



Middlesea Insurance p.l.c.

PRELIMINARY STATEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Financial highlights as at the 31 December 2010

- Total Group profit before tax for the year amounted to €6.4 million – as compared to the loss of the previous year of €54.4 million (including impairment of investment in subsidiary undertaking, Progress Assicurazioni SpA).
- Group investment income amounted to €2.0 million compared to €4.3 million in 2009.
- The associated company, specialising in life business, reported an increase in turnover and profitability during 2010. MSI's share of MSV Life plc's profit for FY 2010 amounted to €3.9 million, as compared to €3.1 million in FY 2009.
- The operations of MSI registered improved results. The profit before tax and impairment charge, including dividends from its subsidiary and associated companies, generated by MSI for FY 2010, amounted to €8.9 million, compared to a profit of €6.6 million in FY 2009.
- Total equity of the Group as at 31 December 2010 was €54.9 million, compared to €48.7 million as at December 2009.

Year 2010 was an eventful year witnessing also a change in the Board of Directors consequent to the change in the underlying shareholding of the Company with effect from the end of 2009. The shareholding of Mapfre Internacional and Bank of Valletta plc increased to 31.08% for each institutional shareholder; Munich Re retained its shareholding position of 19.9%; the aggregate holding of the other individual shareholders reduced to just under 18%. A new non-executive chairman and a new board of directors were appointed.

Early in 2010, the Board of Directors took the decision to cease operations of its Italian subsidiary Progress Assicurazioni SpA and in consultation with the Italian regulator (ISVAP) and the Malta Financial Services Authority, requested ISVAP to put in train the process for the orderly winding up of the Company. The Italian regulator had put the subsidiary into Compulsory Administrative Liquidation as from 30 March 2010 under the control of an appointed Liquidator. An application is being made to the Italian Courts in Palermo, requesting that the bankruptcy of Progress Assicurazioni SpA be ascertained and declared as such by the court. This application is being made by Prof. Andrea Gemma in his capacity as Liquidator appointed to oversee the administration of the company by ISVAP. This is a normal procedure for Liquidators to obtain a Court Ruling in order to enable them to move forward with the liquidation process.

Financial Year 2010 was also a stabilisation year for the Company and the Group. Focus was set on local operations, in order to consolidate and improve upon Middlesea's leadership position in the Maltese market. Extensive corporate reorganisation was undertaken to re-align the main operating companies of the group as stand alone, autonomous companies, each focusing on core domestic operations.

In line with its corporate strategy, following an executive feasibility analysis, the Board of Directors of MSI decided to cease writing business in the geographical territory of Gibraltar. Due notice was served to the agent and as from 1 January 2011 no further business is being underwritten in Gibraltar, and this book of business is now in run-off. Gibraltar operations in 2010 contributed €1.4 million to the financial results of the Company. The Company has also commenced the process to close off its discontinued operation of London.

During the year the Company consolidated its strong balance sheet and improved its regulatory solvency position with Group's Shareholders' equity amounting to €54.9 million as at 31 December 2010 whilst the solvency cover was 359% of the minimum regulatory requirement. The Board of Directors is not recommending the payment of a Dividend. Notwithstanding the satisfactory profits registered during the year, due to accumulated losses on the Profit and Loss account arising from the negative results registered by Progress Assicurazioni SpA over the last two financial years, the provisions of the Companies Act prohibit the Company from declaring a dividend. In order to restore the Company's potential to declare dividends, during the Annual General Meeting scheduled for the 3 May 2011, the Board of Directors will be recommending a solution that is contemplated directly by the Companies Act involving the offsetting of all the accumulated losses against the issued share capital and share premium account of the Company. Complying with legislation, this proposal will require regulatory approval from the competent authorities and also requires an extraordinary resolution of the members of the Company during the upcoming Annual General Meeting. The change, if approved, will not affect the net asset value of the Company.

By Order of the Board

Basis of preparation

These figures have been extracted from Middlesea Group's audited financial statements for the financial year ended 31 December 2010, as approved by the Directors on 14 March 2011, and are being published in terms of MFSA Listing Rule 5.54.

Condensed Profit and Loss Accounts

Non - technical accounts for the year ended 31 December

	Group		Company	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Balance on the general business technical account	2,870	4,800	2,870	4,800
Balance on the long term business technical account	710	675	710	675
	3,580	5,475	3,580	5,475
Share of profit of associated undertaking	3,920	3,121	-	-
Total income from insurance activities	7,500	8,596	3,580	5,475
Other investment income	3,035	5,474	9,530	6,943
Investment expenses and charges	(1,021)	(1,213)	(1,021)	(1,213)
Allocated investment return transferred to the general business technical account	(1,667)	(3,435)	(1,667)	(3,435)
Other income	1,252	1,950	-	-
Administrative expenses	(2,658)	(2,699)	(1,565)	(1,127)
Profit for the financial year before impairment charge and tax	6,441	8,673	8,857	6,643
Impairment of investment in group undertaking	-	(63,121)	-	(69,523)
Profit/(loss) for the financial year before tax	6,441	(54,448)	8,857	(62,880)
Income tax expense	(1,090)	(670)	(1,118)	(521)
Profit/(loss) for the financial year	5,351	(55,118)	7,739	(63,401)
Attributable to:				
- shareholders	5,351	(53,462)	7,739	(63,401)
- minority interests	-	(1,656)	-	-
	5,351	(55,118)	7,739	(63,401)
Earnings/(loss) per share attributable to shareholders	€0.06	(€1.99)		



Middlesea Insurance p.l.c.

PRELIMINARY STATEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Condensed Statements of Comprehensive Income for the year ended 31 December

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Profit/(loss) for the financial year	5,351	(55,118)	7,739	(63,401)
Other comprehensive income:				
Fair value gain on investment in associated undertaking	-	-	2,016	2,620
Change in other available-for-sale investments	31	(129)	-	(133)
Share of increase in value of in-force business of associated undertaking	903	489	-	-
Total other comprehensive income, net of tax	934	360	2,016	2,487
Total comprehensive income for the year	6,285	(54,758)	9,755	(60,914)
Attributable to				
- shareholders	6,285	(53,102)		
- minority interests	-	(1,656)		
Total comprehensive income for the year	6,285	(54,758)		

Condensed Consolidated Balance Sheets as at 31 December

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
ASSETS				
Intangible assets	468	700	457	454
Property, plant and equipment	1,874	1,721	1,393	1,006
Investment property	7,406	8,708	7,831	9,167
Investment in subsidiary undertakings	-	-	1,212	1,212
Investment in associated undertakings	53,009	51,957	55,473	51,957
Other investments	40,976	46,535	40,348	45,713
Deferred income tax	2,620	3,447	1,113	1,025
Reinsurers' share of technical provisions	15,357	13,793	15,357	13,793
Deferred acquisition costs	2,960	2,673	2,960	2,673
Insurance and other receivables	10,303	10,167	10,056	10,034
Income tax receivables	331	330	290	293
Cash and cash equivalents	2,734	3,724	1,875	3,080
Total assets	138,038	143,755	138,365	140,407
EQUITY				
Capital and reserves attributable to shareholders	54,949	48,664	54,142	44,387
Total equity	54,949	48,664	54,142	44,387
LIABILITIES				
Deferred income tax	766	1,044	748	1,041
Provisions for other liabilities and charges	833	9,402	833	9,402
Technical provisions	55,531	53,260	55,531	53,260
Borrowings	13,285	16,285	13,285	16,285
Insurance and other payables	12,674	15,096	13,826	16,032
Income tax payable	-	4	-	-
Total liabilities	83,089	95,091	84,223	96,020
Total equity and liabilities	138,038	143,755	138,365	140,407

These condensed financial statements were approved by the Board on 14 March 2011 and were signed on its behalf by:


Joseph F.X. Zahra
Chairman


Roderick E.D. Chalmers
Director

Condensed consolidated statements of cash flows for the year ended 31 December

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Net cash generated from operating activities	2,997	6,007	3,397	5,711
Net cash generated from/(used in) investing activities	7,513	(46,103)	6,898	(46,040)
Net cash (used in)/generated from financing activities	(11,500)	39,991	(11,500)	39,991
Net movement in cash and cash equivalents	(990)	(105)	(1,205)	(338)
Cash and cash equivalents at beginning of year	3,724	6,361	3,080	3,418
De-recognition of subsidiary undertakings	-	(2,532)	-	-
Cash and cash equivalents at end of year	2,734	3,724	1,875	3,080



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PRELIMINARY STATEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Statements of Changes in Equity for the year ended 31 December

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 year	-	-	-	(53,462)	(1,656)	(55,118)
Other comprehensive income:						
Change in other available-for-sale investments	-	-	(129)	-	-	(129)
Transfer of revaluation surplus on de-recognition of subsidiary	-	-	(2,968)	2,968	-	-
Share of increase in value of in-force business of associated undertaking	-	-	489	-	-	489
Total other comprehensive income, net of tax	-	-	(2,608)	2,968	-	360
Total comprehensive income	-	-	(2,608)	(50,494)	(1,656)	(54,758)
Transactions with owners						
Increase in share capital	40,200	(557)	-	-	-	39,643
Total transactions with owners	40,200	(557)	-	-	-	39,643
Balance as at 31 December 2009	55,200	2,221	20,368	(29,125)	-	48,664
Balance as at 1 January 2010	55,200	2,221	20,368	(29,125)	-	48,664
Comprehensive income						
Profit for the financial year	-	-	-	5,351	-	5,351
Other comprehensive income:						
Change in other available-for-sale investments	-	-	31	-	-	31
Share of increase in value of in-force business of associated undertaking	-	-	903	-	-	903
Total other comprehensive income, net of tax	-	-	934	-	-	934
Total comprehensive income	-	-	934	5,351	-	6,285
Balance as at 31 December 2010	55,200	2,221	21,302	(23,774)	-	54,949

Statements of Changes in Equity for the year ended 31 December

COMPANY	Share capital €'000	Share premium account €'000	Other reserves €'000	Profit & loss account €'000	Total €'000
Balance as at 1 January 2009	15,000	2,778	29,631	18,249	65,658
Comprehensive income					
Loss for the financial year	-	-	-	(63,401)	(63,401)
Other comprehensive income:					
Fair value gain on investment in associated undertaking	-	-	2,620	-	2,620
Change in other available-for-sale investments	-	-	(133)	-	(133)
Total other comprehensive income, net of tax	-	-	2,487	-	2,487
Total comprehensive income	-	-	2,487	(63,401)	(60,914)
Transactions with owners					
Increase in share capital	40,200	(557)	-	-	39,643
Total transactions with owners	40,200	(557)	-	-	39,643
Balance as at 31 December 2009	55,200	2,221	32,118	(45,152)	44,387
Balance as at 1 January 2010	55,200	2,221	32,118	(45,152)	44,387
Comprehensive income					
Profit for the financial year	-	-	-	7,739	7,739
Other comprehensive income:					
Fair value gain on investment in associated undertaking	-	-	2,016	-	2,016
Total other comprehensive income, net of tax	-	-	2,016	-	2,016
Total comprehensive income	-	-	2,016	7,739	9,755
Balance as at 31 December 2010	55,200	2,221	34,134	(37,413)	54,142