

South African Eagle Insurance Company Limited

(Incorporated in the Republic of South Africa)
(Registration number 1965/006764/06)
Share code: SAE ISIN: ZAE000006243 ("the Company")

www.saeagle.co.za



A member of the Zurich Financial Services Group

Announcement of the reviewed Group results and dividend declaration for the year ended 31 December 2006

Rand thousands	2006	2005	% Change
Condensed Income Statement			
Insurance premium revenue	3,910,639	3,509,671	11.4%
Insurance premium ceded to reinsurers	735,513	646,274	
Net insurance premium	3,175,126	2,863,397	
Net insurance premium revenue	3,115,547	2,812,112	10.8%
Reinsurance commission earned	138,032	116,617	18.4%
Pension fund surplus	230,764	-	
Investment income	202,224	136,033	48.7%
Net fair value (loss)/gain on assets held at fair value through income	(18,962)	53,297	
Net realised gains on financial assets – available-for-sale	71,334	164,152	(56.5%)
Income	3,738,939	3,282,211	13.9%
Net insurance claims	2,256,842	1,902,370	18.6%
Gross acquisition costs	609,307	542,299	12.4%
Administrative and other operating expenses	435,152	318,275	36.7%
Investment expenses	3,594	5,368	
Primary policyholders' interest	-	5,287	
Expenses	3,304,895	2,773,599	19.2%
Profit before tax	434,044	508,612	(14.7%)
Income tax expense	107,162	118,388	(9.5%)
Profit after tax	326,882	390,224	(16.2%)
Minority interest	6,302	1,094	
Net profit attributable to members of the Company	320,580	389,130	(17.6%)

Rand thousands	2006	2005	% Change
Condensed Balance Sheet			
Assets			
Property and equipment	68,476	55,104	
Investments	1,071,347	1,001,136	7.0%
Intangible insurance assets – deferred acquisition costs	98,736	134,200	
Retirement benefit fund surplus	230,764	-	
Technical assets	605,614	529,013	14.5%
Current assets	1,048,678	1,120,220	(6.4%)
Cash and cash equivalents	1,482,314	1,017,528	45.7%
Total assets	4,605,929	3,857,201	19.4%
Equity and liabilities			
Shareholders' equity	1,758,933	1,511,949	16.3%
Minority shareholders' interest in subsidiaries	13,043	3,147	
Employee benefit costs	179,924	43,069	
Reinsurers' share of deferred acquisition costs	34,270	46,738	
Deferred tax liabilities	99,451	12,963	
Technical provisions	1,910,234	1,724,832	10.7%
Other liabilities	610,074	514,503	18.6%
Total equity and liabilities	4,605,929	3,857,201	

Rand thousands	2006	2005
Condensed Statement of Changes in Equity		
Balance at beginning of year	1,511,949	1,492,277
Net gains on available-for-sale financial assets transferred to income on disposal	(66,473)	(179,711)
Revaluation of investments	131,231	188,377
Translation of foreign subsidiaries	(38,481)	(16,392)
Net profit for the year	320,580	389,130
Dividends paid	(99,873)	(361,732)
Balance at end of year	1,758,933	1,511,949

Rand thousands	2006	2005
Condensed Cash Flow Statement		
Cash flows from operating activities	498,275	143,312
– Cash generated from operations	230,214	187,269
– Net increase/(decrease) in working capital	146,711	(71,658)
– Dividends, interest and rental received	193,552	164,737
– Taxation paid	(72,202)	(137,036)
Dividends paid	(99,873)	(361,732)
Cash flows from investing activities	66,384	87,736
Net increase/(decrease) in cash and cash equivalents	464,786	(130,684)
Cash and cash equivalents at beginning of year	1,017,528	1,148,212
Cash and cash equivalents at end of year	1,482,314	1,017,528

Notes
1. Accounting policies
The condensed financial statements have been prepared in accordance with International Financial Reporting Standards and the accounting policies are consistent with those applied in the previous financial period.

Rand thousands	2006	2005	% Change
2. Financial highlights			
Net profit attributable to members of the Company	320,580	389,130	(17.6%)
After-tax adjustment for:			
Net realised surplus on disposal of investments and property and equipment	(58,539)	(153,654)	
Headline earnings	262,041	235,476	11.3%
Headline earnings per share (cents)	2,151.5	1,933.4	11.3%
Earnings per share (cents)	2,632.1	3,195.0	(17.6%)
Ordinary dividends declared per share (cents)	650	800	(18.8%)
Dividends paid per share (cents)	820	2,970	(72.4%)
Number of shares in issue	12,179,500	12,179,500	
Net asset value per share (cents)	14,441.8	12,413.9	16.3%
Solvency margin (%)	55.8%	52.9%	5.5%
Combined ratio (%)*	97.3%	94.3%	3.2%
Return on average equity (%)	19.6%	25.9%	(24.3%)

*The Group offered the members of the Group Pension Fund the option to convert from a defined benefit fund to a defined contribution fund. The Group has proposed an incentive to the members of the pension fund to take up this option. The actuarial estimate of the incentive costs is R132.5 million. For 2006, the combined ratio excludes these estimated costs. If these costs were to be included in the combined ratio, the ratio would be 101.5%.

3. Segmental analysis

Rand thousands	Fire	Motor	Engineering	Marine and Aviation	Accident	Other	Total
3.1 Business segments							
The segment results for the year ended 31 December 2006 are as follows:							
2006							
Insurance premium revenue	711,392	1,835,352	349,214	143,715	870,966	-	3,910,639
Insurance premium ceded to reinsurers	(399,066)	(94,051)	(71,226)	(60,131)	(111,039)	-	(735,513)
Net insurance premium	312,326	1,741,301	277,988	83,584	759,927	-	3,175,126
Net insurance premium revenue	307,849	1,714,694	267,982	83,211	741,811	-	3,115,547
Reinsurance commission earned	70,178	14,877	22,304	9,334	21,339	-	138,032
Pension fund surplus	-	-	-	-	-	230,764	230,764
Investment income	-	-	-	-	-	202,224	202,224
Net fair value loss on assets held at fair value through income	-	-	-	-	-	(18,962)	(18,962)
Net realised gains on financial assets – available-for-sale	-	-	-	-	-	71,334	71,334
Income	378,027	1,729,571	290,286	92,545	763,150	485,360	3,738,939
Net insurance claims	221,944	1,398,781	147,239	40,369	448,509	-	2,256,842
Gross acquisition costs	127,316	230,692	63,367	24,893	163,039	-	609,307
Administrative and other operating expenses	51,111	150,840	28,048	8,802	63,830	132,521	435,152
Investment expenses	-	-	-	-	-	3,594	3,594
Expenses	400,371	1,780,313	238,654	74,064	675,378	136,115	3,304,895
Results from operating activities	(22,344)	(50,742)	51,632	18,481	87,772	349,245	434,044

Auditors
The Company's external auditors, PricewaterhouseCoopers Inc, have reviewed the financial announcement. A copy of their review opinion is available on request at the Company's registered office.

Transfer Secretaries
Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg, 2001

Group Company Secretary and Registered Office
TA Pitman
South African Eagle Insurance Company Limited
Registration number 1965/006764/06
SA Eagle House
The Braes
193 Bryanston Drive
Bryanston, 2021
(PO Box 61489, Marshalltown, 2107)

Sponsor
RAND MERCHANT BANK,
(A division of FirstRand Bank Limited)

Rand thousands	Fire	Motor	Engineering	Marine and Aviation	Accident	Other	Total
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The segment results for the year ended 31 December 2005 are as follows:

2005							
Insurance premium revenue	643,310	1,645,041	290,619	123,628	807,073	-	3,509,671
Insurance premium ceded to reinsurers	(350,619)	(87,152)	(51,009)	(46,746)	(110,748)	-	(646,274)
Net insurance premium	292,691	1,557,889	239,610	76,882	696,325	-	2,863,397
Net insurance premium revenue	285,123	1,539,237	237,492	72,135	678,125	-	2,812,112
Reinsurance commission earned	61,075	11,825	11,937	7,537	24,243	-	116,617
Investment income	-	-	-	-	-	136,033	136,033
Net fair value gains on assets held at fair value through income	-	-	-	-	-	53,297	53,297
Net realised gains on financial assets – available-for-sale	-	-	-	-	-	164,152	164,152
Income	346,198	1,551,062	249,429	79,672	702,368	353,482	3,282,211
Net insurance claims	209,200	1,167,473	109,789	33,676	382,232	-	1,902,370
Gross acquisition costs	115,886	205,171	52,841	19,878	148,523	-	542,299
Administrative and other operating expenses	55,625	159,577	28,393	8,888	71,079	-	323,562
Investment expenses	-	-	-	-	-	5,368	5,368
Expenses	380,711	1,532,221	191,023	62,442	601,834	5,368	2,773,599
Results from operating activities	(34,513)	18,841	58,406	17,230	100,534	348,114	508,612

The segment assets, equity and liabilities at 31 December 2006 are as follows:

Assets							
Technical assets	437,877	33,132	65,511	22,206	46,888	-	605,614
Intangible insurance assets – deferred acquisition costs	17,961	46,339	8,817	3,629	21,990	-	98,736
Current assets	163,003	420,538	80,016	32,930	199,566	152,625	1,048,678
Non-current assets	-	-	-	-	-	299,240	299,240
Investments	-	-	-	-	-	1,071,347	1,071,347
Cash and cash equivalents	-	-	-	-	-	1,482,314	1,482,314
Total assets	618,841	500,009	154,344	58,765	268,444	3,005,526	4,605,929
Equity and liabilities							
Shareholders' equity	-	-	-	-	-	1,758,933	1,758,933
Minority shareholders' interest in subsidiaries	-	-	-	-	-	13,043	13,043
Technical provisions	577,076	672,130	187,930	93,734	379,364	-	1,910,234
Reinsurers' share of deferred acquisition costs	18,594	4,382	3,319	2,802	5,173	-	34,270
Other liabilities	22,045	56,876	10,822	4,454	26,990	488,887	610,074
Non-current liabilities	-	-	-	-	-	279,375	279,375
Total equity and liabilities	617,715	733,388	202,071	100,990	411,527	2,540,238	4,605,929

The segment assets, equity and liabilities at 31 December 2005 are as follows:

Assets							
Technical assets	398,152	28,863	43,135	16,365	42,498	-	529,013
Intangible insurance assets – deferred acquisition costs	24,598	62,902	11,112	4,727	30,861	-	134,200
Current assets	159,754	408,515	72,170	30,701	200,421	248,659	1,120,220
Non-current assets	-	-	-	-	-	55,104	55,104
Investments	-	-	-	-	-	1,001,136	1,001,136
Cash and cash equivalents	-	-	-	-	-	1,017,528	1,017,528
Total assets	582,504	500,280	126,417	51,793	273,780	2,322,427	3,857,201
Equity and liabilities							
Shareholders' equity	-	-	-	-	-	1,511,949	1,511,949
Minority shareholders' interest in subsidiaries	-	-	-	-	-	3,147	3,147
Technical provisions	491,073	637,322	162,753	82,205	351,479	-	1,724,832
Reinsurers' share of deferred acquisition costs	25,356	6,303	3,689	3,381	8,009	-	46,738
Other liabilities	21,419	54,771	9,676	4,116	26,871	397,650	514,503
Non-current liabilities	-	-	-	-	-	56,032	56,032
Total equity and liabilities	537,848	698,396	176,118	89,702	386,359	1,968,778	3,857,201

3.2 Geographical segments
The foreign subsidiaries relate to the operations in Botswana and Zimbabwe.

Rand thousands	South Africa	Foreign Subsidiaries	Total
2006			
Insurance premium revenue	3,701,583	209,056	3,910,639
Total assets	4,296,070	309,859	4,605,929
Total liabilities	2,653,636	180,317	2,833,953
Total capital expenditure	29,785	1,165	30,950
Profit before tax	389,253	44,791	434,044

Rand thousands	South Africa	Foreign Subsidiaries	Total
2005			
Insurance premium revenue	3,293,113	216,558	3,509,671
Total assets	3,695,791	161,410	3,857,201
Total liabilities	2,263,465	78,640	2,342,105
Total capital expenditure	21,901	444	22,345
Profit before tax	477,302	31,310	508,612

Commentary
The financial results declined in line with market expectations, mainly as a result of weakened under