



Middlesea Insurance p.l.c.

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Registration Number: C5553

MSI/CF/MSE01910

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Middlesea Insurance p.l.c., pursuant to Malta Financial Services Authority Listing Rules Chapters 8 and 9:

Quote

The Board of Directors of Middlesea Insurance p.l.c., during the Board meeting held today the 12th August 2010, approved the unaudited financial statements of the Group for the financial half year ended 30th June 2010. A preliminary statement of interim results is being attached herewith in terms of the Listing Rules. The Interim Financial Statements are available for viewing on the Company's website at middlesea.com.

The Board of Directors do not recommend the payment of an interim dividend.

Unquote

Carlo Farrugia
Company Secretary

12th August 2010

Review of Group Operations

Half Yearly Financial Statements - 30th June 2010

Commentary

The Directors present the Interim results of the Group which in 2010 re-focused its strategy on the local business following the de-recognition of the Italian subsidiary Progress Assicurazioni SpA in 2009 for reasons explained in the Annual Report. As detailed in Note 1 of the financial statements for 2009 the directors de-recognised Progress as a subsidiary on the 1st January 2009 and for this reason, the comparatives for 2009 have been restated. The Group result for Middlesea Insurance plc on its refocused core operation for the first six months of 2010 has returned a profit before taxation of €3.4 million - a significant improvement on the comparative for 2009 on local operations of €0.9 million. The technical results of the holding company generated a positive result of €1.33 million as compared to €1.53 million the previous year, whilst the results of the associate company, Middlesea Valletta Life Assurance Co Ltd, contributed an improved result of €2.6 million (after tax) during the period, as compared to a loss of €0.3 million in the comparative period for 2009. The Group's total half year result in 2009 had amounted to a loss after tax of €19 million, whilst the comparative for the 2010 half year amounted to a profit of €3.2 million.

Middlesea Insurance p.l.c. is going through a period of consolidation and reorganization, and continues to maintain a leading role in the domestic market, with an increased volume of premium written, which generated a satisfactory return to the Group. The technical profit of MSI as a standalone company, for the period totaled €1.33 million, compared with the June 2009 profit of €1.53 million. Middlesea Insurance plc registered an increase in premium written of 3.2% during this reporting period, when compared with the 2009 business written in Malta and Gibraltar. Further strengthening was registered in the gross technical reserves of the company, which increased by 7.4% during the six month period to €57.19 million.

The first six months of 2010 saw a very strong performance by the associate Middlesea Valletta Life Assurance Co. Ltd, both in the volume of premium written and its profitability. Middlesea Valletta has seen a sharp rise in total business written from €50.11 million up to June 2009 to €74.19 million in 2010, an increase of 48%. With an investment portfolio in excess of €992 million, the investment return of this company has also reflected the more positive sentiments experienced in the financial markets. The contribution towards the Group's result for the six months up to 30th June 2010 was a positive €2.61 million, as compared with a loss of €0.32 million for the same period last year.

The Group's subsidiary providing insurance management services to the Group and international clients, International Insurance Management Services (IIMS), continued to register positive results. Fee income increased from €0.98 million last year to €1.00 million as a June 2010, and the company contributed €0.26 million to the pre-tax results of the Group, compared to the €0.24 million last year. IIMS's international client base now contributes 23% of its revenue. In line with the Group's strategy of restructuring and re-focusing the core operations of each company, with effect from July 2010, this

subsidiary company's operations have been re-focused solely on its non-Group clients, whilst both Middlesea Insurance plc and Middlesea Valletta Life Assurance Co Ltd have now integrated within the respective companies the services previously performed by IIMS. As previously announced, this Group restructuring has been carried out to allow the respective companies to operate as self sufficient, stand alone enterprises that are focused entirely on their core businesses.

Financial highlights for the half year

- **Gross Premium written** increased by 3.2% from €19.61 million in 2009 (as restated) to €20.31 million as at 30th June 2010.
- The **Combined Operational Ratio** for General Business, (the total technical charges as a percentage of net earned premium) deteriorated from 94.68% in 2009 (as restated) to 97.40%.
- **Return from Investments** (which includes unrealised capital movements) for the six months to 30th June 2010 improved marginally to €0.82 million, as compared with an income of €0.81 million in 2009 (as restated).
- The investment in the associate **Middlesea Valletta Life Assurance Co. Ltd** contributed a profit of €2.61 million after taxation towards the results of the Group, compared with a loss of €0.32 million last year.
- The Group registered a **Profit after taxation** for the 6 months ended 30th June 2010 of €3.22 million, compared with a loss after taxation and impairment charges of €19.00 million for the same period last year.
- **Gross Technical Reserves** at 30th June 2010 increased to €57.19 million, an increase of 7.4% over the 31st December 2009 reserves of €53.26 million. Net of reinsurers' share, technical provisions stand at €42.10 million, an increase of 6.7% over the 31st December 2009 provisions of €39.47 million.
- **Total assets** decreased by 2.5% and totaled €140.10 million as at 30th June 2010, as compared to the total assets of €143.75 million at 31st December 2009 following the repayment of certain borrowings during the half year.
- **Total Equity** of the Group amounted to €51.42 million as at 30th June 2010, up from €48.66 million at 31st December 2009.
- The Group is compliant with the **regulatory solvency requirements** both for the long-term and general business.

Outlook

The core operations of Middlesea's local insurance businesses registered positive results during the first six months of 2010. Middlesea Insurance p.l.c., will continue to seek growth in profitability and market share over the coming months, in line with the new strategy of focus on the Maltese market as its main core operation. Despite the current very keen competition within the Maltese insurance market, we look forward to the further consolidation of Middlesea Insurance plc as the leading provider in the local insurance market, and to providing our policyholders with a range of innovative products together with an improved level of service. The first six months of the year have yielded the desired improved results,

and we look forward to the next half of the year with cautious optimism, as we seek to provide sustainable results in a market which is cyclical and dependant on the risks necessarily associated with the business of insurance.

The Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2010
(2009 – nil)

Condensed Profit and Loss Accounts
Non - technical accounts for the half year ended
30 June

	Group	
	6 months to 30 June 2010	6 months to 30 June 2009 restated
	€'000	€'000
Balance on the general business technical account	913	1,271
Balance on the long term business technical account	418	263
	1,331	1,534
Share of profit/(loss) of associated undertaking	2,612	(317)
	3,943	1,217
Total income from insurance activities	3,943	1,217
Other investment income	1,785	1,831
Investment expenses and charges	(960)	(1,026)
Allocated investment return transferred to the general business technical account	(673)	(768)
Other income	1,001	986
Administration expenses	(1,691)	(1,280)
	3,405	960
Profit for the half year before impairment charge and tax	3,405	960
Impairment of investment in group undertaking	-	(19,403)
	3,405	(18,443)
Profit/(loss) for the half year before tax	3,405	(18,443)
Income tax expense	(190)	(559)
	3,215	(19,002)
Profit/(loss) for the half year	3,215	(19,002)
Attributable to:		
- shareholders	3,215	(17,346)
- minority interests	-	(1,656)
	3,215	(19,002)
Earnings/(loss) per share attributable to shareholders	3c5	(69c4)

Condensed Statements of Comprehensive Income
for the half year ended 30 June

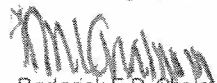
	Group	
	6 months to 30 June 2010	6 months to 30 June 2009
	€'000	€'000
Profit/(loss) for the financial period	3,215	(19,002)
Other comprehensive income:		
Change in other available-for-sale investments	36	(2)
Share of increase/(decrease) in value of in-force business of associated undertaking	(496)	250
Total other comprehensive income, net of tax	(460)	248
Total comprehensive income for the half year	2,755	(18,754)
Attributable to		
- shareholders	2,755	(17,098)
- minority interests	-	(1,656)
Total comprehensive income for the half year	2,755	(18,754)

Condensed Consolidated Balance Sheets

	Group	
	June 2010 €'000	December 2009 €'000
ASSETS		
Intangible assets	647	700
Property, plant and equipment	1,658	1,721
Investment property	8,706	8,708
Investment in subsidiary undertakings	-	-
Investment in associated undertakings	51,279	51,957
Other investments	39,318	46,535
Deferred income tax	3,328	3,447
Reinsurers' share of technical provisions	15,088	13,793
Deferred acquisition costs	3,051	2,673
Insurance and other receivables	12,224	10,167
Income tax receivables	336	330
Cash and cash equivalents	4,467	3,724
Total assets	140,102	143,755
EQUITY		
Capital and reserves attributable to shareholders	51,419	48,664
Total equity	51,419	48,664
LIABILITIES		
Deferred income tax	1,041	1,044
Provisions for other liabilities and charges	871	9,402
Technical provisions	57,193	53,260
Borrowings	13,285	16,285
Insurance and other payables	16,286	15,096
Income tax payable	7	4
Total liabilities	88,683	95,091
Total equity and liabilities	140,102	143,755

These condensed financial statements were approved by the Board on 12 August 2010 and were signed on its behalf by:

Joseph F.X. Zahra
Chairman


Roderick E.D. Chalmers
Director

Statements of Changes in Equity
for the half year ended 30 June

Group

	Attributable to shareholders					Total €'000
	Share capital €'000	Share premium account €'000	Other reserves €'000	Profit & loss account €'000	Minority interests €'000	
Balance as at 1 January 2009	15,000	2,778	22,976	21,369	1,656	63,779
Comprehensive income						
Loss for the financial period	-	-	-	(17,346)	(1,656)	(19,002)
Other comprehensive income:						
Change in other available-for-sale investments	-	-	(2)	-	-	(2)
Revaluation of property, plant and equipment	-	-	(2,968)	2,968	-	-
Share of increase in value of in-force business of associated undertaking	-	-	250	-	-	250
Total other comprehensive income, net of tax	-	-	(2,720)	2,968	-	248
Total comprehensive income	-	-	(2,720)	(14,378)	(1,656)	(18,754)
Balance as at 30 June 2009 - restated	15,000	2,778	20,256	6,991	-	45,025
Balance as at 1 January 2010	55,200	2,221	20,368	(29,125)	-	48,664
Comprehensive income						
Profit for the financial period	-	-	-	3,215	-	3,215
Other comprehensive income:						
Change in other available-for-sale investments	-	-	36	-	-	36
Share of decrease in value of in-force business of associated undertaking	-	-	(496)	-	-	(496)
Total other comprehensive income, net of tax	-	-	(460)	-	-	(460)
Total comprehensive income	-	-	(460)	3,215	-	2,755
Balance as at 30 June 2010	55,200	2,221	19,908	(25,910)	-	51,419

Condensed consolidated statements of cash flows
for the half year ended 30 June

	Group	
	6 months to 30 June 2010	6 months to 30 June 2009 restated
	€'000	€'000
Net cash (used in)/generated from operating activities	(6,415)	3,417
Net cash generated/(used in) from investing activities	7,133	(2,494)
Net cash generated from financing activities	25	17
Net movement in cash and cash equivalents	743	940
Cash and cash equivalents at beginning of year	3,724	6,361
De-recognition of subsidiary undertakings	-	(2,532)
Cash and cash equivalents at end of half year	4,467	4,769

Notes to the Condensed Financial Statements
For the half year ended 30 June 2010

1. Middlesea Insurance p.l.c. is authorized 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 Chapter 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 12 August 2010 and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS34) other than the reporting of the comparative results for the six months ended 30th June 2009 as detailed below. They do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2009. The accounting policies applied in these condensed financial statements are the same as those applied by the group in its financial statements as at and for the year ended 31 December 2009.

The comparative results for the six months ended 30th June 2009 have been restated in line with the basis of preparation adopted in the 31st December 2009 financial statements. This restatement was due to the fact that as disclosed in Notes 1 and 2 of the financial statements for 2009, the directors have de-recognised Progress as a subsidiary of the Group with effect from 1st January 2009. This resulted in the non consolidation of Progress figures in the comparatives for 2009 and the losses sustained on the subsidiary Progress are now being shown in the comparative results as an Impairment of investment in group undertaking. As detailed in Note 1 (*Significant events during the year and subsequent to the year-end*) and Note 2 (*Basis of preparation*) of the Group's financial statements for the year ended 31st December 2009, the Group accounts of Middlesea Insurance p.l.c. have departed from the requirements of IAS 27 "Consolidated and Separate Financial Statements". This course of action had been adopted in order to provide a more meaningful approach to the preparation of the FY 2009 and 2010 accounts. This approach, in the opinion of the Directors, as explained further in note 2 of those financial statements, led to financial statements that properly reflected the decisions undertaken in respect of Progress at the date of signing the 2009 financial statements.

Related party transactions with other members of the Middlesea Group were at a similar level to the comparable period

Segmental information

The Group is organized into three geographic segments (2009 four segments): Malta, Gibraltar and London (2009 including Italy). These segments, which are based on internal management accounts, are all principally involved in the business of general insurance. The June 2009 figures have been restated in line with the above basis of preparation.

	Gross written premiums		Profit/(loss) before taxation	
	6 months to 30 June 2010	6 months to 30 June 2009 restated	6 months to 30 June 2010	6 months to 30 June 2009 restated
	€'000	€'000	€'000	€'000
Malta	18,997	18,408	3,064	1,143
Italy	0	0	0	(19,402)
Gibraltar	1,311	1,269	300	(183)
London	6	9	(149)	(1)
	20,314	19,686	3,215	(18,443)

Statement pursuant to Listing Rule 9.44k.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 2010, 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, with the exception of the comparative results for the six months ended 30th June 2009 as detailed in the basis of preparation above; and
- the commentary includes a fair review of the information required in terms of Listing rule 9.44k.2;

J.F.X. Zahra

Chairman



R.E.D. Chalmers

Director