



## Middlesea Insurance p.l.c.

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Registration Number: C5553

MSI/EMB/MSE02906

28 April 2006

### **Company Announcement in accordance with MFSA Listing Rule 8.6.2 and 8.6.19**

Pursuant to MFSA Listing Rule 8.6.19, and following the board meeting of today 28 April 2006, attached is a preliminary statement of the annual results for 2005.

Pursuant to MFSA Listing Rule 8.6.2, and following the board meeting of today 28 April 2006, the Board of Directors is recommending the payment of:

1. A final ordinary dividend of 7c per share totaling Lm875,000 (2004 – Lm750,000) to be paid to shareholders as appearing on the Register of Shareholders as at close of business on Tuesday, 16 May 2006.
2. A special 25th Anniversary commemoration dividend of 3c per share totalling Lm375,000 to be paid to shareholders as appearing on the Register of Shareholders as at close of business on Tuesday, 16 May 2006.



**E.M. Borg**  
**Company Secretary**



**MIDDLESEA INSURANCE p.l.c.**

**CONDENSED FINANCIAL STATEMENTS**

**For the financial year ended 31 December 2005**

MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Profit and Loss Account  
Non-technical account  
for the financial year ended 31 December 2005


	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	Lm	Lm	Lm	Lm
Balance on the general business technical account	4,136,793	2,363,801	2,980,204	1,060,766
Balance on the long term business technical account	396,830	175,077	396,830	175,077
	4,533,623	2,538,878	3,377,034	1,235,843
Share of associated undertaking's profit involved in long term business	1,157,947	915,100	-	-
Total income from insurance activities	5,691,570	3,453,978	3,377,034	1,235,843
Other investment income	5,168,263	3,083,522	5,037,628	2,249,134
Investment expenses and charges	(802,990)	(291,564)	(483,012)	(235,325)
Allocated investment return transferred to the general business technical account	(2,859,056)	(1,931,559)	(1,881,168)	(916,701)
Other income	596,703	491,224	-	-
Administration expenses	(1,280,600)	(1,169,659)	(356,312)	(327,384)
<b>Profit before tax</b>	<b>6,513,890</b>	<b>3,635,942</b>	<b>5,694,170</b>	<b>2,005,567</b>
Income tax expense	(1,657,330)	(673,739)	(1,853,141)	(263,972)
<b>Profit for the financial year</b>	<b>4,856,560</b>	<b>2,962,203</b>	<b>3,841,029</b>	<b>1,741,595</b>
<b>Attributable to:</b>				
- shareholders	4,817,528	2,661,329	3,841,029	1,741,595
- minority interests	39,032	300,874	-	-
	4,856,560	2,962,203	3,841,029	1,741,595
<b>Earnings per share attributable to shareholders</b>	<b>38c5</b>	<b>21c3</b>		


MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Balance Sheet  
as at 31 December 2005

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	Lm	Lm	Lm	Lm
<b>ASSETS</b>				
Intangible assets and deferred acquisition costs	2,389,729	2,079,948	1,392,026	1,124,858
Property, plant and equipment	1,315,510	1,370,398	472,068	476,869
Investments	81,274,893	70,315,947	36,483,600	28,963,811
Reinsurers share of technical provisions	11,499,418	13,051,960	6,269,088	6,465,121
Debtors and other assets	9,327,747	9,234,123	4,752,079	5,488,550
Cash and cash equivalents	2,624,084	6,241,623	1,118,095	1,011,413
<b>TOTAL ASSETS</b>	<b>108,431,381</b>	<b>102,293,999</b>	<b>50,486,956</b>	<b>43,530,622</b>
<b>LIABILITIES AND EQUITY</b>				
Capital and reserves	30,952,826	25,198,383	16,411,299	13,357,735
Minority interests	1,036,604	4,734,062	-	-
Provisions for other risks and charges	1,074,504	555,456	742,004	218,686
Technical provisions	60,293,729	60,934,488	20,305,007	21,093,763
Borrowings	6,384,926	2,885,436	6,384,926	2,885,436
Insurance and other payables	8,456,509	6,812,076	6,411,437	4,800,904
Income tax payable	232,283	1,174,098	232,283	1,174,098
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>108,431,381</b>	<b>102,293,999</b>	<b>50,486,956</b>	<b>43,530,622</b>

These condensed financial statements were approved by the Board on 28 April 2006 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 financial year ended 31 December 2005

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	Lm	Lm	Lm	Lm
Net cash generated from operating activities	4,351,795	7,503,256	2,164,717	2,225,162
Net cash used in investing activities	(10,650,197)	(5,437,865)	(4,807,525)	(2,494,523)
Net cash generated from financing activities	2,744,590	647,770	2,749,490	26,006
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(3,553,812)</b>	<b>2,713,161</b>	<b>106,682</b>	<b>(243,355)</b>
<b>Movement in cash and cash equivalents</b>				
At beginning of year	6,241,623	3,501,728	1,011,413	1,254,768
Net cash (outflow)/inflow	(3,553,812)	2,713,161	106,682	(243,355)
Effect of exchange rate changes	(63,727)	26,734	-	-
<b>At end of year</b>	<b>2,624,084</b>	<b>6,241,623</b>	<b>1,118,095</b>	<b>1,011,413</b>

**MIDDLESEA INSURANCE p.Lc.**  
**Condensed Consolidated Statement of Changes in Equity**  
**for the financial year ended 31 December 2005**

GROUP	Attributable to Shareholders					Total Lm
	Share Capital Lm	Share Premium account Lm	Other Reserves Lm	Profit & Loss Account Lm	Minority Interest Lm	
<b>Balance as at 1 January 2004</b>						
as previously stated	6,250,000	1,192,500	5,828,948	8,587,400	3,709,670	25,568,518
- effect of adopting cost model under IAS 27 (revised)	-	-	163,199	(126,776)	-	36,423
- effect of adopting IAS 39 (revised)	-	-	382,795	(22,712)	54,221	414,304
- effect of adopting fair value accounting under IAS 40	-	-	-	489,239	11,488	500,727
- effect of adopting IFRS 4	-	-	-	30,633	-	30,633
<b>as restated</b>	<b>6,250,000</b>	<b>1,192,500</b>	<b>6,374,942</b>	<b>8,957,784</b>	<b>3,775,379</b>	<b>26,550,605</b>
Fair value losses on available-for-sale investments net of tax	-	-	(123,172)	-	-	(123,172)
Share of increase in value of in-force business of associated undertaking	-	-	510,000	-	-	510,000
Currency translation differences	-	-	-	-	36,045	36,045
<b>Net income recognised directly in equity</b>						
Profit for the financial year	-	-	386,828	-	36,045	422,873
Total recognised income for the financial year	-	-	386,828	2,661,329	300,874	2,962,203
Dividends for 2003	-	-	-	(625,000)	(4,900)	(629,900)
Increase in subsidiary's share capital	-	-	-	-	626,664	626,664
<b>Balance as at 31 December 2004</b>	<b>6,250,000</b>	<b>1,192,500</b>	<b>6,761,770</b>	<b>10,994,113</b>	<b>4,734,062</b>	<b>29,932,445</b>
<b>Balance at 1 January 2005</b>						
as previously stated	6,250,000	1,192,500	7,085,446	9,545,791	4,623,454	28,697,191
- effect of adopting cost model under IAS 27 (revised)	-	-	136,000	(66,167)	-	69,833
- effect of adopting IAS 39 (revised)	-	-	(459,676)	869,866	97,793	507,983
- effect of adopting fair value accounting under IAS 40	-	-	-	545,156	12,815	557,971
- effect of adopting IFRS 4	-	-	-	99,467	-	99,467
<b>as restated</b>	<b>6,250,000</b>	<b>1,192,500</b>	<b>6,761,770</b>	<b>10,994,113</b>	<b>4,734,062</b>	<b>29,932,445</b>
Fair value losses on available-for-sale investments net of tax	-	-	(37,465)	-	-	(37,465)
Share of increase in value of in-force business of associated undertaking	-	-	1,864,300	-	-	1,864,300
Currency translation differences	-	-	-	-	(55,991)	(55,991)
Other movements	-	-	(139,920)	-	-	(139,920)
<b>Net income recognised directly in equity</b>						
Profit for the financial year	-	-	1,686,915	-	(55,991)	1,630,924
Total recognised income for the financial year	-	-	1,686,915	4,817,528	39,032	4,856,560
Dividends for 2004	-	-	-	(750,000)	(4,900)	(754,900)
Dilution of minority interest	-	-	-	-	(3,675,599)	(3,675,599)
<b>Balance as at 31 December 2005</b>	<b>6,250,000</b>	<b>1,192,500</b>	<b>8,448,685</b>	<b>15,061,641</b>	<b>1,036,604</b>	<b>31,989,430</b>

**MIDDLESEA INSURANCE p.l.c.**  
**Condensed Consolidated Statement of Changes in Equity**  
**for the financial year ended 31 December 2005**

COMPANY	Attributable to Shareholders				
	Share Capital Lm	Share Premium account Lm	Other Reserves Lm	Profit & Loss Account Lm	Total Lm
<b>Balance as at 1 January 2004</b>					
as previously stated	6,250,000	1,192,500	5,828,948	8,587,400	21,858,848
- effect of adopting cost model under IAS 27, IAS 28 (both revised)	-	-	(5,736,827)	(4,406,478)	(10,143,305)
- effect of adopting IAS 39 (revised)	-	-	212,201	(39,969)	172,232
- effect of adopting fair value accounting under IAS 40	-	-	-	476,537	476,537
as restated	<u>6,250,000</u>	<u>1,192,500</u>	<u>304,322</u>	<u>4,617,490</u>	<u>12,364,312</u>
Fair value losses on available-for-sale investments net of tax	-	-	(123,172)	-	(123,172)
Net income recognised directly in equity	-	-	(123,172)	-	(123,172)
Profit for the financial year	-	-	-	1,741,595	1,741,595
Total recognised (losses)\income for the financial year	-	-	(123,172)	1,741,595	1,618,423
Dividends for 2003	-	-	-	(625,000)	(625,000)
	-	-	-	-	-
<b>Balance as at 31 December 2004</b>	<u><b>6,250,000</b></u>	<u><b>1,192,500</b></u>	<u><b>181,150</b></u>	<u><b>5,734,085</b></u>	<u><b>13,357,735</b></u>
<b>Balance at 1 January 2005</b>					
as previously stated	6,250,000	1,192,500	7,085,446	9,545,791	24,073,737
- effect of adopting cost model under IAS 27, IAS 28 (both revised)	-	-	(6,553,493)	(4,919,946)	(11,473,439)
- effect of adopting IAS 39 (revised)	-	-	(350,803)	570,446	219,643
- effect of adopting fair value accounting under IAS 40	-	-	-	529,128	529,128
- effect of adopting IFRS 4	-	-	-	8,666	8,666
as restated	<u>6,250,000</u>	<u>1,192,500</u>	<u>181,150</u>	<u>5,734,085</u>	<u>13,357,735</u>
Fair value losses on available-for-sale investments net of tax	-	-	(37,465)	-	(37,465)
Net losses recognised directly in equity	-	-	(37,465)	-	(37,465)
Profit for the financial year	-	-	-	3,841,029	3,841,029
Total recognised (losses)\income for the financial year	-	-	(37,465)	3,841,029	3,803,564
Dividends for 2004	-	-	-	(750,000)	(750,000)
	-	-	-	-	-
<b>Balance as at 31 December 2005</b>	<u><b>6,250,000</b></u>	<u><b>1,192,500</b></u>	<u><b>143,685</b></u>	<u><b>8,825,114</b></u>	<u><b>16,411,299</b></u>

MIDDLESEA INSURANCE p.l.c.

Notes to the Condensed Financial Statements  
for the financial year ended 31 December 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 abridged financial statements are being published in accordance with Section 20 of the Insurance Business Act, 1998 and the Malta Financial Services Authority Listing rules 8.6.2 and 8.6.19. These statements have been extracted from the Group's audited financial statements as approved by the Board on 28 April 2006. The accounting policies used in the preparation of the financial statements for the financial year ended 31 December 2005 are prepared in accordance with International Financial Reporting Standards as adopted for use in the EU, the Insurance Business Act, 1998 and the Companies Act, 1995. In 2005, the Group adopted the new and revised IFRSs (effective 1 January 2005), in particular the following:

*IAS 1 (revised 2003) Presentation of Financial Statements*

IAS 1 (revised 2003) has affected the presentation of minority interest.

*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 27 (revised 2003) Consolidated and Separate Financial Statements*

*IAS 28 (revised 2003) Investments in Associates*

IAS 27 and IAS 28 (both revised 2003) have affected the way in which the share of subsidiaries and associates is treated in the Company's accounts. Up to 31 December 2004, the Company applied the equity method of accounting to the share of profit and reserves of its subsidiaries and associates. With effect from 1 January 2005 the directors have adopted the cost model in respect of investments in subsidiaries and associates.

*IAS 39 (revised 2004) Financial Instruments: Recognition and measurement together with the early adoption of IAS 39 (Amendment) - The Fair Value Option - published in June 2005*

IAS 39 (revised 2004) together with the early adoption of IAS 39 (Amendment) - The Fair Value Option - published in June 2005 has affected the categories of financial assets and financial liabilities for recognition and measurement purposes. The Group re-designated its listed 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 2004) and its subsequent amendment issued in 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 designated as fair value through profit or loss, which were previously included in the initial carrying amount of the investment, are now charged immediately to the profit and loss account.

*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. This 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.

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 financial year ended 31 December 2005**

- 3 The Board of Directors recommend the payment of a final dividend of 7 cents per share totalling Lm875,000 (2004 - Lm 750,000). In addition on the special occasion of Middlesea's 25th anniversary, a special dividend of 3 cents per share (totalling an additional Lm 375,000) is also being recommended.
- 4 The audited financial statements of the Company for the year ended 31 December 2005 are exhibited at Middle Sea House, Floriana. These financial statements are available to the public from the Company's Head Office, its Gibraltar Branch, its agents and the Registrar of Companies.

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## Report of the auditors

We have examined the abridged financial statements on pages 1 to 7 together with the financial statements of Middlesea Insurance plc prepared under section 167 of the Companies Act, 1995 for the year ended 31 December 2005. The scope of our work for the purpose of this report was limited to confirming that the abridged financial statements have been properly prepared from the annual financial statements.

In our opinion, the abridged financial statements have been properly prepared in accordance with Section 20 of the Maltese Insurance Business Act, 1998.

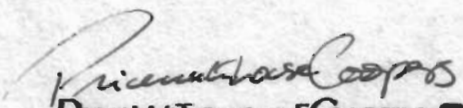

We reported as auditors of Middlesea Insurance plc to the members on 28 April 2006 on the company's annual financial statements prepared under Section 20 of the Insurance Business Act, 1998 and Section 167 of the Maltese Companies Act, 1995 and our audit report was as follows:

### "Report of the auditors

We have audited the financial statements on pages 5 to 78. As described in the statement of directors' responsibilities on page 3, these financial statements are the responsibility of the Company's directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the profit, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the Insurance Business Act, 1998 and the Companies Act, 1995."

  
**PRICEWATERHOUSECOOPERS** 

167 Merchants Street  
Valletta  
Malta

28 April 2006