



Middlesea Insurance p.l.c.

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EMB/MSE/06305

26 September 2005

Company Announcement in accordance with MFSA Listing Rules 8.6.2 and 8.6.19

Attached is the half-yearly report on the activities and profits and losses on a Group basis for the first six months of 2005 that was approved during the Board Meeting held on 23 September 2005. The Board of Directors does not propose to pay a dividend for the half year ended 30 June 2005.

E.M. Borg

Company Secretary



MIDDLESEA INSURANCE p.l.c.

DRAFT CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Profit and Loss Account

Non-technical account

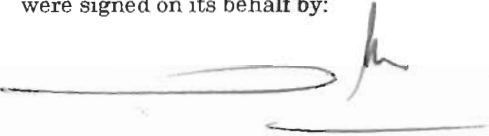
for the six months ended 30 June 2005

	Group	
	1 January to 30 June 2005	1 January to 30 June 2004 (restated)
	Lm	Lm
Balance on the general business technical account	1,223,009	1,031,710
Balance on the long term business technical account	173,845	82,865
	1,396,854	1,114,575
Share of participating interest's profit before tax involved in long term business	401,586	371,110
Total income from insurance activities	1,798,441	1,485,685
Other investment income	2,343,483	1,240,270
Investment expenses and charges	(225,626)	(284,823)
Allocated investment return transferred to the general business technical account	(1,472,037)	(586,980)
Other income	283,293	269,583
Administration expenses	(575,593)	(583,011)
Operating profit before tax	2,151,961	1,540,724
Income tax expense	(354,372)	(336,075)
Profit for the financial period	1,797,589	1,204,649
Attributable to:		
- shareholders	1,608,942	1,013,693
- minority interests	188,647	190,956
	1,797,589	1,204,649
Earnings per share attributable to shareholders	12c9	8c1


MIDDLESEA INSURANCE p.l.c.**Condensed Consolidated Balance Sheet
as at 30 June 2005**

	Group	
	June 2005	December 2004 (restated)
	Lm	Lm
ASSETS		
Intangible assets and deferred acquisition costs	1,370,486	1,250,489
Tangible assets	1,337,640	1,370,398
Investments	74,849,383	70,285,970
Reinsurers share of technical provisions	12,649,482	12,930,300
Debtors and other assets	10,885,015	9,302,292
Cash and cash equivalents	4,515,630	6,241,623
TOTAL ASSETS	105,607,636	101,381,072
LIABILITIES AND EQUITY		
Capital and reserves	26,649,110	25,103,657
Minority interests	4,861,848	4,734,062
Provisions for other risks and charges	876,227	688,374
Technical provisions	61,575,760	60,105,029
Borrowings	2,813,658	2,885,436
Trade and other payables	7,723,554	6,690,416
Current taxation payable	1,107,479	1,174,098
TOTAL LIABILITIES AND EQUITY	105,607,636	101,381,072

These condensed financial statements were approved by the Board on 23 September 2005 and were signed on its behalf by:



M.C. Grech
Chairman and C.E.O.



R.E.D. Chalmers
Deputy Chairman

MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2005

	Group	
	1 January to 30 June 2005	1 January to 30 June 2004 <i>(restated)</i>
	Lm	Lm
Net cash generated from operating activities	1,525,041	3,772,954
Net cash used in investing activities	(3,113,460)	(3,010,706)
Net cash used in financing activities	(76,678)	(19,027)
(Decrease)/increase in cash and cash equivalents	(1,665,097)	743,221
Movement in cash and cash equivalents		
At beginning of period	6,241,623	3,501,728
Net cash (outflow)/inflow	(1,665,097)	743,221
Effect of exchange rate changes	(60,896)	(28,655)
At 30 June	4,515,630	4,216,294

MIDDLESEA INSURANCE p.l.c.
Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2005

GROUP

Attributable to Shareholders

	Share Capital Lm	Share Premium account Lm	Revaluation Reserve Lm	Other Reserves Lm	Profit & Loss Account Lm	Minority Interest Lm	Total Lm
Balance as at 1 January 2004 as previously stated	6,250,000	1,192,500	963,998	4,864,950	8,587,400	3,709,870	25,568,518
Transfer from revaluation reserve to other reserves	-	-	(1,195,303)	1,195,303	-	-	-
effect of adopting fair value accounting under IAS 39 (revised)	-	-	231,305	-	159,426	54,216	444,947
effect of adopting fair value accounting under IAS 40	-	-	-	-	489,239	11,488	500,727
as restated	6,250,000	1,192,500	0	6,060,253	9,236,045	3,775,374	26,514,192
Share of increase in value of in-force business of associated company	-	-	-	392,700	-	-	392,700
Currency translation differences	-	-	-	-	-	(49,160)	(49,160)
Other	-	-	-	13,600	-	-	13,600
Net gains/(losses) recognised directly in equity	-	-	-	406,300	-	(49,160)	357,140
Profit for the six months	-	-	-	-	1,013,893	190,956	1,204,849
Total recognised gains/(losses) for the period	-	-	-	406,300	1,013,893	141,796	1,561,789
Dividends for 2003	-	-	-	-	(625,000)	-	(625,000)
Balance as at 30 June 2004	6,250,000	1,192,500	0	6,466,553	9,824,758	3,917,170	27,450,981
Balance at 1 January 2005 as previously stated	6,250,000	1,192,500	1,897,946	5,227,500	9,545,791	4,623,454	28,697,191
Transfer from Revaluation reserve to other reserves	-	-	(1,222,503)	1,222,503	-	-	-
effect of adopting fair value accounting under IAS 39 (revised)	-	-	(635,443)	-	1,111,548	97,793	573,898
effect of adopting fair value accounting under IAS 40	-	-	-	-	545,156	12,815	557,971
effect of adopting IFRS 4	-	-	-	-	8,660	-	8,660
as restated	6,250,000	1,192,500	-	6,450,003	11,211,155	4,734,062	29,837,720
Effect of adoption of IFRS 3 by associated Company	-	-	-	-	198,610	-	198,610
Share of increase in value of in-force business of associated company	-	-	-	474,300	-	-	474,300
Currency translation differences	-	-	-	-	-	(55,961)	(55,961)
Other	-	-	-	13,600	-	-	13,600
Net gains/(losses) recognised directly in equity	-	-	-	487,900	198,610	(55,961)	630,549
Profit for the six months	-	-	-	-	1,608,942	188,647	1,797,589
Total recognised gains/(losses) for the period	-	-	-	487,900	1,807,552	132,686	2,428,138
Dividends for 2004	-	-	-	-	(750,000)	(4,900)	(754,900)
Balance as at 30 June 2005	6,250,000	1,192,500	-	6,937,903	12,226,707	4,866,842	31,573,952

MIDDLESEA INSURANCE p.l.c.

Notes to the Condensed Financial Statements
for the six months ended 30 June 2005

- 1 Middlesea Insurance p.l.c is authorised by the Malta Financial Services Authority to carry on long term and general business of insurance under the Insurance Business Act, 1998.
- 2 Basis of preparation

These condensed financial statements are being published in accordance with the Malta Financial Services Authority Listing rules 9.54 and 9.55. These statements have been extracted from the Group's unaudited financial statements as approved by the Board on 23 September 2005, and have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. The accounting policies used in the preparation of the financial statements for the six months ended 30 June 2005 are consistent with those used in the annual financial statements as at 31 December 2004 except for the adoption of certain new and revised IFRS which are relevant to these condensed financial statements and which required mandatory adoption at 1 January 2005, with particular reference to the following.

IAS 1 (revised 2003) Presentation of Financial Statements

IAS 1 (revised 2003) has affected the presentation of minority interests in the profit and loss account (separate allocation at the bottom of the profit and loss account) and in the statement of changes in equity (separate column for minority interests). The Balance Sheet is being presented by organising the Group's assets and liabilities in decreasing order of liquidity

IFRS 3 (revised) - Business Combinations

IFRS 3 has resulted in a change to the accounting policy of goodwill of the associated company. In accordance with this Standard the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities over cost has been recognised as an adjustment against the opening retained earnings of the Group.

IFRS 4 (issued 2004) Insurance Contracts

IFRS 4 prohibits the provisions for possible claims under contracts that are not in existence at the reporting date. Consequently, the Group no longer recognises the equalisation provision regulated by the Insurance Business Act, 1998 within its financial statements.

IAS 39 (revised 2004) Financial Instruments: Recognition and measurement

IAS 39 has affected the categories of financial assets and financial liabilities for recognition and measurement purposes. The Group re-designated its available-for-sale financial instruments, held-to-maturity securities and investments previously recognised as originated loans and receivables as financial assets through profit or loss on adoption of IAS 39 (revised 2003) on 1 January 2005. Held-to-maturity securities and investments designated as originated loans and receivables were previously measured at amortised cost. Fair value gains and losses on available-for-sale instruments were previously recognised in equity in a revaluation reserve. Transaction costs incurred on the acquisition and disposal of the investments, which were previously included in the initial carrying amount of the investment, are now charged immediately to the profit and loss account.

The following voluntary change to the Group's accounting policy for Investment Properties was driven by the Group's consistent application of fair value accounting for its investment portfolio:

IAS 40 (revised 2003) - Investment Property

On 1 January 2005, the Group adopted the fair value model for investment property under IAS 40 (revised 2003). Investment property was previously measured at cost less depreciation and any impairment losses.

The financial effect of these change in accounting policies is reported in the statement of changes in equity.

Changes in the accounting policies have been made in accordance with the transitional provisions in the respective Standards.

MIDDLESEA INSURANCE p.l.c.

Notes to the condensed financial statements - cont.
for the six months ended 30 June 2005

3 Segmental information

The Group is organised into four geographic segments: Malta, Italy, Gibraltar and London. These segments, which are based on internal management accounts, are all principally involved in the business of general insurance.

	Gross written premiums		Profit/(loss) before taxation	
	2005 Lm	2004 Lm	2005 Lm	2004 <i>(restated)</i> Lm
Malta	7,472,625	7,166,666	1,350,515	1,059,616
Italy	9,948,911	11,461,746	660,668	556,787
Gibraltar	772,277	844,883	130,425	(85,686)
London	5,968	16,008	10,354	10,007
	18,199,781	19,489,303	2,151,962	1,540,724

4 The Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2005 (2004 - nil)