



SANLAM 2006 INTERIM RESULTS

Sanlam Group

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

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

Interim results for the six months ended 30 June 2006

Contents

Overview

Key features	2
Salient results	3
Executive review	4
Comments on the interim results	6

Financial statements

Accounting policies and actuarial basis	13
External audit review	14
Group balance sheet	15
Group income statement	16
Group statement of changes in equity	17
Group cash flow statement	18
Notes to the financial statements	19
Shareholders' fund information	22

Group embedded value results	46
------------------------------	----

Administration	54
----------------	----

Sanlam Group Interim Results June 2006

Key features

Earnings

- Core earnings per share up 18%
- Headline earnings per share up 35%

Business volumes

- Total new business volumes up 47% to R43,8 billion
- Net fund inflows of R11,8 billion

Embedded Value

- Embedded value per share of 1 750 cents
- Annualised return on embedded value per share of 26,6%
- Value of new life insurance business of R172 million
- Life new business margin of 1,8%

Capital management

- 3,5% of issued shares bought back since year-end for R1,3 billion
- Subordinated debt issue of R2 billion in August 2006

SALIENT RESULTS				
for the 6 months ended 30 June 2006		2006	2005	△
SANLAM LIMITED GROUP				
Earnings:				
Net result from financial services	R million	1 165	1 006	16%
Core earnings ⁽¹⁾	R million	1 582	1 556	2%
Headline earnings ⁽²⁾	R million	3 130	2 681	17%
Net result from financial services per share	cents	51,5	38,5	34%
Core earnings per share ⁽¹⁾	cents	69,9	59,4	18%
Headline earnings per share ⁽²⁾	cents	138,4	102,5	35%
Group administration cost ratio ⁽³⁾	%	25,7	28,3	
Group operating margin ⁽⁴⁾	%	18,7	20,1	
Business volumes:				
New business volumes	R million	43 758	29 834	47%
Net fund flows	R million	11 822	495	
Value of new life insurance business				
Value of new life insurance business	R million	172	114	51%
Life insurance PVNBP ⁽⁵⁾	R million	9 485	7 175	32%
Life new business margin ⁽⁶⁾	%	1,8	1,6	
Value of new non-life linked and loan business	R million	28	-	
Embedded value:				
Embedded value ⁽⁷⁾	R million	40 218	38 204	5%
Embedded value per share ⁽⁷⁾	cents	1 750	1 615	8%
Annualised growth from life insurance business	%	26,0	16,6	
Annualised return on embedded value per share ⁽⁸⁾	%	26,6	23,2	
SANLAM LIFE INSURANCE LIMITED				
Shareholders' fund ⁽⁷⁾	R million	28 346	27 314	
Capital adequacy requirements (CAR) ⁽⁷⁾	R million	5 725	5 375	
CAR covered by prudential capital ⁽⁷⁾	times	3,4	3,9	

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) Administration costs as a percentage of financial services income earned by the shareholders' fund less sales remuneration.
- (4) Result from financial services as a percentage of financial services income earned by the shareholders' fund less 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) Comparative figures are as at 31 December 2005.
- (8) Growth in embedded value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of embedded value per share at the beginning of the period.

EXECUTIVE REVIEW

Overview

The Sanlam group delivered strong overall results for the first half of 2006, providing testimony to the success of our strategy of product diversification, enhanced distribution and capital management. Headline earnings for the six months of R3 130 million improved by 17% on the first half of 2005. The benefit of the share buy-back programme is reflected in the increase of 35% in headline earnings per share for the six months. The weighted average number of shares in issue during the reporting period was 13,5% lower than for the comparable period in 2005.

The strong new business performance in the second half of 2005 continued across the Group during the first half of 2006. This followed upon a relatively disappointing first half performance in 2005. Total new business volumes amounted to R43,8 billion, a 47% increase on the first six months of 2005. The 42% improvement in new life insurance business (23% excluding the contribution made by new acquisitions) was particularly pleasing. The contribution made by the Developing Markets' life businesses reflects the value added by the recent acquisitions of African Life and the controlling interest in Channel Life.

The Group's operating performance for the six months was satisfactory with the net result from financial services increasing by 16% compared to the same period in 2005. A sterling performance by the Investment Management businesses was to an extent offset by the anticipated decline in short-term insurance and employee benefits underwriting margins. The disposal of the Group's interest in Absa during July 2005, combined with the application of excess capital over the past 12 months, contributed to a 24% reduction in net investment income on the reduced investment asset base. Core earnings are consequently only marginally up on 2005, but improved by 18% on a per share basis.

The value of new life insurance business of R172 million is 51% up on 2005. This is supplemented by the value of Sanlam Personal Finance's new non-life business of R28 million. Sanlam's embedded value amounted to R17,50 per share at the end of June 2006. The annualised growth in embedded value per share of 26,6% for the first half of 2006 once again exceeded the Group's target rate by a substantial margin.

This performance has been aided by the strong equity market in the reporting period, as evidenced by the 17% growth in the JSE All Share Index for the six months to 30 June 2006.

Delivering on strategy

The Sanlam Board and management remain focussed on the strategy to build a balanced, robust and diversified organisation within the financial services environment. Major progress has been made to integrate the newly acquired businesses within the Sanlam group, while efforts continued to further build on the initiatives that form part of Sanlam's journey towards sustained growth and profitability.

The Group's distribution capacity and reach were extended by the deployment of excess capital into local and international growth opportunities. The acquisition of African Life and Channel Life established Sanlam as an important player in the entry-level market. The joint venture agreement with Shriram Life Insurance in India as well as the acquisition of equity stakes in the UK-based intermediary distribution companies Intrinsic and recently Nucleus, provide further international diversification and growth opportunities. The assimilation of these businesses into the Sanlam group is progressing well and we are confident that they will contribute to Sanlam's growth strategy.

In a further significant step towards establishing Sanlam as a well-diversified financial services group, the Sanlam Board decided to commence with a formal process that may lead to Sanlam extending an offer to acquire all of the Santam Limited shares not already owned by the Group. Sanlam and Santam issued a joint cautionary announcement in this regard on 23 August 2006. The process is ongoing and shareholders will be informed of progress made.

In line with our strategic objective to re-enter the health management market, Sanlam announced in December 2005 that we have reached an agreement to acquire a majority interest in the Resolution Health Group, subject to the fulfilment of certain suspensive conditions. A key condition, the ratification of the provisional accreditation of Resolution Health Managed Care by the Council of Medical Schemes remained unfulfilled as of 31 August 2006 and Sanlam consequently decided to terminate the proposed transaction. Sanlam will remain a participating employer of Resolution Health Medical Scheme. We remain committed to finding a quality and affordable health management solution as part of the Group's comprehensive product offering.

It is Sanlam's stated objective to provide our clients with a competitive value proposition. This requires continuous product innovation and the need to maintain cost efficiencies across the Group. Ongoing cost awareness resulted in a reduction in the Group's administration cost ratio from 28,3% for the first six months of 2005 to 25,7% in 2006.

Satisfactory progress has been made towards meeting the transformation targets of the Financial Sector Charter. The Sanlam Broad-based Employee Share Plan was launched during 2006 as part of the investment in our human capital. In terms of the Share Plan some 1,8 million Sanlam shares are to be transferred to more than 5 000 Group employees that do not participate in other Group share schemes, ensuring that all employees share in the future growth of the Group.

We have taken significant strides in transforming Sanlam from a mutual insurer into a world-class financial services Group. While this process will continue to evolve, the benefits of the change so far are already evident in our ability to deliver strong results in a competitive environment.

Capital management

The effective management of Sanlam's capital base, as a key component of our drive to maximise return on embedded value, is a primary focus area of the Group. The disposal of the shareholder fund's interest in Absa during 2005 provided the opportunity to redeploy surplus capital identified within the Group. The share buy-back programme implemented during 2005 and the acquisition of African Life and Channel Life were the first steps to extract value for Sanlam shareholders through transforming the Group's capital utilisation.

The Group continued to buy back shares in the open market during the first half of 2006. A total of 83,4 million shares were acquired for some R1,3 billion. The JSE Limited approved the cancellation of 70 million of the acquired shares during June 2006. The aggregate buy-back since the start of 2005 amounted to 442 million shares at a total cost of R5,7 billion (R12.97 per share), which reduced Sanlam's issued share capital by 16%. The benefits of the share buy-back programme are reflected in both the positive impact on earnings per share and the accretion in embedded value per share.

The R2 billion subordinated debt issue by Sanlam Life Insurance Limited in August 2006 marked another important milestone in optimising the Group's capital base. The introduction of long-term debt into Sanlam Life's capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, lead to a reduction in volatility in its regulatory capital base and consequently a lower overall capital requirement.

Looking ahead

We will continue to build on our achievements and focus on our four key strategies of growth, effective capital utilisation, cost efficiencies and transformation. We will pursue the acquisition, on acceptable and value enhancing terms, of the minority shareholders' interest in Santam, while operational focus will remain on the settling down and integration of the newly acquired Group businesses.

Market conditions, including risk-underwriting conditions, will impact on our ability to repeat the performance of the first six months during the second half of the year. Investment markets in particular have a significant impact on the Group's results.

COMMENTS ON THE INTERIM RESULTS

Introduction

The Sanlam group interim results for the six months to 30 June 2006 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The Group's external auditors, Ernst & Young, have reviewed the results for the six months ended 30 June 2006. The comparative 30 June 2005 financial information has not been audited or reviewed.

The business environment during the first half of 2006 was characterised by volatile equity and currency markets, an increasing interest rate environment as well as contracting underwriting margins in the short-term insurance industry. Despite these challenges the Group continued to deliver strong results.

Earnings

Shareholders' fund summarised income statement for the 6 months ended 30 June			
R million	2006	2005	△
Net result from financial services	1 165	1 006	16%
Net investment income	417	550	-24%
CORE EARNINGS	1 582	1 556	2%
Net broad-based employee share plan	(19)	-	
Net equity-accounted headline earnings	56	421	
Investment surpluses (excluding fund transfers)	1 246	700	
Amortisation of value of business acquired	(21)	-	
Net Secondary Tax on Companies (STC)	(99)	(87)	-14%
Earnings before fund transfers	2 745	2 590	6%
Fund transfers	385	91	
HEADLINE EARNINGS	3 130	2 681	17%
Net other equity-accounted earnings	-	(8)	
Profit/(loss) on disposal of associates and subsidiaries	98	(4)	
Impairment of investments and goodwill	(8)	6	
Attributable earnings	3 220	2 675	20%
Net result from financial services	1 165	1 006	16%
Net investment return	2 055	1 669	
Attributable earnings	3 220	2 675	20%

Core earnings

Core earnings, a measure of the Group's 'normalised' earnings, of **R1 582 million** for the six months, are marginally up on the corresponding period in 2005. Core earnings comprise the net result from financial services (net operating profit) and net investment income earned on the shareholders' fund and exclude investment surpluses and abnormal non-recurring items that cause volatility in headline earnings. Core earnings also account for dividends received from non-strategic associated companies but do not include the equity-accounted retained earnings. The marginal increase in core earnings is the result of a 16% increase in net operating profit for the

period being offset by a 24% decline in net investment income over the same period. On a per share basis, core earnings increased by 18%, reflecting the 14% reduction in the weighted average number of issued shares following the share buy-back scheme in 2005 and continued market buy-backs during 2006.

All Group businesses, apart from Santam and Sanlam Employee Benefits, contributed to the improvement in **net operating profit**. Gross operating profit of **R1 768 million** for the first six months of 2006 is 12% higher than the comparative period in 2005. An exceptional performance by Sanlam's Investment Management businesses was in part offset by the anticipated reduction in the Santam underwriting performance as well as a lower Sanlam Employee Benefits contribution. Net of taxation and minority interests, operating profit is 16% higher than 2005. The minority shareholders' interest in operating profit after tax reduced as a result of the lower Santam contribution.

Result from financial services for the 6 months ended 30 June			
R million	2006	2005	△
Sanlam Personal Finance	773	699	11%
Sanlam Employee Benefits	69	92	-25%
Developing Markets	156	(14)	
Investment Management	482	269	79%
Sanlam Capital Markets	53	51	4%
Short-term insurance	304	532	-43%
Independent Financial Services	27	26	4%
Corporate expenses	(96)	(82)	-17%
Gross result from financial services	1 768	1 573	12%
Taxation	(411)	(364)	-13%
Minority shareholders' interest	(192)	(203)	5%
Net result from financial services	1 165	1 006	16%

- **Sanlam Personal Finance** recorded an 11% improvement to **R773 million** in operating profit for the six months to June 2006. The results were positively impacted by favourable market-related income as well as an increase in fund value linked fees, which were supported by the buoyant equity markets during the period.
- **Sanlam Employee Benefits'** operating profit was negatively impacted by reduced underwriting margins as well as new business strain from the improved levels of new business. Underwriting margins returned to more normalised levels after the favourable experience of the past few years.
- The maiden contribution of the new **Developing Markets** businesses is in line with expectations. The 2005 comparative figure includes Safrican and Sanlam Group Solutions, which were previously reported as part of Sanlam Personal Finance.
- Most of the **Investment Management** businesses benefited from the strong equity markets, which supported operating results for the six months. Performance fees earned contributed largely to the 79% increase in performance to **R482 million**. The softer Rand exchange rate also supported the earnings of the international operations. The African operations, which include Botswana Insurance Fund Management (the Botswana based investment management business acquired as part of the African Life Assurance group), recorded an increase of 64% in operating profit. The international businesses more than doubled their profit contribution.
- The first six months of 2006 has been challenging for **Sanlam Capital Markets** due to the high levels of market volatility experienced during this period. Despite the difficult business

environment, the business improved on its 2005 performance and achieved its target return on equity of 25%.

- **Santam's** operating profit for the six months is 43% lower than in 2005 due to a higher claims experience. The deterioration in the short-term insurance underwriting cycle was expected as the exceptional margins of the past few years were not sustainable over the long-term. An average underwriting margin of 3,6% was achieved for the first six months of 2006 compared to 9,3% for the comparable period in 2005.
- **Independent Financial Services** delivered a marginally improved contribution for the six months despite the reduction in Sanlam's interest in the Punter Southall Group (formerly Sanlam Financial Services UK) from 61% to 45%.
- The Group's focus on reducing administration costs resulted in a decline in the administration cost ratio from 28,3% for the first half of 2005 to 25,7% in 2006.

Net investment income consists of dividends, interest and rental income earned on the shareholders' fund, as well as the margin earned on the Group's preference share portfolio. As part of the Group's capital management strategy some R7 billion of excess capital was utilised for the share buy-back programme and acquisitions during the latter part of 2005. A further R1,3 billion was used to buy back shares in the market during the first six months of 2006. The resulting lower investment asset base, combined with the impact of the R249 million extraordinary Absa dividend received in June 2005, contributed to a 24% decline in net investment income. Excluding the 2005 Absa dividend, net investment income increased by 39%.

Headline earnings

Headline earnings of R3 130 million are 17% up on the first six months of 2005, benefiting from the relatively stronger equity markets during the period. The reduction in the weighted average number of issued shares resulted in a 35% increase in Headline earnings per share.

- Equity-accounted earnings in 2005 included Absa's earnings for the period prior to the sale of Sanlam's stake in Absa in July 2005 as well as the Group's 20% interest in African Life's earnings from March in respect of the initial block of shares acquired. These are no longer applicable and the 2006 equity-accounted earnings only include the proportionate earnings in respect of sundry associated investments held by Santam, Sanlam Life and Sanlam Properties.
- Headline earnings include the R19 million once-off cost recognised in terms of IFRS 2 *Share-Based Payment* in respect of the Broad-based Employee Share Plan introduced by the Group during 2006. The IFRS 2 cost represents the fair value of the Sanlam shares transferred to Sanlam employees in terms of the scheme.
- Gross market value changes of R1 677 million (R1 246 million after tax and minorities) compared to R691 million (R700 million after tax and minorities) in 2005 reflect the stronger market performance for the six months.
- Fund transfers for the six months are R294 million higher than the same period in 2005. In terms of IFRS the policyholders' fund's investments in Sanlam shares and Group subsidiaries may not be accounted for as investments at fair value, but must be deducted from equity and accounted for at net asset value respectively. The valuation of the related policy liabilities however includes the fair value of these investments, resulting in a mismatch between policy liabilities and policyholder investments. The movement in this mismatch is recognised as a fund transfer in the income statement. Excluding fund transfers, Headline earnings increased by 6%.

Attributable earnings increased by 20% to **R3 220 million**. The profit on disposal of subsidiaries and associated companies during 2006 relates mainly to the reduction of the Group's interest in Punter Southall to 45% and the disposal of an associated company by African Life.

Business volumes

New business flows

Total new business inflows for the six months amounted to **R43,8 billion**, a 47% increase on the corresponding period in 2005. Investment inflows were the prevalent contributor to the new business flows, exceeding the 2005 inflows by 53%. Life business inflows also recorded a significant increase of 42%, assisted by the first time inclusion of African Life and Channel Life in the 2006 results. Excluding the Developing Market contribution, new Life business improved by 23%. Santam's net premium income increased by 18%.

In terms of the Group's accounting policies 100% of the Punter Southall business flows were included in 2005 as it was a subsidiary of the Group, but following the reduction in Sanlam's interest at the beginning of 2006, only 45% is included in 2006.

New Business Volumes for the 6 months ended 30 June

R million	2006	2005	△
Life business	6 954	4 907	42%
Sanlam Personal Finance	4 500	3 813	18%
Developing Markets	979	35	
Group business	1 475	1 059	39%
Investment business	31 907	20 788	53%
Investment Management	21 537	14 064	53%
Sanlam Personal Finance	3 822	2 572	49%
Punter Southall Group	4 177	2 539	65%
Namibia Unit Trust	2 371	1 613	47%
Short-term insurance	4 897	4 139	18%
	43 758	29 834	47%
Retail	21 901	12 240	79%
SA Life: Sanlam Personal Finance	3 985	3 275	22%
SA Life: Developing Markets	701	35	
SA Non-Life	14 051	6 779	107%
Non-SA	3 164	2 151	47%
Institutional	13 360	11 499	16%
SA Group Life	1 379	1 059	30%
SA Non-life	5 998	7 575	-21%
Non-SA	5 983	2 865	109%
Sanlam Collective Investments white label	3 600	1 956	84%
Short-term insurance	4 897	4 139	18%
	43 758	29 834	47%

- New *retail* business flows improved by 79% on 2005 to R21,9 billion.

The evolution of the retail cluster into a diversified unit with distribution reach in all of the major retail market segments greatly assisted our growth strategy. Sanlam's strengths in the middle market are now supplemented by an increasing contribution from the affluent market and the first time inclusion of the recently acquired developing market businesses.

- South African Sanlam Personal Finance Life Insurance business of R4 billion increased by 22%. New recurring premiums improved by 13%, with single premiums rising by 23%. Innofin continued to extend its distribution footprint during the period, translating into a more than 60% growth in its contribution.
 - South African Developing Markets Life Insurance business of R701 million exceeded expectations, with Channel Life being a major contributor.
 - South African non-life inflows of R14,1 billion are 107% up on 2005. Sanlam Private Investments and Sanlam Collective Investments had a very successful six months and more than doubled their new business flows.
 - Non-SA business volumes increased by 47%, assisted by a 47% increase in Namibian unit trust business and the first time inclusion of the Developing Markets non-SA business of R278 million.
- *Institutional* new business flows of R13,4 billion are 16% up on 2005.
 - Group Life premiums rose by 30%, a satisfying result in a highly competitive market.
 - Sanlam Investment Management's (SIM) institutional investment inflows are down 21% from the high base in 2005. New segregated mandates decreased from R4,6 billion to R3,3 billion and new multi-managed mandates by R600 million. This was offset by a 31% increase in Sanlam Collective Investment's wholesale business. A normalisation of segregated mandate investment flows from the high base in 2005 was expected but remains a primary focus area for institutional flows.
 - The growth of 109% in non-SA institutional flows is the result of sterling performances by Octane and Punter Southall. Sanlam's 45% share of Punter Southall's new business amounted to R4,2 billion compared to a 100% share of R2,5 billion in 2005.

Net business flows

Net business flows of R11,8 billion for the first half of 2006 is a significant improvement over the R0,5 billion achieved in the comparable 2005 period. The Public Investment Corporation (PIC) withdrew R6 billion of its funds under management from SIM in March 2005. Excluding the PIC withdrawal, net business flows still almost doubled from 2005.

Investment business contributed R11,6 billion of the net inflows, with positive flows experienced by all of the major divisions. South African Individual Life business recorded positive net flows of R226 million for the period compared to a net outflow of R500 million in 2005. The positive result stems from Individual Life policy benefits, including surrenders, remaining on similar levels to 2005 and an increase in Innofin's life business net inflows. The Developing Markets also reported net inflows of R551 million for the six months to June 2006. Group Life business and non-South African Individual Life business however reported net outflows of R1,8 billion and R112 million respectively. Santam's net business inflow for the six months amounted to R1,4 billion.

Value of new business

The value of new life insurance business (VNB) of **R172 million** for the six months ended 30 June 2006 is 51% up on the R114 million for the comparable period in 2005. African Life and Channel Life contributed R54 million to the VNB. Excluding African Life and Channel Life, VNB increased marginally to R118 million. This represents a satisfactory performance, taking cognisance of the negative impact of the increase in the risk discount rate on VNB for the first half of 2006. The profitability of VNB improved compared to the comparable period in 2005, as reflected in the increase in the life new business margin from 1,6% to 1,8%.

Given the increasing contribution from non-life products distributed by the Group, the value of Sanlam Personal Finance's new non-life business will also be reported in future. The value of new business from non-life linked products and loan business for the first half of 2006 amount to R14,7 million and R13,7 million respectively. The value of new non-life linked business as a percentage of the present value of new contributions received amounts to 0,5% for the six months

ended 30 June 2006. The value of new loan business as a percentage of loans granted during the first half of 2006 amounts to 1,4%.

The value of new non-life business is based on methodologies and assumptions similar to the calculation of life insurance VNB. The Group's methodology will be developed over time in line with developing best practice.

As an indication of new business profitability, the overall Investment Management profit for the reporting period equated to an annualised aggregate 0,28% of average assets under management, compared to 0,23% for the full year 2005.

Embedded value

The Group's embedded value of **R40,2 billion** as at 30 June 2006 is 5% up on the R38,2 billion reported at 31 December 2005, after allowing for the R1,5 billion dividend paid in respect of the 2005 financial year as well as R1,3 billion spent on the buy-back of shares during the six-month period. Embedded value per share increased by 8,4% to R17,50, reflecting the accretion resulting from the share buy-back programme. The discount of Sanlam's share price to embedded value increased from 5,9% at 31 December 2005 to 17,1% at 30 June 2006.

Embedded value			
R million	June 2006	December 2005	△
Net asset value (at fair value)	32 006	30 592	5%
Goodwill on life company acquisitions	1 395	1 328	
Non-life Group operations	10 309	9 702	6%
Portfolio investments	20 302	19 562	4%
Adjustments	(2 989)	(2 962)	-1%
Adjusted net asset value	29 017	27 630	5%
Net value of life in-force business	11 201	10 574	6%
Embedded value	40 218	38 204	5%
Embedded value per share (cents)	1 750	1 615	8%
Share price (cents)	1 450	1 519	-5%
Discount to embedded value	17,1%	5,9%	

Taking into account the share buy-backs during the first six months of 2006 as well as the dividend paid, the annualised return on embedded value to the end of June 2006 amounted to 26,2%. On a per share basis the growth amounted to 26,6%, compared with growth of 23,2% in 2005.

Growth from life insurance business, based on the starting value of Value of In Force, amounted to 26,0% compared with growth of 16,6% in 2005.

Solvency

All life insurance companies in the Group were adequately capitalised at the end of June 2006. The capital of Sanlam Life Insurance Limited amounted to R28,3 billion (after payment of a R1,7 billion dividend), compared to R27,3 billion as at 31 December 2005. The Capital Adequacy Requirements (CAR) were covered 3,4 times by regulatory capital at the end of June 2006, compared to 3,9 times as at 31 December 2005. As at 30 June 2006 there were no policyholder portfolios with negative stabilisation reserves.

Sanlam maintained its healthy solvency position and held capital of 56% of net earned premiums at the end of June 2006, compared to 65% as at 31 December 2005.

Although the Group's capital base was reduced by R1,3 billion as a result of the buy-back of shares during the six months ended 30 June 2006, the Group remained in a strong solvency position at 30 June 2006. In terms of the JSE Listing Requirements, the Sanlam Limited Board is of opinion that after the share buy-back, Sanlam Limited and the Group has sufficient share capital, reserves and working capital for ordinary business purposes and to service its debt during the following 12 months and that the Group's assets will exceed its liabilities during this period.

Dividend

In line with the Group policy no interim dividend has been declared. Sanlam only declares an annual dividend.

Roy Andersen
Chairman

Johan van Zyl
Group Chief Executive

Sanlam Limited
Cape Town
6 September 2006

Interim Financial Statements for the six months ended 30 June 2006

ACCOUNTING POLICIES AND ACTUARIAL BASIS

Basis of presentation

The accounting policies adopted for the purposes of the financial statements comply with International Financial Reporting Standards, specifically IAS 34 on interim financial reporting, and with applicable legislation. These condensed financial statements are presented in terms of IAS 34, with additional disclosure where applicable, using accounting policies consistent with those applied in the 2005 financial statements. 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 2005, apart from changes in the economic assumptions (refer to page 52 for the major assumptions applied).

Application of new and revised standards

The following new or revised IFRSs and interpretations have effective dates applicable to the Group's 2006 financial year:

- *Amendment to IAS 19 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*
- *Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Cash Flow Hedge Accounting of Forecast Intragroup Transactions*
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement - The Fair Value Option*
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts - Financial Guarantee Contracts*
- *IFRIC 4 Determining whether an arrangement contains a lease*

The application of these standards and interpretation did not have a significant impact on the Group's reported results and cash flows for the six months ended 30 June 2006 and the financial position as at 30 June 2006.

The following new or revised IFRSs and interpretations have effective dates applicable to future financial years of the Group:

- *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*
- *AC 503 Accounting For Black Economic Empowerment (BEE) Transactions*

The Group has not early adopted any of these standards or interpretations. The application of these 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.

EXTERNAL AUDIT REVIEW

The appointed external auditors, Ernst & Young, reviewed the accompanying condensed balance sheet of the Sanlam Limited group as at 30 June 2006 and the related condensed statements of income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes set out on pages 13 and 15 to 45. The review was conducted in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The comparative 30 June 2005 financial information has not been audited or reviewed.

The external auditors have also conducted a limited assurance review of the Group Embedded Value Results for the six months ended 30 June 2006 on pages 46 to 53 in accordance with the International Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. The comparative 30 June 2005 financial information has not been audited or reviewed.

Copies of the unqualified reports of Ernst & Young are available for inspection at the registered office of the company.

GROUP BALANCE SHEET at 30 June 2006

	June Reviewed 2006 R million	June Unaudited 2005 R million	December Audited 2005 R million
ASSETS			
Property and equipment	240	217	249
Owner-occupied properties	504	381	492
Goodwill	1 958	2 191	2 174
Value of business acquired	949	-	942
Deferred acquisition costs	1 248	1 050	1 155
Long-term reinsurance assets	391	333	389
Investments	251 819	200 554	232 851
Properties	13 072	14 659	12 748
Equity-accounted investments	2 016	6 404	1 037
Equities and similar securities	133 901	97 536	120 763
Public sector stocks and loans	47 624	42 064	47 998
Debentures, insurance policies, preference shares and other loans	25 058	17 901	21 173
Cash, deposits and similar securities	30 148	21 990	29 132
Deferred tax	356	441	372
Short-term insurance technical assets	2 505	1 864	2 372
Working capital assets	43 063	34 808	35 716
Trade and other receivables	31 270	25 479	27 427
Cash, deposits and similar securities	11 793	9 329	8 289
Total assets	303 033	241 839	276 712
EQUITY AND LIABILITIES			
Shareholders' fund	25 626	21 205	25 020
Minority shareholders' interest	3 263	3 305	3 443
Total equity	28 889	24 510	28 463
Long-term policy liabilities	215 423	172 051	198 234
Insurance contracts	113 812	96 948	109 591
Investment contracts	101 611	75 103	88 643
Term finance	3 262	4 901	2 879
Interest-bearing liabilities matched by assets	3 262	3 499	2 835
Other interest-bearing liabilities	-	1 402	44
External investors in consolidated funds	8 072	4 169	6 030
Cell owners' interest	286	86	268
Deferred tax	1 588	1 279	1 623
Short-term insurance technical provisions	7 537	5 632	6 702
Working capital liabilities	37 976	29 211	32 513
Trade and other payables	35 767	28 076	30 057
Provisions	887	319	860
Taxation	1 322	816	1 596
Total equity and liabilities	303 033	241 839	276 712

GROUP INCOME STATEMENT for the 6 months ended 30 June 2006

	Notes	Six months		Full year
		Reviewed 2006 R million	Unaudited 2005 R million	Audited 2005 R million
Net income		26 457	21 783	63 307
Financial services income		11 382	9 161	20 393
Reinsurance premiums paid		(1 072)	(979)	(2 339)
Reinsurance commission received		222	193	445
Investment income		7 255	4 878	10 429
Investment surpluses		9 024	8 759	35 282
Change in fair value of external investors liability		(354)	(229)	(903)
Net insurance and investment contract benefits and claims		(17 516)	(15 037)	(41 440)
Long-term insurance and investment contract benefits		(14 082)	(12 439)	(35 164)
Enhanced early termination benefits		-	-	(620)
Short-term insurance claims		(3 838)	(2 980)	(6 904)
Reinsurance claims received		404	382	1 248
Expenses		(4 059)	(3 464)	(7 769)
Sales remuneration		(1 580)	(1 199)	(2 632)
Administration costs		(2 452)	(2 265)	(5 137)
Broad-based employee share plan		(27)	-	-
Impairment of investments and goodwill		(8)	6	(12)
Amortisation of value of business acquired		(21)	-	-
Net operating result		4 853	3 288	14 086
Equity-accounted earnings		121	781	944
Finance cost		-	(62)	(136)
Profit before tax		4 974	4 007	14 894
Taxation	1	(1 347)	(836)	(2 803)
Shareholders' fund		(876)	(393)	(1 684)
Policyholders' fund		(471)	(443)	(1 119)
Profit for the period		3 627	3 171	12 091
Attributable to:				
Shareholders' fund		3 220	2 675	10 927
Minority shareholders' interest		407	496	1 164
		3 627	3 171	12 091
Earnings attributable to shareholders of the company (cents):				
Basic earnings per share	2	145,2	104,3	439,2
Diluted earnings per share	2	142,3	102,3	432,0

GROUP STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 June 2006

	Six months		Full year
	Reviewed	Unaudited	Audited
	2006	2005	2005
	R million	R million	R million
Shareholders' fund:			
Balance at beginning of period	25 020	19 685	19 685
Total recognised income	3 531	2 865	11 008
Profit for the period	3 220	2 675	10 927
Equity-accounted movement in associated companies' reserves	-	23	15
Movement in foreign currency translation reserve	311	167	66
Net realised investment surpluses on treasury shares	(85)	(57)	25
Share-based payments	45	38	64
Dividends paid ⁽¹⁾	(1 469)	(1 295)	(1 295)
Acquired through business combinations	-	-	(31)
Shares cancelled	(1 036)	-	(4 446)
Cost of treasury shares acquired ⁽²⁾	(380)	(31)	10
Balance at end of period	25 626	21 205	25 020
Minority shareholders' interest:			
Balance at beginning of period	3 443	3 515	3 515
Total recognised income	512	526	1 163
Profit for the period	407	496	1 164
Movement in foreign currency translation reserve	105	30	(1)
Share-based payments	4	2	5
Dividends paid	(575)	(702)	(788)
Acquisitions, disposals and other movements in minority interests	(121)	(36)	(452)
Balance at end of period	3 263	3 305	3 443
Shareholders' fund	25 020	19 685	19 685
Minority shareholders' interest	3 443	3 515	3 515
Total equity at beginning of period	28 463	23 200	23 200
Shareholders' fund	25 626	21 205	25 020
Minority shareholders' interest	3 263	3 305	3 443
Total equity at end of period	28 889	24 510	28 463

(1) Dividend of 65 cents per share paid during 2006 (2005: 50 cents per share) in respect of the 2005 financial year.

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

GROUP CASH FLOW STATEMENT

for the 6 months ended 30 June 2006

	Six months		Full year
	Reviewed	Unaudited	Audited
	2006	2005	2005
	R million	R million	R million
Net cash inflow from operating activities	8 415	3 031	1 938
Net cash (outflow)/inflow from investment activities	(2 672)	1 443	13 069
Net cash outflow from financing activities	(1 210)	(1 907)	(6 919)
Net increase in cash and cash equivalents	4 533	2 567	8 088
Cash, deposits and similar securities at beginning of period	37 408	29 320	29 320
Cash, deposits and similar securities at end of period	41 941	31 887	37 408

NOTES TO THE FINANCIAL STATEMENTS

for the 6 months ended 30 June 2006

	Six months		Full year
	Reviewed	Unaudited	Audited
	2006	2005	2005
	R million	R million	R million
1. TAXATION			
Result from financial services	411	364	747
Investment income	68	62	150
Investment surpluses	247	(120)	330
Profit on disposal of associated companies	4	-	534
Enhanced early termination benefits	-	-	(180)
Broad-based employee share plan	(8)	-	-
Secondary Tax on Companies	154	87	103
Tax expense – shareholders’ fund	876	393	1 684
Tax expense – policyholders’ fund	471	443	1 119
Total income tax charged to income statement	1 347	836	2 803
	Cents	Cents	Cents
2. EARNINGS PER SHARE			
Basic earnings per share:			
Net result from financial services	52,5	39,2	92,5
Core earnings	71,3	60,7	131,8
Headline earnings	141,1	104,5	233,7
Profit attributable to shareholders’ fund	145,2	104,3	439,2
Diluted earnings per share:			
Net result from financial services	51,5	38,5	90,9
Core earnings	69,9	59,4	129,7
Headline earnings	138,4	102,5	229,8
Profit attributable to shareholders’ fund	142,3	102,3	432,0
	R million	R million	R million
Analysis of earnings (refer segmental income statement on page 26):			
Net result from financial services	1 165	1 006	2 300
Core earnings	1 582	1 556	3 280
Headline earnings	3 130	2 681	5 813
Profit attributable to shareholders’ fund	3 220	2 675	10 927

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

	Six months Reviewed 2006 million	Unaudited 2005 million	Full year Audited 2005 million
2. EARNINGS PER SHARE <i>(continued)</i>			
Number of shares:			
Number of ordinary shares in issue at beginning of period	2 408,6	2 767,6	2 767,6
Less: Weighted average number of shares cancelled	(11,7)	-	(76,4)
Less: Weighted average Sanlam shares held by subsidiaries (including policyholders)	(178,7)	(202,9)	(203,5)
Adjusted weighted average number of shares for basic earnings per share	2 218,2	2 564,7	2 487,7
Add: Weighted conversion of deferred shares	6,6	6,9	6,2
Add: Total number of shares under option	72,7	119,9	89,6
Less: Number of shares (under option) that would have been issued at fair value	(35,2)	(75,7)	(54,1)
Adjusted weighted average number of shares for diluted earnings per share	2 262,3	2 615,8	2 529,4
Number of ordinary shares in issue – beginning of period	2 408,6	2 767,6	2 767,6
Shares cancelled	(70,0)	-	(359,0)
Number of ordinary shares in issue	2 338,6	2 767,6	2 408,6
Shares held by subsidiaries in shareholders' fund	(47,0)	(49,9)	(48,6)
Convertible deferred shares held by Ubuntu-Botho	6,6	7,7	6,5
Adjusted number of shares for value per share	2 298,2	2 725,4	2 366,5

3. SHARE REPURCHASES

The Sanlam shareholders granted general authorities to the Group at the 2005 and 2006 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 83,4 million shares from 9 March 2006 to 30 June 2006 in terms of the general authorities. The lowest and highest prices paid were R14,07 and R16,56 per share respectively. The total consideration paid of R1,3 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 227 million shares, or 9,4% 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 7 June 2006.

The financial effects of the share repurchases during 2006 are illustrated in the table below:

		Before repurchases	After repurchases
Basic earnings per share:			
Profit attributable to shareholders' fund	Cents	144	145
Headline earnings	Cents	140	141
Diluted earnings per share:			
Profit attributable to shareholders' fund	Cents	141	142
Headline earnings per share	Cents	137	138
Value per share:			
Embedded value	Cents	1 744	1 750
Net asset value	Cents	1 131	1 115
Tangible net asset value	Cents	955	934

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. BUSINESS COMBINATIONS

The Group acquired a controlling interest in Channel Life Limited (Channel Life) during February 2006. As part of the transaction, the Group's 55% interest in Safrican Insurance Company Limited (Safrian) was transferred to Channel Life. The Channel Life group contributed R353 million and R8 million to Group revenue and net profit respectively for the six months ended 30 June 2006.

Channel Life
R million

Details of the purchase consideration and goodwill acquired are as follows:

Purchase consideration	133
Cash consideration	122
Net asset value contributed	10
Costs directly attributable to acquisition	1
Fair value of net assets acquired	81
Goodwill	52

The goodwill acquired relates to the future new business potential of the Channel Life group.

Channel Life
Provisional
fair value
R million
Carrying
value ⁽¹⁾
R million

Details of the assets and liabilities acquired are as follows:

Property and equipment	5	5
Intangible assets	42	15
Investments	3 945	3 945
Deferred tax	57	57
Cash, deposits and similar securities	134	134
Long-term liabilities	(3 993)	(3 993)
Net working capital liabilities	(46)	(46)
Net assets	144	117
Minority shareholders' interest	(63)	
Net assets acquired	81	

⁽¹⁾ Carrying value of assets and liabilities in acquiree's own financial statements on acquisition date.

5. CONTINGENT LIABILITIES

Shareholders are referred to the contingent liabilities disclosed in the 2005 annual report. The circumstances surrounding these contingent liabilities remained unchanged, apart from the discussions with the South African Revenue Service (SARS) regarding revised tax assessments issued to a subsidiary of Genbel Securities Limited (Gensec), which has been resolved since the issuance of the 2005 annual report. A final settlement has been reached between Gensec and SARS. The amount paid in terms of the agreement has been funded from an existing provision held for this purpose.

6. SUBSEQUENT EVENTS

Subsequent to the end of the interim reporting period Sanlam Life Insurance Limited, a wholly owned subsidiary of the Group, issued unsecured subordinated debt instruments to a value of R2 billion.

Financial Information for the Shareholders' Fund for the 6 months ended 30 June 2006

Contents

Shareholders' fund balance sheet – Net Asset Value	23
Shareholders' fund balance sheet – Fair Value	24
Segmental income statement	26
Reconciliation of earnings to segmental analysis	29
Notes to the shareholders' fund information	32
Adjusted headline earnings – LTRR	45

SHAREHOLDERS' FUND BALANCE SHEET AT NET ASSET VALUE

at 30 June 2006

	June Reviewed 2006 R million	Unaudited 2005 R million	December Audited 2005 R million
Assets			
Goodwill	1 958	2 175	2 174
Value of business acquired	949	-	942
Investments	31 810	28 440	32 547
Working capital and other assets	39 452	30 763	32 976
Total assets	74 169	61 378	68 639
Equity and liabilities			
Shareholders' fund	25 626	21 205	25 020
Minority shareholders' interest	3 379	2 583	3 557
Term finance, working capital and other liabilities	45 164	37 590	40 062
Total equity and liabilities	74 169	61 378	68 639
Net asset value per share (cents)	1 115	778	1 057

SHAREHOLDERS' FUND BALANCE SHEET AT FAIR VALUE

at 30 June 2006

	June Reviewed 2006 R million	Unaudited 2005 R million	December Audited 2005 R million
Assets			
Property and equipment	181	144	177
Owner-occupied properties	488	369	480
Goodwill ⁽²⁾	473	389	419
Value of business acquired ⁽²⁾	947	-	942
Deferred acquisition costs	782	122	582
Investments	34 857	37 404	35 307
Sanlam businesses	10 309	7 949	9 702
Investment Management	4 240	2 572	3 228
SIM Wholesale ⁽³⁾	3 110	1 636	2 481
International (SMMI and Octane)	816	526	522
Sanlam Collective Investments	314	410	225
Life cluster businesses	869	590	668
Innofin	440	232	341
Sanlam Personal Loans ⁽⁴⁾	98	189	71
Multi-Data	85	64	82
Sanlam Trust	82	55	84
Sanlam Home Loans	110	6	60
Other ⁽⁵⁾	54	44	30
Independent Financial Services cluster businesses	622	492	505
Punter Southall	354	379	382
Gensec Properties	38	12	13
Other ⁽⁶⁾	230	101	110
Sanlam Capital Markets	467	444	552
Santam	4 111	3 851	4 749
Associated companies	799	11 405	871
Absa	-	10 250	-
African Life	-	521	-
Peermont	736	634	779
Other	63	-	92
Joint ventures	395	278	395
Safair Lease Finance	271	278	271
Shriram	124	-	124
Other investments	23 354	17 772	24 339
Other equities and similar securities	12 082	7 840	12 267
Public sector stocks and loans	2 277	1 494	2 019
Investment properties	537	571	671
Other interest-bearing and preference share investments	8 458	7 867	9 382
Deferred tax	179	310	216
Working capital assets	4 953	5 669	4 486
Total assets	42 860	44 407	42 609

Equity and liabilities			
Shareholders' fund	32 006	32 101	30 592
Minority shareholders' interest	588	53	439
Term finance	2 884	3 791	2 834
External investors in consolidated funds	52	98	49
Deferred tax	545	1 105	1 031
Working capital liabilities	6 785	7 259	7 664
Total equity and liabilities	42 860	44 407	42 609
Net asset value per share (cents)	1 393	1 178	1 293

(1) Group businesses listed above not consolidated, but reflected as investments at fair value.

(2) The value of business acquired and goodwill relate mainly to the consolidation of African Life Assurance and Merchant Investors and are excluded in the build-up of the Group embedded value, as the current value of in-force business for these life insurance companies are included in the embedded value.

(3) Excludes the investment management operations of Botswana Insurance Fund Management (BIFM), as it is included in the current value of BIFM in-force life insurance business.

(4) Formerly Direct Axis. The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.

(5) Other Life cluster businesses comprise the non-life businesses in Namibia.

(6) Other Independent Financial Services businesses include Intrinsic, Nucleus, Thebe Community Financial Services, SA Quantum, Break-Thru Financial Services, Simeka Employee Benefits and Bull and Bear Financial Services.

SEGMENTAL INCOME STATEMENT

for the 6 months ended 30 June 2006

	Life Insurance		Short-term Insurance		Investment Management		Capital Markets		Independent Financial Services		Corporate and Other		Total Six months		Total Full year
R million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2005
Financial services income	4 744	3 597	5 023	4 258	870	581	151	121	30	291	(2)	3	10 816	8 851	18 947
Sales remuneration	(711)	(450)	(672)	(559)	-	-	-	-	-	-	-	-	(1 383)	(1 009)	(2 217)
Income after sales remuneration	4 033	3 147	4 351	3 699	870	581	151	121	30	291	(2)	3	9 433	7 842	16 730
Underwriting policy benefits	(1 731)	(1 382)	(3 510)	(2 664)	-	-	-	-	-	-	-	-	(5 241)	(4 046)	(8 410)
Administration costs	(1 304)	(988)	(537)	(503)	(388)	(312)	(98)	(70)	(3)	(265)	(94)	(85)	(2 424)	(2 223)	(4 865)
Result from financial services before tax	998	777	304	532	482	269	53	51	27	26	(96)	(82)	1 768	1 573	3 455
Tax on financial services income	(225)	(125)	(93)	(185)	(110)	(60)	(3)	(8)	(7)	(2)	27	16	(411)	(364)	(752)
Minority shareholders' interest	(41)	(2)	(103)	(191)	(48)	(1)	-	-	-	(9)	-	-	(192)	(203)	(403)
Net result from financial services	732	650	108	156	324	208	50	43	20	15	(69)	(66)	1 165	1 006	2 300
Net investment income	1 243	654	53	57	3	1	-	-	7	-	(889)	(162)	417	550	980
Investment income	1 318	702	102	123	7	1	-	-	8	-	(889)	(156)	546	670	1 269
Tax on investment income	(65)	(48)	-	(8)	(2)	-	-	-	(1)	-	-	(6)	(68)	(62)	(150)
Minority shareholders' interest	(10)	-	(49)	(58)	(2)	-	-	-	-	-	-	-	(61)	(58)	(139)
Core earnings	1 975	1 304	161	213	327	209	50	43	27	15	(958)	(228)	1 582	1 556	3 280
Net enhanced early termination benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(440)
Enhanced early termination benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(620)
Tax on enhanced early termination benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Provision for financial claims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(150)

	Life Insurance		Short-term Insurance		Investment Management		Capital Markets		Independent Financial Services		Corporate and Other		Total Six months		Total Full year
R million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2005
Net broad-based employee share plan	-	-	-	-	-	-	-	-	-	-	(19)	-	(19)	-	-
Net equity-accounted headline earnings	20	25	23	22	11	-	-	-	-	-	2	374	56	421	478
Equity-accounted headline earnings	20	25	44	44	11	-	-	-	-	-	2	374	77	443	489
Minority shareholders' interest	-	-	(21)	(22)	-	-	-	-	-	-	-	-	(21)	(22)	(11)
Net investment surpluses	1 061	1 916	179	112	2	(8)	-	-	(2)	-	391	(1 229)	1 631	791	2 733
Investment surpluses	1 145	1 819	421	243	2	(8)	-	-	(2)	-	496	(1 272)	2 062	782	3 478
Tax on investment surpluses	(67)	97	(75)	(20)	-	-	-	-	-	-	(105)	43	(247)	120	(330)
Minority shareholders' interest	(17)	-	(167)	(111)	-	-	-	-	-	-	-	-	(184)	(111)	(415)
Amortisation of VOBA	(21)	-	-	-	-	-	-	-	-	-	-	-	(21)	-	-
Net STC	(37)	(109)	(59)	(15)	-	-	-	22	-	-	(3)	15	(99)	(87)	(88)
Headline earnings	2 998	3 136	304	332	340	201	50	65	25	15	(587)	(1 068)	3 130	2 681	5 813
Other equity-accounted earnings	-	-	-	-	-	-	-	-	-	-	-	(8)	-	(8)	(8)
Profit/(loss) on disposal of subsidiaries	-	-	1	-	-	(4)	-	-	85	-	-	-	86	(4)	(51)
Net profit on disposal of associated companies	16	-	(4)	-	-	-	-	-	-	-	-	-	12	-	5 176
Profit on disposal of associated companies	20	-	(7)	-	-	-	-	-	-	-	-	-	13	-	5 710
Tax and minorities on profit on disposal of associated companies	(4)	-	3	-	-	-	-	-	-	-	-	-	(1)	-	(534)
Impairment of investments and goodwill	(2)	-	-	-	-	6	-	-	(6)	-	-	-	(8)	6	(3)
Attributable earnings	3 012	3 136	301	332	340	203	50	65	104	15	(587)	(1 076)	3 220	2 675	10 927
Ratios:															
Admin ratio ⁽¹⁾	32,3%	31,4%	12,3%	13,6%	44,6%	53,7%	64,9%	57,9%	10,0%	91,1%	-	-	25,7%	28,3%	29,1%
Operating margin ⁽²⁾	24,7%	24,7%	7,0%	14,4%	55,4%	46,3%	35,1%	42,1%	90,0%	8,9%	-	-	18,7%	20,1%	20,7%

	Life Insurance		Short-term Insurance		Investment Management		Capital Markets		Independent Financial Services		Corporate and Other		Total Six months		Total Full year
R million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2005
Earnings per share															
Adjusted weighted average number of shares (million)													2 262,3	2 615,8	2 529,4
Net result from financial services (cents)	32,3	24,8	4,8	6,0	14,3	8,0	2,2	1,6	0,9	0,6	-3,0	-2,5	51,5	38,5	90,9
Core earnings (cents)													69,9	59,4	129,7
Adjusted headline earnings based on the long-term rate of return (cents)													87,9	86,0	161,1

(1) Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.

(2) Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.

(3) Refer to page 29 for a reconciliation between the segmental and Group income statements.

RECONCILIATION OF EARNINGS to segmental analysis

for the 6 months ended 30 June 2006

R million	Six months ended 30 June 2006 - reviewed			
	Shareholder activities		Policyholder activities	
	Total	Financial services	Investment return	
Net income	26 457	10 989	2 687	12 781
Financial services income	11 382	11 459	-	(77)
Reinsurance premiums paid	(1 072)	(1 072)	-	-
Reinsurance commission received	222	222	-	-
Investment income	7 255	371	527	6 357
Investment surpluses	9 024	9	2 167	6 848
Change in fair value of external investors liability	(354)	-	(7)	(347)
Net insurance and investment contract benefits and claims	(17 516)	(5 241)	-	(12 275)
Long-term insurance and investment contract benefits	(14 082)	(1 807)	-	(12 275)
Enhanced early termination benefits	-	-	-	-
Short-term insurance claims	(3 838)	(3 838)	-	-
Reinsurance claims received	404	404	-	-
Expenses	(4 059)	(4 024)	-	(35)
Sales remuneration	(1 580)	(1 580)	-	-
Administration costs	(2 452)	(2 417)	-	(35)
Broad-based employee share plan	(27)	(27)	-	-
Amortisation of value of business acquired	(21)	(21)	-	-
Impairment of investments and goodwill	(8)	-	(8)	-
Net operating result	4 853	1 703	2 679	471
Equity-accounted earnings	121	17	104	-
Finance cost	-	-	-	-
Profit before tax	4 974	1 720	2 783	471
Tax expense	(1 347)	(403)	(473)	(471)
Shareholders' fund	(876)	(403)	(473)	-
Policyholders' fund	(471)	-	-	(471)
Profit for the period	3 627	1 317	2 310	-
Attributable to:				
Shareholders' fund	3 220	1 125	2 095	-
Minority shareholders' interest	407	192	215	-
	3 627	1 317	2 310	-

Financial services profit comprising (refer segmental income statement):

Net result from financial services	1 165
Amortisation of value of business acquired	(21)
Net broad-based employee share plan	(19)
Total financial services profit attributable to shareholders' fund	1 125

RECONCILIATION OF EARNINGS to segmental analysis

for the 6 months ended 30 June 2006

R million	Six months ended 30 June 2005 - unaudited			
	Total	Shareholder activities	Policyholder activities	
		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)
Enhanced early termination benefits	-	-	-	-
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)
Broad-based employee share plan	-	-	-	-
Amortisation of value of business acquired	-	-	-	-
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)
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 period	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 6 months ended 30 June 2006

R million	Full year ended 31 December 2005 - audited			
	Shareholder activities		Policyholder activities	
	Total	Financial services	Investment return	
Net income	63 307	19 390	10 022	33 895
Financial services income	20 393	20 524	(3)	(128)
Reinsurance premiums paid	(2 339)	(2 339)	-	-
Reinsurance commission received	445	445	-	-
Investment income	10 429	718	892	8 819
Investment surpluses	35 282	42	9 115	26 125
Change in fair value of external investors liability	(903)	-	18	(921)
Net insurance and investment contract benefits and claims	(41 440)	(9 030)	-	(32 410)
Long-term insurance and investment contract benefits	(35 164)	(2 754)	-	(32 410)
Enhanced early termination benefits	(620)	(620)	-	-
Short-term insurance claims	(6 904)	(6 904)	-	-
Reinsurance claims received	1 248	1 248	-	-
Expenses	(7 769)	(7 685)	-	(84)
Sales remuneration	(2 632)	(2 632)	-	-
Administration costs	(5 137)	(5 053)	-	(84)
Broad-based employee share plan	-	-	-	-
Amortisation of value of business acquired	-	-	-	-
Impairment of investments and goodwill	(12)	-	(12)	-
Net operating result	14 086	2 675	10 010	1 401
Equity-accounted earnings	944	5	865	74
Finance cost	(136)	-	-	(136)
Profit before tax	14 894	2 680	10 875	1 339
Tax expense	(2 803)	(567)	(1 117)	(1 119)
Shareholders' fund	(1 684)	(567)	(1 117)	-
Policyholders' fund	(1 119)	-	-	(1 119)
Profit for the period	12 091	2 113	9 758	220
Attributable to:				
Shareholders' fund	10 927	1 710	9 217	-
Minority shareholders' interest	1 164	403	541	220
	12 091	2 113	9 758	220

Financial services profit comprising (refer segmental income statement):

Net result from financial services	2 300
Net enhanced early termination benefits	(440)
Provision for financial claims	(150)
Total financial services profit attributable to shareholders' fund	1 710

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

for the 6 months ended 30 June 2006

1. NEW BUSINESS AND TOTAL FUNDS RECEIVED FROM CLIENTS

Analysed per cluster:

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005
Sanlam Personal Finance	10 693	7 998	4 500	3 813	-	-	6 193	4 185
Individual Life	2 818	2 560	2 818	2 560	-	-	-	-
Recurring	405	372	405	372	-	-	-	-
Single	1 559	1 551	1 559	1 551	-	-	-	-
Continuations	854	637	854	637	-	-	-	-
Innofin	4 972	3 287	1 150	715	-	-	3 822	2 572
Sanlam Personal Loans Credit Life	17	-	17	-	-	-	-	-
Sanlam Namibia	2 519	1 800	148	187	-	-	2 371	1 613
Life	148	187	148	187	-	-	-	-
Non-life	2 371	1 613	-	-	-	-	2 371	1 613
Merchant Investors	367	351	367	351	-	-	-	-
Sanlam Employee Benefits	1 341	1 019	1 341	1 019	-	-	-	-
Recurring	55	49	55	49	-	-	-	-
Single	1 286	970	1 286	970	-	-	-	-
Developing Markets	979	35	979	35	-	-	-	-
African Life	493	-	493	-	-	-	-	-
Recurring	193	-	193	-	-	-	-	-
Single	300	-	300	-	-	-	-	-

NOTES TO THE SHAREHOLDERS' FUND INFORMATION (continued)

1. NEW BUSINESS AND TOTAL FUNDS RECEIVED FROM CLIENTS (continued)

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed	Unaudited	Reviewed	Unaudited	Reviewed	Unaudited	Reviewed	Unaudited
	2006	2005	2006	2005	2006	2005	2006	2005
Channel/Safrican	465	14	465	14	-	-	-	-
Recurring	95	8	95	8	-	-	-	-
Single	370	6	370	6	-	-	-	-
Other	21	21	21	21	-	-	-	-
Recurring	21	21	21	21	-	-	-	-
Single	-	-	-	-	-	-	-	-
Sanlam Investment Management	21 671	14 104	96	-	38	40	21 537	14 064
Employee benefits	134	40	96	-	38	40	-	-
Recurring	-	-	-	-	-	-	-	-
Single	134	40	96	-	38	40	-	-
Less: Inter group switches	-	-	-	-	-	-	-	-
Collective investment schemes	11 295	6 140	-	-	-	-	11 295	6 140
Cash funds	4 832	2 579	-	-	-	-	4 832	2 579
Equity funds	1 346	445	-	-	-	-	1 346	445
Wholesale business	1 517	1 160	-	-	-	-	1 517	1 160
White label	3 600	1 956	-	-	-	-	3 600	1 956
Segregated funds	8 538	7 598	-	-	-	-	8 538	7 598
Total inflow	8 538	7 598	-	-	-	-	8 538	7 598
Less: Inter group switches	-	-	-	-	-	-	-	-
International	1 704	326	-	-	-	-	1 704	326
Punter Southall	4 177	2 539	-	-	-	-	4 177	2 539
Short-term insurance	4 897	4 139	-	-	-	-	4 897	4 139
Total new business	43 758	29 834	6 916	4 867	38	40	36 804	24 927

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

1. NEW BUSINESS AND TOTAL FUNDS RECEIVED FROM CLIENTS *(continued)*

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005
Premiums on existing business	9 129	5 654	8 980	5 575	149	79	-	-
Total funds received from clients	52 887	35 488	15 896	10 442	187	119	36 804	24 927

⁽¹⁾ Life licence business relates to investment products provided by Sanlam Investment Management and Innofin by means of a life insurance policy where there is little or no insurance risk.

	Reviewed 2006 R million	Unaudited 2005 R million
Analysed per type of business or licence:		
Life business	6 954	4 907
Investments	31 907	20 788
Short-term insurance	4 897	4 139
Total new business	43 758	29 834
Premiums on existing business	9 129	5 654
Total funds received from clients	52 887	35 488

1. NEW BUSINESS AND TOTAL FUNDS RECEIVED FROM CLIENTS (continued)

	Reviewed 2006 R million	Unaudited 2005 R million
Analysed per market:		
Retail		
Sanlam Personal Finance	3 985	3 275
Individual Life	2 818	2 560
Sanlam Personal Loans Credit Life	17	-
Innofin	1 150	715
Developing Markets	701	35
Non-life	14 051	6 779
Innofin	3 822	2 572
Sanlam Private Investments	4 051	1 183
Sanlam Collective Investments cash and equity	6 178	3 024
South African	18 737	10 089
Non-South African	3 164	2 151
Developing Markets	278	-
Merchant Investors	367	351
Sanlam Namibia	2 519	1 800
Total Retail	21 901	12 240
Institutional		
Group Life	1 379	1 059
Sanlam Employee Benefits	1 341	1 019
Sanlam Investment Management	38	40
Non-life	5 998	7 575
Segregated	3 292	4 594
Sanlam Multi-Manager	1 189	1 821
Sanlam Collective Investments wholesale	1 517	1 160
South African	7 377	8 634
Sanlam Investment Management International	1 806	326
Punter Southall	4 177	2 539
Total Institutional	13 360	11 499
Sanlam Collective Investments white label	3 600	1 956
Short-term insurance	4 897	4 139
Total new business	43 758	29 834

1. NEW BUSINESS AND TOTAL FUNDS RECEIVED FROM CLIENTS (continued)

	Six months	
	Reviewed	Unaudited
	2006	2005
	R million	R million

The new business premiums used in the calculation of Annual Premium Equivalent (APE) is detailed below:

Recurring premiums	823	480
Sanlam Personal Finance Individual business	405	372
Add: Optional reductions	14	11
Employee benefits	55	49
Developing Markets	309	29
Sanlam Personal Loans Credit Life	17	-
Merchant Investors	4	4
Sanlam Namibia	19	15

Single premiums	6 011	4 398
Sanlam Personal Finance Individual business	2 413	2 188
Employee benefits	1 286	970
Innofin Life	1 150	715
Developing Markets	670	6
Merchant Investors	363	347
Sanlam Namibia	129	172

Total premiums used to calculate APE	6 834	4 878
APE	1 424	919

NOTES TO THE SHAREHOLDERS' FUND INFORMATION (continued)

2. PAYMENTS TO CLIENTS

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005
Analysed per cluster:								
Sanlam Personal Finance	12 088	11 024	8 662	8 450	6	7	3 420	2 567
Individual Life	7 281	7 241	7 281	7 241	-	-	-	-
Surrenders	1 678	1 535	1 678	1 535	-	-	-	-
Other	5 603	5 706	5 603	5 706	-	-	-	-
Innofin	2 652	1 870	442	337	6	7	2 204	1 526
Sanlam Namibia	1 528	1 384	312	343	-	-	1 216	1 041
Life	312	343	312	343	-	-	-	-
Non-life	1 216	1 041	-	-	-	-	1 216	1 041
Merchant Investors	627	529	627	529	-	-	-	-
Sanlam Employee Benefits	4 008	3 856	4 008	3 856	-	-	-	-
Terminations ⁽²⁾	1 677	1 440	1 677	1 440	-	-	-	-
Other benefits	2 331	2 416	2 331	2 416	-	-	-	-
Less: Inter group switches ⁽³⁾	-	-	-	-	-	-	-	-
Developing Markets	3 786	94	3 786	94	-	-	-	-
African Life	1 018	-	1 018	-	-	-	-	-
Channel/Safrican	2 768	94	2 768	94	-	-	-	-

NOTES TO THE SHAREHOLDERS' FUND INFORMATION (continued)

2. PAYMENTS TO CLIENTS (continued)

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005
Sanlam Investment Management	17 048	16 891	91	-	707	199	16 250	16 692
Employee benefits	798	199	91	-	707	199	-	-
Terminations ⁽²⁾	525	106	-	-	525	106	-	-
Other benefits	273	93	91	-	182	93	-	-
Less: Inter group switches ⁽³⁾	-	-	-	-	-	-	-	-
Collective investment schemes	8 615	5 475	-	-	-	-	8 615	5 475
Cash funds	4 224	2 563	-	-	-	-	4 224	2 563
Equity funds	1 111	542	-	-	-	-	1 111	542
Wholesale business	1 129	938	-	-	-	-	1 129	938
White label	2 151	1 432	-	-	-	-	2 151	1 432
Segregated funds	7 526	11 179	-	-	-	-	7 526	11 179
Total outflow	7 526	11 179	-	-	-	-	7 526	11 179
Less: Inter group switches	-	-	-	-	-	-	-	-
International	109	38	-	-	-	-	109	38
Punter Southall	627	464	-	-	-	-	627	464
Short-term insurance	3 510	2 664	-	-	-	-	3 510	2 664
Consolidation	(3)	-	(3)	-	-	-	-	-
Total payments to clients	41 064	34 993	16 544	12 400	713	206	23 807	22 387

(1) Life licence business relates to investment products provided by Sanlam Investment Management and Innofin by means of a life insurance policy where there is little or no insurance risk.

(2) Includes taxation paid on behalf of certain retirement funds.

(3) Included in terminations.

NOTES TO THE SHAREHOLDERS' FUND INFORMATION (continued)

3. NET FLOW OF FUNDS

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005
Analysed per cluster:								
Sanlam Personal Finance	2 884	1 075	117	(536)	(6)	(7)	2 773	1 618
Individual Life	(496)	(871)	(496)	(871)	-	-	-	-
Innofin	2 320	1 417	708	378	(6)	(7)	1 618	1 046
Sanlam Personal Loans Credit Life	17	-	17	-	-	-	-	-
Sanlam Namibia	1 165	594	10	22	-	-	1 155	572
Merchant Investors	(122)	(65)	(122)	(65)	-	-	-	-
Sanlam Employee Benefits	(1 324)	(1 488)	(1 324)	(1 488)	-	-	-	-
Developing Markets	551	66	551	66	-	-	-	-
Sanlam Investment Management	4 771	(2 708)	4	-	(520)	(80)	5 287	(2 628)
Employee benefits	(516)	(80)	4	-	(520)	(80)	-	-
Total	(516)	(80)	4	-	(520)	(80)	-	-
Less: Inter group switches	-	-	-	-	-	-	-	-
Collective investment schemes	2 680	665	-	-	-	-	2 680	665
Cash funds	608	16	-	-	-	-	608	16
Equity funds	235	(97)	-	-	-	-	235	(97)
Wholesale business	388	222	-	-	-	-	388	222
White label	1 449	524	-	-	-	-	1 449	524

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

3. NET FLOW OF FUNDS *(continued)*

<i>R million</i>	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005	Reviewed 2006	Unaudited 2005
Segregated funds	1 012	(3 581)	-	-	-	-	1 012	(3 581)
Total	1 012	(3 581)	-	-	-	-	1 012	(3 581)
Less: Inter group switches	-	-	-	-	-	-	-	-
International	1 595	288	-	-	-	-	1 595	288
Punter Southall	3 550	2 075	-	-	-	-	3 550	2 075
Short-term insurance	1 387	1 475	-	-	-	-	1 387	1 475
Consolidation	3	-	3	-	-	-	-	-
Total net inflow	11 822	495	(649)	(1 958)	(526)	(87)	12 997	2 540

⁽¹⁾ Life licence business relates to investment products provided by Sanlam Investment Management and Innofin by means of a life insurance policy where there is little or no insurance risk.

Analysed per type of business or licence:

<i>R million</i>	Reviewed 2006	Unaudited 2005
Life business	(1 175)	(2 045)
Investments	11 610	1 065
Short-term insurance	1 387	1 475
Total net inflow	11 822	495

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

3. NET FLOW OF FUNDS *(continued)*

	Reviewed 2006 R million	Unaudited 2005 R million
Analysed per market:		
Retail		
Sanlam Personal Finance	223	(500)
Individual Life	(479)	(871)
Innofin	702	371
Developing Markets	273	66
Non-life	4 187	948
Innofin	1 618	1 046
Sanlam Private Investments	1 726	(17)
Sanlam Collective Investments cash and equity	843	(81)
South African	4 683	514
Non-South African	1 321	529
Developing Markets	278	-
Merchant Investors	(122)	(65)
Sanlam Namibia	1 165	594
Total Retail	6 004	1 043
Institutional		
Group Life	(1 841)	(1 568)
Sanlam Employee Benefits	(1 321)	(1 488)
Sanlam Investment Management	(520)	(80)
Non-life	(268)	(3 342)
Segregated	(659)	(4 924)
Sanlam Multi-Manager	3	1 360
Sanlam Collective Investments wholesale	388	222
South African	(2 109)	(4 910)
Sanlam Investment Management International	1 541	288
Punter Southall	3 550	2 075
Total Institutional	2 982	(2 547)
Sanlam Collective Investments white label	1 449	524
Short-term insurance	1 387	1 475
Total net inflow	11 822	495

	June Reviewed 2006	Unaudited 2005	December Audited 2005
4. EXCESS OF FAIR VALUE OVER NET ASSET VALUE OF SANLAM BUSINESSES AND INVESTMENTS			
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 and Peermont, which are valued according to ruling share prices. No deferred capital gains tax is provided in respect of Santam from 2006.			
Net fair value of businesses and investments	11 420	18 696	10 422
Fair value of businesses and investments	11 503	19 632	10 968
Deferred capital gains tax on businesses and investments at fair value	(83)	(936)	(546)
Less: Net asset value of businesses and investments	5 511	9 262	5 583
Investment Management businesses	694	486	752
SIM Wholesale	467	254	437
International (SMMI and Octane)	168	143	231
Sanlam Collective Investments	59	89	84
Life cluster businesses	394	180	305
Innofin	191	157	177
Sanlam Personal Loans	46	26	32
Multi-Data	28	7	18
Sanlam Trust	6	(34)	4
Sanlam Home Loans	100	2	55
Other	23	22	19
Independent Financial Services cluster businesses	498	435	450
Punter Southall	249	355	340
Gensec Properties	12	3	11
Other	237	77	99
Sanlam Capital Markets	467	444	552
Santam	2 852	2 398	2 903
Associated companies	386	5 248	403
Absa	-	4 498	-
African Life	-	521	-
Peermont	323	229	310
Other	63	-	93
Joint ventures	220	71	218
Safair Lease Finance	96	71	94
Shriram	124	-	124
Less: Goodwill in respect of above businesses	1 248	1 198	1 198
Revaluation adjustment of interest in businesses and investments to fair value	4 661	8 236	3 641
Analysis of fair value			
Sanlam businesses	10 309	7 949	9 702
Associated companies	799	11 405	871
Joint ventures	395	278	395
Fair value of businesses and investments	11 503	19 632	10 968

4. EXCESS OF FAIR VALUE OVER NET ASSET VALUE OF SANLAM BUSINESSES AND INVESTMENTS (continued)

The fair value of the Sanlam businesses has been determined by the application of stock exchange prices for listed companies and the following valuation methodologies for unlisted businesses:

Valuation method	Fair value R million
Ratio of price to assets under management	4 240
SIM Wholesale	3 110
International (SMMI and Octane)	816
Sanlam Collective Investments	314
Discounted cash flows	781
Innofin	440
Sanlam Personal Loans	98
Multi-Data	85
Sanlam Trust	82
Gensec Properties	38
Other	38
Earnings multiple - Other	56
External valuation - Punter Southall	354
Net asset value	577
Sanlam Home Loans	110
Sanlam Capital Markets	467
Other	190
Fair value of unlisted businesses	6 198

The main assumptions applied in the primary valuation for the unlisted businesses are presented below. The sensitivity analysis is based on the following changes in assumptions:

Assumption	Change in assumption
Ratio of price to assets under management (P/AuM)	0,1%
Risk discount rate (RDR)	1,0%
Perpetuity growth rate (PGR)	1,0%
Earnings multiple (PE)	1,0

Valuation method	Weighted average assumption	Fair value of businesses		
		Base value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management (P/AuM)	P/AuM = 1,2%	4 240	3 810	4 675
Discounted cash flows	RDR = 19,5%	781	835	734
	PGR = 5%	781	755	803
Earnings multiple	PE = 7,3	56	47	64

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

	Six months		Full year
	Reviewed	Unaudited	Audited
	2006	2005	2005
5. INVESTMENT INCOME – SHAREHOLDERS' FUND			
Interest-bearing investments and term finance	223	234	460
Interest income	327	399	753
Interest paid and term finance cost	(104)	(165)	(293)
Equities	271	120	372
Properties	29	43	53
Investment income before associated companies	523	397	885
Dividends from associated companies	23	273	384
Total investment income	546	670	1 269
6. ASSETS UNDER MANAGEMENT AND ADMINISTRATION			
Total assets per Group balance sheet	303 033	241 839	276 712
Segregated funds not included in Group balance sheet	190 138	139 206	167 215
Total assets under management and administration	493 171	381 045	443 927

7. ADJUSTED HEADLINE EARNINGS – LTRR

	Six months		Full year
	Reviewed	Unaudited	Audited
	2006	2005	2005
	R million	R million	R million

The LTRR investment return is determined by applying the long-term expected return of 9% (2005: 10%) to the average monthly shareholders' fund investments.

Adjusted headline earnings – long-term rate of return (LTRR)

Net result from financial services	1 165	1 006	2 300
Secondary Tax on Companies	(99)	(87)	(88)
Amortisation of value of business acquired	(21)	-	-
Broad-based employee share plan	(19)	-	-
Policyholder fund restitution and financial claims	-	-	(590)
LTRR investment return after taxation	962	1 331	2 453
Equity-accounted headline earnings	56	421	478
Dividends received from associated companies	23	273	290
LTRR investment return – balanced portfolio	883	637	1 685

Adjusted headline earnings – LTRR	1 988	2 250	4 075
--	--------------	--------------	--------------

Reconciliation of headline earnings and LTRR headline earnings

Headline earnings per segmental income statement	3 130	2 681	5 813
Fund transfers	(385)	(91)	(730)
Net LTRR adjustment	(757)	(340)	(1 008)

Adjusted headline earnings – LTRR	1 988	2 250	4 075
--	--------------	--------------	--------------

Analysis of net LTRR adjustment

Investment return	(946)	(185)	(1 411)
Equities	(1 260)	(278)	(1 856)
Interest-bearing investments	346	133	460
Properties	(32)	(40)	(15)
Tax	89	(216)	64
Minority shareholders' interest	100	61	339
Net LTRR adjustment	(757)	(340)	(1 008)

ASSETS SUBJECT TO LTRR

Investments per shareholders' fund balance sheet at net asset value	31 810	28 440	32 547
Less: Investment in associated companies	(960)	(5 604)	(2 428)
Investment in joint ventures	(390)	(116)	(328)
Investments held in respect of term finance	(2 539)	(3 718)	(2 508)
Investments held in respect of operating activity	(467)	(109)	(42)
Investments matched by liabilities	-	(781)	(2 567)
Other	(425)	(413)	(36)
LTRR investments	27 029	17 699	24 638

GROUP EMBEDDED VALUE RESULTS

for the six months ended 30 June 2006

1. EMBEDDED VALUE

	June Reviewed 2006 R million	Unaudited 2005 R million	December Audited 2005 R million
Sanlam group shareholders' fund at fair value	32 006	32 101	30 592
Reverse goodwill and value of business acquired ⁽¹⁾	(1 395)	(356)	(1 328)
Present value of strategic corporate expenses ⁽²⁾	(924)	(772)	(947)
Fair value of share incentive scheme ⁽³⁾	(618)	(668)	(793)
Adjustment for discounting capital gains tax ⁽⁴⁾	89	176	245
Adjustment for delayed tax relief on enhanced early termination benefits ⁽⁵⁾	(62)	-	(60)
STC deferred tax asset written down ⁽⁶⁾	(79)	(100)	(79)
Sanlam group shareholders' adjusted net assets	29 017	30 381	27 630
Net value of life insurance business in-force ⁽⁷⁾	11 201	8 882	10 574
Value of life insurance business in-force	13 312	10 497	12 542
• Individual business	12 271	9 447	11 485
• Employee benefits	1 041	1 050	1 057
Cost of capital at risk	(1 800)	(1 563)	(1 707)
• Individual business	(1 514)	(1 237)	(1 393)
• Employee benefits	(286)	(326)	(314)
Minority shareholders' interest in value of in-force	(311)	(52)	(261)
Sanlam group embedded value	40 218	39 263	38 204
Embedded value per share (cents) ⁽⁸⁾	1 750	1 441	1 615
Number of shares (million) ⁽⁸⁾	2 298	2 725	2 366

Notes:

- Goodwill and value of insurance and investment contract business acquired (VOBA) relating to life insurance businesses are reversed as the value of in-force business of life insurance businesses are included in the Group value of in-force business. At 30 June 2006 the adjustment was mainly in respect of African Life Assurance (R923 million) and Merchant Investors Assurance (R356 million).
- The June 2006 value has been calculated by multiplying the recurring after tax corporate expenses for the six months not related to life business of R56 million by the Sanlam Limited share price of 1450 cents and dividing by the headline earnings per share based on the long-term rate of return (excluding exceptional items) of 87,9 cents.
- The fair value of the Sanlam group share incentive schemes 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.
- Adjustment to allow for the delay before incurring the capital gains tax liability recognised in respect of the shareholders' fund's assets. No deferred capital gains tax is provided in respect of Santam from 2006, with a consequential reduction in the discounting adjustment for capital gains tax. The net impact on embedded value earnings is approximately R200 million.
- At 30 June 2006 the financial statements allow for the full tax deduction of R180 million on the enhanced early termination benefit cost of R620 million. This adjustment allows for the time value effect of not realising the tax relief immediately.
- The deferred tax asset recognised for unused Secondary Tax on Companies (STC) credits in respect of life insurance businesses is reversed, as the value of in-force business already includes an allowance for STC credits.
- The net value of life insurance business in-force as at 30 June 2006 and 31 December 2005 includes the African Life Assurance Group.
- The number of shares is after the effect of shares delisted and cancelled under the share buy back programme, as well as the dilution from the additional conversion rights vesting during the period in respect of the deferred shares held by Ubuntu-Botho.

2. EMBEDDED VALUE EARNINGS

	Six months			Full year	
	Reviewed 2006	Adjusted net assets	Total	Unaudited 2005	Audited 2005
	Value of in-force			Total	Total
	R million	R million	R million	R million	R million
Embedded value from new life insurance business ⁽¹⁾	522	(350)	172	114	291
Earnings from existing life insurance business:					
• Expected return on value of in-force business ⁽²⁾	624	-	624	591	1 193
• Expected transfer of profit to adjusted net assets ⁽³⁾	(963)	963	-	-	-
• Operating experience variations ⁽⁴⁾	(27)	59	32	137	138
• Operating assumption changes	(14)	(20)	(34)	70	20
Embedded value earnings from life operations	142	652	794	912	1 642
Economic assumption changes ⁽⁵⁾	(165)	5	(160)	(319)	(316)
Tax changes ⁽⁶⁾	90	12	102	(87)	(179)
Investment variances	459	26	485	184	845
Exchange rate movements ⁽⁷⁾	100	-	100	36	4
Change in minorities shareholders' interest in value of in-force	(26)	-	(26)	(18)	(20)
Growth from life insurance business	600	695	1 295	708	1 976
Investment return on shareholders' adjusted net assets	-	3 249	3 249	3 185	5 551
Change in fair value of share incentive scheme	-	175	175	131	6
Total embedded value earnings before dividends paid, capital movements and cost of treasury shares acquired	600	4 119	4 719	4 024	7 533
Acquired value of in force – Channel Life	27	(27)	-	-	-
Dividends paid	-	(1 535)	(1 535)	(1 363)	(1 363)
Shares cancelled	-	(1 036)	(1 036)	-	(4 446)
Cost of treasury shares acquired	-	(134)	(134)	(31)	(153)
Change in Sanlam group embedded value	627	1 387	2 014	2 630	1 571
Annualised growth from life insurance business as a % of beginning value of in-force			26,0%	16,6%	22,3%
Annualised return on embedded value ⁽⁸⁾			26,2%	23,2%	20,6%
Annualised return on embedded value per share ⁽⁹⁾			26,6%	23,2%	24,4%

Analysis of return on embedded value (ROEV):

	June 2006 Reviewed		June 2005 Unaudited		December 2005 Audited	
	EV earnings R million	ROEV %	EV earnings R million	ROEV %	EV earnings R million	ROEV %
Non-life operations	1 512	15,6%	1 063	13,1%	2 610	33,7%
Life cluster	223	33,4%	112	13,1%	190	38,3%
Santam	(324)	-6,8%	487	12,1%	1 198	29,7%
SIM	1 433	44,4%	355	14,9%	1 011	42,4%
SCM	50	12,5%	44	11,0%	152	34,5%
IFS	130	25,7%	65	16,5%	59	15,0%
Balanced portfolio	1 912	10,7%	2 253	11,4%	2 947	14,7%
Value of in-force	1 295	12,2%	708	8,0%	1 976	22,3%
Value of new life insurance business	172	1,6%	114	1,3%	291	3,3%
Existing life business	622	5,9%	798	9,0%	1 351	15,3%
Expected return	624	5,9%	591	6,7%	1 193	13,5%
Operating experience variations	32	0,3%	137	1,5%	138	1,6%
Operating assumption changes	(34)	-0,3%	70	0,8%	20	0,2%
Adjustments	527	5,0%	(186)	-2,1%	354	3,9%
Investment variances	585	5,5%	220	2,5%	849	9,5%
Economic assumption changes	(160)	-1,5%	(319)	-3,6%	(316)	-3,6%
Tax changes	102	0,9%	(87)	-1,0%	(179)	-2,0%
Minority interest	(26)	-0,2%	(18)	-0,2%	(20)	-0,2%
Return on embedded value	4 719	12,4%	4 024	11,0%	7 533	20,6%
Annualised return on embedded value		26,2%		23,2%		20,6%

Notes:

1. The minority shareholders' interest in the net value of new business for the first half of 2006 amounted to R23 million.
2. Includes the expected return on both the starting value of in-force business and the accumulation of value of new business from point of sale to the end of the period.
3. This amount is the expected after tax profit transfer to net assets from the value of in-force at the beginning of the year. (The expected after tax profit/(loss) transferred to net assets in respect of value of new business is not included.)
4. The main contributors to the operating experience variations are positive risk experience of R120 million, partially offset by higher than expected outflows from group stabilised bonus business decreasing embedded value by R77 million.
5. Economic assumption changes at 30 June 2006 arise from the generally higher level of interest rates.
6. The tax changes at 30 June 2006 relate to the reduction in the tax on retirement funds rate from 18% to 9%.
7. The principal exchange rates used to translate the embedded value earnings of foreign businesses are the same as those used in the principal financial statements.
8. Total embedded value earnings before dividends paid, shares cancelled and cost of treasury shares acquired, as a percentage of embedded value at the beginning of the period.
9. The return on embedded value per share for the first half of 2006 includes the effect of shares delisted and cancelled under the share buy back programme, as well as the dilution from the additional conversion rights vesting during the period in respect of the deferred shares held by Ubuntu-Botho.

3. VALUE OF NEW LIFE INSURANCE BUSINESS

	Six months Reviewed 2006 R million	Unaudited 2005 R million	Full year Audited 2005 R million
Value of new business:			
Gross value of new business	192	127	318
Sanlam Personal Finance	129	117	262
Sanlam Developing Markets	52	-	-
Sanlam Employee Benefits	11	10	56
Cost of capital at risk	(20)	(13)	(27)
Sanlam Personal Finance	(7)	(9)	(17)
Sanlam Developing Markets	(10)	-	-
Sanlam Employee Benefits	(3)	(4)	(10)
Net value of new business	172	114	291
Sanlam Personal Finance	122	108	245
Sanlam Developing Markets	42	-	-
Sanlam Employee Benefits	8	6	46
Net value of new business attributable to:			
Shareholders' fund	149	113	291
Minority shareholders' interest	23	1	-
	172	114	291
New business profitability ratios:			
Present value of new business premiums ⁽¹⁾	9 485	7 175	16 533
Sanlam Personal Finance	6 373	5 783	12 422
Sanlam Developing Markets	1 426	-	-
Sanlam Employee Benefits	1 686	1 392	4 111
Life new business margin ⁽¹⁾	1,8%	1,6%	1,8%
Sanlam Personal Finance	1,9%	1,9%	2,0%
Sanlam Developing Markets	2,9%	-	-
Sanlam Employee Benefits	0,5%	0,4%	1,1%
Annual Premium Equivalent (APE) ⁽¹⁾	1 424	919	2 153
APE margin ⁽¹⁾	12,1%	12,4%	13,5%

Notes:

1. The profitability of new business is measured by both the ratio of the value of new business (VNB) to:

- The present value of new business premiums, referred to as 'life new business margin', as well as
- Annual premium equivalent (APE), referred to as 'APE margin'. APE is equal to new recurring premiums (excluding indexed growth premiums) plus 10% of single premiums.

4. SENSITIVITY TO RISK DISCOUNT RATE at 30 June 2006

	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 value %
Value of in-force business				
Base value	13 312	(1 800)	11 512	
• Increase risk discount rate by 1,0%	12 633	(2 125)	10 508	-9
• Decrease risk discount rate by 1,0%	14 108	(1 435)	12 673	10

	Gross value of new business R million	Cost of capital at risk R million	Net value of new business R million	Change from base value %
Value of new business				
Base value	192	(20)	172	
• Increase risk discount rate by 1,0%	162	(23)	139	-19
• Decrease risk discount rate by 1,0%	223	(17)	206	20

5. EMBEDDED VALUE METHODOLOGY

The methodology applied in preparing the embedded value report is consistent with the methodology used in the 2005 annual report, apart from the following:

- Improved modeling of Sanlam Life's future paid-up policies; and
- Explicit allowance for the expected increase in maintenance unit cost associated with the decline in the Sanlam Life in force book.

The net impact of the above changes in methodology on the value of in force business and embedded value earnings was not material.

Subsequent to the end of the interim reporting period Sanlam Life Insurance Limited, a wholly owned subsidiary of the Group, issued unsecured subordinated debt instruments to the value of R2 billion. The Group embedded value results as at 30 June 2006 have not been adjusted for the impact of raising debt.

6. ASSUMPTIONS

Investment return and inflation

The assumed investment return on assets supporting the policyholder liabilities and capital at risk are based on the long-term asset mix for these funds.

Inflation linked indexation for individual life premiums is assumed to be equal to consumer price index inflation, while that for employee benefits is assumed to equal expected salary inflation. Unit cost inflation is assumed to be at the same level as salary inflation.

Cost of capital at risk

The assumed composition of the assets backing the capital at risk is consistent with Group practice and with the long-term asset distribution used to calculate the capital requirements. The management actions assumed for purposes of the cost of capital at 30 June 2006 are consistent with those applied for 31 December 2005 in the 2005 annual financial statements.

Decrement, expenses and bonuses

Future mortality, morbidity and discontinuance rates and future expense levels are based on recent experience where appropriate. Explicit allowance is made for the expected increase in maintenance unit cost associated with the decline in the Sanlam Life in force book.

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.

Surrender and paid-up bases

The surrender and paid-up bases of South African life companies have been adjusted, where applicable, to reflect the minimum standards for early termination values agreed by the Life Offices' Association and National Treasury. In all other respects, future benefits have been determined on current surrender and paid-up bases.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society of South Africa, adjusted for Sanlam's practice and product design.

Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Recurring expenses and project costs

Future investment expenses are based on the current scale of fees payable by the Group's life insurance companies to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Management (excluding Botswana Insurance Fund Management), these margins have not been included in the value of in-force and new business.

In determining the value of in-force business, the value of expenses for certain planned projects focusing on both administration and distribution aspects of the life insurance business has been deducted. No allowance has been made for the expected positive impact these projects may have on future operating experience.

Taxation

Projected tax is allowed for at rates and on bases in accordance with the tax regimes applicable for each of the life businesses.

Allowance has been made for the impact of capital gains tax on investments in South Africa, excluding Group subsidiaries. The assumed rollover period for realisation of these investments is five years.

Allowance for secondary tax on companies (STC) is made by placing a present value on the tax liability generated by the net cash dividends paid that are attributable to the South African life companies. It is assumed that all future dividends will be paid in cash.

Gross investment return, inflation and risk discount rate

Risk discount rates were set by adding a premium to expected equity returns based on an assessment of the underlying risks.

The following principal economic assumptions were applied:

	June Reviewed 2006 % p.a.	June Unaudited 2005 % p.a.	December Audited 2005 % p.a.
Sanlam Life Insurance Limited and Sanlam Life Namibia:			
Fixed-interest securities	8,8	8,1	7,5
Equities and offshore investments	10,8	10,1	9,5
Hedged equities	8,8	8,1	7,5
Property	9,8	9,1	8,5
Cash	6,8	6,1	5,5
Risk discount rate	11,3	10,6	10,0
Return on capital at risk	9,0	8,4	7,8
Unit cost and salary inflation	5,3	4,1	4,0
Consumer price index inflation	4,3	3,1	3,0
Merchant Investors:			
Fixed-interest securities	4,7	4,2	4,1
Equities and offshore investments	7,1	6,7	6,6
Hedged equities	7,1	6,7	6,6
Property	7,1	6,7	6,6
Cash	4,5	4,8	4,1
Risk discount rate	8,4	7,9	7,8
Return on capital at risk	4,7	4,2	4,1
Unit cost and salary inflation	3,0	3,0	3,0
Consumer price index inflation	3,0	3,0	3,0
African Life Assurance:			
Fixed-interest securities	8,8	n/a	7,4
Equities and offshore investments	10,8	n/a	9,4
Hedged equities	n/a	n/a	n/a
Property	9,8	n/a	8,4
Cash	6,8	n/a	5,4
Risk discount rate	11,3	n/a	10,9
Return on capital at risk	9,3	n/a	7,9
Unit cost and salary inflation	5,8	n/a	4,4
Consumer price index inflation	n/a	n/a	n/a
Botswana Insurance Holdings Limited:			
Fixed-interest securities	12,0	n/a	10,0
Equities and offshore investments	14,0	n/a	12,0
Hedged equities	14,0	n/a	n/a
Property	13,0	n/a	11,0
Cash	10,0	n/a	8,0
Risk discount rate	15,5	n/a	13,5
Return on capital at risk	12,6	n/a	11,0
Unit cost and salary inflation	9,0	n/a	7,0
Consumer price index inflation	n/a	n/a	n/a

Long-term asset mix for assets supporting the capital at risk

The assumed asset mix for assets supporting capital at risk for the principal insurance companies was as follows:

	June Reviewed 2006 %	Unaudited 2005 %	December Audited 2005 %
Sanlam Life Insurance Limited:			
Equities	25	25	25
Hedged equities	35	35	35
Property	5	5	5
Fixed-interest securities	20	20	20
Cash	15	15	15
	100	100	100
Merchant Investors and Sanlam Life Namibia:			
Equities	-	-	-
Hedged equities	-	-	-
Property	-	-	-
Fixed-interest securities	-	-	-
Cash	100	100	100
	100	100	100
African Life Assurance:			
Equities	50	n/a	50
Hedged equities	-	n/a	-
Property	-	n/a	-
Fixed-interest securities	25	n/a	25
Cash	25	n/a	25
	100	n/a	100
Botswana Insurance Holdings Limited:			
Equities	66	n/a	65
Hedged equities	-	n/a	-
Property	3	n/a	4
Fixed-interest securities	31	n/a	14
Cash	-	n/a	17
	100	n/a	100

Group secretary
Johan Bester

Registered office
2 Strand Road, Bellville 7530, South Africa
Telephone +27 21 947 9111
Fax +27 21 947 8066

Postal address
PO Box 1, Sanlamhof 7532, South Africa

Registered name: Sanlam Limited
(Registration number 1959/001562/06)
JSE share code: SLM
NSX share code: SLA
ISIN number: ZAE000070660
Incorporated in South Africa

Transfer secretaries:
Computershare Investor Services 2004
(Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg 2001, South Africa
PO Box 61051, Marshalltown 2107, South Africa
Tel 086 110 0913
Fax +27 11 688 5201

www.sanlam.co.za

Directors: R.C. Andersen (Chairman), P.T. Motsepe (Deputy Chairman), J. van Zyl (Group Chief Executive), M.M.M. Bakane-Tuoane, A.D. Botha, P. de V. Rademeyer, A.S. du Plessis, F.A. du Plessis, W.G. James, M.V. Moosa, R.K. Morathi, S.A. Nkosi, I. Plenderleith, M. Ramos, G.E. Rudman, R.V. Simelane, Z.B. Swanepoel, E. van As, J.J.M. van Zyl, P.L. Zim.