


A member of the  Zurich Financial Services Group

Highlights

- Increase in net asset value per share 25%
- Return on shareholders' funds 18%
- Growth in gross written premium 11.2%
- Underwriting surplus in a challenging market
- Decrease in earnings per share 7.1%
- Increase in interim dividend 10%

South African Eagle Insurance Company Limited

(Incorporated in the Republic of South Africa)
(Registration number 1965/00674/06)
Share code: SAE ISIN: ZAE000006243
("the Company")

Reviewed interim report for the six months ended 30 June 2006

Rand thousands	Note	Reviewed at 30/06/06	Reviewed at 30/06/05 Restated	% Change	Audited at 31/12/05
CONSOLIDATED INCOME STATEMENT					
Insurance premium revenue		1,905,852	1,714,718	11.2%	3,509,671
Insurance premium ceded to reinsurers		374,217	331,486		646,274
Net insurance premium revenue		1,531,635	1,383,232		2,863,397
Net insurance premium earned		1,495,576	1,371,918	9.0%	2,806,825
Investment income	2	95,197	86,386	10.2%	175,412
Fair value adjustment on trading investments		(28,680)	(928)		5,138
Net realised gains on disposal of investments		68,425	40,875		172,932
Net income		1,630,518	1,498,251	8.8%	3,160,307
Net insurance claims		1,074,935	928,894	15.7%	1,902,370
Acquisition expenses		226,458	208,106	8.8%	425,682
Administrative and other operating expenses		160,872	157,206	2.3%	318,275
Investment expenses		2,250	1,914		5,368
Expenses		1,464,515	1,296,120	13.0%	2,651,695
Profit before tax	3	166,003	202,131	(17.9%)	508,612
Income tax expense		33,941	59,954	(43.4%)	118,388
Profit after tax		132,062	142,177	(7.1%)	390,224
Minority interest		1,498	2,491		1,094
Net profit attributable to members of the Company		130,564	139,686	(6.5%)	389,130
Financial highlights					
After-tax adjustment for:					
Net realised surplus on disposal of investments, property and equipment, after tax					
		(58,503)	(38,598)	51.6%	(153,654)
Headline earnings		72,061	101,088	(28.6%)	235,476
Headline earnings per share (cents)		592.0	830.0	(28.6%)	1,933.4
Earnings per share (cents)		1,084.0	1,167.0	(7.1%)	3,195.0
Ordinary dividends declared per share (cents)		220.0	200.0	10.0%	800.0
Dividends paid per share (cents)		600.0	480.0		2,970.0
Number of shares in issue		12,179,500	12,179,500		12,179,500
Net asset value per share (cents)		13,362	10,686	25.0%	12,414
Solvency margin (%)		54.0%	48.3%		52.9%
Combined ratio (%)		97.9%	94.4%		94.3%
Return on equity (%)		17.8%	21.7%		28.3%

Rand thousands	Note	Reviewed at 30/06/06	Reviewed at 30/06/05 Restated	% Change	Audited at 31/12/05
CONDENSED STATEMENT OF CHANGES IN EQUITY					
Balance at beginning of year		1,515,096	1,494,503		1,494,503
Adoption of International Financial Reporting Standards and changes in accounting policies		–	18,700		–
Net changes in available-for-sale financial assets on disposal		(11,720)	(22,753)		(162,863)
Revaluation of investments		83,729	17,805		171,529
Translation of foreign subsidiaries		(17,107)	(9,100)		(16,565)
Net profit for the year		130,564	139,686		390,224
Dividends paid		(73,077)	(337,372)		(361,732)
Balance at end of year		1,627,485	1,301,469		1,515,096
CONDENSED CASH FLOW STATEMENT					
Cash retained from operating activities		269,354	209,786		141,571
Cash generated from underwriting activities		67,150	183,818		197,269
Net increase in working capital		152,174	(52,229)		(81,658)
Dividends, interest and rental received		95,197	86,386		164,737
Taxation paid		(45,167)	(8,189)		(138,777)
Dividends paid		(73,077)	(337,372)		(361,731)
Cash effect of investing activities		58,733	(82,619)		89,476
Net increase/(decrease) in cash and cash equivalents		255,010	(210,205)		(130,684)

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NOTES

1. Accounting policies and basis of preparation

The consolidated condensed financial statements have been prepared for the six months ended 30 June 2006 in accordance with International Financial Reporting Standards (IFRS), IAS 34 – Interim Financial Reporting and in compliance with the Listing Requirements of the JSE Limited. The consolidated condensed interim financial statements do not include all of the information required by IFRS for full annual financial statements.

The results of insurance contracts underwritten in cells where the risks and rewards accrue to the cell owner are no longer included in Group profit. Property and equipment have been accounted for in accordance with IAS 16. The depreciable amount of property and equipment is now cost less residual value. In addition, the useful lives of assets have been reviewed at the balance sheet date. Operating lease expenses are now spread evenly over the lease period in accordance with IAS 17 and are no longer expensed as paid.

Except for the change in terms of IFRS, the principal policies used in the preparation of the reviewed results for the period ended 30 June 2006 are consistent with those applied in the annual financial statements for the year ended 31 December 2005 and for the results for the six months ended 30 June 2005.

Comparatives for the six months ended 30 June 2005 have been restated in respect of the accounting of cell activity, property and equipment and operating lease costs.

Rand thousands	Reviewed at 30/06/06	Reviewed at 30/06/05 Restated	Audited at 31/12/05
2. Investment income			
Interest and rental income	74,774	76,458	146,778
Dividends	20,423	9,928	28,634
Total investment income	95,197	86,386	175,412
3. Profit before tax after (crediting)/charging			
Depreciation	13,203	12,846	14,302
Loss on disposal of property and equipment	29	28	636
4. Investments			
Investment properties	9,811	16,938	10,946
Investment in associates	3,294	9,710	20,560
Originated loans	6,711	8,206	7,087
Available-for-sale investments	559,064	519,830	536,958
Ordinary shares			
Listed	449,112	479,925	447,198
Unlisted	55,260	36,742	36,168
Preference shares			
Listed	2,767	3,163	1,804
Unlisted	51,925	–	51,788
Trading investments	403,782	406,383	432,672
Total investments	982,662	961,067	1,008,223

Rand thousands	Commercial	Risk Financing	Personal	Investments	Total
5. Segmental analysis					
5.1 Business segments					
30/06/06					
Gross insurance premium revenue	1,452,746	125,706	327,400	–	1,905,852
Insurance premium ceded to reinsurers	275,884	88,514	9,819	–	374,217
Net insurance premium revenue	1,176,862	37,192	317,581	–	1,531,635
Change in provision for unearned premium	(26,531)	(6,463)	(3,065)	–	(36,059)
Net insurance premium earned	1,150,331	30,729	314,516	–	1,495,576
Investment income	–	–	–	95,197	95,197
Fair value adjustment on trading investments	–	–	–	(28,680)	(28,680)
Net realised gains on disposal of investments	–	–	–	68,425	68,425
Income	1,150,331	30,729	314,516	134,942	1,630,518
Net insurance claims	801,430	27,326	246,179	–	1,074,935
Acquisition expenses	178,161	2	48,295	–	226,458
Administrative and other operating expenses	136,966	2,464	21,442	–	160,872
Investment expenses	–	–	–	2,250	2,250
Expenses	1,116,557	29,792	315,916	2,250	1,464,515
Profit before tax	33,774	937	(1,400)	132,692	166,003

Rand thousands	Commercial	Risk Financing	Personal	Investments	Total
30/06/05 (restated)					
Gross insurance premium revenue	1,248,448	79,556	386,714	–	1,714,718
Insurance premium ceded to reinsurers	264,162	58,809	8,515	–	331,486
Net insurance premium revenue	984,286	20,747	378,199	–	1,383,232
Change in provision for unearned premium	(14,966)	4,314	(662)	–	(11,314)
Net insurance premium earned	969,320	25,061	377,537	–	1,371,918
Investment income	–	–	–	86,386	86,386
Fair value adjustment on trading investments	–	–	–	(928)	(928)
Net realised gains on disposal of investments	–	–	–	40,875	40,875
Income	969,320	25,061	377,537	126,333	1,498,251
Net insurance claims	625,650	23,130	280,114	–	928,894
Acquisition expenses	150,138	(1,018)	58,986	–	208,106
Administrative and other operating expenses	128,517	2,262	26,427	–	157,206
Investment expenses	–	–	–	1,914	1,914
Expenses	904,305	24,374	365,527	1,914	1,296,120
Profit before tax	65,015	687	12,010	124,419	202,131

Rand thousands	Commercial	Risk Financing	Personal	Investments	Total
5.1 Business segments (continued)					
31/12/05 (audited)					
Gross insurance premium revenue	2,433,181	230,596	845,894	–	3,509,671
Insurance premium ceded to reinsurers	481,923	144,320	20,031	–	646,274
Net insurance premium revenue	1,951,258	86,276	825,863	–	2,863,397
Change in provision for unearned premium	(34,709)	(22,258)	395	–	(56,572)
Net insurance premium earned	1,916,549	64,018	826,258	–	2,806,825
Investment income	–	6,087	–	169,325	175,412
Fair value adjustment on trading investments	–	–	–	5,138	5,138
Net realised gains on disposal of investments	–	–	–	172,932	172,932
Income	1,916,549	70,105	826,258	347,395	3,160,307
Net insurance claims	1,244,003	56,300	602,067	–	1,902,370
Acquisition expenses	295,512	1,140	129,030	–	425,682
Administrative and other operating expenses	257,245	2,491	58,539	–	318,275
Investment expenses	–	–	–	5,368	5,368
Expenses	1,796,760	59,931	789,636	5,368	2,651,695
Profit before tax	119,789	10,174	36,622	342,027	508,612

Rand thousands	Commercial	Risk Financing	Personal	Investments	Total
The segment assets and liabilities at 30 June 2006 are as follows:					
Reinsurers' share of provision for outstanding claims					
	173,159	16,055	63,071	–	252,285
Reinsurers' share of provision for unearned premium					
	177,730	10,880	5,082	–	193,692
Technical assets					
	350,889	26,935	68,153	–	445,977
Deferred acquisition cost					
	65,383	3,995	23,126	–	92,504
Non-current assets					
	–	–	–	640,857	640,857
Current assets, including cash and cash equivalents					
	–	407,515	–	2,395,608	2,803,123
Total assets	416,272	438,445	91,279	3,036,465	3,982,461
Provision for outstanding claims					
	603,238	101,923	210,632	–	915,793
Provision for unearned premium					
	640,846	26,635	111,448	–	778,929
Technical provisions					
	1,244,084	128,558	322,080	–	1,694,722
Reinsurers' share of deferred acquisition cost					
	25,932	1,632	6,083	–	33,647
Non-current liabilities					
	–	–	–	47,449	47,449
Other liabilities					
	–	205,229	–	236,242	441,4