



Middlesea Insurance p.l.c.

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Registration Number: C5553

MSI/CF/MSE07107

17 August 2007

Company Announcement pursuant to MFSA Listing Rule 8.7.4, 8.7.21, 8.7.23 and 9.50

The following is a Company Announcement issued by Middlesea Insurance p.l.c. pursuant to the Malta Financial Services Authority Listing Rules 8.7.4, 8.7.21, 8.7.23 and 9.50.

QUOTE

The Board of Directors of Middlesea Insurance p.l.c. held its meeting on Friday 17 August 2007 and approved the attached financial statements on a Group basis for the six-month period ended 30 June 2007.

The Interim Financials, for the period ended 30 June 2007, of Middlesea Insurance p.l.c. are available for viewing and download on the website of Middlesea Insurance p.l.c. at www.middlesea.com

UNQUOTE

Carlo Farrugia
Company Secretary



MIDDLESEA INSURANCE p.l.c.

CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

MIDDLESEA INSURANCE p.Lc.

Condensed Consolidated Profit and Loss Account
 Non-technical account
 for the six months ended 30 June 2007

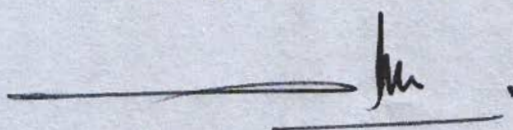
	Group	
	1 January to 30 June 2007	1 January to 30 June 2006
	Lm	Lm
Balance on technical accounts		
General business	1,803,938	778,213
Long term business	53,362	130,178
	<u>1,857,300</u>	<u>908,391</u>
Share of associated undertaking's profit involved in long term business	392,820	532,203
	<u>2,250,120</u>	<u>1,440,594</u>
Total income from insurance activities		
Other investment income	1,639,448	1,858,003
Investment expenses and charges (incl. fair value losses)	(358,385)	(1,114,892)
Allocated investment return transferred to the general business technical account	(1,132,119)	(518,961)
Other income	327,866	351,509
Administration expenses	(794,418)	(771,632)
	<u>1,932,512</u>	<u>1,244,621</u>
Profit before tax		
Income tax expense	(712,166)	307,736
Profit for the financial period	<u>1,220,346</u>	<u>1,552,357</u>
Attributable to:		
- shareholders	1,162,672	1,553,595
- minority interests	57,674	(1,238)
	<u>1,220,346</u>	<u>1,552,357</u>
Earnings per share attributable to shareholders	<u>4c7</u>	<u>6c2</u>

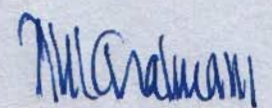
MIDDLESEA INSURANCE p.l.c.

**Condensed Consolidated Balance Sheet
as at 30 June 2007**

	Group	
	June 2007	December 2006
	Lm	Lm
<u>ASSETS</u>		
Intangible assets	430,500	430,097
Property, plant and equipment	2,563,800	1,274,114
Investment property	4,363,158	4,364,335
Investment in associated undertaking	17,603,667	17,364,598
Other investments	72,099,674	69,024,665
Deferred income tax	1,154,136	1,128,795
Reinsurers' share of technical provisions	12,789,460	12,360,650
Deferred acquisition costs	2,775,581	2,204,198
Insurance and other receivables	9,112,567	7,788,125
Income tax receivable	7,900	294,775
Cash and cash equivalents	3,399,681	1,939,735
TOTAL ASSETS	126,300,124	118,174,087
<u>LIABILITIES AND EQUITY</u>		
Capital and reserves attributable to shareholders	33,626,926	33,744,254
Minority interests	1,313,527	1,258,923
Total Equity	34,940,453	35,003,177
Deferred income tax	596,546	481,982
Provisions for other liabilities and charges	347,439	347,499
Technical provisions	71,157,405	65,388,631
Borrowings	7,683,260	7,765,899
Insurance and other payables	11,048,627	8,833,236
Income tax payable	526,394	353,663
Total Liabilities	91,359,671	83,170,910
TOTAL LIABILITIES AND EQUITY	126,300,124	118,174,087

These condensed financial statements were approved by the Board on 17 August 2007 and were signed on its behalf by:


M.C. Grech
Executive Chairman


R.E.D. Chalmers
Deputy Chairman

MIDDLESEA GROUP
CONDENSED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2007

GROUP

	Share capital Lm	Share premium account Lm	Other reserves Lm	Profit & loss account Lm	Minority interests Lm	Total Lm
Balance as at 1 January 2006	6,250,000	1,192,500	8,448,685	15,061,641	1,036,604	31,989,430
Share of increase in value of in-force business of associated undertaking	-	-	345,000	-	-	345,000
Net income recognised directly in equity	-	-	345,000	-	-	345,000
Profit for the financial period	-	-	-	1,553,595	(1,238)	1,552,357
Total recognised income for the financial period	-	-	345,000	1,553,595	(1,238)	1,897,357
Dividends for 2005	-	-	-	(1,250,000)	(5,000)	(1,255,000)
Increase in subsidiary shareholding	-	-	-	-	2,597	2,597
Balance as at 30 June 2006	6,250,000	1,192,500	8,793,685	15,365,236	1,032,963	32,634,384
Balance as at 1 January 2007	6,250,000	1,192,500	9,313,631	16,988,123	1,258,923	35,003,177
Share of increase in value of in-force business of associated undertaking	-	-	(155,000)	-	-	(155,000)
Net income recognised directly in equity	-	-	(155,000)	-	-	(155,000)
Profit for the financial period	-	-	-	1,162,672	57,674	1,220,346
Total recognised income for the financial period	-	-	(155,000)	1,162,672	57,674	1,065,346
Dividends for 2006	-	-	-	(1,125,000)	(26,339)	(1,151,339)
Increase in the subsidiary shareholding	-	-	-	-	23,269	23,269
Balance as at 30 June 2007	6,250,000	1,192,500	9,158,631	17,025,795	1,313,527	34,940,453

MIDDLESEA INSURANCE p.l.c.

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2007

	Group	
	1 January to 30 June 2007	1 January to 30 June 2006
	Lm	Lm
Net cash generated from operating activities	6,128,571	3,123,429
Net cash used in investing activities	(4,582,918)	(2,551,990)
Net cash used in financing activities	(85,707)	(85,071)
Increase in cash and cash equivalents	1,459,946	486,368
Movement in cash and cash equivalents		
At beginning of period	1,939,735	2,624,084
Net cash inflow	1,459,946	486,368
At 30 June	3,399,681	3,110,452

MIDDLESEA INSURANCE p.l.c.

Condensed Financial Statements
for the six months ended 30 June 2007

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	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Malta	7,432,924	6,962,659	855,434	1,345,391
Italy	14,441,441	11,038,634	1,008,401	(92,680)
Gibraltar	679,841	666,755	63,486	33,109
London	6,372	2,067	5,191	(41,200)
	22,560,578	18,670,115	1,932,512	1,244,620

Key financial information in Euro

	Group	
	30 June 2007 €	31 December 2006 €
Shareholders Funds	78,329,667	78,602,968
Total Assets	294,200,149	275,271,575
	6 months to 30 June 2007 €	6 months to 30 June 2006 €
Profit for the year attributable to shareholders	2,708,297	3,618,903
Earnings per share attributable to shareholders	10c8	14c5

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

Statement pursuant to Listing Rule 9.44.3 issued by the Listing Authority

We confirm that to the best of our knowledge:

- the condensed interim financial statements for the Group give a true and fair view of the financial position as at 30 June 2007, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements (adopted IAS 34 'Interim Financial Reporting') for the Group; and
- the interim Directors' report includes a fair review of the information required in terms of Listing rule 9.44.2.

M.C. Grech
Executive Chairman


R.E.D. Chalmers
Deputy Chairman

MIDDLESEA INSURANCE p.l.c.

Review of Group Operations

Half Yearly Financial Statements - 30th June 2007

These condensed financial statements are being published in accordance with Chapters 8 and 9 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005. These statements have been extracted from the Group's unaudited financial statements as approved by the Board on 17 August 2007, 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 2007 are consistent with those used in the annual financial statements as at 31 December 2006. Related party transactions with other members of the Middlesea Group are of a similar nature to the prior period.

All figures are stated in Maltese lira, the functional currency of Middlesea Insurance p.l.c. The euro exchange rate ruling at 30 June 2007 was Eur 1 = Lm 0.4293

Review of performance

- An increase of 55% in the **profit before taxation** for the 6 months ended 30th June 2007 compared with the same period last year. Profit before taxation amounted to Lm1.93 million (€ 4.5m) for this reporting period compared to Lm1.24 million (€2.89m) during the same period last year.
- **Provision for taxation** increased to Lm0.71million (€1.7m) as at June 2007 compared to a tax credit of Lm0.31million (€0.7m) in June 2006. The increase of Lm1.02million (€2.4m) in the provision for tax resulted mainly from the improved technical performance of the Group, and a non-recurrent credit adjustment taken in June 2006 of Lm0.52 million (€1.2m).
- **Profit attributable to shareholders** of Lm1.16 million (€2.70m) as compared to the Lm1.55 million (€3.61m) attributable to shareholders last year.
- **Premium written** increased by Lm3.89 million (€9.06m) from Lm 18.67 million (€43.49m) in 2006 to Lm 22.56 million (€52.55m) up to 30th June 2007.
- The **Combined Operational Ratio** for General Business, (the total technical charges as a percentage of net earned premium) reduced from 98.1% in 2006 to 95.7%. The overall rate of return for general business, after allocation of investment income, to premiums written was 8% as compared to 4.3% in 2006.
- The investment in the associate **Middlesea Valletta Life Assurance Co. Ltd** contributed Lm0.39 million (€0.91m) after taxation, towards the results of the Group compared to Lm0.53 million (€1.23m) last year.
- **Gross Technical Reserves** at 30th June 2007 of Lm71.2 million (€165.85m) reflect an increase of Lm5.8 million (€13.51m) over the 31st December reserves of Lm65.4 million (€152.34m). Net of reinsurers' share, technical provisions stand

at Lm58.37 million (€135.97m) an increase of 10% over the 31st December provisions of Lm53.03 million (€123.53m).

- **Total assets**, which include investments of Lm94.07 million (€219.12m), amounted to Lm126.3 million (€294.2m) at 30th June 2007 as compared to the total assets of Lm118.17 million (€275.26m) at 31st December 2006.
- **Annualised return on capital employed** of 9.45% for the six months ended 30th June 2007, compared to 13.5% in the first half of 2006.

Report on Group Performance

The results for the half year continue to be encouraging with profits before taxation of Lm1.93million, an increase of 55% over last year's profit.

Technical insurance results before investment income have shown positive uptrend movements in both the Malta and Italian operations. The technical result on general business of the Group before allocating investment income, which was also favourably impacted by the effect of a net positive run-off of Lm0.7 million (2006 – Lm0.2m) from the Malta operations, improved from Lm0.30million (€0.7m) as at June 2006 to Lm0.67million (€1.6m) for this reporting period. Business underwritten in Malta and Gibraltar during the first half year of 2007 amounted to Lm7.7million (€18.04m), an increase of 6.6% over the same period last year.

The negative capital returns on the equities and bonds listed on the Malta Stock Exchange and on the foreign bond markets continued to impact the investment income earned by the local companies within the Group, however these were mitigated by the positive returns earned on the foreign equity markets. The returns on the foreign equity markets have contributed to the increase in the overall investment income earned of Lm1.3 million (€3.03 m) when compared to that earned during the same period of 2006 of Lm0.77 million (€1.79 m).

Progress Assicurazioni S.p.a., has continued to pursue its strategy of expanding its distribution network, with the number of agencies increasing by 30 to 155 at the end of June. Premium written has increased by Lm3.4 million (€7.92 m) to reach Lm14.44 million (€33.64 m) and the contribution of this subsidiary towards the profit before tax has increased to Lm1million (€2.33 million) as at June 2007.

Business written by the associate, Middlesea Valletta Life Assurance Co. Ltd has also increased from Lm26.62 million (€62 m) last year to Lm 29.21 million (€68 m) this year. The contribution for the six months up to 30th June 2007 remains satisfactory at Lm0.39 million (€0.91 m) as compared to Lm0.53 million (€1.24 m) for the same period last year. MSVLA's higher contribution in 2006 resulted from a non-recurrent credit tax adjustment of Lm0.2 million (€0.45 m). Whilst this company has continued to experience growth in the Maltese market, it is pursuing its plans to enter the Italian life assurance market.

The Group's gross technical reserves reflect an increase of 8.8% over the reserves at 31st December 2006 and the ratio of net technical reserves to annualized net premium written remains strong at 158%. The net asset value per 25c share, after taking account of the dividend approved by the shareholders during the Annual General Meeting of June 2007 was Lm1.35.

At the time of reporting, we have noted a high volatility in the international capital markets. Barring a natural catastrophic event, or an unexpected increase in the frequency of claims and /or a deterioration in investment returns, the Middlesea Group expects that the improvement in the results registered in the first 6 months of 2007 will be maintained.

The Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2007 (2006 – nil)