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The directors present their report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The company is licensed to carry on long term business of insurance under the Maltese Insurance Business Act, 1998. The group is also authorised to provide investment services in terms of the Investment Services Act, 1994.

REVIEW OF THE BUSINESS

The level of new business and the group's financial position remain satisfactory, and the directors expect that the present level of activity will be sustained in the foreseeable future.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 6. The directors paid an interim net dividend of Lm650,000 (1998: nil) and recommend the payment of a net final dividend of Lm450,000 (1998: Lm232,500).

At the company's Annual General Meeting held on 12 April 2000 the shareholders resolved that the interim dividend of Lm650,000 shall be applied to an equivalent increase in the company's issued share capital. For this purpose they authorised the Board to issue 650,000 new shares with a nominal value of Lm1 each to be allotted pro-rata to existing shareholders and to be paid up from the interim dividend due to them.

DIRECTORS

The directors of the company who held office during the year were:

J.F.X. Zahra B.A.(Hons)Econ., M.A.Econ. M.C.I.M., M.M.R.S. (Chairman)

M.C. Grech (Deputy Chairman and C.E.O.)

E. Ellul (appointed 29 November 1999)

J.V. Gatt B.A. (Hons) Econ., A.C.I.B.

R. Lenhard Dipl. Math

E. Mizzi LL.D. (deceased 16 February 2000)

N. Silby B.Sc., F.I.A.

F. Xerri De Caro A.C.I.B.

A. Mizzi (resigned 16 June 1999)

DIRECTORS - CONTINUED

Dr. R. Camilleri LL.D. was appointed as director of the company on 18 February 2000 and resigned from his appointment on 29 February 2000. Mr. J. M. Rizzo A.C.I.I., A.I.D.P.M., A.M.I.A.P. was appointed in his stead on 29 February 2000.

According to the company's Articles of Association those members or group of members holding at least 10% of the total voting rights have the right to appoint a director. Every member or group of members holding at least an additional 13% of the total voting rights are entitled to appoint an additional director for every 13% holding.

Unless appointed for a longer or shorter period, or unless they resign or are earlier removed, directors hold office for a period of one year, provided that no appointment may be made for a period exceeding three years.

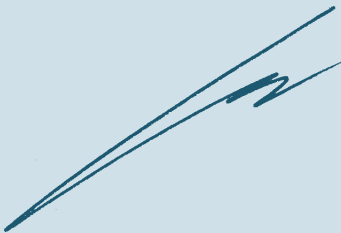
ACTUARIES

The company's approved actuary is Mr. Martin Muir, M.A., F.I.A., a partner of Watson Wyatt Partners.

AUDITORS

The auditors PricewaterhouseCoopers have intimated their willingness to continue in office.

On behalf of the board



J. F. X. Zahra
Chairman



M. C. Grech
Deputy Chairman and C.E.O.

Middle Sea House
Floriana
Malta

12 April 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Accounting Standards;
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Insurance Business Act, 1998 and with the Maltese Companies Act, 1995. They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the company are properly safeguarded and that fraud and other irregularities will be prevented or detected.

To the Members of Middle Sea Valletta Life Assurance Company Limited.

We have audited the financial statements on pages 5 to 31. As described in the statement of directors' responsibilities on page 3, these financial statements are the responsibility of the company's directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1999 and of the profit, the changes in equity and the cash flows for the year then ended in accordance with International Accounting Standards and have been properly prepared in accordance with the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS 

167 Merchants Street

Valletta

Malta

12 April 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Technical account – long term business

	Notes	Group & Company	
		1999 Lm	1998 Lm
Earned premiums, net of reinsurance			
Gross premiums written	1	13,466,063	9,645,185
Outward reinsurance premiums		(445,856)	(380,618)
		13,020,207	9,264,567
Investment income	2	2,660,303	1,758,820
Unrealised gains on investments	2	4,778,861	1,969,113
Other technical income, net of reinsurance		2,041	1,764
Total technical income		20,461,412	12,994,264
		12,994,264	
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		717,328	592,964
- reinsurers' share		(135,486)	(199,591)
		581,842	393,373
Change in the provision for claims			
- gross amount		69,615	64,204
- reinsurers' share		11,572	(43,810)
		81,187	20,394
		663,029	413,767
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		14,902,871	8,304,127
- reinsurers' share		10,823	8,218
		14,913,694	8,312,345
Technical provision for linked liabilities		232,522	-
		15,146,216	8,312,345
Bonuses and rebates, net of reinsurance	3	2,594,251	1,425,042
Net operating expenses	4	2,076,727	1,664,515
Investment expenses and charges	2	106,299	144,948
Total technical charges		20,586,522	11,960,617
Tax credit attributable to the long term business	7	1,748,796	141,345
Balance on the long term business technical account (page 6)		1,623,686	1,174,992

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Non-technical account

	Notes	Group		Company	
		1999 Lm	1998 Lm	1999 Lm	1998 Lm
Balance on the long term business technical account (page 5)		1,623,686	1,174,992	1,623,686	1,174,992
Investment income	2	336,293	216,881	314,111	201,028
Investment expenses and charges	2	(11,291)	(11,547)	(11,291)	(11,547)
Other income		132,822	80,484	-	-
Other charges		(93,478)	(104,186)	(38,216)	(32,587)
Profit on ordinary activities before tax	5	1,988,032	1,356,624	1,888,290	1,331,886
Tax on profit on ordinary activities	7	(85,405)	(63,558)	(52,728)	(54,913)
Profit for the financial year		1,902,627	1,293,066	1,835,562	1,276,973
Earnings per share	9	40.9c	27.8c	39.5c	27.5c

Statement of total recognised gains

		1999 Lm	1998 Lm	1999 Lm	1998 Lm
Revaluation surplus, net of deferred taxation	17	476,991	195,615	531,350	170,754
Increment in value of in-force business	18	3,072,000	60,000	3,072,000	60,000
Profit for the financial year		1,902,627	1,293,066	1,835,562	1,276,973
Total recognised gains		5,451,618	1,548,681	5,438,912	1,507,727

CONSOLIDATED BALANCE SHEET

	Notes	Group 1999 Lm	Group 1998 Lm	Company 1999 Lm	Company 1998 Lm
ASSETS					
Investments					
Land and buildings	11	2,227,270	1,942,785	2,227,270	1,942,785
Investments in group undertakings and participating interests	12	250	-	353,559	199,999
Other financial investments	13	48,816,018	30,028,370	48,412,559	29,849,199
		51,043,538	31,971,155	50,993,388	31,991,983
Value of in-force business	14	7,050,000	3,978,000	7,050,000	3,978,000
Assets held to cover linked liabilities		225,114	-	225,114	-
Reinsurers' share of technical provisions					
Long term business provision		36,105	46,928	36,105	46,928
Claims outstanding		65,135	76,707	65,135	76,707
		101,240	123,635	101,240	123,635
Debtors					
Debtors arising out of direct insurance operations		90,817	53,170	90,817	53,170
Debtors arising out of reinsurance operations		12,948	4,838	12,948	4,838
Amounts owed by group undertakings		607,103	973,219	790,036	1,029,932
Taxation recoverable		131,423	99,559	131,423	99,202
		842,291	1,130,786	1,025,224	1,187,142
Other assets					
Tangible assets	15	437,271	286,586	436,989	286,321
Deferred taxation	19	1,574,188	-	1,520,529	-
Cash at bank and in hand		1,104,891	328,277	1,095,006	359,113
Clients' bank accounts		511,815	156,225	-	-
		3,628,165	771,088	3,052,524	645,434
Prepayments and accrued income					
Accrued interest and rent		1,173,320	991,457	1,162,243	988,758
Other prepayments and accrued income		18,003	18,667	14,100	17,750
		1,191,323	1,010,124	1,176,343	1,006,508
Total assets		64,081,671	38,984,788	63,623,833	38,932,702

CONSOLIDATED BALANCE SHEET

	Notes	Group 1999 Lm	1998 Lm	Company 1999 Lm	1998 Lm
LIABILITIES					
Capital and reserves					
Called up share capital	16	4,650,000	4,650,000	4,650,000	4,650,000
Revaluation reserve	17	763,378	286,387	792,876	261,526
Other reserves	18	4,400,000	1,976,951	4,400,000	1,976,951
Profit and loss account		2,849,450	1,397,872	2,766,292	1,381,779
Total shareholders' funds		12,662,828	8,311,210	12,609,168	8,270,256
Technical provisions					
Long term business provision		45,999,583	28,728,329	45,999,583	28,728,329
Claims outstanding		243,730	174,115	243,730	174,115
		46,243,313	28,902,444	46,243,313	28,902,444
Technical provisions for linked liabilities		232,522	-	232,522	-
Provisions for other risks and charges					
Deferred taxation	19	-	65,296	-	65,296
Deposits received from reinsurers		15,252	14,925	15,252	14,925
Creditors					
Creditors arising out of direct insurance operations		384,165	198,641	384,165	198,641
Creditors arising out of reinsurance operations		69,079	73,978	69,079	73,978
Amounts owed to group undertakings		3,179	1,626	-	-
Amounts owed to shareholders		318,500	-	318,500	-
Amounts owed to banks or credit institutions	20	3,000,000	937,016	3,000,000	937,016
Proposed dividends		450,000	232,500	450,000	232,500
Other creditors		397,577	7,808	-	-
		4,622,500	1,451,569	4,221,744	1,442,135
Accruals and deferred income		305,256	239,344	301,834	237,646
Total liabilities		64,081,671	38,984,788	63,623,833	38,932,702

The financial statements on pages 5 to 31 were approved by the board on 12 April 2000 and were signed on its behalf by:



J.F.X. Zahra
Chairman



M.C. Grech
Deputy Chairman and C.E.O.

STATEMENT OF CHANGES IN EQUITY

Group	Notes	Share capital Lm	Revaluation reserve Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 1998		4,650,000	90,772	1,597,707	656,550	6,995,029
Revaluation surplus, net of deferred taxation	17	-	225,064	-	-	225,064
Net gains not recognised in profit and loss account		-	225,064	-	-	225,064
Amount released on realisation of investments	17	-	(29,449)	-	-	(29,449)
Increment in value of in-force business	18	-	-	60,000	-	60,000
Transfer to statutory reserve	18	-	-	319,244	(319,244)	-
Dividends for 1998	10	-	-	-	(232,500)	(232,500)
Profit for the financial year		-	-	-	1,293,066	1,293,066
Balance at 31 December 1998		4,650,000	286,387	1,976,951	1,397,872	8,311,210
Balance at 1 January 1999		4,650,000	286,387	1,976,951	1,397,872	8,311,210
Revaluation surplus, net of deferred taxation	17	-	509,368	-	-	509,368
Net gains not recognised in profit and loss account		-	509,368	-	-	509,368
Amount released on realisation of investments	17	-	(32,377)	-	-	(32,377)
Increment in value of in-force business	18	-	-	3,072,000	-	3,072,000
Transfer from statutory reserve	18	-	-	(648,951)	648,951	-
Dividends for 1999	10	-	-	-	(1,100,000)	(1,100,000)
Profit for the financial year		-	-	-	1,902,627	1,902,627
Balance at 31 December 1999		4,650,000	763,378	4,400,000	2,849,450	12,662,828

STATEMENT OF CHANGES IN EQUITY

Company	Notes	Share capital Lm	Revaluation reserve Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 1998		4,650,000	90,772	1,597,707	656,550	6,995,029
Revaluation surplus, net of deferred taxation	17	-	200,203	-	-	200,203
Net gains not recognised in profit and loss account		-	200,203	-	-	200,203
Amount released on realisation of investments	17	-	(29,449)	-	-	(29,449)
Increment in value of in-force business	18	-	-	60,000	-	60,000
Transfer to statutory reserve	18	-	-	319,244	(319,244)	-
Dividends for 1998	10	-	-	-	(232,500)	(232,500)
Profit for the financial year		-	-	-	1,276,973	1,276,973
Balance at 31 December 1998		4,650,000	261,526	1,976,951	1,381,779	8,270,256
Balance at 1 January 1999		4,650,000	261,526	1,976,951	1,381,779	8,270,256
Revaluation surplus, net of deferred taxation	17	-	559,595	-	-	559,595
Net gains not recognised in profit and loss account		-	559,595	-	-	559,595
Amount released on realisation of investments	17	-	(28,245)	-	-	(28,245)
Increment in value of in-force business	18	-	-	3,072,000	-	3,072,000
Transfer from statutory reserve	18	-	-	(648,951)	648,951	-
Dividends for 1999	10	-	-	-	(1,100,000)	(1,100,000)
Profit for the financial year		-	-	-	1,835,562	1,835,562
Balance at 31 December 1999		4,650,000	792,876	4,400,000	2,766,292	12,609,168

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Group		Company	
		1999 Lm	1998 Lm	1999 Lm	1998 Lm
Operating activities					
Cash generated from operations	21	13,142,265	8,520,885	12,568,751	8,440,505
Taxation		(32,571)	(37,469)	(32,221)	(37,112)
Net cash from operating activities		13,109,694	8,483,416	12,536,530	8,403,393
Investing activities					
Purchase of investments		(16,894,634)	(14,014,593)	(16,702,128)	(13,860,283)
Disposal of investments		5,240,377	6,272,771	5,224,627	6,272,771
Purchase of assets to cover linked liabilities		(225,114)	-	(225,114)	-
Purchase of tangible fixed assets		(213,047)	(206,778)	(212,950)	(206,455)
Net cash used in investing activities		(12,092,418)	(7,948,600)	(11,915,565)	(7,793,967)
Financing activities					
Bank loan		3,000,000	-	3,000,000	-
Dividends paid		(232,500)	(232,500)	(232,500)	(232,500)
Net cash from/(used in) financing activities		2,767,500	(232,500)	2,767,500	(232,500)
Movement in cash and cash equivalents		3,784,776	302,316	3,388,465	376,926
Cash and cash equivalents at beginning of year		2,058,706	1,756,390	1,933,317	1,556,391
Cash and cash equivalents at end of year	22	5,843,482	2,058,706	5,321,782	1,933,317

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. Basis of preparation

These financial statements are prepared in accordance with International Accounting Standards and comply with the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995.

The financial statements are prepared under the historical cost convention, as modified to include the revaluation of investments and the value of in-force business.

2. Form and content of the financial statements

The Maltese Insurance Business Act, 1998 governs the form and content of the financial statements. Pending the formal issue of regulations in terms of this Act, the company has for the purpose of this year's financial statements, followed directives issued to it by the Malta Financial Services Centre, the competent regulatory authority. The directives issued to the company by the Centre, which are based on the draft regulations, have resulted in changes to the form and presentation of the financial statements.

Comparative figures have been restated and their presentation revised in order to comply with the directives.

3. Basis of consolidation

The consolidated financial statements include the results, cash flows, statements of changes in equity and balance sheets of the company and its subsidiary made up to 31 December. Intra-group transactions are eliminated on consolidation and all revenue and expenditure figures relate to external transactions only.

4. Premiums

Premiums, including reinsurance premiums, comprise the amounts receivable and payable for the financial year. Unit linked premiums are accounted for when units are created.

5. Claims

Maturity claims are charged against revenue when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision and/or the technical provision for linked liabilities. Death claims and all other claims are accounted for when notified.

Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

6. Bonuses

Bonuses charged to the long term business technical account in a given year comprise:

(a) new reversionary bonuses declared in respect of that year, which are provided within the calculation of the long term business provision;

(b) terminal bonuses paid out to policyholders on maturity and included within claims paid.

7. Investment return

Investment return comprises investment income including realised and unrealised investment gains and losses, net of investment expenses, charges and interest.

Dividends are recorded on the date when the shareholder's right to receive payment is established. Interest, rents and expenses are accounted for on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or if they have been previously valued, their valuation at the last balance sheet date.

The investment return is apportioned between the technical and non-technical profit and loss accounts on a basis which takes into account that technical provisions are fully backed by investments and that the value of in-force business, fixed assets and working capital are financed in their entirety from shareholders' funds.

8. Foreign currencies

Transactions in foreign currencies have been converted into Maltese lira at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into Maltese lira at the rates of exchange ruling at the balance sheet date. All resulting differences are taken to the profit and loss account.

9. Investments

Investments in freehold properties are stated in the balance sheet at cost or are valued at open market value as determined by independent professional advisers every five years. Net unrealised appreciations arising on revaluations and attributable to the policyholders are credited to the technical profit and loss account. Unrealised gains relating to the non-technical profit and loss account are credited to a revaluation reserve and, to the extent that this is insufficient to cover any net deficits, are charged to the non-technical profit and loss account.

Investments in quoted shares and securities and units in unit trusts are stated at market value. Loans and unquoted shares are stated at a directors' valuation. Net appreciations and deficits arising from movements in the market value are treated in the same manner as for investment properties.

10. Value of in-force business

The value of in-force business is determined by the directors, based on the advice of the company's approved actuary. The valuation represents the discounted value of projected future transfers to shareholders from policies in force at the year end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending upon the mix of investments held by the company and expected market conditions.

Annual movements in the in-force business valuation are credited or debited to reserves.

11. Long term business provision

The long term business provision is determined by the company's approved actuary following his annual investigation of the financial condition of the company's long term business as required under the Insurance Business Act, 1998. The provision is calculated in accordance with the relevant legislation governing the determination of liabilities for the purposes of statutory solvency. The calculation uses a prospective valuation method and makes explicit provision for vested reversionary bonuses. Provision is also made, implicitly or explicitly, for future reversionary bonuses.

12. Tangible assets

Tangible fixed assets comprising furniture, fittings and equipment and motor vehicles are stated at cost less depreciation. Depreciation is calculated so as to write off the cost on a straight line basis over the expected useful economic lives of the assets concerned. Assets not yet in use are not depreciated.

The principal annual rates used for this purpose are:-

		%
Furniture, fittings and equipment	10	- 33.3
Motor vehicles		20

No depreciation is charged in respect of freehold properties held as property investments.

13. Deferred taxation

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax arising on unrealised capital gains attributable to shareholders is debited to the revaluation reserve whereas deferred tax arising on unrealised gains attributable to policyholders is debited to the technical profit and loss account.

14. Debtors

Debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

15. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, clients' bank accounts, deposits held at call with banks and time deposits maturing within three months.

16. Borrowing costs

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

1. Segmental analysis

In the opinion of the directors, the Group operates in a single business segment being that of long term insurance business.

(i) Gross premiums written

Gross premium income is made up of:

	Group and Company	
	1999	1998
	Lm	Lm
Direct insurance	13,226,723	9,406,636
Reinsurance inwards	239,340	238,549
Gross premiums written	13,466,063	9,645,185

	Group and Company			
	Gross direct premiums written			
	Periodic premiums		Single premiums	
	1999	1998	1999	1998
	Lm	Lm	Lm	Lm
Non-participating	780,919	717,862	-	-
Participating	8,062,289	6,721,904	4,146,304	1,966,870
Linked	28,997	-	208,214	-
	8,872,205	7,439,766	4,354,518	1,966,870

Gross premiums written by way of direct business of insurance relate to individual business. All long term contracts of insurance are concluded in or from Malta.

(ii) Reinsurance balance

The reinsurance balance, which represents the aggregate of all items relating to reinsurance outwards, amounted to a charge of Lm146,736 to the long term business technical account for the year ended 31 December 1999 (1998: a credit of Lm13,240).

NOTES TO THE FINANCIAL STATEMENTS

2. Investment return

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Investment income				
Income from land and buildings	108,966	82,944	108,966	82,944
Income from other investments	1,907,232	1,475,744	1,891,422	1,459,891
Gains on the realisation of investments	980,398	417,013	974,026	417,013
	2,996,596	1,975,701	2,974,414	1,959,848
Unrealised gains on investments	5,316,122	2,146,385	5,420,008	2,121,524
Investment expenses and charges				
Investment management expenses	91,234	74,422	91,234	74,422
Interest payable	26,356	82,073	26,356	82,073
Total investment expenses and charges	117,590	156,495	117,590	156,495
Total investment return	8,195,128	3,965,591	8,276,832	3,924,877
Apportioned as follows:				
Technical profit and loss account	7,332,865	3,582,985	7,332,865	3,582,985
Non-technical profit and loss account	325,002	205,334	302,820	189,481
Revaluation reserve	537,261	177,272	641,147	152,411
	8,195,128	3,965,591	8,276,832	3,924,877

3. Bonuses and rebates, net of reinsurance

The following amounts have been included in the long term business technical account in respect of policyholder bonuses:

	Group & Company	
	1999 Lm	1998 Lm
Reversionary bonuses declared in the year, included in the long term business provision	2,594,251	1,425,042

4. Net operating expenses

	Group and Company	
	1999	1998
	Lm	Lm
Acquisition costs	1,539,370	1,240,590
Administrative expenses	723,386	582,600
Reinsurance commissions and profit participation	(186,029)	(158,675)
	2,076,727	1,664,515

Total commissions for direct business accounted for in the financial period amounted to Lm1,105,454 (1998: Lm915,619).

5. Profit on ordinary activities before tax

The profit on ordinary activities before tax is stated after charging/(crediting):

	Group		Company	
	1999	1998	1999	1998
	Lm	Lm	Lm	Lm
Staff costs (note 6)	275,271	283,227	263,179	271,391
Auditors' remuneration	5,000	5,000	3,500	3,500
Actuarial fees	39,679	29,151	39,679	29,151
Depreciation (note 15)	62,362	43,052	62,282	42,994
Professional indemnity insurance	9,268	8,817	7,961	7,646
Exchange differences	(94,350)	49,848	(86,942)	52,726

6. Staff costs

Total employment costs:	Group		Company	
	1999	1998	1999	1998
	Lm	Lm	Lm	Lm
Salaries	257,371	267,990	245,982	256,931
Social security costs	17,900	15,237	17,197	14,460
	275,271	283,227	263,179	271,391

NOTES TO THE FINANCIAL STATEMENTS

6. Staff costs - continued

Average number of persons employed by the company during the year:

	Group		Company	
	1999	1998	1999	1998
Average number of employees	39	33	38	32

In 1998 salaries included costs charged by a third party in respect of management services supplied to the company. The above employee information for the company also includes the cost of employees that are recharged to its subsidiary by way of a management charge.

7. Taxation

	Group		Company	
	1999	1998	1999	1998
	Lm	Lm	Lm	Lm
Group relief	-	15,997	31,970	24,642
Deferred taxation	1,639,484	80,133	1,585,825	80,133
Current taxation	(707)	-	-	-
	1,638,777	96,130	1,617,795	104,775
Apportioned as follows:				
Technical profit and loss account	1,748,796	141,345	1,748,796	141,345
Non-technical profit and loss account	(85,405)	(63,558)	(52,728)	(54,913)
Revaluation reserve	(24,614)	18,343	(78,273)	18,343
	1,638,777	96,130	1,617,795	104,775

In 1998, the company incurred a tax loss of Lm70,405 which was computed in line with fiscal legislation applicable to long term business of insurance up to the financial period ending 31 December 1998. This brought the company to charge on the basis of investment income earned less commissions and expenses incurred.

Tax on profit for the year ended 31 December 1999 differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group	Company
	1999	1999
	Lm	Lm
Profit before tax	239,236	139,494
Tax on ordinary profit at 35%	83,733	48,823
Tax effect of:		
Income not subject to tax	(1,773,070)	(1,770,837)
Other differences	25,946	25,946
Net tax credited to the profit and loss account	(1,663,391)	(1,696,068)

8. Directors' emoluments

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Remuneration	15,000	-	15,000	-
Fees	22,500	20,833	18,500	20,833
	37,500	20,833	33,500	20,833

9. Earnings per share

Earnings per share is based on the profit attributable to the shareholders of Middle Sea Valletta Life Assurance Company Limited divided by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Net profit attributable to shareholders	1,902,627	1,293,066	1,835,562	1,276,973
Weighted average number of ordinary shares in issue	4,650,000	4,650,000	4,650,000	4,650,000
Earnings per share	40.9c	27.8c	39.5c	27.5c

37,500

10. Dividends

	Group & Company	
	1999 Lm	1998 Lm
Interim dividend (gross and net)	650,000	-
Final dividend proposed (gross and net)	450,000	232,500
	1,100,000	232,500
Dividends per share:		
Interim	14c	-
Proposed	10c	5c
	24c	5c

10. Dividends - continued

At the company's Annual General Meeting held on 12 April 2000 the shareholders resolved that the interim dividend of Lm650,000 shall be applied to an equivalent increase in the company's issued share capital. For this purpose they authorised the Board to issue 650,000 new shares with a nominal value of Lm1 each to be allotted pro-rata to existing shareholders and to be paid up from the interim dividend due to them.

11. Land and buildings

	Group and Company Freehold properties Lm
Year ended 31 December 1999	
Opening net book amount	1,942,785
Additions	284,485
Closing net book amount	2,227,270
At 31 December 1999	
Cost	1,887,601
Unrealised gains	339,669
Net book amount	2,227,270
Year ended 31 December 1998	
Opening net book amount	1,534,750
Additions	408,035
Closing net book amount	1,942,785
At 31 December 1998	
Cost	1,603,116
Unrealised gains	339,669
Net book amount	1,942,785

The freehold properties were revalued at 31 December 1997 by independent professional valuers on the basis of an open market valuation.

12. Investments in group undertakings and participating interests

	Group	Company		
	Participating interests	Shares in group undertakings	Participating interests	Total
	Lm	Lm	Lm	Lm
Year ended 31 December 1999				
Opening net book amount	-	199,999	-	199,999
Additions	250	-	250	250
Revaluation surplus arising during the year	-	153,310	-	153,310
Closing net book amount	250	353,309	250	353,559
At 31 December 1999				
Cost	250	199,999	250	200,249
Unrealised gains	-	153,310	-	153,310
	250	353,309	250	353,559
At 31 December 1998				
Opening and closing net book amount (cost)	-	199,999	-	199,999

Group undertakings at 31 December 1999 are shown below:

Group undertakings	Registered office	Class of shares held	Percentage of shares held 1999 & 1998
Growth Investments Limited	Middle Sea House Floriana VLT 16	Ordinary shares	100%

Associated undertakings at 31 December 1999 are shown below:

Associated undertakings	Registered office	Class of shares held	Percentage of shares held
Churchwharf Properties Limited	Middle Sea House Floriana VLT 16	Ordinary shares	50%

13. Other financial investments

Group	Quoted shares, other variable yield securities and units in unit trusts Lm	Unquoted shares and securities Lm	Quoted debt securities and other fixed income securities Lm	Deposits with banks or credit institutions Lm	Long term reinsurance loan Lm	Other loans Lm	Total Lm
Year ended 31 December 1999							
Opening net book amount	4,768,364	767,253	19,392,665	2,511,220	2,307,570	281,298	30,028,370
Additions	9,045,601	217,706	4,613,109	8,795,568	37,326	186,452	22,895,762
Disposals	(1,256,773)	-	(2,969,139)	(4,580,018)	(285,880)	-	(9,091,810)
Revaluation surplus arising during the year	4,359,434	361,834	594,854	-	-	-	5,316,122
Amount released on realisation of investments	(222,001)	-	(110,425)	-	-	-	(332,426)
Closing net book amount	16,694,625	1,346,793	21,521,064	6,726,770	2,059,016	467,750	48,816,018
At 31 December 1999							
Cost	11,981,468	949,943	19,230,864	6,726,770	2,059,016	467,750	41,415,811
Unrealised gains	4,713,157	396,850	2,290,200	-	-	-	7,400,207
Net book amount	16,694,625	1,346,793	21,521,064	6,726,770	2,059,016	467,750	48,816,018
Year ended 31 December 1998							
Opening net book amount	3,472,559	665,877	11,538,356	800,409	2,168,313	214,779	18,860,293
Additions	3,444,002	100,056	9,798,861	5,420,811	139,257	124,382	19,027,369
Disposals	(2,177,190)	-	(3,620,705)	(3,710,000)	-	(57,863)	(9,565,758)
Revaluation surplus arising during the year	446,298	1,320	1,698,767	-	-	-	2,146,385
Amount released on realisation of investments	(417,305)	-	(22,614)	-	-	-	(439,919)
Closing net book amount	4,768,364	767,253	19,392,665	2,511,220	2,307,570	281,298	30,028,370
At 31 December 1998							
Cost	4,192,640	732,237	17,586,894	2,511,220	2,307,570	281,298	27,611,859
Unrealised gains	575,724	35,016	1,805,771	-	-	-	2,416,511
Net book amount	4,768,364	767,253	19,392,665	2,511,220	2,307,570	281,298	30,028,370

NOTES TO THE FINANCIAL STATEMENTS

13. Other financial investments - continued

Company	Quoted shares, other variable yield securities and units in unit trusts Lm	Unquoted shares and securities Lm	Quoted debt securities and fixed income securities Lm	Deposits with banks or credit institutions Lm	Long term reinsurance loan Lm	Other loans Lm	Total Lm
Year ended 31 December 1999							
Opening net book amount	4,589,193	767,253	19,392,665	2,511,220	2,307,570	281,298	29,849,199
Additions	8,853,095	217,706	4,613,109	8,795,568	37,326	186,452	22,703,256
Disposals	(1,243,263)	-	(2,969,139)	(4,580,018)	(285,880)	-	(9,078,300)
Revaluation surplus arising during the year	4,310,010	361,834	594,854	-	-	-	5,266,698
Amount released on realisation of investments	(217,869)	-	(110,425)	-	-	-	(328,294)
Closing net book amount	16,291,166	1,346,793	21,521,064	6,726,770	2,059,016	467,750	48,412,559
At 31 December 1999							
Cost	11,648,162	949,943	19,230,864	6,726,770	2,059,016	467,750	41,082,505
Unrealised gains	4,643,004	396,850	2,290,200	-	-	-	7,330,054
Net book amount	16,291,166	1,346,793	21,521,064	6,726,770	2,059,016	467,750	48,412,559
Year ended 31 December 1998							
Opening net book amount	3,472,559	665,877	11,538,356	800,409	2,168,313	214,779	18,860,293
Additions	3,289,692	100,056	9,798,861	5,420,811	139,257	124,382	18,873,059
Disposals	(2,177,190)	-	(3,620,705)	(3,710,000)	-	(57,863)	(9,565,758)
Revaluation surplus arising during the year	421,437	1,320	1,698,767	-	-	-	2,121,524
Amount released on realisation of investments	(417,305)	-	(22,614)	-	-	-	(439,919)
Closing net book amount	4,589,193	767,253	19,392,665	2,511,220	2,307,570	281,298	29,849,199
At 31 December 1998							
Cost	4,038,330	732,237	17,586,894	2,511,220	2,307,570	281,298	27,457,549
Unrealised gains	550,863	35,016	1,805,771	-	-	-	2,391,650
Net book amount	4,589,193	767,253	19,392,665	2,511,220	2,307,570	281,298	29,849,199

NOTES TO THE FINANCIAL STATEMENTS

13. Other financial investments - continued

The long term reinsurance loan arose on the acquisition of a life reinsurance portfolio, bears interest at 8% per annum and is not subject to fixed terms of repayment.

Loans secured on policies, included in other loans, amounted to Lm467,750 as at 31 December 1999 (1998: Lm281,299).

14. Value of in-force business

	Group & Company Lm
Net book amount at 1 January 1999	3,978,000
Increment in value of in-force business, credited to reserves (note 18)	3,072,000
At 31 December 1999	7,050,000

15. Tangible assets

Group

	Furniture, fittings & equipment Lm	Motor vehicles Lm	Total Lm
Year ended 31 December 1999			
Opening net book amount	269,317	17,269	286,586
Additions	213,047	-	213,047
Depreciation charge	(55,807)	(6,555)	(62,362)
Closing net book amount	426,557	10,714	437,271
At 31 December 1999			
Cost	593,136	32,775	625,911
Accumulated depreciation	(166,579)	(22,061)	(188,640)
Net book amount	426,557	10,714	437,271
At 31 December 1998			
Cost	380,089	32,775	412,864
Accumulated depreciation	(110,772)	(15,506)	(126,278)
Net book amount	269,317	17,269	286,586

15. Tangible assets - continued

Company	Furniture, fittings & equipment Lm	Motor vehicles Lm	Total Lm
Year ended 31 December 1999			
Opening net book amount	269,052	17,269	286,321
Additions	212,950	-	212,950
Depreciation charge	(55,727)	(6,555)	(62,282)
Closing net book amount	426,275	10,714	436,989
At 31 December 1999			
Cost	592,716	32,775	625,491
Accumulated depreciation	(166,441)	(22,061)	(188,502)
Net book amount	426,275	10,714	436,989
At 31 December 1998			
Cost	379,766	32,775	412,541
Accumulated depreciation	(110,714)	(15,506)	(126,220)
Net book amount	269,052	17,269	286,321

Included in fixed assets is an amount of Lm251,950 (1998: Lm164,832) that represents payments in advance in respect of a new computer system, which has not yet been brought into use.

16. Share capital

	Group & Company	
	1999 Lm	1998 Lm
Authorised 10,000,000 ordinary shares of Lm1 each	10,000,000	10,000,000
Issued and fully paid 4,650,000 ordinary shares of Lm1 each	4,650,000	4,650,000

NOTES TO THE FINANCIAL STATEMENTS

17. Revaluation reserve

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Balance at 1 January before taxation	305,023	127,751	280,162	127,751
Revaluation surplus arising during the year	537,261	222,396	641,147	197,535
Amount released on realisation of investments	(35,656)	(45,124)	(31,524)	(45,124)
Balance at 31 December before taxation	806,628	305,023	889,785	280,162
Deferred taxation	(43,250)	(18,636)	(96,909)	(18,636)
Balance at 31 December	763,378	286,387	792,876	261,526

The revaluation reserve is non-distributable.

18. Other reserves

	Group & Company			
	Statutory reserve Lm	Value of in-force business Lm	1999 Lm	1998 Lm
Balance at 1 January	648,951	1,328,000	1,976,951	1,597,707
25% of net profit for the year in terms of Section 8(i) of the Insurance Business Act, 1981	-	-	-	319,244
Transfer to profit and loss account	(648,951)	-	(648,951)	-
Increment in value of in-force business (see note 14)	-	3,072,000	3,072,000	60,000
Balance at 31 December	-	4,400,000	4,400,000	1,976,951

The statutory reserve was previously maintained in terms of the Insurance Business Act, 1981. Its use was discontinued by the Insurance Business Act, 1998 and the statutory reserve has been transferred to retained earnings.

19. Deferred taxation

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Balance at 1 January	(65,296)	(145,429)	(65,296)	(145,429)
Tax effect of revaluation debited/ (credited) to the revaluation reserve	(24,614)	18,343	(78,273)	18,343
Credit to profit and loss account	1,664,098	61,790	1,664,098	61,790
Balance at 31 December	1,574,188	(65,296)	1,520,529	(65,296)

Deferred taxation is calculated on all temporary differences under the liability method using a principal tax rate of 35% (1998: 35%). Deferred taxation at the year end comprises:

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Temporary differences attributable to unrealised capital gains or losses	(450,409)	(181,681)	(504,068)	(181,681)
Temporary differences attributable to fixed assets	(27,017)	(16,861)	(27,017)	(16,861)
Temporary differences attributable to tax losses carried forward	2,051,614	133,246	2,051,614	133,246
Balance at 31 December	1,574,188	(65,296)	1,520,529	(65,296)

The deferred tax asset was recognised on the basis of expectation of future profit.

20. Amounts owed to banks or credit institutions

	Group & Company	
	1999 Lm	1998 Lm
Short term – falling due within one year Bank overdraft	-	937,016
Long term – falling due after more than one year Bank loan	3,000,000	-
Total borrowings	3,000,000	937,016

NOTES TO THE FINANCIAL STATEMENTS

20. Amounts owed to banks or credit institutions - continued

The bank borrowings are secured by a special hypothec on investments.

	Group & Company	
	1999	1998
	Lm	Lm
Total borrowings:		
At floating rates	3,000,000	937,016
Weighted average effective interest rates:		
	1999	1998
Bank overdraft	7%	7%
Bank loan	5.31%	-
Maturity of long term borrowings:		
	1999	1998
	Lm	Lm
Between 2 and 5 years	3,000,000	-

21. Note to the cash flow statement

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	1999	1998	1999	1998
	Lm	Lm	Lm	Lm
Profit before tax	239,236	1,215,279	139,494	1,190,541
Adjustments for:				
Depreciation	62,362	43,052	62,282	42,994
Unrealised gains on investments	(4,778,861)	(1,969,113)	(4,778,861)	(1,969,113)
Realised gains on disposal of investments	(647,972)	22,906	(645,732)	22,906
Increase in long term business provision	17,740,467	9,737,387	17,740,467	9,737,387
Debtors, excluding group relief receivable	(192,340)	(533,201)	(275,226)	(577,653)
Creditors, including claims outstanding	719,373	4,575	326,327	(6,557)
Cash generated from operations	13,142,265	8,520,885	12,568,751	8,440,505

22. Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group		Company	
	1999 Lm	1998 Lm	1999 Lm	1998 Lm
Cash at bank and in hand	1,104,891	328,277	1,095,006	359,113
Clients' bank accounts	511,815	156,225	-	-
Time deposits maturing within three months	4,226,776	2,511,220	4,226,776	2,511,220
Bank overdraft	-	(937,016)	-	(937,016)
	5,843,482	2,058,706	5,321,782	1,933,317

The use of clients' bank accounts is restricted in terms of the Investment Services Act, 1994.

23. Financial instruments

Credit risk

Financial assets which potentially subject the company to concentrations of credit risk consist principally of investments, cash at bank and debtors. The majority of the company's investments are quoted on reputable stock exchanges and do not expose the company to significant credit risk. Credit risk with respect to debts is limited due to the large number of customers comprising the company's direct insurance debtor base and due to the fact that other debtors are due from reputable institutions or from group undertakings. The company's cash is placed with quality financial institutions.

Fair values

At 31 December 1999 and 1998 the carrying amounts of investments, cash at bank, debtors, creditors, accrued expenses and short term borrowings approximated their fair values. The fair value of long term borrowings is not materially different from their carrying amount.

24. Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	Group & Company	
	1999	1998
	Lm	Lm
Authorised and contracted for	94,850	164,059
Authorised but not contracted	111,700	54,000

25. Contingent liabilities

The company has issued a guarantee of Lm124,810 (1998: Lm124,810) to a third party in favour of its subsidiary, Growth Investments Limited.

26. Related party transactions

The company's shareholders are Middle Sea Insurance p.l.c., Bank of Valletta p.l.c. and Munchener Ruckversicherungs - Gesellschaft of Germany. Approximately one half (1998: one third) of the company's expenditure comprises acquisition costs paid to Bank of Valletta p.l.c. and administrative costs shared with the Middle Sea Group. The company's major reinsurer is Munchener Ruckversicherungs - Gesellschaft.

All transactions with related parties are carried out at arms length.

27. Statutory information

Middle Sea Valletta Life Assurance Company Limited is a limited liability company and is incorporated in Malta.

28. Change in format of the financial statements

The format of the financial statements has been changed from that presented in previous years following the introduction of the new Insurance Business Act, 1998 and developments in generally accepted accounting practices. The current format now complies with the formats allowed by the Maltese Insurance Business Act, 1998, as outlined in the draft regulations to the said Act.