Sanlam
90 years of thinking ahead

Registered name: Sanlam Limited
(Registration number 1959/001562/06)

JSE share code: SLM
NSX share code: SLA
ISIN NUMBER: ZAE000070660

Audited results for the year ended 31 December 2007

Contents

Sanlam Group Results December 2007

Key features

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

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				
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.*

EXECUTIVE REVIEW

Overview

We are pleased to be reporting on a financial year that saw the 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 77 cents dividend per share.

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 variety 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 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. 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 for 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 relatively lower 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 28% lower than in 2006.

Delivering on strategy

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 quarter of our inflows came from the life side - a direct result of our successful diversification strategy.

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 represent us, and the UK market where we have more than 500 people on the ground.
- 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.

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.

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.

Maximising Return on Group Equity Value 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 has been achieved in 2007, with a total return on GEV of 19,1%. All of the businesses contributed to the growth, with a particular strong performance from the investment in Santam.

In our ongoing focus on capital efficiency we succeeded in freeing up a further R3 billion of capital last year. This has increased the current level of our discretionary capital to just more than R6 billion. This we will invest in new projects that will spearhead the growth of this business well into the future or return it to shareholders. Much of our focus this year will be on pursuing and bedding down these initiatives.

R2,9 billion was utilised to buy back Sanlam shares in 2007. The aggregate amount of capital returned through share buy-backs since the start of 2005 now amounts to R9 billion (588,8 million shares or 21,3% of Sanlam's issued share capital as at the beginning of 2005). Recent market weakness, in particular in respect of the Sanlam share price, created a further opportunity to add value through the buy back of Sanlam shares. The Sanlam Board is of the opinion that share buy-backs remain the most efficient way of returning capital to shareholders under these conditions and has therefore committed to a continuance of the Sanlam buy back programme.

Looking ahead

A number of significant challenges started to emerge 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 financial markets, the threat of continuing rising interest rates, 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. Adding to the negative sentiment is the continued weakness in the US housing market and the potential of a US and European slowdown.

It is unlikely 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.

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COMMENTS ON THE RESULTS

Introduction

The Sanlam group financial statements for the year ended 31 December 2007 are presented based on and in compliance with IFRS. The Group's external auditors, Ernst & Young Inc., have audited the financial statements.

Continuing impact of IFRS

IFRS have been developed as general-purpose accounting standards to be applied across all industries without exemption for any unique industry or country-specific circumstances. While we support the objective of IFRS to achieve consistency in financial reporting, we are concerned that the indiscriminate application of IFRS does not necessarily present the economic substance of transactions or the reality and performance of the reporting entity, to the potential detriment of the users of the financial statements.

The accounting treatment of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund is an example where IFRS have a material disclosure but not a true economic impact on the Group's results.

In terms of IFRS, the investments of the policyholders' fund 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. For the calculation of basic and diluted earnings per share in terms of IFRS, the number of shares in issue is reduced by the Sanlam shares held by the policyholders' fund. This is not a true representation of the earnings attributable to the Group's shareholders. This is specifically evident in instances where the share prices and/or the number of shares held by the policyholders' fund varies significantly, which results in losses being recognised in the IFRS earnings as the Sanlam share price increases and profits when the Sanlam share price decreases. These are not true economic profits and losses. The Group therefore decided to also disclose normalised diluted earnings per share from the 2007 financial year that eliminate this IFRS impact.

As the granting of shares to the beneficiaries of Santam's Black Economic Empowerment transaction is still in the implementation phase, no charge has been recognised in the income statement in terms of IFRS 2 during 2007. Sanlam has followed Santam's disclosure of discontinued operations in terms of IFRS 5. Discontinued operations are excluded from Core Earnings.

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 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, credit, 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 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 from 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. The change added R272 million to the GEV as at 31 December 2007. No adjustment has been made to the 2006 published embedded value.

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 at close of trading on 31 December 2007.

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

GROUP EQUITY VALUE

	2007			2006		
R million	**Total**	**Fair value of assets**	**Value of in force**	Total	Fair value of assets	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 (cents)	**2 350**			2 047		
Share price (cents)	**2 275**			1 830		
Premium/(discount)	**-3%**			-11%		

GEV at 31 December 2007 includes discretionary capital of R6,1 billion. By utilising the net asset value of other Group operations to partially cover the required capital of the Group's life operations, a diversification benefit of R1,2 billion was achieved at 31 December 2007. This contributes to the optimal use of the Group's capital base.

The return on GEV of 19,1% (18,8% per share) is again well in excess of the Group's long-term return target of the 10-year bond yield plus 3% to 4%. The Group has outperformed this target on a cumulative basis since Sanlam's demutualisation in 1998.

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	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
Sanlam 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
Discretion and other capital	(229)		1 128	
Balanced 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

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, somewhat offset by a disappointing 4,9% return in Sanlam Employee Benefits. Sanlam Capital Markets' return includes once-off profit realised on the disposal of an associated company and subsidiary. Excluding these items, Sanlam Capital Markets' return was slightly below its 25% target. While the required capital of Sanlam Employee Benefits remains disproportionate to its value of in-force, its return will be sub-optimal. The return in 2007 was also adversely affected by the R380 million impact of the change to EEV. Excluding this impact, Sanlam Employee Benefits' return amounts to 10,6%. 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 Ubuntu-Botho (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 the 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 change 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.

Earnings

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%
Net investment income	**1 117**	760	47%
CORE EARNINGS	**4 146**	3 365	23%
Project expenses	**(85)**	-	-
Equity-accounted headline earnings	**152**	164	-7%
Broad-based employee share plan	**(5)**	(19)	74%
Net investment surpluses	**1 264**	3 215	-61%
Secondary Tax on Companies (STC)	**(131)**	(84)	-56%
Discontinued operations	**(91)**	37	-346%
Amortisation of value of business acquired	**(51)**	(45)	-13%
NORMALISED HEADLINE EARNINGS	**5 199**	6 633	-22%
Disposal of associates and subsidiaries	**668**	132	
Other non-headline earnings	**-**	5	
Impairment of investments and goodwill	**(7)**	(30)	
Normalised attributable earnings	**5 860**	6 740	-13%

Core earnings

Core earnings for the year of R4 146 million are 23% up on 2006. 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. 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.

The gross result from financial services of **R4 539 million** is 11% higher than the comparative period in 2006. Net of taxation and minority interests, the result from financial services is 16% higher than 2006. The relatively higher growth on a net basis is mainly due to a lower effective tax rate in Sanlam Developing Markets and Sanlam Capital Markets.

Result from financial services for the year ended 31 December 2007

R million	2007	2006	△
Sanlam Personal Finance	**1 889**	1 697	11%
Sanlam Developing Markets	**343**	421	-19%
Institutional cluster	**1 476**	1 298	14%
Sanlam Investments	**1 230**	1 077	14%
Sanlam Employee Benefits	**173**	70	147%
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%
Taxation	**(997)**	(989)	-1%
Minority shareholders' interest	**(513)**	(504)	-2%
Net result from financial services	**3 029**	2 605	16%

- **Sanlam Personal Finance** achieved another set of satisfactory results with their result from financial services for the year 11% up on 2006. Higher market-related income was to an extent offset by lower administration profits 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. 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 Value of New Life Business. 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 a release of an excess tax provision.
- 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 the 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 business.
- 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 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.

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 'Earnings' section 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.

- 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 than 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.

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.

New business volumes for the year ended 31 December 2007			
R million	**2007**	2006	△
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 cluster	**50 177**	38 678	30%
Sanlam Investments	**47 843**	36 498	31%
Sanlam Employee Benefits	**2 334**	2 180	7%
Santam	**11 407**	10 203	12%
White label	**8 996**	7 938	13%
Total new business	**102 004**	80 648	26%

Sanlam Personal Finance's 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 advisor 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 their 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 business flows

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 business flows for the year ended 31 December 2007		
R million	**2007**	2006
Sanlam Personal Finance	**3 521**	3 678
Sanlam Developing Markets	**2 266**	1 669
Institutional cluster	**390**	(17 664)
Sanlam Employee Benefits	**(4 111)**	(2 835)
Sanlam Investments	**4 501**	(14 829)
Santam	**3 379**	3 166
White label	**1 807**	1 700
Total net business flows	**11 363**	(7 451)

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. 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 relatively 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.

Value of new business (VNB)

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%.

VALUE OF NEW BUSINESS			
R million	2007	2006	D
Covered business:			
Value of new life business	567	434	30.6%
Sanlam Personal Finance	332	261	27.2%
Sanlam Developing Markets	203	134	51.5%
Sanlam Employee Benefits	32	39	-17.9%
Net of minorities	493	379	30.1%
Present value of new business premiums	23 886	20 308	17.6%
Sanlam Personal Finance	16 312	13 735	18.8%
Sanlam Developing Markets	5 476	3 107	76.2%
Sanlam Employee Benefits	2 098	3 466	-39.5%
Net of minorities	21 886	19 426	12.7%
Life new business margin	2.37%	2.14%	
Sanlam Personal Finance	2.04%	1.90%	
Sanlam Developing Markets	3.71%	4.31%	
Sanlam Employee Benefits	1.53%	1.13%	
Net of minorities	2.25%	1.95%	

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 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,** 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 is however down by only 3%, given the lower margins earned on the reclassified investment business. Overall profitability improved from 1,13% in 2006 to 1,53% in 2007.

Solvency

All of the life insurance businesses within the Group were 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.

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 subordinated debt) 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.

Discretionary capital that is surplus to the Group's immediate operational requirements is separately identified and centrally managed. 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. 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 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.

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 Sanlam board in determining the dividend for the year. The Sanlam 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 Sanlam 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 day to trade to qualify for this dividend will be Friday, 18 April 2008, and Sanlam shares will trade ex-dividend from Monday, 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.

Annual general meeting

These results will be tabled at the annual general meeting. Shareholders are invited to attend this meeting, to be held on Wednesday, 4 June 2008 at 14:00 at the Sanlam head office in Bellville.

Roy Andersen
Chairman

Johan van Zyl
Group Chief Executive

Sanlam Limited
Cape Town
5 March 2008

Audited Financial Statements for the year ended 31 December 2007

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The accounting policies adopted for purposes of the Sanlam group annual financial statements are consistent with those applied in the Group's 2006 annual financial statements.

The basis of presentation of the results is also consistent with that applied in the 2006 financial statements, apart from the following:

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, resulted in the adoption of the GEV reporting basis. Refer above for additional information.

Change in embedded value assumptions and methodology

The methodology and assumptions used to determine the embedded value of covered business have been adjusted from 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.

Shareholders' fund balance sheet and income statement

The presentation of the shareholders' fund balance sheet and income statement has been amended, both of which are presented for information purposes only. We have indicated to shareholders in previous financial reports that we believe that the IFRS accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries, and in particular the associated mismatch reserve in the balance sheet and the fund transfers in the income statement, results in a misrepresentation of the Group's operational performance. As part of the Group's approach to continuous improvement in financial reporting, it was decided to amend the presentation of the shareholders' fund information to exclude the impact of these holdings on both the income statement and balance sheet. This will not replace the IFRS based results but will provide shareholders with a more accurate alternative presentation of the Group's underlying economic performance.

- The shareholders' fund income statement has been adjusted to exclude the fund transfers. Comparative information has also been restated to exclude fund transfers of R205 million for the year ended 31 December 2006. As a result we also disclose normalised earnings and normalised diluted earnings per share with effect from the 2007 interim results, which eliminate the impact of the IFRS accounting treatment and more accurately present earnings attributable to shareholders. For purposes of the earnings per share calculation, the number of shares in issue is also restated to exclude the deemed 'treasury' shares held by the policyholders' fund.
- The shareholders' fund balance sheet has been adjusted to exclude the consolidation reserve that represents the mismatch between policy liabilities and policyholder assets resulting from the IFRS treatment. Comparative information has been restated, which increased the shareholders' fund net asset value by R1 859 million on 31 December 2006.

Application of new and revised standards

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 have 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 IAS19 The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction
- IFRS 3 Revised (effective 1 July 2009)
- IAS 27 Amended (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 mainly be applied on a prospective basis.

Financial Information for the shareholders' fund for the year ended 31 December 2007

Contents

GROUP EQUITY VALUE

at 31 December 2007

	2007 **R million**	2006 R million
Embedded value of covered business	**28 432**	27 403
Sanlam Personal Finance	**21 010**	18 702
Required capital	**8 732**	8 325
Value of in-force	**12 278**	10 377
Sanlam Developing Markets	**2 160**	1 953
Required capital	**860**	650
Value of in-force	**1 300**	1 303
Sanlam Employee Benefits	**5 262**	6 748
Required capital	**5 118**	6 165
Value of in-force	**144**	583
Other Group operations	**15 557**	13 210
Retail cluster	**1 220**	1 058
Institutional cluster	**7 256**	5 899
Santam	**6 375**	5 628
Independent Financial Services	**706**	625
Diversification benefit	**(1 232)**	(1 532)
Other capital	**2 436**	1 530
	45 193	40 611
Discretionary capital	**6 100**	6 200
Group equity value	**51 293**	46 811
Group equity value per share (cents)	**2 350**	2 047

SHAREHOLDERS' FUND AT FAIR VALUE

at 31 December 2007

	2007	2006
	R million	R million
Property and equipment	**214**	195
Owner-occupied properties	**612**	514
Goodwill	**487**	477
Value of business acquired	**843**	977
Deferred acquisition costs	**1 079**	917
Investments	**38 453**	36 386
Sanlam businesses	**15 557**	13 210
Sanlam Investments	**6 677**	5 358
SIM Wholesale	**4 443**	3 729
International	**1 857**	1 336
Sanlam Collective Investments	**377**	293
Sanlam Personal Finance	**1 192**	1 058
Glacier	**593**	527
Sanlam Personal Loans	**104**	94
Multi-Data	**143**	110
Sanlam Trust	**104**	95
Sanlam Home Loans	**177**	168
Other	**71**	64
Independent Financial Services	**706**	625
Punter Southall Group	**297**	209
Other	**409**	416
Alfinanz	**28**	-
Coris Administration	**38**	-
Sanlam Capital Markets	**541**	541
Santam	**6 375**	5 628
Associated companies	**301**	2 806
Peermont	**-**	1 062
Other	**301**	1 744
Joint ventures	**378**	387
Safair Lease Finance	**209**	271
Shriram and other	**169**	116
Other investments	**22 217**	19 983
Other equities and similar securities	**11 112**	10 232
Public sector stocks and loans	**2 697**	2 368
Investment properties	**245**	793
Other interest-bearing and preference share investments	**8 163**	6 590
Net term finance	**-**	-
Term finance	**(5 068)**	(5 322)
Assets held in respect of margin business	**5 068**	5 322
Net deferred tax	**(95)**	(215)
Net working capital	**(888)**	(942)
Minority shareholders' interest	**(857)**	(818)
Shareholders' fund at fair value	**39 848**	37 491
Fair value per share (cents)	**1 826**	1 640

SHAREHOLDERS' FUND AT NET ASSET VALUE

at 31 December 2007

	2007 R million	2006 R million
Assets		
Goodwill	**2 447**	2 163
Value of business acquired	**1 000**	977
Investments	**36 877**	36 423
Working capital and other assets	**40 616**	45 982
Total assets	**80 940**	85 545
Equity and liabilities		
Shareholders' fund	**31 177**	30 980
Share capital and premium	**955**	955
Treasury shares	**(3 959)**	(377)
Other reserves	**9 782**	9 812
Retained earnings	**24 399**	20 590
Minority shareholders' interest	**2 270**	4 050
Term finance, working capital and other liabilities	**47 493**	50 515
Total equity and liabilities	**80 940**	85 545
Net asset value per share (cents)	**1 428**	1 355

Reconciliation to Group balance sheet		
Shareholders' fund at net asset value above	**31 177**	30 980
Consolidation reserve	**(1 843)**	(1 859)
Shareholders' fund per Group balance sheet	**29 334**	29 121

Note: Comparative information has been restated to exclude the impact of the consolidation reserve.

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2007

	2007	2006
	R million	R million
Result from financial services before tax	**4 539**	4 098
Life insurance	**2 405**	2 188
Short-term Insurance	**987**	878
Investment Management	**1 230**	1 077
Capital Markets	**73**	151
Independent Financial Services	**7**	20
Corporate and other	**(163)**	(216)
Tax on financial services income	**(997)**	(989)
Minority shareholders' interest	**(513)**	(504)
Net result from financial services	**3 029**	2 605
Net investment income	**1 117**	760
Core earnings	**4 146**	3 365
Net project expenses	**(85)**	-
Net broad-based employee share plan	**(5)**	(19)
Net equity-accounted headline earnings	**152**	164
Net investment surpluses	**1 264**	3 215
Amortisation of value of business acquired	**(51)**	(45)
Discontinued operations	**(91)**	37
Net Secondary Tax on Companies	**(131)**	(84)
Normalised headline earnings	**5 199**	6 633
Other equity-accounted earnings	**-**	5
Profit on disposal of subsidiaries and associates	**668**	132
Impairment of investments and goodwill	**(7)**	(30)
Normalised attributable earnings	**5 860**	6 740
Fund transfers	**(366)**	205
Attributable earnings per Group income statement	**5 494**	6 945

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

for the year ended 31 December 2007

	2007 R million	2006 R million
1. NEW BUSINESS AND TOTAL FUNDS RECEIVED FROM CLIENTS		
Analysed per market:		
Retail (1)		
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 - Merchant Investors	**1 293**	757
Sanlam Personal Finance - Namibia	**7 379**	5 424
Total Retail	**51 316**	40 792
Institutional (1)		
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-SA	**4 407**	4 422
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

(1) Comparative figures have been restated for a reclassification of collective investment funds between retail and institutional business.

NOTES TO THE SHAREHOLDERS' FUND INFORMATION *(continued)*

	2007 R million	2006 R million
2. NET FLOW OF FUNDS		
Analysed per market:		
Retail (1)		
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 (1)		
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-SA	**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 flow of funds	**11 363**	(7 451)

(1) Comparative figures have been restated for a reclassification of collective investment funds between retail and institutional business.

3. NORMALISED DILUTED EARNINGS PER SHARE

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, resulting in a mismatch between policy liabilities and policyholder investments, 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 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.

	2007 cents	2006 cents
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	R million
Analysis of normalised earnings (refer shareholders' fund income statement):		
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

	million	million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer below)	**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
Number of ordinary shares in issue at beginning of period	**2 303,6**	2 408,6
Shares cancelled	**-**	(105,0)
Number of ordinary shares in issue	**2 303,6**	2 303,6
Shares held by subsidiaries in shareholders' fund	**(168,9)**	(24,1)
Outstanding long-term incentive scheme shares and options	**43,3**	-
Number of shares under option to be 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

4. 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 counter-parties. 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 IFRS earnings and net asset value per share are illustrated in the table below:

		Before repurchases	**After repurchases**
Basic earnings per share:			
Profit attributable to shareholders' fund	cents	244,4	256,6
Headline earnings	cents	215,4	225,7
Diluted earnings per share:			
Profit attributable to shareholders' fund	cents	248,4	251,0
Headline earnings per share	cents	218,8	220,8
Value per share:			
Equity value	cents	2 350	2 350
Net asset value	cents	1 399	1 344
Tangible net asset value	cents	1 177	1 108

EMBEDDED VALUE OF COVERED BUSINESS
at 31 December 2007

EMBEDDED VALUE OF COVERED BUSINESS at 31 December 2007

	Note	**2007 R million**	2006 R million
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 based on the statutory capital adequacy requirement.

EMBEDDED VALUE OF COVERED BUSINESS

At 31 December 2007 *(continued)*

CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS for the year ended 31 December 2007

R million	Note	2007 Total	2007 Value of in-force	2007 Adjusted net worth	2006 Total
Embedded value of covered business at the beginning of the year		**27 403**	**12 263**	**15 140**	26 880
Value of new business[1]	2	**565**	**1 494**	**(929)**	434
Net earnings from existing covered business		**2 085**	**(384)**	**2 469**	1 717
Expected return on value of in-force business		**1 493**	**1 493**	**-**	1 256
Expected transfer of profit to adjusted net worth		**-**	**(2 096)**	**2 096**	-
Operating experience variances	3	**315**	**(30)**	**345**	277
Operating assumption changes		**277**	**249**	**28**	184
Net project expenses	4	**(77)**	**-**	**(77)**	-
Embedded value earnings from life operations		**2 573**	**1 110**	**1 463**	2 151
Economic assumption changes	5	**(128)**	**(136)**	**8**	(5)
Tax changes	6	**291**	**289**	**2**	47
Investment variances		**210**	**123**	**87**	1 015
Exchange rate movements		**(22)**	**(22)**	**-**	119
Change in minority shareholders' interest		**(85)**	**(85)**	**-**	(76)
EEV changes	8	**272**	**272**	**-**	-
Growth from covered business	7	**3 111**	**1 551**	**1 560**	3 251
Investment return on adjusted net worth		**1 589**	**-**	**1 589**	2 973
Embedded value earnings from covered business		**4 700**	**1 551**	**3 149**	6 224
Acquired value of in-force		**-**	**9**	**(9)**	-
Transfers to other Group operations		**(205)**	**(101)**	**(104)**	-
Net transfers to/from covered business		**(3 466)**	**-**	**(3 466)**	(5 701)
Embedded value of covered business at the end of the year		**28 432**	**13 722**	**14 710**	27 403

(1) Value of new business in the above table is calculated on the closing assumptions before EEV changes.

Analysis of earnings from covered business

Sanlam Personal Finance		**4 016**	**1 924**	**2 092**	4 469
Sanlam Developing Markets		**351**	**72**	**279**	559
Sanlam Employee Benefits		**333**	**(445)**	**778**	1 196
Embedded value earnings from covered business		**4 700**	**1 551**	**3 149**	6 224

VALUE OF NEW BUSINESS (VNB)

for the year ended 31 December 2007

VALUE OF NEW BUSINESS as at 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%

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

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	**16 362**	**(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) decrease 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)

3. OPERATING EXPERIENCE VARIANCES	**2007 R million**	2006 R million
Risk experience	**254**	280
Group stabilised business outflows	**(20)**	(108)
Working capital and other	**81**	105
Total operating experience variances	**315**	277

4. DEVELOPMENT EXPENSES

Development 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)

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2007

	2007 R million	2006 R million
6. TAX CHANGES		
Changes 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 net result from financial services for the year :		
Net result from financial services of covered business	**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
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		
Gross investment return, risk discount rate and inflation		
SANLAM LIFE:		
Fixed-interest securities	**8.3**	7.9
Equities and offshore investments	**10.3**	9.9
Hedged equities	**8.3**	7.9
Property	**9.3**	8.9
Cash	**6.3**	5.9
Return on required capital	**8.7**	7.1
Inflation rate	**5.3**	4.4
Risk discount rate	**10.8**	10.4
MERCHANT INVESTORS:		
Fixed-interest securities	**4.6**	4.6
Equities and offshore investments	**7.8**	7.1
Hedged equities	**7.8**	7.1
Property	**7.8**	7.1
Cash	**4.6**	4.6
Return on required capital	**4.6**	4.6
Inflation rate	**3.7**	3.5
Risk discount rate	**8.3**	8.3
AFRICAN LIFE:		
Fixed-interest securities	**8.6**	8.0
Equities and offshore investments	**10.6**	10.0
Hedged equities	**n/a**	n/a
Property	**9.6**	9.0
Cash	**6.6**	6.0
Return on required capital	**8.6**	8.0
Inflation rate	**5.6**	5.0
Risk discount rate	**11.1**	10.5
BOTSWANA LIFE INSURANCE:		
Fixed-interest securities	**10.5**	11.0
Equities and offshore investments	**12.5**	13.0
Hedged equities	**n/a**	13.0
Property	**11.5**	12.0
Cash	**8.5**	9.0
Return on required capital	**9.2**	11.8
Inflation rate	**7.5**	8.0
Risk discount rate	**14.0**	14.5

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2007

8. ECONOMIC ASSUMPTIONS – BEFORE EEV CHANGES (*continued*)	2007 %	2006 %
Asset mix for assets supporting the statutory capital		
SANLAM LIFE:		
Equities	**-**	-
Hedged equities	**20**	20
Property	**-**	-
Fixed-interest securities	**50**	50
Cash	**30**	30
	100	100
MERCHANT INVESTORS:		
Equities	**-**	-
Hedged equities	**-**	
Property	**-**	-
Fixed-interest securities	**-**	-
Cash	**100**	100
	100	100
AFRICAN LIFE:		
Equities	**50**	50
Hedged equities	**-**	-
Property	**-**	-
Fixed-interest securities	**-**	-
Cash	**50**	50
	100	100
BOTSWANA LIFE INSURANCE:		
Equities	**70**	75
Hedged equities	**-**	-
Property	**5**	1
Fixed-interest securities	**20**	24
Cash	**5**	-
	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 the 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**

Group financial statements for the year ended 31 December 2007

Contents

GROUP BALANCE SHEET at 31 December 2007

	2007 R million	2006 R million
ASSETS		
Property and equipment	**298**	259
Owner-occupied properties	**650**	530
Goodwill	**2 447**	2 163
Value of business acquired	**1 000**	977
Deferred acquisition costs	**1 693**	1 397
Long-term reinsurance assets	**487**	427
Investments	**290 101**	280 627
Properties	**15 648**	14 602
Equity-accounted investments	**1 759**	3 417
Equities and similar securities	**149 038**	141 456
Public sector stocks and loans	**49 887**	53 921
Debentures, insurance policies, preference shares and other loans	**34 091**	31 743
Cash, deposits and similar securities	**39 678**	35 488
Deferred tax	**475**	549
Non-current assets held for sale	**2 060**	-
Short-term insurance technical assets	**2 263**	2 288
Working capital assets	**38 791**	46 265
Trade and other receivables	**27 972**	37 103
Cash, deposits and similar securities	**10 819**	9 162
Total assets	**340 265**	335 482
EQUITY AND LIABILITIES		
Shareholders' fund	**29 334**	29 121
Minority shareholders' interest	**2 220**	3 934
Total equity	**31 554**	33 055
Long-term policy liabilities	**244 660**	237 864
Insurance contracts	**128 398**	125 517
Investment contracts	**116 262**	112 347
Term finance	**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	**1 354**	1 929
Non-current liabilities held for sale	**1 606**	-
Short-term insurance technical provisions	**7 719**	7 752
Working capital liabilities	**34 164**	40 783
Trade and other payables	**30 431**	37 801
Provisions	**973**	996
Taxation	**2 760**	1 986
Total equity and liabilities	**340 265**	335 482

GROUP INCOME STATEMENT for the year ended 31 December

	2007 R million	2006 R million
Net income	**52 504**	69 317
Financial services income	**26 715**	23 609
Reinsurance premiums paid	**(2 685)**	(2 400)
Reinsurance commission received	**373**	383
Investment income	**14 740**	11 959
Investment surpluses	**15 885**	37 903
Finance cost – margin business	**(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 and investment contract benefits	**(26 413)**	(43 272)
Short-term insurance claims	**(8 533)**	(7 616)
Reinsurance claims received	**1 532**	1 233
Expenses	**(9 939)**	(8 821)
Sales remuneration	**(3 554)**	(3 236)
Administration costs	**(6 385)**	(5 585)
Impairment of investments and goodwill	**(7)**	(30)
Amortisation of value of business acquired	**(51)**	(45)
Net operating result	**9 093**	10 766
Equity-accounted earnings	**228**	423
Finance cost – other	**(281)**	(114)
Profit before tax	**9 040**	11 075
Taxation	**(2 493)**	(3 049)
Shareholders' fund	**(1 678)**	(1 873)
Policyholders' fund	**(815)**	(1 176)
Profit from continued operations	**6 547**	8 026
Discontinued operations	**(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):		
Basic earnings per share	**256,6**	315,2
Diluted earnings per share	**250,9**	309,6
Earnings attributable to shareholders of the company from continuing operations (cents):		
Basic earnings per share	**260,8**	313,6
Diluted earnings per share	**255,1**	308,0

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

	2007 **R million**	2006 R million
Shareholders' fund:		
Balance at beginning of year	**29 121**	25 020
Total recognised income	**5 395**	7 263
Profit for the year	**5 494**	6 945
Movement in foreign currency translation reserve	**(99)**	318
Net realised investment surpluses on treasury shares	**(288)**	(188)
Cost of treasury shares (acquired)/sold (1)	**(3 263)**	63
Share-based payments	**74**	74
Dividends paid (2)	**(1 705)**	(1 467)
Shares cancelled	**-**	(1 644)
Balance at end of year	**29 334**	29 121
Minority shareholders' interest:		
Balance at beginning of year	**3 934**	3 443
Total recognised income	**858**	1 257
Profit for the year	**885**	1 151
Movement in foreign currency translation reserve	**(27)**	106
Net realised investment surpluses on treasury shares	**24**	-
Cost of treasury shares acquired	**(551)**	-
Share-based payments	**10**	9
Dividends paid	**(1 474)**	(668)
Acquisitions, disposals and other movements in minority interests	**(581)**	(107)
Balance at end of year	**2 220**	3 934
Shareholders' fund	**29 121**	25 020
Minority shareholders' interest	**3 934**	3 443
Total equity at beginning of year	**33 055**	28 463
Shareholders' fund	**29 334**	29 121
Minority shareholders' interest	**2 220**	3 934
Total equity at end of year	**31 554**	33 055

(1) Comprises movement in cost of shares held by subsidiaries and the share incentive trust.

(2) Dividend of 77 cents per share paid during 2007 (2006: 65 cents per share) in respect of the 2006 financial year.

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2007

	2007	2006
	R million	R million
Net cash inflow/(outflow) from operating activities	**30**	(5 436)
Net cash inflow from investment activities	**9 859**	11 704
Net cash (outflow)/inflow from financing activities	**(3 227)**	971
Net increase in cash and cash equivalents	**6 662**	7 239
Cash, deposits and similar securities at beginning of year	**44 647**	37 408
Cash, deposits and similar securities at end of year	**51 309**	44 647

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	2007 cents	2006 cents
1. EARNINGS PER SHARE		
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	**251,0**	309,6
	R million	R million
Analysis of earnings:		
Profit attributable to shareholders	**5 494**	6 945
Less: Net profit on disposal of subsidiaries	**(44)**	(122)
Less: Net profit on disposal of associates	**(624)**	(10)
Less: Equity-accounted non-headline earnings	**-**	(5)
Plus: Impairment of investments and goodwill	**7**	30
Headline earnings	**4 833**	6 838
	million	million
Number of shares:		
Number of ordinary shares in issue at beginning of period	**2 303,6**	2 408,6
Less: Weighted average number of shares cancelled	**-**	(43,8)
Less: Weighted average Sanlam shares held by subsidiaries (including policyholders)	**(162,3)**	(161,7)
Weighted average number of shares for basic earnings per share	**2 141,3**	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)
Weighted average number of shares for diluted earnings per share	**2 189,4**	2 243,1

2. SEGMENTAL INFORMATION

	2007	2006
	R million	R million
Segment revenue	**25 026**	22 333
Sanlam Personal Finance	**6 457**	5 829
Sanlam Developing Markets	**2 817**	2 466
Sanlam Employee Benefits	**1 796**	1 744
Short-term Insurance	**11 035**	9 902
Investment Management	**2 562**	1 996
Sanlam Capital Markets	**283**	370
Independent Financial Services	**14**	28
Corporate and other	**62**	(2)
IFRS adjustments	**1 689**	1 276
Total segment revenue	**26 715**	23 609
Segment result	**8 444**	9 957
Sanlam Personal Finance	**7 426**	7 142
Sanlam Developing Markets	**805**	854
Sanlam Employee Benefits	**966**	1 458
Short-term Insurance	**1 622**	2 462
Investment Management	**1 309**	1 186
Sanlam Capital Markets	**122**	151
Independent Financial Services	**39**	110
Corporate and other	**(3 845)**	(3 406)
IFRS adjustments	**(346)**	59
Policyholder activities	**774**	1 129
Total segment result	**8 872**	11 145

3. CONTINGENT LIABILITIES

Shareholders are referred to the contingent liabilities disclosed in the 2006 annual report. The circumstances surrounding these contingent liabilities remained materially unchanged.

4. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the dates of the balance sheet and this report which affect the financial position of the Sanlam Limited group as reflected in these financial statements.

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