



## Middlesea Insurance p.l.c.

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Registration Number: C5553

MSI/CMG/MSE01407

26 April 2007

### **Company Announcement in accordance with MFSA Listing Rule 8.6 and 8.7.4**

Pursuant to MFSA Listing Rule 8.7.21 and Listing Rule 9.35.2 and following the board meeting of today, 26 April 2007, attached is a preliminary statement of the annual results for 2006.

Pursuant to MFSA Listing Rule 8.7.4, and following the board meeting of today 26 April 2007, the Board of Directors is recommending the payment of a final ordinary dividend of 4c5 per share totalling Lm1,125,000 (2005 - Lm875,000) to be paid to shareholders as appearing on the Register of Shareholders as at close of business on Monday, 28 May 2007.

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



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

**CONDENSED FINANCIAL STATEMENTS**

**For the financial year ended 31 December 2006**

MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Profit and Loss Account  
Non-technical account  
for the financial year ended 31 December 2006


	Group		Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Balance on the general business technical account	2,303,427	4,136,793	1,281,240	2,980,204
Balance on the long term business technical account	281,347	396,830	281,347	396,830
	2,584,774	4,533,623	1,562,587	3,377,034
Share of associated undertaking's profit involved in long term business	1,487,930	1,157,947	-	-
Total income from insurance activities	4,072,704	5,691,570	1,562,587	3,377,034
Other investment income	3,131,072	4,994,595	2,784,874	4,863,960
Investment expenses and charges	(688,478)	(629,322)	(335,647)	(309,344)
Allocated investment return transferred to the general business technical account	(1,997,775)	(2,859,056)	(763,232)	(1,881,168)
Other income	593,834	596,703	-	-
Administration expenses	(1,454,537)	(1,280,600)	(475,734)	(356,312)
<b>Profit before tax</b>	<b>3,656,820</b>	<b>6,513,890</b>	<b>2,772,848</b>	<b>5,694,170</b>
Income tax expense	(434,086)	(1,657,330)	(526,052)	(1,853,141)
<b>Profit for the financial year</b>	<b>3,222,734</b>	<b>4,856,560</b>	<b>2,246,796</b>	<b>3,841,029</b>
<b>Attributable to:</b>				
- shareholders	3,176,482	4,817,528	2,246,796	3,841,029
- minority interests	46,252	39,032	-	-
	3,222,734	4,856,560	2,246,796	3,841,029
<b>Earnings per share attributable to shareholders</b>	<b>12c7</b>	<b>19c3</b>		

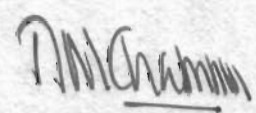
MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Balance Sheet  
as at 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
<b>ASSETS</b>				
Intangible assets	430,097	419,385	342,841	297,884
Property, plant and equipment	1,274,114	1,315,510	511,055	472,068
Investment property	4,364,335	4,144,992	3,143,980	3,208,158
Investment in group undertakings	0	0	9,907,363	7,936,824
Investment in associated undertakings	17,364,598	13,496,668	4,117,196	1,917,196
Other investments	69,024,665	63,633,233	22,283,858	23,421,422
Deferred income tax	1,128,795	968,279	0	(0)
Reinsurers' share of technical provisions	12,360,650	11,499,418	6,389,975	6,269,088
Deferred acquisition costs	2,204,198	1,970,344	1,053,245	1,094,142
Insurance and other receivables	7,788,125	7,976,926	4,488,841	4,752,079
Income tax receivables	294,775	382,542	0	0
Cash and cash equivalents	1,939,735	2,624,084	906,215	1,118,095
<b>Total assets</b>	<b>118,174,087</b>	<b>108,431,381</b>	<b>53,144,569</b>	<b>50,486,956</b>
<b>EQUITY</b>				
Capital and reserves attributable to shareholders	33,744,254	30,952,826	17,340,609	16,411,299
Minority interests	1,258,923	1,036,604	0	0
<b>Total equity</b>	<b>35,003,177</b>	<b>31,989,430</b>	<b>17,340,609</b>	<b>16,411,299</b>
<b>LIABILITIES</b>				
Deferred income tax	481,982	742,004	481,982	742,004
Provisions for other liabilities and charges	347,499	332,500	0	0
Technical provisions	65,388,631	60,293,729	21,037,501	20,305,007
Borrowings	7,765,899	6,384,926	7,765,899	6,384,926
Insurance and other payables	8,833,236	8,456,509	6,164,917	6,411,437
Income tax payable	353,663	232,283	353,661	232,283
<b>Total liabilities</b>	<b>83,170,910</b>	<b>76,441,951</b>	<b>35,803,960</b>	<b>34,075,657</b>
<b>Total equity and liabilities</b>	<b>118,174,087</b>	<b>108,431,381</b>	<b>53,144,569</b>	<b>50,486,956</b>

These condensed financial statements were approved by the Board on 26 April 2007 and were signed on its behalf by:

  
M.C. Grech  
Executive Chairman

  
R.E.D. Chalmers  
Deputy Chairman

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

**Condensed Consolidated Cash Flow Statement  
for the financial year ended 31 December 2006**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Lm</b>	<b>Lm</b>	<b>Lm</b>	<b>Lm</b>
Net cash generated from operating activities	<b>6,651,629</b>	4,351,795	<b>1,912,403</b>	2,164,717
Net cash used in investing activities	<b>(7,636,623)</b>	(10,650,197)	<b>(2,255,256)</b>	(4,807,525)
Net cash generated from financing activities	<b>300,645</b>	2,744,590	<b>130,973</b>	2,749,490
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(684,349)</b>	(3,553,812)	<b>(211,880)</b>	106,682
<b>Movement in cash and cash equivalents</b>				
At beginning of year	<b>2,624,084</b>	6,241,623	<b>1,118,095</b>	1,011,413
Net cash (outflow)/inflow	<b>(684,349)</b>	(3,553,812)	<b>(211,880)</b>	106,682
Effect of exchange rate changes	-	(63,727)	-	-
At end of year	<b>1,939,735</b>	2,624,084	<b>906,215</b>	1,118,095

**MIDDLESEA INSURANCE p.l.c.**  
**Condensed Consolidated Statement of Changes in Equity**  
**for the financial year ended 31 December 2006**

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 2005</b>	6,250,000	1,192,500	6,761,770	10,994,113	4,734,062	29,932,445
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)
Net income/(losses) recognised directly in equity	-	-	1,686,915	-	(55,991)	1,630,924
Profit for the financial year	-	-	-	4,817,528	39,032	4,856,560
Total recognised income for the financial year	-	-	1,686,915	4,817,528	(16,959)	6,487,484
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>
<b>Balance at 1 January 2006</b>	6,250,000	1,192,500	8,448,685	15,061,641	1,036,604	31,989,430
Fair value losses on available-for-sale investments, net of tax	-	-	(67,486)	-	-	(67,486)
Revaluation surplus on property, plant and equipment, net of tax	-	-	57,432	-	6,395	63,827
Share of increase in value of in-force business of associated undertaking	-	-	875,000	-	-	875,000
Net income recognised directly in equity	-	-	864,946	-	6,395	871,341
Profit for the financial year	-	-	-	3,176,482	46,252	3,222,734
Total recognised income for the financial year	-	-	864,946	3,176,482	52,647	4,094,075
Dividends for 2005	-	-	-	(1,250,000)	(49,626)	(1,299,626)
Increase in share capital of subsidiary	-	-	-	-	219,298	219,298
<b>Balance as at 31 December 2006</b>	<b>6,250,000</b>	<b>1,192,500</b>	<b>9,313,631</b>	<b>16,988,123</b>	<b>1,258,923</b>	<b>35,003,177</b>

**MIDDLESEA INSURANCE p.l.c.**  
**Condensed Consolidated Statement of Changes in Equity**  
**for the financial year ended 31 December 2006**

**COMPANY**

	Share Capital Lm	Share Premium account Lm	Other Reserves Lm	Profit & Loss Account Lm	Total Lm
<b>Balance as at 1 January 2005</b>	6,250,000	1,192,500	181,150	5,734,085	13,357,735
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>	<b>6,250,000</b>	<b>1,192,500</b>	<b>143,685</b>	<b>8,825,114</b>	<b>16,411,299</b>
<b>Balance at 1 January 2006</b>	6,250,000	1,192,500	143,685	8,825,114	16,411,299
Fair value losses on available-for-sale investments net of tax	-	-	(67,486)	-	(67,486)
Net losses recognised directly in equity	-	-	(67,486)	-	(67,486)
Profit for the financial year	-	-	-	2,246,796	2,246,796
Total recognised (losses)\income for the financial year	-	-	(67,486)	2,246,796	2,179,310
Dividends for 2005	-	-	-	(1,250,000)	(1,250,000)
<b>Balance as at 31 December 2006</b>	<b>6,250,000</b>	<b>1,192,500</b>	<b>76,199</b>	<b>9,821,910</b>	<b>17,340,609</b>

**Key financial information in Euro**

	Group		Company	
	2006	2005	2006	2005
	€	€	€	€
Shareholders Funds	78,602,968	72,100,689	40,392,753	38,228,043
Total Assets	275,271,574	252,577,174	123,793,545	117,602,972
Profit for the year attributable to shareholders	7,399,213	11,221,822	5,233,627	8,947,191
Earnings per share attributable to shareholders	29c6	45c		

Amounts shown in Euro have been converted from the Maltese Lira figures at the central parity rate €1.00 = Lm0.4293 for information purposes only

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

**Notes to the Condensed Financial Statements  
for the financial year ended 31 December 2006**

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 Section 20 of the Insurance Business Act and with the Malta Financial Services Authority Listing rule 9.35. These statements have been extracted from the Group's audited financial statements as approved by the Board on 26 April 2007.

The accounting policies used in the preparation of the financial statements for the financial year ended 31 December 2006 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.

3 The Board of Directors recommend the payment of a final dividend of 4.5 cents per share totalling Lm1,125,000 (2005 - Lm 1,250,000 including a 25th Anniversary Special Dividend of Lm375,000).

4 The audited financial statements of the Group for the year ended 31 December 2006 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 Independent Auditor**

We have examined the abridged financial statements set out on pages 1 to 6 together with the annual financial statements of Middlesea Insurance p.l.c. for the year ended 31 December 2006. 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 Business Act, 1998.

We reported as auditors of Middlesea Insurance p.l.c. to the members on 26 April 2005 on the Group's annual financial statements prepared under Section 20 of the Insurance Business Act, 1998 and Section 167 of the Companies Act, 1995 and our report was as follows:

### **Independent auditor's report**

To the Shareholders of Middlesea Insurance p.l.c.

We have audited the consolidated financial statements of Middlesea Insurance p.l.c. and its subsidiaries (the "Group") and of Middlesea Insurance p.l.c. (the "Company") set out on pages 5 to 70 which comprise the balance sheets as at 31 December 2006 and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Insurance Business Act, 1998 and the Companies Act, 1995. As described in the statement of directors' responsibilities on page 3, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

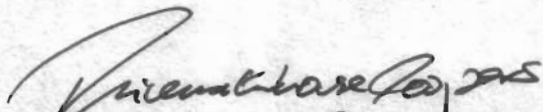

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Insurance Business Act, 1998 and the Companies Act, 1995.

  
PRICEWATERHOUSECOOPERS 

167 Merchants Street  
Valletta  
Malta

26 April 2007