

MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

Group unaudited interim report for the half year ended 30 June 2001 and dividend announcement

INCOME STATEMENT	30/6/01 R'm	30/6/00 R'm	Change %	Year to 31/12/00 R'm
Technical account				
Gross premiums	2,382	1,519	57	3,468
Net premiums	2,151	1,387	55	3,152
Net underwriting surplus/(loss) (note 1)	28	(31)		2
Investment return on insurance activities	76	63	21	144
General insurance result	104	32	225	146
Long term investment return on shareholders' funds	203	235		381
Operating income based on long term investment return	307	267	15	527
Non-technical account				
Short-term investment fluctuations	152	(285)		2
Dividends, interest and property income	163	151		361
Realised surplus on investments	385	-		411
Unrealised deficit on investments	(117)	(138)		(245)
Allocated investment return transferred to technical account	(279)	(298)		(525)
Goodwill and retrenchment costs	(5)	-		(10)
Income/(loss) before taxation	454	(18)		519
Taxation	(23)	(11)		(49)
	431	(29)		470
Minority shareholders / share of associates	7	-		10
Net income/(loss)	438	(29)		480
Headline earnings	291	256	14	488
Headline earnings per share (cents) (note 2)	121	106	14	203
Operating ratio (%) (note 3)	98.7	102.3		99.9
Basic earnings per share (cents) (note 2)	182	(12)		199
Ordinary dividend per share (cents)	22	22		58
Net asset value per share (cents)	1,630	1,640		1,486
Number of shares in issue (million)				
- at period end	241.5	240.8		241.0
- weighted average	241.3	240.7		240.8
Determination of headline earnings				
Operating income based on long term investment return	307	267		527
Taxation	(23)	(11)		(49)
Minority shareholders / share of associates	7	-		10
Headline earnings	291	256		488

BALANCE SHEET	As at 30/6/01 R'm	As at 30/6/00 R'm	As at 31/12/00 R'm
Assets			
Non-current assets	4,444	4,436	4,656
Fixed assets	67	37	63
Investments at market value	4,110	4,282	4,288
Ordinary shares	3,024	2,977	3,365
Government stock	227	130	362
Other	859	1,175	561
Investment in associated companies	96	97	125
Goodwill	98	-	103
Deferred taxation	73	20	77
Reinsurers' share of technical provisions	454	301	445
Current assets	1,832	925	1,336
Debtors / other	727	541	605
Bank balances	1,105	384	731
	6,730	5,662	6,437
Liabilities			
Capital and reserves	3,936	3,950	3,581
Interest of outside shareholders in subsidiaries	129	4	128
Non current provisions	118	64	117
Gross technical provisions	2,363	1,550	2,344
Current liabilities and provisions	184	94	267
	6,730	5,662	6,437

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STATEMENT OF CHANGES IN EQUITY

R'm	Share capital	Contingency Reserve	Retained income	Total
Balance at 1 January 2001	103	279	3,199	3,581
Net income for the period			438	438
Transfer to contingency reserve		17	(17)	0
Dividends paid			(87)	(87)
Issue of share capital	4			4
Balance at 30 June 2001	107	296	3,533	3,936

NOTES**1. Integration costs**

Included in the underwriting results are non-recurring costs of R20 million in respect of expenses paid for the integration of CGU Holdings ("CGU") (2000: R nil).

2. Earnings per share

Headline earnings per share are calculated on operating income based on the long term investment return, after taxation and share of associated companies retained income. Basic earnings per share are based on net income after short-term investment fluctuations, goodwill and retrenchment costs.

3. Operating ratio

This reflects the ratio of total insurance expenditure to net earned premiums.

4. Change in accounting policy

During the year the company changed its accounting policy with regard to provisions for dividends. Dividends in respect of the current period, but only declared after the balance sheet date, were previously recognised as a liability at the balance sheet date. Such dividends are now accounted for in the period in which they are paid. Prior year figures have been restated to recognise this change in accounting policy.

COMMENTS

The net income for the six months ended 30 June 2001 includes the results of CGU which was formally acquired in October 2000 and consolidated from that date. The integration of the CGU activities has progressed well and will be complete by the end of the year.

The General Insurance Result of R104 million, which includes an underwriting surplus of R28 million, represents an encouraging improvement on 2000. This result is largely attributable to an increase in rating levels and an absence of substantial weather-related claims which characterised the first quarter of 2000.

There were, however, a number of significant fires during the period which severely impacted the property portfolio. There has been a return to profitability in the accident, engineering and marine portfolios, but, the incidence of motor vehicle accidents and theft remains high, and corrective action is being taken to ensure a return to profitability on the motor account.

Headline earnings increased by 14%. This is particularly encouraging in view of the special dividend of 300 cents per share declared in November 2000, which had the effect of reducing shareholders' funds by approximately R800 million. The solvency margin remains strong and was in excess of 100% at 30 June 2001.

The Board is cautiously optimistic about the prospects for the balance of the period in light of the improvement in the underwriting cycle. It should however be noted that short-term insurance results fluctuate and the outturn for the first six months is not necessarily indicative of the likely results for the remainder of the year.

DECLARATION OF DIVIDEND (NUMBER 63)

An interim dividend of 22 cents per share has been declared payable to shareholders in respect of the six months to 30 June 2001.

In accordance with the trading requirements under the STRATE environment, the last day to trade to participate in the interim dividend will be Friday 7 September 2001. The shares will commence trading ex-dividend on Monday 10 September 2001, and the record date will be Friday 14 September 2001. Payment will be made on Monday 17 September 2001.

The last date to register for certificated shareholders will be Friday 14 September 2001. Certificated shareholders may not dematerialise their shares between Friday 31 August and Monday 17 September 2001. Dividend cheques will be posted on Monday 17 September 2001.

On behalf of the Board

K T M Saggars (Chairman)

B Campbell (Managing Director)

Registered Office: 19th Floor, Mutual & Federal Centre, 75 President Street, Johannesburg 2001

Transfer Secretaries: Mercantile Registrars Limited, 11 Diagonal Street, Johannesburg 2001

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