the previous year's annual report is restated due to a change in the application of the exclusion of indirect shareholding. The exclusion principle contained in the Codes of Good Practice on Broad-based Black Economic Empowerment gazetted on 9 February 2007, which limits exclusion of indirect shareholding to 40%, is applied in this year's reporting.*

JSE Socially Responsible Investment (SRI) Index

The following table presents more detail on Sanlam's level of compliance with JSE sustainability criteria. As can be seen from the table, Sanlam complies with virtually all SRI governance criteria, both core and desirable. In 2008, we will investigate potential compliance with more of the social criteria contained in the index.

	Impact	Policy	Systems	Reporting
Environment	Low	Met criteria	Met criteria	Met criteria
	Core indicators		**Desirable indicators**	
Governance	Met 37 out of 40 indicators		Met 39 out of 44 indicators	
Social	Met 32 out of 41 indicators		Met 37 out of 65 indicators	
Overall – Met criteria				

Client satisfaction

Differentiation between competitor products is becoming increasingly difficult, particularly in the financial services industry. For this reason our relationship with our clients, which is forged through exemplary client service, is constantly monitored.

The following benchmarks are reported for 2007 relating to our business with the largest client interface, Sanlam Personal Finance:

For the second year running, Sanlam was rated first in the long-term insurance industry, for client service, in the independent Ask Africa Orange Index survey. This milestone represents testimony to the commitment of Sanlam Personal Finance to drive shareholder value through a strategy based on client centricity.

In addition, the Sanlam Personal Finance Client Contact Centre won the Best in Customer Service Award for the Western Cape and, nationally, was the only financial institution among the top three in the National Business Processing Enabling South Africa annual awards in 2007.

It was also voted one of the top 100 call and contact centres worldwide this year.

These survey results were supported by the following:

- Approximately 90% rating for client and intermediary satisfaction.
- Total complaints reported down 26% from previous year.
- Complaints reported to Ombudsman for Long-term Insurance down 37% from 2006.
- Complaints reported to Pension Fund Administrator down 66% from 2006.
- Complaints dealt with by Sanlam Arbitrator up 23%.

Employment equity

The scorecards included below are published in line with the requirements of the Department of Labour, as at 30 June 2007.

	Designated							Non-designated			
	Male			Female				White male	Foreign nationals		
Occupational levels	A	C	I	A	C	I	W	W	Male	Fe-male	Total
Top management	5	2	1	1	3	0	3	32	1	0	**48**
Senior management	17	19	13	5	4	5	73	354	3	0	**493**
Professionally qualified and experienced specialists and midmanagement	47	43	35	19	39	29	275	339	4	2	**832**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	373	208	108	161	200	88	1 199	1 246	2	1	**3 586**
Semi-skilled and discretionary decision-making	510	222	12	768	586	70	776	70	2	0	**3 016**
Unskilled and defined decision-making	44	30	3	75	59	4	26	8	0	1	**250**
Total permanent	**996**	**524**	**172**	**1 029**	**891**	**196**	**2 352**	**2 049**	**12**	**4**	**8 225**
Non-permanent employees	5	19	0	28	39	4	50	10	0	0	**155**
Grand total	**1 001**	**543**	**172**	**1 057**	**930**	**200**	**2 402**	**2 059**	**12**	**4**	**8 380**

Employment equity – employees with disabilities

Occupational levels	Designated								Non-designated		Total
	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Fe-male	
Top management	0	0	0	0	0	0	0	0	0	0	**0**
Senior management	0	0	0	0	0	0	0	0	0	0	**0**
Professionally qualified and experienced specialists and midmanagement	0	0	0	2	0	0	0	0	0	0	**2**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	0	0	3	0	1	0	4	0	0	**9**
Semi-skilled and discretionary decision-making	0	1	0	2	0	1	0	4	0	0	**8**
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	**0**
Total permanent	**1**	**1**	**0**	**7**	**0**	**2**	**0**	**8**	**0**	**0**	**19**
Non-permanent employees	0	0	0	0	0	0	0	0	0	0	**0**
Grand total	**1**	**1**	**0**	**7**	**0**	**2**	**0**	**8**	**0**	**0**	**19**

Impact of South African energy supply constraints on Sanlam

Sanlam is actively monitoring the impact of the current energy crisis in South Africa on its business. These impacts can be summarised into three categories:

- ***Operational***

  Operational impacts predominantly relate to our ability to provide continuous quality service to clients. Most of Sanlam's operational footprint is supported by back-up generators. Sanlam does not believe that business volumes are likely to be affected significantly, and minor disruptions to client services such as the payment of claims are expected. Where disruption occurs Sanlam will endeavour to minimise the potential impacts on employee productivity.

  Sanlam has for some time now been implementing initiatives to conserve energy use. These initiatives have already resulted in reduced consumption.

- ***Investment***

  The energy crisis is likely to have a negative impact on investor sentiment, which could precipitate some level of movement out of equities into cash with possible knock-on effects on specific stock prices. In addition, foreign investor sentiment and perceptions about the growth prospects for the South African economy are likely to impact negatively on South Africa as an investment destination.

- ***Sustainability***

  As a signatory to UN Global Compact, the International Carbon Disclosure Accord, and the Energy Efficiency Accord, Sanlam is committed to both reduce per capita energy consumption, and actively manage its carbon footprint downward. When Eskom power is suspended, Sanlam consumes between 580 and 840 litres of diesel per hour, in order to maintain minimum levels of energy supply to our head office building, which represents approximately 50% of our national footprint. This has the effect of increasing our direct carbon footprint, which is partially offset by reduced indirect impacts that result from using less Eskom power. Full details of the effects on our carbon footprint will be provided in our detailed Sustainability Report.

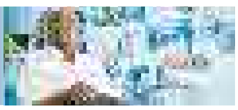
Key sustainability objectives for 2008

- Towards the end of 2007, Sanlam embarked on a process of developing a revised sustainability strategy. One of the core aims of this strategy is to position Sanlam as a Socially Responsible Investment. This process will be completed in the early part of 2008. In line with the strategy, as well as Sanlam's core values and our code of ethics, we aim to further entrench sustainable triple bottom-line business principles across the organisation based on the following four themes:
  - Strategic empowerment.
  - Responsible product stewardship.
  - Business relationship management.
  - Human intellectual capital.
- While Sanlam is on track or ahead of local requirements in terms of sustainability management and reporting, we will be embarking on an active drive to ensure we meet international criteria relevant to the markets in which we operate.
- Sanlam will continue to focus specifically on the requirements of BBBEE in the South African market. This will include adapting our programmes to the requirements of the revised FSC, where necessary, together with a specific focus on employment equity.

– Frank Louw, Sanlam employee since 1998

sanlam,
a journey for life

Frank Louw matriculated in 1989 and worked for five years in a private hospitality business and for four years in postal services before he started his career at Sanlam Investments in 1998 as a driver and transport officer. He soon took charge of the fleet management and apart from doing an increasing amount of personal assistant work for some of the executives, Frank gradually moved into CSI-related functions at Sanlam Investments. In January 2005 he was appointed as a project manager in the Sanlam group's CSI division.



Jac Laubscher,
Group Economist

Financial market trends in 2007 were positive overall, although choppy, and underlying business conditions were generally supportive. However, there are important questions with regard to the outlook for the future, and 2007 may yet turn out to have been a major inflection point for the global and SA economies.

Business conditions in the financial services industry in 2007 were dominated by two major developments. Internationally, financial markets were disrupted by the adjustment in the pricing of risk emanating from sharply rising debt delinquencies in the subprime mortgage market in the USA. Locally, inflation surprised negatively, causing the South African Reserve Bank to resume its policy-tightening cycle and to raise the repo rate by another 200 basis points, bringing the total increase since June 2006 to 400 basis points.

The subprime crisis spread throughout the global financial system as a result of the securitisation of subprime mortgages by the loan originators, and the presence of the resulting securities in the asset portfolios of a wide range of investors and financial institutions, ranging from mainstream banks to hedge funds. Central banks were caught off guard by the failure of the interbank money market and had to inject large amounts of liquidity into the system to keep it afloat. The dangers of systemic risk the crisis brought to the global financial system were well illustrated by the run-on and subsequent forced bail-out of Northern Rock, a top five mortgage lender in the UK, culminating in its nationalisation. Banks had to acquiesce in large writedowns and the need for the injection of new capital to repair balance sheets.

Financial markets responded negatively to these developments, spooked by the lack of transparency regarding the extent and spread of the problem, and volatility increased sharply. Central banks responded to the fall-out by loosening monetary policy, with the US Federal Reserve cutting the federal funds rate by 100 basis points in a quick response, plus another 125 basis points in January 2008.

It is evident that the subprime problem will take an extended period of time to be fully resolved, and the level of uncertainty remains high. Recent poor economic data has raised fears of a possible recession in the USA, and equity markets have responded negatively. The markets' biggest concern is that the subprime crisis could develop into a fully fledged credit crunch that will cause an even sharper slow-down in global economic activity than what is already inevitable. To date emerging market economies, although not equity markets, have escaped largely unscathed, inter alia because commodity prices remain strong, but they remain vulnerable to a sharp global slowdown.

Locally, the markets and the South African Reserve Bank were surprised by an unexpected surge in inflation, caused mainly by sharply rising international oil and food prices. Although the Bank acknowledged the exogenous nature of these shocks, it felt compelled to contain a possible broadening in inflationary pressures and a deterioration in inflation expectations. The resulting increase in the repo rate was accompanied by rising bond yields. Government furthermore shifted to a more countercyclical fiscal policy to lessen the burden on monetary policy to ensure macroeconomic stability.

For the equity market, 2007 turned out to be a year of two halves in response to the changing environment described above. The first half of the year witnessed a steady rise in equity prices, apart from a minor market correction in late February/early March when the subprime problem first surfaced. However, the second half of the year was characterised by increased volatility. A sharp correction in equity prices in July/August was followed by a vigorous recovery, allowing the market to end the year on a substantially higher level. The JSE All Share Index, for example, increased by 16% for the calendar year. However, the early months of 2008 have witnessed a return to volatility within a falling market as fears of recession and a possible bear market grow, exacerbated by heightened political uncertainty and the economic disruption caused by extensive power cuts.

The rand remained fairly stable until September 2007, after which it appreciated abruptly in spite of a rising current account deficit that reached 8,1% of GDP in the third quarter, supported by rising interest rate differentials and a weak dollar. Recent weakness in the rand has been more pronounced than that of its peer group, pointing to factors specific to SA being the reason. Although the rand initially weakened in response to the further relaxation of exchange controls announced in the 2008 National Budget, the changes may well result in more two-way trade in the rand and therefore less volatility.

Real economic activity remained strong, with economic growth marginally in excess of 5%. A rebalancing from consumption expenditure to investment spending as the main driver of growth is well under way. Salary and wage increases accelerated, although the positive trend in employment in the past three years levelled off. Growth in real household disposable income nevertheless slowed down as higher inflation took its toll, as did household consumption expenditure. The household debt burden continued to rise to record levels, and the concomitant debt servicing costs increased to a level last seen in 1999. Household savings remained in negative territory.

In summary, therefore, financial market trends in 2007 were positive overall, although choppy, and underlying business conditions were generally supportive.

However, there are important questions with regard to the outlook for the future, and 2007 may yet turn out to have been a major inflection point for the global and SA economies.

Firstly, the subprime crisis and the related market failures have laid bare critical deficiencies in business and regulatory practices in financial systems that will require fundamental change. Secondly, the period of exceptionally strong global growth and low inflation that started in 2003 has reached a turning point and risks are primarily negative from here on. Thirdly, although emerging market countries have used the leeway provided by strong global economic conditions to enact structural improvements to their economies, the view that they can decouple from the developed world stands to be tested, along with the exuberant appetite for emerging market assets. Fourthly, South Africa finds itself in an already stretched position at a point in time when global conditions are changing for the worse, leaving it vulnerable to severe adjustment, in particular with regard to the exchange rate of the rand. Lastly, South Africa is faced by the prospect of lower growth together with high inflation, creating an extremely challenging environment for policymakers and businesses alike.

The business environment for financial services could therefore become much more challenging, requiring a more cautious approach.

Jac Laubscher

Group Economist

– Tina Shamu, Sanlam employee since 2005

sanlam,
a journey for life

Tina Shamu matriculated in 2000 and was selected for the Sanlam Investments Extended Curriculum Programme: Business Science at UCT in 2001. She completed the five-year course in four years and joined an asset management company as a trainee for part of 2005 and was appointed as a retail fund trainee at Sanlam Investment Management later that year. She was appointed as an institutional business development consultant at Sanlam Multi-Manager International in 2007.

Lizé Lambrechts,
Chief Executive

We have seen a significant improvement in the public perception of life insurers, which has resulted in an increase in sales of recurring premium life, saving and risk cover solutions for 2007.

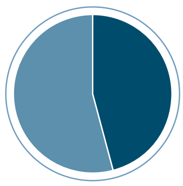
embracing transformation

Sanlam Personal Finance

R million	FY2007	%Δ
Net operating profit	▲ R1 450	+12
New business flows*	▲ R29 903	+25
– SA recurring	▲ R1 157	+22
– SA single	▲ R17 980	+22
– Non-SA	▲ R8 672	+40
– Loan business	▲ R2 094	—
PVNB premiums	▲ R25 366	+20
VNB*	▲ R404	+24
Margin*	▲ 1,59% vs 1,53%	
ROGEV	**21,2%**	

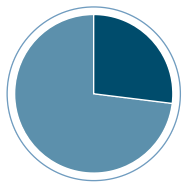
** Life and non-life business.*

Contribution to net result from financial services



Sanlam Personal Finance	46%
Rest of Group	54%

Contribution to new business volumes



Sanlam Personal Finance	27%
Rest of Group	73%

Group profile and shareholding structure

South African operations	%	
Topaz and Cobalt – Middle market and self-employed focus		
Sanlam Individual Life division	100	Life insurance
Sanlam Home Loans	50	Home loan joint venture with Absa
Sanlam Personal Loans	70	Personal loans joint venture with Direct Axis
Multi Data	100	Electronic money transfer
Sanlam Trust	100	Estate and trust services
Sanlam Liquid[(1)]	50	Debit card facility
Anglo African Finance	65	Niche trade and bridge finance
BESTmed[(2)]	100	Medical scheme administration services
Sanlam Linked Investments	100	Linked product provider
Affluent market focus		
Glacier[(3)]	100	Financial services for affluent market

[(1)] *Joint venture with Sanlam Collective Investments.*
[(2)] *Suspensive conditions of acquisition outstanding at year-end.*
[(3)] *Glacier will also source solutions from the Topaz operations above.*

Non-South African operations	%	
Sanlam Namibia Holdings (SNH)	54	Financial services in Namibia
Sanlam Life Namibia	100	Closed fund business in Namibia
Merchant Investors Assurance (MIA)	100	Niche UK-based life insurance company

Who we are

We provide middle and affluent market clients with a comprehensive range of appropriate and competitive financial services solutions designed to facilitate their long-term wealth creation, protection and niche financing needs.

Engineering these solutions around client needs and providing credible financial advice enables us to grow SPF on a sustainable basis, thereby maximising shareholder value while building long-term relationships with our clients.

We achieve this through our people – we foster a culture of passion for our clients and place great emphasis on diversity and innovation, helping us in our endeavour to be an employer of choice.

Our primary focus is the South African retail market, but we also have a Namibian presence and are a niche player in the United Kingdom.

2007 in perspective

The life insurance industry responded to the slump in consumer confidence over the past few years, particularly in respect of recurring premium savings solutions, with improved and more flexible solutions. As a result we have seen a significant improvement in the public perception of life insurers, which has resulted in an increase in sales of recurring premium life, saving and risk cover solutions for 2007.

In addition, buoyant stock markets continued to drive the demand for lump sum investment solutions, although we continue to see a shift from life to non-life solutions.

Overall SPF has posted very good results, driven by the 22% growth in both South African new recurring premium and lump sum sales. Competitively priced and packaged solutions, a motivated adviser and broker sales force and the factors mentioned above contributed towards this growth.

However, the increase in interest rates and the introduction of the National Credit Act (NCA) on 1 June 2007 dampened the demand for retail credit solutions, and sales of our retail credit personal and home loans were impacted. In this environment we focused on quality business, and sales of our retail credit solutions remained at the same level as last year.

Our operations in Namibia and the UK grew sales by 40% on the back of increased focus on new business initiatives.

The value of new business (VNB) for life and non-life business followed the sales growth and increased by 24%, with VNB margins increasing to 1,59%.

Net cash inflows of R3,5 billion were achieved, largely driven by non-life inflows. Individual life flows were impacted negatively by increased maturity benefits.

The increased sales and strategic initiatives mentioned below, supported by the buoyant stock markets, were the driving force behind the 12% growth in net profits.

Initiatives responsible for driving results in 2007 and into the future under our major focus areas are as follows:

Diversification and growing the business

In our quest to be market leaders in client-focused solutions, we introduced a number of new and innovative solutions in 2007. Some of these solutions included a risk cover solution tailored for the affluent market launched by Glacier and a more flexible and affordable risk cover solution for people living with HIV. We also launched our Sanlam-branded offering for the professional market early in 2008.

Towards the end of 2007 we introduced a new business model known as SanlamConnect, designed to provide simplified and cost-effective solutions to the lower middle market.

Our diversification strategy is driven by providing holistic solutions to our clients with the aim of complementing our profits which are still predominantly reliant on the mature South African individual life business.

We have successfully diversified our business over the past few years from South African dominated life insurance to broader financial services, to the extent that profits arising from sources other than SA individual life business now comprise 18% of total profits while the VNB from these sources comprise 36% of total VNB. New business lump sum investment premiums from other sources now exceed the life lump sum inflows and comprise 67% of total lump sum investment sales.

Under this strategy, Merchant Investors Assurance (MIA) in the UK is continuing to build its new business capabilities, while the focus for Sanlam Namibia Holdings (SNH) was the integration of Namlife, acquired from African Life at the beginning of 2007, into its entry-level business in Namibia.

During 2007 we expanded our retail credit activities with the acquisition of a controlling interest in Anglo African Finance, a trade and bridge finance operation, and the launch of a debit card facility with Sanlam Liquid.

Our purchase of medical administration and healthcare services through BESTmed will enable us to cater for clients' medical aid needs.

Operational efficiency

In anticipation of the new commission and early termination regulations, due for implementation during 2008, we believe that we will be ready to implement the required systems changes and have announced performance-related bridging finance to support our advisers whose cash flow may be impacted.

During 2007 we successfully transformed our IT operations into a business-driven organisation. Cost savings achieved in this process will largely be reinvested to improve our IT capabilities and to keep abreast of new-generation IT development methodologies.

Optimising capital usage

Our primary focus is on optimising the return on the required capital allocated to SPF. Not only do we need to increase profitability to achieve this, but we also need to ensure that our capital levels are efficiently managed. In this regard we have reduced our required capital by approximately R450 million during the second half of the year while growing the business.

Remaining an employer of choice

We have ongoing initiatives to support our aspiration to remain an employer of choice. As an Investor In People accredited organisation, we remain committed to the development and growth of our employees and maintaining a high performance culture. During 2007 we introduced a leadership development initiative which further enhances this strategy as well as our overall transformation plans.

The transformation of our workforce to reflect the demographics of South Africa and our client base is critical for our business. Many initiatives are in place to achieve this and a component of all staff performance bonuses is linked to achieving our objectives in this regard.

Line-up for 2008

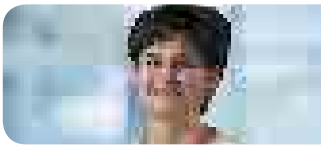
The challenges facing our business in 2008 will be linked to the performance of the financial markets, interest rates and further regulatory developments such as the new commission dispensation and early termination values for life savings solutions. We also expect Government's Social Security and Retirement Reform process to gather further momentum during 2008.

Sanlam Personal Finance is up to the challenge – we believe that our strategy is appropriate, our solution set comprehensive and our pricing competitive.

Our key focus areas for 2008 will include:

- Embedding our strategy of client-centricity throughout the business;
- Continuing the optimisation of return on required capital;
- Establishing SanlamConnect alongside our other distribution channels;
- Developing our new professional market offering;
- Further diversifying our revenue base; and
- Continuing with initiatives aimed at remaining an employer of choice.

Our leadership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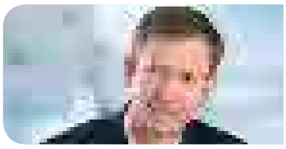
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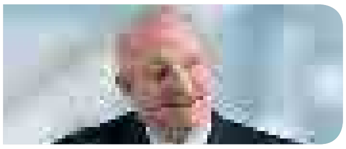
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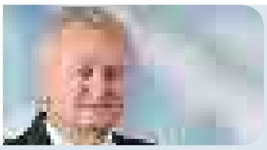
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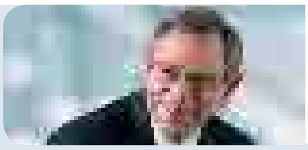
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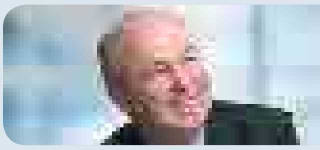
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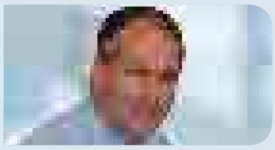
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Executive committee

1. Lizé Lambrechts – Chief Executive
2. Hennie de Villiers – Topaz and Information Technology
3. Anton Gildenhuys – Strategic Business Development
4. Kobus Vlok – Distribution
5. Wally Harris – Finance
6. Joubert Ferreira – Actuarial
7. Robert Goff – Human Resources
8. Anton Raath – Glacier
9. Lukas van der Walt – Merchant Investors

Divisional board and committee membership

Johan van Zyl – Chairman, Human Resources

Flip Rademeyer – Audit, Actuarial and Risk

Kobus Möller – Audit, Actuarial and Risk

Chris Swanepoel – Audit, Actuarial and Risk, Human Resources

David Ladds – Audit, Actuarial and Risk

Heinie Werth

Lizé Lambrechts

Heinie Werth,
Chief Executive

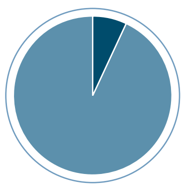
After two years of stabilising the businesses we have acquired while also laying a foundation for growth, we can report that the majority of our business units started delivering good results during 2007.

embracing transformation

Sanlam Developing Markets

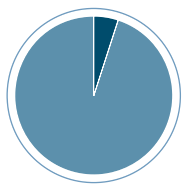
R million	FY2007	%∆
Net operating profit	▲ R227	+10
New business flows	▲ R3 615	+80
– SA recurring	▲ R584	+27
– SA single	▲ R2 183	+141
– Non-SA	▲ R848	+33
PVNB premiums	▲ R5 476	+85
VNB	▲ R203	+51
Margin	▼ 3,71% vs 4,31%	
ROGEV	19,3%	

Contribution to net result from financial services



Sanlam Developing Markets 7%
Rest of Group 93%

Contribution to new business volumes



Sanlam Developing Markets 5%
Rest of Group 95%

Group profile and shareholding structure

South Africa	Rest of Africa	Other international
African Life SA (100%)	Botswana Life (54%)	Shriram Life India (26%)
Sanlam Group Solutions (100%)	Pan Africa Life Kenya (50%)	
Channel Life/Safrican (62%)	ELAC Ghana (49%)	
	African Life Tanzania (65%)	
	African Life Zambia (70%)	
↑	↑	

Alfinanz (100%) – Application Service Provider

Who we are

Sanlam Developing Markets (SDM) provides affordable financial services solutions to the entry-level market in South Africa and other developing markets where Sanlam has established a presence, namely Botswana, Kenya, Tanzania, Zambia, Ghana and India.

In the two years since our launch, the emphasis has been on establishing a diverse mix of operations across the African continent and in India with the aim of ensuring sustainable delivery and growth across the various businesses that make up SDM.

Our client-centric approach is aimed at protecting and growing the financial interests of our clients across all our markets by providing superior financial solutions.

2007 in perspective

After two years of stabilising the businesses we have acquired while also laying a foundation for growth, we can report that the majority of our business units started delivering good results during 2007. The second half of the year saw much-improved performance relative to the first half.

While some of our operations still require nursing, our base is becoming more stable, enabling us to shift our focus to acquiring or investing in new businesses complementing our current portfolio. At the same time, however, we will continue to ensure sustainable delivery and growth in existing businesses.

Because Sanlam Developing Markets consists of a diverse portfolio of businesses spread across two continents, it would be unrealistic to expect uniform performance from this business unit. Therefore, while we strive to deliver consistent performance across all operations, results are likely to vary. The following synopsis provides some detailed insights into how each individual segment has performed:

South African operations

Overall the South African operations showed good growth in new business recurring premiums over 2006, with African Life doubling sales from an average of 14 000 policies a month in 2006 to 28 000 policies a month by the end of 2007. This is the best growth the business has seen in the past four years.

We have also succeeded in stopping the losses incurred by the Sanlam Group Solutions unit and are able to report a small positive contribution from this unit for 2007.

African Life's operating profit exceeded budget while expense overruns in Channel Life's call centre, due to lower volumes and poor persistency, negatively impacted on its operating profit and expectations were not met. Value of New Business (VNB) for the combined businesses came in much better than in 2006.

African Life SA

Our strong focus during 2007 on strengthening and expanding African Life's distribution channels achieved the desired results – November proved to be African Life's best month in the history of the company. Agency sales, broker sales and outsourced call-centre sales (broker direct channel) all contributed meaningfully in this regard.

The partial introduction of the Sanlam brand, through Sanlam Sky, also seems to have had the desired effect. Our Broker Direct distribution channel, together with certain key brokers, are using the new brand, with volumes increasing month after month.

In the Broker Channel close to 25% of new business is now written using the Sanlam brand. The Sanlam Sky brand will be rolled out to the balance of the distribution channels during 2008 and will coincide with the migration to the new administration platform.

The quality of sales for the traditional distribution channels (agents and brokers) has improved significantly from 2006 with NTU rates (policies written, but not taken up by the client) at half the level they peaked at in 2006.

We also achieved significant success with our Financial Sector Charter (FSC) compliant "Zimele" branded product offering, particularly through our partnership with the Zion Christian Church (ZCC). This has resulted in 14% growth in membership for this group scheme, some 49 000 new members.

Metswale, African Life's BEE broker partner, has increased support for the company during 2007. Brokers in Metswale range in size from one-man operations to those employing more than 30 staff.

Operational efficiencies – quality of business sold, retention and costs – remain a focus area. We are not yet satisfied with our take-up rate for our broker direct business and our retention experience in general. This is receiving ongoing attention.

In addition, we are also aiming to bring down cost levels. Unit costs will be reduced to more acceptable levels through higher sales levels and more focused cost management.

It is pleasing to note that despite the significant challenges faced by the business, African Life, together with the SDM Support Functions, achieved Investors in People accreditation, at its first attempt, thus demonstrating its commitment to and investment in its employees.

Following a period of significant systems instability, a decision was taken to migrate to Alfinanz, the company and system used successfully by Channel Life. The project is well under way and we will strive to complete the migration in the first half of 2008.

Channel Life/Safrican

Channel Life's broker division, as well as its voluntary group scheme business, have seen rapid growth in 2007 and performed exceptionally well. Channel Life's single-premium business, predominantly via Alternative Channel, also delivered according to plan.

However, as Alternative Channel did not really target the entry-level segment in South Africa, it was decided to dispose of it. This was a low-margin business and although it will obviously impact on business volumes in 2008 and thereafter, it will help Channel Life refocus on its core business. This is part of the strategy for our South African businesses to concentrate on recurring premium risk business, which is more appropriate for the entry-level segment in South Africa. Finding appropriate recurring savings vehicles for this segment remains a priority.

Although Channel Life's new recurring premiums showed good growth on 2006, it was slightly less than anticipated.

Unfortunately the strong results from the traditional channels were offset by a poor performance in the Channel Life call centre (direct business). Inappropriate processes resulted in poor quality business, impacting on retention and manifesting in expense losses.

This necessitated a downsizing in the business while new controls were introduced. Towards the end of 2007, upon successful implementation of these controls, it was decided to significantly upscale this business once again.

A mainly new executive team, including a new chief executive officer, has been appointed. This team has been tasked with growing and expanding the current successful distribution channels as well as implementing the turnaround strategy for the call centre. Corrective actions include the outsourcing of certain call-centre functions and new senior management in the call centre itself.

It must be stressed, however, that other business units within Channel Life are performing as expected or above. The broker business and Safrican Insurance, a wholly owned subsidiary of Channel Life that focuses on both compulsory and voluntary group business, must be singled out for delivering sterling results.

In a joint decision with PSG it was decided not to proceed with the original intention to list Channel Life. We therefore embarked on an informal programme to acquire the outstanding Channel Life shares. Small minorities were given the opportunity to exit, but PSG and management retain their shareholding. As a result we have increased our stake from 50,1% to 62,3% at year-end, with PSG retaining its 35% stake.

Rest of Africa operations

In the Rest of Africa division Botswana Life remains our success story – this operation has been the biggest overall contributor among the businesses in this division. During 2007, our businesses in the rest of Africa largely concentrated on expanding into single-premium group business and establishing relationships with various banks.

Overall, the Rest of Africa operations have performed mainly according to plan and delivered sound financial results. In most areas we experienced solid growth compared to 2006 and achieved diversification of the product lines and distribution channels.

Our African operations form an integral part of Sanlam's diversification strategy. Africa offers strong economic growth and good margins and competition from other industry players still remains low, although this is expected to change over time. Given our stable footprint we are in a good position to pursue further viable opportunities.

Challenges faced by our African operations include insurance skills shortages and weak premium collection capabilities. To assist these businesses we will improve operational support from South Africa, especially in the areas of product development, actuarial support and IT. We also plan to gradually use our in-house application service provider, Alfinanz, as the preferred admin platform in these countries.

Botswana Life

As mentioned earlier, Botswana's results remain strong, benefiting from exceptionally high investment returns. Botswana Life has a market share of 70%, but there is still much room for growth given the sound economic conditions in the country. This is confirmed by research that shows we are not yet mature in terms of market penetration and scope exists in certain segments where we are not yet represented.

In addition to good growth in the traditional recurring-premium business, the immediate annuity business has performed well and we have successfully expanded our group business via our banking relationships.

There is still significant scope for introduction of new sales channels and product innovation. We are also investigating the possibility of expanding into broader financial services.

This business has an excess of capital of some R662 million (Sanlam's 54% stake amounts to R359 million) and we are investigating ways of reducing this through innovative ventures as it is currently in a fairly illiquid form.

Smaller businesses

Among our other business interests in the rest of Africa, Kenya remains the biggest new business contributor and continues to deliver strong results, mainly due to good co-operation with Barclays in our bancassurance relationship. Post-election unrest in Kenya at the beginning of 2008 has made the business environment more challenging.

Of our other businesses in Tanzania, Ghana and Zambia, results from Tanzania and Ghana in particular are not meeting our expectations although there has been improvement from 2006. We have also made good inroads with bank relationships in these countries and have consequently expanded our group business offerings.

Where we have identified weaknesses in these businesses we are assisting with on-the-ground support on a regular basis.

Although we are still assessing the full longer-term potential available in these countries, we are satisfied with progress to date.

Other international

India remains a country with vast opportunities. The Indian population exceeds 1 billion, with life insurance penetration of only 2,5%. In comparison, South Africa has a population of 45 million, but a life insurance penetration of 10,8%. The number of private insurers is, however, increasing rapidly, resulting in a fast-growing, competitive environment.

Shriram Life India

The company has performed largely in line and slightly in excess of our original business plan, albeit with a different sales mix than originally envisaged. Average premium sizes are in general higher than originally budgeted for and we are selling a large proportion of single-premium business given the current buoyant stock market in India and the consequential demand for linked products. By the end of 2007 there were some 16 400 accredited agents selling life policies.

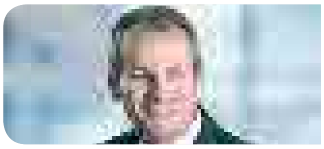
As part of the growth strategy we have recently transferred one of our actuaries with product development skills to India for a two-year period. In addition, we have also strengthened the support function for India from within SDM in South Africa.

Line-up for 2008

During 2007 we managed to bed down a sound base across all our operations from which to deliver a challenging set of goals for 2008. We see Channel Life's call-centre problems as a temporary stumbling block and are confident that the new management team will deliver.

- Client service is fundamental to our strategy of client-centricity and this will receive ongoing attention during 2008, both in our South African operations and in the other markets in which we operate.
- The quality of business written by all of our businesses will receive attention with the aim of reducing NTUs and lapse rates.
- During 2008 we will commence with a project aimed at installing common administration platforms across certain of our African operations following the migration of African Life to the Alfinanz platform. This will not only assist us with reducing costs, but also improve the consistency and quality of reporting.
- In India we will look at improving collection of renewal premiums. We will also be hosting 10 management trainees from Shriram Life this year and the focus will be to accelerate growth in India. Improving insurance-related skills in that operation will greatly contribute towards ensuring the long-term sustainability of that business.
- Cost management within all business units is important to ensure our growth is complemented by the desired profit margins.
- Following the success of our existing African Life operations, we will be looking at expanding into wider financial services with the aim of achieving diversification. We are currently investigating viable possibilities in the areas of personal loans and short-term insurance.
- Further expansion into one or two other countries over time, is under investigation.
- Our bancassurance initiatives in Africa have proved very successful. During 2008 we will work towards strengthening these initiatives.

Our leadership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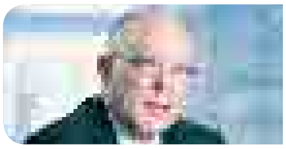
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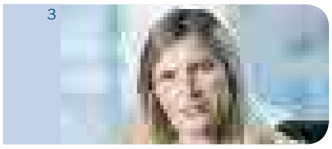
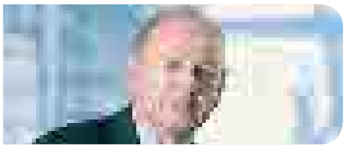
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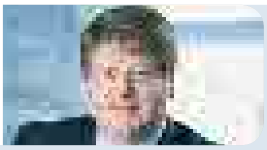
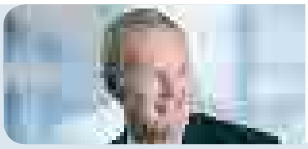
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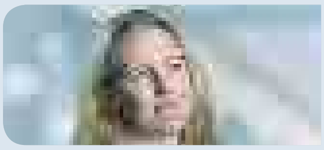
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Sanlam Developing Markets

Executive committee

1. Heinie Werth – Chief Executive
2. Doug Lacey – Rest of Africa businesses
3. Margaret Dawes – Finance and Risk Management
4. Robert Dommisse – Structural Growth
5. Rob Ward – African Life RSA Life Business
6. Steven Mostert – India and Special Projects
7. Cornie Foord – Group Operations and IT
8. Anne Livingstone – Actuarial Services

African Life board and committee memberships

Non-executive directors

Johan van Zyl – Chairman, Human Resources

Lizé Lambrechts

Kobus Möller – Audit, Actuarial and Risk

Temba Mvusi

Flip Rademeyer – Audit, Actuarial and Risk

Chris Swanepoel – Audit, Actuarial and Risk, Human Resources

Tom Wixley – Audit, Actuarial and Risk, Human Resources

Executive directors

Heinie Werth

Margaret Dawes

Johan van der Merwe,
Chief Executive Officer

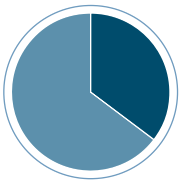
We attribute the strong performance achieved over the past year to our successes in establishing a well-diversified Investments cluster – a strong engine firing on many cylinders.

embracing transformation

Sanlam Investments

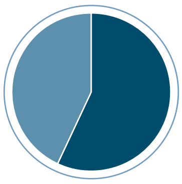
R million	FY2007	%∆
Net operating profit	▲ R869	+19
Gross business flows	▲ R47 843	+31
– SA: Segregated	▲ R23 550	+32
– SA: Other	▲ R19 886	+39
– Non-SA	▼ R4 407	0
Net flows	▲ R5 756	
FUM (billion)	▲ R454	+12
Profit margin	▼ 28 bps	
ROGEV	**28,9%**	

Contribution to net result from financial services



Sanlam Investments	35%
Rest of Group	65%

Contribution to new business volumes



Sanlam Investments	57%
Rest of Group	43%

Profile of Sanlam Investments

Sanlam Investment Management (SIM)	The second largest investment manager in South Africa as measured by assets under management, SIM manages financial assets for individual, institutional, retail and corporate clients and offers investment strategies in vehicles ranging from collective investments to institutional portfolios. SIM is grouped into six boutiques that share a common research platform. The boutiques are Equities, Fixed Interest, Absolute Return, Liability Driven, Active Quants and Balanced Mandates. Our structure ensures focus, a small-team culture and speedy decision-making so our clients get access to our best thinking at all times.
Sanlam Collective Investments (SCI)	The third largest manager of collective investment portfolios in South Africa, SCI offers a wide range of retail, multi-managed, institutional and third-party collective investment funds.
Sanlam Employee Benefits (SEB)	Sanlam Employee Benefits specialises in the provision of risk, investment and administration services to institutions and retirement funds.
Sanlam Multi-Manager International (SMMI)	An investment management advisory business, SMMI is dedicated to active multi-management. It has been managing multi-manager funds globally since 1999, with offices in the UK and South Africa.
Sanlam Private Investments (SPI)	SPI is a private client portfolio management and stockbroking business, serving high net worth individuals, charitable trusts and smaller institutions.
Sanlam Capital Markets (SCM)	SCM is a provider of risk management and structured product solutions.
SIM Emerging Markets (SIM-EM)	A fund and investment management business, SIM-EM focuses on emerging markets, particularly in Africa and Asia. SIM-EM has offices in Namibia, Botswana, Nigeria, Kenya and Zambia.
Sanlam Properties (SP)	Sanlam Properties specialises in strategic property services, including portfolio management, development, sales and listings.
Sanlam Asset Management – Ireland (SAMI)	SAMI is an international investment management business based in Dublin, and manages funds domiciled in Ireland for the Sanlam group.
Sanlam Private Equity (SPE)	One of the largest private equity fund managers in South Africa, SPE offers both a direct and fund-of-funds investment programme. SPE also drives the Group's BEE investment programme.
SIM Global	SIM Global actively manages long-only international funds for local and international clients.
Octane Holdings Limited (Octane)	A specialist alternative investment provider, focusing on hedge fund-of-funds, Octane is based in Switzerland with a research office in New York and offices in South Africa.
Blue Ink	Specialising in alternative investment strategies, Blue Ink also focuses on the incubation of hedge fund strategies.
Sanlam Structured Solutions (SSS)	SSS offers derivative-based skills to the Investment cluster to enhance returns on portfolios and to improve the product offering to clients, such as derivative, tax and legal-based structured products.
Simeka	Wholly owned by Sanlam Investments, Simeka is an employee benefits consulting company operating independently within the larger Investments cluster.

Who we are

Sanlam Investments is one of the core clusters within the Sanlam group and consists of 15 specialised investment and wealth management businesses offering individual and institutional clients access to comprehensive expertise within one company.

Each business within the Sanlam Investments cluster functions as an entrepreneurial entity with a shared focus on delivering leading performance and exceptional client service. We achieve this by instilling passionate ownership as an intrinsic value among our people working at Sanlam Investments.

We are based in Cape Town, with a strong presence in sub-Saharan Africa and footprints in the United Kingdom and elsewhere in Europe, as well as in the United States. Our diverse client base includes retirement funds, corporations, financial institutions, individual investors, governments and government agencies.

2007 in perspective

The equity market started the year with the same buoyancy that characterised equity markets over the previous four years. By mid-July, the JSE All Share Index delivered a total return of 22%, eventually finishing the year at a 19% total return. However, this was not before almost all the gains were given up by mid-August followed by an even stronger rally that saw the market up by almost 30% by mid-October, and then a subsequent decline until year-end – an extremely volatile second half of the year.

This volatility was driven predominantly by developments in the USA, where a tug-of-war has been taking place, with the market as the rope, between waves of negative surprises caused by credit-related losses in July and August and again towards the end of the year, and waves of FED-induced "rescue" efforts aimed at supporting the financial system. To add some domestic flavour to the movements in local financial markets, the second half of the year also saw negative surprises to local inflation numbers and interest rates.

It was not only the equity market that suffered under this volatility, the currency was just as severely impacted. You only have to read the series of lows and highs to realise what a rollercoaster ride it was (all numbers quoted are R/$): January R6,85; March R7,55; May R6,83; June R7,37; July R6,77; August R7,60; November R6,45. The fixed interest market also was not spared. The ALBI delivered a mere 4% by mid-year, before giving it all up within a month, and by year-end it was again up by about 4%.

Performance

In last year's annual report we stated that it is our primary aim to create South Africa's leading investment management business. During 2007 we prioritised initiatives to set a solid foundation that will enable us to accomplish this goal, while producing continued profit growth from an already high base.

Sanlam Investments reported a total operating profit before tax of R1 230 million for 2007, an increase of 14% over the R1 077 million earned in 2006.

Looking back four years to a humble pre-tax operating profit of R270 million in 2003, the trend is markedly up. This has resulted in a compound annual growth in pre-tax profit of 46,1% per annum over the past four years.

We attribute the strong performance achieved over the past year to our successes in establishing a well-diversified Investments cluster – a strong engine firing on many cylinders.

However, the acid test for a leading investment management business is undoubtedly investment performance, and our main priority is to achieve top consistent long-term investment performance for our clients across all the businesses within the cluster.

In 2006 we revitalised our unit trust offering, making it more accessible and understandable for financial intermediaries. This strategy resulted in record net inflows of R2 billion into our funds during 2007. In addition, a number of our unit trust funds delivered award-winning performances, which earned us a number of accolades at the beginning of 2008.

The Sanlam Balanced Fund received a Raging Bull Award for the best Domestic Asset Allocation Prudential Fund and a certificate for the best-performing fund in its sector. The Sanlam Financial Fund and Sanlam Small Cap Fund also received certificates for top performance in their respective sectors. The Small Cap Fund boasted a 544% return over five years to end December 2007, making it the top-ranking fund among all equity unit trusts in South Africa over this period.

Our institutional funds also performed well, earning good returns for our clients and the Group, as well as healthy performance fees for SIM. The SIM boutique structure is now fully operational and we had good inflows into our equity mandates during 2007. The positive inflows into our equity mandates prove that the market is recognising the capabilities of our equities team.

Although the Large Manager Watch performance was disappointing for the year, overall the individual boutiques performed well for our investors. An overview of all our investment mandates indicates that last year by far the majority of our portfolios outperformed their benchmarks. Over the three-year period ended December 2007, more than 86% of mandates by size outperformed their benchmarks.

Sanlam Multi-Manager International (SMMI) delivered excellent investment performances, receiving top rankings in the Alexander Forbes Multi-Manager Watch performance rankings. Two of the three multi-managed balanced funds that are included in this survey ranked first in their respective industry categories over three years to end December 2007. All three funds are ranked first in their respective categories over five years to end December 2007.

Focusing beyond our borders

In 2007 we intensified our strategic focus on strengthening our offshore asset management capabilities and bolstering our international product offering. The aim is to develop an integrated international offering that combines our existing capabilities and also leverages new opportunities and exploits gaps in our current overall proposition.

South African investors are increasingly turning offshore to diversify their investment options. To meet their growing needs, our focus has been on building a competitive asset management capability that can grow outside of South Africa.

Already we offer clients access to world-class portfolios. Our flagship fund, the Sanlam Global Best Ideas Fund, which is managed by SIM Global, has consistently ranked in the top ten out of 600 global peers since its inception in September 2004. To the end of December 2007 this fund delivered an annualised three-year return of 21,1%.

An equally impressive performance was delivered by the Sanlam Global Financial Fund. Morningstar has rated this fund number one over all reporting periods since its inception in April 2004 with an annualised return of 30,3%.

The international investments segment is of key importance to the future success of this cluster. Existing specialist competencies are currently delivered through a range of specialist international businesses like Sanlam Multi-Manager International, SIM Global, Octane, Sanlam Asset Management Ireland (SAMI) and SIM Emerging Markets.

We continue to actively investigate and pursue strategic opportunities that may include alliances with, or acquisitions of, other international businesses.

Performing with people

Over the last five years we strengthened our specialist teams with the appointment of a number of highly-rated financial services professionals. The attraction of top industry talent into our teams adds exceptional value, depth and diversity to our businesses across the cluster.

We are also pro-actively addressing transformation within the Investments cluster and are making good progress towards achieving most of the Financial Sector Charter (FSC) targets by the end of this year.

There has been a sustained emphasis on employment equity recruiting and active development of employment equity candidates from within the business. At the turn of the century the percentage of black people within the Investments cluster was less than 20%. By the end of 2007, this figure had risen to 46%.

Diversification is key

As investment specialists we not only highlight the importance of diversification to our clients, we also apply the same principle within our business to the benefit of all our stakeholders. While we work on providing appropriate solutions that enable our investors to achieve diversification, we also seek new opportunities to expand into offshore markets. We are actively preparing ourselves for the challenges that lie ahead for a South African business with global reach and geographical diversity.

In 2007 we therefore:

- Integrated Sanlam Employee Benefits (SEB) into Sanlam Investments. SEB has been restructured into five business units ensuring a more focused approach;
- Acquired Simeka Employee Benefits Consulting. We identified the ownership of an actuarial and consulting business within the Sanlam group, as a strategic necessity;
- Acquired Blue Ink Investments, a Cape Town-based hedge fund manager, through Octane Holdings. This acquisition will enable us to enhance our current local hedge fund offering with our tailor-made global solutions approach. Across the cluster we now manage more than R10 billion in hedge funds;
- Set up joint ventures in Kenya and Nigeria to strengthen our African operations. We are also investigating strategic partnerships and acquisitions in India;
- In February 2008, acquired an offshore private client asset manager in the UK, Principal Investment Holdings. This acquisition will further boost the Sanlam private client business, Sanlam Private Investments, which at the end of December 2007 managed over R52 billion in assets;
- Launched innovative products within SIM for the institutional market, which were well received and gained good inflows; and
- Established a Distribution Support unit, which will enable us to improve access to markets for cluster businesses via a distribution team to support intermediaries, existing Sanlam group distribution and other distribution organisations. This unit will focus on improving our service distribution and on forging new working relationships in areas we have not fully accessed in the past.

Line-up for 2008

Our 2008 strategy retains the key focus areas identified during 2007 – top investment performance, geographical diversity including a comprehensive international offering, focused distribution and talented people.

- We remain focused on achieving consistent upper-quartile long-term investment performance across all businesses. At the same time, we will be improving our fund flows by actively promoting our successes and capabilities externally through marketing exercises and better utilisation of distribution channels.
- We continue to look for compelling opportunities to expand our offering into the rest of the world, and this year will focus on the UK, Indian, African and Asia-Pacific markets.
- Equally, we will intensify our efforts to expand and strengthen our international competencies during 2008. Five years ago profits generated by the Investments cluster's international investments were not worth mentioning. Last year this business generated operating profits before tax in excess of R400 million.
- Attracting and retaining talented people remains integral to our long-term strategy, as consistent investment performance is dependent on the right mix and depth of investment skills. We are also determined to exceed the FSC targets by the end of this year.

Sanlam Employee Benefits

R million	FY2007	%Δ
Net operating profit	▲ **R123**	+146
New business flows	▲ **R2 334**	+7
– SA single	▲ **R2 135**	+7
– SA recurring	▲ **R199**	+4
PVNB premiums	▼ **R2 098**	(39)
VNB	▼ **R32**	(18)
Margin	▲ **1,53% vs 1,13%**	
ROGEV	**4,9%**	

Group profile and shareholding structure

	%	
Sanlam Employee Benefits (SEB)	100	Retirement fund business
Sanlam Umbrella Fund Administrators (SUFA)	100	Umbrella fund administration (SME focus)
Sanlam Customised Insurance Limited (SCIL)	100	Cell captive insurer
Infinit Group Solutions	50,1	Distribution of diversified Group risk products
Coris Capital	50	Retirement fund administration on outsourced basis

Who we are

Sanlam Employee Benefits forms part of the Sanlam Investments cluster, specialising in the provision of risk and investment solutions as well as administration services to institutions and retirement funds.

Our underlying philosophy is to be driven by the needs of our clients. We therefore dedicate our time and resources to creating employee benefit solutions that respond to our clients' needs on all levels. As such we are also a leading provider of retirement fund membership information via state-of-the-art systems.

Our vision is to be the leader in client-centric wealth creation and protection by ensuring that retirement fund members realise their life-long goal: having sufficient resources to enable them to enjoy their retirement.

We offer our clients institutional investment products (market-linked investments and smoothed bonus portfolios), group life benefits, group disability benefits, cell insurance schemes, retirement fund administration, annuity solutions and an umbrella fund offering.

2007 in perspective

Sanlam Employee Benefits underwent a significant restructuring during the first half of 2007, which resulted in a business divided into four entrepreneurial divisions, each managed by very experienced divisional heads selected for their business acumen.

We now consist of Sanlam Group Risk, Sanlam Structured Solutions, Sanlam Umbrella Solutions and Coris Capital, our retirement fund administration business.

This approach has already started producing the desired results. Overall, the financial performance of the business has been satisfactory, despite our focus for 2007 having been on bedding down the new individual business units.

Sanlam Group Risk

Our Group Risk division delivered solid results for 2007 – we not only maintained market share, but also started to grow.

Since we are firmly established in the traditional group risk space, we took a strategic decision to acquire functionality and resources that will enable us to expand our market share even further through product innovation.

We therefore entered into a joint venture with two key industry professionals to form Infinit Group Risk Solutions. This new company targets the middle and top end of the group risk market and aims to become the "private bank" of group risk consulting.

Infinit will offer our institutional clients customised solutions together with access to an exclusive network of consultants. Infinit is 50,1% owned by Sanlam and Sanlam Group Risk underwrites and administers the business secured by Infinit.

Infinit has enabled us to gain exposure to the differentiated products market without changing our existing traditional death and disability benefits offering. Effectively, this innovative new offering will increase our exposure to the middle and higher end of the market which requires tailor-made benefits linked to clients' retirement solutions.

Sanlam Structured Solutions

This business unit is responsible for our annuity and guaranteed investment portfolios. The entire product set remains well funded and will continue to provide clients with smooth returns in these volatile markets.

During 2007 we focused on embedding a much better operational procedure to ensure that we can deliver on all administrative requirements for our clients. This will also allow us to launch innovative new products on sound platforms in the coming years.

- ***Annuity products***

Administrative problems slowed down plans to develop more competitive annuity products during 2007. We therefore concentrated on creating a more streamlined operational procedure and will be focusing on product innovation in 2008.

One of the new innovations in this area is the launch of E-nnuity early in 2008. This web-based functionality aims to greatly reduce the turnaround times of providing intermediaries with annuity quotations.

- ***Guaranteed investment products***

These types of products, which generally provide investors with smoothed returns and guarantees, have fallen out of favour during the last few years as a direct result of the huge returns provided by the equity markets. Demand for these products will increase again when equity markets experience more volatility and start to show some weakness.

Sanlam Umbrella Solutions

Stringent pension fund legislation combined with an ever-increasing demand for simple and transparent retirement funding solutions that offer value for money are making it more and more onerous for employers to maintain traditional pension funds.

Retirement reform is therefore inadvertently steering employers towards the umbrella fund solution. Realising that we had neglected this part of our business in the past and had therefore fallen behind our competitors, we placed vigorous focus on our umbrella solutions in 2007.

The first challenge we faced was the consolidation of a number of umbrella fund solutions. We largely completed the process of converting the umbrella funds under our administration into the Sanlam Umbrella Fund, with the exception of a few which will be kept in place for strategic reasons.

The integration of Sanlam Umbrella Fund Administrators (SUFA) remains a challenge and is a process that will be completed during 2008.

While we are late to market with a competitive umbrella fund offering, we have the advantage of learning from the mistakes of our competitors. We are in the process of putting these lessons learnt to good use and will table a product of choice in 2008.

Coris Capital

Towards the end of 2006 we bought 50% of Coris Capital, a specialist retirement fund administrator, with the aim of outsourcing our retirement fund administration to Coris Capital.

The process of migrating funds onto the Coris Capital platform started early in 2007 and is 25% complete. We opted to slow down the migration process during the year to ensure that initial teething problems are resolved permanently. While this was the prudent approach to take, the final costs of the migration will be higher than anticipated.

Outsourcing the administration function will, however, result in greatly improved service levels and more realistic pricing models.

Coris Capital has not yet reached break-even and, realistically, we expect this business unit to run profitably from 2010.

Line-up for 2008

Each of our four business units find themselves at different stages of their life cycles. While the reorganisation makes it easier for each business unit to identify its unique focus areas, this also means that each business unit will face different challenges during 2008 and will aspire to reach different goals.

Strategically, our main aim is to improve the specialisation of these different units, yet at the same time also to ensure their complete alignment with our overall operations. This is a prerequisite for the successful extraction and application of their synergies in order to offer our clients a seamless, professional experience.

Here is an outline of the specific focus areas applicable to each business unit:

Sanlam Group Risk

- Increase innovation in the traditional market.
- Improve the flexibility of rates quoted for schemes.
- Gain market share in the differentiated product space through Infinit.

Sanlam Structured Solutions

- Introduce more competitive solutions in 2008.
- Ensure greater alignment between client needs and solutions structures.
- Introduce solutions that are more capital efficient.
- Improve the management of client expectations through better communication.

Sanlam Umbrella Solutions

- Bed down the consolidated umbrella fund solution and ensure that a competitive offering is vigorously marketed.
- The growth of members for the Sanlam Umbrella Fund is a priority to ensure the long-term profitability of the business unit.
- Place strategic focus on good corporate governance and ensure that our fund governance structures are the best.
- Ensure that our administration is world class.
- Ensure that we utilise our distribution channels to the fullest.

Coris Capital

- Complete the first phase of the migration of funds to the Coris Capital platform and consolidate administrative staff.
- Revise and adjust pricing structures so that they align more realistically with clients' service-level demands.

Sanlam Capital Markets

R million	FY2007	%∆
Net operating profit	▼ R94	(33)
Total revenue	▼ R283	(24)
Cost to income ratio	▲ 74% vs 59%	
Capital	R400	—
ROGEV	35,3%	

Who we are

Sanlam Capital Markets is a financial engineering business. We specialise in risk management and structured product solutions through the use of debt and equity instruments and the harnessing of specific synergies within other businesses in the Sanlam group.

Sanlam Capital Markets is comprised of the following business units:

- Debt Structuring – debt origination, structuring and portfolio management.
- Equities – structured equity transactions, as well as equity trading, underwriting and stockbroking.
- Market Activity – trading and structuring of equity and interest rate derivative solutions, including centralised funding for Sanlam Capital Markets.

These business units are supported by:

- Risk Management – identification, quantification and control of risks such as market risk, credit risk, liquidity risk, legal risk and operational risk.
- Finance – provides management and statutory financial reporting and also performs the financial control function.
- Information Technology – ensures that the information technology needs of the business are met.
- Human Resources – provides support in the recruitment, retention and development of staff.
- Marketing and Secretarial – manages the SCM marketing effort within the context of the broader Sanlam brand, and provides secretarial services.

At Sanlam Capital Markets, our people remain the driving force of our business – they have the knowledge and experience to engineer the most innovative solutions for our clients. We recruit staff who have exceptional talents and skills and strive to deliver exceptional value to our clients.

2007 in perspective

From a performance point of view, we had two very different experiences in 2007. The first half of the year was marked by very good performance across all divisions, buoyed by a strong run in the equity markets, as well as the sale of our interest in Fintech for a pre-tax profit of R54 million.

The second half of 2007 presented a number of challenges as a result of the collateral effects of the subprime mortgage-related events in the US. The subprime concerns initially spilled over into the broader credit markets, with credit spreads increasing sharply in the US and Europe, and subsequently also caused large-scale volatility in global equity markets. With the turbulence in the credit and equity markets in the second half of last year we deliberately reduced risk taking in certain areas. Despite all of this, SCM achieved an ROE of 35,3% (24,3% excluding the sale of Fintech), which is considered very acceptable in the circumstances.

In terms of transformation, it is very encouraging to note that 79% of our staff recruits in 2007 were black, resulting in the proportion of black staff increasing to 38%.

Line-up for 2008

- The management of financial risk for reward is at the core of our business. Risk management therefore remains a strategic focus and the aim is to assist in entrenching it in the ethos of Sanlam as a whole.
- For 2008 another strategic focus will be on establishing credit as an asset class. We have already established the securitisation vehicle needed to take unlisted debt and create rated paper in which asset managers can invest.
- In the first half of this year our Prime Services offering will be up and running with the aim of servicing hedge funds operating off the Investments cluster infrastructure. This will enable us to lend scrip directly to hedge funds, thereby allowing us to tap into one of the largest growth areas in the savings market.
- Achieving our employment equity objectives remains a priority, especially at senior levels. In addition, we will remain focused on attracting the best talent in the market.

Our leadership

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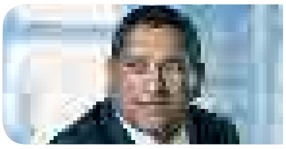

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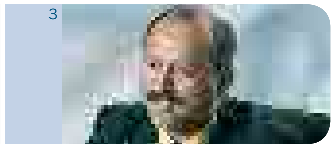

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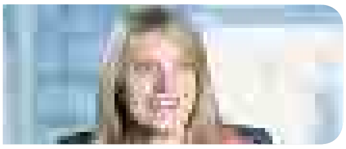

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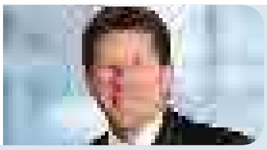

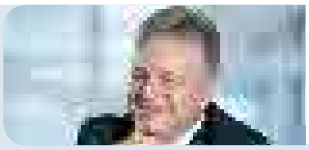

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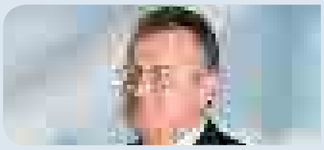

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Sanlam Investments
Heads of businesses

1. Johan van der Merwe – CEO: Investments cluster
2. Armien Tyer – MD: Sanlam Investment Management
3. Sanjeev Gupta – CE: SIM Emerging Markets
4. Anet Ahern – CE: Sanlam Multi-Manager International
5. Tienie van der Mescht – MD: Sanlam Collective Investments
6. Pieter Kriel – CE: Sanlam Private Equity
7. Daniël Kriel – CE: Sanlam Private Investments
8. John van Helden – Chief Operating Officer: Sanlam Asset Management (Ireland)
9. Banus van der Walt – CE: Sanlam Properties
10. Robbie Alexander – CE: Octane Holdings Limited
11. Mark Murning – CE: Sanlam Capital Markets
12. Dawie de Villiers – CE: Sanlam Structured Solutions
13. Kokkie Kooyman – CE: SIM Global
14. Robert Roux – CEO: Sanlam Employee Benefits
15. Esmarie Strydom – CEO: Blue Ink
16. Cora Fernandez – Deputy CEO: Sanlam Private Equity (Johannesburg)

Executive committee

Johan van der Merwe – Chief Executive Officer

Armien Tyer – Sanlam Investment Management

Robert Roux – Chief Operating Officer of Sanlam Investments and CEO of Sanlam Employee Benefits

Anet Ahern – Sanlam Multi-Manager International

Robbie Alexander – Octane Holdings

Sanjeev Gupta – Emerging Markets

Francois Kellerman – Finance

Daniël Kriel – Sanlam Private Investments

Pieter Kriel – Sanlam Private Equity

Mbuso Mtshali – Company Secretary, Legal and Compliance

Mark Murning – Sanlam Capital Markets

Hendrik Pfaff – International Investments

Claire Rabe – Marketing and Communication

Johan Redelinghuys – Product Development

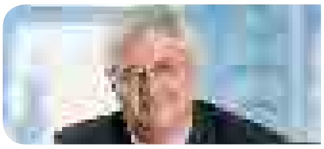
Raymond Schkolne – Human Resources

Shane Tremeer – Distribution

Tienie van der Mescht – Sanlam Collective Investments

Banus van der Walt – Sanlam Properties

Thomas van Heerden – Information Technology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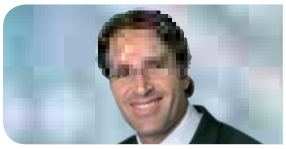
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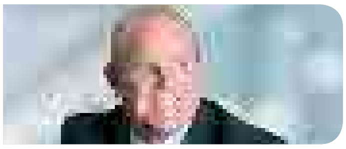
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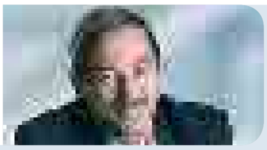
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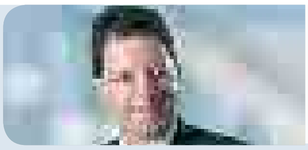
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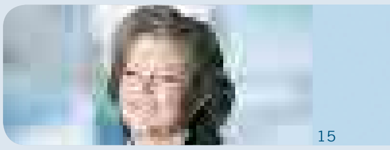
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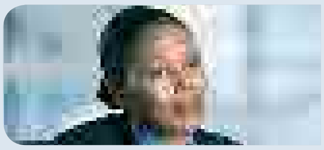
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Sanlam Investment Management

Board of directors and committee memberships

Non-executive directors

Johan van Zyl – Chairman, Human Resources and Nominations

Flip Rademeyer – Audit and Risk

Chris Swanepoel – Audit and Risk, Central Credit

Kobus Möller – Audit and Risk

Temba Mvusi

Independent non-executive directors

Attie du Plessis – Chairman, Audit and Risk

David Ladds – Audit and Risk, Human Resources and Nominations, Central Credit (Chairman)

Anton Botha – Human Resources and Nominations

Executive directors

Johan van der Merwe

Armien Tyer

Sanlam Employee Benefits

Divisional board and committee memberships

Johan van Zyl – Chairman, Human Resources

Flip Rademeyer – Audit

Kobus Möller – Audit

Johan van der Merwe

Temba Mvusi

Nick Christodoulou – Audit, Human Resources

Chris Swanepoel – Audit, Human Resources

Sanlam Capital Markets

Divisional board and committee memberships

Johan van der Merwe – Chairman, Human Resources

Flip Rademeyer – Audit, Human Resources

Kobus Möller – Audit

Anton Botha – Human Resources

Chris Swanepoel – Risk

Peter Cook – Audit, Risk

David Ladds – Audit, Human Resources, Risk

Mark Murning – Chief Executive

Tony Gouveia – Chief Financial Officer

Ian Kirk,
Chief Executive

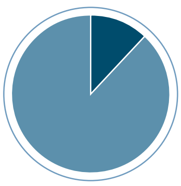
The year under review has been challenging and was a year marked by varying degrees of success. From an underwriting perspective the Group did very well in its core Southern African operations showing an increase in both underwriting profit and net insurance result against 2006, but with the performance of the international business being disappointing.

embracing transformation

Santam

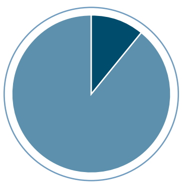
R million	FY2007	%∆
Net operating profit	▲ R983	+12
Gross written premium	▲ R13 173	+9
Net earned premiums	▲ R10 716	+11
– Net claims ratio	▼ 68,2%	
– Net acquisition ratio	▲ 25,6%	
– Underwriting ratio	▼ 6,2%	
NAV per share	▼ 3 610 cps	
Regulatory solvency	▼ 42%	
ROE	▼ 16,6%	
ROGEV	42,0%	

Contribution to net result from financial services



Santam	12%
Rest of Group	88%

Contribution to new business volumes



Santam	11%
Rest of Group	89%

Business profile

Insurance classes	% contribution to gross written premium
Motor	38
Property	28
Alternative risk	13
Liability	8
Engineering	3
Transportation	3
Accident and health	3
Crop	3
Miscellaneous	<1
Guarantee	<1

Who we are and what we do

Santam is the largest player in the South African short-term insurance market, with a market share exceeding 20%. It also operates in Namibia, the United Kingdom and Ireland. The company recently announced that it is disinvesting from its European insurance interests.

The company offers personal, commercial, corporate and specialist risk solutions and insures most of the top 100 companies listed on the JSE Limited.

In 2007, Santam was accredited as the number one company in the "Insurance – non-life" sector in South Africa in the *Top500 Companies* publication. *Top500* is an annual business-to-business publication that identifies companies achieving the highest levels of performance and success within their industry sectors.

Santam's purpose is to be recognised as the best in everything it chooses to do.

Business environment

In response to the challenges facing the short-term insurance industry, Santam has developed a strategy to guide the company to 2010 and beyond, the details of which have been communicated over the past two years. During 2007, good progress was made with the implementation of various strategic initiatives in support of the 2010 strategy.

Santam realises that the brand direction encompasses everything else. It is central to the retention and growth of the business and the networks that we build. To create brand relevance and differentiation, the brand was repositioned based on the proposition of *prevention is better than cure*. Research has indicated that Santam is already starting to own the concept of risk management in the hearts and minds of consumers.

To ensure sustainability, a brand can only be built from the inside out. Therefore, the business places a high priority on enabling staff to support the brand promise through service delivery. Consequently, Santam achieved the third position in the corporate category of the Deloitte's Best Companies to Work For survey.

Santam follows a client-centric approach to the way in which it conducts its business, thereby putting the policyholder at the core of its decision-making. Extensive research into client needs, attitudes and behaviours enables the business to focus on specific client segments with differentiating value propositions.

Santam views its broker relationships as one of its core strengths and continues to promote it as the channel of choice to clients. A number of projects are under way to improve the way in which the company supports its intermediaries. The transformation of insurance services initiative will leverage the current claims, service and procurement capabilities, whilst the broker model initiative will enable intermediaries to compete effectively in the future distribution environment that is currently feeling the effects of competition, regulation and consumerism.

Successful transformation will make for a much stronger, more competitive Santam. It will also enable the business to participate and contribute sustainably within the South African economy. During 2007, significant progress was made with the broad-based black empowerment transaction that was announced in February. The first allocations to staff were made in December and will be followed by allocations to business partners.

Financial review

The year under review has been challenging and was a year marked by varying degrees of success. From an underwriting perspective the Group did very well in its core Southern African operations showing an increase in both underwriting profit and net insurance result against 2006. The performance of the international business was, however, disappointing. Because of the Group's exposure to equity instruments, its investment results were negatively affected by the recent turmoil in financial markets. Although investment income for the year exceeded expectations, it ended well below the exceptional levels of 2006. The company successfully concluded its capital restructuring programme during 2007. The STC charge on the special dividend amounted to R245 million, impacting on earnings. Headline earnings of R1 030 million were 42% lower than the previous year, equating to headline earnings per share of 906 cents compared to 1 555 cents in 2006.

Underwriting margins in the Southern African operations for the year were in line with 2006, although the second half of the year proved to be more difficult than the first due to several catastrophic events, the largest being the floods in the Southern Cape. A number of very large corporate industrial claims adversely affected the property and engineering classes of business. Fortunately the timely corrective action taken regarding personal lines yielded significantly improved results. Amongst the specialist business classes underwriting results varied. Liability business was very profitable whilst our marine business incurred some large losses in the earlier part of the year. Crop insurance resulted in large losses due to severe drought conditions and high incidences of hail in the summer rainfall areas.

The underwriting performance of the international operations suffered an after-tax loss of R168 million for the year against R70 million profit in 2006. As reported in our operational update issued in November 2007, the Dublin-based operation had not performed according to expectations and was consequently put into formal run-off. Westminster Motor Insurance Association (WMIA) continued to operate in an increasingly competitive UK motor market with resultant pressure on premium rates and incurred substantial underwriting losses. After careful consideration of Santam's long-term strategic objectives it was decided to divest from its European operations. The process is well advanced and, as a result of this, the operations of WMIA and Santam Europe are now treated as "Discontinued operations" as defined by IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* and reported as such in the Group financial statements.

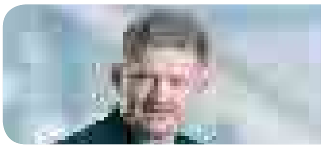
Santam successfully concluded its capital restructuring programme during 2007. A voluntary share buy-back offer was made and the company bought 5,88% of its issued ordinary shares at R102 per share in April. This resulted in a reduction in share capital of R713 million, effectively lowering the solvency ratio by 6% at the time. As alternative capital in terms of its strategy to optimise its capital structure, the company issued unsecured subordinated callable notes to the value of R1 billion during the year. In terms of regulatory approval, the subordinated debt of R1 billion is regarded as part of capital for solvency purposes and has the benefit of substantially reducing the Group's weighted average cost of capital. The final phase of the optimisation process was the payment of a special dividend of 2 200 cents per share in December. The overall impact of these actions was to reduce the Group's solvency from the 62% at the end of 2006 to 42% at the end of 2007.

Expectations and priorities for 2008

Underwriting margins are expected to remain under pressure due to the softer market, both in commercial and personal lines, and could be especially challenging considering the anticipated deterioration in global and domestic economic conditions. Of particular concern is the reduction in disposable income of individuals, uncertainty in electricity power supply and deteriorating public infrastructure. Having the benefit of diversification, Santam is well positioned to face these challenges.

In light of the volatility of local financial markets, capital growth on our investment portfolio during 2008 could be under pressure. However, as a long-term value investor we need to maintain sufficient exposure to equities in order to deliver acceptable long-term returns on shareholder funds. In line with general consensus we expect interest rates to remain at current levels for the foreseeable future, which will have a positive impact on our cash-related investment returns.

With regard to our BBBEE transaction, the focus in 2008 is set on identifying and making allocations to the participants of the Business Partners Trust and the Community Trust, the first of which are expected to be made during the first half of 2008.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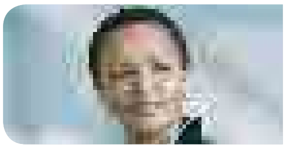
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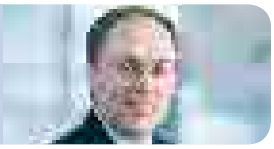

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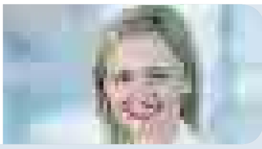

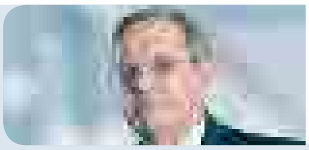
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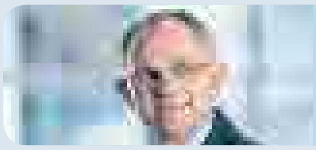
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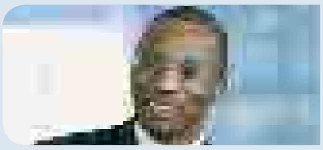
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Executive committee

1. Ian Kirk – Chief Executive
2. Delisiwe Dludlu – Market Development
3. Edward Gibbens – Broker Distribution
4. Jan de Klerk – Information Management
5. Margaret Massie – People and Brand Services
6. Hendri Nigrini – Risk Services
7. Machiel Reyneke – Chief Financial Officer
8. Mpumi Tyikwe – New and External Markets

Board of directors and committee memberships

Non-executive directors

Desmond Smith – Chairman, Human Resources

Themba Gamedze

Jannie le Roux – Human Resources, Sustainability

Haroon Lorgat – Audit and Risk

Namane Magau – Human Resources, Sustainability

Alwyn Martin – Audit and Risk

Kobus Möller

Raisibe Morathi

Flip Rademeyer – Audit and Risk, Investment

Jeremy Rowse – Sustainability

George Rudman – Audit and Risk

Johan van Zyl – Human Resources

Peter Vundla – Sustainability

Executive directors

Ian Kirk – Investment

Machiel Reyneke – Investment

Themba Gamedze,
Chief Executive

The Sanlam IFS portfolio delivered an attractive return of 27% for 2007 on a fair value basis.

embracing transformation

Investment structure

Investment	IFS shareholding %	Description
Punter Southall Group	27	UK-based financial services group
Intrinsic	28	UK-based multi-tied financial services intermediary
Nucleus	42,5	UK-based investment management administration platform
JHI	20	Property management
Thebe Community Financial Services	30	Financial services group
Kwanda Financial Services	25	Network of financial services intermediaries
The Bull and Bear Financial Services Group	38	Financial services intermediary

Who we are

Sanlam Independent Financial Services (IFS) invests in local and international financial intermediary businesses that have a well-defined and loyal customer base and are not Sanlam branded.

The strategic intent of investing in independent financial intermediary businesses is to:

- Earn an appropriate risk-adjusted return on the investment; and
- Enhance business flows to all the other clusters in the Sanlam group, locally and internationally.

When investing in a business, we remain a minority shareholder to ensure ongoing independence of the intermediary business and the advice offered to clients.

Historically, IFS also invested in service businesses that were strategically important, but not within the definition of a core Sanlam business.

The intention is to refocus IFS over a period of time to include only businesses that distribute financial services. Coris Capital's retirement fund administration was therefore transferred to Sanlam Employee Benefits during 2007. Further restructuring of the portfolio may follow in time.

2007 in perspective

The Sanlam IFS portfolio delivered an attractive return of 27% on a fair value basis for 2007. These results were largely driven by the returns on the investments in the Punter Southall Group (PSG) and Intrinsic due to their relative size to the rest of the portfolio.

The operating profit and business flow results of the portfolio are, however, disappointing if compared to budget. As with the return on market value, PSG had the biggest impact on IFS not meeting its operating profit budgets because of its relative size. PSG is in a phase of rapid growth funded by profits generated. While the success of this strategy is seen in the growth in market value, it depresses profits over the short term.

Thebe Community Financial Services also delivered very disappointing results, in particular Creditworx. Management has implemented various steps to turn the loss-making position around, and we are monitoring their performance closely to preserve the value of the investment, while the turnaround strategy is being effected.

Punter Southall Group

Punter Southall, a UK-based financial services advisory group, forms part of Sanlam's diversification and internationalisation strategy.

At the end of 2006 we reduced our shareholding in PSG from 61% to 27% with the aim of enabling a new generation of management to take over majority shareholding. This approach to incentivise the management team has proved hugely beneficial for PSG and was noticeable from the 2007 results.

PSG operates through a wide range of underlying businesses, which enables them to provide complete solutions to their clients. Their main business focus is on actuarial consulting, employee benefit and investment consulting to corporates and pension scheme trustees; independent financial advice and investment consulting to individuals; and discretionary management of client portfolios.

While PSG has suffered a reduction in profitability from their actuarial business due to the maturity of the market, this has been offset by high growth in their asset management businesses.

All other divisions of PSG are experiencing excellent growth, which is currently requiring the group to invest in skilled resources and to expand the operational infrastructure. This reinvestment of profits into future growth has resulted in PSG's results being 43% lower than budgeted for in 2007.

Intrinsic

Intrinsic is a two-year-old start-up venture in the UK, focused on building a multi-tied financial intermediary business.

Since its launch Intrinsic has grown its adviser force significantly and is currently the fifth largest network by adviser numbers.

The UK mortgage industry has slowed down significantly and this is impacting on margins, worsened by the fact that the greater proportion of intermediaries is selling in this space. The focus going forward is therefore to work towards achieving the right mix of financial planners and mortgage brokers by retraining mortgage brokers and recruiting more financial planners.

During 2007 Intrinsic reached break-even profitability and expects to sustain positive results in 2008.

Nucleus

Nucleus is another start-up venture in the UK, which opened its doors to business at the beginning of 2007. Nucleus is a linked investment product platform owned by independent financial intermediaries. The appeal of Nucleus to independent intermediaries is that it allows them to claim ownership of the platform and to secure better terms with asset managers by leveraging scale.

Attractive for us is that Nucleus is one of only two independent platforms in the UK, affording it broad market coverage in the very topical wrap platform market.

By the end of December 2007, Nucleus had attracted £173 million in assets under management. While this growth is positive, it lags expectations and is receiving active management attention.

JHI (formerly Gensec Property Services)

The merger between Gensec Property Services and JHI became effective in March 2007 and has resulted in the new entity being black-owned and the second largest property management company in the country. These credentials have favourably positioned the company to capitalise on synergies and growth opportunities locally, but also in Africa, the Middle East and India, which are the priority areas for internationalisation.

Last year much emphasis was placed on nurturing client relationships following the merger. Moreover, the costs of the merger came in higher than anticipated and the combination of these factors impacted negatively on profitability for 2007.

Thebe Community Financial Services (TCFS)

TCFS consists of three subsidiaries, namely: Thebe Employee Benefits, Creditworx and EMID, an administrative banking platform.

The strategy of TCFS becoming a financial services distribution business in the entry-level market was not successful and TCFS substantially underperformed against expectations.

Line-up for 2008

We will:

- Continue to identify further investment opportunities into businesses that distribute retail financial services and look at extracting synergies between the respective investments;
- Exit those investments that do not meet our objectives;
- Seek new investments in the institutional distribution channel; and
- Strengthen the relationship between UK-based Sanlam product factories and IFS businesses to support growth in business flows.

Board members

Non-executive directors

Johan van Zyl – Chairman

Kobus Möller

Ian Kirk

Nick Christodoulou

Executive directors

Themba Gamedze – Chief Executive

Kobus Möller,
Financial Director

The Sanlam group reached important milestones during the 2007 financial year with new business volumes and core earnings exceeding R100 billion and R4 billion respectively for the first time.

Overview

The Sanlam group reached important milestones during the 2007 financial year with new business volumes and core earnings exceeding R100 billion and R4 billion respectively for the first time. This performance epitomises an overall solid performance in 2007:

- Net result from financial services increased by 20% to 133,3 cents per share.
- Core earnings per share increased by 27% to 182,4 cents per share.
- New business volumes of R102 billion are 26% higher than 2006.
- Value of new life business improved by 31% to R567 million.
- Return on Group equity value per share of 18,8%.
- Dividend per share increased by 21% to 93 cents per share.

From modest beginnings 90 years ago, Sanlam has grown into a leader in wealth creation and one of the foremost financial institutions in Africa. The Group embarked on a strategy of transformation into a diversified financial services organisation a few years ago, with a clear focus on maximising return for our shareholders. In this regard it is pleasing to note that the Sanlam share price has outperformed the JSE All Share, Financial and Banking indices over the five years to 31 December 2007, providing exceptional returns to our shareholders. The 2007 financial year was no exception, with shareholders being rewarded with a total return of 29%, comprising a R4,45 increase in the Sanlam share price during 2007 and a 77 cents dividend per share declared during the year.

The strong Group performance reported for the first six months of 2007 continued for the remainder of the year, notwithstanding an increasingly challenging business environment, exacerbated by volatile debt and equity markets during the latter part of the year.

Group Equity Value

Embedded value terminology is traditionally associated with life insurance businesses. The ongoing transformation of the Sanlam group into a diversified financial services organisation, which includes a growing non-life component, caused our past practice to refer to the combined Group operations in terms of embedded value terminology and methodology to become increasingly inappropriate. Consistent with our objective to continuously improve the quality and relevance of our financial communication we will, with effect from the 2007 financial year, refer to the aggregate value of the Group business as Group Equity Value (GEV). This change in terminology and presentation does not impact on the previously published total Group embedded value.

GEV is the aggregate of the following components:

- The embedded value of covered business, being the life insurance businesses of the Group, which comprises the capital supporting these operations and the net value of their in-force books of business;
- The fair value of other Group operations, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

GEV provides a meaningful basis of reporting the underlying value of the Group's different operations and the related performance drivers, while changes in GEV more accurately reflects the performance of the Group than results presented under International Financial Reporting Standards (IFRS). This basis also allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The embedded value methodology is still being applied to the Group's covered life insurance business as defined. The methodology and assumptions used to determine the embedded value of covered business have however been adjusted at 31 December 2007 in preparation for the revised embedded value guidance from the Actuarial Society of South Africa that becomes effective for reporting periods ending on or after 31 December 2008. These are intended to be materially consistent with the CFO Forum's European embedded value (EEV) principles. No adjustment has been made to the 2006 published embedded value. The impact of the EEV methodology and assumption changes on the 2007 embedded value and the value of new business is discussed in more detail below.

The GEV as at 31 December 2007 amounted to R51,3 billion, up 9,6% on the R46,8 billion at the end of 2006. On a per share basis GEV increased by 14,8% from 2 047 cents to 2 350 cents at 31 December 2007. The Sanlam share price traded at a 3,2% discount to GEV by close of trading on 31 December 2007.

The GEV at 31 December 2007 is analysed in the following table:

Group Equity Value

R million	2007 Total	2007 Fair value of assets	2007 Value of in-force	2006 Total	2006 Fair value of assets	2006 Value of in-force
Embedded value of covered business	**28 432**	**14 710**	**13 722**	27 403	15 140	12 263
Sanlam Personal Finance	**21 010**	**8 732**	**12 278**	18 702	8 325	10 377
Sanlam Developing Markets	**2 160**	**860**	**1 300**	1 953	650	1 303
Sanlam Employee Benefits	**5 262**	**5 118**	**144**	6 748	6 165	583
Other Group operations	**15 557**	**15 557**	**—**	13 210	13 210	—
Retail cluster	**1 220**	**1 220**	**—**	1 058	1 058	—
Institutional cluster	**7 256**	**7 256**	**—**	5 899	5 899	—
Santam	**6 375**	**6 375**	**—**	5 628	5 628	—
Independent Financial Services	**706**	**706**	**—**	625	625	—
Diversification benefit	**(1 232)**	**(1 232)**	**—**	(1 532)	(1 532)	—
Other capital	**2 436**	**2 436**	**—**	1 530	1 530	—
	45 193	**31 471**	**13 722**	40 611	28 348	12 263
Discretionary capital	**6 100**	**6 100**	**—**	6 200	6 200	—
Group Equity Value	**51 293**	**37 571**	**13 722**	46 811	34 548	12 263
Issued shares for value per share	**2 182,8**			2 286,7		
GEV per share	**2 350**			2 047		
Share price	**2 275**			1 830		
Discount	**(3%)**			(11%)		

The embedded value of covered business amounted to R28,4 billion compared to R27,4 billion in 2006. Sanlam Personal Finance is still the largest business, representing 74% of the total embedded value of covered business. The embedded value contribution to GEV reduced from 59% in 2006 to 55%, illustrating the increasing diversification into a balanced financial services organisation. Capital required by covered businesses of R14,7 billion is down from R15,1 billion in 2006, a consequence of the ongoing focus on capital efficiency in the Group. The reduction is attributable to a release of capital in Sanlam Employee Benefits, driven by a reduction in its exposure to capital intensive smoothed bonus and participating annuity business. Sanlam Personal Finance also reduced its capital requirement since the end of June 2007. The value of in-force amounted to R13,7 billion, an increase of 12% on 2006, and now comprise 48% of the embedded value of covered business (45% in 2006) and 27% of total GEV (26% in 2006). The change to EEV methodology added R272 million to the value of in-force at the end of 2007. This is essentially the net effect of a positive adjustment to the equity return assumptions to be more in line with market expectations and a cost of capital charge that is now based on the full required capital allocated to the existing covered businesses. The cost of capital was previously based on the minimum regulatory capital.

Impact of EEV change on value of in-force at 31 December 2007

R million	VIF before EEV change	VIF after EEV change	Difference
Sanlam Personal Finance	11 560	12 278	718
Sanlam Developing Markets	1 366	1 300	(66)
Sanlam Employee Benefits	524	144	(380)
Impact of EEV changes on value of in-force	13 450	13 722	272

The EEV methodology change had a net positive impact on Sanlam Personal Finance, as the benefit of the higher assumed equity risk premium more than offset the cost associated with the higher level of capital. The net impact on Sanlam Developing Markets was negative given the low equity exposure in its required capital, with a resulting reduced impact of the increased equity risk premium. Given the disproportionate size of Sanlam Employee Benefits' required capital compared to its value of in-force, the EEV methodology change significantly reduced its value of in-force given the much higher cost of capital.

The fair value of Other Group operations of R15,6 billion increased by 18% on 2006 and comprised 30% of GEV on 31 December 2007 (28% in 2006). Santam is valued at traded market value and directors' valuations are used for the other businesses. The latter are based on applicable market-related yields and ratios, applying methodology and key assumptions that are consistent with those applied in 2006. Operations in the Institutional cluster, the bulk of which are investment management related, are valued at R7,3 billion, up 23% on 2006, accounting for 47% of the value of the Group's non-life operations. The value of the Group's investment in Santam accounts for a further 41% and increased by 13% to R6,4 billion. To the extent that the net asset value of non-life Group operations qualifies for and is utilised to cover a portion of the covered business's capital requirement, a capital diversification benefit is realised. At the end of December 2007 this benefit amounted to R1,2 billion.

Discretionary capital in excess of the Group's immediate requirements amounted to R6,1 billion on 31 December 2007, marginally down from the R6,2 billion at the end of 2006. Refer to "Capital management" section below for more information on the changes in and utilisation of the identified discretionary capital.

Return on Group Equity Value

Optimising shareholder value through maximising the return on GEV is the primary goal of the Group. A return target has been set to exceed the Group's cost of capital on a sustainable basis. Cost of capital is set at the 10-year government bond yield plus 3% to 4%. In 2007, a return on GEV of 19,1% was achieved, compared to a target of some 12%. This has been achieved notwithstanding some relative deterioration in equity markets towards the end of the year. All of the Group businesses contributed to the growth in GEV, with all businesses, except Sanlam Employee Benefits, achieving growth in excess of 20%. After an initial slow start Sanlam now exceeds this aggregated return target measured since demutualisation in 1998.

Return on GEV per share for 2007 is marginally lower at 18,8%. The lower return is substantially due to the dilutive impact of the deferred shares held by Ubuntu-Botho qualifying for conversion during the year (refer below) and a dilution from the share incentive scheme following the increase in the Sanlam share price during the year.

Return on Group Equity Value

for the year ended 31 December 2007

	2007 Earnings R million	2007 Return %	2006 Earnings R million	2006 Return %
Sanlam Personal Finance	**4 185**	**21,2**	4 772	25,4
Covered business	**4 016**	**21,5**	4 469	24,6
Other operations	**169**	**16,0**	303	45,4
Sanlam Developing Markets	**377**	**19,3**	559	36,3
Covered business	**351**	**18,0**	559	36,3
Other operations	**26**	**—**	—	—
Institutional cluster	**2 055**	**16,2**	4 049	36,9
Covered business	**333**	**4,9**	1 196	16,6
Investment management and fund administration	**1 581**	**28,9**	2 712	84,0
Capital markets	**141**	**35,3**	141	35,3
Short-term insurance	**2 362**	**42,0**	1 043	22,0
Independent Financial Services	**169**	**27,0**	161	31,9
Discretionary and other capital	**(229)**		1 128	
Balance of portfolio	**345**		980	
Shares delivered to Sanlam Demutualisation Trust	**(71)**		—	
Shriram goodwill less VIF acquired	**(108)**		—	
Treasury shares and other	**(286)**		32	
Change in net worth adjustments	**(109)**		116	
Return on Group Equity Value	**8 919**	**19,1**	11 712	30,7
Return on Group Equity Value per share		**18,8**		31,0

An overall return on GEV of 19,1% was achieved during the year. Sanlam Personal Finance achieved a return of more than 21% on its operations, with covered business accounting for the bulk of the growth. Similarly the covered business of Sanlam Developing Markets substantially contributed towards its 19,3% return for the year.

Operations in the Institutional cluster achieved a return of 16,2%. This is the combined result of 28,9% growth in the Investment management and fund administration business, a 35,3% return recorded by Sanlam Capital Markets (SCM), somewhat offset by a disappointing 4,9% return in Sanlam Employee Benefits (SEB). SCM's return includes once-off profit realised on the disposal of an associated company and subsidiary. Excluding these items SCM's return was slightly below its 25% target. While the required capital of SEB remains disproportionate to its value of in-force, its return will be sub-optimal. An ongoing Group focus is the restructuring of Sanlam Employee Benefits' solutions to improve its capital efficiency.

Exceptional growth in the Santam share price plus dividends of R26,28 per share paid during the year (including a special dividend of R22,00) contributed to a return of 42% on the Group's investment in Santam.

The return on discretionary and other capital was negatively impacted by a number of low-yielding assets in the portfolio. This includes international cash as well as the Group's interest in the Safair Lease Finance joint venture, which required a R62 million negative valuation adjustment. Other items impacting on the return include:

- A shortfall of R71 million on the delivery of Sanlam shares to the Sanlam Demutualisation Trust in terms of an arrangement put in place as part of the UB empowerment transaction in 2004, being the difference between the fair value of the Sanlam shares delivered and the fair value of the equivalent number of UB preference shares received from the Trust in return;
- The write-off, for GEV purposes, of the goodwill paid on acquisition of Shriram Life in India of R108 million;
- A shortfall of R288 million on the delivery of Sanlam shares to the share incentive scheme participants at the applicable strike prices; and
- A negative charge of R109 million in the net worth adjustments, essentially due to some reallocation of expenses formerly recognised in the calculation of the value of covered business.

Return on covered business

Return on covered business

for the year ended 31 December 2007

R million	2007	2006
Net value of new business	**565**	434
Existing business	**2 085**	1 717
Expected return on value of in-force	**1 493**	1 256
Operating experience variances	**315**	277
Operating assumption changes	**277**	184
Net project expenses	**(77)**	—
Embedded value earnings from covered business	**2 573**	2 151
Investment return on adjusted net worth	**1 589**	2 973
Economic assumption and tax changes	**163**	42
Investment variances	**188**	1 134
Change in minority shareholders' interest	**(85)**	(76)
EEV methodology changes	**272**	—
Total earnings from covered business	**4 700**	6 224
Return on covered business	**17,2%**	23,2%

A return of 17,2% was achieved on covered business during 2007, compared to 23,2% in 2006. The decrease in return during 2007 is mainly attributable to relatively lower investment market performance in 2007, which is reflected in a 47% reduction in the investment return on adjusted net worth from R3 billion in 2006 to R1,6 billion in 2007. Investment variances commensurately also reduced from R1,1 billion in the 2006 financial year to R188 million for 2007. The EEV methodology changes added R272 million to embedded value earnings for the year. The 30% growth in VNB is particularly satisfactory. VNB contributed 22% to embedded value earnings from life operations in 2007 compared to 20% in the 2006 comparable period. The R315 million operating experience variances in 2007 are largely attributable to positive risk underwriting experience.

Business volumes

New business flows

Total new business volumes increased by 26% from R81 billion in 2006 to R102 billion in the 2007 financial year. All of the Group businesses contributed to the performance.

Gross new business volumes

R million	2007	2006	%∆
Per business			
Sanlam Personal Finance	**27 809**	21 826	27
South Africa	**19 137**	15 645	22
Africa	**7 379**	5 424	36
Other international	**1 293**	757	71
Sanlam Developing Markets	**3 615**	2 003	80
South Africa	**2 767**	1 366	103
Africa	**722**	593	22
Other international	**126**	44	186
Institutional	**50 177**	38 678	30
Sanlam Employee Benefits	**2 334**	2 180	7
Sanlam Investments	**47 843**	36 498	31
Santam	**11 407**	10 203	12
New business excluding white label	**93 008**	72 710	28
White label	**8 996**	7 938	13
Collective Investment Schemes	**7 794**	7 647	2
Sanlam Developing Markets	**1 202**	291	313
Total	**102 004**	80 648	26
Per licence			
Life business	**17 408**	13 933	25
Sanlam Personal Finance	**11 123**	9 333	19
Sanlam Developing Markets	**3 615**	2 003	80
Sanlam Employee Benefits	**2 334**	2 180	7
Sanlam Investments	**336**	417	(19)
Investment business	**64 193**	48 574	32
Sanlam Personal Finance	**16 686**	12 493	34
Sanlam Investments	**47 507**	36 081	32
Short-term insurance	**11 407**	10 203	12
New business excluding white label	**93 008**	72 710	28
White label	**8 996**	7 938	13
Total	**102 004**	80 648	26

New life business volumes increased by 25% to R17,4 billion, up from 7% growth recorded for the first six months of 2007. This is attributable to strong performances from the South African as well as the international life insurance businesses in the Group. Both Sanlam Personal Finance and Sanlam Developing Markets recorded increased growth while Sanlam Employee Benefits achieved a welcome turnaround from the negative new business growth experienced in the first half of 2007. Investment business also recorded robust growth and new inflows increased by 32% to R64,2 billion compared to the 2006 financial year, supported by strong growth from both Sanlam Investments and Sanlam Personal Finance. Short-term insurance net earned premiums (including discontinued operations) increased by 12% to R11,4 billion on the comparative period in 2006. White label flows are presented separately due to the high level of volatility in these flows. White label flows are 13% up on 2006, with a particular strong contribution from Sanlam Developing Markets.

Sanlam Personal Finance new business volumes increased by an exemplary 27%. Recurring premium business (including both life and non-life) is up 24% with single premium business reflecting growth of 28% on 2006.

- *South African* new business volumes increased by 22%, with good support experienced for both life and investments solutions. These results have been achieved despite the negative impact of increasing interest rates on consumers' disposable income. The introduction of more flexible, tailored and transparent solutions assisted in improving the recent negative sentiment towards the insurance industry.
  - Strong new *recurring premium* life sales were recorded, being 15% up on the same period in 2006. This is somewhat down on the 21% growth reported for the first six months of 2007, but reflects the impact of the higher comparative base towards the end of 2006. Competitive solutions and good adviser and broker support contributed to the growth in recurring premiums.
  - Total *single premium* life sales are up 14% on 2006, an improved performance compared to the 9% growth reported for the first six months of 2007. Growth in the Glacier life insurance solution range accelerated during the year to achieve an increase of 28% in inflows. Despite volatility in equity markets during 2007, overall returns were still attractive and supported the sales of single premium business.
  - Sanlam Personal Finance's *investment business* increased by 31% in 2007, confirming the successful diversification of the business into investment products. Glacier continued its strong growth in investment business, which increased by 26% compared to 2006. The new Topaz linked investment solution recorded exceptional growth to make a solid contribution to overall investment business volumes.
- The *Namibian* operations experienced another good year and increased its new business volumes by 36%. The majority of the growth stems from investment business, which grew by 37% compared to 2006. The popularity of unit trust solutions continued, with new business volumes increasing by 51% from R3,8 billion in 2006 to R5,8 billion in 2007.
- *Merchant Investors'* increased focus on new business initiatives and on further extending its distribution capacity contributed to excellent growth of 71% in new business volumes for the year to in excess of R1 billion.

Sanlam Developing Markets again exceeded expectations and delivered sterling results with an 80% increase in new life insurance business. Excluding the relatively low margin single premium business in Channel Life and African Life SA, new business volumes are 30% up on 2006.

- *South African* total new business inflows more than doubled in 2007 to R2,8 billion, aided by two large single premiums amounting to some R1,1 billion. New recurring premiums increased by 27% to R584 million, the combined result of 28% growth in African Life SA's recurring business and a 26% increase in Channel Life sales. African Life SA's results were supported by improvements in manpower and average premium size as well as a substantial reduction in the not-taken-up (NTU) rate of traditional channels in 2007. A relatively high NTU rate in the direct channel is, however, still receiving management attention. The Channel Life call centre experienced operational problems during the year, which are being addressed. Notwithstanding these problems, Channel Life recorded strong new recurring business volumes.
- The *African* operations' new business volumes increased by 22%. Botswana Life remains the main contributor to African flows and increased its recurring premiums by 35% to R139 million, and single premiums by 15% to R404 million. Recurring premium business was supported by the launch of new solutions, improvements in validation and the strengthening of broker relationships. Double-digit single premium growth is particularly satisfactory in the face of strong competition from the Botswana Government annuity product. The Kenyan operations had a very good year and reported an increase of 68% in its new business volumes to reach R103 million for 2007.
- *Shriram Life,* our 26% held life operation in India, is continuing its strong sales performance with 2007 full-year sales of R126 million up 186% on the R44 million for 2006. Accredited agents increased from 9 400 at the end of 2006 to more than 16 000. Agent productivity is still lower than target but this was offset by a higher average premium size.

Institutional new business flows increased by 30% compared to the 2006 financial year.

- *Sanlam Employee Benefits'* flows are 7% up on 2006 in a very competitive market for risk and investment solutions. Sanlam Employee Benefits' performance has shown a significant turnaround from the reported 28% reduction in sales volumes in the first half of 2007. The improvement is the combined effect of a major recovery in single premium volumes, partially offset by a slowdown in recurring premium growth against the higher comparative base towards the end of 2006.
- *Sanlam Investments'* inflows increased by 31% to R47,8 billion, of which R4,4 billion was accounted for by the non-South African businesses. Wholesale segregated inflows and Sanlam Multi-Manager inflows more than doubled in 2007. As expected, after an exceptional 2006, new business inflows in Octane and Sanlam Private Investments moderated by 55% and 19% respectively. All other investment management businesses experienced satisfactory improvement in new fund flows.

Santam recorded a 12% overall increase in net earned premiums, a satisfactory result in a highly competitive environment. Santam has made a strategic decision to discontinue its international operations in Europe. Excluding premiums attributable to the discontinued operations, net earned premiums increased by 11% from R9,6 billion in 2006 to R10,7 billion in 2007.

Net funds flow

Total inflows increased by 24% to R116,9 billion while outflows in respect of fund withdrawals and policy benefits were up by only 4% to R105,5 billion. Net inflows amounted to R11,4 billion, somewhat down on the net inflow of R14,1 billion in the corresponding period in 2006 (before the PIC withdrawal of R21,6 billion).

Net funds flow

R million	2007	2006
Sanlam Personal Finance	**3 521**	3 678
Sanlam Developing Markets	**2 266**	1 669
Institutional	**390**	(17 664)
Sanlam Employee Benefits	**(4 111)**	(2 835)
Sanlam Investments	**4 501**	(14 829)
Santam	**3 379**	3 166
Net funds flow excluding white label	**9 556**	(9 151)
White label	**1 807**	1 700
Collective Investment Schemes	**1 255**	3 675
Sanlam Developing Markets	**552**	(1 975)
Total net inflows	**11 363**	(7 451)
Total inflows	**116 910**	94 409
Total outflows	**(105 547)**	(101 860)

Sanlam Personal Finance's net flows of R3,5 billion are marginally down on the R3,7 billion recorded in 2006. RSA life business recorded net outflows of R1,2 billion compared to a net inflow of R103 million in 2006. This is the result of higher maturity claims, which can be ascribed to the relatively bigger block of business sold five years ago as well as higher maturity values due to the current higher market levels. Policy surrenders are marginally down on 2007. Net investment inflows improved from R3,9 billion in 2006 to R4,9 billion for the 2007 financial year, offsetting the reduction in net life business flows.

Sanlam Developing Markets is continuing to perform well and recorded net inflows (excluding white label) for the 2007 year of R2,3 billion compared to R1,7 billion in 2006. The high level of single premiums written by Channel Life was the main contributor to the increase in South African net fund flows. Alternative Channel, that contributed most of the single premium volumes, was sold at the end of 2007 (refer below). A similar level of single premium business is therefore not expected in the future. All non-South African operations contributed to an increase in non-South African net flows.

Institutional cluster net flows increased from a net outflow of R17,7 billion in 2006 to a net inflow of R390 million in 2007. Net inflows are somewhat down on 2006 excluding the PIC fund withdrawal of R21,6 billion. Sanlam Investments recorded net inflows of R4,5 billion in 2007 compared to R6,7 billion in 2006 (excluding PIC). This shortfall is substantially due to a few large mandates that were lost during the first half of 2007 as a result of changes in client investment strategy and the impact of the closure of the Sanlam Dividend Income Fund. Non-South African net inflows declined from R2,8 billion in 2006 to R1,2 billion for the 2007 financial year, mainly due to a decline in Octane inflows from a relative high base. Sanlam Employee Benefits recorded net outflows of R4,1 billion compared to R2,8 billion in 2006. The increased level of net outflows is in part attributable to a deliberate effort to reduce its capital and margin inefficient business.

White label net inflows of R1,8 billion was marginally higher than 2006, the combined effect of a decline in Collective Investments' net inflows and a significant increase in Sanlam Developing Markets' contribution. White label flows are volatile in nature and variances can be expected between reporting periods.

New business embedded value

The strong new business performance during the 2007 year is also reflected in the growth in the value of new business. As referred to in the GEV section above, the embedded value methodology and assumptions have been aligned with the EEV approach. The table below provides the embedded value of new covered business (VNB) on both the traditional embedded value (TEV) basis, which is consistent with and comparable to the 2006 comparative information, and the EEV basis. The transition to the EEV basis did not have a material impact on VNB.

Value of new business

R million	EEV 2007	TEV 2007	TEV 2006	%∆ EEV
Covered business:				
Value of new life business	**567**	**565**	434	30,6
Sanlam Personal Finance	**332**	**322**	261	27,2
Sanlam Developing Markets	**203**	**205**	134	51,5
Sanlam Employee Benefits	**32**	**38**	39	(17,9)
Net of minorities	**493**	**489**	379	30,1
Present value of new business premiums	**23 886**	**23 886**	20 308	17,6
Sanlam Personal Finance	**16 312**	**16 312**	13 735	18,8
Sanlam Developing Markets	**5 476**	**5 476**	3 107	76,2
Sanlam Employee Benefits	**2 098**	**2 098**	3 466	(39,5)
Net of minorities	**21 886**	**21 886**	19 426	12,7
Life new business margin	**2,37%**	**2,37%**	2,14%	
Sanlam Personal Finance	**2,04%**	**1,97%**	1,90%	
Sanlam Developing Markets	**3,71%**	**3,74%**	4,31%	
Sanlam Employee Benefits	**1,53%**	**1,81%**	1,13%	
Net of minorities	**2,25%**	**2,23%**	1,95%	

Total life VNB for 2007 of R567 million reflects exceptional growth of 31% on the back of similar new business volume performance. Net of minority interests VNB improved by 30% to R493 million. The overall new life business margin increased from 2,14% to 2,37%.

The **Sanlam Personal Finance** VNB was positively impacted by the good sales achieved for the year, with the VNB margin also increasing from 1,90% in 2006 to 2,04%. Sanlam Personal Finance also calculates the VNB of its non-life business and reported an 8% increase in the value of non-life linked and loan business from R64 million in 2006 to R69 million in 2007.

All of the operations in **Sanlam Developing Markets** contributed to an exceptional 51% growth in gross VNB to R203 million. African Life SA and Kenya more than doubled their contribution during 2007, the latter supported by strong bancassurance sales. African Life SA's performance was positively impacted by good volume growth, an improved mix of business and persistency gains (refer above for decline in NTU rates in the traditional distribution channels). Channel Life's VNB declined by 19% to R30 million and was negatively impacted by deteriorating persistency experience and an expense overrun in the call centre. The Botswana operations are continuing to do well, with both VNB of R93 million and margins positively impacted by strong bancassurance sales, good margins on a newly launched risk underwriting solution and persistency gains. The decline in the overall VNB margin from 4,31% in 2006 to 3,71% in 2007 is largely attributable to single premium contracts written at relatively low margins. Excluding these contracts, VNB margins are slightly higher than 2006.

As part of the restructuring of **Sanlam Employee Benefits** within the Institutional cluster, the market-related investment business written by Sanlam Employee Benefits has been reclassified as life licence business with effect from 2007, to be consistent with the treatment of similar business written by Sanlam Investment Management under life licence. It has commensurately also been excluded from the embedded value of covered business and VNB. Comparative information has not been restated for the change in classification. This resulted in a significant 39% decline in the present value of new business premiums included in the VNB calculations. The VNB was however not materially impacted, given the lower margins earned on the reclassified investment business. The adoption of the EEV methodology and assumptions decreased VNB by R6 million, resulting in an overall 18% decline in VNB. Overall profitability improved from 1,13% in 2006 to 1,53% in 2007.

Earnings

The income statement in this section follows a different presentation format than the IFRS format disclosed on page 257. It differs from the IFRS version in the following respects:

- The IFRS income statement includes the consolidated results of both the shareholder and policyholder activities. It also does not distinguish between the shareholders' financial services and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam group's financial performance. The income statement presented in this section includes only earnings attributable to shareholders.
- The IFRS accounting treatment of the policyholders' fund's investments in Sanlam shares (as treasury shares) and Group subsidiaries (included at consolidated Group interest) results in accounting mismatches and a misrepresentation of the Group's true operational performance. The income statement in this section is adjusted for these inconsistencies to ensure that it reflects the actual economic performance of the Group more accurately. The number of issued shares used for the calculation of earnings per share has also been adjusted to account for Sanlam shares held by the policyholders' fund as still being in issue.

Summarised shareholders' fund income statement

for the year ended 31 December 2007

R million	2007	2006	%∆
Net result from financial services	**3 029**	2 605	16
Gross result from financial services	**4 539**	4 098	11
Taxation	**(997)**	(989)	(1)
Minority shareholders' interest	**(513)**	(504)	(2)
Net investment income	**1 117**	760	47
Core earnings	**4 146**	3 365	23
Project expenses	**(85)**	—	
Equity-accounted earnings	**152**	164	(7)
Amortisation of value of business acquired	**(51)**	(45)	(13)
Broad-based employee share plan	**(5)**	(19)	74
Net investment surpluses	**1 264**	3 215	(61)
Secondary tax on companies	**(131)**	(84)	(56)
Discontinued operations	**(91)**	37	(346)
Normalised headline earnings	**5 199**	6 633	(22)
Disposal of subsidiaries and associates	**668**	132	
Impairments	**(7)**	(30)	
Other non-headline earnings	**—**	5	
Normalised attributable earnings	**5 860**	6 740	(13)
Normalised core earnings (cents per share)	**182,4**	143,1	27
Normalised headline earnings (cents per share)	**228,7**	282,0	(19)

Core earnings

Core earnings is not a statutory or regulatory required earnings concept but is presented to provide shareholders with an indication of 'stable' earnings. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends, interest and rental income earned on the shareholders' fund discretionary investment portfolio as well as the margin earned on the Group's hybrid debt and preference share portfolios and also includes dividends received from non-operating associated companies and joint ventures. It, however, excludes the equity-accounted retained earnings of these operations.

Core earnings for the year of R4 146 million are 23% up on 2006, reflecting a 16% increase in the net result from financial services for the year and a 47% increase in net investment income over the same period. On a per share basis, core earnings increased by 27%, reflecting the impact of the 3,4% reduction in the weighted average number of shares in issue from the share buy-backs during the year (refer to "Capital management" section below).

Result from financial services

The net result from financial services amounted to R3 029 million for the 2007 financial year, a 16% increase compared to 2006.

Result from financial services

R million	2007	2006	%∆
Financial services income	**25 026**	22 333	12
Sales remuneration	**(3 248)**	(2 881)	(13)
Income after sales remuneration	**21 778**	19 452	12
Underwriting policy benefits	**(11 176)**	(10 087)	(11)
Administration costs	**(6 063)**	(5 267)	(15)
Gross result from financial services	**4 539**	4 098	11
Taxation	**(997)**	(989)	(1)
Minority shareholders' interest	**(513)**	(504)	(2)
Net result from financial services	**3 029**	2 605	16
Group administration cost ratio	**27,8%**	27,1%	
Group operating margin	**20,8%**	21,1%	

Financial services income includes:

- Fees earned in respect of long-term insurance, investment management and capital market activities;
- Short-term insurance premiums earned, net of reinsurance premiums paid; and
- Interest earned on working capital.

Financial services income increased by 12% on 2006, with Sanlam Investments and Sanlam Developing Markets the largest contributors to the growth.

Sales remuneration increased by 13%, driven by the growth in new business volumes. Net underwriting benefits grew by 11%, with Santam's claims levels increasing in line with the growth in net earned premiums and Sanlam Personal Finance claims increasing by 14%.

Administration expenditure increased by 15% on 2006. The Group continued with its strategic focus on cost efficiencies and in general restricted the increase in administration costs. Specific areas, however, required some additional investment in capacity and systems which led to the reported overall cost increase. After the accelerated growth experienced over the past few years, some investments in infrastructure and capacity were required within the Sanlam Investments cluster, contributing to a 45% increase in its cost base. Santam initiated a number of strategic projects during the year, which also increased its cost base. The overall administration cost ratio of 27,8% for 2007 is slightly higher than the 27,1% achieved in 2006.

The gross result from financial services of R4 539 million is 11% higher than the comparative period in 2006. All major businesses performed satisfactorily within the context of a challenging business environment and volatile debt and equity markets in the latter part of 2007. The gross result from financial services is analysed per business in the table below:

Gross result from financial services

for the year ended 31 December 2007

R million	2007	2006	%Δ
Sanlam Personal Finance	**1 889**	1 697	11
Sanlam Developing Markets	**343**	421	(19)
Institutional cluster	**1 476**	1 298	14
Sanlam Employee Benefits	**173**	70	147
Sanlam Investments	**1 230**	1 077	14
Sanlam Capital Markets	**73**	151	(52)
Santam	**987**	878	12
Independent Financial Services	**7**	20	(65)
Corporate expenses	**(163)**	(216)	25
Gross result from financial services	**4 539**	4 098	11

- Sanlam Personal Finance achieved another set of satisfactory results with their result from financial services for the year being 11% up on 2006. Higher market-related income was to an extent offset by lower administration profit due to new business strain. The profit contribution from non-life operations decreased slightly in 2007, primarily due to new business strain from the strong business volumes recorded by the Topaz linked business, which was launched in the latter part of 2006. The increase in individual life maintenance unit costs was well contained at 5%.
- The Sanlam Developing Markets' result from financial services is 19% down on 2006 and was in general affected by new business strain from the strong new business performance. In addition, African Life SA was negatively impacted by the relatively lower investment returns in 2007. Channel Life's contribution of R11 million is 70% lower than the R37 million in 2006, in part due to negative persistency experience and expense overruns in the call centre. Profit from the Botswana operation was also lower than 2006 following lower relative investment performance and an increase in staff numbers as part of an investment in additional capacity. Sanlam Developing Markets' after-tax results benefited from the release of an excess tax provision. New business strain is a normal element of a high growth strategy and will positively impact on future profitability as reflected in the growth in VNB.
- The Institutional cluster recorded another strong performance in 2007, increasing its result from financial services by 14% against the high comparative base in 2006.
  - Sanlam Employee Benefits posted a 147% improvement on 2006, representing a major turnaround in profitability. These results include the full cost associated with the ongoing migration of the retirement fund administration to Coris Capital. Independent Financial Services carried some of these costs in 2006. Comparative information has not been restated. The outperformance against 2006 can largely be ascribed to a 38% improvement in risk underwriting profits following good claims experience, as well as profit realised on an improvement in the matching profile of the annuity book.
  - Sanlam Investments' result from financial services is 14% up on 2006. This performance reflects the positive gearing effect of its higher assets base, assisted by the recent positive market performance and performance fees earned by the cluster, which increased by 48% from R356 million in 2006 to R526 million in 2007. The inclusion of new acquisitions also contributed to the improvement, including Coris Multi-Manager acquired during 2006, and Simeka acquired in 2007. Sanlam Private Equity and Sanlam Private Investments both recorded exceptional results.

    Major progress has been made over the past few years in transforming the business from a wholesale asset manager into a diversified boutique of investment-related businesses. International business contributed 35% of profit during 2007 and performance fees represented 17% of revenue.
  - Sanlam Capital Markets' result from financial services is 52% down on 2006 and 33% down on an after-tax basis. The increased volatility in debt and equity markets, including a general widening of credit spreads following the US subprime crisis, had a severe impact on capital market activities in the second half of 2007. Despite these challenges, Sanlam Capital Markets reported a marginal profit in the second half of the year and still succeeded in recording a return of 23,5% on its R400 million allocated capital for the year, slightly below the long-term target of 25%.

- Santam's results for the year were negatively affected by major local and international claims towards the end of the year. The international businesses due for closure and/or sale are classified as discontinued operations and reported a net loss of R168 million (R91 million after minorities) compared to a profit of R70 million (R37 million after minorities) in 2006. These results are recognised separately in the income statement. The results from continuing operations of R987 million are 12% higher than in 2006. A claims experience of 68% was in line with 2006, while an underwriting margin achieved of 6,2% is also broadly in line with 6,5% reported in 2006.
- Independent Financial Services' results are 65% lower than 2006 due to a combination of lower profit contributions from, and a reduction in the Group's interest in, certain businesses.
- The reduction in corporate costs versus 2006 is mainly due to the first-time inclusion in corporate costs of the interest earned on the cash held for the Sanlam Limited dividend payment in May 2007. Corporate administration expenses were well contained within inflationary limits.

Net of taxation and minority interest, the result from financial services is 16% higher than 2006.

Net result from financial services

for the year ended 31 December 2007

R million	2007	2006	%∆
Sanlam Personal Finance	**1 450**	1 290	12
Sanlam Developing Markets	**227**	207	10
Institutional cluster	**1 086**	921	18
Sanlam Employee Benefits	**123**	50	146
Sanlam Investments	**869**	730	19
Sanlam Capital Markets	**94**	141	(33)
Santam	**372**	331	12
Independent Financial Services	**6**	16	(63)
Corporate expenses	**(112)**	(160)	30
Net result from financial services	**3 029**	2 605	16

The relatively higher increase on a net basis is due to a lower effective tax rate in Sanlam Developing Markets and Sanlam Capital Markets.

Net investment income

Net investment income for the 2007 financial year is 47% higher than the comparative period in 2006, due to relatively higher cash interest rates and the more conservative investment asset mix that was adopted for the balanced portfolio during 2006. This resulted in a higher exposure to interest-bearing investments (lower exposure to equities) in 2007 compared to 2006 with a higher investment income return. This was partially offset by reduced income on the cash used for the share buy-backs during the year (refer to "Capital management" section below).

Normalised headline earnings

Normalised headline earnings of R5 199 million are 22% lower than the comparative period in 2006. Normalised headline earnings exclude the IFRS accounting impact of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund (refer above). Including the effect of fund transfers recognised in terms of IFRS in respect of these shares, headline earnings decreased by 29%.

Normalised headline earnings per share decreased by 19% with the lower reduction on a per share basis attributable to the reduction in the weighted average number of shares in issue following the share buy-backs during the year (refer to "Capital management" section below).

- Headline earnings include R85 million spent on Sanlam Personal Finance's SanlamConnect distribution channel (launched in December 2007) and the MiWay direct distributional channel (launched in February 2008) during the set-up phases. Some ongoing project costs still need to be incurred in respect of further development phases on these projects, which will be recognised in the 2008 income statement. These projects are aligned with Sanlam's strategy to diversify and expand the Group's distribution reach.
- Investment surpluses amounted to R1 264 million (after tax and minorities) in 2007 compared to R3 215 million (after tax and minorities) in the 2006 financial year. The 61% decrease in net investment surpluses is primarily due to much lower relative equity returns during 2007. The JSE all share index return in 2007 was less than half that of 2006. The more conservative asset mix implemented for the balanced portfolio, as well as portfolio investments utilised for the share buy-back, also contributed to the lower return.
- The 56% increase in secondary tax on companies (STC) is mainly attributable to the increased dividend paid in 2007, the deferred tax impact of the change in the STC rate from 12,5% to 10% and lower dividend income earned on the balanced portfolio due to the more conservative asset mix, and thus less STC credits generated.
- Discontinued operations relate to Santam's operations in Europe that will be closed down and/or disposed of in due course. The profit or loss earned from discontinued operations must be recognised separately in the income statement in terms of IFRS.

Normalised attributable earnings

Normalised attributable earnings are the aggregate of all earnings of the Group on a normalised basis for the reporting period. Normalised headline earnings are equal to normalised attributable earnings, but exclude earnings of a capital nature. Profits and losses realised on the disposal of subsidiaries, associated companies and joint ventures or the impairment of such investments and goodwill, as well as the Group's share of such earnings reported by associated companies and joint ventures, are regarded as of a capital nature.

The profit from the disposal of subsidiaries and associates relates mainly to the disposal of the Group's interest in Peermont Global during 2007.

Dividend

It is Sanlam's practice to pay only an annual dividend, given the cost associated with the distribution of a dividend to our large shareholder base.

Sustainable growth in dividend payments is an important consideration for the board in determining the dividend for the year. The board uses cash operating earnings as a guideline in setting the level of the dividend, subject to the Group's liquidity and solvency requirements. The strong operational performance of the Group in the 2007 financial year enabled the board to increase the dividend distribution by 13%, maintaining a cash operating earnings cover of approximately 1,2 times. Taking cognisance of the reduction in the number of issued Sanlam shares following the share buy-backs during the year, the dividend per share increased by 21% to 93 cents.

The cash dividend for the year ended 31 December 2007 will be paid to shareholders recorded in the register on Friday, 25 April 2008.

The last date to trade to qualify for this dividend will be Friday, 18 April 2008 and Sanlam shares will trade ex-dividend from 21 April 2008. Dividend payment by way of electronic bank transfers will be effected on Wednesday, 7 May 2008. The mailing of cheque payments in respect of dividends due to those shareholders who have not elected to receive electronic dividend payments will commence on or as soon as practically possible after that date. Share certificates may not be dematerialised or rematerialised between Monday, 21 April 2008 and Friday, 25 April 2008.

Share capital

Share buy-back

The Group continued its Sanlam share buy-back programme in 2007. A total of 126,3 million shares were acquired during 2007 for R2,9 billion at an average consideration of R23,01 per share. This represents 5,5% of Sanlam's issued shares as at 31 December 2007. The bulk of the shares were acquired in normal open market transactions. A voluntary buy-back tender offer was launched in April 2007. Due to the strong growth in equity markets and the Sanlam share price in particular during the offer period, only 17,9 million shares were acquired in terms of the offer.

Since the announcement of Sanlam's share buy-back programme in 2005, a total of 588,8 million shares, or 21,3% of Sanlam's issued shares as at 1 January 2005, have been acquired for a total consideration of R9 billion.

Share buy-back

	No of shares million	% of issued Jan-05	% of issued Jan-07	Average price cps	R million
Acquired in 2005	358,96	13,0		12,39	4 446
Acquired in 2006	103,55	3,7		15,88	1 644
Acquired in 2007	**126,27**	**4,6**	**5,5**	**23,01**	**2 906**
Acquired up to AGM	33,00	1,2	1,4	23,27	768
Acquired after AGM up to June 2007	28,81	1,0	1,3	22,94	661
Acquired after June 2007	64,46	2,3	2,8	22,91	1 477
Total acquired up to 2007	**588,78**	**21,3**		**15,28**	**8 996**

Share buy-backs to date have been value enhancing, both from an earnings per share and GEV per share perspective. Earnings per share have grown at higher levels than the absolute growth in earnings due to the reduction in the number of issued shares. The acquisitions were also accretive for GEV per share as the shares were acquired at an average price below the prevailing GEV per share.

Deferred shares

Sanlam issued 56,5 million 'A' deferred shares to UB as part of the UB black empowerment transaction in 2004. These shares qualify for conversion into Sanlam ordinary shares based on a formula linked to Sanlam's new business flows in any year. The shares are convertible into ordinary shares when a calculated value add of R7,65 per share, based on an agreed formula, has been achieved. To the extent that the conversion rights have vested, the deferred shares qualify for an ordinary dividend and are taken into account in the calculation of earnings and GEV per share. A further 4,87 million deferred shares qualified for conversion at the end of 2007, resulting in an aggregate 12,09 million of the deferred shares entitlement that has vested to date. The entitlement accruing in respect of the 2007 financial year is set out in the following table:

Deferred shares vesting

	Value added (R million)	Shares (million)
2007		**4,87**
VNB	**35,5**	**4,65**
Third party net investment flows	**(99,5)**	**0,00**
Collective investments net flows	**1,6**	**0,22**
Previous years		**7,22**
Total number of shares vested		**12,09**

Corporate activity

A key objective of the Group is to find strategic investment opportunities that will complement the Group strategy to optimise returns and to diversify and enhance its operations and value proposition to clients. During 2007 the Group concluded a number of transactions, some of which were relatively small but nevertheless important in the execution of Group strategy.

- Santam facilitated the introduction of a major black empowerment Santam shareholder through a compulsory buy-back scheme of arrangement in terms of which 10% of each of its existing shareholders' interest was acquired at R82 per share. These shares were then in turn sold to a newly created and black-controlled special-purpose vehicle. The Sanlam shareholders' fund sold 6,7 million shares in terms of the scheme at a total value of some R550 million. To ensure that Sanlam retained shareholder control of Santam post the scheme of arrangement, Sanlam acquired some 3,7 million Santam shares in the open market. The Sanlam shareholders' fund held an effective 55% of Santam at the end of 2007, taking into account the treasury shares held by Santam.
- Sanlam Developing Markets increased its shareholding in Channel Life from 50% at the end of 2006 to 62,3% at 31 December 2007. The shares were offered to the Group by minority shareholders in Channel Life and were acquired for a total consideration (including costs) of R73 million.
- At the end of July 2007 we announced that Sanlam had reached an agreement with the trustees of the Bestmed medical scheme to acquire the scheme's administration and managed healthcare operations, subject to certain suspensive conditions. The suspensive conditions were met during February 2008 and the acquired Bestmed operations will be consolidated in the 2008 Group financial statements. Membership of the Bestmed medical scheme will be available through Sanlam's existing distribution network, thereby expanding the solution and value offering to our clients.
- Sanlam Personal Finance acquired a 65% interest in Anglo African Finance, a niche trade and bridge financing company, during the year as part of the expansion of its retail credit business.
- Sanlam Investments acquired the 65% interest in Simeka Consultants and Actuaries that the Group did not own. The 35% interest held by Independent Financial Services was also transferred to Sanlam Investments. The acquisition of the balance of the Simeka shareholding will enhance operational efficiency and is part of the Cluster's strategy to improve its value proposition by offering clients sound actuarial advice in addition to financial advice and investment management services.
- Sanlam Investments also acquired Blue Ink through its Octane fund-of-funds operations. Blue Ink is a South African based hedge fund-of-funds business that enhances the cluster's hedge fund capabilities and offering in the local market. Blue Ink had more than R2 billion of funds under management at 31 December 2007.
- Channel Life disposed of its interest in Alternative Channel, which contributed the bulk of its single premium business, at the end of the 2007 financial year. The type of business written by Alternative Channel did not fit strategically within the Channel Life and Sanlam Developing Markets business plan and it was hence decided to dispose of the operations. This will have a significant impact on future single premium volumes in Sanlam Developing Markets, but due to the low margins on this business the impact on profits will be negligible.
- Subsequent to year-end the Group announced the intended acquisition of up to 86% of Principal Investment Holdings, a UK-based private client business for approximately £35 million. The acquisition of Principal will substantially enhance the international solution offering to the South African clients of Sanlam Private Investments while it will also provide an increased base from which to develop and extract synergies from the Group's businesses in the UK.

Capital management

The effective management of Sanlam's capital base is an essential component in meeting the Group's strategic objective of maximising shareholder value. It requires a continuous review of optimal capital levels, including the possible use of alternative sources of funding, a much stronger bias for capital-efficient solutions or the termination of capital-inefficient businesses, to maximise return on GEV. The Group has an integrated capital and risk management approach. The amount of capital required by and allocated to the various businesses is directly linked to their exposure to financial and operational risks.

Discretionary capital that is surplus to the Group's immediate operational requirements is separately identified and centrally managed. Group operations compete for additional capital based on applicable risk-adjusted return hurdles. The preference is to utilise such capital on new initiatives that will further the Group's strategic goals. Unemployed capital is value dilutive and will in time be returned to shareholders. As indicated above, some R9 billion has been returned over the past three years through the buying back of Sanlam shares.

Solvency of major Group businesses

All of the life insurance businesses within the Group was sufficiently capitalised at the end of the 2007 financial year. The total capital of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, amounted to R37,9 billion on 31 December 2007. Its allocated regulatory capital at the end of December 2007 amounted to R26,3 billion, which covered its regulatory Capital Adequacy Requirement (CAR) 3,5 times, compared to 4,4 times on 31 December 2006. No policyholder portfolios held negative bonus stabilisation reserves at the end of 2007.

The level and nature of the supporting capital allocated to covered life insurance business is determined with reference to minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital is also subject to certain specific requirements. An internal stochastic modelling process is used to determine long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory CAR at least 1,5 times over each of the next 10 year-ends. The resulting supporting capital allocated to each of the covered life insurance businesses is analysed in the following table:

Capital supporting covered business

R million	2007	2006
Sanlam Personal Finance	**8 732**	8 325
Sanlam Developing Markets	**860**	650
Sanlam Employee Benefits	**5 118**	6 165
Capital allocated to covered business	**14 710**	15 140

Significant progress is being made in managing the utilisation of capital in support of covered life insurance business. This is essentially achieved through an increased focus on optimising the capital efficiency of the different solutions being offered. During 2007 Sanlam Employee Benefits reduced its capital requirement, while Sanlam Personal Finance also reduced its capital during the second half of the year. Sanlam Employee Benefits' capital requirement, however, remains at a disproportionate level to the value of in-force covered business, with a consequential negative impact on the return on GEV (refer to "Group Equity Value" section above). Management is exploring alternatives to improve the capital efficiency. Sanlam Developing Markets transferred all of the discretionary capital in its South African operations to the discretionary capital portfolio held on a Group level. Some discretionary capital remains in its Botswana operations, with some limitation on its application; the optimal utilisation thereof is currently under consideration.

In terms of its capital efficiency strategy Santam reduced its capital by way of the buy-back of Santam shares worth R713 million as well as a special dividend of R2,5 billion paid in December 2007. As a result, Santam's regulatory capital (shareholders' funds including bonds) constituted 42% of net earned premiums on 31 December 2007 compared to 62% as at 31 December 2006. The reduced solvency level is well within the target range set by Santam.

The capital utilised in other Group operations is managed through the Group's internal dividend policy, capital allocation process and performance hurdle rates. Performance targets are set for all Group operations based on an expected return on capital, adjusted for their individual risk rating. No Group operation is allowed to carry surplus capital and the Group dividend policy requires that these companies annually transfer to Sanlam all capital that is not required for normal operations or expansion.

Discretionary capital

Net of capital set aside for the final dividend in respect of 2007, share incentive scheme commitments and an allowance for some illiquid investments, discretionary capital amounted to R6,1 billion on 31 December 2007, a reduction of R100 million on the R6,2 billion level reported in 2006. Major factors contributing to the change in discretionary capital during the year include:

- R430 million reduction in the capital requirement of the covered businesses;
- The cost of the strategic acquisitions and other corporate activities referred to above;
- R2,9 billion utilised to buy back Sanlam shares;
- R1,3 billion received as a special Santam dividend (effectively the release of capital previously locked up in the investment in Santam); and
- Investment return for the year.

Discretionary capital

	R billion
Group Equity Value	51,3
Strategic investments (not included in Life capital)	(14,4)
Life insurance subsidiaries' capital requirement	(28,4)
	8,5
Provision for 2007 dividend	(1,6)
Other	(0,8)
Discretionary capital	6,1

The Group's approach towards the application of discretionary capital remains unchanged. The overall objective of the Group is to maximise return on GEV and value to shareholders. This requires that the Group cannot retain unproductive capital indefinitely. The priority, however, remains to find investment opportunities that complement Group strategy and will enhance shareholder value. Any discretionary capital not to be utilised for suitable acquisitions or ventures will be returned to shareholders in the most efficient form.

A number of strategic investment opportunities have been identified and are currently being pursued. Negotiations in respect of these ventures are at different stages of completion. It is expected that should a fair number of these be successful, well in excess of R2 billion of capital will be utilised for this purpose. One of these opportunities include the recently announced acquisition of a majority interest in Principal Investment Holdings, a United Kingdom-based private client business. A key consideration in all these transactions remains the ability to extract value in excess of an appropriate risk-adjusted hurdle rate that will contribute to maximising the Group's return on capital.

Recent market weakness, in particular in respect of the Sanlam share price, created some further opportunity to add value through the buy-back of Sanlam shares. The Sanlam board is of the opinion that share buy-backs are under these conditions the most efficient way of returning capital to shareholders and has therefore committed to a continuance of the Sanlam buy-back programme. The buy-back will be executed throughout the year through normal market transactions. Capacity to acquire some 137 million shares still exists in terms of the current mandate from shareholders. Shareholders will be asked to renew the mandate at the forthcoming Sanlam annual general meeting.

Credit rating and hybrid debt

During 2004 Sanlam Limited and Sanlam Life Insurance Limited for the first time obtained formal credit ratings from Fitch Ratings International. Sanlam Life was awarded an 'AA' financial strength rating and Sanlam Limited an 'A+' long-term debt rating. In recognition of Sanlam's strong capital position, these ratings were upgraded during 2007 to 'AA+' and 'AA-' respectively. The positive credit ratings enable the Sanlam operations to attract business from clients that require a formal rating from its counterparty or product provider. It also provided an opportunity for Sanlam to issue further rated debt instruments, should a need to do so arise. Sanlam Life Insurance Limited issued R2 billion subordinated debt in August 2006, split between a seven-year (R1,2 billion) and 10-year (R0,8 billion) maturity period. The introduction of long-term debt into Sanlam Life's capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, led to a reduction in volatility in its regulatory capital base and consequently a lower overall capital requirement.

Financial team

Left to right:

Danie Claassen – Head: Group Tax Services

Kobus Möller – Financial Director

David Barnes – Head: Investor Relations

André Nortier – Chief Audit Executive

Wikus Olivier – Head: Group Financial Reporting

Jeanne Masson – Head: Corporate Finance

Prospects

Despite competitive market conditions and volatile debt and equity markets in the latter part of the year, the Group delivered a sound financial performance in 2007. This can be attributed to the success of the Group's strategy and the efforts of its management, staff and intermediaries.

Our overall drive to optimise capital utilisation will continue to direct management focus in 2008. The successful conclusion of a number of potential acquisitions and new business ventures will demand priority, as will the ongoing identification and implementation of capital optimisation opportunities in the Group. Management focus will also be on the effective integration of and the extraction of value-adding benefits from recent corporate ventures and acquisitions.

It is inevitable that current adverse economic factors will impact on consumer confidence and contribute towards reduced consumer disposable income. Some slowdown in business flows can therefore be expected and, together with a continuance of financial market volatility, set the stage for a challenging 2008. Although we are confident that our businesses are robust enough to weather these challenges, it will impact on our ability to repeat our 2007 performance.

Forward-looking statements

In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause actual results to differ materially from such forward-looking statements are discussed more fully in the annual report on pages 288 to 290. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

sanlam,
a journey for life

– Monde Matolengwe, Sanlam employee since 2006

Monde Matolengwe matriculated in 2003 and joined 50 unemployed matriculants in the 2004 Sanlam and Santam Learnership Programme. He graduated in 2005 with a National Certificate in Insurance from the Learnership Programme and was appointed as a Trust Assistant at Sanlam Trust in 2006.

Shareholders' information

for the year ended 31 December 2007

Contents

Basis of preparation and presentation

Introduction

This section provides additional information in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group.

Similar to previous years, it includes analyses of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements on pages 234 to 303 are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. These IFRS financial statements also do not distinguish between the shareholders' financial services and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam group's financial performance. Information is presented in this section to provide this additional shareholders' fund information.

The Group also discloses Group Equity Value (GEV) information with effect from the 2007 financial year. GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

GEV is the aggregate of the following components:

- The embedded value of life insurance business, which comprises the required capital supporting these operations and their net value of in-force business;
- The fair value of other Group operations, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

The Group embedded value information disclosed in previous annual reports provided similar information, but placed a life insurance emphasis on the Group's operations. The transformation of the Group into a diversified financial services organisation, combined with our objective of continuous improvement in financial communication, required a reassessment of Sanlam's presentation format. Being a diversified Group, it was no longer appropriate to report in terms of the life insurance based embedded value methodology, with a consequential transition to the GEV concept.

The embedded value methodology is now only applied to the Group's covered life insurance business as defined, which forms a component of GEV. The methodology and assumptions used to determine the embedded value of covered business have also been adjusted in preparation for the revised embedded value guidance from the Actuarial Society of South Africa that becomes effective for reporting periods ending on or after 31 December 2008, and which is intended to be materially consistent with the CFO Forum's European Embedded Value (EEV) Principles issued in May 2004. The impact of the methodology and assumption changes on GEV and the value of new covered business are discussed in more detail below.

The embedded value of covered business does not allow for the value of future new business. GEV is therefore not equivalent to the economic value of the Group. The economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered life insurance business, often calculated as a multiple of the value of new covered business written during the past year.

A glossary containing explanations of technical terms used in these financial statements is presented on page 305.

Basis of preparation and presentation – shareholders' fund information

The basis of presentation and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out on pages 238 to 255, apart from the specific items described below.

The basis of presentation is also consistent with that applied in the 2006 financial statements, apart from the following:

- In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments at fair value in the Sanlam balance sheet, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these shares, resulting in a mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's earnings through a transfer between policyholders' and shareholders' funds. This accounting treatment results in a misrepresentation of the Group's true operational performance. The basis of presentation has been changed to adjust for these inconsistencies and to ensure that the shareholders' fund income statement and balance sheet more accurately reflect the actual economic performance and net asset value of the Group.

The shareholders' fund income statement has accordingly been adjusted to exclude the R205 million of fund transfers relating to the policyholders' fund's investments in Sanlam shares and Group subsidiaries. The shareholders' fund balance sheet has also been adjusted to exclude the consolidation reserve that represents the mismatch between policy liabilities and policyholder assets resulting from the IFRS treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries. Comparative information has been restated, which increased the shareholders' fund net asset value on 31 December 2006 by R1 859 million.

- The 2006 financial statements included a separate Embedded Value Report, which included both life insurance and other Group operations. The Embedded Value concept disclosed in previous financial years has been replaced with GEV in 2007. Refer above for more information.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations and their net value of in-force business;
- The fair value of other Group operations, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

Discretionary and other capital include allowance for the following:

- A reduction for the present value of corporate expenses, by applying a multiple to the after tax corporate expenses. Corporate expenses include allowance for interest earned on the cash held in respect of the annual dividend, between year-end and actual payment date; and
- The fair value of staff share incentive schemes at year-end in respect of schemes where subsidiaries, excluding subsidiaries valued at fair value, have granted shares or options on the entities' own shares.

Long-term incentives granted by the Group on Sanlam Limited shares are accounted for as dilutive instruments with effect from 2007. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of these instruments. In the 2006 comparative information, which has not been restated, the GEV was reduced with the fair value of these shares, with no adjustment to the number of shares in issue. The change in basis does not have a material impact on the 2006 GEV and Return on GEV on a per share basis.

The GEV disclosed for 2006 accordingly equates to the total group embedded value disclosed in the 2006 annual report.

Basis of consolidation

Sanlam group companies are consolidated in the analysis of the Sanlam group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as minority shareholders' interest on consolidation. A separate analysis reflecting the investment in these companies, other than Sanlam Life, Merchant Investors, African Life and Channel Life, at fair value is presented on page 158 for information purposes. The value of in-force relating to covered business written by Sanlam Life, Merchant Investors, African Life and Channel Life is not reflected in this analysis, but shown separately in the analysis of the GEV on page 154 and the Embedded Value of Covered Business on pages 188 to 189.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam balance sheet, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these shares, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund balance sheet. The transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve is commensurately also not recognised in the shareholders' fund income statement. This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund. Refer introduction above for changes in basis of presentation during the 2007 financial year.

Funds received from clients

Funds received from clients include single and recurring long- and short-term insurance premium income from insurance and investment policy contracts, which are included in the financial statements. It also includes contributions to collective investment schemes, inflows of assets managed and administered on behalf of clients and non-life insurance linked-product contributions, which are not otherwise included in the financial statements as they are funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third party institutions. Due to the nature of white label business it is characterised by volatility in funds received from clients.

Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded is regarded as new business.

All segregated fund inflows, inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of long- and short-term insurance and investment policy contracts, which are included in the financial statements. It also includes withdrawals from collective investment schemes, outflows of assets managed and administered on behalf of clients and non-life insurance linked-product withdrawals, which are not otherwise included in the financial statements as they relate to funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those transacted at arm's length, are eliminated.

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third party institutions. Due to the nature of white label business it is characterised by volatility in payments to clients.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Home Loans, Sanlam Personal Loans, Shriram, Coris and the Group's life insurance associates in Africa. The equity-accounted earnings from operating associates and joint ventures are included in the net result from financial services.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The investments in Peermont (for 2006 and part of 2007), Safair Lease Finance and the Santam group's associates are the main non-operating associates and joint ventures. Dividends received from non-operating associates and joint ventures are included in core earnings. The equity-accounted retained earnings are reflected as equity-accounted earnings.

Core earnings

A Sanlam core earnings figure is presented to provide an indication of "stable" earnings. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends received from non-operating associated companies and joint ventures but excludes the equity-accounted retained earnings.

Normalised earnings per share

As discussed under the policy note for "Consolidation reserve" above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's earnings. The number of shares in issue must also be reduced with the treasury shares held by the policyholders' fund for the calculation of IFRS basic and diluted earnings per share. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund varies significantly. The Group therefore calculates normalised diluted earnings per share to eliminate the impact of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

Segregated funds

Sanlam also manages and administers assets for the account of and at the risk of clients. As these are not the assets of the Sanlam group, they are not recognised in the Sanlam group balance sheet in terms of IFRS.

Basis of preparation and presentation – embedded value of covered business

The embedded value of covered business information have been prepared in accordance with PGN107 (version 3), the guidance note on embedded value and value of new life business issued by the Actuarial Society of South Africa (ASSA).

The embedded value of covered business information is included in the information for the shareholders' fund with effect from 2007 as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations and discretionary and other capital, which are included as separate components in the Analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the embedded value report published in the 2006 financial statements, apart from the following:

- The Shriram joint venture was previously included in the Group embedded value at its equity-accounted carrying value. With effect from 1 January 2007, the goodwill included in the equity-accounted carrying value is replaced with Shriram's value of in-force covered business. The net impact of this change was a decrease in the return on GEV for the year ended 31 December 2007 of some R108 million.
- The Group's value of in-force covered business as at 31 December 2006 includes life licence business written by Botswana Insurance Fund Management (BIFM) and Sanlam Employee Benefits where there is very little or no insurance risk. With effect from 2007, this business is included at fair value in the GEV of Sanlam Investments, and excluded from the embedded value of covered business. This change reduced the embedded value of covered business on 1 January 2007 by R205 million.
- Revised embedded value guidance from the Actuarial Society of South Africa, which is intended to be materially consistent with the CFO Forum's European Embedded Value (EEV) Principles issued in May 2004, becomes effective for reporting periods ending on or after 31 December 2008. The methodology and assumptions used to determine the embedded value of covered business on 31 December 2007 have been adjusted in preparation for the revised PGN107 (EEV changes), as follows:
  - The equity risk premium assumption for businesses in Africa and India is increased from 2,0% to 3,5% and for the United Kingdom from 2,4% to 3,2%;
  - The cost of capital is based on the higher of an internally assessed level of required capital and the minimum statutory capital adequacy requirement; and
  - Recalibrated risk discount rates are used, which is based on the weighted average cost of capital of the Group.

The comparative information for the embedded value of covered business has not been restated.

In accordance with the revised actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, which aim to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The market-assessed risk factor (beta) captures the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

The effect of the EEV changes is recognised separately in the analysis of change in embedded value of covered business.

Acquisitions, disposals and other movements

The embedded value of covered business has been prepared taking cognisance of the following changes in the Group's structure:

- Alternative Channel was disposed of on 1 December 2007 and is included in the embedded value of covered business information up to this date.

- The increase in the Group's shareholding in Channel Life during the 2007 financial year from 50% to 62%.

Covered business

Covered business is defined as long-term insurance business recognised in the Group financial statements on pages 234 to 303. This business covers individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Developing Markets and Sanlam Employee Benefits. The covered business do not include solutions and services provided by the Group's investment management operations, including life licence business, which relates to investment solutions provided by Sanlam Investments, Sanlam Employee Benefits and Glacier by means of a life insurance policy where there is very little or no insurance risk.

Embedded value of covered business

The embedded value of covered business is an actuarially determined estimate of the value of the Group's covered business excluding any value attributable to future new business, and consists of:

- The required capital supporting the covered business, or adjusted net worth (ANW);
- Plus the value of the in-force covered business; and
- Less the cost of required capital supporting in-force covered business.

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the statutory valuation method for insurance contracts and fair value for investment contracts. The valuation includes profit margins, which can be expected to emerge as profits in the future. The value placed on these expected future profits, after taxation, is the value of the in-force covered business.

The embedded value of covered business is net of company taxation and does not allow for the tax position of an investor in Sanlam Limited.

Value of in-force covered business

The value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits distributable to shareholders from covered business in force at the valuation date. This value excludes the cost of required capital and any value attributable to future new business.

Cost of capital

In addition to assets backing policy liabilities, an amount of required capital is necessary to support the covered business. The cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of this amount and the after-tax investment return on the assets assumed to back the required capital over the life of the in-force business.

Required capital: before EEV changes

For the calculation of the embedded value of covered business on or before 31 December 2006 and profit from covered business the amount of required capital is set equal to the statutory capital adequacy requirement.

Required capital: after EEV changes

For the calculation of the embedded value of covered business on 31 December 2007, the required level of capital supporting the covered business is based on minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations. Sanlam applies stochastic modelling techniques on an ongoing basis to determine and confirm the most appropriate capital levels for the covered business. The target is set to maintain supporting capital at such a level that will ensure, within a 95% confidence level, that it will at all times cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over the following 10 years. The required capital supporting existing covered business excludes capital required in respect of future new business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;

- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in the exits at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under group insurance contracts are treated as in-force business; and
- Life licence business, where there is very little or no insurance risk, is excluded.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are equal to the life insurance new business premiums disclosed in note 1 on page 167, excluding white label new business.

Earnings from covered business

Earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital.

The expected return on value of in-force covered business includes the expected return on both the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date. The expected after tax profit or loss transferred to ANW in respect of value of new business is included in the point of sale value.

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate. Relative to the increase for assurances, the mortality assumption relating to annuities is decreased, because a decrease in mortality increases the mortality risk in respect of annuities.

Long-term equity compensation and incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the cost of future grants in respect of covered business within the value of in-force covered business and value of new business.

Assumptions

The embedded value calculation is based on best estimate assumptions (refer note 8 on page 193). These assumptions are used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

Investment return and inflation

The assumed investment return on assets supporting the policy liabilities and required capital are based on the long-term asset mix for these funds, where appropriate.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long-term gap relative to fixed-interest securities.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Decrements, expenses and bonuses

Future mortality, morbidity and discontinuance rates and future expense levels are based on recent experience where appropriate.

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at the respective valuation dates.

The surrender and paid-up bases of the South African life companies in the Group have been adjusted, where applicable, to reflect the minimum standards for early termination values agreed between the Life Offices Association and National Treasury. In all other respects, future benefits have been determined on current surrender and paid-up bases.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society of South Africa, adjusted for Sanlam's practice and product design.

Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Management, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Management businesses at fair value.

Project costs

In determining the value of in-force covered business, the value of expenses for certain planned projects focusing on both administration and distribution aspects of the life insurance business is deducted. These projects are of a short-term nature, although similar projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Where appropriate, special development costs that relate to investments in the Group's distribution platform are not allowed for in the projections. Profit from covered business is net of these development costs.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, excluding investments in Group subsidiaries.

Allowance is made for STC at a rate of 10% by placing a present value on the tax liability generated by the net cash dividends paid that are attributable to covered business. It is assumed that all future dividends will be paid in cash.

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2008.

External audit

The shareholders' information has been audited by the Group's external auditors, Ernst & Young Inc.. The external auditors' unqualified audit reports are included on pages 235 and 236.

Sanlam Limited Group
Group Equity Value

at 31 December 2007

R million	Note	2007 Total	2007 Fair value of assets	2007 Value of in-force	2006 Total	2006 Fair value of assets	2006 Value of in-force
Sanlam Personal Finance		**22 202**	**9 924**	**12 278**	19 760	9 383	10 377
Covered business[1]		**21 010**	**8 732**	**12 278**	18 702	8 325	10 377
Glacier		**593**	**593**	**—**	527	527	—
Sanlam Personal Loans		**104**	**104**	**—**	94	94	—
Multi-Data		**143**	**143**	**—**	110	110	—
Sanlam Trust		**104**	**104**	**—**	95	95	—
Sanlam Home Loans		**177**	**177**	**—**	168	168	—
Other		**71**	**71**	**—**	64	64	—
Sanlam Developing Markets		**2 188**	**888**	**1 300**	1 953	650	1 303
Covered business[1]		**2 160**	**860**	**1 300**	1 953	650	1 303
Alfinanz		**28**	**28**	**—**	—	—	—
Institutional cluster		**12 518**	**12 374**	**144**	12 647	12 064	583
Covered business[1]		**5 262**	**5 118**	**144**	6 748	6 165	583
Investment Management and Fund Administration		**6 715**	**6 715**	**—**	5 358	5 358	—
Capital Markets		**541**	**541**	**—**	541	541	—
Short-term insurance		**6 375**	**6 375**	**—**	5 628	5 628	—
Independent Financial Services		**706**	**706**	**—**	625	625	—
Group operations		**43 989**	**30 267**	**13 722**	40 613	28 350	12 263
Diversification benefit[2], [3]		**(1 232)**	**(1 232)**	**—**	(1 532)	(1 532)	—
Discretionary capital[3]		**6 100**	**6 100**	**—**	6 200	6 200	—
Balanced portfolio – other		**3 323**	**3 323**	**—**	3 048	3 048	—
Group Equity Value before adjustments to net worth		**52 180**	**38 458**	**13 722**	48 329	36 066	12 263
Net worth adjustments		**(887)**	**(887)**	**—**	(1 518)	(1 518)	—
Present value of holding company expenses	19	**(793)**	**(793)**	**—**	(667)	(667)	—
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares		**(94)**	**(94)**	**—**	(32)	(32)	—
Fair value of outstanding equity compensation shares granted on Sanlam Limited shares	20	**—**	**—**	**—**	(740)	(740)	—
Other		**—**	**—**	**—**	(79)	(79)	—
Group Equity Value		**51 293**	**37 571**	**13 722**	46 811	34 548	12 263
Value per share (cents)	18	**2 350**	**1 721**	**629**	2 047	1 511	536
Analysis per type of business							
Covered business[1]		**28 432**	**14 710**	**13 722**	27 403	15 140	12 263
Sanlam Personal Finance		**21 010**	**8 732**	**12 278**	18 702	8 325	10 377
Sanlam Developing Markets		**2 160**	**860**	**1 300**	1 953	650	1 303
Sanlam Employee Benefits		**5 262**	**5 118**	**144**	6 748	6 165	583
Other Group operations	17	**15 557**	**15 557**	**—**	13 210	13 210	—
Discretionary and other capital		**7 304**	**7 304**	**—**	6 198	6 198	—
Group Equity Value		**51 293**	**37 571**	**13 722**	46 811	34 548	12 263

[1] *Refer embedded value of covered business on page 188.*

[2] *Benefit arising from utilising the net asset value of other Group operations to cover a portion of the long-term required capital of the covered business.*

[3] *Refer financial review on page 118 for additional information.*

Sanlam Limited Group
Change in Group Equity Value

for the year ended 31 December 2007

R million	Note	2007	2006
Earnings from covered business[1]		**4 700**	6 224
Earnings from other Group operations	17	**4 448**	4 360
Operations valued based on ratio of price to assets under management		**1 599**	2 712
Assumption changes		**253**	642
Change in assets under management		**392**	764
Earnings for the year		**1 013**	1 198
Foreign currency translation differences		**(59)**	108
Operations valued based on discounted cash flows		**347**	431
Expected return		**253**	171
Operating experience variances and other		**7**	61
Assumption changes		**93**	106
Foreign currency translation differences		**(6)**	93
Operations valued on earnings multiple		**—**	34
Change in earnings base		**—**	27
Earnings for the year		**—**	7
Operations valued at net asset value – earnings for the year		**140**	140
Listed operations – investment return		**2 362**	1 043
Earnings from discretionary and other capital		**(229)**	1 128
Investment return		**274**	980
Shriram goodwill less value of in-force acquired		**(108)**	—
Treasury shares and other		**(286)**	32
Change in adjustments to net worth		**(109)**	116
Group Equity Value earnings		**8 919**	11 712
Change in presentation of outstanding equity compensation shares granted on Sanlam Limited shares	20	**740**	—
Dividends paid		**(1 771)**	(1 535)
Shares cancelled		**—**	(1 644)
Cost of treasury shares acquired		**(3 406)**	74
Sanlam share buy back		**(2 906)**	—
Share incentive scheme and other		**(500)**	74
Group Equity Value at beginning of year		**46 811**	38 204
Group Equity Value at end of year		**51 293**	46 811

[1] *Refer embedded value of covered business on page 188.*

Sanlam Limited Group
Return on Group Equity Value

for the year ended 31 December 2007

	2007		2006	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**4 185**	**21,2**	4 772	25,4
Covered business[1]	**4 016**	**21,5**	4 469	24,6
Other operations	**169**	**16,0**	303	45,4
Sanlam Developing Markets	**377**	**19,3**	559	36,3
Covered business[1]	**351**	**18,0**	559	36,3
Other operations	**26**	**—**	—	—
Institutional cluster	**2 055**	**16,2**	4 049	36,9
Covered business[1]	**333**	**4,9**	1 196	16,6
Investment management and fund administration	**1 581**	**28,9**	2 712	84,0
Capital markets	**141**	**35,3**	141	35,3
Short-term insurance	**2 362**	**42,0**	1 043	22,0
Independent Financial Services	**169**	**27,0**	161	31,9
Discretionary and other capital	**(229)**		1 128	
Balance of portfolio	**345**		980	
Shares delivered to Sanlam Demutualisation Trust	**(71)**		—	
Shriram goodwill less value of in-force acquired	**(108)**		—	
Treasury shares and other	**(286)**		32	
Change in net worth adjustments	**(109)**		116	
Return on Group Equity Value	**8 919**	**19,1**	11 712	30,7

[1] *Refer embedded value of covered business on page 188.*

R million	Note	2007	2006
Reconciliation of return on Group Equity Value			
The return on Group Equity Value reconciles as follows to normalised attributable earnings:			
Normalised attributable earnings per shareholders' fund income statement on page 162		**5 860**	6 740
Earnings recognised directly in equity (refer to page 258)		**(200)**	392
Net foreign currency translation gains		**(99)**	318
Dilution from Santam share buy-back		**(175)**	—
Share-based payments		**74**	74
Movement in fair value adjustment – shareholders' fund at fair value		**2 160**	2 876
Movement in adjustments to net worth		**(181)**	19
Present value of holding company expenses		**(126)**	280
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares		**(62)**	(21)
Fair value of outstanding equity compensation shares granted on Sanlam Limited shares	20	**—**	42
Change in goodwill and value of business acquired adjustments less value of in-force acquired		**(72)**	(97)
Other		**79**	(185)
Treasury shares and other		**(271)**	32
Growth from covered business: Value of in-force[1]		**1 551**	1 653
Return on Group Equity Value		**8 919**	11 712

[1] *Refer embedded value of covered business on page 188.*

Sanlam Limited Group
Shareholders' fund at fair value

at 31 December 2007

R million	Note	2007 Fair value	2007 Fair value adjustment	2007 Net asset value	2006 Fair value	2006 Fair value adjustment	2006 Net asset value
Covered business, discretionary and other capital		**24 291**	**124**	**24 167**	24 281	873	23 408
Property and equipment		**214**	**—**	**214**	195	—	195
Owner-occupied properties		**612**	**—**	**612**	514	—	514
Goodwill(2)		**487**	**—**	**487**	477	—	477
Value of business acquired(2)		**843**	**—**	**843**	977	—	977
Deferred acquisition costs		**1 079**	**—**	**1 079**	917	—	917
Investments		**22 896**	**124**	**22 772**	23 176	873	22 303
Equities and similar securities		**11 112**	**112**	**11 000**	10 232	—	10 232
Associated companies							
Peermont		**—**	**—**	**—**	1 062	727	335
Other		**301**	**—**	**301**	1 744	—	1 744
Joint ventures							
Safair Lease Finance		**209**	**12**	**197**	271	146	125
Shriram and other(3)		**169**	**—**	**169**	116	—	116
Public sector stocks and loans		**2 697**	**—**	**2 697**	2 368	—	2 368
Investment properties		**245**	**—**	**245**	793	—	793
Other interest-bearing and preference share investments		**8 163**	**—**	**8 163**	6 590	—	6 590
Net term finance		**—**	**—**	**—**	—	—	—
Term finance		**(5 068)**	**—**	**(5 068)**	(5 322)	—	(5 322)
Assets held in respect of term finance		**5 068**	**—**	**5 068**	5 322	—	5 322
Net deferred tax		**(95)**	**—**	**(95)**	(215)	—	(215)
Net working capital		**(888)**	**—**	**(888)**	(942)	—	(942)
Minority shareholders' interest		**(857)**	**—**	**(857)**	(818)	—	(818)
Other Group operations	17	**15 557**	**8 547**	**7 010**	13 210	5 638	7 572
Sanlam Investments(4)		**6 677**	**5 133**	**1 544**	5 358	4 420	938
SIM Wholesale		**4 443**	**3 621**	**822**	3 729	3 107	622
International		**1 857**	**1 207**	**650**	1 336	1 053	283
Sanlam Collective Investments		**377**	**305**	**72**	293	260	33
Sanlam Personal Finance		**1 192**	**563**	**629**	1 058	546	512
Glacier		**593**	**319**	**274**	527	310	217
Sanlam Personal Loans(5)		**104**	**29**	**75**	94	47	47
Multi-Data		**143**	**78**	**65**	110	70	40
Sanlam Trust		**104**	**89**	**15**	95	82	13
Sanlam Home Loans		**177**	**—**	**177**	168	—	168
Other(6)		**71**	**48**	**23**	64	37	27
Independent Financial Services		**706**	**253**	**453**	625	89	536
Punter Southall Group		**297**	**96**	**201**	209	20	189
Other(7)		**409**	**157**	**252**	416	69	347
Alfinanz		**28**	**26**	**2**	—	—	—
Coris Administration		**38**	**5**	**33**	—	—	—
Sanlam Capital Markets		**541**	**—**	**541**	541	—	541
Santam		**6 375**	**3 814**	**2 561**	5 628	1 830	3 798
Goodwill held on Group level in respect of the above businesses	17	**—**	**(1 247)**	**1 247**	—	(1 247)	1 247
Shareholders' fund at fair value	17	**39 848**	**8 671**	**31 177**	37 491	6 511	30 980
Value per share (cents)	18	**1 826**	**397**	**1 429**	1 640	285	1 355

at 31 December 2007

R million	2007 Total	2007 Fair value of assets	2007 Value of in-force	2006 Total	2006 Fair value of assets	2006 Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value before adjustments to net worth	**52 180**	**38 458**	**13 722**	48 329	36 066	12 263
Add: Goodwill and value of business acquired replaced by value of in-force	**1 390**	**1 390**	**—**	1 425	1 425	—
Merchant Investors	**356**	**356**	**—**	356	356	—
African Life	**794**	**794**	**—**	955	955	—
Channel Life	**114**	**114**	**—**	91	91	—
Shriram[3]	**108**	**108**	**—**	—	—	—
Other	**18**	**18**	**—**	23	23	—
Less: Value of in-force	**(13 722)**	**—**	**(13 722)**	(12 263)	—	(12 263)
Shareholders' fund at fair value	**39 848**	**39 848**	**—**	37 491	37 491	—

[1] Group businesses listed above are not consolidated, but reflected as investments at fair value.

[2] The value of business acquired and goodwill relate mainly to the consolidation of African Life, Channel Life and Merchant Investors and are excluded in the build-up of the Group Equity Value, as the current value of in-force business for these life insurance companies are included in the embedded value of covered business.

[3] The carrying value of Shriram includes goodwill of R108 million that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram is included in the embedded value of covered business.

[4] Excludes the investment management operations of Botswana Insurance Fund Management (BIFM) in 2006, as it was included in the current value of BIFM in-force life insurance business. With effect from 2007, BIFM is included at fair value in the Group Equity Value and excluded from the embedded value of covered business. Includes Simeka Employee Benefits from 2007.

[5] The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.

[6] Other Sanlam Personal Finance businesses comprise the non-life businesses in Namibia.

[7] Other Independent Financial Services investments include Intrinsic, Nucleus, Simeka Employee Benefits (in 2006), Coris Administration (in 2006) and other smaller investments.

Sanlam Limited Group
Shareholders' fund at net asset value

at 31 December 2007

R million	Note	Life insurance[1] 2007	Life insurance[1] 2006	Short-term insurance 2007	Short-term insurance 2006	Investment Management[2] 2007	Investment Management[2] 2006
Property and equipment		**218**	193	**52**	43	**25**	20
Owner-occupied properties		**516**	514	**1**	16	**37**	—
Goodwill		**587**	561	**470**	281	**150**	74
Value of business acquired		**846**	977	**1**	—	**156**	—
Deferred acquisition costs		**1 152**	974	**—**	—	**—**	—
Investments	5	**43 051**	35 731	**6 580**	8 495	**713**	470
Properties		**406**	716	**—**	—	**174**	159
Associated companies		**302**	2 058	**478**	215	**71**	50
Joint ventures		**455**	332	**—**	—	**32**	34
Equities and similar securities		**27 309**	20 379	**4 356**	5 433	**161**	60
Public sector stocks and loans		**2 830**	2 305	**309**	363	**3**	3
Debentures, preference shares and other loans		**5 854**	5 331	**1 314**	1 463	**50**	45
Cash, deposits and similar securities		**5 895**	4 610	**123**	1 021	**222**	119
Net deferred tax		**(190)**	(366)	**(51)**	(270)	**(16)**	8
Deferred tax asset		**214**	117	**40**	27	**10**	6
Deferred tax liability		**(404)**	(483)	**(91)**	(297)	**(26)**	2
Net non-current assets held for sale		**—**	—	**454**	—	**—**	—
Net short-term insurance technical provisions	6	**—**	—	**(5 456)**	(5 464)	**—**	—
Short-term insurance technical assets		**—**	—	**2 263**	2 288	**—**	—
Short-term insurance technical provisions		**—**	—	**(7 719)**	(7 752)	**—**	—
Net working capital assets/(liabilities)		**(731)**	554	**3 767**	4 150	**894**	743
Trade and other receivables	7	**3 377**	3 776	**1 974**	1 403	**1 397**	1 409
Cash, deposits and similar securities		**3 683**	3 251	**3 859**	4 107	**764**	907
Trade and other payables	8	**(5 688)**	(4 604)	**(1 492)**	(1 263)	**(1 173)**	(1 373)
Provisions		**(730)**	(776)	**(87)**	(97)	**(3)**	—
Taxation		**(1 373)**	(1 093)	**(487)**	—	**(91)**	(200)
Term finance		**(5 017)**	(5 307)	**(955)**	—	**(105)**	(70)
External investors in consolidated funds		**(1 896)**	(68)	**—**	—	**—**	—
Cell owners' interest		**—**	—	**(336)**	(329)	**—**	—
Minority shareholders' interest		**(875)**	(722)	**(1 966)**	(3 124)	**(236)**	(203)
Shareholders' fund at net asset value	9	**37 661**	33 041	**2 561**	3 798	**1 618**	1 042
Analysis of shareholders' fund							
Covered business		**14 710**	15 140	**—**	—	**—**	—
Other operations		**664**	512	**2 561**	3 798	**1 544**	938
Discretionary and other capital		**22 287**	17 389	**—**	—	**74**	104
Shareholders' fund at net asset value		**37 661**	33 041	**2 561**	3 798	**1 618**	1 042

(1) *Includes the operations of Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Developing Markets. The Life Insurance balance sheet includes, as part of equity investments, the investments in Sanlam Investment Management, Santam and Sanlam, at fair values of R4 443 million (2006: R3 729 million), R6 375 million (2006: R5 628 million) and R3 268 million (2006: R314 million) respectively.*

(2) *Included in Investment Management are Sanlam Investment Management, Sanlam Collective Investments, Sanlam Private Investments, Sanlam Properties, Sanlam Asset Management Ireland, Octane Group, Botswana Insurance Fund Management and Simeka Employee Benefits (for 2007 only).*

(3) *Independent Financial Services includes the Punter Southall Group, as well as investments in Intrinsic, Nucleus, Gensec Property Services, Simeka Employee Benefits (in 2006), Coris Administration (in 2006) and other smaller investments.*

(4) *Corporate and other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.*

(5) *Within the consolidation column the investment in subsidiaries and treasury shares are reversed. Intercompany balances, other investments and term finance between companies within the Group are also consolidated.*

Capital Markets		Independent Financial Services[3]		Corporate and Other[4]		Consolidation Entries[5]		Total	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
3	3	**—**	—	**—**	—	**—**	—	**298**	259
—	—	**—**	—	**—**	—	**96**	—	**650**	530
—	—	**—**	—	**1 247**	1 247	**(7)**	—	**2 447**	2 163
—	—	**—**	—	**—**	—	**(3)**	—	**1 000**	977
—	—	**—**	—	**—**	—	**—**	—	**1 152**	974
—	1	**474**	515	**2 119**	1 887	**(16 060)**	(10 676)	**36 877**	36 423
—	—	**—**	—	**—**	—	**(100)**	—	**480**	875
—	1	**224**	252	**—**	—	**—**	—	**1 075**	2 576
—	—	**—**	—	**197**	125	**—**	—	**684**	491
—	—	**—**	—	**784**	237	**(14 674)**	(9 720)	**17 936**	16 389
—	—	**—**	—	**—**	114	**—**	—	**3 142**	2 785
—	—	**250**	263	**201**	98	**(1 286)**	(599)	**6 383**	6 601
—	—	**—**	—	**937**	1 313	**—**	(357)	**7 177**	6 706
73	74	**—**	—	**120**	155	**—**	1	**(64)**	(398)
73	74	**—**	—	**136**	174	**—**	—	**473**	398
—	—	**—**	—	**(16)**	(19)	**—**	1	**(537)**	(796)
—	—	**—**	—	**—**	—	**—**	—	**454**	—
—	—	**—**	—	**—**	—	**—**	—	**(5 456)**	(5 464)
—	—	**—**	—	**—**	—	**—**	—	**2 263**	2 288
—	—	**—**	—	**—**	—	**—**	—	**(7 719)**	(7 752)
665	664	**(21)**	21	**(345)**	(1 014)	**(94)**	(156)	**4 135**	4 962
23 344	29 252	**—**	25	**1 725**	2 248	**(8 916)**	(5 742)	**22 901**	32 371
2 512	891	**—**	—	**1**	6	**—**	—	**10 819**	9 162
(25 191)	(29 479)	**(21)**	(2)	**(1 919)**	(3 139)	**8 822**	5 585	**(26 662)**	(34 275)
—	—	**—**	—	**(153)**	(123)	**—**	—	**(973)**	(996)
—	—	**—**	(2)	**1**	(6)	**—**	1	**(1 950)**	(1 300)
(200)	(201)	**—**	—	**(58)**	(92)	**521**	671	**(5 814)**	(4 999)
—	—	**—**	—	**—**	—	**—**	—	**(1 896)**	(68)
—	—	**—**	—	**—**	—	**—**	—	**(336)**	(329)
—	—	**—**	—	**(1)**	(1)	**808**	—	**(2 270)**	(4 050)
541	541	**453**	536	**3 082**	2 182	**(14 739)**	(10 160)	**31 177**	30 980
—	—	**—**	—	**—**	—	**—**	—	**14 710**	15 140
541	541	**453**	536	**1 247**	1 247	**—**	—	**7 010**	7 572
—	—	**—**	—	**1 835**	935	**(14 739)**	(10 160)	**9 457**	8 268
541	541	**453**	536	**3 082**	2 182	**(14 739)**	(10 160)	**31 177**	30 980

Sanlam Limited Group
Shareholders' fund income statement

for the year ended 31 December 2007

R million	Note	Sanlam Personal Finance 2007	Sanlam Personal Finance 2006	Sanlam Developing Markets 2007	Sanlam Developing Markets 2006
Financial services income	10	**6 457**	5 829	**2 817**	2 466
Sales remuneration		**(1 014)**	(938)	**(708)**	(544)
Income after sales remuneration		**5 443**	4 891	**2 109**	1 922
Underwriting policy benefits		**(1 544)**	(1 354)	**(1 030)**	(822)
Administration costs	11	**(2 010)**	(1 840)	**(736)**	(679)
Result from financial services before tax		**1 889**	1 697	**343**	421
Tax on financial services income	12	**(411)**	(394)	**(41)**	(106)
Result from financial services after tax		**1 478**	1 303	**302**	315
Minority shareholders' interest		**(28)**	(13)	**(75)**	(108)
Net result from financial services	13	**1 450**	1 290	**227**	207
Net investment income		**2 079**	1 194	**112**	52
Dividends received – Group companies		**1 630**	853	**—**	—
Other investment income	14	**553**	420	**175**	93
Tax on investment income	12	**(104)**	(78)	**(38)**	(24)
Minority shareholders' interest		**—**	(1)	**(25)**	(17)
Core earnings		**3 529**	2 484	**339**	259
Project expenses		**(77)**	—	**—**	—
Amortisation of value of business acquired		**(2)**	—	**(46)**	(43)
Broad-based employee share plan		**—**	—	**—**	—
Net equity-accounted headline earnings		**21**	33	**1**	16
Equity-accounted headline earnings		**21**	33	**2**	31
Minority shareholders' interest		**—**	—	**(1)**	(15)
Net investment surpluses		**2 642**	3 906	**198**	184
Investment surpluses – Group companies		**2 309**	2 514	**—**	—
Other investment surpluses		**400**	1 626	**309**	332
Tax on investment surpluses	12	**(67)**	(234)	**10**	(89)
Minority shareholders' interest		**—**	—	**(121)**	(59)
Secondary tax on companies – after minorities		**63**	4	**(40)**	(30)
Net (loss)/profit from discontinued operations		**—**	—	**—**	—
(Loss)/profit from discontinued operations		**—**	—	**—**	—
Minority shareholders' interest		**—**	—	**—**	—
Normalised headline earnings		**6 176**	6 427	**452**	386
Other equity-accounted earnings		**—**	—	**—**	—
Profit/(loss) on disposal of subsidiaries		**—**	(1)	**21**	—
Net profit/(loss) on disposal of associated companies		**567**	—	**1**	16
Profit/(loss) on disposal of associated companies		**705**	—	**1**	20
Tax on profit on disposal of associated companies		**(138)**	—	**—**	(4)
Impairment of investments and goodwill		**(2)**	—	**—**	—
Normalised attributable earnings	15	**6 741**	6 426	**474**	402
Ratios					
Admin ratio[1]		**36,9%**	37,6%	**34,9%**	35,3%
Operating margin[2]		**34,7%**	34,7%	**16,3%**	21,9%
Diluted earnings per share					
Adjusted weighted average number of shares (million)					
Net result from financial services (cents)		**63,8**	54,8	**10,0**	8,8
Core earnings (cents)					

[1] *Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.*

[2] *Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.*

	Sanlam Employee Benefits		Short-term insurance		Investment Management		Capital Markets		Subtotal: Operating businesses	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	1 796	1 744	11 035	9 902	2 562	1 996	283	370	24 950	22 307
	(38)	(41)	(1 488)	(1 358)	—	—	—	—	(3 248)	(2 881)
	1 758	1 703	9 547	8 544	2 562	1 996	283	370	21 702	19 426
	(1 299)	(1 291)	(7 303)	(6 620)	—	—	—	—	(11 176)	(10 087)
	(286)	(342)	(1 257)	(1 046)	(1 332)	(919)	(210)	(219)	(5 831)	(5 045)
	173	70	987	878	1 230	1 077	73	151	4 695	4 294
	(50)	(20)	(288)	(248)	(278)	(263)	21	(10)	(1 047)	(1 041)
	123	50	699	630	952	814	94	141	3 648	3 253
	—	—	(327)	(299)	(83)	(84)	—	—	(513)	(504)
	123	50	372	331	869	730	94	141	3 135	2 749
	307	221	140	80	14	10	—	—	2 652	1 557
	—	—	—	—	—	—	—	—	1 630	853
	378	272	275	145	31	23	—	—	1 412	953
	(71)	(51)	(11)	9	(7)	(4)	—	—	(231)	(148)
	—	—	(124)	(74)	(10)	(9)	—	—	(159)	(101)
	430	271	512	411	883	740	94	141	5 787	4 306
	—	—	—	—	—	—	—	—	(77)	—
	—	—	(3)	(2)	—	—	—	—	(51)	(45)
	—	—	—	—	—	—	—	—	—	—
	—	—	41	55	17	29	—	—	80	133
	—	—	76	105	17	29	—	—	116	198
	—	—	(35)	(50)	—	—	—	—	(36)	(65)
	345	956	218	516	7	47	—	—	3 410	5 609
	—	—	—	—	—	—	—	—	2 309	2 514
	415	1 116	432	1 244	14	57	—	—	1 570	4 375
	(70)	(160)	(3)	(242)	(5)	(8)	—	—	(135)	(733)
	—	—	(211)	(486)	(2)	(2)	—	—	(334)	(547)
	—	—	(127)	(58)	(2)	4	—	—	(106)	(80)
	—	—	(91)	37	—	—	—	—	(91)	37
	—	—	(168)	70	—	—	—	—	(168)	70
	—	—	77	(33)	—	—	—	—	77	(33)
	775	1 227	550	959	905	820	94	141	8 952	9 960
	—	—	—	—	—	—	—	—	—	—
	—	—	—	28	19	—	13	—	53	27
	—	—	20	(6)	—	—	32	—	620	10
	—	—	23	(6)	—	—	36	—	765	14
	—	—	(3)	—	—	—	(4)	—	(145)	(4)
	—	—	—	—	(2)	—	—	—	(4)	—
	775	1 227	570	981	922	820	139	141	9 621	9 997
	16,3%	20,1%	13,2%	12,2%	52,0%	46,0%	74,2%	59,2%	26,9%	26,0%
	9,8%	4,1%	10,3%	10,3%	48,0%	54,0%	25,8%	40,8%	21,6%	22,1%
	5,4	2,1	16,4	14,1	38,2	31,0	4,1	6,0	137,9	116,9

Sanlam Limited Group
Shareholders' fund income statement continued

for the year ended 31 December 2007

R million	Note	Subtotal: Operating businesses 2007	2006
Financial services income	10	**24 950**	22 307
Sales remuneration		**(3 248)**	(2 881)
Income after sales remuneration		**21 702**	19 426
Underwriting policy benefits		**(11 176)**	(10 087)
Administration costs	11	**(5 831)**	(5 045)
Result from financial services before tax		**4 695**	4 294
Tax on results from financial services	12	**(1 047)**	(1 041)
Result from financial services after tax		**3 648**	3 253
Minority shareholders' interest		**(513)**	(504)
Net result from financial services	13	**3 135**	2 749
Net investment income		**2 652**	1 557
Dividends received – Group companies		**1 630**	853
Other investment income	14	**1 412**	953
Tax on investment income	12	**(231)**	(148)
Minority shareholders' interest		**(159)**	(101)
Core earnings		**5 787**	4 306
Project expenses		**(77)**	—
Amortisation of value of business acquired		**(51)**	(45)
Broad-based employee share plan		**—**	—
Net equity-accounted headline earnings		**80**	133
Equity-accounted headline earnings		**116**	198
Minority shareholders' interest		**(36)**	(65)
Net investment surpluses		**3 410**	5 609
Investment surpluses – Group companies		**2 309**	2 514
Other investment surpluses		**1 570**	4 375
Tax on investment surpluses	12	**(135)**	(733)
Minority shareholders' interest		**(334)**	(547)
Secondary tax on companies – after minorities		**(106)**	(80)
Net (loss)/profit from discontinued operations		**(91)**	37
(Loss)/profit from discontinued operations		**(168)**	70
Minority shareholders' interest		**77**	(33)
Normalised headline earnings		**8 952**	9 960
Other equity-accounted earnings		**—**	—
Profit/(loss) on disposal of subsidiaries		**53**	27
Net profit on disposal of associated companies		**620**	10
Profit on disposal of associated companies		**765**	14
Tax on profit on disposal of associated companies		**(145)**	(4)
Impairment of investments and goodwill		**(4)**	—
Normalised attributable earnings	15	**9 621**	9 997
Ratios			
Admin ratio		**26,9%**	26,0%
Operating margin		**21,6%**	22,1%
Diluted earnings per share			
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**137,9**	116,9
Core earnings (cents)			

	Independent Financial Services		Corporate and Other		Consolidation entries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	14	28	62	(2)	—	—	25 026	22 333
	—	—	—	—	—	—	(3 248)	(2 881)
	14	28	62	(2)	—	—	21 778	19 452
	—	—	—	—	—	—	(11 176)	(10 087)
	(7)	(8)	(225)	(214)	—	—	(6 063)	(5 267)
	7	20	(163)	(216)	—	—	4 539	4 098
	(1)	(4)	51	56	—	—	(997)	(989)
	6	16	(112)	(160)	—	—	3 542	3 109
	—	—	—	—	—	—	(513)	(504)
	6	16	(112)	(160)	—	—	3 029	2 605
	27	18	68	96	(1 630)	(911)	1 117	760
	—	—	—	58	(1 630)	(911)	—	—
	31	20	61	58	—	—	1 504	1 031
	(4)	(2)	7	(20)	—	—	(228)	(170)
	—	—	—	—	—	—	(159)	(101)
	33	34	(44)	(64)	(1 630)	(911)	4 146	3 365
	—	—	(8)	—	—		(85)	—
	—	—	—	—	—	—	(51)	(45)
	—	—	(5)	(19)	—	—	(5)	(19)
	—	—	72	31	—	—	152	164
	—	—	72	31	—	—	188	229
	—	—	—	—	—	—	(36)	(65)
	—	—	163	104	(2 309)	(2 498)	1 264	3 215
	—	—	—	(16)	(2 309)	(2 498)	—	—
	—	—	146	107	—	—	1 716	4 482
	—	—	17	13	—	—	(118)	(720)
	—	—	—	—	—	—	(334)	(547)
	—	—	(25)	(4)	—	—	(131)	(84)
	—	—	—	—	—	—	(91)	37
	—	—	—	—	—	—	(168)	70
	—	—	—	—	—	—	77	(33)
	33	34	153	48	(3 939)	(3 409)	5 199	6 633
	—	5	—	—	—	—	—	5
	—	95	—	—	(9)	—	44	122
	4	—	—	—	—	—	624	10
	4	—	—	—	—	—	769	14
	—	—	—	—	—	—	(145)	(4)
	(3)	(30)	—	—	—	—	(7)	(30)
	34	104	153	48	(3 948)	(3 409)	5 860	6 740
	50,0%	28,6%					27,8%	27,1%
	50,0%	71,4%					20,8%	21,1%
							2 273,2	2 352,0
	0,3	0,7	(4,9)	(6,8)	—	—	133,3	110,8
							182,4	143,1

Notes to the shareholders' fund information

1. Analysis of new business and total funds received

Analysed per business, reflecting the split between life and non-life business

for the year ended 31 December 2007

R million	Total 2007	Total 2006	Life insurance[1] 2007	Life insurance[1] 2006	Life licence[2] 2007	Life licence[2] 2006	Other[3] 2007	Other[3] 2006
Sanlam Personal Finance	**27 809**	21 826	**11 123**	9 333	**—**	—	**16 686**	12 493
South Africa	**19 137**	15 645	**9 428**	8 231	**—**	—	**9 709**	7 414
Recurring	**1 157**	946	**1 075**	932	**—**	—	**82**	14
Single	**15 756**	13 031	**6 129**	5 631	**—**	—	**9 627**	7 400
Continuations	**2 224**	1 668	**2 224**	1 668	**—**	—	**—**	—
Africa	**7 379**	5 424	**402**	345	**—**	—	**6 977**	5 079
Recurring	**60**	36	**60**	36	**—**	—	**—**	—
Single	**7 319**	5 388	**342**	309	**—**	—	**6 977**	5 079
Other international	**1 293**	757	**1 293**	757	**—**	—	**—**	—
Recurring	**13**	10	**13**	10	**—**	—	**—**	—
Single	**1 280**	747	**1 280**	747	**—**	—	**—**	—
Sanlam Developing Markets	**3 615**	2 003	**3 615**	2 003	**—**	—	**—**	—
South Africa	**2 767**	1 366	**2 767**	1 366	**—**	—	**—**	—
Recurring	**584**	461	**584**	461	**—**	—	**—**	—
Single	**2 183**	905	**2 183**	905	**—**	—	**—**	—
Africa	**722**	593	**722**	593	**—**	—	**—**	—
Recurring	**240**	219	**240**	219	**—**	—	**—**	—
Single	**482**	374	**482**	374	**—**	—	**—**	—
Other international	**126**	44	**126**	44	**—**	—	**—**	—
Recurring	**53**	22	**53**	22	**—**	—	**—**	—
Single	**73**	22	**73**	22	**—**	—	**—**	—
Sanlam Employee Benefits	**2 334**	2 180	**878**	2 180	**1 456**	—	**—**	—
South Africa	**2 334**	2 180	**878**	2 180	**1 456**	—	**—**	—
Recurring	**199**	192	**159**	192	**40**	—	**—**	—
Single	**2 135**	1 988	**719**	1 988	**1 416**	—	**—**	—
Investment Management	**47 843**	36 498	**282**	205	**54**	212	**47 507**	36 081
Employee benefits	**54**	212	**—**	—	**54**	212	**—**	—
Recurring	**—**	—	**—**	—	**—**	—	**—**	—
Single	**54**	212	**—**	—	**54**	212	**—**	—
Collective investment schemes	**19 832**	14 074	**—**	—	**—**	—	**19 832**	14 074
Retail funds	**11 592**	6 706	**—**	—	**—**	—	**11 592**	6 706
Wholesale business	**8 240**	7 368	**—**	—	**—**	—	**8 240**	7 368
Segregated funds	**23 550**	17 790	**—**	—	**—**	—	**23 550**	17 790
Wholesale business	**15 250**	7 533	**—**	—	**—**	—	**15 250**	7 533
Private Investments	**8 300**	10 257	**—**	—	**—**	—	**8 300**	10 257
Non-South African	**4 407**	4 422	**282**	205	**—**	—	**4 125**	4 217

1. Analysis of new business and total funds received *(continued)*

for the year ended
31 December 2007

R million	Total 2007	Total 2006	Life insurance[1] 2007	Life insurance[1] 2006	Life licence[2] 2007	Life licence[2] 2006	Other[3] 2007	Other[3] 2006
Short-term insurance	**11 407**	10 203	**—**	—	**—**	—	**11 407**	10 203
New business excluding white label	**93 008**	72 710	**15 898**	13 721	**1 510**	212	**75 600**	58 777
White label	**8 996**	7 938	**1 202**	291	**—**	—	**7 794**	7 647
Sanlam Collective Investments	**7 794**	7 647	**—**	—	**—**	—	**7 794**	7 647
Sanlam Developing Markets	**1 202**	291	**1 202**	291	**—**	—	**—**	—
Total new business	**102 004**	80 648	**17 100**	14 012	**1 510**	212	**83 394**	66 424
Recurring premiums on existing funds								
Sanlam Personal Finance	**9 503**	9 122						
Sanlam Developing Markets	**1 916**	1 843						
Sanlam Employee Benefits	**3 260**	2 664						
Investment Management	**227**	132						
Total funds received	**116 910**	94 409						

[1] *Life insurance business excludes R404 million of single premiums in 2006 relating to a closed book of business that was moved from the Channel Life licence in terms of the acquisition agreement.*

[2] *Life licence business relates to investment products provided by Institutional businesses and Sanlam Personal Finance by means of a life insurance policy where there is very little or no insurance risk.*

[3] *Comparative figures have been restated for a reclassification of collective investment funds between retail and institutional business.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2007 R million	2007	2006
1. Analysis of new business and total funds received *(continued)*		
Analysed per market		
Retail		
Life business	**12 195**	9 597
Sanlam Personal Finance	**9 428**	8 231
Sanlam Developing Markets	**2 767**	1 366
Non-life business	**29 601**	24 377
Sanlam Personal Finance	**9 709**	7 414
Sanlam Private Investments	**8 300**	10 257
Sanlam Collective Investments	**11 592**	6 706
South African	**41 796**	33 974
Non-South African	**9 520**	6 818
Sanlam Developing Markets	**848**	637
Sanlam Personal Finance – Namibia	**7 379**	5 424
Sanlam Personal Finance – Merchant Investors	**1 293**	757
Total retail	**51 316**	40 792
Institutional		
Group Life business	**2 388**	2 392
Sanlam Employee Benefits	**2 334**	2 180
Investment Management	**54**	212
Non-life business	**23 490**	14 901
Segregated	**10 012**	5 402
Sanlam Multi-Manager	**5 238**	2 131
Sanlam Collective Investments	**8 240**	7 368
South African	**25 878**	17 293
Investment Management (Non-South African)	**4 407**	4 422
Total institutional	**30 285**	21 715
White label	**8 996**	7 938
Sanlam Collective Investments	**7 794**	7 647
Sanlam Developing Markets	**1 202**	291
Short-term insurance	**11 407**	10 203
Total new business	**102 004**	80 648

2. Analysis of payments to clients

for the year ended 31 December 2007

R million	Total 2007	Total 2006	Life insurance[1] 2007	Life insurance[1] 2006	Life licence[2] 2007	Life licence[2] 2006	Other[3] 2007	Other[3] 2006
Sanlam Personal Finance	**33 791**	27 270	**22 014**	18 698	**—**	12	**11 777**	8 560
South Africa	**25 272**	21 581	**19 359**	16 467	**—**	12	**5 913**	5 102
Surrenders	**3 753**	3 782	**3 753**	3 782	**—**	—	**—**	—
Other	**21 519**	17 799	**15 606**	12 685	**—**	12	**5 913**	5 102
Africa	**6 612**	4 116	**748**	658	**—**	—	**5 864**	3 458
Surrenders	**160**	78	**160**	78	**—**	—	**—**	—
Other	**6 452**	4 038	**588**	580	**—**	—	**5 864**	3 458
Other international	**1 907**	1 573	**1 907**	1 573	**—**	—	**—**	—
Surrenders	**1 500**	1 283	**1 500**	1 283	**—**	—	**—**	—
Other	**407**	290	**407**	290	**—**	—	**—**	—
Sanlam Developing Markets	**3 265**	2 177	**3 265**	2 177	**—**	—	**—**	—
South Africa	**2 798**	1 830	**2 798**	1 830	**—**	—	**—**	—
Surrenders	**275**	732	**275**	732	**—**	—	**—**	—
Other	**2 523**	1 098	**2 523**	1 098	**—**	—	**—**	—
Africa	**467**	347	**467**	347	**—**	—	**—**	—
Surrenders	**9**	92	**9**	92	**—**	—	**—**	—
Other	**458**	255	**458**	255	**—**	—	**—**	—
Other international	**—**	—	**—**	—	**—**	—	**—**	—
Surrenders	**—**	—	**—**	—	**—**	—	**—**	—
Other	**—**	—	**—**	—	**—**	—	**—**	—
Sanlam Employee Benefits	**9 705**	7 679	**6 966**	7 679	**2 739**	—	**—**	—
South Africa	**9 705**	7 679	**6 966**	7 679	**2 739**	—	**—**	—
Terminations[4]	**4 464**	2 860	**3 261**	2 860	**1 203**	—	**—**	—
Other benefits	**5 241**	4 745	**3 705**	4 745	**1 536**	—	**—**	—
Less: Intergroup switches[5]	**—**	74	**—**	74	**—**	—	**—**	—

2. Analysis of payments to clients *(continued)*

for the year ended 31 December 2007

R million	Total 2007	Total 2006	Life insurance[1] 2007	Life insurance[1] 2006	Life licence[2] 2007	Life licence[2] 2006	Other[3] 2007	Other[3] 2006
Investment Management	**43 569**	51 459	**144**	145	**915**	893	**42 510**	50 421
Employee benefits	**915**	893	**—**	—	**915**	893	**—**	—
Terminations[4]	**586**	596	**—**	—	**586**	596	**—**	—
Other benefits	**329**	371	**—**	—	**329**	371	**—**	—
Less: Intergroup switches[5]	**—**	(74)	**—**	—	**—**	(74)	**—**	—
Collective investment schemes	**18 016**	13 153	**—**	—	**—**	—	**18 016**	13 153
Retail funds	**9 547**	7 461	**—**	—	**—**	—	**9 547**	7 461
Wholesale business	**8 469**	5 692	**—**	—	**—**	—	**8 469**	5 692
Segregated funds	**21 466**	35 775	**—**	—	**—**	—	**21 466**	35 775
Wholesale business	**16 928**	30 438	**—**	—	**—**	—	**16 928**	30 438
Private Investments	**4 538**	5 337	**—**	—	**—**	—	**4 538**	5 337
Non-SA	**3 172**	1 638	**144**	145	**—**	—	**3 028**	1 493
Short-term insurance	**8 028**	7 037	**—**	—	**—**	—	**8 028**	7 037
Payments to clients excluding white label	**98 358**	95 622	**32 389**	28 699	**3 654**	905	**62 315**	66 018
White label	**7 189**	6 238	**650**	2 266	**—**	—	**6 539**	3 972
Sanlam Collective Investments	**6 539**	3 972	**—**	—	**—**	—	**6 539**	3 972
Sanlam Developing Markets	**650**	2 266	**650**	2 266	**—**	—	**—**	—
Total payments to clients	**105 547**	101 860	**33 039**	30 965	**3 654**	905	**68 854**	69 990

(1) *Life insurance business excludes R5,9 billion of payments to clients in 2006 relating to a closed book of business that was moved from the Channel Life licence in terms of the acquisition agreement.*

(2) *Life licence business relates to investment products provided by Institutional businesses and Sanlam Personal Finance by means of a life insurance policy where there is very little or no insurance risk.*

(3) *Comparative figures have been restated for a reclassification of collective investment funds between retail and institutional business.*

(4) *Includes taxation paid on behalf of certain retirement funds.*

(5) *Included in terminations.*

3. Analysis of net inflow/(outflow) of funds

for the year ended 31 December 2007

R million	Total 2007	Total 2006	Life insurance 2007	Life insurance 2006	Life licence[1] 2007	Life licence[1] 2006	Other[2] 2007	Other[2] 2006
Sanlam Personal Finance	**3 521**	3 678	**(1 354)**	(245)	**—**	(12)	**4 875**	3 935
South Africa	**2 552**	2 417	**(1 210)**	115	**—**	(12)	**3 762**	2 314
Africa	**1 141**	1 651	**28**	30	**—**	—	**1 113**	1 621
Other international	**(172)**	(390)	**(172)**	(390)	**—**	—	**—**	—
Sanlam Developing Markets	**2 266**	1 669	**2 266**	1 669	**—**	—	**—**	—
South Africa	**1 372**	1 011	**1 372**	1 011	**—**	—	**—**	—
Africa	**768**	614	**768**	614	**—**	—	**—**	—
Other international	**126**	44	**126**	44	**—**	—	**—**	—
Sanlam Employee Benefits	**(4 111)**	(2 835)	**(3 594)**	(2 835)	**(517)**	—	**—**	—
Sanlam Investment Management	**4 501**	(14 829)	**138**	60	**(634)**	(549)	**4 997**	(14 340)
Employee benefits	**(634)**	(549)	**—**	—	**(634)**	(549)	**—**	—
Total	**(634)**	(623)	**—**	—	**(634)**	(623)	**—**	—
Less: Intergroup switches	**—**	74	**—**	—	**—**	74	**—**	—
Collective investment schemes	**1 816**	921	**—**	—	**—**	—	**1 816**	921
Retail funds	**2 045**	(755)	**—**	—	**—**	—	**2 045**	(755)
Wholesale business	**(229)**	1 676	**—**	—	**—**	—	**(229)**	1 676
Segregated funds	**2 084**	(17 985)	**—**	—	**—**	—	**2 084**	(17 985)
Wholesale business	**(1 678)**	(22 905)	**—**	—	**—**	—	**(1 678)**	(22 905)
Private Investments	**3 762**	4 920	**—**	—	**—**	—	**3 762**	4 920
Non-SA	**1 235**	2 784	**138**	60	**—**	—	**1 097**	2 724
Santam	**3 379**	3 166	**—**	—	**—**	—	**3 379**	3 166
Net inflow/(outflow) excluding white label	**9 556**	(9 151)	**(2 544)**	(1 351)	**(1 151)**	(561)	**13 251**	(7 239)
White label	**1 807**	1 700	**552**	(1 975)	**—**	—	**1 255**	3 675
Sanlam Collective Investments	**1 255**	3 675	**—**	—	**—**	—	**1 255**	3 675
Sanlam Developing Markets	**552**	(1 975)	**552**	(1 975)	**—**	—	**—**	—
Total net inflow/(outflow)	**11 363**	(7 451)	**(1 992)**	(3 326)	**(1 151)**	(561)	**14 506**	(3 564)

[1] *Life licence business relates to investment products provided by Institutional businesses and Sanlam Personal Finance by means of a life insurance policy where there is very little or no insurance risk.*

[2] *Comparative figures have been restated for a reclassification of collective investment funds between retail and institutional business.*

for the year ended 31 December 2007 R million	2007	2006
3. Analysis of net inflow/(outflow) of funds *(continued)*		
Analysed per market		
Retail		
Life business	**162**	1 114
Sanlam Personal Finance	**(1 210)**	103
Sanlam Developing Markets	**1 372**	1 011
Non-life business	**9 569**	6 479
Sanlam Personal Finance	**3 762**	2 314
Sanlam Private Investments	**3 762**	4 920
Sanlam Collective Investments	**2 045**	(755)
South African	**9 731**	7 593
Non-South African	**1 863**	1 919
Sanlam Developing Markets	**894**	658
Sanlam Personal Finance – Namibia	**1 141**	1 651
Sanlam Personal Finance – Merchant Investors	**(172)**	(390)
Total retail	**11 594**	9 512
Institutional		
Group Life business	**(4 745)**	(3 384)
Sanlam Employee Benefits	**(4 111)**	(2 835)
Investment Management	**(634)**	(549)
Non-life business	**(1 907)**	(21 229)
Segregated	**(1 753)**	(23 105)
Sanlam Multi-Manager	**75**	200
Sanlam Collective Investments	**(229)**	1 676
South African	**(6 652)**	(24 613)
Investment Management (Non-South African)	**1 235**	2 784
Total institutional	**(5 417)**	(21 829)
White label	**1 807**	1 700
Sanlam Collective Investments	**1 255**	3 675
Sanlam Developing Markets	**552**	(1 975)
Short-term insurance	**3 379**	3 166
Total net inflow/(outflow)	**11 363**	(7 451)

R million	2007	2006
4. Assets under management		
Assets under management		
Sanlam Personal Finance		
Assets under management at beginning of the year	**209 219**	173 489
Life insurance	**175 962**	147 436
Other	**33 257**	26 053
Net inflow/(outflow) of funds[(1)]	**5 069**	5 180
Life insurance	**267**	1 118
Other	**4 802**	4 062
Investment return	**19 746**	31 717
Life insurance	**16 173**	28 572
Other	**3 573**	3 145
Other movements	**(6 979)**	(1 167)
Life insurance	**(6 959)**	(1 164)
Other	**(20)**	(3)
Assets under management at end of the year	**227 055**	209 219
Life insurance	**185 443**	175 962
Other	**41 612**	33 257
Sanlam Developing Markets		
Assets under management at beginning of the year	**19 108**	10 995
Net inflow/(outflow) of funds[(1)]	**3 374**	(5 752)
Investment return	**1 485**	3 706
Other	**(7 024)**	10 159
Assets under management at end of the year	**16 943**	19 108
Sanlam Employee Benefits		
Assets under management at beginning of the year	**42 943**	39 540
Net inflow/(outflow) of funds[(1)]	**(2 826)**	(2 390)
Investment return	**3 920**	7 540
Other	**(1 832)**	(1 747)
Assets under management at end of the year	**42 205**	42 943
Investment Management		
Assets under management at beginning of the year	**405 853**	326 779
Wholesale and retail	**389 885**	316 189
White label	**15 968**	10 590
Net inflow/(outflow) of funds[(1)]	**(6 364)**	(19 220)
Wholesale and retail	**(6 386)**	(22 895)
White label	**22**	3 675
Investment return	**52 269**	77 982
Wholesale and retail	**50 020**	76 279
White label	**2 249**	1 703
Other movements	**2 204**	20 312
Wholesale and retail	**2 204**	20 312
White label	**—**	—
Assets under management at end of the year	**453 962**	405 853
Wholesale and retail	**435 723**	389 885
White label	**18 239**	15 968

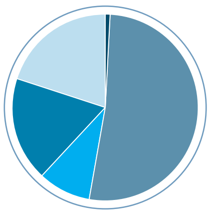
[(1)] *Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits recognised in the income statement, which are excluded for assets under management fund flows, as the premiums charged for risk underwriting are included in other movements.*

4. Assets under management *(continued)*

	Average assets (R million)	Adminis-tration costs (bps)	Margin (bps)
Profitability of assets under management			
31 December 2007			
Sanlam Personal Finance	**221 640**	**91**	**85**
Life insurance	**183 534**	**102**	**97**
Other	**38 106**	**37**	**32**
Sanlam Developing Markets	**18 831**	**391**	**182**
Sanlam Employee Benefits	**43 277**	**66**	**40**
Investment Management	**432 240**	**31**	**28**
Wholesale and retail	**415 096**	**26**	**29**
White label	**17 144**	**139**	**13**
31 December 2006			
Sanlam Personal Finance	190 553	97	89
Life insurance	160 839	106	98
Other	29 714	44	44
Sanlam Developing Markets	19 607	346	215
Sanlam Employee Benefits	40 731	84	17
Investment Management	365 827	25	29
Wholesale and retail	352 657	22	30
White label	13 170	102	13

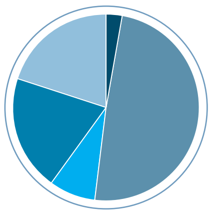
5. Investments

Total shareholders' fund investment mix 2007



Properties	1%
Equities	52%
Public sector stocks and loans	9%
Debentures, preference shares and other loans	18%
Cash, deposits and similar securities	20%

Total shareholders' fund investment mix 2006



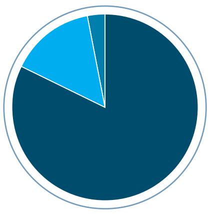
Properties	3%
Equities	49%
Public sector stocks and loans	8%
Debentures, preference shares and other loans	20%
Cash, deposits and similar securities	20%

R million	2007	2006
5.1 Investment in associated companies		
Peermont	—	335
Collective investment schemes	**504**	1 635
Punter Southall Group	**201**	176
Other associated companies	**370**	430
Total investment in associated companies	**1 075**	2 576

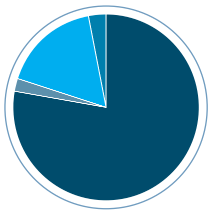
Details of the investments in the material associated companies are reflected in note 7 on page 264 of the Sanlam Limited Group financial statements.

R million	2007	2006
5. Investments *(continued)*		
5.2 Investment in joint ventures		
Safair Lease Finance	**197**	125
Sanlam Personal Loans	**76**	47
Sanlam Home Loans	**177**	168
Shriram	**167**	116
Other joint ventures	**67**	35
Total investment in joint ventures	**684**	491
Details of the investments in the material joint ventures, Safair Lease Finance, Sanlam Personal Loans, Shriram and Sanlam Home Loans, are reflected in note 7 on page 264 of the Sanlam Limited Group financial statements.		
5.3 Equities and similar securities		
Listed on the JSE – at market value	**15 097**	12 838
Unlisted equity and derivative investments – at directors' valuation	**(450)**	273
Offshore equity investments	**2 779**	2 834
Collective investment schemes	**510**	444
Total equity investments	**17 936**	16 389

Total shareholders' fund equity mix 2007



Total shareholders' fund equity mix 2006



%	2007	2006
Spread of investments in equities listed on the JSE by sector[1]:		
Basic industries	**20,6**	22,6
Consumer goods	**7,6**	11,6
Consumer services	**5,5**	7,0
Financials	**24,0**	27,2
General industrials	**8,7**	12,6
Information technology	**0,3**	0,5
Healthcare	**1,2**	0,8
Telecommunications	**7,3**	6,7
Other	**24,8**	11,0
	100,0	100,0

[1] *Excludes offshore equities, derivatives, collective investment schemes and unlisted investments and includes the appropriate underlying investments of Santam.*

R million	2007	2006
5.4 Offshore investments		
Equities	**2 779**	2 834
Interest-bearing investments	**1 792**	2 658
Investment properties	**53**	114
Total offshore investments	**4 624**	5 606

5. Investments *(continued)*

5.5 Derivative instruments

Details of the derivative instruments held by the shareholders' fund are as follows:

	Residual term to contractual maturity				Analysed by use		
R million	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Trading	Asset liability management	Total fair value of amounts
2007							
Interest rate products over-the-counter							
Swap contracts	77 380	52 261	38 251	167 892	166 026	1 866	(28)
Total interest rate products	77 380	52 261	38 251	167 892	166 026	1 866	(28)
Market risk products							
Cliquet structures	3 547	3 251	5	6 803	5 949	854	(778)
Collar structures	501	2 284	—	2 785	627	2 158	(235)
Fence structures							
Local	1 921	—	—	1 921	1 987	(66)	48
International	—	—	—	—	—	—	—
Total market risk products	5 969	5 535	5	11 509	8 563	2 946	(965)
Foreign exchange products over-the-counter							
Spot and forward contracts (purchases)	—	—	—	—	—	—	—
Spot and forward contracts (selling)	—	—	—	—	—	—	—
Total foreign exchange products	—	—	—	—	—	—	—
Other derivative products	(99)	(145)	—	(244)	—	(244)	(5)
2006							
Interest rate products over-the-counter							
Swap contracts	50 189	29 691	23 955	103 835	103 835	—	(3 008)
Total interest rate products	50 189	29 691	23 955	103 835	103 835	—	(3 008)
Market risk products							
Cliquet structures	3 642	1 675	—	5 317	5 317	—	606
Collar structures	—	2 594	—	2 594	—	2 594	(628)
Fence structures							
Local	1 269	1 024	—	2 293	2 124	169	408
International	221	—	—	221	—	221	12
Total market risk products	5 132	5 293	—	10 425	7 441	2 984	398
Foreign exchange products over-the-counter							
Spot and forward contracts (purchases)	47	105	—	152	152	—	(17)
Spot and forward contracts (selling)	(47)	(105)	—	(152)	(152)	—	11
Total foreign exchange products	—	—	—	—	—	—	(6)
Other derivative products	853	512	5	1 370	617	753	69

Register of investments

A register containing details of all investments, including fixed property investments, is available for inspection at the registered office of Sanlam Limited.

R million	2007	2006
6. Short-term insurance technical assets and provisions		
Details of short-term insurance technical assets and provisions are reflected in note 9 on page 272 of the Sanlam Limited Group financial statements.		
7. Trade and other receivables		
Premiums receivable	**1 846**	1 245
Accrued investment income	**699**	404
Trading account	**16 587**	26 156
Amounts due from reinsurers	**388**	308
Accounts receivable	**3 381**	4 258
Total trade and other receivables	**22 901**	32 371
8. Trade and other payables		
Trading account	**17 509**	24 854
Accounts payable	**6 951**	7 635
Policy benefits payable	**1 645**	1 439
Amounts due to reinsurers	**533**	344
Bank overdrafts	**24**	3
Total working capital liabilities	**26 662**	34 275
9. Shareholders' fund		
Shareholders' fund per Group balance sheet on page 256	**29 334**	29 121
Consolidation reserve	**1 843**	1 859
Shareholders' fund at net asset value	**31 177**	30 980
10. Financial services income		
From external customers	**24 464**	21 924
From internal customers	**562**	409
Total financial services income	**25 026**	22 333
Equity-accounted earnings included in financial services income:		
Sanlam Personal Finance	**37**	29
Sanlam Developing Markets	**—**	26
Sanlam Employee Benefits	**(14)**	—
Investment Management	**—**	3
Independent Financial Services	**14**	28
Corporate and other	**—**	(2)
	37	84
11. Administration costs		
Depreciation included in administration costs:		
Sanlam Personal Finance	**57**	46
Sanlam Developing Markets	**15**	15
Short-term Insurance	**22**	19
Investment Management	**9**	6
Capital Markets	**2**	2
Corporate and other	**—**	2
	105	90

for the year ended 31 December 2007

R million	2007	2006
12. Taxation		
Result from financial services	**4 539**	4 098
Tax on result from financial services	**(997)**	(989)
Investment return	**3 220**	5 513
Investment income	**1 504**	1 031
Investment surpluses – other	**1 716**	4 482
Tax on investment return	**(346)**	(890)
Investment income	**(228)**	(170)
Investment surpluses	**(118)**	(720)

%	2007	2006
Reconciliation of tax rate on result from financial services		
Effective tax rate	**22,0**	24,1
Standard rate of taxation	**29,0**	29,0
Adjusted for:		
Non-taxable income	**(5,8)**	(2,2)
Disallowable expenses	**0,4**	0,6
Share-based payments	**0,3**	0,4
Prior year adjustments	**0,5**	(4,1)
Foreign tax rate differential	**(3,0)**	(1,6)
Other	**0,6**	2,0
Effective tax rate on result from financial services	**22,0**	24,1
Reconciliation of tax rate on investment return		
Effective tax rate	**10,7**	16,1
Standard rate of taxation	**29,0**	29,0
Adjusted for:		
Non-taxable income	**(7,8)**	(2,5)
Disallowable expenses	**0,1**	0,2
Foreign tax rate differential	**(0,2)**	(0,4)
Investment surpluses	**(8,4)**	(10,2)
Other	**(2,0)**	0,1
Effective tax rate on investment return	**10,7**	16,1

for the year ended 31 December R million	2007	2006
13. Net result from financial services		
Covered business	1 731	1 465
Sanlam Personal Finance	1 367	1 208
Sanlam Employee Benefits	137	50
Sanlam Developing Markets	227	207
Other Group operations	1 410	1 300
Sanlam Personal Finance	83	82
Wealth management	61	61
Retail credit	22	21
Short-term Insurance	372	331
Investment management and fund administration	855	730
Capital Markets	94	141
Independent Financial Services	6	16
Discretionary and other capital	(112)	(160)
Net result from financial services	3 029	2 605
14. Investment income		
Equities and similar securities	630	518
Interest-bearing, preference shares and similar securities	832	459
Properties	42	54
Rental income	50	67
Rental related expenses	(8)	(13)
Total investment income	1 504	1 031
Interest expense netted off against investment income:		
Sanlam Personal Finance	482	337
Short-term Insurance	45	—
	527	337
15. Analysis of normalised attributable earnings		
Net result from financial services	3 029	2 605
Covered business	1 731	1 465
Other Group operations	1 410	1 300
Discretionary and other capital	(112)	(160)
Net investment income and investment surpluses	2 381	3 975
Covered business	1 589	2 974
Other Group operations	415	677
Discretionary and other capital	377	324
Other net income	450	160
Other Group operations	(82)	157
Discretionary and other capital	532	3
Normalised attributable earnings	5 860	6 740
Covered business	3 320	4 439
Other Group operations	1 743	2 134
Discretionary and other capital	797	167
Normalised attributable earnings	5 860	6 740

Notes to the shareholders' fund information continued

for the year ended 31 December 2007

Cents	2007	2006
16. Normalised diluted earnings per share		
Normalised diluted earnings per share:		
Net result from financial services	**133,3**	110,8
Core earnings	**182,4**	143,1
Headline earnings	**228,7**	282,0
Profit attributable to shareholders' fund	**257,8**	286,6

R million	2007	2006
Analysis of normalised earnings (refer shareholders' fund income statement on page 162):		
Net result from financial services	**3 029**	2 605
Core earnings	**4 146**	3 365
Headline earnings	**5 199**	6 633
Profit attributable to shareholders' fund	**5 860**	6 740
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 286	**4 833**	6 838
Less: Fund transfers	**366**	(205)
Normalised headline earnings	**5 199**	6 633

Million	2007	2006
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 28 on page 286)	**2 189,3**	2 243,1
Add: Weighted average Sanlam shares held by policyholders	**83,9**	108,9
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 273,2**	2 352,0

17. Fair value of other Group operations

The shareholders' fund at fair value includes the value of the Sanlam businesses based on directors' valuation, apart from Santam, which is valued according to ruling share prices.

R million	Fair value of businesses: Beginning of year	Earnings	Distributions	Change in holding	Other[1]	End of year
Movement in fair value of businesses						
31 December 2007						
Sanlam Investments	**5 358**	**1 592**	**(560)**	**68**	**219**	**6 677**
SIM Wholesale	**3 729**	**1 031**	**(357)**	**26**	**14**	**4 443**
International	**1 336**	**477**	**(203)**	**42**	**205**	**1 857**
Sanlam Collective Investments	**293**	**84**	**—**	**—**	**—**	**377**
Sanlam Personal Finance	**1 058**	**169**	**(44)**	**9**	**—**	**1 192**
Wealth management	**796**	**159**	**(44)**	**—**	**—**	**911**
Retail credit	**262**	**10**	**—**	**9**	**—**	**281**
Independent Financial Services	**625**	**169**	**(4)**	**(21)**	**(63)**	**706**
Alfinanz	**—**	**26**	**—**	**—**	**2**	**28**
Coris Administration	**—**	**(11)**	**—**	**—**	**49**	**38**
Sanlam Capital Markets	**541**	**141**	**(141)**	**—**	**—**	**541**
Santam	**5 628**	**2 362**	**(1 623)**	**(34)**	**42**	**6 375**
Total fair value of businesses	**13 210**	**4 448**	**(2 372)**	**22**	**249**	**15 557**
31 December 2006						
Sanlam Investments	3 228	2 712	(607)	25	—	5 358
SIM Wholesale	2 481	1 585	(337)	—	—	3 729
International	522	969	(180)	25	—	1 336
Sanlam Collective Investments	225	158	(90)	—	—	293
Sanlam Personal Finance	668	303	(21)	108	—	1 058
Wealth management	537	280	(21)	—	—	796
Retail credit	131	23	—	108	—	262
Independent Financial Services	505	161	(3)	(38)	—	625
Sanlam Capital Markets	552	141	(152)	—	—	541
Santam	4 749	1 043	(610)	446	—	5 628
Total fair value of businesses	9 702	4 360	(1 393)	541	—	13 210

[1] *Other includes:*

- *Transfer of Botswana Insurance Fund Management from covered business to other Group operations;*
- *The transfer of Independent Financial Services' interest in Simeka and Coris Administration to the Sanlam Investments cluster; and*
- *The transfer of capital gains tax on the disposal of Santam shares, that is included in earnings, to the balanced portfolio.*

R million	2007	2006
Goodwill attributable to other Group operations		
Goodwill included in the net asset value of the respective businesses	**702**	439
SIM Wholesale	**81**	56
International	**60**	11
Glacier	**91**	91
Santam	**470**	281
Goodwill held on Group level in respect of the above businesses	**1 247**	1 247
Total goodwill attributable to the above businesses	**1 949**	1 686
Goodwill attributable to other non-life insurance businesses	**19**	7
Total goodwill attributable to other Group operations	**1 968**	1 693

Notes to the shareholders' fund information continued

R million	2007	2006
17. Fair value of other Group operations *(continued)*		
Valuation methodology		
The fair value of the unlisted Sanlam businesses has been determined by the application of the following valuation methodologies:		
Valuation method		
Ratio of price to assets under management	**6 748**	5 358
SIM Wholesale	**4 443**	3 729
International	**1 857**	1 336
Sanlam Collective Investments	**377**	293
Other	**71**	—
Discounted cash flows	**1 716**	1 451
Glacier	**593**	527
Sanlam Personal Loans	**104**	94
Multi-Data	**143**	110
Sanlam Trust	**104**	95
Punter Southall	**297**	209
Other	**475**	416
Earnings multiple – other	**—**	64
Net asset value	**718**	709
Sanlam Home Loans	**177**	168
Sanlam Capital Markets	**541**	541
Fair value of unlisted businesses	**9 182**	7 582

The main assumptions applied in the primary valuation for the unlisted businesses are presented below. The sensitivity analysis is based on the following changes in assumptions:

%	Change in assumption 2007	Change in assumption 2006
Assumption		
Ratio of price to assets under management (P/AuM)	**0,1**	0,1
Risk discount rate (RDR)	**1,0**	1,0
Perpetuity growth rate (PGR)	**1,0**	1,0

R million	Weighted average assumption	Fair value of Sanlam businesses: Base value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management	P/AuM = 1,34% (2006: 1,24%)	6 748	6 206	7 299
Discounted cash flows	RDR = 17,9% (2006: 17,2%)	1 716	1 827	1 627
	PGR = 2,5% – 5% (2006: 2,5% – 5%)	1 716	1 671	1 766

Million	2007	2006
18. Value per share		
Fair value per share is calculated on the Group shareholders' fund at fair value of R39 848 million (2006: R37 491 million), divided by 2 182,8 million (2006: 2 286,7 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R31 177 million (2006: R30 980 million), divided by 2 182,8 million (2006: 2 286,7 million) shares.		
Equity value per share is calculated on the Group Equity Value of R51 293 million (2006: R46 811 million), divided by 2 182,8 million (2006: 2 286,7 million) shares.		
Number of shares for value per share:		
Number of ordinary shares in issue (refer to note 11 on page 273)	**2 303,6**	2 303,6
Shares held by subsidiaries in shareholders' fund	**(168,9)**	(24,1)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes (refer note 11 on page 273)	**43,3**	—
Number of shares under option that would have been issued at fair value	**(7,3)**	—
Convertible deferred shares held by Ubuntu-Botho	**12,1**	7,2
Adjusted number of shares for value per share	**2 182,8**	2 286,7

19. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 7,3 (2006: 7,2) to the after tax recurring corporate expenses. Corporate expenses include allowance for interest earned on cash held in respect of the annual dividend between year-end and actual payment date.

20. Fair value of outstanding equity compensation shares granted on Sanlam Limited shares

The presentation of outstanding equity compensation shares granted on Sanlam Limited shares has been changed during the 2007 financial year. In 2006, the Group Equity Value is reduced with the fair value of these instruments, with no adjustment to the number of Sanlam Limited shares in issue. With effect from 2007, these instruments are treated as dilutive instruments in the calculation of Group Equity Value per share. The number of Sanlam Limited shares in issue at 31 December 2007 is increased by the number of shares to be issued at less than fair value on the vesting dates of the outstanding equity compensation shares, with no adjustment to Group Equity Value.

Comparative information has not been restated for this change in presentation as the effect on Group Equity Value per share and return on Group Equity Value per share is not material. The change in presentation resulted in an increase in Group Equity Value of R740 million on 1 January 2007, which is disclosed as a current year movement in the analysis of change in Group Equity Value.

21. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2006 and 2007 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 126,3 million shares from 3 April 2007 to 31 December 2007 in terms of the general authorities. The lowest and highest prices paid were R20,69 and R23,79 per share respectively. The total consideration paid of R2,9 billion was funded from existing cash resources. All repurchases were effected through the JSE trading system without any prior understanding or arrangement between the Group and the counterparties. Authority to repurchase 137,1 million shares, or 6% of Sanlam's issued share capital at the time, remain outstanding in terms of the general authority granted at the annual general meeting held on 6 June 2007.

The financial effects of the share repurchases during 2007 on the IFRS earnings and net asset value per share are illustrated in the table below:

Cents	Before repurchases	After repurchases
Basic earnings per share:		
Profit attributable to shareholders' fund	244,4	256,6
Headline earnings	215,4	225,7
Diluted earnings per share:		
Profit attributable to shareholders' fund	248,4	251,0
Headline earnings	218,8	220,8
Value per share:		
Group Equity Value	2 350	2 350
Net asset value	1 399	1 344
Tangible net asset value	1 177	1 108

22. Reconciliations

22.1 Reconciliation between Group and shareholders' fund income statement

R million	Year ended 31 December 2007 Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]	Year ended 31 December 2006 Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
Net income	**52 504**	**29 059**	**23 012**	**433**	69 317	27 982	40 697	638
Financial services income	**26 715**	**25 026**	**—**	**1 689**	23 609	22 333	—	1 276
Reinsurance premiums paid	**(2 685)**	**—**	**—**	**(2 685)**	(2 400)	—	—	(2 400)
Reinsurance commission received	**373**	**—**	**—**	**373**	383	—	—	383
Investment income	**14 740**	**1 504**	**11 021**	**2 215**	11 959	1 031	9 254	1 674
Investment surpluses	**15 885**	**2 529**	**11 991**	**1 365**	37 903	4 618	31 443	1 842
Finance cost – margin business	**(246)**	**—**	**—**	**(246)**	(223)	—	—	(223)
Change in fair value of external investors liability	**(2 278)**	**—**	**—**	**(2 278)**	(1 914)	—	—	(1 914)
Net insurance and investment contract benefits and claims	**(33 414)**	**(11 176)**	**(22 238)**	**—**	(49 655)	(10 087)	(39 568)	—
Long-term insurance contract benefits	**(15 364)**	**(3 873)**	**(11 189)**	**(302)**	(24 658)	(3 467)	(20 954)	(237)
Long-term investment contract benefits	**(11 049)**	**—**	**(11 049)**	**—**	(18 614)	—	(18 614)	—
Short-term insurance claims	**(8 533)**	**(7 303)**	**—**	**(1 230)**	(7 616)	(6 620)	—	(996)
Reinsurance claims received	**1 532**	**—**	**—**	**1 532**	1 233	—	—	1 233
Expenses	**(9 939)**	**(9 401)**	**—**	**(538)**	(8 821)	(8 167)	—	(654)
Sales remuneration	**(3 554)**	**(3 248)**	**—**	**(306)**	(3 236)	(2 881)	—	(355)
Administration costs	**(6 385)**	**(6 153)**	**—**	**(232)**	(5 585)	(5 286)	—	(299)
Impairment of investments and goodwill	**(7)**	**(7)**	**—**	**—**	(30)	(30)	—	—
Amortisation of value of business acquired	**(51)**	**(51)**	**—**	**—**	(45)	(45)	—	—
Net operating result	**9 093**	**8 424**	**774**	**(105)**	10 766	9 653	1 129	(16)
Equity-accounted earnings	**228**	**188**	**—**	**40**	423	234	—	189
Finance cost – other	**(281)**	**—**	**—**	**(281)**	(114)	—	—	(114)
Profit before tax	**9 040**	**8 612**	**774**	**(346)**	11 075	9 887	1 129	59
Tax expense	**(2 493)**	**(1 619)**	**(774)**	**(100)**	(3 049)	(1 967)	(1 129)	47
Shareholders' fund	**(1 678)**	**(1 619)**	**—**	**(59)**	(1 873)	(1 967)	—	94
Policyholders' fund	**(815)**	**—**	**(774)**	**(41)**	(1 176)	—	(1 129)	(47)
Profit from continuing operations	**6 547**	**6 993**	**—**	**(446)**	8 026	7 920	—	106
Discontinued operations	**(168)**	**(168)**	**—**	**—**	70	70	—	—
Profit for the year	**6 379**	**6 825**	**—**	**(446)**	8 096	7 990	—	106
Attributable to:								
Shareholders' fund	**5 494**	**5 860**	**—**	**(366)**	6 945	6 740	—	205
Minority shareholders' interest	**885**	**965**	**—**	**(80)**	1 151	1 250	—	(99)
	6 379	**6 825**	**—**	**(446)**	8 096	7 990	—	106

(1) *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group income statement.*

(2) *IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.*

22. Reconciliations *(continued)*

22.2 Reconciliation between Group balance sheet and analysis of shareholders' fund

	31 December 2007				31 December 2006			
R million	Total	Shareholder activities	Policyholder activities(1)	Consolidation reserve	Total	Shareholder activities	Policyholder activities(1)	Consolidation reserve
Assets								
Property and equipment	**298**	**298**	**—**	**—**	259	259	—	—
Owner-occupied properties	**650**	**650**	**—**	**—**	530	530	—	—
Goodwill	**2 447**	**2 447**	**—**	**—**	2 163	2 163	—	—
Value of business acquired	**1 000**	**1 000**	**—**	**—**	977	977	—	—
Deferred acquisition costs	**1 693**	**1 152**	**541**	**—**	1 397	974	423	—
Long-term reinsurance assets	**487**	**—**	**487**	**—**	427	—	427	—
Investments	**290 101**	**36 877**	**255 067**	**(1 843)**	280 627	36 423	246 063	(1 859)
Properties	**15 648**	**480**	**15 168**	**—**	14 602	875	13 727	—
Associated companies	**1 075**	**1 075**	**—**	**—**	2 926	2 576	350	—
Joint ventures	**684**	**684**	**—**	**—**	491	491	—	—
Equities and similar securities	**149 038**	**17 936**	**132 945**	**(1 843)**	141 456	16 389	126 926	(1 859)
Public sector stocks and loans	**49 887**	**3 142**	**46 745**	**—**	53 921	2 785	51 136	—
Debentures, insurance policies, preference shares and other loans	**34 091**	**6 383**	**27 708**	**—**	31 743	6 601	25 142	—
Cash, deposits and similar securities	**39 678**	**7 177**	**32 501**	**—**	35 488	6 706	28 782	—
Deferred tax	**475**	**473**	**2**	**—**	549	398	151	—
Non-current assets held for sale	**2 060**	**2 060**	**—**	**—**	—	—	—	—
Short-term insurance technical assets	**2 263**	**2 263**	**—**	**—**	2 288	2 288	—	—
Working capital assets	**38 791**	**33 720**	**5 071**	**—**	46 265	41 533	4 732	—
Trade and other receivables	**27 972**	**22 901**	**5 071**	**—**	37 103	32 371	4 732	—
Cash, deposits and similar securities	**10 819**	**10 819**	**—**	**—**	9 162	9 162	—	—
Total assets	**340 265**	**80 940**	**261 168**	**(1 843)**	335 482	85 545	251 796	(1 859)

22. Reconciliations *(continued)*

22.2 Reconciliation between Group balance sheet and analysis of shareholders' fund *(continued)*

R million	31 December 2007 Total	Shareholder activities	Policyholder activities(1)	Consolidation reserve	31 December 2006 Total	Shareholder activities	Policyholder activities(1)	Consolidation reserve
Equity and liabilities								
Shareholders' fund	**29 334**	**31 177**	**—**	**(1 843)**	29 121	30 980	—	(1 859)
Minority shareholders' interest	**2 220**	**2 270**	**(50)**	**—**	3 934	4 050	(116)	—
Long-term policy liabilities	**244 660**	**—**	**244 660**	**—**	237 864	—	237 864	—
Insurance contracts	**128 398**	**—**	**128 398**	**—**	125 517	—	125 517	—
Investment contracts	**116 262**	**—**	**116 262**	**—**	112 347	—	112 347	—
Term finance	**6 594**	**5 814**	**780**	**—**	5 760	4 999	761	—
External investors in consolidated funds	**12 278**	**1 896**	**10 382**	**—**	8 010	68	7 942	—
Cell owners' interest	**336**	**336**	**—**	**—**	329	329	—	—
Deferred tax	**1 354**	**537**	**817**	**—**	1 929	796	1 133	—
Non-current liabilities held for sale	**1 606**	**1 606**	**—**	**—**	—	—	—	—
Short-term insurance technical provisions	**7 719**	**7 719**	**—**	**—**	7 752	7 752	—	—
Working capital liabilities	**34 164**	**29 585**	**4 579**	**—**	40 783	36 571	4 212	—
Trade and other payables	**30 431**	**26 662**	**3 769**	**—**	37 801	34 275	3 526	—
Provisions	**973**	**973**	**—**	**—**	996	996	—	—
Taxation	**2 760**	**1 950**	**810**	**—**	1 986	1 300	686	—
Total equity and liabilities	**340 265**	**80 940**	**261 168**	**(1 843)**	335 482	85 545	251 796	(1 859)

23. Geographical analysis

R million	Per shareholders' fund income statement on page 162 Internal customers	External customers	IFRS adjustments (refer note 22.1)	Total
Financial services income				
Financial services income is attributed to individual countries, based on where the income was earned.				
2007	**570**	**24 456**	**1 689**	**26 715**
South Africa	**255**	**22 461**	**1 915**	**24 631**
Africa	**17**	**1 562**	**10**	**1 589**
Other international[1]	**298**	**433**	**(236)**	**495**
2006	636	21 697	1 276	23 609
South Africa	417	20 041	1 543	22 001
Africa	12	1 248	(19)	1 241
Other international[1]	207	408	(248)	367

R million	Per analysis of shareholders' fund on page 160	Policyholders' fund	Total
Non-current assets[2]			
2007	**5 547**	**541**	**6 088**
South Africa	**5 004**	**541**	**5 545**
Africa	**126**	**—**	**126**
Other international[1]	**417**	**—**	**417**
2006	4 903	423	5 326
South Africa	4 380	423	4 803
Africa	105	—	105
Other international[1]	418	—	418

R million	2007	2006
Net result from financial services (per shareholders' fund income statement on page 162)	**3 029**	2 605
South Africa	**2 503**	2 095
Africa	**194**	209
Other international[1]	**332**	301

[1] *Other international comprises business in The Netherlands, United Kingdom and India.*

[2] *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired and deferred acquisition costs.*

Sanlam Limited Group
Embedded value of covered business

at 31 December 2007

R million	Note	2007	2006
Sanlam Personal Finance		**21 010**	18 702
Adjusted net worth		**8 732**	8 325
Net value of in-force covered business		**12 278**	10 377
Value of in-force covered business		**13 958**	12 010
Cost of capital[1]		**(1 587)**	(1 582)
Minority shareholders' interest		**(93)**	(51)
Sanlam Developing Markets		**2 160**	1 953
Adjusted net worth		**860**	650
Net value of in-force covered business		**1 300**	1 303
Value of in-force covered business		**1 833**	1 762
Cost of capital[1]		**(268)**	(142)
Minority shareholders' interest		**(265)**	(317)
Sanlam Employee Benefits		**5 262**	6 748
Adjusted net worth		**5 118**	6 165
Net value of in-force covered business		**144**	583
Value of in-force covered business		**961**	974
Cost of capital[1]		**(817)**	(391)
Minority shareholders' interest		**—**	—
Embedded value of covered business		**28 432**	27 403
Adjusted net worth		**14 710**	15 140
Net value of in-force covered business	1	**13 722**	12 263
Embedded value of covered business		**28 432**	27 403

[1] *From 31 December 2007 the cost of capital is based on the higher of an internally assessed required capital and the statutory capital adequacy requirement. Previously this was based on the statutory capital adequacy requirement (refer basis of preparation on page 147).*

Sanlam Limited Group
Change in embedded value of covered business

for the year ended 31 December 2007

R million	Notes	2007 Total	2007 Value of in-force	2007 Adjusted net worth	2006 Total	2006 Value of in-force	2006 Adjusted net worth
Embedded value of covered business at the beginning of the year		**27 403**	**12 263**	**15 140**	26 880	10 574	16 306
Value of new business[1]	2	**565**	**1 494**	**(929)**	434	1 106	(672)
Net earnings from existing covered business		**2 085**	**(384)**	**2 469**	1 717	(507)	2 224
Expected return on value of in-force business		**1 493**	**1 493**	**—**	1 256	1 256	—
Expected transfer of profit to adjusted net worth		**—**	**(2 096)**	**2 096**	—	(1 783)	1 783
Operating experience variances	3	**315**	**(30)**	**345**	277	(113)	390
Operating assumption changes		**277**	**249**	**28**	184	133	51
Net project expenses	4	**(77)**	**—**	**(77)**	—	—	—
Embedded value earnings from covered business		**2 573**	**1 110**	**1 463**	2 151	599	1 552
Economic assumption changes	5	**(128)**	**(136)**	**8**	(5)	(8)	3
Tax changes	6	**291**	**289**	**2**	47	47	—
Investment variances		**210**	**123**	**87**	1 015	972	43
Exchange rate movements		**(22)**	**(22)**	**—**	119	119	—
Change in minority shareholders' interest		**(85)**	**(85)**	**—**	(76)	(76)	—
EEV changes		**272**	**272**	**—**	—	—	—
Growth from covered business	7	**3 111**	**1 551**	**1 560**	3 251	1 653	1 598
Investment return on adjusted net worth		**1 589**	**—**	**1 589**	2 973	—	2 973
Embedded value earnings from covered business		**4 700**	**1 551**	**3 149**	6 224	1 653	4 571
Acquired value of in-force		**—**	**9**	**(9)**	—	36	(36)
Transfers to other Group operations		**(205)**	**(101)**	**(104)**	—	—	—
Net transfers from covered business		**(3 466)**	**—**	**(3 466)**	(5 701)	—	(5 701)
Embedded value of covered business at the end of the year		**28 432**	**13 722**	**14 710**	27 403	12 263	15 140
Analysis of earnings from covered business							
Sanlam Personal Finance		**4 016**	**1 924**	**2 092**	4 469	1 539	2 930
Sanlam Developing Markets		**351**	**72**	**279**	559	143	416
Sanlam Employee Benefits		**333**	**(445)**	**778**	1 196	(29)	1 225
Embedded value earnings		**4 700**	**1 551**	**3 149**	6 224	1 653	4 571

[1] *Value of new business in the above table is calculated on the closing assumptions before EEV changes.*

Sanlam Limited Group
Value of New Business

for the year ended 31 December 2007

R million	Note	2007 After EEV changes	2007 Before EEV changes	2006 Published
Value of new business (at point of sale):				
Gross value of new business		**657**	**618**	472
Sanlam Personal Finance		**376**	**343**	276
Sanlam Developing Markets		**233**	**229**	149
Sanlam Employee Benefits		**48**	**46**	47
Cost of capital		**(90)**	**(53)**	(38)
Sanlam Personal Finance		**(44)**	**(21)**	(15)
Sanlam Developing Markets		**(30)**	**(24)**	(15)
Sanlam Employee Benefits		**(16)**	**(8)**	(8)
Value of new business		**567**	**565**	434
Sanlam Personal Finance		**332**	**322**	261
Sanlam Developing Markets		**203**	**205**	134
Sanlam Employee Benefits		**32**	**38**	39
Value of new business attributable to:				
Shareholders' fund	2	**493**	**489**	379
Sanlam Personal Finance		**329**	**318**	259
Sanlam Developing Markets		**132**	**133**	81
Sanlam Employee Benefits		**32**	**38**	39
Minority shareholders' interest		**74**	**76**	55
Sanlam Personal Finance		**3**	**4**	2
Sanlam Developing Markets		**71**	**72**	53
Sanlam Employee Benefits		**—**	**—**	—
Value of new business		**567**	**565**	434
Geographical analysis:				
South Africa		**426**	**420**	346
Africa		**125**	**130**	84
Other international		**16**	**15**	4
Value of new business		**567**	**565**	434
Analysis of new business profitability:				
Before minorities:				
Present value of new business premiums		**23 886**	**23 886**	20 308
Sanlam Personal Finance		**16 312**	**16 312**	13 735
Sanlam Developing Markets		**5 476**	**5 476**	3 107
Sanlam Employee Benefits		**2 098**	**2 098**	3 466
New business margin		**2,37%**	**2,37%**	2,14%
Sanlam Personal Finance		**2,04%**	**1,97%**	1,90%
Sanlam Developing Markets		**3,71%**	**3,74%**	4,31%
Sanlam Employee Benefits		**1,53%**	**1,81%**	1,13%
After minorities:				
Present value of new business premiums		**21 886**	**21 886**	19 426
Sanlam Personal Finance		**16 200**	**16 200**	13 663
Sanlam Developing Markets		**3 588**	**3 588**	2 297
Sanlam Employee Benefits		**2 098**	**2 098**	3 466
New business margin		**2,25%**	**2,23%**	1,95%
Sanlam Personal Finance		**2,03%**	**1,96%**	1,90%
Sanlam Developing Markets		**3,68%**	**3,71%**	3,53%
Sanlam Employee Benefits		**1,53%**	**1,81%**	1,13%

for the year ended 31 December 2007

1. Value of in-force sensitivity analysis

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
Base value	**16 392**	**(2 640)**	**13 722**	
• Increase risk discount rate by 1,0%	15 341	(3 461)	11 880	(13)
• Decrease risk discount rate by 1,0%	17 489	(1 857)	15 632	14
• Investment return (and inflation) decrease by 1,0% coupled with a 1,0% decrease in risk discount rates, and with bonus rates changing commensurately	16 626	(2 577)	14 049	2
• Investment return (and inflation) decrease by 1,0% and with bonus rates changing commensurately	15 781	(3 322)	12 459	(9)
• Non-commission maintenance expenses (excluding investment expenses) increase by 10%	15 867	(2 619)	13 248	(3)
• Discontinuance rates increase by 10%	15 980	(2 547)	13 433	(2)
• Mortality and morbidity increase by 10% for assurances, coupled with a 10% decrease in mortality for annuities	15 405	(2 615)	12 790	(7)
• Equity assets fall by 10%	15 671	(2 536)	13 135	(4)

2. Value of new business sensitivity analysis

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
Base value (after EEV changes)	**579**	**(86)**	**493**	
• Increase risk discount rate by 1,0%	477	(89)	388	(21)
• Decrease risk discount rate by 1,0%	675	(62)	613	24
• Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rates, and with bonus rates changing commensurately	588	(67)	521	6
• Investment return (and inflation) decrease by 1,0% and with bonus rates changing commensurately	499	(84)	415	(16)
• Non-commission maintenance expenses (excluding investment expenses) increase by 10%	523	(75)	448	(9)
• Discontinuance rates increase by 10%	522	(71)	451	(9)
• Mortality and morbidity increase by 10% for assurances, coupled with a 10% decrease in mortality for annuities	440	(75)	365	(26)

for the year ended 31 December 2007 R million	2007	2006
3. Operating experience variances		
Risk experience	**254**	280
Group stabilised business outflows	**(20)**	(108)
Working capital and other	**81**	105
Total operating experience variances	**315**	277
4. Net project expenses		
Net project expenses relate to once-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.		
5. Economic assumption changes		
Investment yields and inflation gap	**(95)**	(51)
Long-term asset mix assumptions	**(33)**	46
Total economic assumption changes	**(128)**	(5)
6. Tax changes		
Change in policyholders' fund tax rate	**141**	117
Reduction in STC rate from 12,5% to 10,0%	**150**	—
STC modelling changes and other	**—**	(70)
Total tax changes	**291**	47
7. Reconciliation of growth from covered business		
The profit from covered business reconciles as follows to the net result from financial services for the year:		
Net result from financial services of covered business per note 15 on page 179	**1 731**	1 465
Differences between profits recognised under IFRS and the embedded value methodology	**(2)**	139
Investment return included in IFRS equity-accounted earnings	**(6)**	8
Foreign exchange differences and other	**4**	131
Less: Net project expenses	**(77)**	—
Less: STC projected on dividends from covered business profits for the year	**(92)**	(6)
Growth from covered business: Value of in-force	**1 551**	1 653
Growth from covered business	**3 111**	3 251

8. Economic assumptions – before EEV changes

%	Sanlam Life 2007	Sanlam Life 2006	Merchant Investors 2007	Merchant Investors 2006	African Life 2007	African Life 2006	Botswana Life Insurance 2007	Botswana Life Insurance 2006
Gross investment return, risk discount rate and inflation								
Fixed-interest securities	**8,3**	7,9	**4,6**	4,6	**8,6**	8,0	**10,5**	11,0
Equities and offshore investments	**10,3**	9,9	**7,8**	7,1	**10,6**	10,0	**12,5**	13,0
Hedged equities	**8,3**	7,9	**7,8**	7,1	**n/a**	n/a	**n/a**	13,0
Property	**9,3**	8,9	**7,8**	7,1	**9,6**	9,0	**11,5**	12,0
Cash	**6,3**	5,9	**4,6**	4,6	**6,6**	6,0	**8,5**	9,0
Return on capital required	**8,7**	7,1	**4,6**	4,6	**8,6**	8,0	**9,2**	11,8
Inflation rate	**5,3**	4,4	**3,7**	3,5	**5,6**	5,0	**7,5**	8,0
Risk discount rate	**10,8**	10,4	**8,3**	8,3	**11,1**	10,5	**14,0**	14,5

%	Sanlam Life 2007	Sanlam Life 2006	Merchant Investors 2007	Merchant Investors 2006	African Life 2007	African Life 2006	Botswana Life Insurance 2007	Botswana Life Insurance 2006
Asset mix for assets supporting statutory capital								
Equities	**—**	—	**—**	—	**50**	50	**70**	75
Hedged equities	**20**	20	**—**	—	**—**	—	**—**	—
Property	**—**	—	**—**	—	**—**	—	**5**	1
Fixed-interest securities	**50**	50	**—**	—	**—**	—	**20**	24
Cash	**30**	30	**100**	100	**50**	50	**5**	—
	100	100	**100**	100	**100**	100	**100**	100

9. Economic assumptions – after EEV changes

%	Sanlam Life 2007	Merchant Investors 2007	African Life 2007	Botswana Life Insurance 2007
Gross investment return, risk discount rate and inflation				
Fixed-interest securities	8,3	4,6	8,6	10,5
Equities and offshore investments	11,8	7,8	12,1	14,0
Hedged equities	8,8	7,8	n/a	n/a
Property	9,3	7,8	9,6	11,5
Cash	7,3	4,6	6,6	8,5
Return on required capital	9,7	4,6	9,4	9,5
Inflation rate	5,3	3,7	5,6	7,5
Risk discount rate	10,8	8,3	11,1	14,0

%	Sanlam Life 2007	Merchant Investors 2007	African Life 2007	Botswana Life Insurance 2007
Asset mix for assets supporting required capital				
Equities	44	—	50	69
Hedged equities	13	—	—	—
Property	3	—	—	1
Fixed-interest securities	25	—	—	30
Cash	15	100	50	—
	100	100	100	100

Capital management

The effective management of Sanlam's capital base is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is the Group Equity Value, as reported on page 154. The Group Equity Value is the aggregate of the following components:

1. The embedded value of *covered business*, which comprises the long-term required capital supporting these operations and their net value of in-force business (refer to embedded value of covered business on page 188);
2. The fair value of other Group operations, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
3. Discretionary and other capital.

The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on Group Equity Value. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of long-term required capital to the *covered business*:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. A stochastic modelling process is used to determine long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over each of the next 10 year-ends.

The fair value of *other Group operations* includes the working capital allocated to the respective operations. The Group's approach to ensure appropriate working capital levels is twofold:

1. The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
2. Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Long-term required capital – *covered business*

The Group's *covered business* requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

1. Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities, but also for participating business where asset/liability matching and investment strategy have a direct impact on capital requirements.
2. Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business per business.
3. The asset mix of the long-term required capital also impacts on the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. The expected investment return on these instruments are however lower than equity with a potential negative impact on the return on Group Equity Value. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used to determine the optimal asset mix that will ensure the highest return on capital.

4. The introduction of long-term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
5. Certain of the Group's investments in other Group operations qualify, to a varying degree, to be utilised as regulatory capital for the *covered business*. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life companies' regulatory capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements (for example the Solvency II initiative in the European Union).

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business's return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on Group Equity Value.

Group Capital committee

The Group Capital committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed, will be returned to shareholders in the most effective form. Refer to the financial review on page 118 for additional information on the current level of discretionary capital and the utilisation thereof.

Risk management

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited board (Sanlam board) and Sanlam Life Insurance Limited board (Sanlam Life board) are combined to improve the flow of information and to increase the efficiency of the boards. The agenda of the Sanlam board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development, corporate governance and JSE requirements. The Sanlam Life board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practice. Refer to the Corporate Governance Report on page 34 for further information on the responsibilities of the Sanlam and Sanlam Life boards and their committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life board.

Sanlam Life board
Responsible for the Group's risk management strategy and policies, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Sanlam Life Audit, Actuarial and Risk committee
Assists the Sanlam Life board in fulfilling its responsibilities

Sanlam Group Executive committee
Responsible as the Sanlam board's executive overseer, to ensure that the businesses achieve optimal risk-adjusted returns

Group Risk Management
Develops Group risk management policies, guidelines and framework for approval by the Sanlam Life board, co-ordinates reporting responsibilities and improves risk management across the Group

Business Level Risk Management
Identifies and manages risks faced by the business

Business Level Management committees
Additional committees that may be established by a business to assist their Executive committees in certain areas of risk management

Business Level Audit and Risk committees/forums
Assist the business level board in fulfilling its responsibilities to the Sanlam Life board

A number of other risk-monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table.

Other risk monitoring mechanisms		
Capital committee Reviews and oversees the management of the Group's capital base	**Asset and Liability committee** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Central Credit committee** Identifies, measures and controls credit risk exposure
Compliance Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof	**Group Risk forum** Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam board	**Non-listed Asset committee** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited and Sanlam Life boards
Financial Director Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques	**Group Governance/Secretariat and Public Officers** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Investment committees** Determine and monitor appropriate investment strategies for policyholder solutions	**Group IT Risk Management** Manages and reports Group-wide IT risks
Risk Officer (per business) Assists business management in their implementation of the Group risk management process, and to monitor the business's entire risk profile	**Internal Audit** Assists the Sanlam Life board and management by monitoring the adequacy and effectiveness of risk management in businesses	

Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the board and its committees. Some of the main policies are:

1. The Sanlam Group Strategic Risk Management (SRM) Policy;
2. Group Risk Escalation Policy;
3. Group Business Continuity Policy;
4. Group Information and Information Technology (I & IT) Risk Management Policy; and
5. Sanlam Investment Cluster Credit Risk Policy and Strategy.

These policies were developed by Group Risk Management and have to be implemented by all Group businesses. The maturity of the implementation does however vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Group Risk Forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the SRM Policy.

The aim of the Group Escalation Policy is to ensure that key risks and risk events in any business in the Group are reported to the appropriate governance level. The Group Business Continuity Policy ensures that effective vertical and horizontal recovery abilities, consistent with business priorities, exist across the Group, to deal with disasters and related contingencies. The Group I & IT Risk Management Policy and the Sanlam Investment Cluster Credit Risk Policy and Strategy are discussed on pages 202 and 204 respectively. The Sanlam Group Strategic Risk Management Policy is briefly summarised below:

Sanlam Group Strategic Risk Management Policy

Definition

SRM is a high-level overarching approach to ensure that:

1. All risks which could jeopardise or enhance achievement of the Group's strategic goals are identified;
2. Appropriate structures, policies, procedures and practices are in place to manage these risks;
3. Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices;
4. The organisation's risks are indeed being managed in accordance with the foregoing; and
5. The impact of strategic decisions on the risk-adjusted return on Group Equity Value is considered by way of appropriate modelling techniques prior to such decisions being implemented.

Objective

The primary objective of SRM is to optimise the Group's risk-adjusted return on Group Equity Value.

Philosophy

SRM is achieved by:

1. Applying a decentralised philosophy, in that the individual businesses are responsible for the identification of risks in their business and to apply appropriate risk management. Only significant risks are escalated to the Sanlam group level, in accordance with the Sanlam Group Risk Escalation Policy (mentioned above). This policy guides the businesses to assess the impact of the risk (on a scale of insignificant to catastrophic), type of risk (on a scale of unlikely to already occurred/highly probable), and accordingly to determine the role players to whom the risk should be reported (from the Risk Officer of the business to the Chairman of the Sanlam Limited Audit and Risk committee).
2. Implementing maximum loss limits, by using measures such as "value at risk", long-term solvency requirements, capital adequacy requirements and sensitivities on return on embedded value/value of new business; and
3. Clearly defining and documenting the business's risk appetite, being the degree of uncertainty that a business is willing to accept in pursuit of its goals, and describing it both qualitatively and quantitatively.

Risk is inherent in doing business, and includes all of the uncertain consequences of business activities that could prevent Sanlam from achieving its strategic goals. Sanlam's SRM process is aimed at managing three elements of risk:

1. *Opportunity:* managing risk on the upside as an "offensive" function; focusing on actions taken by management to increase the probability of success and decrease the probability of failure.
2. *Hazard:* managing risk on the downside as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses; and
3. *Uncertainty:* managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range.

Process

Each business has a documented process that links into the business's normal management process and includes:

- Strategic organisational and risk management context:
  - Strategic context (defining the business's strengths, weaknesses, opportunities and threats relative to its environment),
  - Organisational context (understanding the business's goals, strategies, capabilities and values),
  - Risk management context (setting of scope and boundaries).
- Developing risk evaluation criteria, defining a logical framework for risk identification, establishing a risk identification process, analysing the risks identified, evaluating the risks against established risk criteria, deciding on the appropriate action and communication, with the aim of continuous management and improvement.

Credit rating

Fitch Ratings, an international ratings agency, issues independent ratings of the following Sanlam group entities and instruments:

- Sanlam Limited;
- Sanlam Life Insurance Limited;
- Subordinated debt issued by Sanlam Life Insurance Limited;
- Santam Limited;
- Subordinated debt issued by Santam Limited;
- Sanlam Capital Markets; and
- Genbel Securities.

The most recent ratings were issued on 11 April 2007 and are as follows:

- *Sanlam Limited:*

  National Long-term: AA- (zaf)
- *Sanlam Life Insurance Limited:*

  National Insurer Financial Strength: AA+ (zaf)

  National Long-term: AA (zaf)

  National Short-term: F1+ (zaf)

  Subordinated debt: AA- (zaf)
- *Santam Limited:*

  National Insurer Financial Strength: AA+ (zaf)

  Subordinated debt: AA- (zaf)

The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates.

Risk types

The Group is exposed to the following main risks:

	Risk type	Description	Potential significant impact
General risks	**Operational**	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws and regulations, as well as investment management mandates.	
		Fraud risk: the risk of financial crime and unlawful conduct occurring within the Group.	
	Taxation	Taxation risk is the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	All Group businesses
	Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	All Group businesses
	Legislation	Legislation risk is the risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss.	All Group businesses
	Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

	Risk type	Description	Potential significant impact
Financial and business-specific risks	**Market**	Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes:	Life insurance Retail credit Capital markets Short-term insurance
		Equity risk: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.	
		Interest rate risk: the risk that the value of an unmatched financial instrument will fluctuate as a result of changes in interest rates and the risk that mismatch losses will be incurred in respect of a matched asset/liability position following changes in interest rates.	
		Currency risk: the risk that the rand value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.	
		Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment.	Life insurance
	Credit	Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk includes:	Life insurance Retail credit Capital markets Short-term insurance
		Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	
	Liquidity	Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance Retail credit Capital markets Short-term insurance Corporate
	Insurance	Insurance risk includes:	Life insurance Short-term insurance
		Underwriting risk: the risk that the actual experience relating to mortality, disability, medical and short-term insurance risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience.	
		Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.	
		Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.	
	Capital adequacy	Capital adequacy risk is the risk that there are insufficient assets to provide for variations in actual future experience, worse than that which has been assumed in the valuation bases.	Life insurance Short-term insurance

Risk management: General risks

1. Operational risk

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this report, but elsewhere in the Corporate Governance and Abridged Sustainability Reports.

The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The chief audit executive of Sanlam is appointed in consultation with the chairman of the Audit and Risk committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young Inc. The reports of the independent auditors for the year under review are contained on page 235 of this annual report.

The external auditors provide an independent assessment of certain systems of internal financial control and express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy. A compulsory rotation of audit partners has also been implemented.

External consultants

The Group appoints external consultants to perform a regular review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk

The "Group Information and Technology (I&IT) Risk Management Policy" is authorised by the Group Risk Forum and the Group IT Governance committee and ratified by the Group Executive committee. It stipulates the role of the Information and IT Risk manager that each business is responsible for appointing. Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.

Reliance on and the continuous availability of IT systems and processes are inherent to the nature of the Group's operations. An important objective of the Group Information and Technology Risk Management Policy is accordingly to ensure that the Group's IT resources and platforms are maintained and developed in line with changes in the Group's businesses environment and requirements, and that proper back-up processes and disaster recovery measures are in place.

Going concern/business continuity risk

The board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business in the foreseeable future and that Sanlam will remain a going concern in the year ahead. The board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk

Laws and regulations

Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates

Rules for clients' investment instructions are loaded on an order management system, which produces post-trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken, depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Head of Investment Operations on a monthly basis.

Fraud risk

The Sanlam group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the board of Sanlam Limited.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Limited Audit and Risk committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

2. Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

3. Reputational risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The audit committees and boards of directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

4. Legislation risk

Legislation risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a pro-active approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

5. Strategic risk

The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual special strategic session of the Sanlam board as well as at the scheduled board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam group Executive committee, who ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam group Executive committee, which includes the chief executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Risk management: By business area

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The asset management operations are exposed to market risk due to the impact of market fluctuations on revenue levels, which are a function of the value of assets under management. This exposure is reduced through asset class and product diversification.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance businesses to financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments and properties, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk. The management of these risks is described below.

1. Market risk

1.1 Market risk – policyholder solutions

Equity risk

Linked and market-related business

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk.

The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability Committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees relating to all insurance business is sufficient to cover the expected additional benefits within a confidence level of at least 86% (2006: 80%). This is well in excess of the minimum required best estimate provision at a confidence level of 50%.

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2007, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Equity risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is however exposed to some equity risk as an underperformance in equity markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios, while the Sanlam Personal Finance Investment committee also considers these portfolios as part of its overall brief. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, inter alia, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Life board and the Policyholders' Interest committee.

Interest rate risk

Linked and market-related business

The life businesses are exposed to interest rate risk to the extent that guaranteed minimum benefits at death or maturity are provided. Refer to Equity Risk on page 204 for the management of market risk in respect of these policies.

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

The life businesses are exposed to interest rate risk to the extent that changes in interest rates result in negative stabilisation reserves that cannot be eliminated through the smoothed-bonus management action philosophy. In these circumstances the life insurance businesses will have to provide support to the policyholders' portfolios.

Non-participating annuity business

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk.

Liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is continuously tested, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk if the assets backing these liabilities do not provide a comparable yield to the guaranteed value.

Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed-bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Property risk

The majority of the investment properties are held in respect of market-related and non-participating policyholder business as well as smoothed-bonus business. Refer to Equity Risk above for a description on how the risks associated with these types of business are managed.

1.2 Market risk – capital

Comprehensive measures and limits are in place to control the exposure of the life insurance businesses' capital to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

Equity and interest rate risk

The capital is invested in equities and interest-bearing instruments that are valued at fair value and are therefore susceptible to market fluctuations. Investments subject to equity and interest rate risk are analysed in the analysis of the shareholders' fund on page 158.

Currency risk

The exposure of the capital to currency risk is for the purpose of seeking international diversification of investments. Exposure to different foreign currencies is benchmarked against the currency composition of the Morgan Stanley Developed Equity Markets Index and the Lehman Global Aggregate Bond Index. This exposure is analysed in the table below:

R million	Euro	United States Dollar	British Pound	Botswana Pula	Other currencies	Total
31 December 2007						
Equities and similar securities	**318**	**688**	**338**	**759**	**571**	**2 674**
Public sector stocks and loans	**170**	**636**	**92**	**52**	**363**	**1 313**
Debentures, insurance policies, preference shares and other loans	**—**	**—**	**—**	**215**	**4**	**219**
Cash, deposits and similar securities	**4**	**245**	**673**	**653**	**56**	**1 631**
Net working capital assets	**44**	**61**	**(22)**	**52**	**22**	**157**
Capital portfolio	**536**	**1 630**	**1 081**	**1 731**	**1 016**	**5 994**
Exchange rates (Rand):						
Closing rate	**9,99**	**6,83**	**13,61**	**1,13**		
Average rate	**9,65**	**7,04**	**14,10**	**1,17**		
31 December 2006						
Equities and similar securities	279	532	487	728	564	2 590
Public sector stocks and loans	154	640	91	60	322	1 267
Debentures, insurance policies, preference shares and other loans	—	—	—	65	—	65
Cash, deposits and similar securities	5	464	465	242	53	1 229
Net working capital assets	(3)	(94)	(134)	91	23	(117)
Capital portfolio	435	1 542	909	1 186	962	5 034
Exchange rates (Rand):						
Closing rate	9,30	7,05	13,81	1,21		
Average rate	8,43	6,73	12,35	1,19		

Property risk

The capital portfolio has limited exposure to investment properties and accordingly the related property risk. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

1.3 Market risk – sensitivities

Sensitivities that illustrate the effect of changes in investment return assumptions on the value of in-force (VIF) business are disclosed in note 1 on page 191. The change in VIF relative to the base value is an indication of how the present value of future after-tax profits (including the allowance for the cost of capital at risk) is impacted based on these assumptions.

If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R327 million (2006: increase of R277 million).

The impact on current year profit of the above scenarios is limited, due to the Group's policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

2. Credit risk – policyholder solutions and capital

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss due to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Investment Cluster Credit Risk Policy and Strategy has been established for this purpose. Credit risk occurs due to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM) or Sanlam Investments (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. The Central Credit department reports to the Central Credit committee via the Sub-credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM) also performs investment activities in the Group. BIFM's own credit risk management processes are currently being integrated with the credit risk management of SIM and SCM as the complete integration of the acquired African Life businesses into the Group continues to mature.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following formal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group, and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. External ratings (e.g. Moody's Investor Services, Standard and Poors, Fitch Ratings and Global Credit Ratings) are used when available. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information are analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are accordingly not material for the 2007 and 2006 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities will only be impacted by a material deterioration in the solvency position of the Group.

Credit risk concentration by credit rating

	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Other %	Not rated* %	Total %	Carrying value R million
31 December 2007												
Assets backing policy liabilities												
Public sector stocks and loans	**72,7**	**—**	**0,8**	**—**	**—**	**0,1**	**0,1**	**1,9**	**0,6**	**23,8**	**100,0**	**41 638**
Debentures, insurance policies, preference shares and other loans	**17,6**	**16,7**	**9,6**	**11,2**	**7,9**	**6,1**	**1,1**	**4,3**	**2,0**	**23,5**	**100,0**	**26 575**
Cash, deposits and similar securities	**12,9**	**30,6**	**1,7**	**16,8**	**3,7**	**2,6**	**0,7**	**—**	**5,6**	**25,4**	**100,0**	**30 019**
Net working capital assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**100,0**	**100,0**	**1 938**
Total	**38,8**	**13,6**	**3,4**	**8,0**	**3,2**	**2,4**	**0,5**	**1,9**	**2,4**	**25,8**	**100,0**	**100 170**
Capital portfolio												
Public sector stocks and loans	**92,1**	**—**	**2,8**	**—**	**—**	**—**	**—**	**1,9**	**—**	**3,2**	**100,0**	**1 611**
Debentures, insurance policies, preference shares and other loans	**12,6**	**9,2**	**1,9**	**21,4**	**9,2**	**5,1**	**0,9**	**1,9**	**0,1**	**37,7**	**100,0**	**5 930**
Cash, deposits and similar securities	**19,3**	**19,2**	**4,1**	**15,2**	**11,8**	**2,6**	**0,6**	**—**	**3,0**	**24,2**	**100,0**	**6 155**
Net working capital assets	**130,2**	**5,6**	**—**	**7,7**	**0,4**	**—**	**—**	**—**	**(3,1)**	**(40,8)**	**100,0**	**2 451**
Total	**40,9**	**11,6**	**2,5**	**14,8**	**8,0**	**2,9**	**0,6**	**0,9**	**0,7**	**17,1**	**100,0**	**16 147**
31 December 2006												
Assets backing policy liabilities												
Public sector stocks and loans	74,0	—	1,0	—	0,1	0,1	0,1	—	0,1	24,6	100,0	45 326
Debentures, insurance policies, preference shares and other loans	16,3	15,8	3,9	10,3	9,7	7,2	1,2	4,7	6,1	24,8	100,0	24 994
Cash, deposits and similar securities	16,1	26,7	1,3	9,8	6,2	3,3	0,8	—	9,2	26,6	100,0	23 748
Net working capital assets	—	—	—	—	—	—	—	—	—	100,0	100,0	1 681
Total	43,3	10,7	1,8	5,1	4,1	2,7	0,6	1,2	4,0	26,5	100,0	95 749
Capital portfolio												
Public sector stocks and loans	87,7	—	—	—	—	—	—	—	—	12,3	100,0	1 933
Debentures, insurance policies, preference shares and other loans	8,6	5,5	4,5	17,8	9,0	11,1	1,2	0,1	2,9	39,3	100,0	4 710
Cash, deposits and similar securities	20,8	11,6	19,5	6,0	6,2	1,7	0,6	—	4,8	28,8	100,0	6 621
Net working capital assets	111,5	4,8	—	5,9	0,5	—	—	—	—	(22,7)	100,0	2 428
Total	39,4	7,3	9,6	8,8	5,4	4,1	0,6	—	2,9	21,9	100,0	15 692

**Not rated externally or by using internationally recognised credit rating techniques.*

Equity derivatives are included in equities and similar securities and interest-rate swaps are included in debentures, insurance policies, preference shares and other loans above. The majority of the counterparties to these agreements are institutions with at least an AA- rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has a long-term exposure to the entities.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the balance sheet, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility (nor revocable only in adverse circumstances).

The credit quality of each class of financial asset that is neither past due nor impaired has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired had the terms not been renegotiated.

Reinsurance risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. Liquidity risk

3.1 Liquidity risk – policyholder solutions

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

Non-participating annuities

As discussed above, the liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The average duration of non-participating annuity policy liabilities and the supporting assets held by the Group's life insurance operations are reflected in the table below, indicating that the Group's non-participating annuity books are well matched, which also limits the interest rate risk exposure discussed on page 205.

	2007		2006	
Years	Assets	Policy liabilities	Assets	Policy liabilities
Sanlam Life	**8,6**	**8,9**	8,1	9,4
African Life	**6,0**	**7,0**	6,1	7,0
Weighted average	**8,4**	**8,8**	8,0	9,3

Guarantee plans

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

Other policyholder business

Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

The following table summarises the overall maturity profile of the policyholder business:

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2007					
Insurance contracts	**4 381**	**17 787**	**57 875**	**48 355**	**128 398**
Investment contracts	**3 878**	**13 728**	**42 338**	**56 318**	**116 262**
Total policy liabilities	**8 259**	**31 515**	**100 213**	**104 673**	**244 660**
Properties	**3**	**11**	**32**	**13 975**	**14 021**
Equities and similar securities	**88**	**307**	**898**	**131 032**	**132 325**
Public sector stocks and loans	**7 594**	**6 903**	**25 485**	**1 656**	**41 638**
Debentures, insurance policies, preference shares and other loans	**7 396**	**10 468**	**7 963**	**297**	**26 124**
Cash, deposits and similar securities	**24 631**	**2 988**	**564**	**1 039**	**29 222**
Deferred acquisition cost	**—**	**—**	**—**	**540**	**540**
Long-term reinsurance assets	**3**	**47**	**354**	**75**	**479**
Net working capital	**1 125**	**—**	**—**	**(814)**	**311**
Total policyholder assets	**40 840**	**20 724**	**35 296**	**147 800**	**244 660**
31 December 2006					
Insurance contracts	4 138	15 925	57 135	48 319	125 517
Investment contracts	6 779	17 277	36 906	51 385	112 347
Total policy liabilities	10 917	33 202	94 041	99 704	237 864
Properties	1	6	17	13 038	13 062
Equities and similar securities	49	291	777	129 078	130 195
Public sector stocks and loans	7 858	9 728	26 064	1 735	45 385
Debentures, insurance policies, preference shares and other loans	4 129	9 912	5 754	4 725	24 520
Cash, deposits and similar securities	20 462	1 587	528	1 151	23 728
Deferred acquisition cost	—	—	—	423	423
Long-term reinsurance assets	4	40	298	74	416
Net working capital	1 089	—	2	(956)	135
Total policyholder assets	33 592	21 564	33 440	149 268	237 864

3.2 Liquidity risk – capital

The life insurance businesses' capital is not subject to excessive levels of liquidity risk. The term finance liabilities that are managed by the life businesses, relate only to the publicly issued unsecured subordinated bonds, which are matched by appropriate assets with similar maturity profiles. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of term finance liabilities in respect of the publicly issued unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Total
31 December 2007				
Term finance liabilities	**—**	**—**	**(1 977)**	**(1 977)**
Assets held in respect of term finance	**316**	**733**	**928**	**1 977**
Public sector stocks and loans	**—**	**—**	**83**	**83**
Debentures, insurance policies, preference shares and other loans	**171**	**288**	**745**	**1 204**
Cash, deposits and similar securities	**179**	**445**	**100**	**724**
Working capital assets and liabilities	**(34)**	**—**	**—**	**(34)**
Net term finance liquidity position	**316**	**733**	**(1 049)**	**—**
31 December 2006				
Term finance liabilities	—	—	(2 071)	(2 071)
Assets held in respect of term finance	896	457	718	2 071
Public sector stocks and loans	—	10	—	10
Debentures, insurance policies, preference shares and other loans	213	287	658	1 158
Cash, deposits and similar securities	720	160	60	940
Working capital assets and liabilities	(37)	—	—	(37)
Net term finance liquidity position	896	457	(1 353)	—

4. Insurance risk

Insurance risk arises from the writing of non-participating annuity and other non-participating life business, as these products expose the long-term required capital to risk if actual experience differs from that which is assumed. The Group is however also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Underwriting risk

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

Policies and practices: underwriting strategy

1. All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
2. Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
3. Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
4. Appropriate income replacement levels apply to disability insurance;
5. The experience of reinsurers is used where necessary for the rating of substandard risks;
6. The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first 5 to 15 years;
7. Risk profits are determined on a regular basis; and
8. Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example rerating of premiums, is taken where necessary.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual expenses versus budgeted expenses is conducted and reported on.

Claims risk

The risk that Sanlam may pay fraudulent claims (claims risk) is mitigated by employing highly trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

The table below summarises the effect on the valuation of non-participating annuity and other non-participating life business for possible changes in mortality and morbidity, lapse, expense and investment return assumptions.

R million	Base value	Investment returns -1%	Expenses +10%	Expense inflation +1%	Lapse and surrender rates +10%	Mortality and morbidity rates +10%/ -10%*
		Assumption changes				
2007						
Non-participating annuities						
Individual business	**19 450**	**21 139**	**19 518**	**19 532**	**19 476**	**19 822**
Employee benefits business	**3 293**	**3 769**	**3 295**	**3 295**	**3 293**	**3 422**
Non-participating annuities policy liability	**22 743**	**24 908**	**22 813**	**22 827**	**22 769**	**23 244**
Other non-participating life business						
Individual business	**20 148**	**20 703**	**20 228**	**20 225**	**19 728**	**20 907**
Employee benefits business	**1 701**	**1 803**	**1 703**	**1 702**	**1 702**	**1 713**
Other non-participating life business policy liability	**21 849**	**22 506**	**21 931**	**21 927**	**21 430**	**22 620**
2006						
Non-participating annuities						
Individual business	20 017	20 095	20 024	20 026	20 018	20 054
Employee benefits business	3 726	4 196	3 727	3 727	3 726	3 838
Non-participating annuities policy liability	23 743	24 291	23 751	23 753	23 744	23 892
Other non-participating life business						
Individual business	20 927	21 189	20 985	20 980	20 796	21 444
Employee benefits business	1 813	1 907	1 813	1 813	1 813	1 813
Other non-participating life business policy liability	22 740	23 096	22 798	22 793	22 609	23 257

**An assumption of +10% was used for insurance business and -10% for annuity business.*

The above sensitivities are after taking into account the rerating of premiums but before the impact of reinsurance. The impact of reinsurance is not material for the disclosed sensitivities.

Concentration risk

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients. Concentration risk has the most significant potential impact in respect of non-participating life and non-participating annuity business, where a relatively large exposure to high-value benefits will result in high-concentration risk.

The tables below provide an analysis of the Group's exposure to the value of benefits insured in respect of other non-participating life business as well as the annuity payable per policy in respect of non-participating annuities.

Value of benefits insured: other non-participating life business

Benefits insured per individual life	Number of lives		Before reinsurance		After reinsurance	
R'000	2007	2006	2007 %	2006 %	2007 %	2006 %
0 – 500	**12 572 702**	10 864 646	**44**	44	**47**	46
500 – 1 000	**149 239**	190 186	**19**	21	**19**	21
1 000 – 5 000	**96 207**	113 609	**30**	29	**29**	29
5 000 – 8 000	**3 154**	2 590	**3**	3	**3**	3
>8 000	**1 657**	1 275	**4**	3	**2**	1
	12 822 959	11 172 306	**100**	100	**100**	100

Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
R'000	2007	2006	2007 %	2006 %	2007 %	2006 %
0 – 20	**218 278**	216 408	**48**	49	**48**	49
20 – 40	**17 212**	18 062	**19**	18	**19**	18
40 – 60	**5 478**	6 554	**10**	10	**10**	10
60 – 80	**2 426**	3 158	**6**	6	**6**	6
80 – 100	**1 204**	1 719	**4**	4	**4**	4
>100	**1 845**	2 467	**13**	13	**13**	13
	246 443	248 368	**100**	100	**100**	100

The tables indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

R million	2007	2006
South Africa	**203 540**	198 638
Africa	**17 383**	16 043
Other international	**23 737**	23 183
Total policy liabilities	**244 660**	237 864

5. Capital adequacy risk

Refer to the capital management section on page 195 for details on the management of the Group's capital base.

The excess of the actuarial values of assets over liabilities for the main life insurance holding companies is disclosed in the table below. The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life group, including subsidiaries such as Sanlam Life Namibia, African Life, Channel Life and Botswana Insurance Holdings Limited. Merchant Investors is the only life insurance company in the Group that is not a subsidiary of Sanlam Life, and its solvency position is therefore shown separately. All subsidiaries of Sanlam Life were adequately capitalised, with CAR covered by the excess of assets over liabilities for prudential regulatory purposes of at least 1,1 times (2006: 1,2 times).

	Sanlam Life Company		Merchant Investors	
R million	2007	2006	2007	2006
Assets				
Fair value of assets	**248 645**	235 654	**25 393**	24 862
Less: Liabilities	**210 712**	201 457	**24 998**	24 541
Actuarial value of policy liabilities	**197 253**	189 865	**23 737**	23 183
Investment contracts	**81 492**	76 181	**19 659**	19 142
Insurance contracts	**115 761**	113 684	**4 078**	4 041
Long-term and current liabilities	**13 459**	11 592	**1 261**	1 358
Excess of assets over liabilities for financial reporting	**37 933**	34 197	**395**	321
Adjustment for prudential regulatory purposes	**(13 719)**	(10 806)	**—**	(12)
Adjustment for Group undertakings				
Sanlam Investment Management	**(3 607)**	(3 171)	**—**	—
Santam	**(3 934)**	(3 197)	**—**	—
African Life	**(1 543)**	(1 715)	**—**	—
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(843)**	(720)	**—**	—
Inadmissible asset	**(393)**	(92)	**—**	—
Other	**(3 399)**	(1 911)	**—**	(12)
Unsecured subordinated bond	**2 050**	2 144	**—**	—
Excess of assets over liabilities for prudential regulatory purposes	**26 264**	25 535	**395**	309
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**11 125**	8 775	**94**	95
Management actions assumed	**(3 600)**	(2 975)	**—**	—
Reduction in future bonus rates	**(2 635)**	(2 393)	**—**	—
Reduction in grossing up of the assets covering CAR	**(976)**	(592)	**—**	—
Independence credits	**11**	10	**—**	—
CAR after management actions assumed	**7 525**	5 800	**94**	95
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes	**3,5**	4,4	**4,2**	3,2

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and Sanlam Home Loans (SHL). The Group is exposed to financial risk from these operations through the following:

- SPL and SHL are joint venture investments of the capital portfolio that has been equity-accounted based on Sanlam's percentage interest in its net asset value.
- The Group has also provided financing to SPL and SHL.

In these businesses, financing for the loans granted is initially provided by Sanlam for Sanlam Personal Loans, and Sanlam and/or Absa for Sanlam Home Loans. Tranches of loans are subsequently transferred to securitisation vehicles where external parties also provide the required financing. The different financiers are as follows:

SPL:

- Non-securitised loans: financed mainly by Sanlam; and
- Unlisted securitisation vehicle: financed by external investors (and shareholders in respect of the capital commitment).

SHL:

- Non-securitised loans: financed by the Sanlam group and by Absa; and
- Securitisation vehicle: financed by external investors through a listing of the vehicle on the Bond Exchange of South Africa (BESA).

The balance of loans advanced relating to each of the above categories at 31 December 2007 is shown below:

R million	2007 Non-securitised loans	2007 Securitisation vehicle	2007 Total	2006 Non-securitised loans	2006 Securitisation vehicle	2006 Total
Sanlam Personal Loans						
Gross balance	**493**	**1 126**	**1 619**	389	1 125	1 514
Provisions	**(62)**	**(26)**	**(88)**	(52)	(4)	(56)
Net balance	**431**	**1 100**	**1 531**	337	1 121	1 458
Sanlam Home Loans						
Gross balance	**1 759**	**3 752**	**5 511**	1 123	2 948	4 071
Provisions	**(19)**	**(12)**	**(31)**	(13)	(8)	(21)
Net balance	**1 740**	**3 740**	**5 480**	1 110	2 940	4 050

Sanlam Personal Loans

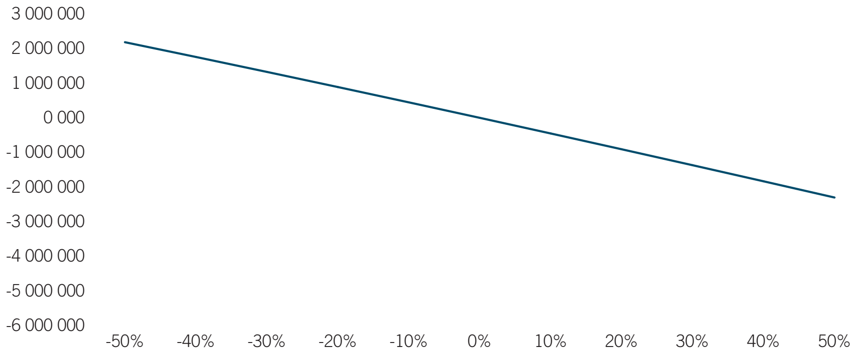
1. Market risk

Interest rate risk

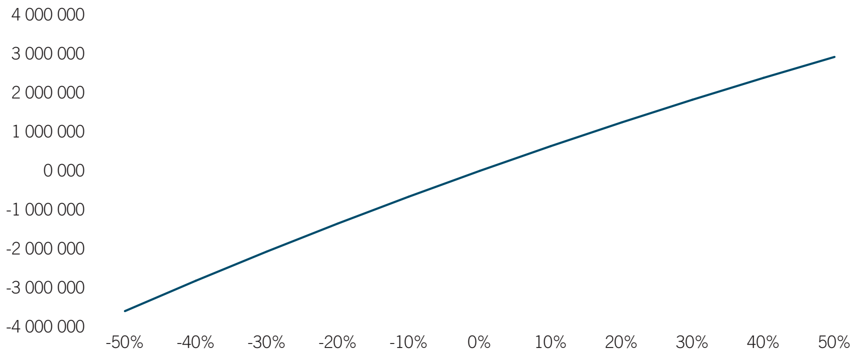
The primary market risk to which SPL is exposed is interest rate risk. Various interest rate swaps with five-year terms and three-month cash flow exchange dates are used to hedge the interest rate exposure. The effect of an upwards movement in market interest rates of 1 basis point on SPL's interest rate exposure at 31 December 2007 would result in a negative net exposure of R2 957 (2006: positive R8 746).

Various interest rate stress tests are calculated on SPL's book of business to monitor interest rate risk, based on possible interest rate movements and changes in volatility. The relative parallel interest rate stress test is based on movements in interest rates of between -50% and +50% of the reference interest rate. The stress tests at

31 December 2007 reveal that a -50% movement in market interest rates will result in a profit of approximately R2 million (2006: loss of R3,5 million), and a +50% movement will result in a loss of approximately R2,3 million (2006: profit of R3 million).



Relative interest rate stress (2007)



Relative interest rate stress (2006)

2. Credit risk

The Group's maximum exposure to credit risk in respect of SPL comprise the following:

- As SPL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of this investment, which is disclosed in note 7 on page 264.
- The Group's life insurance operations have also provided financing to SPL. This exposure is included in the credit risk assessed in the life insurance business's risk management review.

Credit risk consists of credit standing and default risk. Advances are only granted to recognised, creditworthy parties. It is the company's policy to subject its potential customers to credit verification procedures. In addition, balances of advances are monitored on an ongoing basis.

Pre-defined trigger events have been implemented for the securitisation vehicle loans to identify instances when credit risk is higher than an acceptable level. These loans are rated by Fitch, and the trigger level covenants must be adhered to as an indication of protection for external investors.

In SPL, these trigger events include:

- *Trigger 1:*

  If the average three-month percentage rate of arrears exceeds 1,5% of the total outstanding loans;

- *Trigger 2:*

  If non-performing loans exceed 3,5% of total outstanding loans; and

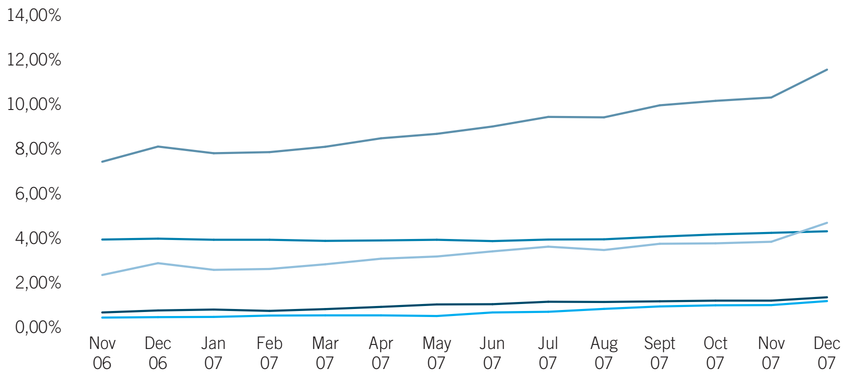
- *Trigger 3:*

  If the percentage for trigger 2 exceeds 5%.

To date, no significant trigger events have occurred. If any of these trigger events were to occur, the consequences could include reputational damage, stop issue events or the shareholders could be required to inject additional cash to provide a top-up level of equity.

A Collections Strategy is in place to mitigate credit risk and all accounts in arrear are given due priority. Accounts that cannot be rehabilitated are handed over for legal action. Actual experience of bad debts is compared to impairments and provisions budgeted so that any deviation from expectations is identified and understood and credit underwriting criteria can be updated if considered necessary. The impact on the business by external factors, such as the National Credit Act (NCA), are continuously assessed and reported.

The graph below shows the outstanding balance of arrear accounts as a percentage of the total book. Arrear accounts are all accounts which have one or more payments in arrears. The percentage of arrear accounts has increased during 2007, but remains within acceptable limits.



Capital (excluding closed accounts)

- 1-month arrears
- 2-month arrears
- 3-month arrears
- Legal book
- Total arrears

Concentration risk

Concentration risk is mitigated by ensuring that business is conducted with a variety of client types, with different occupations, and household income, across all regions in South Africa.

The graph below shows that there is a fairly even distribution across borrowers' income categories. The lowest income category of R3 000 to R4 999 makes up the smallest segment of the portfolio at 5,1%. The biggest segment of the portfolio (21,2%) comprises individuals earning in excess of R17 000.

Gross income concentration by value outstanding

R3 000 – R4 999	5,1%
R5 000 – R6 999	10,8%
R7 000 – R8 999	17,6%
R9 000 – R10 999	18,1%
R11 000 – R12 999	13,1%
R13 000 – R14 999	7,1%
R15 000 – R16 999	7,0%
R17 000 +	21,2%

3. Liquidity risk

The company is exposed to liquidity risk in the event that repayments from customers are not sufficient to meet the repayment schedules agreed with the providers of finance. The liquidity risk is managed by a loan facility provided by Sanlam Life Insurance Limited as well as commitments from providers of liquidity facilities, currently Sanlam Life Insurance Limited and Rand Merchant Bank Limited. The commercial paper that is refinanced every one to three months is 74% of the total funding, and is rated F1+ by a reputable rating agency.

Sanlam Home Loans

1. Market risk

The primary market risk to which SHL is exposed is interest rate risk. An interest rate swap is used to mitigate interest rate risk in the securitisation vehicle. Interest rate risk does however remain with regard to the non-securitised loans, as SHL pays a JIBAR-based rate, but receive a prime-based rate on the loans granted. Given that the gap between the prime and JIBAR interest rates remains generally at the same level, it is not considered necessary to hedge the risk for non-securitised loans.

2. Credit risk

The Group's maximum exposure to credit risk in respect of SHL comprises the following:

- As SHL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of this investment, which is disclosed in note 7 on page 264.
- The Group's life insurance operations have also provided financing to SHL. This exposure is included in the credit risk assessed in the life insurance business's risk management review.

As in SPL, pre-defined trigger events have been implemented for the securitisation vehicle loans to identify instances when credit risk is higher than an acceptable level. These loans are rated by Fitch, and the trigger level covenants must be adhered to as an indication of protection for external investors.

In SHL, these trigger events include:

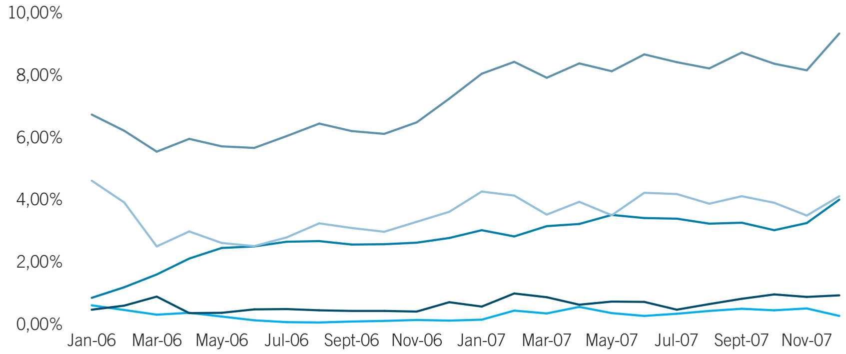
- Early amortisation events (e.g. if on any date the weighted average original loan to value (LTV) ratio exceeds the required weighted average original LTV ratio by more than 10%);
- Servicer event of defaults (e.g. failure to receive payment on due date, which is not rectified within two business days of both parties being informed thereof);
- Arrears reserve trigger event (e.g. if on any date the aggregate principal amount of loans in arrears for more than three months exceeds 0,75% of aggregate total principal balances); and
- Portfolio covenants breached.

To date, no significant trigger events have occurred. If any of these trigger events were to occur, the consequences could include reputational damage, stop issue events or the shareholders could be required to inject additional cash to provide a top-up level of equity.

A Collections Strategy is in place to mitigate credit risk. In addition, an intensive care unit (ICU) has been established to validate the collection efforts performed, assess the propensity of rehabilitation and actively engage in these efforts. The accounts that the ICU is unable to rehabilitate are handed over for legal action. A log of reasons for all bad debts is maintained and analysed to ensure that, as far as possible, similar instances do not repeat. Actual experience of bad debts is compared to impairments and provisions budgeted for, so that any deviation from expectations is identified and understood, and that the financial statements reflect best estimates.

The impact on the business by external factors, such as the National Credit Act (NCA), inflation and inflation expectations, wage negotiations, consumer activity, the current account deficit and private sector credit extension, are all continuously assessed and reported.

The graph below shows the outstanding balance of arrear accounts as a percentage of the total book. Arrear accounts are all accounts which have one or more payments in arrears.

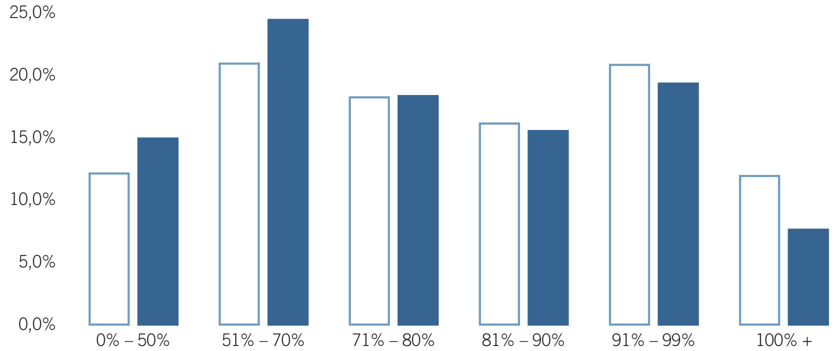


Amount of arrears balances as % of total outstanding balances

- 1-month arrears
- 2-month arrears
- 3-month arrears
- Legal book
- Total arrears

Concentration risk

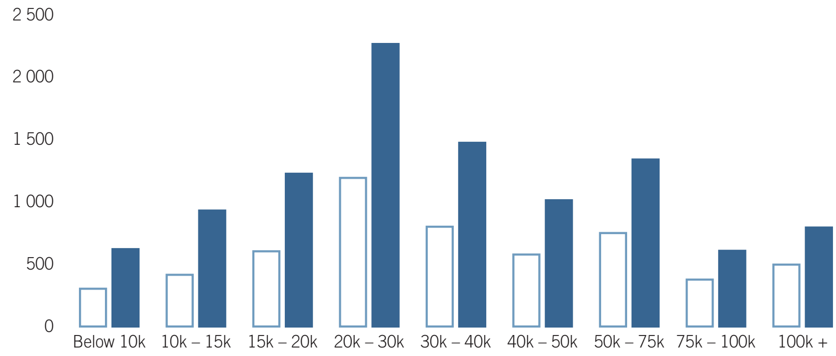
The following graph shows the proportion of the SHL portfolio that relates to different loan-to-value (LTV) ratio buckets. The values are based on the last credit decision (e.g. when the client last requested an increase), or where no increase has been requested, at inception.



Analysis of loan-to-value (LTV) ratios as % of total portfolio

- December 2006
- December 2007

The following graph shows the household income distribution for SHL clients. A fairly evenly spread distribution exists, thereby mitigating concentration risk.



Household income distribution *(millions)*

3. Liquidity risk

The company is exposed to liquidity risk in the event that repayments from customers are not sufficient to meet the repayment schedules agreed with the providers of finance. The Group manages its liquidity risk through commitments from providers of its liquidity and redraw facilities, currently Sanlam Life Insurance Limited and Absa Bank Limited, and the collection of amounts due from customers.

Capital markets

Within SCM, the Asset Liability and Risk Management committee (ALaRMCO) is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters. Risk measurements are calculated through the application of various statistical techniques, including value at risk (VaR), and are measured against pre-approved exposure limits. These risk measurements are supplemented with stress testing and scenario analysis. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established when creating the related models. Sanlam believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such models are tools and inputs in the decision-making process, but do not substitute for the experience or judgement of senior management.

Business-wide risk levels are reported to senior management, while desk risk levels are reported to the relevant trading managers and traders. Limit breaches are escalated for approval in terms of an Approval Framework. The risk information is summarised, reported to, and discussed by the ALaRMCO at weekly meetings.

The mandates for existing businesses are reviewed and submitted for ALaRMCO approval and Risk committee notification on at least an annual basis or more frequently if it was changed through the course of a financial year.

An initial mandate development process is undertaken for each new business ventured into by SCM. Based on the business mandates, quantifiable risks are measured and reported on a daily basis. Any new type of business or product is subjected to a comprehensive review process before initiation to ensure that all of the risks associated with new businesses or products have been identified and can be appropriately managed.

SCM is also exposed to credit risk in respect of its working capital assets. Collateral is received for transactions conducted by SCM, including (but not limited to) securities lending transactions.

1. Market risk

SCM uses VaR to calculate market risk capital. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with SCM's risk appetite);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of 3 (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SCM as a whole and takes the diversification among portfolios into account.

Equity risk

Equity price and volatility stress tests are performed on the SCM portfolios. The scenarios used in the stress tests incorporate a combination of equity price movements of between -50% and +50%, as well as time-weighted volatility movements of between -40% and +40%. The maximum loss that was calculated at 31 December 2007 and 2006 was as follows:

Incremental change in:		Maximum loss (R million)	
Volatility	Price	31 December 2007	31 December 2006
-5% to 5%	-5% to 5%	**11,7**	16,0
-10% to 10%	-10% to 10%	**18,2**	18,5
-20% to 20%	-15% to 15%	**26,4**	23,6
-40% to 40%	-50% to 50%	**35,0**	34,2

Interest rate risk

Various interest rate stress tests are performed on the SCM portfolios. The relative parallel interest rate stress test calculates the market exposure based on interest rate movements of between -50% and +50%, *ceteris paribus*. The interest rate volatility stress test calculates the market exposure based on movements in the absolute implied interest rate volatility of -4% and +4%, *ceteris paribus*. The market exposure that was calculated at 31 December 2007 and 2006 for these tests, and for overall market exposure, was as follows:

	Position	
Overall market exposure (R'000)	31 December 2007	31 December 2006
Interest rate exposure	**100 412**	57 980
Interest rates (1 bp sensitivity)	**79**	126
Interest rate volatility	**25**	—
Stress limits		
Interest rate stress	**(70 022)**	(7 122)
Interest rate volatility stress	**—**	—

The results show that at 31 December 2007, the effective size of SCM's portfolio that is exposed to interest rate changes is R100,4 million (2006: R58 million). If interest rates were to change upward by 1 basis point, this would result in a profit impact of R0,1 million (2006: R0,1 million). The interest rate stress test shows that a R70 million profit/loss (2006: R7 million profit/loss) would occur if interest rates changed on a relative basis by up to 40% or -40% (e.g. from 10% to 6% or 14%).

2. Credit risk

For credit risk capital, SCM utilises the concept of unexpected losses. Based on historical default data, one can compute expected losses on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses, although this is not the approach taken from an accounting perspective. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SCM could incur over the particular time horizon with a certain level of confidence. In SCM's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence is used to compute the credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital, although market risk capital is computed over a 10-day liquidation period with a comfort factor of 3.

At the end of the financial year, SCM's maximum unexpected loss (credit risk capital) was R153 million (2006: R115 million) based on a 21-day average of the daily economic capital amounts calculated using a 99,5% confidence level.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on both the assets and funding are calculated in these stress tests. The stress test results are determined as follows:

- The credit ratings for credit assets and funding are deteriorated by 1, 2 and 3 rating notches;
- The impact of these deteriorations on credit spreads are determined with reference to a pre-defined credit spread matrix used in the marked-to-market of both credit assets and funding;
- The changed credit spreads are used to revalue credit assets and funding; and
- The resultant net changes in the valuations of credit assets and funding are seen as the test results.

The table below shows the possible effect of a 1, 2 and 3 notch deterioration in credit rating. The total impact on the valuation of the assets is slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market. The total effect of a 1 notch deterioration is therefore -R36,0 million (2006: -R21,9 million).

R million	31 December 2007 Assets	31 December 2007 Funding	31 December 2007 Total	31 December 2006 Assets	31 December 2006 Funding	31 December 2006 Total
Current value	**8 750,9**	**(8 353,1)**	**397,8**	4 887,2	(7 989,8)	(3 102,6)
Stress results 1 (1 notch)	**(189,7)**	**153,7**	**(36,0)**	(53,0)	31,1	(21,9)
Stress results 2 (2 notch)	**(361,8)**	**298,1**	**(63,7)**	(98,7)	55,5	(43,2)
Stress results 3 (3 notch)	**(519,9)**	**434,5**	**(85,4)**	(133,5)	71,1	(62,4)

Maximum exposure to credit risk

SCM's maximum exposure to credit risk is equivalent to the amounts recognised in the balance sheet, as there are no financial guarantees provided to parties outside the Group that are expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility (nor revocable only in adverse circumstances); other than the following:

SCM issued a guarantee to the amount of R22,5 million. The guarantee was issued in relation to a property transaction and forms part of the overall credit limit approved for this transaction. The term of the guarantee is one month after the 2nd anniversary of the transfer date of the property.

Details of the collateral held/other credit enhancements to mitigate the maximum exposure to credit risk are as follows:

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral are implemented in line with the formulated Credit Exposure Quantification policy. Credit risk exposures are mitigated through several measures including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis; the use of netting agreements; or guarantees issued by third parties.

The credit quality of each class of financial asset, that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty, compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 60% (2006: 64%) of total credit risk capital, but only 31% (2006: 22%) of the total exposure. SCM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R5,2 billion significantly exceeds the amount utilised of R615 million (2006: R741 million), indicating widely available unutilised funding sources. The net utilised funding is also well within the total available facilities of R4,2 billion. In order to keep commitment fees within the Sanlam group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought. Committed facilities granted by SCM was R1,1 billion. A significant portion of trading account assets and liabilities is due within one year.

Short-term insurance

Risk management framework

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

Regulatory impact on risk and risk assessments

The Group's short-term insurance operations are subject to regulatory requirements that prescribe the type, quality and concentrations of investments, and the level of assets to be maintained in local currency to meet insurance liabilities. These requirements help to maintain market risk at an acceptable level.

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

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates. Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held. At a Group level, it also arises in relation to the overall portfolio of international businesses and in the value of investment assets owned directly by the shareholders' fund.

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

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity and debt securities portfolios.

The 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. Holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by management and statutory requirements.

At 31 December 2007, Santam's listed equities were recorded at their fair value of R4 435 million (2006: R5 180 million). A hypothetical 10% decline in each individual share price would decrease profit before taxation by R444 million (2006: R518 million).

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

The Investment committee actively monitors equity assets owned directly by Santam, which include some material shareholdings in the strategic business partners. Concentrations of specific equity holdings, e.g. strategic holdings, are also monitored.

Interest rate risk

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

Interest rate risk is also managed using a variety of derivative instruments, including futures, options and swaps, to provide a degree of hedging against unfavourable market movements in interest rates inherent in the assets backing technical liabilities. At 31 December 2007, Santam had entered into a number of interest rate swap agreements to mitigate the effects of potential adverse interest rate movements on underlying financial assets to enable close matching of assets and liabilities.

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

Foreign currency risk

Santam's exposure to currency risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the Santam board for seeking desirable international diversification of investments to expand its income stream. The company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily to British Pound and Euro. In addition, the southern African operations have foreign exchange exposure in respect of net monetary assets denominated in foreign currency.

Santam does not take cover on foreign currency transactions and balances, as the exposure is considered minimal.

The following assets and liabilities denominated in foreign currencies are included in the balance sheet (including non-current assets classified as held for sale):

R million	Euro	United States Dollar	British Pound	Total
31 December 2007				
Equities and similar securities	**—**	**—**	**246**	**246**
Debentures, insurance policies, public sector stocks and other loans	**—**	**—**	**601**	**601**
Cash, deposits and similar securities	**1**	**287**	**860**	**1 148**
Net other liabilities	**—**	**—**	**(1 248)**	**(1 248)**
Net working capital	**—**	**3**	**8**	**11**
Foreign currency exposure	**1**	**290**	**467**	**758**
31 December 2006				
Equities and similar securities	—	—	302	302
Debentures, insurance policies, public sector stocks and other loans	—	—	515	515
Cash, deposits and similar securities	356	73	676	1 105
Net other liabilities	(125)	—	(716)	(841)
Net working capital	—	(2)	(32)	(34)
Foreign currency exposure	231	71	745	1 047

The foreign exchange policy requires that each of Santam's subsidiaries maintain sufficient assets in their local currencies to meet local currency liabilities. Therefore, capital held by the international business units should be able to support local business activities regardless of foreign currency movements.

Derivatives risk

Derivatives are primarily used for efficient investment management, risk-hedging purposes or to structure specific products. The Group does not use derivative financial instruments for speculative purposes, but instead to manage financial risks and to preserve its capital base. Predetermined mandates control the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with our Group policies, effectively reducing the risk of credit loss. Santam 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.

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where Santam is exposed to credit risk are:

- Investments and cash equivalents;
- Amounts due from insurance policyholders;
- Amounts due from insurance contract intermediaries; and
- Reinsurers' share of insurance liabilities.

Santam determines counterparty credit quality by reference to ratings from independent ratings agencies such as Standard & Poor's or, where such ratings are not available, by internal analysis. Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments.

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

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

	Credit rating									
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Carrying value in balance sheet
31 December 2007										
Debt securities – listed	**705**	**406**	**293**	**416**	**50**	**144**	**9**	**8**	**142**	**2 173**
Debt securities – unlisted	**—**	**—**	**34**	**77**	**247**	**—**	**—**	**302**	**68**	**728**
Receivables due from contract holders/intermediaries	**8**	**10**	**88**	**18**	**—**	**—**	**—**	**6**	**1 228**	**1 358**
Reinsurance receivables	**1**	**11**	**44**	**79**	**3**	**82**	**1**	**8**	**8**	**237**
Other loans and receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**352**	**352**
Cash and other short-term interest-bearing instruments	**1 230**	**215**	**1 517**	**260**	**49**	**73**	**39**	**1**	**61**	**3 445**
Non-current assets held for sale	**799**	**—**	**539**	**—**	**—**	**76**	**—**	**—**	**110**	**1 524**
31 December 2006										
Debt securities – listed	801	192	92	92	83	15	2	16	46	1 339
Debt securities – unlisted	35	—	36	—	405	—	—	276	15	767
Receivables due from contract holders/intermediaries	9	10	24	—	14	—	—	4	860	921
Reinsurance receivables	5	3	24	73	21	23	3	16	14	182
Other loans and receivables	—	—	—	—	—	—	—	—	291	291
Cash and other short-term interest-bearing instruments	1 293	530	2 106	364	227	80	15	338	189	5 142

The carrying amount of assets included in the balance sheet represents the maximum credit exposure.

For receivables that are due from contract holders and intermediaries that are not rated the Group is also protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries.

The financial instruments do not represent a concentration of credit risk, as Santam deals with a variety of major banks and its accounts receivable are spread among a number of major companies and intermediary parties, customers and geographical areas.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that has acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The Group's largest reinsurance counterparty is Munich Re. This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the Group will arise.

In the event of a catastrophe, the counterparty exposure to a single reinsurer is estimated not to exceed 1% of Santam's shareholders' equity.

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

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

Insurance risk

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

Terms and conditions of insurance contracts

Engineering – Provides cover for risks relating to:

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

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

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

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

Accident and health – 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 in the Group arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

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

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

Pricing

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

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

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

Loss history	2007	2006	2005	2004	2003	2002	2001
Claims paid and provided %*	**68,2**	68,6	65,3	57,0	64,8	70,7	70,7

**Expressed as a percentage of net earned premiums.*

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

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted, to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. The concentration of insurance risk is limited to the occurrence of natural disasters in densely populated areas. A specialised catastrophe reinsurance programme mitigates the risk arising from this.

The Group underwrites insurance contracts in southern Africa as well as Europe and the United Kingdom, now classified as discontinued operations.

Reserving

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

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

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

For claims that have not been reported to Santam by the valuation date, the chain-ladder methodology as well as a Bornhuetter-Ferguson techniques are used to determine the expected cost of these unreported claims.

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

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

Reinsurance

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

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

- Individual excess-of-loss cover for property, liability and engineering risks, which provides protection to limit losses to R50 million per loss in any one year; and
- Catastrophe cover to the extent of 2,9% of the total exposure of the significant geographical areas, amounting to protection of up to R4 billion.

The Santam 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.

Liquidity risk

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

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

The Group actively manages its cash resources, split between short term and long term to ensure sufficient cash is at hand to settle insurance liabilities, based on monthly float projections. The Group has sufficient cash resources to cover its obligations.

Corporate

The Corporate cluster is responsible for areas of financial risk management that are not allocated to individual businesses. Currently, the only major area relates to managing liquidity risk for term finance liabilities in respect of margin business.

1. Liquidity risk

Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources to cover any mismatch position.

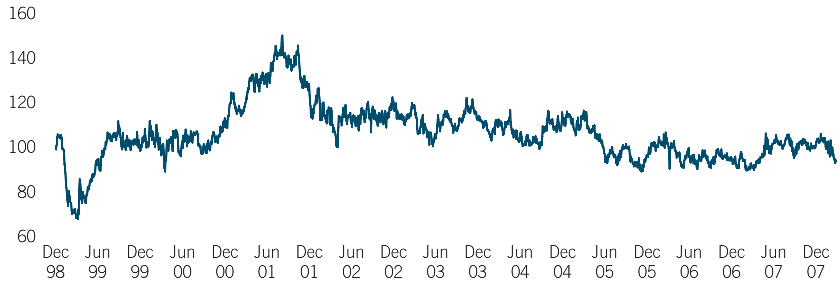
The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2007					
Term finance liabilities	**836**	**1 798**	**300**	**—**	**2 934**
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	**811**	**1 576**	**300**		**2 687**
Add: Preference shares issued to subsidiaries and eliminated on consolidation	**25**	**222**	**—**		**247**
Assets held in respect of term finance	**684**	**728**	**1 010**	**512**	**2 934**
Equities and similar securities	**—**	**—**	**—**	**512**	**512**
Public sector stocks and loans	**1**	**—**	**—**	**—**	**1**
Debentures, insurance policies, preference shares and other loans	**336**	**476**	**1 010**	**—**	**1 822**
Cash, deposits and similar securities	**362**	**251**	**—**	**—**	**613**
Working capital assets and liabilities	**(15)**	**1**	**—**	**—**	**(14)**
Net term finance liquidity position	**(152)**	**(1 070)**	**710**	**512**	**—**
31 December 2006					
Term finance liabilities	816	1 961	330	—	3 107
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	713	1 736	330		2 779
Add: Preference shares issued to subsidiaries and eliminated on consolidation	103	225	—		328
Assets held in respect of term finance	709	773	1 020	605	3 107
Equities and similar securities	—	—	—	555	555
Public sector stocks and loans	—	2	—	—	2
Debentures, insurance policies, preference shares and other loans	337	510	1 017	50	1 914
Cash, deposits and similar securities	384	252	—	—	636
Working capital assets and liabilities	(12)	9	3	—	—
Net term finance liquidity position	(107)	(1 188)	690	605	—

Stock exchange performance

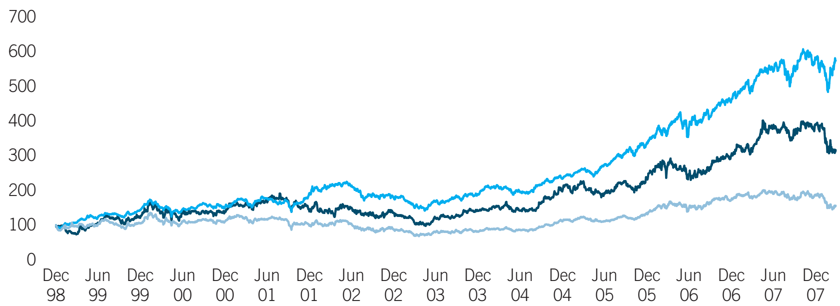
	2007	2006	2005	2004	2003	2002	2001	2000	1999
Number of shares traded (million)	**1 474**	1 523	2 142	1 716	1 709	1 531	1 118	1 030	1 463
Value of shares traded (R million)	**32 300**	24 444	26 762	16 661	12 550	12 807	10 780	8 578	9 451
Percentage of issued shares traded (%)	**64**	66	89	62	64	58	42	39	55
Price/earnings ratio (times)[2]	**10,3**	6,0	6,6	11,3	9,9	9,4	9,3	10,6	11,7
Return on Sanlam share price since listing (%)[3]	**19**	17	16	16	11	9	17	27	41
Market price per share (cents)									
■ Year-end closing price	**2 275**	1 830	1 519	1 300	880	760	919	956	860
■ Highest closing price	**2 412**	1 860	1 540	1 300	880	1 000	1 145	1 000	890
■ Lowest closing price	**1 803**	1 380	1 080	830	585	700	830	675	440
Net asset value per share (cents)[2]	**1 826**	1 640	1 293	1 093	883	798	927	831	810
Embedded value per share (cents)[2]	**2 350**	2 047	1 615	1 344	1 131	1 021	1 167	1 067	1 004
Market capitalisation at year-end (R million)	**52 407**	42 156	36 587	35 979	23 360	20 175	24 192	25 381	22 833

[1] *Sanlam Limited was listed on 30 November 1998.*
[2] *2004 figures restated for IFRS implementation in 2005. Prior year figures are reported on the previous SA GAAP basis.*
[3] *Annualised growth in the Sanlam share price since listing plus dividends paid.*



Sanlam share price relative to FINI *(indexed)*

— Sanlam share price relative to FINI (indexed)



Sanlam vs ALSI vs Life Assurance Index

— SLM — ALSI — LA

for the year ended 31 December 2007

Contents

Directors' responsibility for financial reporting

The board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and company annual financial statements of Sanlam Limited in accordance with International Financial Reporting Standards. 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 annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of Sanlam Limited and the Group subsidiaries. The Audit and Risk committee has satisfied itself that the external auditors were independent of the company during the period under review.

The Audit and Risk committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam group annual financial statements. The board is satisfied that the annual financial statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' Information. The responsibility for the preparation and presentation of the Shareholders' Information has been delegated to management.

The responsibility of the appointed external auditors, Ernst & Young Inc., is to express an independent opinion on the preparation of the Shareholders' Information.

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

The annual financial statements on pages 237 to 304, including the disclosure in the Capital and Risk Management Report on pages 195 to 231, and the Shareholders' Information on pages 146 to 194 were approved by the board and signed on its behalf by:

Roy Andersen
Chairman

Johan van Zyl
Group Chief Executive

5 March 2008

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2007, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Johan Bester
Company Secretary

5 March 2008

Report of the independent auditors

To the members of Sanlam Limited

We have audited the annual financial statements and the Group annual financial statements of Sanlam Limited, which comprise the Directors' Report, the Balance Sheet at 31 December 2007, the Income Statement, the Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 237 to 304.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 whether the 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 auditors' 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 the directors, 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 financial statements present fairly, in all material respects, the financial position of the company and Group as of 31 December 2007, and of the financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst + Young Inc

Ernst & Young Inc.
Registered Auditor

Cape Town

5 March 2008

Assurance report of the independent auditors on the Sanlam Limited Shareholders' Information

To the directors of Sanlam Limited

We have carried out an assurance engagement on the Sanlam Limited Shareholders' Information set out on pages 147 to 194 for the year ended 31 December 2007, which comprises the Report on Group Equity Value, Report on Shareholders' Fund Financial Statements and Report on Embedded Value of Covered Business and related notes, which has been prepared in accordance with the basis of preparation and presentation set out on pages 147 to 153. This report should be read in conjunction with the audited annual financial statements and basis of presentation and accounting policies set out on pages 238 to 255.

Respective responsibilities of directors and independent auditors

The directors are responsible for the annual financial statements, as described on page 234, as well as the Report on Sanlam Limited Shareholders' Information. Our responsibilities in relation to the annual financial statements are set out on page 235.

Our responsibilities, as independent auditors, in relation to the Report on Sanlam Limited Shareholders' Information are to express a conclusion to the board of directors as to whether the Sanlam Limited Shareholders' Information has been properly prepared, in all material respects, in accordance with the basis of preparation and presentation set out on pages 147 to 153.

Scope of engagement

We conducted our assurance engagement in accordance with the International Standards on Assurance Engagements: ISAE 3000. This standard requires that we plan and perform the engagement to obtain reasonable assurance that the Report on Sanlam Limited Shareholders' Information is free of material misstatement.

Our engagement included:

- An examination, on a test basis, of evidence supporting the amounts and disclosures in the Sanlam Limited Shareholders' Information;
- An assessment of the significant assumptions, estimates and judgements made by management in the preparation of the Sanlam Limited Shareholders' Information and of whether the policies are reasonable to the Group's circumstances and adequately disclosed; and
- An evaluation of the overall adequacy of the presentation of information in the Sanlam Limited Shareholders' Information.

We believe our engagement provided a reasonable basis for our conclusion.

Assurance conclusion

In our opinion the Sanlam Limited Shareholders' Information for the year ended 31 December 2007 has been properly prepared, in all material respects, in accordance with the basis of preparation and presentation as set out on pages 147 to 153.

Ernst + Young Inc

Ernst & Young Inc.

Registered Auditor

Cape Town

5 March 2008

Directors' report

for the year ended 31 December 2007

Nature of business

The Sanlam group is one of the largest established financial services groups in South Africa. Its core activities are set out elsewhere in the annual report.

Sanlam Limited is a public company incorporated in terms of the Companies Act, No. 61 of 1973, as amended, in South Africa and listed on the JSE Limited and the Namibian Stock Exchange.

Corporate governance

The board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King II Report on Corporate Governance. Disclosures with regard to compliance with the Code are provided in the Corporate Governance Report.

Group results

Profit attributable to shareholders decreased from R6 945 million in 2006 to R5 494 million in 2007, mainly due to relatively lower equity market returns in 2007 and the full-year impact of the implementation of a more conservative asset mix for the Group's capital portfolio during the 2006 financial year. Further details regarding the Group's results are included in the Financial Review and the business reviews. The information in the Financial Review and Corporate Governance Report, requiring disclosure in the Directors' Report in terms of the Companies Act, has been audited.

The holding company's interest in the after-tax profit of the Group subsidiaries, summarised per cluster, is set out in the Shareholder's Fund Income Statement on page 162.

Share capital

There were no changes in the issued share capital of the company during the financial year.

Dividend

The board has declared a cash dividend of 93 cents per share (2006: 77 cents), payable on 7 May 2008, to shareholders registered on 25 April 2008. All payments through electronic bank transfer will take place on this date. Dividend cheques to be issued to shareholders who elected not to receive electronic payment, will be mailed on or about this date.

Subsidiaries

Details of the company's principal subsidiaries are set out on page 304.

Directors' interest in contracts

No material contracts involving directors' interests were entered into in the year under review.

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this report are provided in the Corporate Governance Report elsewhere in the annual report.

Directors and secretary

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships, are set out elsewhere in the annual report.

Post-balance sheet events

No material facts or circumstances have arisen between the date of the balance sheets and this report which materially affects the financial position of the Sanlam Limited group as reflected in these financial statements.

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, as modified by the revaluation of investment properties, investment instruments, derivative assets and liabilities, listed term finance and long-term policy liabilities, in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, No. 61 of 1973, as amended, in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated.

The following new or revised IFRSs and interpretations are applied in the Group's 2007 financial year:

- IFRS 7 *Financial Instruments – Disclosures*
- *Amendment to IAS 1: Presentation of Financial Statements – Capital Disclosures*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- AC503 *Accounting for Black Economic Empowerment (BEE) Transactions*
- IFRS 8 *Operating Segments* (effective 1 January 2009)

The Group early adopted IFRS 8 *Operating Segments* in the 2007 financial year. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the year ended 31 December 2007 and the financial position at 31 December 2007.

The following new or revised IFRSs and interpretations have effective dates applicable to the Group's 2008 financial year (unless otherwise indicated) and has not been early adopted:

- IAS 1 Revised (effective 1 January 2009)
- IFRIC 11 *IFRS 2 Group and Treasury Share Transactions*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 IAS 19 *The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- IFRS 3 Revised Business Combinations (effective 1 July 2009)
- IAS 27 Amended Consolidated and Separate Financial Statements (effective 1 July 2009)

The application of these revised standards and interpretations in future financial reporting periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows, except for IFRS 3 Revised and IAS 27 Amended for which the impact can not be quantified as it will depend on the nature and structure of a specific business combination, combined with the fact that the revised standards will be applied on a prospective basis.

A glossary containing explanations of technical terms used in these financial statements is presented on page 305.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 256 to 304.

Group financial statements

Insurance contracts

The Group elected in the 2005 financial year to disclose only five years of claims experience in its claims development tables, as permitted in the first year in which it adopted IFRS 4 *Insurance Contracts*. The disclosure was extended subsequently, and will be extended for an additional year in each succeeding year until the full disclosure requirements have been satisfied.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group balance sheet and income statement, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- Deferred taxation;
- The valuation of policy liabilities; and
- Potential claims and contingencies.

Although estimates are based on management's best knowledge and judgement of current facts as at the balance sheet date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 31 for further information on critical estimates and judgements.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 256 to 304 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam group is disclosed on pages 146 to 195.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 251 to 255.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and discretionary share-holders' fund investment portfolios, which are disclosed as investments in the Group balance sheet; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Due to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 195 to 231;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance; and
- Note 31: Critical accounting estimates and judgements.

Cash flow statement

The Group cash flow statement includes the activities of both shareholders and policyholders. Cash flows relating to the acquisition or disposal of investments are recognised as cash flow from investing activities.

Segmental information

The Group reports in six distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The six segments are:

- Life insurance, which includes Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Developing Markets;
- Short-term insurance;
- Investment Management;
- Capital Markets;
- Independent Financial Services; and
- Corporate and other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them, as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the shareholders' fund information and notes thereto on pages 146 to 195. Refer to the business reviews on pages 80 to 117 for additional information on these business segments and to the Group structure on page 12 for a description of these businesses and the cluster to which they are allocated.

Accounting policies

Introduction

The Sanlam group has identified the accounting policies that are most significant to its business operations and the understanding of its results. The accounting policies that involve the most complex or subjective decisions or assessments, are those that relate to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results.

These policies (as set out below) are in accordance with and comply with IFRS and have been applied consistently for all periods presented.

Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities (including special-purpose entities) that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are included in the cost of the acquisition. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill (refer below). If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the income statement.

The results of subsidiaries and consolidated funds are included from the effective dates when control is acquired to the effective dates when the Group ceases to have a controlling interest, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of minority shareholders in subsidiaries is stated at the minorities' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to minority shareholders in excess of the minority interest are recognised against the equity attributable to the shareholders of the parent, except to the extent that the minority shareholders are required and capable to contribute additional equity to cover the losses.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the income statement. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as minority shareholders' interest.

The Group offers cell captive facilities to clients. Cells are classified as special-purpose entities and are regarded as being controlled by the cell owner. For this reason these cell captive facilities are not consolidated by the Group. In the case of third party cells, the insurer is still the principal to the insurance transaction, although the business is written on behalf of the cell owner. The insurer, however, in substance reinsures this business to the cell as the cell owner remains responsible for the solvency of the cell.

The cell owner's interest liability represents the cell owner's funds withheld by the insurer, similar to an insurance deposit.

Property and equipment

Property and equipment are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between two and 20 years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each balance sheet date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of property and equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the income statement when incurred. Property and equipment is included in the net asset value of cash generating units for impairment testing purposes. Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the income statement.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each balance sheet date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is included in the net asset value of cash generating units for impairment testing purposes. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in equity as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the income statement.

Goodwill

Goodwill may arise on the acquisition of or change in the shareholding (adjustment) in a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition or adjustment over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition or adjustment. Goodwill is not amortised. For impairment purposes the carrying amount of goodwill is allocated to cash generating units, reviewed bi-annually for impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the income statement and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is held on a Group level and the businesses are combined for purposes of determining the recoverable amount of the goodwill. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill in respect of associates and joint ventures is included in the carrying value of investments in associates and joint ventures.

Value of insurance and investment business acquired

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

Other intangible assets

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the income statement in the period in which they are incurred.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits. The assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each balance sheet date and adjusted as appropriate.

Deferred acquisition costs

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DACs are amortised to the income statement over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

Long-term reinsurance contracts

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the income statement.

Financial instruments

Financial instruments carried on the balance sheet include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and trade creditors.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Collateral placed at counter-parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter-parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counter-party has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial instruments are classified into the following categories:

- Financial assets: At fair value through profit or loss
  Loans and receivables
- Financial liabilities: At fair value through profit or loss
  Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise of held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Working capital receivables that are classified as loans and receivables based on their short-term nature;
- Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;
- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
- Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the income statement as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the income statement as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are reviewed for impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment. Objective evidence of impairment would include when market rates of return have increased during the period to such an extent that the asset's recoverable amount has decreased materially. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows, and is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised. If a financial asset would have been impaired had the terms of the asset not been renegotiated, the asset continues to be accounted for in accordance with its category, and the difference between the carrying amount based on the new terms and the previous carrying amount is recognised in the income statement as investment surpluses.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investments

Investment properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties that generate income are carried at fair value based on valuations by valuators internally employed by the Sanlam group, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuators have appropriate qualifications and extensive experience in property valuations. Fair value is determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out on a monthly basis. Investment property under development is valued at cost less provision for impairment in value, where appropriate. Changes in the fair value of investment properties are recognised in the income statement as investment surpluses.

When investment properties become owner-occupied, the Sanlam group reclassifies it to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised directly in equity as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Associates

An associate is an entity, not being a subsidiary, in which the Sanlam group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to control those policies by virtue of a majority vote.

Investments in associates, other than those held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associates' post-acquisition profit or loss is recognised in the Group income statement as equity-accounted earnings, and the Group's share of associates' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in associates. Net losses are only recognised to the extent of the net investment in an associate, unless the Group has incurred obligations or made payments on behalf of the associate. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in an associate includes goodwill, net of accumulated impairment losses, and is reviewed bi-annually for impairment and written down where this is considered necessary.

Investments in associates held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Investments in associates for which significant influence is intended to be temporary, because the investments have been acquired and held exclusively with a view to their subsequent disposal, are accounted for as non-current assets held for sale.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group income statement as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. The carrying value of the investment in a joint venture is reviewed bi-annually for impairment and written down where this is considered necessary.

Investments in joint ventures held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Public sector stocks and loans;
- Debentures, insurance policies, preference shares and other loans; and
- Cash, deposits and similar securities.

These investments are either classified as at fair value through profit or loss (measured at fair value), or as loans and receivables (measured at amortised cost), as described in the financial instruments accounting policy note. Loans of investment scrip are not treated as sales and purchases.

The following bases are used to determine fair value, for those investments that are classified as at fair value through profit or loss:

- Listed shares and collective investment schemes are valued at the stock exchange and net asset value prices respectively;
- The value of unlisted shares is determined by the directors using appropriate valuation bases;
- Listed bonds are valued at the stock exchange prices;
- Unlisted interest-bearing investments are valued by discounting expected future cash flows at appropriate market interest rates; and
- Listed derivative instruments are valued at the South African Futures Exchange prices and the value of unlisted derivatives is determined by the directors using generally accepted valuation models.

Derivative instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate all factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Gains or losses on derivatives measured using these valuation techniques are recognised in the income statement to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the income statement over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables (refer to policy note below) and the fair values of non-trading derivatives are included in the appropriate investment category. Non-trading transactions are those which are held for economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products. The hedge accounting treatment prescribed by IAS 39 *Financial Instruments: Recognition and Measurement* is not applied. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

Short-term insurance technical provisions and assets

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums

Short-term insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as an unearned premium liability.

Short-term insurance technical assets

The benefits to which the Group is entitled under its short-term reinsurance contracts are recognised as short-term insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the income statement over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

The Group assesses its short-term insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the income statement.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. 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 the measurement of 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.

Trade and other receivables

Trade and other receivables are measured at amortised cost (being settlement value less provision for impairment), apart from trading account assets.

Trading account assets relate to derivative transactions undertaken by Sanlam Capital Markets for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the income statement as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading derivatives in the policy note for derivative instruments and are reported on a gross basis in the balance sheet as positive and negative replacement values to the extent that set-off is not required by IAS 32 *Financial Instruments: Disclosure and Presentation.*

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Insurance contract liabilities are measured according to the bases disclosed in the section on Policy Liabilities and Profit Entitlement;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, 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. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the income statement as a term finance expense.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

Non-distributable reserve

The reserve comprises of the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the income statement.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and investments supporting those liabilities. Certain assets held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities are based on the assets at fair value. This creates a mismatch with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences due to the fact that they represent accounting differences and not economic losses for the shareholders' fund. Valuation differences arise from the following:

- Investments in subsidiaries and consolidated funds, which are valued at net asset value plus goodwill;
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Financial services income

Financial services income includes:

- Income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from short-term insurance business, such as short-term insurance premiums;
- Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
- Income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; and
- Income from other financial services, such as independent financial advice and trust services.

Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

Short-term insurance premiums

Short-term insurance premiums are accounted for when receivable, after a provision for unearned premiums relating to risk periods that extend to the following year. Premiums outstanding for more than 60 days are not included in income. Inward short-term reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees earned

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

Investment return

Investment income

Investment income includes interest, rental and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the balance sheet.

Dividend income is recognised once the last day to trade has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income. Dividend income from subsidiaries is recognised when the dividends are declared by the subsidiary.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer Financial services income policy note for presentation of gains and losses on capital market investments). These surpluses are recognised in the income statement on the date of sale or upon valuation to fair value.

Premium income – long-term policy contracts

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities.

The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due.

Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt.

The unearned portion of accrued premiums is included within long-term policy liabilities.

Policy contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired short-term insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies are recognised concurrently with the recognition of the related policy benefit.

Other policy benefits

Other policy benefits are not recognised in the Group income statement but reflected as a reduction in long-term policy liabilities.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission on life business is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer policy statement for DAC asset).

Acquisition cost for short-term insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the income statement includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or short-term insurance business.

Administration costs

Administration costs include, *inter alia*, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases

Leases of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis 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.

Leases where the Group effectively assumes all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the income statement. Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

Borrowing costs

Borrowing costs are recognised as an expense in the income statement on an accrual basis.

Taxation

Normal income tax

Current income tax is provided in respect of taxable income based on currently enacted tax legislation.

Deferred income tax

Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investments in associates, joint ventures and subsidiaries where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred income tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax balances are reflected at current values and have not been discounted.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of working capital assets and liabilities are recognised in the income statement as financial services income. Exchange differences on non-monetary assets and monetary assets classified as investment assets, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Income statement items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific income statement items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the income statement.

Retirement benefits

Retirement benefits for employees are provided by a number of defined-benefit and defined-contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant group companies, taking into account the recommendations of the retirement fund valuator.

The Group's contributions to the defined-contribution and defined-benefit funds are charged to the income statement in the year in which they are incurred. A valuation in accordance with IAS 19 *Employee Benefits* is performed on the balance sheet date. For the purpose of calculating pensions, medical contributions are deemed to be a part of pensionable salary. Retirement fund contributions are made on the pensionable salary. Therefore, pensioners fund post-retirement medical contributions themselves from their increased pensions. The Group has provided in full for its medical contribution commitments in respect of pensioners and disabled members who are not covered under the current scheme.

Defined-benefit plans

The schemes are valued using the valuation basis for past-service cost. Any deficits advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the schemes. Contributions are expensed during the year in which they are funded. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. The Group recognises the estimated liability using the projected unit credit method. The present value of the overfunded portion of these schemes is recognised as an asset to the extent that there are material benefits available in the form of refunds and reductions in contributions. The amount of actuarial gains and losses recognised in the income statement is equal to the amount that the cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of 10% of the present value of the defined obligation or 10% of the fair value of the plan assets, amortised over the employees' average working lives.

Defined-contribution plans

Group contributions to the pension and provident funds are based on a percentage of the payroll and are charged against income as incurred.

Medical aid benefits

Group contributions to medical aid funds are charged to the income statement in the year in which they are incurred.

Post-retirement medical aid benefits

The present value of the post-retirement medical aid obligation is actuarially determined annually and any deficit or surplus is immediately recognised in the income statement. The Group recognises the estimated liability using the projected unit credit method. The Group has no significant exposure to any other post-retirement benefit obligation.

Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group balance sheet but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group balance sheet and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Staff incentive schemes

The following staff incentive schemes have been implemented in the Group:

Share Option Scheme

No allocations have been made in terms of this scheme since 2005. This scheme is operated through Sanlam Limited Share Incentive Trust, which is consolidated in the Group financial statements. Shares were offered on a combined option and deferred delivery basis, which staff can take up in tranches over a period of up to seven years, provided that they remain in the employment of the Group. The beneficiaries under the scheme are executive directors, management and sales advisors employed on a full-time basis.

The fair value of equity instruments granted is measured on grant date using option-pricing models. The models are consistent with those used for pricing financial instruments and incorporate all factors and assumptions that market participants would consider in determining a willing buyer/seller price. The fair value on grant date is recognised in the income statement 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.

Long-term Incentive Plan

In 2005, the Sanlam share incentive scheme was replaced with a long-term incentive bonus scheme. In terms of the scheme, employees are paid bonuses that accrue over a period of between three and five years. The beneficiaries under the scheme, which include executive directors, management and sales advisors employed on a full-time basis, are not entitled to the benefits under the scheme before the pre-determined dates. The cost associated with the bonuses is recognised in the income statement over the accrual period.

Share Purchase Plan

From 2006 loans are granted to selected key employees for the purpose of acquiring Sanlam shares. The loans are secured, bear interest at market-related rates and are repayable after four years. An annual retention bonus is payable to these employees based on the number of shares held by the employee. The cost in respect of these bonuses is recognised in the income statement over the retention period.

Restricted Share Plan

In 2007, selected key employees were granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting is subject to pre-determined dates and meeting certain performance targets.

The fair value of the equity instruments granted on the date of grant is recognised in the income statement on a straight-line basis over the vesting period.

Deferred Share Plan (DSP)

In 2007, the DSP replaced the long-term incentive plan. In terms of the DSP, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting occurs in three tranches over a period starting three 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 income statement 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.

Dividends

Dividends proposed or declared after the balance sheet date are not recognised at the balance sheet date.

Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied to value the policy liabilities of African Life and the Namibian insurance companies, as well as investment contracts issued by Merchant Investors and the Channel Life group of companies, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Channel Life and its subsidiaries and Merchant Investors is not presented in view of their relatively small contribution to earnings and the relative small size of their insurance contract liabilities.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2007 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

The methodology has been applied for purposes of the Group financial statements and the changes to determine the prudential regulatory results in terms of the requirements of the Long-term Insurance Act of 1998 as amended (LTIA), are presented at the end of this section.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 *Financial Instruments: Recognition and Measurement),* investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 *Insurance Contracts*).

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise of the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in Professional Guidance Note (PGN) 104 issued by the Actuarial Society of South Africa (ASSA), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the LTIA; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2007 exceeds the minimum requirements in terms of the LTIA, PGN 104 and PGN 110.

The application of actuarial guidance, as set out in PGN 104 and PGN 110 issued by ASSA, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.

  For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

  Refer to note 8 on page 193 for investment return assumptions per asset class.
- Unit expenses are based on the 2007 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Unrecouped expenses

The timing of fees recovered from some individual life policies do not correspond to the timing of the expenses incurred in respect of the policies. For certain of these policies an unrecouped expense account is created and included in the valuation of the policy liabilities. The unrecouped expense account is increased with expenses incurred and reduced by an allocation of policy charges. Policy charges are designed to ensure that on average the unrecouped expense account is redeemed over the lifetime of the related policies. Unrecouped expenses are derecognised when the related contracts are settled or disposed of.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio. As all the portfolios had positive bonus stabilisation reserves, the provision for future bonuses for these portfolios exceeded the expected long-term after tax investment returns less expense recoveries.

Reversionary bonus business

The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the ASSA guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business

Investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets less any unrecouped expenses. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fee minus expenses basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of African Life's individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of Group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Other non-participating business forms less than 5% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately 2% on average or by not allowing policies with negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, amongst other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included as follows:

- Within "Other non-participating business" (refer above) in respect of Sanlam Life; and
- Within the related prospective reserves in respect of African Life.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's non-participating individual policies and for those with a small savings element. The provision for Sanlam Life's other individual policies (60% of Sanlam Life's total HIV/Aids provision for individual policies) is built up by increasing the opening provision by the HIV/Aids risk premiums and investment returns on the underlying assets. It is then reduced by claims attributed to HIV/Aids and further limited to a maximum of the prospective calculation without allowance for future increases in HIV/Aids risk premiums. This retrospectively built-up provision is higher than a prospective calculation done according to the relevant guidelines allowing for possible increases in future HIV/Aids risk premiums. This difference can be regarded as a discretionary margin. It is the intention to re-rate premiums as experience develops.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment return guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note PGN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. No deduction is made for unrecouped expenses. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision was made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Prudential regulatory results

The valuation of assets and policy liabilities for prudential regulatory purposes is generally in line with the methodology for the published results. Some adjustments are however required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less unrecouped expenses (set equal to the DAC asset) in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

The DAC asset is eliminated.

Group undertakings and inadmissible assets

The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the LTIA).

Capital adequacy requirements

The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the capital adequacy requirements in terms of the LTIA, PGN 104 and PGN 110. The capital adequacy requirements provide a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date the ordinary capital adequacy requirements were used as they exceeded the termination and minimum capital adequacy requirements, apart from African Life and Channel Life where termination capital adequacy requirements applied.

The largest element of the capital adequacy requirements relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the "resilience scenario"), which is prescribed in the actuarial guidance notes, the calculation of the capital adequacy requirements takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities). The resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the worst result); and
- Assets denominated in foreign currencies decline by at least 20%

on the valuation date and do not subsequently recover within the short term.

Although not explicitly required by the actuarial guidance notes, provision has been made for credit and operational risk in the calculation of the capital adequacy requirements with effect from 2007.

Sanlam Group Balance Sheet

at 31 December 2007

R million	Note	2007	2006
Assets			
Property and equipment	1	**298**	259
Owner-occupied properties	2	**650**	530
Goodwill	3	**2 447**	2 163
Value of business acquired	4	**1 000**	977
Deferred acquisition costs	5	**1 693**	1 397
Long-term reinsurance assets	6	**487**	427
Investments	7	**290 101**	280 627
Properties	7.1	**15 648**	14 602
Investment properties		**14 780**	13 659
Straight-line rental adjustment		**868**	943
Equity-accounted investments	7.2	**1 759**	3 417
Equities and similar securities	7.3	**149 038**	141 456
Public sector stocks and loans	7.4	**49 887**	53 921
Debentures, insurance policies, preference shares and other loans	7.4	**34 091**	31 743
Cash, deposits and similar securities	7.4	**39 678**	35 488
Deferred tax	8	**475**	549
Non-current assets held for sale	38	**2 060**	—
Short-term insurance technical assets	9	**2 263**	2 288
Working capital assets		**38 791**	46 265
Trade and other receivables	10	**27 972**	37 103
Cash, deposits and similar securities		**10 819**	9 162
Total assets		**340 265**	335 482
Equity and liabilities			
Capital and reserves			
Share capital and premium	11	**955**	955
Treasury shares		**(3 959)**	(377)
Other reserves	12	**7 939**	7 953
Retained earnings		**24 399**	20 590
Shareholders' fund		**29 334**	29 121
Minority shareholders' interest	14	**2 220**	3 934
Total equity		**31 554**	33 055
Long-term policy liabilities	15	**244 660**	237 864
Insurance contracts		**128 398**	125 517
Investment contracts		**116 262**	112 347
Term finance	16	**6 594**	5 760
Margin business		**2 687**	2 779
Other interest bearing liabilities		**3 907**	2 981
External investors in consolidated funds		**12 278**	8 010
Cell owners' interest		**336**	329
Deferred tax	8	**1 354**	1 929
Non-current liabilities held for sale	38	**1 606**	—
Short-term insurance technical provisions	9	**7 719**	7 752
Working capital liabilities		**34 164**	40 783
Trade and other payables	17	**30 431**	37 801
Provisions	18	**973**	996
Taxation		**2 760**	1 986
Total equity and liabilities		**340 265**	335 482

Sanlam Group Income Statement

for the year ended 31 December 2007

R million	Note	2007	2006
Net income		**52 504**	69 317
Financial services income	19	**26 715**	23 609
Reinsurance premiums paid	20	**(2 685)**	(2 400)
Reinsurance commission received	21	**373**	383
Investment income	22	**14 740**	11 959
Investment surpluses	22	**15 885**	37 903
Finance cost – margin business	26	**(246)**	(223)
Change in fair value of external investors' liability		**(2 278)**	(1 914)
Net insurance and investment contract benefits and claims		**(33 414)**	(49 655)
Long-term insurance contract benefits	23	**(15 364)**	(24 658)
Long-term investment contract benefits	23	**(11 049)**	(18 614)
Short-term insurance claims		**(8 533)**	(7 616)
Reinsurance claims received	21	**1 532**	1 233
Expenses		**(9 939)**	(8 821)
Sales remuneration		**(3 554)**	(3 236)
Administration costs	24	**(6 385)**	(5 585)
Impairment of investments and goodwill	3	**(7)**	(30)
Amortisation of value of business acquired	4	**(51)**	(45)
Net operating result		**9 093**	10 766
Equity-accounted earnings	25	**228**	423
Finance cost – other	26	**(281)**	(114)
Profit before tax		**9 040**	11 075
Taxation	27	**(2 493)**	(3 049)
Shareholders' fund		**(1 678)**	(1 873)
Policyholders' fund		**(815)**	(1 176)
Profit from continuing operations		**6 547**	8 026
Discontinued operations	38	**(168)**	70
Profit for the year		**6 379**	8 096
Attributable to:			
Shareholders' fund		**5 494**	6 945
Minority shareholders' interest		**885**	1 151
		6 379	8 096
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**256,6**	315,2
Diluted earnings per share	28	**250,9**	309,6
Earnings attributable to shareholders of the company from continuing operations (cents):			
Profit for the year:			
Basic earnings per share	28	**260,8**	313,6
Diluted earnings per share	28	**255,1**	308,0

Sanlam Group Statement of Changes in Equity

for the year ended 31 December 2007

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve
Balance at 1 January 2006	25	931	(639)	9 539
Total recognised income	—	—	—	—
Profit for the year	—	—	—	—
Movement in foreign currency translation reserve	—	—	—	—
Net movement in treasury shares	—	—	262	—
Net realised investment surpluses on treasury shares	—	—	—	—
Cost of net treasury shares sold(2)	—	—	262	—
Share-based payments	—	—	—	—
Transfer to non-distributable reserve	—	—	—	46
Transfer (from)/to consolidation reserve	—	—	—	—
Dividends paid(1)	—	—	—	—
Acquisitions, disposals and other movements in minority interests	—	—	—	—
Shares cancelled	(1)	—	—	—
Balance at 31 December 2006	24	931	(377)	9 585
Total recognised income	—	—	—	—
Profit for the year	—	—	—	—
Movement in foreign currency translation reserve	—	—	—	—
Net movement in treasury shares	—	—	(3 582)	—
Net realised investment surpluses on treasury shares	—	—	—	—
Cost of net treasury shares acquired(2)	—	—	(3 582)	—
Share-based payments	—	—	—	—
Transfer to non-distributable reserve	—	—	—	69
Transfer (from)/to consolidation reserve	—	—	—	—
Dividends paid(1)	—	—	—	—
Acquisitions, disposals and other movements in minority interests	—	—	—	—
Transfer to discontinued operations reserve	—	—	—	—
Balance at 31 December 2007	**24**	**931**	**(3 959)**	**9 654**

(1) *Dividend of 77 cents per share declared during 2007 (2006: 65 cents per share) in respect of the 2006 financial year.*
(2) *Comprises movement in cost of shares held by subsidiaries and the share incentive trust.*

Foreign currency translation reserve	Discontinued operations	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Minority shareholders' interest	Total equity
(91)	—	17 186	26 951	(1 931)	25 020	3 443	28 463
318	—	6 945	7 263	—	7 263	1 257	8 520
—	—	6 945	6 945	—	6 945	1 151	8 096
318	—	—	318	—	318	106	424
—	—	(188)	74	(199)	(125)	—	(125)
—	—	(188)	(188)	—	(188)	—	(188)
—	—	—	262	(199)	63	—	63
—	—	74	74	—	74	9	83
—	—	(46)	—	—	—	—	—
—	—	(271)	(271)	271	—	—	—
—	—	(1 467)	(1 467)	—	(1 467)	(668)	(2 135)
—	—	—	—	—	—	(107)	(107)
—	—	(1 643)	(1 644)	—	(1 644)	—	(1 644)
227	—	20 590	30 980	(1 859)	29 121	3 934	33 055
(99)	—	5 494	5 395	—	5 395	858	6 253
—	—	5 494	5 494	—	5 494	885	6 379
(99)	—	—	(99)	—	(99)	(27)	(126)
—	—	(288)	(3 870)	319	(3 551)	(527)	(4 078)
—	—	(288)	(288)	—	(288)	24	(264)
—	—	—	(3 582)	319	(3 263)	(551)	(3 814)
—	—	74	74	—	74	10	84
—	—	(69)	—	—	—	—	—
—	—	303	303	(303)	—	—	—
—	—	(1 705)	(1 705)	—	(1 705)	(1 474)	(3 179)
—	—	—	—	—	—	(581)	(581)
(40)	40	—	—	—	—	—	—
88	**40**	**24 399**	**31 177**	**(1 843)**	**29 334**	**2 220**	**31 554**

Sanlam Group Cash Flow Statement

for the year ended 31 December 2007

R million	Note	2007	2006
Cash flow from operating activities		**30**	(5 436)
Cash utilised in operations	36.1	**(7 392)**	(11 754)
Interest and preference share dividends received		**8 819**	7 002
Interest paid		**(246)**	(223)
Dividends received		**4 206**	4 158
Dividends paid		**(3 160)**	(2 123)
Taxation paid		**(2 197)**	(2 496)
Cash flow from investment activities		**9 859**	11 704
Net disposal of investments		**10 481**	12 081
Acquisition of subsidiaries	36.2	**(574)**	(480)
Disposal of subsidiaries	36.3	**(48)**	103
Cash flow from financing activities		**(3 227)**	971
Shares cancelled		**—**	(1 644)
Movement in treasury shares		**(4 078)**	(125)
Term finance raised		**1 423**	2 969
Term finance repaid		**(572)**	(229)
Net increase in cash and cash equivalents		**6 662**	7 239
Cash, deposits and similar securities at beginning of the year		**44 647**	37 408
Cash, deposits and similar securities at end of the year	36.4	**51 309**	44 647
Non-current assets classified as held for sale		**(812)**	—
Cash, deposits and similar securities at end of the year – continuing operations		**50 497**	44 647
Cash flows relating to discontinued operations			
Included in the above are the following cash flows from discontinuing operations:			
Operating cash flows		**233**	197
Investing cash flows		**(32)**	96
Financing cash flows		**(197)**	—
Net increase in cash and cash equivalents		**4**	293
Cash, deposits and similar securities at beginning of the year		**808**	515
Cash, deposits and similar securities at end of the year		**812**	808

for the year ended 31 December 2007 R million	2007	2006
1. Property and equipment		
Computer equipment	126	96
Cost	497	396
Accumulated depreciation and impairment	(371)	(300)
Furniture, equipment, vehicles and other	172	163
Cost	437	389
Accumulated depreciation and impairment	(265)	(226)
Total property and equipment	298	259
Reconciliation of carrying amount		
Balance at beginning of the year	259	249
Additions and expenditure capitalised	148	120
Disposals	(8)	(31)
Acquired through business combinations	9	10
Impairment losses recognised in the income statement	—	(1)
Reclassified as non-current assets held for sale	(3)	—
Depreciation	(105)	(90)
Foreign currency translation differences	(2)	2
Balance at end of the year	298	259
2. Owner-occupied properties		
Balance at beginning of the year	530	492
Transfer from investment properties	91	67
Additions and expenditure capitalised	44	2
Disposals	—	(27)
Acquired through business combinations	—	2
Reclassified as non-current assets held for sale	(15)	—
Impairment losses recognised in the income statement	—	(10)
Foreign currency translation differences	—	4
Balance at end of the year	650	530

Register of owner-occupied properties

A register containing details of all owner-occupied properties is available for inspection at the registered office of Sanlam Limited.

for the year ended 31 December 2007

R million	2007	2006
3. Goodwill		
Balance at beginning of the year	**2 163**	2 174
Gross carrying amount	**2 191**	2 244
Accumulated impairment	**(28)**	(70)
Additions during the year	**313**	276
Net consideration paid	**655**	704
Fair value of net assets acquired	**(113)**	(478)
Minority shareholders' interest	**(229)**	50
Acquired through business combinations	**29**	8
Disposals during the year	**(17)**	(300)
Foreign currency translation differences	**5**	5
Transfer to non-current assets held for sale	**(46)**	—
Balance at end of the year	**2 447**	2 163
Gross carrying amount	**2 475**	2 191
Accumulated impairment	**(28)**	(28)
Allocation of goodwill		
Life Insurance	**479**	470
Merchant Investors	**356**	356
African Life	**20**	20
Channel Life	**79**	70
Other	**24**	24
Other Sanlam businesses	**1 968**	1 693
Sanlam Investment Management	**81**	56
International: Investment Management	**60**	11
Glacier	**91**	91
Sanlam Netherlands Holding	**49**	49
Santam	**470**	281
Other	**19**	7
Goodwill held on Group level	**1 198**	1 198
Balance at end of the year	**2 447**	2 163

The additions to goodwill during 2007 arose primarily from the acquisition of Blue Ink and Simeka and the acquisition of additional interests in Santam and Channel Life, and in 2006 from the acquisition of Channel Life, Coris and an additional interest in Santam. The disposal of goodwill in 2006 relates to the reduction in the Group's interest in the Punter Southall Group to 27%.

	2007	2006
Impairments		
Impairment of investments	**7**	30
Total impairment of investments and goodwill for the year	**7**	30

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value, less the consolidated net asset value of the respective businesses. Refer to page 154 for an analysis of Group Equity Value.

R million	2007	2006
4. Value of business acquired		
Balance at beginning of the year	977	982
Additions during the year	61	40
Acquired through business combinations	14	—
Amortisation	(51)	(45)
Impairments	(1)	—
Balance at end of the year	1 000	977
Gross carrying amount	1 097	1 022
Accumulated amortisation and impairment	(97)	(45)

The additions to value of business acquired in 2007 relates primarily to the acquisition of Blue Ink and an additional interest in Channel Life and to the acquisition of Channel Life in 2006.

Amortisation and impairment of value of business acquired

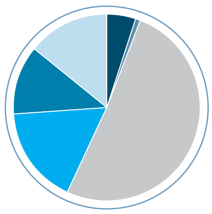
Value of business acquired is amortised to the income statement on a straight-line basis over the expected life of the intangible asset, currently 25 years for African Life and 15 years for Channel Life, the major businesses to which value of business acquired relates. For impairment testing purposes, the value of business acquired is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. Refer to page 154 for an analysis of Group Equity Value.

R million	2007	2006
5. Deferred acquisition costs		
Balance at beginning of the year	1 397	1 155
Acquired through business combinations	6	1
Credited to income statement	290	241
Acquisition costs capitalised	473	387
Expensed for the year	(183)	(146)
Balance at end of the year	1 693	1 397
6. Long-term reinsurance assets		
Balance at beginning of the year	427	389
Movement in reinsurers' share of insurance liabilities	60	36
Acquired through business combinations	—	2
Balance at end of the year	487	427
Maturity analysis of long-term reinsurance assets		
Due within one year	12	13
Due within two to five years	51	48
Due after more than five years	424	366
Total long-term reinsurance assets	487	427

Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).

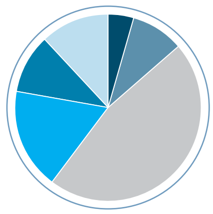
7. Investments

Total investment mix 2007



Properties	5%
Equity-accounted investments	1%
Equities and similar securities	51%
Public sector stocks and loans	17%
Debentures, insurance policies, preference shares and other loans	12%
Cash, deposits and similar securities	14%

Total investment mix 2006



Properties	5%
Equity-accounted investments	1%
Equities and similar securities	50%
Public sector stocks and loans	19%
Debentures, insurance policies, preference shares and other loans	12%
Cash, deposits and similar securities	13%

for the year ended 31 December 2007

R million	2007	2006
7.1 Properties		
Properties comprise:		
Office buildings	**3 849**	3 734
Retail buildings	**4 177**	3 982
Industrial buildings	**565**	518
Undeveloped land	**74**	83
International properties	**3 128**	3 044
Listed property companies and property collective investment schemes	**3 537**	2 762
Other	**318**	479
Total properties	**15 648**	14 602
Less: Straight-line rental adjustment	**(868)**	(943)
Total investment properties	**14 780**	13 659
Reconciliation of carrying amount of properties		
Fixed properties – balance at beginning of the year	**11 840**	11 031
Additions	**583**	715
Disposals	**(478)**	(1 262)
Acquired through business combinations	**—**	45
Foreign currency translation differences	**(58)**	498
Transfers to owner-occupied properties	**(91)**	(67)
Investment surpluses	**315**	880
Fixed properties – balance at end of the year	**12 111**	11 840
Listed property and property collective investment schemes	**3 537**	2 762
Total properties	**15 648**	14 602
Reconciliation of straight-line rental adjustment		
Straight-line rental adjustment – balance at beginning of the year	**943**	1 102
Disposals	**(40)**	(97)
Investment surpluses	**(35)**	(62)
Straight-line rental adjustment – balance at end of the year	**868**	943
Contractual future minimum lease payments receivable under non-cancellable operating leases:		
Within one year	**1 006**	914
Within two to five years	**2 864**	2 288
After more than five years	**1 707**	2 765
Future minimum lease payments	**5 577**	5 967

R million	Note	2007	2006
7. Investments *(continued)*			
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**1 075**	2 926
Peermont[1]		**—**	335
Punter Southall Group		**201**	176
Sanlam Absolute Return Income Fund[1]		**—**	485
Sanlam Dividend Income Fund[1]		**—**	1 500
Sanlam Alternative Income Fund[2]		**504**	—
Other associated companies		**370**	430
Investments in joint ventures	7.2.2	**684**	491
Safair Lease Finance		**197**	125
Sanlam Personal Loans		**75**	47
Sanlam Home Loans		**177**	168
Shriram		**167**	116
Other joint ventures		**68**	35
Total equity-accounted investments		**1 759**	3 417

7.2.1 Investments in associated companies

		Peermont		Punter Southall Group	
		2007	2006	2007	2006
Fair value of interest – based on stock exchange price and valuation respectively	R million	**—**	1 073	**297**	209
Number of shares held	000's	**—**	86 527	**8 605**	8 605
Interest in issued share capital	%				
Shareholders' fund		**—**	26	**27**	27
Policyholders' fund		**—**	—	**—**	—
Average interest in issued share capital[3]	%				
Shareholders' fund		**—**	26	**27**	43
Policyholders' fund		**—**	—	**—**	—
Share of earnings after tax[3]	R million				
Shareholders' fund		**30**	64	**17**	25
Policyholders' fund		**—**	—	**—**	—
Distributions received[3]	R million				
Shareholders' fund		**9**	32	**—**	—
Policyholders' fund		**—**	—	**—**	—
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**—**	335	**42**	25
Financial information as at 31 December – total:					
Revenue	R million	**—**	1 395	**1 285**	673
Earnings attributable to shareholders	R million	**—**	246	**42**	62
Total assets	R million	**—**	2 647	**548**	543
Total liabilities	R million	**—**	1 395	**516**	387

[1] *The Group disposed of the shareholders' fund's interest in Peermont, the Sanlam Dividend Income Fund and the Sanlam Absolute Return Income Fund during the 2007 financial year.*

[2] *Group businesses invested in the Sanlam Alternative Income Fund during 2007 on an arm's length basis. The combined holding of the Group exceeded 20% of the fund value at 31 December 2007, resulting in the classification of the fund as an associated company in terms of International Financial Reporting Standards.*

[3] *The amounts disclosed in 2007 for Peermont are for the period up to the disposal of the Group's interest.*

for the year ended 31 December 2007

		Sanlam Dividend Income Fund		Sanlam Absolute Return Income Fund	
		2007	2006	2007	2006
7. Investments *(continued)*					
7.2.1 Investments in associated companies *(continued)*					
Fair value of interest – based on quoted unit prices	R million	—	1 500	—	485
Number of units held	000's	—	1 500 000	—	430 163
Interest in fund	%				
Shareholders' fund		—	41	—	8
Policyholders' fund		—	—	—	21
Average interest in fund[1]	%				
Shareholders' fund		—	33	—	7
Policyholders' fund		—	—	—	22
Share of fund earnings after tax[1]	R million				
Shareholders' fund		**46**	71	—	12
Policyholders' fund		—	—	—	17
Distributions received[1]	R million				
Shareholders' fund		**46**	71	—	8
Policyholders' fund		—	—	—	12
Financial information as at 31 December – total:					
Revenue	R million	—	194	—	138
Funds attributable to unitholders	R million	—	194	—	127
Total assets	R million	—	3 642	—	1 747
Working capital liabilities	R million	—	25	—	64
Liabilities to unitholders	R million	—	3 617	—	1 683

The Group's share of losses incurred by associates, which have not been recognised due to the fact that the carrying values of the associates have already been reduced to zero, amounts to R69 million (2006: R69 million).

		Sanlam Alternative Income Fund	
		2007	2006
Fair value of interest – based on quoted unit prices	R million	**504**	—
Number of units held	000's	**504 057**	—
Interest in fund	%		
Shareholders' fund		**24**	—
Policyholders' fund		—	—
Average interest in fund[1]	%		
Shareholders' fund		**24**	—
Policyholders' fund		—	—
Share of fund earnings after tax[1]	R million		
Shareholders' fund		**4**	—
Policyholders' fund		—	—
Distributions received[1]	R million		
Shareholders' fund		**4**	—
Policyholders' fund		—	—
Financial information as at 31 December – total:			
Revenue	R million	**94**	—
Funds attributable to unitholders	R million	**93**	—
Total assets	R million	**2 166**	—
Working capital liabilities	R million	**15**	—
Liabilities to unitholders	R million	**2 151**	—

[1] *The amounts disclosed in 2007 for the Sanlam Dividend Income Fund are for the period up to the disposal of the Group's interest.*

7. Investments *(continued)*

7.2.2 Investments in material joint ventures

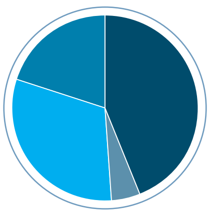
R million	Sanlam Personal Loans[1] 2007	Sanlam Personal Loans[1] 2006	Safair Lease Finance[2] 2007	Safair Lease Finance[2] 2006
Details of material joint ventures:				
Interest in issued share capital (%)	**70**	70	**50**	50
Carrying value of interest	**75**	47	**197**	125
Fair value of interest	**104**	94	**209**	271
Share of revenue	**128**	101	**228**	111
Share of earnings after tax	**29**	24	**72**	31
Share of expenses	**(93)**	67	**116**	80
Share of assets	**1 159**	1 072	**1 083**	1 235
Non-current	**759**	714	**1 007**	1 170
Current	**400**	358	**76**	65
Share of liabilities	**1 080**	1 015	**585**	878
Non-current	**84**	244	**585**	835
Interest bearing	**84**	244	**585**	835
Non-interest bearing	**—**	—	**—**	—
Current	**996**	771	**—**	43
Interest bearing	**981**	742	**—**	41
Non-interest bearing	**15**	29	**—**	2

R million	Sanlam Home Loans[3] 2007	Sanlam Home Loans[3] 2006
Interest in issued share capital (%)	**50**	50
Carrying value of interest	**177**	168
Fair value of interest	**177**	168
Share of revenue	**283**	35
Share of earnings after tax	**(4)**	2
Share of expenses	**278**	33
Share of assets	**3 017**	2 156
Non-current	**2 773**	2 047
Current	**244**	109
Share of liabilities	**3 013**	2 147
Non-current	**2 942**	2 095
Interest bearing	**2 766**	1 929
Non-interest bearing	**176**	166
Current non-interest bearing	**71**	52

[1] *Sanlam Personal Loans conducts personal loan business in South Africa.*
[2] *Safair Lease Finance provides financing and aircraft leasing facilities to the aviation industry.*
[3] *Sanlam Home Loans conducts the Group's mortgage lending business in South Africa.*

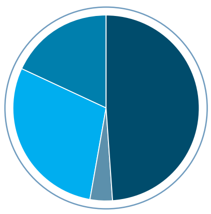
for the year ended 31 December 2007 R million	2007	2006
7. Investments *(continued)*		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**66 020**	69 592
Unlisted – at directors' valuation	**7 317**	5 555
Offshore equity investments	**45 481**	41 168
Listed	**44 947**	40 669
Unlisted	**534**	499
Equity collective investment schemes	**30 220**	25 141
Units held by the Group as minority unitholder	**18 731**	15 450
Equities held by consolidated schemes	**11 489**	9 691
Total equities and similar securities	**149 038**	141 456
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**149 038**	140 498
Held for trading at fair value	**—**	958
Total equities and similar securities	**149 038**	141 456

Total equity investment mix 2007



Listed on the JSE – at market value	44%
Unlisted equity investments	5%
Offshore equity investments	31%
Equity collective investment schemes	20%

Total equity investment mix 2006



Listed on the JSE – at market value	49%
Unlisted equity investments	4%
Offshore equity investments	29%
Equity collective investment schemes	18%

%	2007	2006
Spread of equities listed on the JSE by sector[(1)]		
Basic materials	**23,1**	20,4
Consumer goods	**8,8**	10,5
Consumer services	**7,4**	6,4
Financials	**17,4**	22,5
General industrials	**17,0**	12,8
Information technology	**1,1**	1,0
Healthcare	**2,3**	1,6
Telecommunications	**10,6**	10,2
Other	**12,3**	14,6
	100	100

[(1)] *Includes the appropriate underlying investments of listed subsidiaries.*

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[1]	Total
7. Investments *(continued)*				
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties				
31 December 2007				
Public sector stocks and loans	**49 887**	**—**	**—**	**49 887**
Debentures, insurance policies, preference shares and other loans	**32 799**	**263**	**1 029**	**34 091**
Cash, deposits and similar securities	**39 510**	**—**	**168**	**39 678**
	122 196	**263**	**1 197**	**123 656**
31 December 2006				
Public sector stocks and loans	53 807	114	—	53 921
Debentures, insurance policies, preference shares and other loans	28 692	944	2 107	31 743
Cash, deposits and similar securities	35 488	—	—	35 488
	117 987	1 058	2 107	121 152

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
Maturity analysis					
31 December 2007					
Public sector stocks and loans	**6 212**	**7 158**	**28 285**	**8 232**	**49 887**
Debentures, insurance policies, preference shares and other loans	**10 720**	**12 943**	**10 328**	**100**	**34 091**
Cash, deposits and similar securities	**34 024**	**4 006**	**539**	**1 109**	**39 678**
Total investments other than equities and similar securities, equity-accounted investments and properties	**50 956**	**24 107**	**39 152**	**9 441**	**123 656**
31 December 2006					
Public sector stocks and loans	6 006	10 810	28 389	8 716	53 921
Debentures, insurance policies, preference shares and other loans	6 754	12 703	7 881	4 405	31 743
Cash, deposits and similar securities	27 946	2 023	1 722	3 797	35 488
Total investments other than equities and similar securities, equity-accounted investments and properties	40 706	25 536	37 992	16 918	121 152

[1] *The estimated fair value of investments valued at amortised cost amounts to R1 197 million (2006: R2 107 million).*

for the year ended 31 December 2007

R million	2007	2006
7. Investments *(continued)*		
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties *(continued)*		
Listed	**61 411**	73 682
Unlisted	**62 245**	47 470
Designated at fair value through profit or loss	**61 048**	45 363
Loans and receivables at amortised cost	**1 197**	2 107
Total investments other than equities and similar securities, equity-accounted investments and properties	**123 656**	121 152
Unlisted investments (other than equities and similar securities, equity-accounted investments and properties) designated as at fair value through profit or loss		
Maximum exposure to credit risk at the reporting date	**62 245**	47 470

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2007 and 2006 was not material.

7.5 Use of valuation techniques to determine fair value

Where a valuation technique has been used to fair value a financial instrument, the assumptions used have all been determined with reference to observable market data for material holdings.

Register of investments

A register containing details of all investments, including fixed property investments and the related lease agreements, is available for inspection at the registered office of Sanlam Limited.

	Income Tax		Capital Gains Tax	
R million	Asset	Liability	Asset	Liability
8. Deferred tax				
Reconciliation of the deferred tax balances:				
Balance at 1 January 2006	372	(178)	—	(1 445)
Temporary differences credited/(charged)	57	(34)	—	(203)
Accruals and provisions	(43)	10	—	3
Tax losses and credits	61	—	—	—
Net unrealised investment surpluses on shareholders' fund	19	(68)	—	6
Net unrealised investment surpluses on policyholders' fund	—	24	—	(213)
Secondary Tax on Companies	18	—	—	—
Other temporary differences	2	—	—	1
Acquisition of subsidiaries	119	(64)	1	(3)
Foreign currency translation differences	—	(2)	—	—
Balance at 31 December 2006	548	(278)	1	(1 651)
Temporary differences (charged)/credited	(71)	234	1	337
Accruals and provisions	20	(12)	—	—
Tax losses and credits	(39)	(1)	—	4
Net unrealised investment surpluses on shareholders' fund	(119)	230	1	60
Net unrealised investment surpluses on policyholders' fund	1	—	—	193
Secondary Tax on Companies[1]	66	—	—	—
Other temporary differences	—	17	—	80
Acquisition of subsidiaries	3	—	—	—
Foreign currency translation differences	—	4	—	—
Transfer to non-current assets held for sale	(2)	—	—	—
Disposal of subsidiaries	(5)	—	—	—
Balance at 31 December 2007	**473**	**(40)**	**2**	**(1 314)**

[1] *The Secondary Tax on Companies rate changed from 12,5% to 10% during the 2007 financial period.*

R million	Income Tax Asset	Income Tax Liability	Capital Gains Tax Asset	Capital Gains Tax Liability
8. Deferred tax *(continued)*				
Analysis of the deferred tax balances:				
2007				
Accruals and provisions	**73**	**87**	**—**	**—**
Tax losses and credits	**373**	**—**	**1**	**—**
Net unrealised investment surpluses on shareholders' fund	**19**	**(121)**	**1**	**(502)**
Net unrealised investment surpluses on policyholders' fund	**1**	**—**	**—**	**(763)**
Other temporary differences	**7**	**(6)**	**—**	**(49)**
Deferred tax balances at 31 December 2007	**473**	**(40)**	**2**	**(1 314)**
2006				
Accruals and provisions	49	99	—	—
Tax losses and credits	351	—	1	(3)
Net unrealised investment surpluses on shareholders' fund	138	(370)	—	(563)
Net unrealised investment surpluses on policyholders' fund	—	—	—	(1 089)
Other temporary differences	10	(7)	—	4
Deferred tax balances at 31 December 2006	548	(278)	1	(1 651)

R million	2007	2006
Total deferred tax asset	**475**	549
Total deferred tax liability	**(1 354)**	(1 929)
Total net deferred tax	**(879)**	(1 380)

The aggregate amount of temporary differences relating to investments in subsidiaries, associated companies and joint ventures, for which deferred tax liabilities have not been recognised, is approximately R8,3 billion (2006: R7,3 billion).

Deferred tax in respect of investment properties is provided for at capital gains tax rates, where applicable, as it is expected that capital gains tax will be payable on the recovery of the carrying value of the properties. Refer to note 31 for additional information.

for the year ended 31 December 2007

R million	2007	2006
9. Short-term insurance technical provisions		
Short-term insurance technical provisions	**7 719**	7 752
Outstanding claims	**4 776**	4 952
Provision for unearned premiums	**2 844**	2 726
Deferred reinsurance acquisition revenue	**99**	74
Less: Short-term insurance technical assets	**2 263**	2 288
Reinsurers' share of technical provisions		
Outstanding claims	**1 495**	1 628
Unearned premiums	**529**	449
Deferred acquisition cost	**239**	211
Net short-term insurance technical provisions	**5 456**	5 464

Analysis of movement in short-term insurance technical provisions

R million	2007 Gross	2007 Reinsurance	2007 Net	2006 Gross	2006 Reinsurance	2006 Net
Outstanding claims						
Balance at beginning of the year	**4 952**	**(1 628)**	**3 324**	4 218	(1 609)	2 609
Cash paid for claims settled in the year	**(8 411)**	**1 293**	**(7 118)**	(7 211)	959	(6 252)
Increase in liabilities	**9 275**	**(1 280)**	**7 995**	7 736	(933)	6 803
Transfer to non-current assets held for sale	**(1 028)**	**118**	**(910)**	—	—	—
Foreign currency translation differences	**(12)**	**2**	**(10)**	209	(45)	164
Balance at end of the year	**4 776**	**(1 495)**	**3 281**	4 952	(1 628)	3 324
Unearned premiums						
Balance at beginning of the year	**2 726**	**(449)**	**2 277**	2 375	(583)	1 792
Net increase/(release) in the period	**524**	**(115)**	**409**	366	123	489
Additions during the year	**26**	**—**	**26**	—	—	—
Transfer to non-current assets held for sale	**(424)**	**34**	**(390)**	—	—	—
Foreign currency translation differences	**(8)**	**1**	**(7)**	(15)	11	(4)
Balance at end of the year	**2 844**	**(529)**	**2 315**	2 726	(449)	2 277

R million	2007	2006
10. Trade and other receivables		
Premiums receivable	**5 020**	4 469
Accrued investment income	**2 277**	1 581
Trading account	**16 587**	26 156
Amounts due from reinsurers	**388**	308
Accounts receivable	**3 700**	4 589
Total trade and other receivables	**27 972**	37 103
Classification of trade and other receivables:		
Held for trading at fair value	**16 587**	26 156
Loans and receivables at amortised cost	**11 385**	10 947
	27 972	37 103

		2007	2006
11. Share capital and premium			
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	**40,0**	40,0
56,5 million "A" deferred shares of 1 cent each	R million	**0,6**	0,6
56,5 million "B" deferred shares of 1 cent each	R million	**0,6**	0,6
52 million "A" preference shares of 1 cent each	R million	**0,5**	0,5
Balance at end of the year	R million	**41,7**	41,7
Issued share capital: Ordinary shares			
Total shares in issue at beginning of the year	million	**2 303,6**	2 408,6
Shares cancelled during the year	million	**—**	(105,0)
Total shares in issue at end of the year	million	**2 303,6**	2 303,6
Shares held by subsidiaries	million	**(242,8)**	(120,4)
Balance at end of the year	million	**2 060,8**	2 183,2
% of ordinary shares held by subsidiaries		**10,5%**	5,2%
Issued share capital: "A" deferred shares			
Total number of "A" deferred shares in issue	million	**56,5**	56,5
Issued share capital: "A" preference shares			
Total number of "A" preference shares in issue	million	**52,0**	52,0
Shares held by subsidiaries	million	**(17,8)**	(10,8)
Balance at end of the year	million	**34,2**	41,2
% of "A" preference shares held by subsidiaries		**34,2%**	20,8%
Nominal value and share premium			
Ordinary shares		**954,1**	954,1
Nominal value of 1 cent per share	R million	**23,0**	23,0
Share premium	R million	**931,1**	931,1
"A" deferred shares	R million	**0,6**	0,6
"A" preference shares	R million	**0,5**	0,5
Total nominal value and share premium	R million	**955,2**	955,2

The "A" deferred shares are held by Ubuntu-Botho and shall be converted to ordinary shares at Rnil value when the accrued value of R7,65 per share has been achieved, in accordance with the contractual new business volumes formula, within a 10-year period from 1 January 2005. The "A" deferred shares which are not converted to ordinary shares in December 2013 shall be converted to redeemable preference shares which shall be redeemed at par value within 30 days of such conversion.

The "B" deferred shares shall be allotted and issued to Ubuntu-Botho once all the "A" deferred shares qualify for conversion to ordinary shares. The "B" deferred shares shall be converted to ordinary shares on the same terms as the "A" deferred shares.

The "A" preference shares, which have been issued to the Demutualisation Trust, entitle the Demutualisation Trust to convert the "A" preference shares at R7,65 per share to ordinary shares, if and to the extent that the Demutualisation Trust requires the delivery of such ordinary shares to enable it to comply with its obligations in terms of the Demutualisation Trust Deed. The conversion can be affected through the issuance of new ordinary shares by Sanlam Limited combined with the redemption of an equivalent number of "A" preference shares, or the transfer of treasury shares to the Demutualisation Trust in exchange for the transfer of an equivalent number of "A" preference shares. Should such a conversion occur, the Demutualisation Trust is also required to transfer an equivalent number of Ubuntu-Botho "A" preference shares held by the Demutualisation Trust to Sanlam or its subsidiary. On termination of the Demutualisation Trust, all outstanding "A" preference shares will be redeemed at par.

A register containing details of rights attached to the deferred and preference shares, is available for inspection at the registered office of Sanlam Limited.

Sanlam Limited acquired and cancelled 105 million ordinary shares in 2006 as part of the capital management programme. Share capital and reserves were reduced with the consideration paid for the cancelled shares. No shares were cancelled in 2007.

for the year ended 31 December 2007	Shares 2007 000's	Options 2007 000's	Average option price 2007 R	Shares 2006 000's	Options 2006 000's	Average option price 2006 R
11. Share capital and premium *(continued)*						
Authorised and unissued shares						
Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares, to a maximum of 230 million shares, are under the control of the directors until the forthcoming annual general meeting.						
Executive share incentive scheme						
Total number of shares and share options at beginning of the year	19	69 402	7,65	486	103 358	7,62
Unrestricted shares and share options at beginning of the year	(2)	(13 134)	7,64	(401)	(24 936)	7,94
Restricted shares and share options at beginning of the year	17	56 268	7,65	85	78 422	7,53
New restricted shares granted	10 279	—	—	—	—	—
Unconditional options and shares released, available for release, or taken up	(16)	(26 838)	7,65	(51)	(20 678)	7,21
Options and shares forfeited	(2)	(1 581)	7,44	(19)	(1 476)	7,50
Options and shares lapsed	—	(10)	7,81	—	—	—
Options converted to shares	19	—	—	—	—	—
Cash dividends received on restricted shares and converted into shares	1	—	—	2	—	—
Restricted shares and share options at end of the year	10 298	27 839	7,67	17	56 268	7,65
Unrestricted shares and share options at end of the year	—	17 866	7,55	2	13 134	7,64
Total number of shares and share options at end of the year	10 298	45 705	7,63	19	69 402	7,65
Shares the subject matter of loans granted	11 509	—	—	7 989	—	—
Total equity participation by employees	21 807	45 705	—	8 008	69 402	—

%	2007	2006
Total equity participation by employees as a percentage of total issued ordinary shares	2,9	3,4
Approved maximum level of equity participation by employees as a % of total issued ordinary shares	7,5	7,5

Unrestricted during year ending	Number of shares 000's	Number of options 000's	Average option price R
11. Share capital and premium *(continued)*			
Details regarding the restricted shares and share options outstanding on 31 December 2007 and the financial years during which they become unconditional, are as follows:			
31 December 2008	138	19 463	7,44
31 December 2009	841	8 376	8,21
31 December 2010	3 783	—	
31 December 2011	2 768	—	
31 December 2012	2 768	—	

	2007	2006
Weighted average share price of options exercised during the year	**21,42**	16,27

A revised share incentive scheme has been implemented during the 2007 financial year, in terms of which an undertaking was given to employees to deliver on specified future dates, 10,3 million shares subject to certain retention and performance conditions. Share-based long-term incentives were also granted to the executive directors as disclosed in the Corporate Governance Report. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R188 million and is expensed in the income statement over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the performance conditions will be met in part.

R million	2007	2006
12. Other reserves		
Non-distributable reserves	**9 654**	9 585
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
Regulatory reserves of the Group's Botswana operations	**239**	170
Foreign currency translation reserve	**88**	227
Discontinued operations	**40**	—
Consolidation reserve	**(1 843)**	(1 859)
Policyholder fund investments in consolidated subsidiaries	**(201)**	(109)
Policyholder fund investment in Sanlam Limited shares	**(1 642)**	(1 750)
Total reserves other than retained earnings	**7 939**	7 953
13. Contingency reserves		
Contingency reserves in respect of short-term insurance business of R594 million are included in shareholders' reserves (2006: R543 million).		
14. Minority shareholders' interest		
Santam	**1 107**	3 007
African Life	**779**	594
Channel Life	**122**	150
Sanlam Namibia Holdings (formerly Consolidated Financial Services)	**122**	92
Octane	**86**	88
Other	**4**	3
Total minority shareholders' interest	**2 220**	3 934

for the year ended 31 December 2007 R million	2007 Total	2007 Insurance contracts	2007 Investment contracts	2006 Total	2006 Insurance contracts	2006 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	**55 660**	**25 090**	**30 570**	68 067	34 251	33 816
Premium income (note 15.2)	**33 422**	**13 901**	**19 521**	28 499	13 297	15 202
Investment return after tax (note 23)	**22 238**	**11 189**	**11 049**	39 568	20 954	18 614
Outflow	**(43 600)**	**(21 999)**	**(21 601)**	(45 702)	(19 627)	(26 075)
Policy benefits (note 15.3)	**(28 119)**	**(11 841)**	**(16 278)**	(31 831)	(10 820)	(21 011)
Retirement fund terminations	**(4 267)**	**(370)**	**(3 897)**	(3 690)	—	(3 690)
Fees, risk premiums and other payments to shareholders' fund	**(11 214)**	**(9 788)**	**(1 426)**	(10 181)	(8 807)	(1 374)
Movement in policy loans	**(43)**	**4**	**(47)**	(68)	(4)	(64)
Net movement for the year	**12 017**	**3 095**	**8 922**	22 297	14 620	7 677
Liabilities acquired through business combinations	**—**	**—**	**—**	12 257	363	11 894
Disposal of subsidiaries	**(4 175)**	**—**	**(4 175)**	—	—	—
Foreign currency translation differences	**(1 046)**	**(214)**	**(832)**	5 076	943	4 133
Balance at beginning of the year	**237 864**	**125 517**	**112 347**	198 234	109 591	88 643
Balance at end of the year	**244 660**	**128 398**	**116 262**	237 864	125 517	112 347

R million	2007	2006
15. Long-term policy liabilities *(continued)*		
15.2 Analysis of premium income		
Individual business	**25 546**	22 094
Recurring	**12 360**	11 974
Single	**10 944**	8 446
Continuations	**2 242**	1 674
Employee benefits business	**7 876**	6 405
Recurring	**4 217**	3 567
Single	**3 659**	2 838
Total premium income	**33 422**	28 499
15.3 Analysis of long-term policy benefits		
Individual business	**22 654**	18 936
Maturity benefits	**12 484**	8 835
Surrenders	**5 960**	6 060
Life and term annuities	**3 443**	3 276
Death and disability benefits[1]	**759**	763
Cash bonuses[1]	**8**	2
Employee benefits business	**5 447**	4 706
Withdrawal benefits	**3 354**	2 670
Pensions	**1 153**	1 162
Lump-sum retirement benefits	**767**	659
Taxation paid on behalf of certain retirement funds	**24**	62
Death and disability benefits[1]	**126**	121
Cash bonuses[1]	**23**	32
White label business	**18**	8 189
Total long-term policy benefits	**28 119**	31 831
15.4 Composition of policy liabilities		
Individual business	**200 443**	193 122
Linked and market-related liabilities	**108 235**	101 122
Stable bonus fund	**40 406**	39 174
Reversionary bonus policies	**12 204**	11 882
Non-participating annuities	**19 450**	20 017
Other non-participating liabilities	**20 148**	20 927
Employee benefits business	**44 217**	44 742
Linked and market-related liabilities	**19 972**	19 015
Stable bonus portfolios	**10 959**	11 134
Participating annuities	**8 292**	9 054
Non-participating annuities	**3 293**	3 726
Other non-participating liabilities	**1 701**	1 813
Total policy liabilities	**244 660**	237 864

[1] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

for the year ended 31 December 2007

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
15. Long-term policy liabilities *(continued)*					
15.5 Maturity analysis of investment policy contracts					
2007					
Linked and market-related	**3 121**	**8 813**	**37 162**	**44 810**	**93 906**
Stable bonus	**10**	**7**	**27**	**10 959**	**11 003**
Non-participating annuities	**53**	**629**	**157**	**257**	**1 096**
Other non-participating liabilities	**694**	**4 279**	**4 992**	**292**	**10 257**
Total investment policies	**3 878**	**13 728**	**42 338**	**56 318**	**116 262**
2006					
Linked and market-related	3 084	12 001	32 563	39 770	87 418
Stable bonus	6	10	6	11 135	11 157
Non-participating annuities	114	648	195	457	1 414
Other non-participating liabilities	3 575	4 618	4 142	23	12 358
Total investment policies	6 779	17 277	36 906	51 385	112 347

Investment policy contracts are classified as at fair value through profit or loss.

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2007					
Linked and market-related	**1 613**	**6 678**	**21 931**	**4 080**	**34 302**
Stable bonus	**1 677**	**7 507**	**27 437**	**3 741**	**40 362**
Reversionary bonus policies	**543**	**2 489**	**6 393**	**2 779**	**12 204**
Non-participating annuities	**2**	**22**	**50**	**21 572**	**21 646**
Participating annuities	**—**	**—**	**—**	**8 292**	**8 292**
Other non-participating liabilities	**546**	**1 091**	**2 064**	**7 891**	**11 592**
Total insurance policies	**4 381**	**17 787**	**57 875**	**48 355**	**128 398**
2006					
Linked and market-related	1 555	6 360	21 427	3 377	32 719
Stable bonus	1 622	7 058	27 227	3 244	39 151
Reversionary bonus policies	509	2 248	6 659	2 466	11 882
Non-participating annuities	1	12	19	22 297	22 329
Participating annuities	—	—	—	9 054	9 054
Other non-participating liabilities	451	247	1 803	7 881	10 382
Total insurance policies	4 138	15 925	57 135	48 319	125 517

R million	2007	2006
15.7 Policy liabilities include the following:		
Provision for HIV/Aids and other pandemics	**3 551**	2 945
Reduction in earnings caused by using a retrospective HIV/Aids valuation basis instead of a prospective valuation basis	**(11)**	—
Asset mismatch reserve	**1 801**	1 576

	R million	Note	2007	2006
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**2 687**	2 779
	Other interest-bearing liabilities	16.2	**3 907**	2 981
			6 594	5 760
16.1	**Interest-bearing liabilities held in respect of margin business**			
	Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 6,8% and 11,6% (2006: 7,0% and 12,4%) or linked to prime interest rates. The preference shares have different redemption dates up to 2014.		**2 679**	2 757
	Obligations for promissory notes, zero coupons, interest rate derivatives and fixed interest derivatives.		**8**	22
			2 687	2 779
16.2	**Other interest-bearing liabilities**			
	Unsecured subordinated bond, with interest payable at 9,54% and a final maturity date of 15 August 2018. The bond has a redemption call option, which can be exercised on 15 August 2013.		**1 141**	1 202
	Unsecured subordinated bond, with interest payable at 9,64% and a final maturity date of 15 August 2021. The bond has a redemption call option, which can be exercised on 15 August 2016.		**836**	869
	Unsecured subordinated notes, with interest payable at between 8,6% and 9,6% with a final maturity date of 15 September 2022. The notes have a redemption call option, which can be exercised on 15 September 2017.		**908**	—
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from five to 20 years, with interest rates linked at a premium to the Bank of England base rate.		**780**	761
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.		**142**	137
	Obligations for interest rate derivatives.		**47**	—
	Finance lease on owner-occupied property, with interest payable at 10,49% and terminating on 1 June 2012.		**37**	—
	Other		**16**	12
			3 907	2 981

Reclassification of comparative figures

Previously the Group presented interest-bearing liabilities matched by assets. From 2007, in line with new disclosures of Capital and Risk Management, the Group now presents interest-bearing liabilities held in respect of margin business. Accordingly, R910 million of interest-bearing liabilities matched by assets has been reclassified in the comparative figures as other interest-bearing liabilities.

for the year ended 31 December 2007

R million		Note	2007	2006
16.	**Term finance** *(continued)*			
16.3	**Maturity analysis of term finance**			
	Due within one year		**818**	712
	Due within two to five years		**1 614**	1 744
	Due after more than five years		**4 162**	3 304
	Total term finance liabilities		**6 594**	5 760
16.4	**Classification of term finance**			
	At fair value through profit or loss	16.4.1	**3 082**	2 236
	Valued at stock exchange prices		**2 940**	2 093
	Based on internal valuation		**142**	143
	Other financial liabilities	16.4.2	**3 512**	3 524
	Total term finance liabilities		**6 594**	5 760
16.4.1	**Term finance classified as at fair value through profit or loss**			
	Total designated as at fair value through profit or loss		**3 082**	2 236
	Amount contractually payable at maturity		**3 185**	2 153
16.4.2	**Term finance classified as other financial liabilities**			
	Estimated fair value of term finance liabilities measured at amortised cost		**3 512**	3 524
17.	**Trade and other payables**			
	Trading account		**17 417**	24 854
	Accounts payable		**8 017**	8 674
	Policy benefits payable		**3 588**	3 111
	Amounts due to reinsurers		**540**	344
	Bank overdrafts		**—**	3
	Claims incurred but not reported		**869**	815
	Total trade and other payables		**30 431**	37 801
	Classification of trade and other payables:			
	Held for trading at fair value		**17 417**	24 854
	Other financial liabilities at amortised cost		**13 014**	12 947
	Total trade and other payables		**30 431**	37 801

18. Provisions

Details of the different classes of provisions are as follows:

R million	Possible claims	Post-retirement medical aid	Onerous contracts	Other	Total
Balance at 1 January 2006	595	40	25	226	886
Charged to income statement	169	2	39	75	285
Additional provisions	174	2	41	84	301
Unused amounts reversed	(5)	—	(2)	(9)	(16)
Utilised during the year	(156)	(5)	(6)	(11)	(178)
Acquired through business combinations	—	—	—	3	3
Balance at 31 December 2006	608	37	58	293	996
Charged to income statement	22	—	4	57	83
Additional provisions	44	—	4	59	107
Unused amounts reversed	(22)	—	—	(2)	(24)
Utilised during the year	(50)	(4)	(50)	(2)	(106)
Balance at 31 December 2007	**580**	**33**	**12**	**348**	**973**
Analysis of provisions					
Current	158	4	12	18	192
Non-current	422	29	—	330	781
Total provisions at 31 December 2007	**580**	**33**	**12**	**348**	**973**

Possible claims

The Group provides for possible claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows is uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of possible claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

Post-retirement medical aid

The Group provides for the future medical aid contributions for certain pensioners, disabled staff members and disabled advisers.

The provision represents the present value of future contributions which is actuarially determined on an annual basis.

Refer to note 32: Retirement benefits for employees.

Onerous contracts

Provision is made for the full term of the contractual rental payable in respect of vacated offices where the lease term has not yet expired.

A provision for related costs (e.g. electricity) is also included.

Other

Includes sundry provisions for probable outflows of resources from the Group arising from past events.

Notes to the Group Financial Statements continued

for the year ended 31 December 2007 R million	2007	2006
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**11 558**	10 347
Short-term insurance	**12 780**	11 612
Other financial services	**2 377**	1 650
Total financial services income	**26 715**	23 609
Analysis per revenue category		
Long-term insurance fee income	**11 558**	10 347
Administration services	**2 753**	3 211
Investment management fees	**989**	735
Risk benefit charges and other fee income	**7 816**	6 401
Short-term insurance premiums	**12 780**	11 612
Premiums receivable	**13 110**	12 040
Change in unearned premium provision	**(330)**	(428)
Other financial services fees and income	**2 376**	1 278
Trading profit	**1**	371
Foreign exchange gains	**—**	1
Total financial services income	**26 715**	23 609
20. Reinsurance premiums paid		
Long-term insurance	**560**	396
Short-term insurance	**2 125**	2 004
Premiums payable	**2 251**	1 951
Change in unearned premium provision	**(126)**	53
Total reinsurance premiums paid	**2 685**	2 400
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	**67**	41
Short-term insurance	**306**	342
Total reinsurance commission received	**373**	383
Reinsurance claims received		
Long-term insurance	**302**	237
Short-term insurance	**1 230**	996
Total reinsurance claims received	**1 532**	1 233

R million	2007	2006
22. Investment return		
Investment income		
Equities and similar securities	**4 255**	4 048
Interest bearing, preference shares and similar securities	**8 590**	6 246
Properties	**1 173**	1 046
Rental income – excluding contingent rental	**1 212**	1 135
Contingent rental income	**121**	57
Rental related expenses	**(160)**	(146)
Income from margin business[1]	**722**	619
Dividend income	**29**	54
Interest received	**693**	565
Total investment income	**14 740**	11 959
Listed investments	**8 042**	7 500
Unlisted investments	**6 698**	4 459
Total investment income	**14 740**	11 959
Interest income on financial assets not classified as at fair value through profit or loss	**229**	257
Investment surpluses		
Financial assets designated as at fair value through profit or loss	**15 702**	38 603
Financial assets classified as held-for-trading	**(935)**	(1 657)
Investment properties	**280**	818
Profit on disposal of associated companies and subsidiaries	**838**	139
Total investment surpluses	**15 885**	37 903
Investment return includes:		
Foreign exchange gains	**571**	2 145
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	**4 175**	3 704
After tax investment return attributable to investment contract liabilities (note 15)	**11 189**	20 954
Total long-term insurance contract benefits	**15 364**	24 658
Investment contracts		
After tax investment return attributable to investment contract liabilities (note 15)	**11 049**	18 614
Total long-term investment contract benefits	**11 049**	18 614
Analysis of underwriting policy benefits		
Individual insurance	**2 476**	2 268
Employee benefits	**1 699**	1 436
Total underwriting policy benefits	**4 175**	3 704

[1] *Refer to note 26 for finance cost incurred in respect of margin business.*

Notes to the Group Financial Statements continued

for the year ended 31 December 2007

R million	2007	2006
24. Administration costs include:		
Directors' remuneration		
Total remuneration paid by Sanlam Limited and its consolidated subsidiaries to present and previous directors of Sanlam Limited:		
Present		
Directors' fees	**8,3**	7,5
Other services (basic remuneration, pensions and bonuses)	**19,3**	13,2
Previous		
Directors' fees	**0,3**	0,3
Other services (basic remuneration, pensions and bonuses)	**—**	3,0
Total directors' remuneration	**27,9**	24,0
Analysis of directors' remuneration		
Executive directors	**19,6**	16,2
Non-executive directors	**8,3**	7,8
Total directors' remuneration	**27,9**	24,0
Directors' remuneration paid by subsidiaries	**20,1**	17,3
Refer to Corporate Governance Report on page 34 for additional information on directors' remuneration.		
Auditors' remuneration		
Audit fees: Statutory audit	**61**	48
Other services provided by:	**9**	32
Subsidiaries' own auditors		
Due diligence services	**—**	23
Other services	**3**	2
Other Group auditors	**6**	7
Total auditors' remuneration	**70**	80
Depreciation	**105**	90
Operating leases	**272**	253
Properties	**137**	130
Equipment	**118**	108
Other	**17**	15
Consultancy fees[1]	**341**	293
Technical, administrative and secretarial fees	**470**	87
Employee benefits	**3 471**	2 844
Salaries and other short-term benefits	**3 049**	2 519
Pension costs – defined contribution plans	**166**	166
Pension costs – defined benefit plans	**22**	19
Other post-employment benefits	**11**	8
Share-based payments	**85**	91
Other long-term incentive schemes	**138**	41
Office staff (number of persons)	**9 393**	9 037

[1] *Consultancy fees of R17 million are recognised in 2007 in the value of business acquired intangible asset (2006: Rnil).*

R million	2007	2006
25. Equity-accounted earnings		
Peermont	**30**	64
Punter Southall Group	**17**	25
Safair Lease Finance	**72**	31
Sanlam Home Loans	**(4)**	2
Sanlam Personal Loans	**29**	24
Shriram	**13**	(8)
Other associated companies	**71**	285
Equity-accounted earnings	**228**	423
26. Finance cost		
Interest paid and term finance cost in respect of interest margin business	**246**	223
Finance cost – margin business	**246**	223
Interest bearing liabilities designated as at fair value through profit or loss	**235**	73
Interest bearing liabilities held at amortised cost	**46**	41
Finance cost – other	**281**	114
27. Taxation		
Analysis of income tax per category		
Normal income tax	**2 899**	2 759
RSA – current year	**1 737**	1 527
RSA – prior year	**(26)**	(155)
Foreign	**156**	198
Capital gains tax	**727**	1 032
Secondary tax on companies	**305**	157
Deferred tax	**(458)**	180
Normal tax – current year	**(60)**	(6)
Normal tax – prior year	**(4)**	6
Foreign	**—**	(5)
Capital gains tax	**(329)**	203
Secondary tax on companies	**(65)**	(18)
Tax on retirement funds	**52**	110
Tax expense	**2 493**	3 049
Shareholders' fund	**1 678**	1 873
Policyholders' fund	**815**	1 176
Tax expense	**2 493**	3 049
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	**192**	154
Included elsewhere in the income statement	**83**	56
Total indirect taxes and levies	**275**	210

Indirect taxes and levies include value-added tax and statutory levies payable to the Regional Services Councils and the Financial Services Board.

for the year ended 31 December 2007 %	2007	2006
27. Taxation *(continued)*		
Standard rate of taxation	**29,0**	29,0
Adjusted for:		
Non-taxable income	**(6,0)**	(2,3)
Disallowable expenses	**0,2**	0,3
Share-based payments	**0,1**	0,2
Investment surpluses	**(4,0)**	(5,1)
Prior year adjustments	**0,2**	(1,5)
Foreign tax rate differential	**(1,6)**	(0,8)
STC	**2,7**	0,8
Fund transfers	**1,2**	(0,5)
Policyholders	**6,5**	7,5
Other	**(0,4)**	(0,1)
Effective tax rate	**27,9**	27,5

R million	2007	2006
Profit before tax from continuing operations	**9 040**	11 075
Loss before tax from discontinued operations	**(190)**	92
Profit before tax including discontinued operations	**8 850**	11 167
Tax on continuing operations	**2 493**	3 049
Tax on discontinued operations	**(22)**	22
Taxation included in income statement	**2 471**	3 071

28. Earnings per share

For basic earnings per share the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For diluted earnings per share the weighted average number of ordinary shares is adjusted for the shares not yet issued under Sanlam Share Incentive Schemes, treasury shares held by subsidiaries and the conversion of deferred shares. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer to page 180 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should be used when evaluating the Group's economic performance.

Cent	2007	2006
Basic earnings per share:		
Headline earnings	**225,7**	310,4
Profit attributable to shareholders' fund	**256,6**	315,2
Diluted earnings per share:		
Headline earnings	**220,8**	304,9
Profit attributable to shareholders' fund	**250,9**	309,6
Basic earnings per share from continuing operations:		
Profit attributable to shareholders' fund	**260,8**	313,6
Diluted earnings per share from continued operations:		
Profit attributable to shareholders' fund	**255,1**	308,0

R million	2007	2006
28. Earnings per share *(continued)*		
Analysis of earnings:		
Profit attributable to shareholders' fund	**5 494**	6 945
Less: Net profit on disposal of subsidiaries	**(44)**	(122)
Profit on disposal of subsidiaries	**(68)**	(122)
Tax on profit on disposal of subsidiaries	**5**	—
Minority shareholders' interest	**19**	—
Less: Net profit on disposal of associated companies	**(624)**	(10)
Profit on disposal of associated companies	**(770)**	(14)
Tax on profit on disposal of associated companies	**145**	4
Minority shareholders' interest	**1**	—
Less: Equity-accounted non-headline earnings	**—**	(5)
Plus: Impairment of investments and goodwill	**7**	30
Headline earnings	**4 833**	6 838
Analysis of earnings for continuing operations:		
Profit attributable to shareholders' fund	**5 494**	6 945
Discontinued operations	**91**	(37)
Loss/(profit) from discontinued operations	**190**	(92)
Tax on loss/(profit) from discontinued operations	**(22)**	22
Minority shareholders' interest	**(77)**	33
Profit attributable to shareholders' fund from continuing operations	**5 585**	6 908

Million	2007	2006
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 303,6**	2 408,6
Less: Weighted number of shares cancelled	**—**	(43,8)
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(162,4)**	(161,7)
Adjusted weighted average number of shares for basic earnings per share	**2 141,2**	2 203,1
Add: Weighted conversion of deferred shares	**12,1**	6,8
Add: Total number of shares and options	**43,3**	63,1
Less: Number of shares (under option) that would have been issued at fair value	**(7,3)**	(29,9)
Adjusted weighted average number of shares for diluted earnings per share	**2 189,3**	2 243,1

29. Dividends

A dividend of 93 cents per share (2006: 77 cents per share) was declared in March 2008 in respect of the 2007 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R2 142 million, but may vary depending on the number of shares in issue on the Last Day to Trade. The secondary tax on companies (STC) liability in respect of the dividend, as well as future distributions of retained earnings, is dependent on the STC credits that will be available at the end of the dividend cycles and is impracticable to determine.

for the year ended 31 December 2007

R million	2007	2006
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's derivatives, liabilities or contingent liabilities:		
Investments		
Investment property	**1 670**	1 483
Public sector stocks and loans	**294**	687
Cash, deposits and similar securities	**69**	70
Working capital assets		
Trading account	**7 867**	7 771
The transferee does not have the right to sell or repledge the assets.		
30.2 Collateral received		
The following collateral has been received in respect of securities lending activities conducted by the Group:		
Fair value of collateral accepted as security for these activities	**23 422**	18 914
Intergroup	**7 457**	12 933
External clients	**15 965**	5 981
Collateral of between 103% and 115% of the value of the loaned securities is held at 31 December 2007.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default.	**626**	—
Collateral and other credit enhancements obtained		
The following collateral and other credit enhancements were obtained and recognised during the period:		
Equities – carrying amount	**873**	—
These assets are readily convertible into cash.		

31. Critical accounting estimates and judgements

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and judgements, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions whilst other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variations reflected in the embedded value earnings during a period. The experience variations reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 188 for additional information.

31. Critical accounting estimates and judgements *(continued)*

31.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired for impairment testing purposes has been determined based on the embedded value of covered life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to pages 193 and 194 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 188 and 191 respectively.

31.2 Investment properties

The valuation of properties is based on estimates and assumptions that have a direct impact on the fair value of properties included in the Sanlam group balance sheet. The majority of the Group's properties are held by Sanlam Life Insurance Limited for which the main valuation assumptions used as at 31 December 2007 and the sensitivity of the valuations to changes in the assumptions are summarised below:

			Change in fair value of properties	
Assumption	Base assumption	Change in assumption	Decrease in assumption R million	Increase in assumption R million
2007				
Base discount rate	**8,68% – 9,99%**	**1%**	**360**	**(340)**
Capitalisation rate	**9,50% – 12,00%**	**1%**	**563**	**(461)**
2006				
Base discount rate	8,16% – 9,46%	1%	311	(300)
Capitalisation rate	9,50% – 12,00%	1%	543	(450)

31.3 Deferred tax on investment properties

In terms of the Group's accounting policies, deferred tax is recognised in respect of temporary differences between the carrying value and tax base of properties. IAS 12 *Income Taxes* requires that deferred tax be measured to reflect the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover the carrying value of its assets.

Based on historic experience, the Group's investment strategy and the expected future growth in the fair value of properties, it is expected that mainly capital gains tax will be payable on the realisation of the carrying value of the properties. Deferred tax has accordingly been provided for at capital gains tax rates. Should income tax rates be applied, the deferred tax liability would have increased by R282 million on 31 December 2007 (2006: R406 million).

31.4 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 251 to 254.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by the Long-term Insurance Act in South Africa and Board Notice 72 issued in terms of the Act.
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

for the year ended 31 December 2007

31. Critical accounting estimates and judgements *(continued)*

31.4 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services *(continued)*

	Sanlam Life		African Life		Sanlam Life Namibia		Merchant Investors	
	2007	2006	2007	2006	2007	2006	2007	2006
Reversionary bonus business								
Retirement annuity business	**10,1**	8,4	**n/a**	n/a	**10,1**	8,7	**n/a**	n/a
Individual policyholder business	**8,7**	7,5	**n/a**	n/a	**9,7**	8,3	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**9,7**	8,1	**n/a**	n/a	**9,7**	8,4	**n/a**	n/a
Individual policyholder business	**8,4**	7,2	**n/a**	n/a	**9,4**	8,0	**n/a**	n/a
Non-taxable business	**9,7**	8,4	**n/a**	n/a	**9,7**	8,4	**n/a**	n/a
Corporate policyholder business	**8,1**	7,0	**n/a**	n/a	**9,4**	8,0	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**10,1**	8,4	**10,3**	8,4	**10,1**	8,6	**4,0**	4,1
Individual policyholder business	**8,7**	7,5	**8,8**	7,4	**9,7**	8,3	**3,2**	3,3
Non-taxable business	**10,1**	8,6	**n/a**	n/a	**10,1**	8,6	**3,2**	3,3
Corporate policyholder business	**8,4**	7,2	**n/a**	n/a	**9,7**	8,3	**n/a**	n/a
Participating annuity business	**8,0**	7,2	**n/a**	n/a	**8,0**	7,2	**n/a**	n/a
Non-participating annuity business*	**8,1**	7,3	**7,9**	7,7	**7,9**	7,1	**4,9**	4,7
Guarantee plans*	**9,7**	7,9	**8,8**	7,8	**n/a**	n/a	**n/a**	n/a

**The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same result.*

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regard to future mortality, disability and disability payment termination rates and lapse, surrender and paid-up rates are consistent with the experience for the five years up to 30 June 2007. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

Expenses

Unit expenses are based on the 2007 actual figures and escalated at estimated expense inflation rates per annum.

Sensitivity to changes in the valuation assumptions

The sensitivity of the policy liabilities to changes in the valuation assumptions are set out in the Capital and Risk Management Report on page 195.

31.5 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2006: 10%) from management's estimates, no impairment of the DAC asset would be required.

31.6 The ultimate liability arising from claims under short-term insurance contracts

The estimation of the ultimate liability arising from claims under short-term insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its short-term insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 195 for further information on the estimation of the claims liability.

31.7 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit and Risk committee and board by the Sanlam Non-listed Asset Controlling Body.

32. Retirement benefits for employees

The Sanlam group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined-benefit and defined-contribution pension and provident funds.
At 31 December 2007, 94% of employees were covered by defined contribution funds and 6% by defined-benefit funds (2006: 93% and 7% respectively).

32.1 Defined-contribution funds

There are separate defined-contribution funds for advisers, full-time and part-time office staff. The Sanlam group contributed R166 million to these funds during 2007 (2006: R166 million).

32.2 Defined-benefit funds

The Sanlam group has four defined-benefit funds. These funds relate to:

- Sanlam office personnel (that did not elect to transfer to the defined contribution fund);
- Merchant Investors office personnel;
- African Life Defined Benefit fund SA; and
- BIHL Staff Pension Fund.

All funds, except the BIHL Staff Pension Fund, are closed for new entrants. The Sanlam office personnel fund and African Life Defined Benefit Fund SA are governed by the Pensions Funds Act in South Africa. All of the above funds are valued annually. According to the latest valuation in accordance with IAS 19 all of the above funds were in a materially sound financial position.

		Sanlam office personnel	Merchant Investors	African Life SA	African Life Botswana
Principal actuarial assumptions:					
Latest valuation date		31 Dec 2007	31 Dec 2007	1 Mar 2007	30 Nov 2007
Pre-retirement discount rate	% pa	9,0	3,5	9,0	11,0
Post-retirement discount rate	% pa	4,1	5,9	4,0	11,0
Future salary increases	% pa	7,1	3,5	6,0	9,0
Expected return on assets	% pa	9,0	5,7	9,0	12,0
Actual experience:					
Actual return on assets	% pa	11,2	4,8	11,0	20,0

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined-benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

R million	2007	2006	2005	2004	2003
Net liability recognised in balance sheet:					
Present value of fund obligations	**1 261**	1 293	1 088	680	596
Actuarial value of fund assets	**(1 511)**	(1 447)	(1 251)	(951)	(688)
Net present value of funded obligations	**(250)**	(154)	(163)	(271)	(92)
Unrecognised actuarial gains	**250**	154	163	271	92
Net liability recognised in balance sheet	**—**	—	—	—	—
Experience adjustments on:					
Fund obligations	**0,8%**	(2,0%)	4,1%	0,4%	(2,3%)
Fund assets	**1,6%**	7,3%	7,6%	6,3%	3,9%

The actuarial surplus is currently not recognised as an asset by the Group, as the extent of the surplus available to the company cannot be determined with certainty.

for the year ended 31 December 2007

R million	2007	2006
32. Retirement benefits for employees *(continued)*		
32.2 Defined-benefit funds *(continued)*		
Fund obligations		
Balance at beginning of the year	**1 293**	1 088
Movement for the year:	**(32)**	205
Current service cost	**25**	25
Interest	**100**	81
Actuarial gains and losses	**(44)**	(10)
Foreign exchange (losses)/gains	**(4)**	65
Benefits paid	**(72)**	(57)
Past service costs	**—**	1
Settlements and disposal of subsidiaries	**(4)**	(50)
Other	**(33)**	150
Balance at end of the year	**1 261**	1 293
Fund assets		
Balance at beginning of the year	**1 447**	1 251
Movement for the year:	**64**	196
Expected return on fund assets	**112**	181
Actuarial gains and losses	**10**	37
Foreign exchange (losses)/gains	**(5)**	62
Contributions by employer	**14**	14
Contributions by fund participant	**4**	4
Benefits paid	**(67)**	(59)
Settlements and disposal of subsidiaries	**(4)**	(43)
Balance at end of the year	**1 511**	1 447

%	2007	2006
Fund assets comprise:		
Properties	**2**	2
Equities and similar securities	**42**	54
Public sector stocks and loans	**9**	17
Debentures, insurance policies, preference shares and other loans	**20**	15
Cash, deposits and similar securities	**27**	12
	100	100

The above value of fund assets includes an investment of R8 million (2006: R7 million) in Sanlam shares.

R million	2007	2006
Net expense recognised in the income statement (included in administration costs):		
Current service cost	**25**	25
Interest cost	**100**	81
Expected return on fund assets	**(112)**	(181)
Net actuarial losses recognised during the year	**42**	(57)
Past service cost	**—**	1
Change in contingency reserves	**(33)**	150
Total included in staff costs	**22**	19

The best estimate of the expected contributions payable to the fund in 2008 is R16 million.

R million	2007	2006
32. Retirement benefits for employees *(continued)*		
32.3 Medical aid funds		
The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.		
Principle actuarial assumptions at 31 December 2007 were as follows:		
Pre-retirement discount rate	**9,0%**	8,6%
Returns for All Bond Index (ALBI)	**8,7%**	8,3%
Expected increase in medical aid contributions	**9,0%**	8,6%
Net liability recognised in balance sheet		
Balance at beginning of year	**37**	40
Movement for the year:	**(4)**	(3)
Interest	**3**	3
Actuarial gains and losses	**(3)**	(1)
Benefits paid	**(4)**	(5)
Balance at end of year	**33**	37

R million	2007	2006	2005	2004	2003
Net liability recognised in balance sheet:					
Present value of unfunded obligation	**33**	37	40	44	45
Experience adjustments on:					
Fund obligation	**(8,1%)**	(2,5%)	(10,0%)	(14,4%)	(17,5%)

	% increase in assumed medical aid contributions	
Sensitivity analysis	**–2**	**+2**
Effect of change in assumed medical aid contributions (R million):		
Aggregate of current service and interest costs	**3**	**3**
Total defined benefit obligation for post-employment medical benefits	**36**	**28**

33. Borrowing powers

In terms of the articles of association of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

Material borrowings of the Sanlam group are disclosed in note 16.

for the year ended 31 December 2007 R million	2007	2006
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	**194**	237
Lease rentals due within two to five years	**148**	331
Lease rentals due within more than five years	**—**	45
Total operating lease commitments	**342**	613

34.2 Services provided by JP Morgan

As part of the disposal of Tasc Administration to JP Morgan during 2004, Sanlam agreed to outsource investment administration services to JP Morgan for a period of 10 years. The fees payable under the agreement are based on the market value of the investments under administration.

34.3 Capital maintenance guarantee

Previously Sanlam Limited undertook to guarantee Sanlam Capital Markets Limited (SCM) via the Capital Maintenance Guarantee (CMG) structure. In terms of this CMG structure Sanlam Limited undertook to guarantee the consolidated capital of Genbel Securities Limited (Gensec) in an amount of R2 billion, plus an additional R5 billion should the consolidated capital reduce below R2 billion. Gensec in turn provided an unlimited suretyship in favour of the creditors of SCM to afford them the protection of the CMG.

In the course of 2006 and 2007, direct Sanlam Guarantees were negotiated with SCM's creditors or counterparties. The Gensec suretyship was withdrawn in May 2007.

Sanlam has also guaranteed obligations that may arise under SCM's unlisted commercial paper programme and its BESA listed structured note programme on the basis that any creditor accepting that guarantee waives any rights to the CMG. The total limit for the unlisted commercial paper programme is R10 billion and for the BESA listed structured note programme is R5 billion, but these are both subject to the overall R7 billion guarantee utilisation limit discussed below. SCM's utilisation of the BESA listed structured note programme is also expressly limited by Sanlam Limited in terms of the Group governance processes to R3 billion. At 31 December 2007 the value of unlisted commercial paper issued by SCM amounted to R4,0 billion and the value of BESA-listed structured notes amounted to R2,1 billion. Sanlam has also issued guarantees amounting to R4,2 billion in favour of subsidiaries in respect of SCM's intergroup obligations.

Other guarantees amounting to R0,2 billion have been issued by Sanlam Limited in favour of third parties.

Notwithstanding the amounts contemplated in any of the guarantees individually, in terms of the Group governance processes, the total utilisation by SCM of all of the above guarantees is limited to a maximum of R7 billion at any one time.

34.4 Medical aid schemes

Two medical aid schemes formerly administered by Sanlam Health have instituted legal action against Sanlam Health, claiming that the Court should issue orders that they are entitled to share in profits accumulated by Sanlam Health during the period May 1975 to December 1997 and accounting, debatement and payment in respect thereof. The claims are defended by Sanlam Health on the basis that the plaintiffs are not entitled to such orders and that accounting has been made in accordance with the obligations of Sanlam Health.

34.5 Subordination

Gensec has subordinated its shareholders' loan in Safair Lease Finance (Proprietary) Limited of R98 million (2006: R98 million) to third parties' liabilities.

34.6 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for these claims based on best estimates of the expected outcome of the claims (refer to note 18). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates. There are no other material commitments or contingencies.

35. Related parties

35.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its shareholding in Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' role in obtaining new business for the Group, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam group are disclosed in note 15.

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R184 million in 2007 (2006: R185 million). There are no amounts outstanding at year-end.

35.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Sanlam Limited 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. Details relating to directors' emoluments are included in note 24 and their shareholdings and share options granted in the company are disclosed as part of the corporate governance report elsewhere in the annual report.

35.4 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. These transactions occurred at arm's length.

The company advanced, repaid and received loans from two other entities in the Group during the current and previous years. These loans have been eliminated on consolidation.

Details of investments in associated companies and joint ventures are disclosed in note 7 and details of investments in subsidiaries are disclosed on page 264. The Group provides financing for a portion of the loans granted by Sanlam Home Loans and Sanlam Personal Loans. Most of these loans earn interest of JIBAR plus a premium of between 0,15% and 1,75%, and either have no fixed maturity date, or will mature in tranches up to 2012.

35.5 Policy administration

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties.

R million	2007	2006
35.6 Key management personnel compensation		
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	**322**	355
Share-based payments	**27**	22
Termination benefits	**—**	1
Other long-term benefits and incentive schemes	**75**	12
Total key management personnel compensation	**424**	390

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R million	2007	2006
36. Notes to the cash flow statement		
36.1 Cash utilised in operations		
Profit before tax per income statement	**9 040**	11 075
Net movement in policy liabilities (note 15.1)	**10 971**	27 373
Non-cash flow items	**(15 707)**	(37 932)
Depreciation	**105**	90
Bad debts written off	**158**	138
Share-based payments	**85**	91
Profit on disposal of subsidiaries	**(816)**	(93)
Fair value adjustments	**(15 069)**	(37 810)
Impairment of investments and goodwill	**7**	30
Amortisation of value of business acquired	**51**	45
Equity-accounted earnings	**(228)**	(423)
Items disclosed separately	**(13 321)**	(11 277)
Interest and preference share dividends received	**(9 283)**	(7 335)
Interest paid	**246**	223
Dividends received	**(4 284)**	(4 165)
Net purchase of fixed assets	**(140)**	(99)
Net (purchase)/disposal of owner-occupied properties	**(44)**	25
Discontinued operations	**(190)**	92
Decrease/(increase) in net working capital assets and liabilities	**1 999**	(1 011)
Cash utilised in operations	**(7 392)**	(11 754)
36.2 Acquisition of subsidiaries		
During the year, various subsidiaries were acquired within the Group. The fair value of assets acquired is as follows:		
Net assets acquired (note 37)	**342**	428
Goodwill (note 3)	**313**	276
Total purchase consideration	**655**	704
Less: Net asset value contributed	**(19)**	(78)
Cash, deposits and similar securities acquired	**(62)**	(146)
Cash component of acquisition of subsidiaries	**574**	480
36.3 Disposal of subsidiaries		
Disposal of subsidiaries relates mainly to the disposal of Alternative Channel in 2007 and to the reduction in the Group's interest in the Punter Southall Group from 61% to 27% during the 2006 year. The fair value of assets disposed of was as follows:		
Property, plant and equipment	**—**	10
Long-term reinsurance asset	**—**	7
Investments	**4 203**	354
Deferred tax asset	**—**	2
Short-term insurance technical assets	**—**	124
Trade and other receivables	**262**	260
Cash, deposits and similar securities	**158**	239
Goodwill	**(3)**	307
Term finance	**(1)**	(7)
Long-term policy liabilities	**(4 175)**	(208)
Deferred tax liability	**—**	(3)
Short-term insurance technical provisions	**—**	(336)
Working capital liabilities	**(381)**	(186)
Minorities	**—**	(82)
Profit/(loss) on disposal of subsidiaries	**47**	93
Total disposal price	**110**	574
Less: Investment in associate acquired	**—**	(232)
Less: Cash, deposits and similar securities disposed of	**(158)**	(239)
Cash component of disposal of subsidiaries	**(48)**	103

R million	2007	2006
36. Notes to the cash flow statement *(continued)*		
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**10 819**	9 162
Investment cash	**39 678**	35 488
Discontinued operations	**812**	—
Bank overdrafts	**—**	(3)
Total cash, deposits and similar securities	**51 309**	44 647

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2007 financial year are as follows:

Material business combinations

The Group did not effect any individually material business combination transactions during the year.

Other

Other business combinations relate to the following:

– The acquisition of a 65% interest in Anglo African Finance, a trade and bridge finance operation;
– The acquisition of a 100% interest in Admiral Professional Underwriting Agency by Santam;
– Other smaller acquisitions; and
– Increases in the shareholding of other subsidiaries, predominantly Santam and Channel Life.

The contribution of these acquisitions to profit for 2007 is not material.

R million	Other
Details of the purchase consideration and goodwill acquired are as follows:	
Purchase consideration	655
Cash consideration	636
Fair value of net assets contributed	19
Fair value of net assets acquired	342
Goodwill	313

The goodwill acquired relates to synergies between the interests acquired and existing Sanlam group businesses.

	Other	
R million	Fair value	Carrying value[1]
Details of the assets and liabilities acquired are as follows:		
Property and equipment	7	7
Goodwill	29	29
Value of business acquired	60	14
Investments	8	8
Deferred tax assets	3	3
Short-term insurance technical assets	14	14
Trade and other receivables	122	122
Cash, deposits and similar securities	62	62
Term finance	(3)	(3)
Deferred tax liabilities	(2)	(2)
Short-term insurance technical provisions	(23)	(23)
Working capital liabilities	(164)	(164)
Net assets	113	67
Minority shareholders' interest	229	
Net assets acquired	342	

[1] *Carrying value of assets and liabilities in acquiree's own financial statements on acquisition date.*

for the year ended 31 December 2007

37. Business combinations *(continued)*

37.2 Material acquisitions of the Group consolidated in the 2006 financial year are as follows:

Channel Life Limited (Channel Life)

The Group acquired a controlling interest in Channel Life, a South African-based long-term insurance company, during February 2006. As part of the transaction, the Group's 55% interest in Safrican Insurance Company Limited (Safrican) was transferred to Channel Life. The Channel Life group contributed R762 million and R27 million to Group revenue and net profit respectively for the 12 months ended 31 December 2006.

Other

Other business combinations relate to the following:
- The acquisition of the Coris multi-manager business;
- The first time consolidation of African Life's 50% interest in Pan African Insurance Holdings (PAIH) after the Group gained management control at the end of the 2006 financial year; and
- Increases in the shareholding of other subsidiaries, predominantly Santam.

Coris and PAIH's contribution to profit for 2006 is not material.

R million	Channel Life	Other
Details of the purchase consideration and goodwill acquired are as follows:		
Purchase consideration	133	569
Cash consideration	123	501
Fair value of net assets contributed	10	68
Fair value of net assets acquired	76	352
Goodwill	57	217

The goodwill acquired relates to the future new business potential of the Channel Life group and synergies between the other interests acquired and existing Sanlam group businesses.

R million	Channel Life		Other	
	Fair value	Carrying value[1]	Fair value	Carrying value[1]
Details of the assets and liabilities acquired are as follows:				
Property and equipment	5	5	6	6
Owner-occupied properties	—	—	2	2
Goodwill	14	14	—	—
Value of business acquired	27	—	—	—
Deferred acquisition costs	1	1	—	—
Investments	12 327	12 327	429	429
Deferred tax assets	119	119	3	3
Trade and other receivables	115	115	35	35
Cash, deposits and similar securities	134	134	12	12
Term finance	(12)	(12)	—	—
Long-term policy liabilities	(12 362)	(12 362)	(268)	(268)
Deferred tax liabilities	(64)	(64)	(4)	(4)
Working capital liabilities	(170)	(170)	(78)	(78)
Net assets	134	107	137	137
Minority shareholders' interest	(58)		215	
Net assets acquired	76		352	

[1] *Carrying value of assets and liabilities in acquiree's own financial statements on acquisition date.*

R million	2007	2006
38. Discontinued operations		
The assets and liabilities related to Santam Europe Limited and Westminster Motor Insurance Limited, which form part of the short-term insurance business, have been presented as “held for sale” following approval by the Santam board to dispose of both these operations within the next 12 months.		
38.1 Non-current assets classified as held for sale		
Property and equipment	**18**	—
Intangible assets	**46**	—
Deferred income tax	**2**	—
Financial assets		
Equity securities	**246**	—
Debt securities	**601**	—
Reinsurance assets	**152**	—
Deferred acquisition costs – short-term insurance	**72**	—
Loans and receivables including insurance receivables	**111**	—
Cash and cash equivalents	**812**	—
	2 060	—
38.2 Amounts recognised directly in equity relating to non-current assets held for sale		
Foreign currency translation reserve	**71**	—
38.3 Liabilities directly associated with non-current assets classified as held for sale		
Insurance liabilities	**1 502**	—
Trade and other payables	**104**	—
	1 606	
38.4 Analysis of the result from discontinued operations		
Gross written premium	**932**	622
Net premium	**872**	580
Net insurance premium revenue	**641**	551
Net investment and reinsurance income	**82**	92
Net insurance benefits and claims	**(725)**	(417)
Expenses	**(188)**	(134)
(Loss)/profit before tax	**(190)**	92
Taxation	**22**	(22)
(Loss)/profit for the year from discontinued operations	**(168)**	70
38.5 Earnings per share:		
Basic, from discontinued operations	**(4,2)**	1,7
Diluted, from discontinued operations	**(4,2)**	1,6

Sanlam Limited Financial Statements
Sanlam Limited Balance Sheet

at 31 December 2007

R million	Note	2007	2006
Assets			
Investments in Group companies	2	**14 927**	15 053
Associates		**3**	3
Subsidiaries		**14 924**	15 050
Deferred tax – STC		**2**	2
Working capital assets		**1 464**	858
Accounts receivable		**1**	6
Loans to Group companies	2	**1 463**	852
Total assets		**16 393**	15 913
Equity and liabilities			
Capital and reserves			
Share capital and premium	3	**955**	955
Non-distributable reserve		**9 342**	9 342
Retained earnings		**5 313**	4 216
Total equity		**15 610**	14 513
Working capital liabilities		**783**	1 400
Accounts payable		**207**	189
Loans from Group companies	2	**576**	1 211
Total equity and liabilities		**16 393**	15 913

Sanlam Limited Income Statement

for the year ended 31 December 2007

R million	Note	2007	2006
Net income		**3 202**	2 387
Dividend income		**3 196**	2 062
Investment surpluses	4	**—**	325
Other income		**6**	0
Expenses			
Administration costs	5	**(5)**	(23)
Net impairment of loans	2	**(195)**	(257)
Net reversal of impairment of investments	2	**(126)**	1 419
Profit before tax		**2 876**	3 526
Taxation – STC		**—**	(2)
Profit for the year		**2 876**	3 524

Sanlam Limited Statement of Changes in Equity

for the year ended 31 December 2007

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2006	**25**	**931**	**9 342**	**3 905**	**14 203**
Profit for the year	—	—	—	3 524	3 524
Dividends paid	—	—	—	(1 570)	(1 570)
Shares cancelled	(1)	—	—	(1 643)	(1 644)
Balance at 31 December 2006	**24**	**931**	**9 342**	**4 216**	**14 513**
Profit for the year	—	—	—	2 876	2 876
Dividends paid	—	—	—	(1 779)	(1 779)
Balance at 31 December 2007	**24**	**931**	**9 342**	**5 313**	**15 610**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited Cash Flow Statement

for the year ended 31 December 2007

R million	Note	2007	2006
Cash flow from operating activities		**1 246**	229
Cash utilised in operations	10	**(171)**	(263)
Dividends received		**3 196**	2 062
Dividends paid		**(1 779)**	(1 570)
Cash flow from investment activities			
Disposal of subsidiaries		**—**	454
Cash flow from financing activities			
Shares cancelled		**—**	(1 644)
Net decrease in loans to Group companies		**1 246**	(961)
Net loans to Group companies at beginning of the year		**(359)**	602
Net loans to Group companies at end of the year		**887**	(359)

for the year ended 31 December 2007

1. Accounting policies

The accounting policies of the Sanlam Limited group as set out on pages 238 to 255 of the Sanlam Limited group financial statements are also applicable to Sanlam Limited except for investments in subsidiary companies which are reflected at cost or at a lower value if there is an impairment in value.

Additional accounting policy

Financial guarantee contracts

'Financial guarantees' are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially accounted for at fair value and are not designated as at fair value through profit or loss. Subsequently, the amount is measured at the higher of the amount determined according to IAS 37 – *Provisions*, or the initial fair value less cumulative amortisation in accordance with IAS 18 – *Revenue*.

R million	2007	2006
2. Group companies		
Investments in Group companies – shares at lower of cost or market value	**14 927**	15 053
Current loans with Group companies	**887**	(359)
Loans to Group companies	**1 463**	852
Loans from Group companies	**(576)**	(1 211)
Book value of interest in Group companies	**15 814**	14 694
Net reversal of impairment of investments in Group companies		
Genbel Securities Limited	**(377)**	222
Sanlam Netherlands Holding BV	**251**	1 197
Total net reversal of impairment of investments in Group companies	**(126)**	1 419
Fair value of net investment in Group companies		
Investments in subsidiaries	**44 331**	38 751
Investment in associated company	**40**	36
Total fair value of net investment in Group companies	**44 371**	38 787
Loans to Group companies		
The loans to Group companies are unsecured and not subject to any fixed terms of repayment. No interest is charged but these arrangements are subject to revision from time to time. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 304.		
Loans to Group companies		
Sanlam Spec (Pty) Limited	**1 451**	812
Other	**12**	0
Sanlam Investment Holding Limited	**0**	40
Loans from Group companies		
Sanlam Life Insurance Limited	**(576)**	(1 211)
Impairment of loan		
Sanlam Spec (Pty) Limited	**(188)**	(257)
Real Futures (Pty) Limited	**(7)**	0
Total	**(195)**	(257)

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 273 of the Sanlam Limited group financial statements.

4. Investment surpluses

Investment surpluses relate to the profit on the sale of the interest in Santam Limited to Sanlam Life Insurance Limited.

R million	2007	2006
5. Administration costs include:		
Directors' remuneration		
Details of the directors' remuneration are reflected in note 24 on page 284 of the Sanlam Limited group financial statements.		
Auditors' remuneration		
Audit fees: Statutory audit	**5**	7
Total auditors' remuneration	**5**	7
6. Dividends		
Details of the dividends declared are disclosed in note 29 on page 287 of the Sanlam Limited group financial statements.		
7. Borrowing powers		
In terms of the articles of association of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.		
8. Commitments and contingencies		
Details of commitments and contingencies are reflected in note 34 on page 294 of the Sanlam Limited group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R7 billion (2006: R7 billion).		
9. Related parties		
Details of related parties are reflected in note 35 on page 295 of the Sanlam Limited group financial statements.		
10. Notes to the cash flow statement		
Cash utilised in operations		
Profit before tax	**2 876**	3 526
Non-cash flow items	**126**	(1 744)
Profit on disposal of subsidiaries	**—**	(325)
Net reversal of impairment of investments in Group companies	**126**	(1 419)
Items disclosed separately		
Dividends received	**(3 196)**	(2 062)
Increase in net working capital liabilities	**23**	17
Cash utilised in operations	**(171)**	(263)
11. Capital and risk management		
The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment by establishing whether the net asset value of the underlying Group company is sufficient to cover the outstanding loan amount. Where the net asset value (including any impairments recognised in that company) is less than the carrying value of the loan, an impairment loss is recognised, as disclosed in note 2 on page 302. The credit quality of each loan has been assessed as acceptable within the parameters used to measure and monitor credit risk.		
Sanlam Limited's maximum exposure to credit risk is calculated as follows:		
Carrying value of loans granted	**1 463**	852
Further details of risk management are disclosed in the Capital and Risk Management Report on page 195.		

Principal Subsidiaries

at 31 December 2007

R million	% interest	Issued ordinary capital 2007	Fair value of interest in subsidiaries: Shares 2007	Shares 2006	Loans 2007	Loans 2006
Long-term insurance						
Sanlam Life Insurance Limited	100	**5 000**	**37 933**	33 849	**(576)**	(1 211)
Investment and capital markets						
Genbel Securities Limited	100	**253**	**1 625**	2 002		
Investment management and consulting						
Sanlam Investment Management (Pty) Limited	100	(1)	(1)	(1)		
Sanlam Independent Financial Services (Pty) Limited	100	(2)	(2)	(2)		
Sanlam Investment Holdings Limited	100	(2)	**474**	333	**—**	40
Sanlam Netherlands Holding BV[3]	100	**2 309**	**3 271**	2 867		
Investment companies						
Sanlam Spec (Pty) Limited[4]	100	(2)	**—**	57	**1 451**	812
Sanlam Investments (Pty) Limited	100	(2)	**141**	2		
Sanlam Share Incentive Trust	100	(2)	(2)	(2)		
Other	100	(2)	(2)	(2)	**12**	
Total		**7 562**	**43 444**	39 110	**887**	(359)
Aggregate profits from subsidiaries			**5 807**			
Aggregate losses from subsidiaries			**313**			

[1] *The interest is held indirectly by Sanlam Life Insurance Limited.*
[2] *Issued share capital is less than R1 000.*
[3] *Incorporated in the Netherlands.*
[4] *The loan to Sanlam Spec (Pty) Limited is subordinated in favour of other creditors.*

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated.

Analysis of the Group's holding in Santam

%	2007	2006
Shareholders' funds		
■ Sanlam Life Insurance Limited	**54,69**	54,71
Policyholders' funds		
■ Sanlam Life Insurance Limited	**1,25**	1,76
Total	**55,94**	56,47

Technical terms and definitions

"Africa"	–	the rest of Africa, excluding South Africa;
"billion"	–	one thousand million;
"capital adequacy"	–	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"core earnings"	–	a Sanlam core earnings figure is presented to provide an indication of 'stable' earnings. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends received from non-operating associated companies and joint ventures but excludes the equity-accounted retained earnings;
"cost of capital"	–	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	–	long-term insurance business written by Sanlam Personal Finance, Sanlam Developing Markets and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	–	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	–	the Financial Services Board, the regulator of insurance companies in South Africa;
"life insurance business" or "life business"	–	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	–	investment products provided by Sanlam Investments, Sanlam Employee Benefits and Glacier by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	–	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	–	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	–	VNB as a percentage of PVNBP;
"new loan business margin"	–	value of new loan business as a percentage of loans granted;
"non-life business"	–	financial services and products provided by the Group, excluding life insurance business;
"non-life linked business"	–	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which are not written under a life licence;

"non-participating annuity"	– a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;
"non-participating policy"	– a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	– normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam group, the only differences between normalised attributable earnings and normalised headline earnings are: ■ Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; ■ Impairment of investments and goodwill; and ■ The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"participating annuity"	– a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	– a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	– unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	– present value of new business premiums from covered business;
"required capital"	– the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"reversionary bonus policy"	– a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"stable bonus policy"	– a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;
"Statutory Valuation Method" or "SVM"	– valuation requirements as laid out in a Board Notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers" or the equivalent valuation requirements of the Financial Services Authority in the United Kingdom as applicable to Merchant Investors;
"surrender value"	– the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	– the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;

"value of new business" or "VNB"	– the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;
"value of new loan business" or "Loan business VNB"	– loan business comprises mortgage loans provided by Sanlam Home Loans and personal loans offered by Sanlam Personal Loans. The value of new loan business is based on methodologies and assumptions similar to the calculation of Life VNB;
"value of new non-life linked business" or "Non-life linked business VNB"	– the value of new non-life linked business, based on methodologies and assumptions similar to the calculation of Life VNB.
"white label"	– white label products relate to business where the Group is principally providing administrative or life licence services to third-party institutions;

Major businesses of the Group

"African Life"	– African Life Assurance Company Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;
"Channel Life"	– Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"Merchant Investors"	– Merchant Investors Assurance Company Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	– Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
"Sanlam Limited"	– the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam group" or "the Group"	– Sanlam Limited and its subsidiaries, associates and joint ventures;
"Sanlam Namibia"	– Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia.

Sanlam Limited

(Incorporated in the Republic of South Africa)

(Registration No 1959/001562/06)

Notice is hereby given that the tenth Annual General Meeting of the Members of Sanlam Limited (the "Company") will be held on Wednesday, 4 June 2008 at 14:00 in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville (the "Meeting") for the following purposes:

1. To consider and adopt the annual financial statements of the Group and the Company for the year ended 31 December 2007.
2. To appoint a firm of external auditors for the Company. The Audit and Risk Committee of the Board recommends the re-appointment of Ernst & Young Inc.
3. To take note of the remuneration of the external auditors as determined by the Audit and Risk Committee of the Board.
4. To re-elect the following directors of the Company, retiring by rotation in terms of article 14 of the Articles, and who are eligible and offer themselves for re-election:

   RC Andersen

   AS du Plessis

   MV Moosa

   I Plenderleith

   M Ramos

   GE Rudman

5. To consider and approve the total amount of directors' remuneration for the financial year ended 31 December 2007.
6. To consider and approve, with or without modification, a 10% increase in the remuneration of the non-executive directors for the period 1 July 2008 up to 30 June 2009. This includes the all-inclusive remuneration package of the Chairman as well as the fixed annual Board fees and attendence fees for Board meetings payable to the Deputy Chairman as well as to the other non-executive directors and members of Board committees, where applicable.
7. To consider and, if approved, to pass, with or without modification, the following ordinary resolution number 7:

   "Resolved, in accordance with the requirements of the JSE, that the amendments required to be made to the trust deed of the Sanlam Limited Share Incentive Trust in order to give effect to the matters summarised in paragraphs 7.1 to 7.6 on pages 308 to 309 of this notice be and are hereby approved."

7.1 The Sanlam Limited Share Incentive Trust (the "Trust") was established and approved by shareholders of the Company in 1998 and since then served as a vehicle to incentivise, retain and motivate key employees (including executive directors) ("Qualifying Employees") of the Company and its subsidiaries (the "Group") by means of allocating shares in the ordinary share capital of the company ("Shares") on the terms and conditions (the "Existing Employee Incentive Plan Rules") as set out in the trust deed of the Trust (the "Trust Deed") and applied by the trustees of the Trust (the "Existing Employee Incentive Plan").

7.2 The Trust Deed currently provides, within certain limits, for Qualifying Employees to be incentivised by way of either –

7.2.1 awarding options to them to acquire Shares at a market-related price, which are capable of being exercised within certain time periods ("Options"); or

7.2.2 making an offer to them to acquire Shares at a market-related price on such terms that payment of the purchase price and delivery of the Shares are deferred ("Deferred Delivery Shares").

7.3 Whilst the current means of motivation and retention of Qualifying Employees through the Existing Employee Incentive Plan are still valid, the Trust Deed needs to be adjusted to ensure that it adheres to constantly changing "incentivisation best practices" so as to achieve its objectives. Furthermore, it also needs to be adjusted to clarify the current wording in respect of appropriate adjustments in the event of a declaration of a special dividend by the company. The declaration of a special dividend without an adjustment may prejudice the rights of Qualifying Employees participating in the Existing Employee Incentive Plan.

7.4 It is accordingly proposed that the Trust Deed be amended to allow for –

7.4.1 the transfer of Shares to certain Qualifying Employees at no consideration resulting in such Qualifying Employees becoming the beneficial owners of such Shares and entitled to all dividends, special dividends and capitalisation shares in respect of such Shares ("Share Distributions") from the date on which they are transferred, provided that the Qualifying Employees will not be entitled to dispose of or otherwise deal in such Shares prior to adhering to such retention and performance conditions ("Vesting Conditions") the Board may determine at the time ("Restricted Shares"), provided that –

7.4.1.1 the market value of the Restricted Shares, as determined on the date of allocation thereof, may not exceed the aggregate value, as determined by using appropriate valuation models, of Options and/or Deferred Delivery Shares, had Options and/or Deferred Delivery Shares been allocated at market price;

7.4.1.2 the Existing Employee Incentive Plan Rules will be adjusted to apply *mutatis mutandis* to the Restricted Shares, for e.g. a Qualifying Employee will be required to transfer the Restricted Shares and return any Share Distributions to the Trust for no consideration should such Qualifying Employee ceased to be employed by the Group (other than in the circumstances envisaged in paragraph 7.4.1.3) prior to the fulfilment of the Vesting Conditions;

7.4.1.3 a minimum retention requirement of three years (the "Time Restriction") is included in the Vesting Conditions, except where the Existing Employee Incentive Plan Rules allow for early vesting, e.g. retirement, etc. ("Early Exit");

7.4.1.4 appropriate performance hurdles are set for specific Qualifying Employees as part of the Vesting Conditions, such performance hurdles should be aligned with the long-term strategic goals and objectives of the Company as determined by the Board at the time ("Performance Condition"), provided that in the event of an Early Exit of a Qualifying Employee where a Performance Condition was agreed, the Board will determine the extent to which such Restricted Shares will vest and under what conditions;

7.4.1.5 where appropriate, restraint and confidentiality conditions may be included as part of the Vesting Conditions ("Restraint Condition") or as part of the terms and conditions of an Early Exit; and

7.4.1.6 for as long as the Time Restriction, Performance Condition and/or Restraint Condition, as the case may be, has not been fulfilled, the Restricted Shares will be pledged as security to the Trust;

7.4.2 the allocation of Shares, for no consideration, to Qualifying Employees for delivery on pre-determined future dates subject to such conditions as the Board may determine at the time ("Deferred Shares"). The provisions of paragraphs 7.4.1.1 to 7.4.1.5 will apply *mutatis mutandis* to the Deferred Shares;

7.4.3 the sale of Shares to Qualifying Employees at a market-related price on such terms as may be prescribed by the Board at the time on loan account (the "Loan Shares"), provided that –

7.4.3.1 to the extent that the purchase price remains outstanding (the "Loan"), the interest levied on such Loan shall not be less than the prescribed rate of interest as determined by the South African Revenue Services from time to time for fringe benefit tax purposes; and

7.4.3.2 until such time as the relevant Loan is repaid in full, the Loan is secured by such form of security as may be acceptable to the Board;

7.4.4 the Trust to accept and assume the obligations of any company in the Group in relation to Restricted Shares, Deferred Shares and/or the sale of Loan Shares, irrespective of when such obligations were created and oblige the trustees of the Trust to do so when required by the Board;

7.4.5 obligate the trustees of the Trust to extend allocations of Restricted Shares, Deferred Shares or to sell Loan Shares and grant Loans to Qualifying Employees when so required by the Board on such terms as may be prescribed by the Board; and

7.4.6 effecting the necessary consequential changes to the Trust Deed containing the Existing Employee Incentive Plan Rules to give effect to the above proposed amendments.

7.5 It is furthermore proposed that the Trust Deed be amended to allow for an appropriate adjustment in respect of Options, Deferred Delivery Shares and/or Deferred Shares in the event of the declaration and payment of a special dividend by the company. A dividend will be regarded as a special dividend for these purposes if it is designated as such by the Board. An adjustment will be made to the number of Shares and/or the strike or purchase price. It will be a requirement that the auditors of the Group or an appropriate investment banker certify the adjustment as fair and reasonable in the circumstances.

7.6 The proposed amendments to the Trust Deed are available for inspection at the registered office of the Company for a period of 14 (fourteen) days prior to the date of the Annual General Meeting of the Members of the Company called in terms of this notice.

8. To consider and, if approved, to pass, with or without modification, the following ordinary resolution number 8:

"Resolved, in accordance with the requirements of the JSE, three new employee share incentive schemes being namely –

- the Deferred Share Plan;
- the Performance Deferred Share Plan; and
- the Restricted Share Plan,

(collectively hereinafter referred to as the "New Employee Incentive Plans") be adopted in terms of which the Company may allocate shares in the ordinary share capital of the Company to its employees or to its subsidiaries for the purpose of implementing the Group's long-term incentive and retention strategy on the terms and conditions summarised in paragraphs 8.1 and 8.2 on page 310 of this notice, and in particular on the basis that the –

- same terms and conditions governing the Sanlam Limited Share Incentive Trust (the "Trust"), as amended in accordance with ordinary resolution number 7, will apply *mutatis mutandis* to the New Employee Incentive Plans;
- Human Resources Committee of the Board is responsible for the governance of the New Employee Incentive Plans and the same duties, powers and privileges as set out in the trust deed of the Trust will apply *mutatis mutandis*;
- maximum number of shares allocated in terms thereof and any other employee incentive scheme of the Group, will not, at any time, in the aggregate exceed 7,5% of the issued ordinary share capital of the Company; and

- maximum number of shares allocated to an individual in terms thereof and any other employee incentive scheme of the Group, will not, at any time, in the aggregate exceed 0,3% of the issued ordinary share capital of the Company."

8.1 Using the Trust as the only vehicle for the implementation of the Group's long-term incentive and retention strategy under the Existing Employee Incentive Plan, may not in all circumstances be the most efficient and cost-effective way. It is therefore proposed that, in addition to the proposed amendments to the Trust Deed as set out in ordinary resolution number 7 above, the Board be authorised to approve the allocation of Shares directly to the Company's subsidiaries or the employees of the subsidiaries for purposes of the implementation of the New Employee Incentive Plans.

8.2 Allocations of any Shares pursuant to 8.1 in accordance with the provisions of the New Employee Incentive Plans will be subject to the limitation that –

8.2.1 the rules for the Existing Employee Incentive Plans as amended in accordance with 7 above will apply to, and govern each allocation under the New Employee Incentive Plans, *mutatis mutandis*; and

8.2.2 the maximum number of Shares allocated for the Existing Employee Incentive Plan and New Employee Incentive Plans, whether implemented by the Trust and/or the Company and/or any of its subsidiaries, will not, at any time, exceed 7,5% of the issued ordinary share capital of the Company, being the maximum number of Shares capable of being allocated in terms of the existing Trust Deed.

8.3 The proposed rules governing the New Employee Incentive Plans are available for inspection at the registered office of the Company for a period of 14 (fourteen) days prior to the date of the Annual General Meeting of the Members of the Company.

9. To consider and, if approved, to pass, with or without modification, the following special resolution number 1:

"Resolved that the Company approves, by way of general authority, and the Board be authorised pursuant hereto to effect, whether by way of a single transaction or a series of transactions:

(a) the purchase of any of its securities by the Company or its subsidiaries, including ordinary shares of R0,01 each in the capital of the Company;

(b) the purchase of such securities by the Company in any holding company of the Company, if any, and any subsidiary of any such holding company;

(c) the purchase by and/or transfer to the Company of any of its securities purchased pursuant to (a) above; and

(d) the purchase by and/or transfer to any holding company of the Company and/or any subsidiary of any such holding company of any securities purchased pursuant to (b) above,

subject to the provisions of the Companies Act and the requirements of the JSE and any other stock exchange upon which the securities of the Company may be quoted or listed from time to time, and subject to such other conditions as may be imposed by any other relevant authority, provided that:

- the general authority shall only be valid up to and including the date of the Company's next annual general meeting, on condition that it does not extend beyond 15 months from the date of this special resolution;
- the ordinary shares be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase be limited in any one financial year to a maximum of 10% of the relevant Company's issued share capital of that class at the time the authority is granted;
- purchases must not be made at a price more than 10% above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of the purchases;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries;
- the Company will only undertake a repurchase of securities if, after such repurchase, the company still complies with the shareholder spread requirements of the JSE;
- the Company or its subsidiaries may not repurchase securities during a prohibited period unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and where full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period; and
- an announcement complying with rule 11.27 of the JSE Listings Requirements be published by the Company
  - (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and
  - (ii) for each 3% in aggregate of the initial number of ordinary shares acquired by the Company and/or its subsidiaries.

The reason for and effect of special resolution number 1 is to grant a general authority to enable the Company to acquire securities which have been issued by it, or its holding company, if any, and any subsidiary of any such holding company, and any subsidiary of the Company to acquire securities in the Company, including the transfer of such shares from a subsidiary company to its holding company.

10. To consider and, if approved, to pass, with or without modification, the following ordinary resolution number 9:

"Any director of the Company, and where applicable the secretary of the Company, be and is hereby authorised to do all such things, sign all such documentation and take all such actions as may be necessary to implement the aforesaid ordinary and special resolutions".

In terms of the JSE Listings Requirements for a special resolution, shareholders are referred to the sections of the financial report listed below to which this notice of Annual General Meeting forms part for general information regarding:

- the Company's directors and management (pages 22 and 32);
- major shareholders (pages 295 and 312);
- directors' interests in securities (page 55);
- share capital (page 273); and
- litigation (page 294).

The directors, whose names are set out on page 22 of the financial report, collectively and individually accept full responsibility for the accuracy of the information contained in the special resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the notice of the Annual General Meeting contains all information required by law and the JSE Listings Requirements.

General notes

1. A member entitled to attend, speak and vote at the Meeting may appoint a proxy to attend, speak and vote in his or her stead.
2. Sanlam shareholders who hold share certificates for their Sanlam ordinary or Sanlam 'A' deferred shares or have dematerialised their Sanlam ordinary shares and have them registered in their own name or in the name of Sanlam Share Account (Proprietary) Limited or Sanlam Fundshares Nominee (Proprietary) Limited, but who are unable to attend the Meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (Private Bag X105, Marshalltown, 2107). The form of proxy must be received by not later than 14:00 on Monday, 2 June 2008.
3. Sanlam ordinary shareholders who hold their dematerialised Sanlam ordinary shares through a bank or broker nominee and wish to cast their votes at this Meeting or wish to attend the Meeting in person, must contact their bank or broker.
4. A person representing a corporation/company is not deemed to be a proxy as such corporation/company can only attend a meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to the proxy form. Such person enjoys the same rights at the Meeting as the shareholding corporation/company.
5. A member whose shares are held by Sanlam Share Account (Proprietary) Limited or Sanlam Fundshares Nominee (Proprietary) Limited is empowered by such relevant nominee company to act and vote at the Meeting.
6. On a show of hands, every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.
7. On a poll, every shareholder present in person or represented by proxy or duly authorised representative shall have one vote for every Sanlam share held by such shareholder.
8. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the Meeting. If a poll is so demanded, the resolution put to the vote shall be decided on a poll.

By order of the Board

JP Bester
Company Secretary

Bellville

10 March 2008

Analysis of shareholders

on 31 December 2007

Distribution of shareholding	Total shareholders Number	%	Total shares held Number	%
1 – 1 000	486 296	85,90	184 518 631	8,01
1 001 – 5 000	71 004	12,54	139 034 293	6,04
5 001 – 10 000	5 846	1,03	40 091 317	1,74
10 001 – 50 000	2 342	0,41	40 395 229	1,75
50 001 – 100 000	152	0,03	11 253 715	0,49
100 001 – 1 000 000	333	0,06	124 801 645	5,42
1 000 001 and over	162	0,03	1 763 513 474	76,55
Total	566 135	100,00	2 303 608 304	100,00

Public and non-public shareholders	% shareholding
Public shareholders (566 120)	**98,62**
Non-public shareholders	
Directors' interest	**0,16**
Employee pension funds	**0,12**
Sanlam Limited Share Incentive Trust	**1,10**
Total	**100,00**

Shareholder structure	% shareholding
Institutional and other shareholding	
Offshore	**25,25**
South Africa	**59,07**
Individuals	**15,64**
Demutualisation Trust	**0,04**
Total	**100,00**

Beneficial shareholding of 5% or more:

– Public Investment Commissioner (SA)	**12,51**
– Ubuntu-Botho Investments (Pty) Ltd	**9,81**

Shareholders' diary and administration

Shareholders' diary

Financial year-end	31 December
Annual general meeting	4 June 2008

Reports

■ Interim report for 30 June 2008	September 2008
■ Announcement of the results for the year ended 31 December 2008	March 2009
■ Annual report for the year ended 31 December 2008	April 2009

Dividends

■ Dividend for 2007 declared	5 March 2008
■ Last date to trade for 2007 dividend	18 April 2008
■ Shares will trade ex-dividend from	21 April 2008
■ Record date for 2007 dividend	25 April 2008
■ Payment of dividend for 2007	7 May 2008
■ Declaration of dividend for 2008	March 2009
■ Payment of dividend for 2008	May 2009

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account (Pty) Ltd and Sanlam Fundshares Nominee (Pty) Ltd), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between 21 April 2008 and 25 April 2008, both dates included.

Transactions on the JSE via STRATE are not affected by this arrangement.

Administration

Sanlam Limited

Registration No 1959/001562/06
Incorporated in South Africa

Sanlam Life Insurance Limited

Registration No 1998/021121/06

Group Secretary

JP Bester

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webmaster@sanlam.co.za

Investor Relations

David Barnes
david.barnes@sanlam.co.za

Transfer Secretaries

Computershare Investor Services (Pty) Ltd

Registration No 2004/003647/07

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BASTION GRAPHICS

Sanlam

For more information, visit our website **www.sanlam.co.za**