2005 Interim Results

Thinking ahead Sanlam

Group

Sanlam Group

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

JSE share code: SLM
NSX share code: SLA
ISIN number: ZAE000028262

Interim Results for the six months ended 30 June 2005

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Sanlam Group Interim Results 2005

Key features

Earnings

Headline earnings per share up 85%

Core earnings per share up 18%

Business Flows

Total new business inflows up 11% to R30 billion

Investment inflows up 14% to R20,8 billion

Net funds inflow of R495 million

Embedded Value

Embedded value of 1 441 cents per share

Annualised return on embedded value 23,2%

Embedded value of new life business R114 million

New business embedded value margin 12,4%

SALIENT FEATURES

for the six months ended 30 June 2005

		2005	2004	△
SANLAM LIMITED GROUP				
Earnings:				
Result from financial services after tax	R million	**1 006**	848	19%
Core earnings (1)	R million	**1 556**	1 251	24%
Headline earnings (2)	R million	**2 681**	1 384	94%
Adjusted headline earnings based on the LTRR (3)	R million	**2 250**	1 882	20%
Net result from financial services per share	cents	**38,5**	34,0	13%
Core earnings per share (1)	cents	**59,4**	50,2	18%
Headline earnings per share (2)	cents	**102,5**	55,5	85%
Adjusted headline earnings per share based on the LTRR (3)	cents	**86,0**	75,5	14%
Group administration cost ratio (4)	%	**28,3**	31,6	
Group operating margin (5)	%	**20,1**	20,8	
Business volumes:				
New business volumes	R million	**30 134**	27 143	11%
Net fund flows	R million	**495**	8 263	
Value of new life business	R million	**114**	133	-14%
Life insurance new business APE (6)	R million	**919**	917	
Value of new business margin (7)	%	**12,4**	14,5	
Embedded value:				
Embedded value	R million	**39 263**	30 481	29%
Embedded value per share	cents	**1 441**	1 114	29%
Growth from life business	%	**16,6**	16,1	
Return on embedded value (8)	%	**23,2**	11,5	
SANLAM LIFE INSURANCE LIMITED				
Shareholders’ fund	R million	**27 555**	19 877	39%
Capital adequacy requirements (CAR)	R million	**6 250**	7 775	20%
CAR covered by prudential capital	times	**3,8**	2,4	58%

Notes

(1) *Core earnings = net result from financial services and net investment income (including dividends received from associates).*
(2) *Headline earnings = core earnings, net investment surpluses, secondary tax on companies and equity-accounted headline earnings less dividends received from associates.*
(3) *Adjusted headline earnings based on the LTRR = net result from financial services and total investment return based on a long-term rate of return.*
(4) *Administration costs as a percentage of financial services income earned by the shareholders’ fund less sales remuneration.*
(5) *Result from financial services as a percentage of financial services income earned by the shareholders’ fund less sales remuneration.*
(6) *APE = annual premium equivalent and is equal to new recurring premiums (excluding indexed growth premiums) plus 10% of single premiums.*
(7) *Value of new business margin = value of new business as a percentage of life insurance new business APE.*
(8) *Growth in embedded value (with dividends paid, capital raised and cost of treasury shares acquired reversed) as a percentage of embedded value at the beginning of the period.*
(9) *Returns for 6 months are annualised.*
(10) *Extracted from IFRS segmental information, except for embedded value results.*

EXECUTIVE REVIEW

Overall performance

These results are the first to be presented based on International Financial Reporting Standards (IFRS). Headline earnings for the six months to June 2005 amounted to R2 681 million, a 94% improvement on the first half of 2004. Headline earnings per share improved by 85% to 102,5 cps. The strong equity markets experienced during the period largely contributed to this growth.

The net result from financial services for the first six months of 2005 increased by 19% on 2004. As expected, Santam experienced some contraction in its underwriting results during the period. This detracted somewhat from an otherwise satisfactory financial performance across the Group. An improvement of 36% in net investment income contributed to an overall improvement in Core earnings of 24% to R1 556 million.

New business volumes were 11% higher than in the first half of 2004, primarily due to an increase in retail and multi manager asset management investment inflows. Total investments under management increased by 31% to R381 billion during the period. New life insurance business flows were down 3% on the comparable period in 2004 as the recent negative sentiment towards life insurers contributed to a deteriorating environment for contractual savings and life insurance products in particular. The embedded value of new life business for the period amounted to R114 million, which is 14% lower than in the corresponding period in 2004. The annualised return on embedded value increased to 23,2% in the first half of 2005, which is well in excess of our hurdle rate.

Delivering on strategy

Major progress has been made in 2005 on Sanlam's strategy to grow a more balanced business within a defined financial services framework and to create an optimal capital structure for the Group:

- An important milestone has been the disposal of the Sanlam shareholders' fund's entire holding of 124 million shares in Absa to Barclays Plc for some R10 billion in July 2005. This transaction removed an imbalance in Sanlam's capital portfolio and released capital for alternative application. It created the liquidity necessary to redeploy capital of approximately R7 billion that the Board regards as excess to the Group's current capital requirement.
- In July 2005 Sanlam announced that the Board proposed a reduction in capital of approximately R4 billion. This proposal is expected to be effected by a simultaneous specific pro rata repurchase of shares from all shareholders and a voluntary offer to shareholders holding a small number of shares, followed by a share repurchase in the open market. A circular with full details on the proposal has been distributed to shareholders. A special shareholder meeting has been convened for 21 September to obtain the required shareholder approval to implement this process.
- In May 2005 Sanlam announced its entry into the Indian insurance market in partnership with the local Shriram group. This is a unique opportunity for Sanlam to explore this potentially lucrative market with a fairly limited initial capital outlay. The partnership is in line with our strategy of developing selective international opportunities with the potential to diversify revenue and enhance profitability on a sustainable basis.
- During August 2005 Sanlam announced a firm intention to acquire all of the issued ordinary shares of African Life Assurance Company Limited ("African Life") for some R2.6 billion as well as a controlling interest in Channel Life for some R116 million. We have identified the entry-level life insurance market as an important component of our growth strategy. The

acquisition of African Life, as well as the investment in Channel Life, will provide Sanlam with a meaningful presence from which to consolidate and accelerate our existing offering through Sanlam Group Solutions and Safrican in this segment. These are revenue-enhancing acquisitions that we are confident will improve our earnings, new business embedded value and return on embedded value. The offer for African Life still needs to be accepted by a requisite majority of African Life shareholders and sanctioned by the court to become effective. Both transactions are also subject to obtaining the necessary regulatory approvals.

Sanlam is committed to providing a competitive value offering to all our clients and is continuously seeking ways to improve this. To this end, Sanlam Life has introduced a new product solution that provides retirement annuities and endowments with materially improved values when a policy is paid up, surrendered, or when premium reductions are made. It provides for improved values on retirement annuities and endowments from the very first month of the policy's existence.

The Pension Fund Adjudicator

The Pension Fund Adjudicator recently issued a number of rulings that could have significant implications for Sanlam and the insurance industry as a whole. Sanlam strongly supports actions to ensure the equitable treatment of policyholders. It is in the interest of our policyholders and shareholders that all parties honour the contractual, regulatory and legal framework upon which the life insurance industry was founded. It is on this basis that we have decided to institute the necessary legal processes to appeal against the Adjudicator’s rulings. We are awaiting the outcome of this process. Due to the uncertainty of the cost, if any, involved in addressing the potential claims raised by the Adjudicator’s rulings, no specific provision has been created for this purpose in the financial statements and embedded value.

Looking forward

The Board and management remain focused on delivering on four key strategic areas:

- achieving growth through a product and distribution capability that is aligned with Sanlam’s targeted markets;
- further improving operational efficiencies to ensure long-term profitability while improving the value proposition for our clients;
- continued emphasis on capital optimisation; and
- accelerating Sanlam’s brand positioning through transformation and marketing.

The buoyant equity markets had a significant impact on the strong headline earnings reported for the first six months of 2005. This trend may not continue during the second half of the year, given the direct impact of equity markets on headline earnings growth. Second half performance will also be impacted by the sale of the investment in Absa. A substantial component of the proceeds from the sale has been invested in liquid assets in anticipation of the share buy back programme and the settlement of the African Life acquisition. The benefits of the acquisition of African Life and the capital reduction will contribute to performance from 2006.

Roy Andersen Chairman	Johan van Zyl Group Chief Executive

Sanlam Limited
Cape Town
7 September 2005

COMMENTS ON THE INTERIM RESULTS TO JUNE 2005

International Financial Reporting Standards

The Sanlam group results, as presented for the six months to 30 June have been prepared, for the first time, based on and in compliance with International Financial Reporting Standards (IFRS). Both the interim and full year 2004 results have been restated accordingly. The global development and practical interpretation and application of these accounting standards are however ongoing and certain interpretations and disclosures adopted in these interim results may be subject to change in future reports.

While we fully support the efforts of the accounting profession to achieve consistency in reporting and to counter any misrepresentation of company results, we are concerned that the current implementation of IFRS may not in all instances reflect economic and contractual reality; the most notable examples being the prescribed IFRS valuation bases of investments in subsidiaries, associated companies and Sanlam Limited shares supporting policy liabilities. We will continue to interact with all role players to find an appropriate approach to these problem areas.

Earnings

Shareholders' fund summarised income statement for the six months ended 30 June 2005

R million	**2005**	2004	△
Net result from financial services	**1 006**	848	19%
Net investment income	**550**	403	36%
CORE EARNINGS	**1 556**	1 251	24%
Secondary Tax on Companies (STC)	**(87)**	-	
Net investment surpluses	**791**	(208)	
Return on shareholders' fund	**700**	(118)	
Fund transfers	**91**	(90)	
Equity-accounted headline earnings	**421**	341	23%
HEADLINE EARNINGS	**2 681**	1 384	94%
Other equity-accounted earnings	**(8)**	(12)	
Net discontinuance costs	**-**	(13)	
Loss on disposal of subsidiary	**(4)**	-	
Impairment of investments and goodwill	**6**	(16)	
Attributable earnings	**2 675**	1 343	99%
Net result from financial services	**1 006**	848	19%
Net investment return	**1 669**	495	
Attributable earnings	**2 675**	1 343	99%
Net result from financial services and STC	**919**	848	8%
LTRR investment return	**1 331**	1 034	29%
LTRR HEADLINE EARNINGS	**2 250**	1 882	20%

The comments on the results are based on an analysis of the IFRS income statement in a management-reporting format. A reconciliation with the IFRS income statement is provided on pages 30 to 32.

Headline Earnings

Headline earnings of **R2 681 million** are **up 94%** and Headline earnings per share of **102,5 cents** are **up 85%** on the first six months of 2004. The lower per share level of increase on 2004 is due to an increase in the number of issued shares, essentially following the implementation of the Ubuntu-Botho (UB) empowerment transaction in April 2004.

Following the introduction of IFRS and the designation of all shareholders' fund investments as "at fair value through profit or loss", Headline earnings now include all fair value changes on the investments held by the shareholders' fund. This introduced significant volatility into Headline earnings, as is evidenced by the sharp increase in Headline earnings over the prior period, substantially due to relatively higher equity market growth during the first six months of 2005.

In determining the Sanlam group results Sanlam shares held in the policyholder portfolios now have to be treated as treasury shares (and no longer as an investment at fair value) and shares held by these portfolios in Santam (subsidiary), Vukile (subsidiary), Satrix (consolidated fund) and Absa (associated company up to 30 June 2005) may no longer be accounted for as investments at fair value, but must be accounted for at their net asset value and equity-accounted values respectively. As a consequence, a transfer (through Headline earnings) is required to or from the shareholders' fund in respect of the market value changes of these shares. For the six months to June 2005, this transfer *to* the shareholders' fund amounted to R91 million, compared to a transfer *from* the shareholders' fund of R90 million for the same period in 2004. Excluding these transfers the growth in headline earnings amounts to 76%.

Headline earnings are reported after a Secondary Tax on Companies (STC) charge of R87 million in respect of Sanlam's 2004 dividend, paid in May 2005. This follows the first time recognition in the 2004 results of a deferred tax asset in respect of unused STC credits.

After the adoption of IFRS, there is little difference between Attributable earnings and Headline earnings, except that goodwill impairments are included in Attributable earnings but do not form part of Headline earnings.

LTRR Earnings

Earnings based on a long-term rate of investment return (LTRR) are 20% higher than for the first six months of 2004, mainly due to the higher asset base on which the long-term return is calculated. The asset base benefited from the higher market values due to the strong growth towards the end of 2004 and in 2005 as well as the UB proceeds received in April 2004. The long-term return rate used has been lowered from 11% to 10% for 2005.

Core Earnings

A Sanlam Core earnings figure is presented in an attempt to provide shareholders with an indication of 'normalised' earnings. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund and exclude certain items that may cause volatility in headline earnings, including changes in market value of the investments in the shareholders' fund and transfers to or from the policyholders' fund. To ensure consistency in our approach Core earnings no longer account for all the equity-accounted earnings of non-operating companies, but only account for dividends received from these associated companies.

On this basis**,** Core earnings of **R1 556 million** are **24% up** on 2004, reflecting a 19% growth in the net result from financial services and a 36% increase in investment income. The latter consists of dividends and interest earned on the shareholders' fund, as well as the margin earned on the Group's preference share portfolio, and has been largely impacted by the higher Absa dividend received in the current reporting period. The growth in the net result from financial services reflects an improved performance by all Group operations, with the exception, as anticipated, of a contraction in Santam's performance. Gross of tax and minority interests the result from financial services of R1 573 million is 6% higher than in 2004. The taxation charge for the six-month period (as well as for 2004) is net of the utilisation of taxation losses that emanated from a historical tax dispensation. As indicated in the 2004 annual report this will be substantially utilised by the end of the 2005 financial year.

Result from financial services for the six months ended 30 June

R million	**2005**	2004	Δ
Life insurance	**777**	704	10%
Sanlam Personal Finance	**685**	628	9%
Sanlam Employee Benefits	**92**	76	21%
Short-term insurance	**532**	663	(20%)
Investment management	**269**	208	29%
Sanlam Capital Markets	**51**	49	4%
Independent Financial Services	**26**	30	(13%)
Corporate expenses	**(82)**	(81)	(1%)
Continued operations	**1 573**	1 573	-
Discontinued operations	**-**	(94)	-
Gross result from financial services	**1 573**	1 479	6%

- The **Life insurance cluster** recorded a 10% improvement to **R777 million** in its results for the six months. The major contributor to the cluster's performance, Sanlam Personal Finance, increased its contribution by 9% to R685 million. This can be attributed to buoyant stock markets, which improved underlying asset values and fees earned, favourable risk underwriting experience and the containment of administration expenses. Sanlam Employee Benefits benefited from a favourable risk underwriting experience and increased its contribution by 21% to R92 million.
- The short-term insurance industry recorded unprecedented underwriting results in 2003 and 2004. As expected these could not be sustained indefinitely and the margins achieved came under pressure in the first six months of 2005. **Santam's** net insurance result for the period of **R532 million** is down by 20% on 2004.
- The results of the **Investment cluster** for the six-month period increased to **R269 million**, a 29% improvement on the corresponding period in 2004. The international businesses in the cluster made a large contribution to this increase, notwithstanding a stronger Rand, with Sanlam Multi Manager International (SMMI) continuing to extract margin benefits from its growing asset base. The transfer of Merchant Investors Assurance (MIA) investments to SMMI contributed to the growth in

asset base, crystallising the synergies anticipated with the acquisition of MIA. Octane also had a very successful first half of 2005. The South African investment management businesses increased their profits by some 11%, with Sanlam Private Investments and Sanlam Collective Investments in particular recording strong growth in earnings.

- **Sanlam Capital Markets**' contribution of **R51 million** is 4% up on 2004 and in line with expectations.
- The contribution from **Independent Financial Services** is down by 13% to **R26 million**, substantially due to the sale of 65% of Gensec Property Services in the second half of 2004.

Total Group administration expenses for the six months were marginally lower than in 2004, resulting in an improvement in the overall administration expense ratio from 31,6% to 28,3%.

Business volumes

New business flows

Total new business inflows of **R30 billion** for the six months are 11% higher than for the corresponding period in 2004. Strong growth from the Sanlam Multi-Manager and retail investment inflows are somewhat offset by lower segregated fund inflows at Sanlam Investment Management (SIM) and some reduction in SFS UK inflows. Santam's net premium income rose by 15%.

New Business Volumes for the six months ended 30 June

R million	**2005**	2004	Δ
Individual single	**3 426**	3 604	(5%)
Individual recurring	**717**	687	4%
Group business	**1 064**	1 076	(1%)
Life business	**5 207**	5 367	(3%)
Investment cluster	**14 064**	12 040	17%
Innofin	**3 058**	3 148	(3%)
SFS UK	**2 539**	2 730	(7%)
Namibia Unit Trust	**1 127**	274	>100%
Investment business	**20 788**	18 192	14%
Short-term insurance	**4 139**	3 584	15%
TOTAL	**30 134**	27 143	11%

The low interest rates of late, coupled with the recent negative press reports on the insurance industry, impacted client investment behaviour and negatively affected **life insurance** business volumes as private and collective investments grew in popularity as substitutes for insurance policy based investments. Individual Life new recurring premiums grew by 4% for the six months but single premiums were down 5% on 2004, substantially due to a fall in life policy continuations and lower sales of policies providing a guaranteed return. In this environment, the strategic initiatives launched recently to address our reach and market share in key segments are progressing, albeit slower than originally planned. The level of new group business inflows for the period remained unchanged relative to the first half of 2004. A 6% increase in policy benefit payments and a 12% rise in policy surrenders and terminations led to a net outflow of R2 billion in respect of life insurance business for the period.

Overall, new investment inflows continued the upward trend of the recent past and attracted more than R20 billion in gross new inflows. This was greatly assisted by strong flows to both our local and international multi-managers, and a strong growth in inflows to our Private and Collective Investments businesses. SIM received new third party wholesale mandates of R4,6 billion during the six-month period, somewhat lower than the R5 billion received in the first half of 2004. SFS UK attracted new inflows of R2,5 billion, which is some 7% lower than the first six months of 2004. The Public Investment Commissioner withdrew R6 billion of its funds under management from SIM in March 2005 as part of the restructuring of its investment process and mandates. Notwithstanding this withdrawal, the Group achieved positive net investment inflows of some R1 billion for the six months. Investments under management or administration amounted to R381 billion at the end of June 2005.

Embedded value of new business

The embedded value of new life business (VNB) for the six months decreased by 14% to R114 million. This is to a large extent the result of sluggish new business volumes, which also impacted on unit costs and the margin of new business, but also an improved allocation of acquisition costs in Employee Benefits. The annual premium equivalent (APE) for the first six months remained virtually unchanged from 2004 at R919 million, whilst the APE margin decreased to 12,4% from the 14,5% recorded in the first half of 2004.

In line with the future disclosure proposed for the industry, the profit margin is also expressed as a percentage of the present value of total new business premiums. On this basis the margin reduced from 1,9% to 1,6%.

Solvency

The capital of Sanlam Life Insurance Limited increased by R1,8 billion from 31 December 2004 (after paying a dividend of R1,3 billion), to R27,6 billion at the end of the period and CAR (Capital Adequacy Requirements) cover calculated on the regulatory capital amounted to 3,8 at the end of June 2005, compared to 3,6 at the end of December 2004.

Embedded value

Sanlam group’s embedded value amounted to R39,3 billion at the end of June 2005 - 7% up on the R36,6 billion at the end of December 2004.

After taking the dividend of R1,4 billion paid into account, the return on embedded value amounted to 23,2% annualised. The annualised return per share is also 23,2%. The value of the Life insurance cluster’s in-force book amounted to R8,9 billion, after taking into account the cost of capital at risk of R1,6 billion. Annualised growth from life business, based on the starting value of the in-force life business, amounted to 16,6%.

Dividend

In line with past practice, no interim dividend has been declared. Sanlam declares an annual dividend at year-end.

ACCOUNTING POLICIES AND ACTUARIAL BASIS

Statement of compliance

The accounting policies adopted for the purposes of the financial statements comply with International Financial Reporting Standards (IFRS), specifically IAS 34 on interim financial reporting, and with applicable legislation. The policy liabilities and profit entitlement rules are determined in accordance with prevailing legislation, generally accepted actuarial practice and the stipulations contained in the demutualisation proposal. There have been no material changes in the financial soundness valuation basis since 31 December 2004.

Adoption of IFRS

Being a first-time adopter of IFRS for the 2005 financial year, the Group's date of transition to IFRS is 1 January 2004. The Group's opening balance sheet on 1 January 2004 and comparative information for 2004 have been restated to comply with all IFRS expected to be effective as at 31 December 2005.

The migration to IFRS for insurers will, in its full extent, take a number of years. The interim results have been prepared in accordance with current interpretations of IFRS. Future results may be impacted, as the development of guidance for the long-term insurance industry, both from an accounting and actuarial perspective, is an ongoing process.

The South African standard applicable to long-term insurers, AC121 has been withdrawn concurrently with the introduction of IFRS. Therefore, long-term insurers will no longer have any form of exemption from applying normal consolidation principles in instances where investments are held in policyholder portfolios to fund policyholder benefits.

In terms of South African Generally Accepted Accounting Practice (SA GAAP) the shareholders' fund's investments in associated companies were carried at their original cost plus the shareholders' fund's share of its retained earnings after acquisition (effectively carried at net asset value including goodwill, if any). In respect of the investment in Absa, the equity-accounted carrying value was further adjusted to reflect the investment at fair value. Similarly, the investments in Safair Lease Finance and Peermont were also recognised at fair value. These adjustments to fair value are not allowed in the absence of AC121 and Sanlam is required to reflect the shareholders' fund's investment in these companies at the equity-accounted carrying value.

The policyholders' fund's investment in Absa must also be carried at original cost plus its share of retained earnings after acquisition. Portfolio investments in subsidiary companies (e.g. Santam) can no longer be accounted for at market value but be carried at consolidated net asset value. Portfolio investments in Sanlam shares have to be treated as treasury shares and deducted from equity on consolidation. The result is a mismatch between the valuation of long-term policy liabilities, which continues to include the affected investments on a marked to market basis, and the policyholder assets underlying these liabilities, which may not be at fair value or may be eliminated on consolidation.

The movement in mismatch in any particular period, referred to above, is accounted for through an income statement transfer to or from the shareholders' fund, impacting on Headline and Attributable earnings as well as net asset value. An appropriate adjustment is made to the value of the shareholders' fund for Embedded Value and Capital Adequacy Requirement purposes to reverse this impact.

Transitional provisions

IFRS 1 *First-time Adoption of International Financial Reporting Standards* requires retrospective compliance with all IFRS expected to be effective at the end of the first IFRS reporting period. However, it contains a number of exemptions to this full retrospective application of IFRS. The Group has applied the following exemptions:

Business combinations

The Group has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred prior to 1 January 2004. Accordingly, no adjustments have been made to the accounting treatment of these business combinations.

Property and equipment

The Group has elected to use the previous SA GAAP revaluation of selected property and equipment as deemed cost on the date of transition to IFRS.

Cumulative translation differences

The cumulative translation differences in respect of the Group's foreign operations have been deemed to be zero on the date of transition to IFRS.

Designation of financial instruments

The majority of the Group's financial instruments were designated as 'available for sale' in terms of SA GAAP. The Group has elected to redesignate these financial instruments to the 'at fair value through profit or loss' category in IAS 39 *Financial Instruments: Recognition and Measurement*.

Share-based payments

The Group has elected not to apply IFRS 2 *Share-based Payment* to equity instruments granted on or before 7 November 2002 or granted after 7 November 2002 but which had vested prior to 1 January 2005.

Comparatives

In terms of IFRS 1 an entity need not disclose comparative information that complies with IAS 32 *Financial Instruments: Disclosure and Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts* in its first set of IFRS annual financial statements. In the interest of comparable disclosure, the Group has not applied this exemption.

Compound financial instruments

The Group has elected not to separate compound financial instruments into equity and liability components where the liability component is no longer outstanding on the date of transition.

CHANGES IN REPORTING STRUCTURES AND ACCOUNTING POLICIES

The implementation of IFRS concurrently with the withdrawal of the specific South African accounting standard applicable to insurers (AC121) required the following changes to the Group's basis of presentation and accounting policies:

Investments in associated companies and joint ventures

The Group's investments in Absa Limited, Peermont Limited and the Safair Lease Finance joint venture were recognised at fair value in the consolidated balance sheet in terms of SA GAAP. The measurement basis has been changed from fair value to an equity-accounted valuation as the exemptions in IFRS for continued use of a fair value basis do not apply to these investments.

Treasury shares

Sanlam Limited shares held in policyholder portfolios are treated as treasury shares under IFRS and recognised as a deduction from equity on consolidation (carried at fair value in terms of SA GAAP).

Consolidation of policyholders' interest in Santam

The policyholders' fund's interest in Santam Limited is consolidated in the balance sheet under IFRS (carried at fair value in terms of SA GAAP).

Goodwill

Goodwill in respect of business combinations with an agreement date before 31 March 2004 was previously recognised at cost and written off on a straight-line basis over the lesser of its estimated useful life and twenty years. Goodwill was also reviewed bi-annually for impairment and written down where necessary. Amortisation of goodwill is no longer permitted under IFRS 3 *Business Combinations* but is subject to at least an annual impairment review. The full amortisation charge for 2004 has been reversed and all goodwill has been tested for impairment as at 1 January 2004, 30 June 2004 and 31 December 2004. An additional impairment was required on 30 June 2004 and 31 December 2004, mainly in respect of the Group's international operations.

Classification of policy contracts

The Group has reclassified policy contracts between the insurance and investment categories based on the IFRS 4 *Insurance Contracts* criteria.

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 exceed the amount payable on early termination, before allowance for expense deductions at early termination.

Investment policy contracts

The valuation basis for investment contracts has been changed from the FSV method to fair value. Negative Rand Reserves that were included in the valuation of investment contracts under FSV have been eliminated.

Costs directly attributable to the acquisition of investment contracts are capitalised to a deferred acquisition cost (DAC) asset and amortised to the income statement over the term of the contracts. 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 contracts issued by the Group and which 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. 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. Long-term insurance liabilities were previously shown net after reinsurance; under IFRS long-term insurance liabilities are shown gross of reinsurance and the asset is disclosed separately.

Reclassification of policy loans

Loans granted to policyholders were disclosed as separate assets under AC121. Loans with a legal right of set-off and where the intention is to settle the policy loan and policy liability on a net basis, must be offset in terms of IFRS. The affected loans have been reclassified from investment assets and set off against long-term policy liabilities.

Reclassification of financial instruments

The Group has reclassified its financial instruments formerly designated as ‘available for sale’ to the ‘at fair value through profit or loss’ category. All fair value gains and losses (investment surpluses) on these instruments are recognised in the income statement under IFRS.

Reclassification of cell owners’ interest

Santam’s interests in cell insurance companies are consolidated under IFRS, resulting in a reclassification of the cell owners’ interest from minority shareholders’ interest to a cell owners’ liability.

Consolidation of investment vehicles

IFRS requires the consolidation of certain investment vehicles controlled by the Group, e.g. collective investment schemes, which were previously recognised at fair value in the Group balance sheet. A financial liability is recognised for the fair value of external investors’ interest where the issued units of the fund are classified as financial liabilities in terms of IFRS. In all other instances, the interest of external investors are recognised as minority shareholders’ interest.

Share-based payments

Sanlam operates a staff share incentive scheme in terms of which shares are offered to staff on a combined option and deferred delivery basis. With the exception of administration costs incurred in respect of the scheme, no cost was recognised in the income statement under SA GAAP. In terms of IFRS 2 *Share-based Payment* the scheme is treated as equity-settled transactions and the fair value of share-based payment instruments granted are recognised as an expense in the income statement on a straight-line basis over the vesting period (adjusted to reflect actual levels of vesting), with a corresponding credit to equity.

The equity-instruments granted to Ubuntu-Botho as part of the Group’s black economic empowerment transaction have vested before 1 January 2005 and are excluded from the scope of IFRS 2.

Elimination of inter-company transactions

Inter-company transactions at arm’s length, which do not influence the Group’s net earnings, were previously not eliminated from the results to fairly present the activities of the various businesses. In the absence of AC121 inter-company transactions are eliminated in the Group income statement and balance sheet.

Operating leases

The South African Institute of Chartered Accountants (SAICA) recently issued Circular 7/2005, which requires that rental income from operating leases that contain fixed escalation clauses be recognised on a straight-line basis over the lease term. It also requires that the cumulative difference between rental income on a straight-line and accrual basis be recognised on the balance sheet, but does not provide any further guidance on the required accounting treatment in a fair value environment. The income statement adjustment does not represent a valid claim for rental income due from the counter-party to the operating lease. The resultant balance sheet adjustment is accordingly recognised as part of the carrying amount of investment properties, which are subsequently remeasured to fair value in terms of Sanlam's accounting policies. The adjustment to rental income pursuant to the application of Circular 7/2005 is therefore netted off against investment surpluses.

Further analysis and interpretations on the application of Circular 7/2005 are expected in the near term. These will be evaluated to determine any required adjustment to Sanlam's application of Circular 7/2005, as outlined above, in finalising the full year results.

The financial impact of the changes in accounting policies is disclosed in the IFRS Reconciliation of Equity and Earnings on pages 19 to 22.

SPECIAL PURPOSE AUDIT REPORT

The 30 June 2005 results and the 30 June 2004 comparative information has not been subject to an audit or review by the external auditors. The 31 December 2004 preliminary IFRS financial information included on pages 10 to 37 has been audited.

A copy of the unqualified Special Purpose Audit Report of the joint auditors, Ernst & Young and PricewaterhouseCoopers Inc, on the Group's preliminary IFRS financial information for the year ended 31 December 2004, is available for inspection at the registered office of the company. The report includes emphasis of matters that notes that only a complete set of financial statements can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRS and that they have not audited or reviewed the 30 June 2005 and 30 June 2004 financial information and express no opinion thereon. They further note that the development of additional guidance and interpretations may require amendment of the preliminary IFRS financial information before inclusion as comparative information in the financial statements for the year ended 31 December 2005.

GROUP BALANCE SHEET at 30 June 2005

	June unaudited 2005 R million	June unaudited 2004 R million	December 2004 R million
ASSETS			
Property and equipment	**217**	203	184
Owner-occupied properties	**381**	386	380
Goodwill	**2 191**	2 238	2 186
Deferred acquisition costs	**1 050**	895	994
Long-term reinsurance assets	**333**	295	318
Investments	**200 554**	164 555	187 437
Investment properties	**14 659**	12 086	14 413
Associated companies	**6 288**	4 611	5 098
Joint ventures	**116**	76	69
Equities	**97 536**	75 979	88 084
Public sector stocks and loans	**42 064**	33 689	44 434
Debentures, insurance policies, preference shares and other loans	**17 901**	15 431	17 141
Cash, deposits and similar securities	**21 990**	22 683	18 198
Deferred tax	**441**	389	440
Short-term insurance technical assets	**1 864**	1 939	1 980
Working capital assets	**34 808**	28 473	31 192
Trade and other receivables	**25 479**	18 271	20 043
Cash, deposits and similar securities	**9 329**	10 202	11 149
Total assets	**241 839**	199 373	225 111
EQUITY AND LIABILITIES			
Shareholders’ fund	**21 205**	18 467	19 685
Minority shareholders’ interest	**3 305**	2 283	3 515
Total equity	**24 510**	20 750	23 200
Long-term policy liabilities	**172 051**	146 256	163 556
Insurance contracts	**96 948**	81 663	92 961
Investment contracts	**75 103**	64 593	70 595
Term finance	**4 901**	4 508	6 103
External investors in consolidated funds	**4 169**	2 200	3 209
Cell owners’ interest	**86**	-	47
Deferred tax	**1 279**	321	809
Short-term insurance technical provisions	**5 632**	4 963	5 198
Working capital liabilities	**29 211**	20 375	22 989
Trade and other payables	**28 076**	18 942	21 337
Provisions	**319**	344	465
Taxation	**816**	1 089	1 187
Total equity and liabilities	**241 839**	199 373	225 111

GROUP INCOME STATEMENT for the six months ended 30 June 2005

	Note	Six months unaudited 2005 R million	Six months unaudited 2004 R million	Full year 2004 R million
Net income		**21 783**	9 789	41 975
Financial services income		**9 161**	8 360	17 836
Reinsurance premiums paid		**(979)**	(985)	(2 303)
Reinsurance commission received		**193**	252	504
Investment income		**4 878**	4 639	9 658
Investment surpluses		**8 759**	(2 467)	16 659
Change in fair value of external investors liability		**(229)**	(10)	(379)
Net insurance and investment contract benefits and claims		**(15 037)**	(4 214)	(30 081)
Long-term insurance and investment contract benefits		**(12 439)**	(2 282)	(25 814)
Short-term insurance claims		**(2 980)**	(2 251)	(5 014)
Reinsurance claims received		**382**	319	747
Expenses		**(3 464)**	(3 343)	(7 026)
Sales remuneration		**(1 199)**	(1 082)	(2 302)
Administration costs		**(2 265)**	(2 261)	(4 724)
Impairment of investments and goodwill		**6**	(36)	(263)
Net operating result		**3 288**	2 196	4 605
Equity-accounted earnings		**781**	513	1 085
Finance cost		**(62)**	-	(49)
Loss from discontinued operations		**-**	(87)	(92)
Profit before tax		**4 007**	2 622	5 549
Tax expense	4	**(836)**	(952)	(1 771)
Shareholders’ fund		**(393)**	(394)	(1 013)
Policyholders’ fund		**(443)**	(558)	(758)
Profit for the year		**3 171**	1 670	3 778
Attributable to:				
Shareholders’ fund		**2 675**	1 343	2 758
Minority shareholders’ interest		**496**	327	1 020
		3 171	1 670	3 778
Earnings attributable to shareholders of the company (cents):				
Continuing operations:				
Basic earnings per share	7	**104,3**	57,9	112,3
Diluted earnings per share	7	**102,3**	57,4	110,9

GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2005

	Six months unaudited 2005 R million	Six months unaudited 2004 R million	Full year 2004 R million
Shareholders' fund:			
Balance at beginning of period	**19 685**	17 622	17 622
Total recognised income	**2 865**	1 199	2 559
Profit for the year	**2 675**	1 343	2 758
Equity-accounted earnings	**23**	(74)	(42)
Movement in foreign currency translation reserve	**167**	(70)	(157)
Cost of treasury shares donated to the Ubuntu-Botho Community Development Trust	**-**	(314)	(314)
Net realised investment surpluses on other treasury shares	**(57)**	(56)	(126)
Share option costs	**38**	21	51
Dividends paid	**(1 295)**	(1 022)	(1 022)
New shares issued (1)	**-**	865	865
Costs relating to share issuance	**-**	(19)	(19)
Cost of treasury shares acquired (2)	**(31)**	171	69
Balance at end of period	**21 205**	18 467	19 685
Minority shareholders' interest:			
Balance at beginning of period	**3 515**	1 944	1 944
Total recognised income	**526**	296	1 005
Profit for the year	**496**	327	1 020
Equity-accounted earnings	**-**	(1)	-
Movement in foreign currency translation reserve	**30**	(30)	(15)
Share option costs	**2**	2	4
Dividends paid	**(702)**	(89)	(168)
Acquisitions, disposals and other movements in minority interests	**(36)**	130	730
Balance at end of period	**3 305**	2 283	3 515
Shareholders' fund	**19 685**	17 622	17 622
Minority shareholders' interest	**3 515**	1 944	1 944
Total equity at beginning of period	**23 200**	19 566	19 566
Shareholders' fund	**21 205**	18 467	19 685
Minority shareholders' interest	**3 305**	2 283	3 515
Total equity at end of period	**24 510**	20 750	23 200

(1) Comprises 113 million new ordinary shares at R7,65 per share, 56,5 million 'A' deferred shares at R0,01 per share and 52 million 'A' preference shares at R0,01 per share.

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

CASH FLOW STATEMENT

for the six months ended 30 June 2005

	Six months unaudited		Full year
	2005	**2004**	2004
	R million	**R million**	R million
Net cash inflow/(outflow) from operating activities	**2 353**	(226)	2 109
Discontinued operations	**-**	(100)	(105)
Other	**2 353**	(126)	2 214
Net cash outflow from investment activities	**(580)**	(1 447)	(2 148)
Net cash (outflow)/inflow from financing activities	**(3 429)**	67	(777)
Net decrease in cash and cash equivalents	**(1 656)**	(1 606)	(816)
Cash, deposits and similar securities at beginning of period	**10 953**	11 769	11 769
Cash, deposits and similar securities at end of period	**9 297**	10 163	10 953

IFRS RECONCILIATION OF EQUITY AND EARNINGS

Notes refer to the notes on pages 23 to 25.

	Six months unaudited June 2004 R million	Full year 2004 R million
Reconciliation of reported earnings:		
Attributable earnings reported under SA GAAP	**1 463**	**3 283**
Withdrawal of AC121:		
Difference between fair value-based earnings and equity-accounted earnings for the shareholders' fund's investment in:		
Absa [(1)]	(549)	(2 942)
Peermont [(1)]	17	(246)
Safair Lease Finance [(1)]	70	67
Change in value shortfall of the policyholders' fund's investment in:		
Absa [(1)]	(133)	(384)
Santam [(2)]	93	46
Vukile [(2)]	-	(71)
Satrix [(2)]	(8)	(113)
Sanlam [(3)]	18	(632)
Elimination of dividend paid to policyholders [(3)]	(60)	(60)
Adoption of IFRS:		
New business strain from investment contracts [(4)]	(6)	(13)
Share option costs [(5)]	(21)	(51)
Goodwill amortisation [(6)]	179	328
Goodwill impairment [(6)]	(36)	(42)
Reclassification of available for sale investments [(7)]	316	3 588
Profit attributable to shareholders' fund under IFRS	**1 343**	**2 758**

IFRS RECONCILIATION OF EQUITY AND EARNINGS *(continued)*

	31 December 2004			
	Assets R million	**Liabilities R million**	**Minority shareholders' interest R million**	**Shareholders' fund R million**
Reconciliation of equity:				
Reported under SA GAAP	**228 024**	**197 586**	**2 796**	**27 642**
Withdrawal of AC121:				
Reduction in carrying value of shareholders' fund's investment in:				
Absa [(1)]	(5 456)	(783)	(23)	(4 650)
Peermont [(1)]	(386)	(67)	-	(319)
Safair Lease Finance [(1)]	(225)	-	-	(225)
Reduction in carrying value of policyholders' fund's investment in:				
Absa [(1)]	(613)	(34)	-	(579)
Santam [(2)]	(90)	-	-	(90)
Vukile [(2)]	2 140	1 483	728	(71)
Satrix [(2)]	483	739	-	(256)
Sanlam [(3)]	(1 824)	-	-	(1 824)
Consolidation of investment vehicles [(8)]	2 539	2 507	32	-
Elimination of inter-company transactions [(9)]	(897)	(897)	-	-
Reclassification of policy loans [(10)]	(258)	(258)	-	-
Adoption of IFRS:				
Change in carrying value of investment contracts [(4)]	-	1 270	(2)	(1 268)
Recognition of deferred acquisition costs asset [(4)]	994	-	-	994
Tax effect of change in investment contract valuation basis [(4)]	80	-	-	80
Goodwill amortisation [(6)]	358	-	30	328
Goodwill impairment [(6)]	(48)	-	(6)	(42)
Reclassification of long-term reinsurance assets [(11)]	318	318	-	-
Revaluation of trading account assets and liabilities [(12)]	(42)	-	-	(42)
Change in carrying value of other associated companies [(13)]	14	-	7	7
Reclassification of cell owners' interest [(14)]	-	47	(47)	-
Reported under IFRS	**225 111**	**201 911**	**3 515**	**19 685**

IFRS RECONCILIATION OF EQUITY AND EARNINGS *(continued)*

	30 June 2004 - unaudited			
	Assets	**Liabilities**	**Minority shareholders' interest**	**Shareholders' fund**
	R million	**R million**	**R million**	**R million**
Reconciliation of equity:				
Reported under SA GAAP	**202 270**	**177 092**	**2 248**	**22 930**
Withdrawal of AC121:				
Reduction in carrying value of shareholders' fund's investment in:				
Absa (1)	(2 616)	(310)	(16)	(2 290)
Peermont (1)	(74)	(18)	-	(56)
Safair Lease Finance (1)	(222)	-	-	(222)
Reduction in carrying value of policyholders' fund's investment in:				
Absa (1)	(352)	(24)	-	(328)
Santam (2)	(43)	-	-	(43)
Vukile (2)	-	-	-	-
Satrix (2)	566	717	-	(151)
Sanlam (3)	(1 293)	-	-	(1 293)
Consolidation of investment vehicles (8)	1 529	1 510	19	-
Elimination of inter-company transactions (9)	(1 561)	(1 561)	-	-
Reclassification of policy loans (10)	(238)	(238)	-	-
Adoption of IFRS:				
Change in carrying value of investment contracts (4)	-	1 160	-	(1 160)
Recognition of deferred acquisition costs asset (4)	895	-	-	895
Tax effect of change in investment contract valuation basis (4)	77	-	-	77
Goodwill amortisation (6)	204	-	25	179
Goodwill impairment (6)	(36)	-	-	(36)
Reclassification of long-term reinsurance assets (11)	295	295	-	-
Revaluation of trading account assets and liabilities (12)	(42)	-	-	(42)
Change in carrying value of other associated companies (13)	14	-	7	7
Reclassification of cell owners' interest (14)	-	-	-	-
Reported under IFRS	**199 373**	**178 623**	**2 283**	**18 467**

IFRS RECONCILIATION OF EQUITY AND EARNINGS *(continued)*

	1 January 2004 - unaudited			
	Assets	**Liabilities**	**Minority shareholders' interest**	**Shareholders' fund**
	R million	**R million**	**R million**	**R million**
Reconciliation of equity:				
Reported under SA GAAP	**196 056**	**172 438**	**1 931**	**21 687**
Withdrawal of AC121:				
Reduction in carrying value of shareholders' fund's investment in:				
Absa [(1)]	(1 822)	(148)	(8)	(1 666)
Peermont [(1)]	(91)	(18)	-	(73)
Safair Lease Finance [(1)]	(292)	-	-	(292)
Reduction in carrying value of policyholders' fund's investment in:				
Absa [(1)]	(206)	(11)	-	(195)
Santam [(2)]	(136)	-	-	(136)
Vukile [(2)]	-	-	-	-
Satrix [(2)]	547	690	-	(143)
Sanlam [(3)]	(1 344)	-	-	(1 344)
Consolidation of investment vehicles [(8)]	1 418	1 404	14	-
Elimination of inter-company transactions [(9)]	(375)	(375)	-	-
Reclassification of policy loans [(10)]	(207)	(207)	-	-
Adoption of IFRS:				
Change in carrying value of investment contracts [(4)]	-	1 092	-	(1 092)
Recognition of deferred acquisition costs asset [(4)]	836	-	-	836
Tax effect of change in investment contract valuation basis [(4)]	75	-	-	75
Goodwill amortisation [(6)]	-	-	-	-
Goodwill impairment [(6)]	-	-	-	-
Reclassification of long-term reinsurance assets [(11)]	232	232	-	-
Revaluation of trading account assets and liabilities [(12)]	(42)	-	-	(42)
Change in carrying value of other associated companies [(13)]	14	-	7	7
Reclassification of cell owners' interest [(14)]	-	-	-	-
Reported under IFRS	**194 663**	**175 097**	**1 944**	**17 622**

IFRS RECONCILIATION OF EQUITY AND EARNINGS *(continued)*

Notes on IFRS implementation adjustments:

1. Investments in associated companies and joint venture

The Group's investments in Absa Limited, Peermont Limited and the Safair Lease Finance joint venture were recognised at fair value in terms of SA GAAP. IFRS does not allow the continued use of a fair value basis for these investments, resulting in a reduction in the carrying value from fair value to an equity-accounted valuation.

Reported earnings are adjusted with the difference between the fair value-based investment return and equity-accounted earnings.

2. Policyholders' fund's investment in subsidiaries

In terms of SA GAAP the policyholders' fund's investments in Santam and Vukile, subsidiaries of the Sanlam group, and Satrix, now a consolidated fund, were accounted for as equity investments at fair value. In terms of IFRS the policyholders' interest must be consolidated and measured at net asset value.

Reported earnings are adjusted with the difference between the fair value-based investment return and the consolidated earnings.

3. Policyholders' fund's investment in Sanlam shares

In terms of SA GAAP the policyholders' fund's investment in Sanlam Limited shares was accounted for as an equity investment at fair value. In terms of IFRS the policyholders' interest must be treated as treasury shares and recognised as a deduction from equity on consolidation.

Reported earnings are adjusted with the investment return earned on the Sanlam shares held by policyholder portfolios.

4. Measurement of investment policy contracts

Investment contracts issued by Sanlam Life Insurance Limited were measured under SA GAAP using bases similar to the Financial Soundness Valuation (FSV) method. These contracts are valued at fair value in terms of IFRS, requiring an adjustment to their carrying value. The FSV valuation includes specific allowance for commission and other issuing costs. In a fair value environment, the FSV cost allowance is replaced by a deferred acquisition costs (DAC) asset in terms of IAS 18 *Revenue*. The new business strain, as well as the increase in the total net liability recognised in respect of investment contracts, result primarily from the difference between the incremental cost that can be capitalised to DAC in terms of IFRS and the level of cost allowance inherent to the FSV method.

5. Share option costs

IFRS 2 *Share-based Payment* requires the recognition of an income statement expense in respect of equity instruments granted to participants of the Group's share incentive schemes. No income statement effect was recognised in terms of SA GAAP, except for administration costs incurred in respect of the schemes.

6. Goodwill amortisation and impairment

Goodwill in respect of business combinations with an agreement date prior to 31 March 2004 was amortised under SA GAAP and subject to an impairment review. Goodwill is not amortised under IFRS but subject to at least an annual impairment review. Goodwill amortised under SA GAAP during the 2004 financial year has been reversed in terms of IFRS 1. All goodwill has been tested for impairment as at 1 January 2004, 30 June 2004 and 31 December 2004. An additional impairment was required on 30 June 2004 and 31 December 2004, mainly in respect of the Group's international operations.

7. Reclassification of available for sale investments

In terms of SA GAAP (AC133) the Group classified the majority of its investments as 'available for sale' and elected to transfer unrealised investment surpluses directly to equity. In terms of IFRS 1 the Group has reclassified these financial instruments as 'at fair value through profit or loss' (refer 'Transitional provisions' section). Unrealised investment surpluses formerly reported directly in equity have been transferred to the income statement.

8. Consolidation of investment vehicles

IFRS requires the consolidation of certain investment vehicles controlled by the Group, e.g. collective investment schemes, which were previously recognised at fair value in the Group balance sheet.

9. Elimination of inter-company transactions

Inter-company transactions at arm's length, which do not influence the Group's net earnings, were previously not eliminated from the results to fairly present the activities of the various businesses. In the absence of AC121 inter-company transactions are eliminated with no net impact on the shareholders' fund.

10. Reclassification of policy loans

Loans granted to policyholders were disclosed as separate assets under AC121. Loans with a legal right of set-off and where the intention is to settle the policy loan and policy liability on a net basis, must be offset in terms of IFRS. The affected loans have been reclassified from investment assets to long-term policy liabilities.

11. Reclassification of long-term reinsurance assets

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts were previously offset against long-term insurance contract liabilities. These reinsurance assets have been reclassified from long-term policy liabilities to a separate asset class in terms of the disclosure requirements of IFRS 4.

12. Revaluation of trading account assets and liabilities

The valuation of certain unquoted trading assets and liabilities was adjusted to comply with the requirements of the revised IAS 39, among others in respect of the treatment of day one profits.

13. Change in carrying value of other associated companies

The post acquisition equity-accounted earnings of certain associated companies have been changed as a result of the transition to IFRS.

14. Reclassification of cell owners' interest

Santam's interests in cell insurance companies are consolidated under IFRS, resulting in a reclassification of the cell owners' interest from minority shareholders' interest to a cell owners' liability.

ABRIDGED SHAREHOLDERS' FUND BALANCE SHEET – NET ASSET VALUE

(All businesses consolidated at NAV)

at 30 June 2005	**June unaudited**		December
	2005	**2004**	2004
	R million	**R million**	R million
Assets			
Goodwill	**2 175**	2 238	2 170
Investments	**28 440**	23 747	26 582
Working capital and other assets	**30 763**	25 088	26 748
Total assets	**61 378**	51 073	55 500
Equity and liabilities			
Shareholders' fund	**21 205**	18 467	19 685
Minority shareholders' interest	**2 583**	2 423	2 932
Term finance, working capital and other liabilities	**37 590**	30 183	32 883
Total equity and liabilities	**61 378**	51 073	55 500

ABRIDGED SHAREHOLDERS' FUND BALANCE SHEET – FAIR VALUE *(Group businesses, associates and joint venture below reflected as investments at fair value)*

at 30 June 2005	**June unaudited 2005 R million**	**June unaudited 2004 R million**	December 2004 R million
Assets			
Property and equipment	**144**	103	106
Owner-occupied properties	**369**	369	370
Goodwill (1)	**389**	372	387
Deferred acquisition costs	**122**	-	-
Investments	**37 404**	28 106	34 794
Sanlam businesses	**7 910**	5 622	7 743
Investment Management (2)	**2 572**	2 079	2 384
Sanlam Financial Services	**379**	356	349
Sanlam Capital Markets	**444**	399	441
Innofin	**232**	145	187
Santam	**3 851**	2 613	4 028
Other (3)	**432**	30	354
Associated companies	**11 405**	6 529	10 033
Absa	**10 250**	6 254	9 429
African Life Assurance	**521**	-	-
Peermont	**634**	275	604
Joint venture – Safair Lease Finance	**278**	298	270
Other investments	**17 811**	15 657	16 748
Other equities	**7 840**	6 262	6 739
Public sector stocks and loans	**1 494**	2 388	1 550
Investment properties	**571**	505	619
Other interest-bearing and preference share investments	**7 906**	6 502	7 840
Deferred tax	**310**	227	313
Working capital assets	**5 669**	6 148	6 657
Total assets	**44 407**	35 325	42 627
Equity and liabilities			
Shareholders' fund	**32 101**	23 747	29 782
Minority shareholders' interest	**53**	-	61
Term finance	**3 791**	4 819	5 064
External investors in consolidated funds	**98**	74	51
Deferred tax	**1 105**	391	1 143
Working capital liabilities	**7 259**	6 294	6 526
Total equity and liabilities	**44 407**	35 325	42 627
Net asset value per share (cents)	**1 178**	868	1 093

(1) The goodwill relates mainly to the consolidation of Merchant Investors Assurance and is excluded in the build-up of the Group embedded value, as the current value of in-force business for this life insurance company is included in the embedded value.

(2) Included in Investment Management are Sanlam Investment Management, Sanlam Collective Investments and the Investment Cluster's international businesses.

(3) Other businesses comprise the non-life businesses in the Life Insurance cluster, which are excluded from the value of in-force and all the businesses in the Independent Financial Services cluster apart from Sanlam Financial Services.

ABRIDGED SHAREHOLDERS' FUND BALANCE SHEET – FAIR VALUE *(continued)*

	Assets R million	Minority shareholders' interest R million	Shareholders' fund R million

Reconciliation of equity - fair value:

31 December 2004

	Assets	Minority shareholders' interest	Shareholders' fund
Reported under SA GAAP	**30 045**	**63**	**29 982**
Change in carrying value of investment contracts	(196)	(2)	(194)
Revaluation of trading account assets and liabilities	(42)	-	(42)
Goodwill amortisation reversed – Merchant Investors Assurance	36	-	36
Reported under IFRS	**29 843**	**61**	**29 782**

30 June 2004 – unaudited

	Assets	Minority shareholders' interest	Shareholders' fund
Reported under SA GAAP	**23 958**	**-**	**23 958**
Change in carrying value of investment contracts	(188)	-	(188)
Revaluation of trading account assets and liabilities	(42)	-	(42)
Goodwill amortisation reversed – Merchant Investors Assurance	19	-	19
Reported under IFRS	**23 747**	**-**	**23 747**

1 January 2004 - unaudited

	Assets	Minority shareholders' interest	Shareholders' fund
Reported under SA GAAP	**22 819**	**-**	**22 819**
Change in carrying value of investment contracts	(181)	-	(181)
Revaluation of trading account assets and liabilities	(42)	-	(42)
Reported under IFRS	**22 596**	**-**	**22 596**

ABRIDGED SHAREHOLDERS' FUND BALANCE SHEET – FAIR VALUE *(continued)*

	June unaudited 2005 R million	June unaudited 2004 R million	Full year 2004 R million
SANLAM BUSINESSES AND INVESTMENTS: EXCESS OF FAIR VALUE OVER NET ASSET VALUE			

The shareholders' fund balance sheet at fair value includes the value of the companies below based on directors' valuation, apart from Santam, Absa, African Life Assurance and Peermont, which are valued according to ruling share prices.

	2005	2004	Full year 2004
Net asset value of businesses and investments	**9 223**	7 273	8 426
Investment Management [1]	**486**	369	514
Sanlam Financial Services UK	**355**	391	335
Sanlam Capital Markets	**444**	399	441
Innofin	**157**	141	155
Santam	**2 398**	2 052	2 655
Absa	**4 498**	3 674	4 030
African Life Assurance	**521**	-	-
Peermont	**229**	201	218
Safair Lease Finance	**71**	46	45
Other [2]	**64**	-	33
Goodwill recognised in respect of above companies	**1 198**	1 198	1 198
Deferred capital gains tax on investments at fair value	**936**	437	1 146
Revaluation adjustment of interest to fair value	**8 236**	3 541	7 276
Fair value of businesses and investments	**19 593**	12 449	18 046
Analysis of fair value			
Sanlam businesses	**7 910**	5 622	7 743
Associated companies	**11 405**	6 529	10 033
Joint venture – Safair Lease Finance	**278**	298	270
Fair value of businesses and investments	**19 593**	12 449	18 046

(1) Included in Investment Management are Sanlam Investment Management, Sanlam Collective Investments and the Investment cluster's international businesses.

(2) Other businesses comprise the non-life businesses in the Life Insurance cluster, which are excluded from the value of in-force and all the businesses in the Independent Financial Services cluster apart from Sanlam Financial Services.

RECONCILIATION OF EARNINGS to segmental analysis

for the six months ended 30 June 2005

R million	Six months ended 30 June 2005 - unaudited			
		Shareholder activities		Policyholder activities
	Total	Financial services	Investment return	
Net income	21 783	9 078	1 170	11 535
Financial services income	9 161	9 183	(2)	(20)
Reinsurance premiums paid	(979)	(979)	-	-
Reinsurance commission received	193	193	-	-
Investment income	4 878	657	397	3 824
Investment surpluses	8 759	24	788	7 947
Change in fair value of external investors liability	(229)	-	(13)	(216)
Net insurance and investment contract benefits and claims	(15 037)	(4 046)	-	(10 991)
Long-term insurance and investment contract benefits	(12 439)	(1 448)	-	(10 991)
Short-term insurance claims	(2 980)	(2 980)	-	-
Reinsurance claims received	382	382	-	-
Expenses	(3 464)	(3 459)	-	(5)
Sales remuneration	(1 199)	(1 199)	-	-
Administration costs	(2 265)	(2 260)	-	(5)
Impairment of investments and goodwill	6	-	6	-
Net operating result	3 288	1 573	1 176	539
Equity-accounted earnings	781	-	713	68
Finance cost	(62)	-	-	(62)
Loss from discontinued operations	-	-	-	-
Profit before tax	4 007	1 573	1 889	545
Tax expense	(836)	(364)	(29)	(443)
Shareholders' fund	(393)	(364)	(29)	-
Policyholders' fund	(443)	-	-	(443)
Profit for the year	3 171	1 209	1 860	102
Attributable to:				
Shareholders' fund	2 675	1 006	1 669	-
Minority shareholders' interest	496	203	191	102
	3 171	1 209	1 860	102

RECONCILIATION OF EARNINGS to segmental analysis

for the six months ended 30 June 2005

	Six months ended 30 June 2004 - unaudited			
		Shareholder activities		Policyholder activities
R million	**Total**	**Financial services**	**Investment return**	
Net income	9 789	8 203	145	1 441
Financial services income	8 360	8 380	(3)	(17)
Reinsurance premiums paid	(985)	(985)	-	-
Reinsurance commission received	252	252	-	-
Investment income	4 639	556	368	3 715
Investment surpluses	(2 467)	-	(204)	(2 263)
Change in fair value of external investors liability	(10)	-	(16)	6
Net insurance and investment contract benefits and claims	(4 214)	(3 291)	-	(923)
Long-term insurance and investment contract benefits	(2 282)	(1 359)	-	(923)
Short-term insurance claims	(2 251)	(2 251)	-	-
Reinsurance claims received	319	319	-	-
Expenses	(3 343)	(3 339)	-	(4)
Sales remuneration	(1 082)	(1 082)	-	-
Administration costs	(2 261)	(2 257)	-	(4)
Impairment of investments and goodwill	(36)	-	(36)	-
Net operating result	2 196	1 573	109	514
Equity-accounted earnings	513	-	464	49
Finance cost	-	-	-	-
Loss from discontinued operations	(87)	(94)	7	-
Profit before tax	2 622	1 479	580	563
Tax expense	(952)	(381)	(13)	(558)
Shareholders' fund	(394)	(381)	(13)	-
Policyholders' fund	(558)	-	-	(558)
Profit for the year	1 670	1 098	567	5
Attributable to:				
Shareholders' fund	1 343	848	495	-
Minority shareholders' interest	327	250	72	5
	1 670	1 098	567	5

RECONCILIATION OF EARNINGS to segmental analysis

for the six months ended 30 June 2005

R million	Total	Year ended 31 December 2004 Shareholder activities Financial services	Investment return	Policyholder activities
Net income	41 975	17 170	879	23 926
Financial services income	17 836	17 886	(7)	(43)
Reinsurance premiums paid	(2 303)	(2 303)	-	-
Reinsurance commission received	504	504	-	-
Investment income	9 658	1 083	789	7 786
Investment surpluses	16 659	-	127	16 532
Change in fair value of external investors liability	(379)	-	(30)	(349)
Net insurance and investment contract benefits and claims	(30 081)	(6 965)	-	(23 116)
Long-term insurance and investment contract benefits	(25 814)	(2 698)	-	(23 116)
Short-term insurance claims	(5 014)	(5 014)	-	-
Reinsurance claims received	747	747	-	-
Expenses	(7 026)	(6 996)	(1)	(29)
Sales remuneration	(2 302)	(2 302)	-	-
Administration costs	(4 724)	(4 694)	(1)	(29)
Impairment of investments and goodwill	(263)	-	(263)	-
Net operating result	4 605	3 209	615	781
Equity-accounted earnings	1 085	-	984	101
Finance cost	(49)	-	-	(49)
Loss from discontinued operations	(92)	(94)	2	-
Profit before tax	5 549	3 115	1 601	833
Tax expense	(1 771)	(789)	(224)	(758)
Shareholders' fund	(1 013)	(789)	(224)	-
Policyholders' fund	(758)	-	-	(758)
Profit for the year	3 778	2 326	1 377	75
Attributable to:				
Shareholders' fund	2 758	1 812	946	-
Minority shareholders' interest	1 020	514	431	75
	3 778	2 326	1 377	75

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2005	**Six months unaudited 2005 R million**	**Six months unaudited 2004 R million**	Full year 2004 R million
1. FUNDS RECEIVED FROM CLIENTS			
Life insurance	**5 207**	5 367	11 200
Investments	**20 788**	18 192	40 933
Short-term insurance	**4 139**	3 584	7 719
Total new business	**30 134**	27 143	59 852
Premiums on existing business	**5 354**	5 269	10 879
Total funds received from clients	**35 488**	32 412	70 731

Funds received from short-term insurance are recognised in the income statement. All other funds received are recognised directly in the balance sheet or as segregated funds as applicable; fee income earned on this business is recognised in the income statement.

2. PAYMENTS TO CLIENTS			
Life insurance	**12 599**	12 383	25 517
Risk underwriting benefits	**1 382**	1 294	2 568
Other payments	**11 217**	11 089	22 949
Investments	**19 730**	9 704	24 226
Short-term insurance	**2 664**	2 062	4 397
Total payments to clients	**34 993**	24 149	54 140

Life insurance risk underwriting benefits and short-term insurance payments are recognised in the income statement; all other payments to clients are recognised directly in the balance sheet or as segregated fund flows as applicable.

3. NET FLOW OF FUNDS			
Life insurance	**(2 038)**	(1 747)	(3 438)
Investments	**1 058**	8 488	16 707
Short-term insurance	**1 475**	1 522	3 322
Total net inflow of funds	**495**	8 263	16 591
4. TAXATION			
Result from financial services	**364**	381	789
Current year	**364**	381	793
Prior year	**-**	-	(4)
Investment income – current year	**62**	47	92
Investment surpluses	**(120)**	(34)	232
Secondary Tax on Companies	**87**	-	(100)
Tax expense – shareholders' fund	**393**	394	1 013
Tax expense – policyholders' fund	**443**	558	758
Total income tax charged to income statement	**836**	952	1 771

NOTES *(continued)*

	Six months unaudited 2005 R million	2004 R million	Full year 2004 R million
5. SEGMENTAL ANALYSIS – SHAREHOLDERS' FUND			
Financial services			
Life insurance	**777**	704	1 493
Short-term insurance	**532**	663	1 361
Investment management	**269**	208	419
Sanlam Capital Markets	**51**	49	86
Independent Financial Services	**26**	30	44
Corporate expenses	**(82)**	(81)	(194)
Result from continued operations	**1 573**	1 573	3 209
Discontinued operations	**-**	(94)	(94)
Result from financial services before tax	**1 573**	1 479	3 115
Investment return			
Life insurance	**2 546**	1 290	7 287
Short-term insurance	**410**	161	1 062
Investment management	**(5)**	(5)	48
Sanlam Capital Markets	**-**	23	-
Independent Financial Services	**-**	(31)	(52)
Corporate and other	**718**	527	1 022
Consolidation	**(1 780)**	(1 392)	(7 768)
Result from continued operations	**1 889**	573	1 599
Discontinued operations	**-**	7	2
Investment return before tax	**1 889**	580	1 601
6. INVESTMENT INCOME – SHAREHOLDERS' FUND			
Interest-bearing investments	**234**	175	445
Equities	**120**	174	312
Properties	**43**	19	32
Investment income before associated companies	**397**	368	789
Dividends from associated companies	**273**	139	264
Total investment income	**670**	507	1 053

NOTES *(continued)*

	Six months unaudited 2005 Cents	2004 Cents	Full year 2004 Cents
7. EARNINGS PER SHARE			
Basic earnings per share:			
Net result from financial services	**39,2**	34,3	71,4
Core earnings	**60,7**	50,7	104,8
Headline earnings	**104,5**	56,0	116,8
Adjusted headline earnings based on the long-term rate of return	**87,7**	76,2	160,4
Profit from continuing operations attributable to shareholders' fund	**104,3**	57,9	112,3
Loss from discontinued operations attributable to shareholders' fund	**-**	(3,5)	(3,6)
Diluted earnings per share:			
Net result from financial services	**38,5**	34,0	70,5
Core earnings	**59,4**	50,2	103,4
Headline earnings	**102,5**	55,5	115,3
Adjusted headline earnings based on the long-term rate of return	**86,0**	75,5	158,3
Profit from continuing operations attributable to shareholders' fund	**102,3**	57,4	110,9
Loss from discontinued operations attributable to shareholders' fund	**-**	(3,5)	(3,6)
	R million	**R million**	R million
Analysis of earnings:			
Net result from financial services	**1 006**	848	1 812
Net investment income	**550**	403	847
Investment income per note 6	**670**	507	1 053
Tax on investment income	**(62)**	(47)	(92)
Minority shareholders' interest	**(58)**	(57)	(114)
Core earnings	**1 556**	1 251	2 659
Net equity-accounted headline earnings	**421**	341	718
Equity-accounted headline earnings (excluding dividends received)	**443**	341	747
Minority shareholders' interest	**(22)**	-	(29)
Net investment surpluses	**791**	(208)	(514)
Investment surpluses	**782**	(227)	32
Tax on investment surpluses	**120**	34	(232)
Minority shareholders' interest	**(111)**	(15)	(314)
Secondary tax on companies	**(87)**	-	100
Headline earnings	**2 681**	1 384	2 963
Non-headline earnings	**(6)**	(41)	(205)
Profit for the period	**2 675**	1 343	2 758
Adjusted headline earnings based on the long-term rate of return	**2 250**	1 882	4 070
Profit from continuing operations attributable to shareholders' fund	**2 675**	1 430	2 850
Loss from discontinued operations attributable to shareholders' fund	**-**	(87)	(92)

NOTES *(continued)*

	Six months unaudited		Full year
	2005 million	**2004 million**	2004 million
Number of shares:			
Number of ordinary shares in issue at beginning of period	**2 767,6**	2 654,6	2 654,6
Add: Weighted number of shares issued	**-**	28,3	84,8
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(202,9)**	(213,5)	(201,6)
Adjusted weighted average number of shares for basic earnings per share	**2 564,7**	2 469,4	2 537,8
Add: Conversion of deferred shares	**6,9**	3,0	3,0
Add: Total number of shares under option	**119,9**	128,9	132,1
Less: Number of shares (under option) that would have been issued at fair value	**(75,7)**	(108,7)	(102,1)
Adjusted weighted average number of shares for diluted earnings per share	**2 615,8**	2 492,6	2 570,8
Number of ordinary shares in issue	**2 767,6**	2 767,6	2 767,6
Shares held by subsidiaries in shareholders' fund	**(49,9)**	(30,4)	(47,5)
Convertible deferred shares held by Ubuntu-Botho	**7,7**	-	5,8
Adjusted number of shares for value per share	**2 725,4**	2 737,2	2 725,9

	R million	**R million**	R million
8. ASSETS UNDER MANAGEMENT AND ADMINISTRATION			
Total assets per Group balance sheet – page 15	**241 839**	199 373	225 111
Segregated funds not included in Group balance sheet	**139 206**	92 362	121 678
Total assets under management and administration	**381 045**	291 735	346 789

9. CONTINGENT LIABILITIES

The Pension Fund Adjudicator recently issued a number of rulings that could have potentially significant implications for Sanlam and the insurance industry as a whole. Refer to page 4 for further information.

Shareholders are also referred to the contingent liabilities disclosed in the 2004 annual report. The circumstances surrounding these contingent liabilities remained unchanged

ADJUSTED HEADLINE EARNINGS – LTRR

	Six months unaudited 2005 R million	Six months unaudited 2004 R million	Full year 2004 R million
The LTRR investment return is determined by applying the long-term expected return of 10% (2004: 11%) to the average monthly shareholders' fund investments			
Adjusted headline earnings – long-term rate of return (LTRR)			
Net result from financial services	**1 006**	848	1 812
Secondary tax on companies	**(87)**	-	100
LTRR investment return after taxation	**1 331**	1 034	2 158
Equity-accounted headline earnings	**421**	341	718
LTRR investment return – balanced portfolio	**910**	693	1 440
Adjusted earnings – LTRR	**2 250**	1 882	4 070
Reconciliation of headline earnings and LTRR headline earnings			
Headline earnings per note 7	**2 681**	1 384	2 963
Fund Transfers	**(91)**	90	1 214
Net LTRR adjustment	**(340)**	408	(107)
Adjusted headline earnings – LTRR	**2 250**	1 882	4 070
Analysis of net LTRR adjustment			
Investment return	**(185)**	584	(300)
Equities	**(278)**	388	(331)
Interest-bearing investments	**133**	194	47
Properties	**(40)**	2	(16)
Tax	**(216)**	(149)	(65)
Minority shareholders' interest	**61**	(27)	258
Net LTRR adjustment	**(340)**	408	(107)
ASSETS SUBJECT TO LTRR			
Investments per shareholders' fund balance sheet at net asset value	**28 440**	23 747	26 582
Less: Investment in associated companies	**(5 604)**	(4 035)	(4 544)
Investment in joint ventures	**(116)**	(76)	(69)
Investments held in respect of term finance	**(3 718)**	(3 417)	(3 809)
Investments held in respect of capital market activity	**(109)**	(89)	(62)
Investments from discontinued operations, matched by liabilities	**(781)**	(797)	(905)
Other	**(413)**	(338)	(104)
LTRR investments	**17 699**	14 995	17 089

EMBEDDED VALUE

for the six months ended 30 June 2005	Six months unaudited 2005 R million	2004 R million	Full year 2004 R million
1. EMBEDDED VALUE			
Sanlam group shareholders' fund at fair value	**32 101**	23 747	29 782
Adjustment for discounting capital gains tax (1)	**176**	111	138
Adjustment to include business under value of in-force (2)	**(356)**	(372)	(356)
Present value of strategic corporate expenses (3)	**(772)**	(641)	(883)
Fair value of share incentive scheme (4)	**(668)**	(375)	(799)
STC deferred tax asset written down (5)	**(100)**	-	(100)
Sanlam group shareholders adjusted net assets	**30 381**	22 470	27 782
Net value of life insurance business in-force (2)	**8 882**	8 011	8 851
Value of life insurance business in-force	**10 497**	9 418	10 285
Individual business	**9 447**	8 090	9 147
Employee benefits	**1 050**	1 328	1 138
Cost of capital at risk	**(1 563)**	(1 407)	(1 400)
Individual business	**(1 237)**	(986)	(1 128)
Employee benefits	**(326)**	(421)	(272)
Minority shareholders' interest in value of in-force	**(52)**	-	(34)
Sanlam group embedded value	**39 263**	30 481	36 633
Embedded value per share (cents) (6)	**1 441**	1 114	1 344
Number of shares (million) (6)	**2 725**	2 737	2 726
2. EMBEDDED VALUE EARNINGS			
Embedded value from new life insurance business (7)	**114**	133	321
Earnings from existing life insurance business	**798**	741	1 363
Expected return	**591**	587	1 148
Operating experience variations (8)	**137**	113	144
Operating assumption changes	**70**	41	71
Embedded value earnings from life operations	**912**	874	1 684
Economic assumption changes (9)	**(319)**	(48)	197
Tax changes (10)	**(87)**	-	-
Investment variances	**184**	(183)	253
Exchange rate movements	**36**	(21)	(37)
Change in minority shareholders' interest in value of in-force	**(18)**	-	(34)
Growth from life insurance business	**708**	622	2 063
Investment return on shareholders adjusted net assets	**3 185**	1 031	6 389
Change in fair value of share incentive scheme	**131**	56	(368)
Total embedded value earnings before dividends are paid, capital raised and cost of treasury shares acquired	**4 024**	1 709	8 084
Dividends paid	**(1 363)**	(1 082)	(1 082)
Capital raised	**-**	848	846
Cost of treasury shares acquired	**(31)**	(176)	(397)
Change in Sanlam group embedded value	**2 630**	1 299	7 451

EMBEDDED VALUE *(continued)*

	June unaudited 2005 R million	June unaudited 2004 R million	December 2004 R million
2. EMBEDDED VALUE EARNINGS *(continued)*			
Growth from life insurance business as a % of beginning value of in-force*	**16,6%**	16,1%	26,5%
Return on embedded value* (6)	**23,2%**	11,5%	27,7%
Return on embedded value per share* (6)	**23,2%**	8,0%	22,6%
* annualised returns for 6-month periods			
3. NEW BUSINESS			
Value of new business			
Gross value of new business	**127**	144	339
Individual business – RSA	**109**	119	279
Employee benefits – RSA	**10**	19	46
International (11)	**8**	6	14
Cost of capital at risk	**(13)**	(11)	(18)
Individual business – RSA	**(7)**	(5)	(10)
Employee benefits – RSA	**(4)**	(4)	(5)
International (11)	**(2)**	(2)	(3)
Net value of new business (7)	**114**	133	321
New business profitability ratios (12)			
Annual Premium Equivalent (APE) (12)	**919**	917	1 958
Individual business – RSA	**704**	729	1 489
Employee benefits – RSA	**145**	141	356
International (11)	**70**	47	113
Present value of new business premiums (13)	**7 175**	6 930	15 357
Individual business – RSA	**5 200**	5 230	11 096
Employee benefits – RSA	**1 392**	1 345	3 352
International (11)	**583**	355	909
Net value of new business (7)	**114**	133	321
Individual business – RSA	**102**	114	269
Employee benefits – RSA	**6**	15	41
International (11)	**6**	4	11
APE margin (12)	**12,4%**	14,5%	16,4%
Individual business – RSA	**14,5%**	15,6%	18,1%
Employee benefits – RSA	**4,1%**	10,6%	11,5%
International (11)	**8,6%**	8,5%	9,7%
Present value of premium margin (12)	**1,6%**	1,9%	2,1%
Individual business – RSA	**2,0%**	2,2%	2,4%
Employee benefits – RSA	**0,4%**	1,1%	1,2%
International (11)	**1,0%**	1,1%	1,2%

EMBEDDED VALUE *(continued)*

	Gross value of in-force business R million	Cost of capital at risk R million	Net value of in-force business R million	Change from base %
4. SENSITIVITY				
Value of in-force business less cost of capital				
Base value	**10 497**	**(1 563)**	**8 934**	
Increase risk discount rate by 1,0% to 11,6%	9 844	(1 864)	7 980	(11%)
Decrease risk discount rate by 1,0% to 9,6%	11 250	(1 207)	10 043	12%
Value of new business				
Base value	**127**	**(13)**	**114**	
Increase risk discount rate by 1,0% to 11,6%	107	(16)	91	(20%)
Decrease risk discount rate by 1,0% to 9,6%	153	(12)	141	24%

5. METHODOLOGY

The embedded value methodology applied is consistent with the methodology used in the 31 December 2004 Embedded Value report. There are no material changes in the methodology used. The embedded value results have been adjusted, where applicable, for the adoption of IFRS for the 2005 interim results. Both the interim and full year 2004 embedded value results have been restated and have not been subject to an audit.

6. PRINCIPAL ASSUMPTIONS

	June unaudited		December
	2005	**2004**	2004
	% p.a.	% p.a.	% p.a.
Gross investment return and inflation [14]			
Fixed-interest securities	**8,1**	10,4	8,3
Equities and offshore investments	**10,1**	12,4	10,3
Hedged equities [15]	**8,1**	9,4	8,3
Property	**9,1**	11,4	9,3
Cash	**6,1**	8,4	6,3
Risk discount rate	**10,6**	12,9	10,8
Return on capital at risk [16]	**8,4**	11,0	9,1
Unit cost and salary inflation	**4,1**	6,4	4,3
Consumer price index inflation	**3,1**	4,9	3,3

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.

Sanlam Life's current surrender and paid-up bases are assumed to be maintained in the future.

EMBEDDED VALUE *(continued)*

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, consistent with the recommendations of the Actuarial Society of South Africa as set out in its proposed Professional Guidance Note 105.

Premiums in respect of 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.

Taxation

Projected corporate tax is allowed for at a rate of 29% (previously 30%). Allowance is made for capital gains tax. The assumed rollover period for realisation of investments is five years for property and equity assets supporting policy reserves. For property and equity assets supporting capital at risk the assumed rollover period is also five years, except for Santam (ten years) and ABSA (not discounted).

Allowance for secondary tax on companies is made by placing a present value on the tax liability generated by the net cash dividends paid that is attributable to the life company. Previously it was assumed that over the long-term the proportion of cash dividends paid would reduce to a level of 50% from the current 100% level. We now assume that all future dividends will be paid in cash.

	June unaudited		December
	2005	**2004**	2004
	%	%	%
Long-term asset mix for assets supporting the capital at risk			
Equities	**25**	42	42
Hedged equities	**35**	26	26
Property	**5**	8	8
Fixed-interest securities	**20**	20	20
Cash	**15**	4	4
	100	100	100

	Six months unaudited		Full year
	2005	**2004**	2004
	R million	**R million**	R million
7. NEW BUSINESS PREMIUMS			
Financial statements			
New business premiums	**5 207**	5 367	11 200
Less: Premium increases (index growth)	**(300)**	(289)	(619)
Plus: Optional reduction in premiums	**11**	18	36
Less: Other life business (17)	**(40)**	(12)	(83)
Premiums used in the calculation of annual premium equivalent	**4 878**	5 084	10 534
New business embedded value premiums			
Recurring premiums	**480**	454	1 005
Single premiums	**4 398**	4 630	9 529
Premiums used in the calculation of annual premium equivalent	**4 878**	5 084	10 534

EMBEDDED VALUE *(continued)*

The embedded value results were adjusted, where applicable, in accordance with IFRS adopted for the 2005 interim results. Both the interim and full year 2004 embedded value results have been restated.

(1) Adjustment to allow for the delay before incurring the capital gains tax liability included in the fair value of the shareholders' fund.

(2) Reverse goodwill relating to Merchant Investors Assurance (MIA), as its value of in-force business is included in the total value of life insurance business in-force.

(3) The June 2005 value is calculated by multiplying half of the projected full year recurring corporate expenses not related to life business (after tax) of R56,5 million by the share price of 1174 cents and dividing by the headline earnings per share based on the long-term rate of return of 86,0 cents.

(4) The fair value of the Sanlam employee share incentive scheme has been determined using a statistical model. Actual options outstanding have been valued based on the actual share price and dividend yield at the valuation date.

(5) The deferred tax asset in respect of unused STC credits, included in the net asset value, is reversed as the value of in-force business already includes an allowance for the STC expense, after allowing for available STC credits.

(6) Total embedded value earnings before dividends paid, capital raised and cost of treasury shares acquired, as a percentage of embedded value at the beginning of the period. Per share values are net of the dilution resulting from the Ubunto-Botho transaction and deferred shares earned for the period.

(7) The minority shareholders' interest in the net value of new business for the first half of 2005 amounted to R1 million.

(8) The main contributor to the operating experience variation is positive risk experience of R106 million.

(9) Economic assumption changes at 30 June 2005 include adjustments to the long-term asset mix assumptions for:

a. Policyholders' funds, leading to a R118 million decrease in the embedded value; and

b. Assets supporting capital at risk, leading to a R200 million decrease in the embedded value.

(10) The contributors to this change are:

a. The change in the corporate tax rate from 30% to 29% added R162 million to the embedded value; and

b. The allowance for secondary tax on companies is made by placing a present value on the tax liability generated by net cash dividends paid out by the life company. Previously it was assumed that over the long-term the proportion of cash dividends paid would reduce to a level of 50% from the current 100% level. We now assume that all future dividends will be paid in cash, increasing the allowance for STC by R249 million.

(11) International includes Sanlam Namibia and MIA.

(12) APE (annual premium equivalent) is equal to new recurring premiums (excluding indexed growth premiums) plus 10% of single premiums. The profitability of new business is measured by both the ratio of value of new business (VNB) to APE, as well as to the present value of new business premiums.

(13) Defined as the present value of new recurring premiums plus single premiums for the period.

(14) The economic assumptions used for all life business except MIA.

(15) The assumed future return for these assets is lower than that of equities, which are not hedged, reflecting the cost of derivative instruments.

(16) The investment return on assets supporting the capital at risk is based on the long-term asset mix for these funds.

(17) The majority of profits in respect of these premiums accrue to Sanlam Investment Management.

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