



Middlesea Insurance p.l.c.

Condensed Financial Statements for the financial year ended 31 December 2006

CONDENSED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2006 Lm | 2005 Lm | 2006 Lm | 2005 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 profit of associated undertaking 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) |
| Profit before tax | 3,656,820 | 6,513,890 | 2,772,848 | 5,694,170 |
| Income tax expense | (434,086) | (1,657,330) | (526,052) | (1,853,141) |
| Profit for the financial year | 3,222,734 | 4,856,560 | 2,246,796 | 3,841,029 |
| Attributable to: | | | | |
| - 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 |
| Earnings per share attributable to shareholders | 12c7 | 19c3 | | |

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2006

| | Group | | Company | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 2006 Lm | 2005 Lm | 2006 Lm | 2005 Lm |
| ASSETS | | | | |
| 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 | - | - | 9,907,363 | 7,936,824 |
| Investment in associated undertaking | 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 | - | - |
| 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 receivable | 294,775 | 382,542 | - | - |
| Cash and cash equivalents | 1,939,735 | 2,624,084 | 906,215 | 1,118,095 |
| TOTAL ASSETS | 118,174,087 | 108,431,381 | 53,144,569 | 50,486,956 |
| EQUITY | | | | |
| 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 | - | - |
| TOTAL EQUITY | 35,003,177 | 31,989,430 | 17,340,609 | 16,411,299 |
| LIABILITIES | | | | |
| Deferred income tax | 481,982 | 742,004 | 481,982 | 742,004 |
| Provisions for other liabilities and charges | 347,499 | 332,500 | - | - |
| 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 |
| TOTAL LIABILITIES | 83,170,910 | 76,441,951 | 35,803,960 | 34,075,657 |
| TOTAL EQUITY AND LIABILITIES | 118,174,087 | 108,431,381 | 53,144,569 | 50,486,956 |

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

CONDENSED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

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

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

| | Attributable to Shareholders | | | | | Total Lm |
|---|------------------------------|-----------------------------------|-------------------------|-----------------------------------|-----------------------------|-------------------|
| | Share capital Lm | Share premium account Lm | Other reserves Lm | Profit & loss account Lm | Minority interests Lm | |
| Balance as at 1 January 2005 | 6,250,000 | 1,192,500 | 6,761,770 | 10,994,113 | 4,734,062 | 29,932,445 |
| 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) |
| Balance as at 31 December 2005 | 6,250,000 | 1,192,500 | 8,448,685 | 15,061,641 | 1,036,604 | 31,989,430 |
| Balance as at 1 January 2006 | 6,250,000 | 1,192,500 | 8,448,685 | 15,061,641 | 1,036,604 | 31,989,430 |
| 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 |
| Balance as at 31 December 2006 | 6,250,000 | 1,192,500 | 9,313,631 | 16,988,123 | 1,258,923 | 35,003,177 |



Middlesea Insurance p.l.c.

Condensed Financial Statements for the financial year ended 31 December 2006

CONDENSED 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 |
|--|------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------|
| Balance as at 1 January 2005 | 6,250,000 | 1,192,500 | 181,150 | 5,734,085 | 13,357,735 |
| 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) |
| Balance as at 31 December 2005 | 6,250,000 | 1,192,500 | 143,685 | 8,825,114 | 16,411,299 |
| Balance at at 1 January 2006 | 6,250,000 | 1,192,500 | 143,685 | 8,825,114 | 16,411,299 |
| 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) |
| Balance as at 31 December 2006 | 6,250,000 | 1,192,500 | 76,199 | 9,821,910 | 17,340,609 |

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 | 275,271,575 | 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 | 30c | 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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

- 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.
- 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.
- 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).
- 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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Independent auditor's report

We have examined the abridged financial statements set out on these pages 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 Insurance Business Act, 1998.

We reported as auditors of Middlesea Insurance p.l.c. to the members on 26 April 2007 on the Group's and Company'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

67 Merchants Street
Valletta
Malta

26 April 2007

Notice to all shareholders:

For the purpose of Section 126 of the Companies Act 1995, it is hereby notified that 28 May 2007 is the date of reference to which it will be established which shareholders will:

- receive notice of and will be entitled to attend and vote at the Annual General Meeting of the Company scheduled for Thursday 28 June 2007;
- be paid a dividend as approved by the Annual General Meeting. The shareholders entitled as above are those on the Company's Register at the Central Security Depository of the Malta Stock Exchange following settlement on 28 May 2007.

E. M. Borg
Company Secretary

Middlesea Insurance p.l.c. is a company authorised under the Insurance Business Act, 1998 to carry on both Long Term and General Business and is regulated by the MFSA.