



Middlesea Insurance p.l.c.

Condensed Financial Statements for the financial year ended 31 December 2007

Condensed Profit and Loss Account - Non-Technical Account for the financial year ended 31 December 2007

	Group				Company			
	2007	2007	2006	2006	2007	2007	2006	2006
	Lm	€	Lm	€	Lm	€	Lm	€
Balance on the general business technical account	2,821,544	6,572,430	2,303,427	5,365,542	1,608,621	3,747,079	1,281,240	2,984,486
Balance on the long term business technical account	164,553	383,305	281,347	655,362	164,553	383,305	281,347	655,362
	2,986,097	6,955,735	2,584,774	6,020,904	1,773,174	4,130,384	1,562,587	3,639,848
Share of associated undertaking's profit involved in long term business	1,127,593	2,626,585	1,487,930	3,465,944	-	-	-	-
Total income from insurance activities	4,113,690	9,582,320	4,072,704	9,486,848	1,773,174	4,130,384	1,562,587	3,639,848
Other investment income	3,548,337	8,265,402	3,131,072	7,293,436	2,934,855	6,836,373	2,784,874	6,487,011
Investment expenses and charges	(1,078,399)	(2,511,994)	(688,478)	(1,603,722)	(699,558)	(1,629,532)	(335,647)	(781,847)
Allocated investment return transferred to the general business technical account	(1,984,642)	(4,622,972)	(1,997,775)	(4,653,564)	(576,958)	(1,343,951)	(763,232)	(1,777,852)
Other income	625,629	1,457,324	593,834	1,383,261	-	-	-	-
Administration expenses	(1,224,393)	(2,852,069)	(1,454,537)	(3,388,160)	(441,355)	(1,028,080)	(475,734)	(1,108,162)
Profit before tax	4,000,222	9,318,011	3,656,820	8,518,099	2,990,158	6,965,194	2,772,848	6,458,998
Income tax expense	(1,033,794)	(2,408,093)	(434,086)	(1,011,148)	(732,480)	(1,706,219)	(526,052)	(1,225,371)
Profit for the financial year	2,966,428	6,909,918	3,222,734	7,506,951	2,257,678	5,258,975	2,246,796	5,233,627
Attributable to:								
- shareholders	2,898,020	6,750,570	3,176,482	7,399,213	2,257,678	5,258,975	2,246,796	5,233,627
- minority interests	68,408	159,348	46,252	107,738	-	-	-	-
	2,966,428	6,909,918	3,222,734	7,506,951	2,257,678	5,258,975	2,246,796	5,233,627
Earnings per share attributable to shareholders	11c6	27c0	12c7	29c6				

Condensed Balance Sheet as at 31 December 2007

	Group				Company			
	2007	2007	2006	2006	2007	2007	2006	2006
	Lm	€	Lm	€	Lm	€	Lm	€
ASSETS								
Intangible assets	457,330	1,065,292	430,097	1,001,857	281,770	656,348	342,841	798,605
Property, plant and equipment	2,555,079	5,951,733	1,274,114	2,967,887	481,940	1,122,618	511,055	1,190,438
Investment property	4,689,901	10,924,531	4,364,335	10,166,166	3,314,250	7,720,126	3,143,980	7,323,503
Investment in group undertakings	-	-	-	-	10,935,996	25,474,018	9,907,363	23,077,948
Investment in associated undertakings	18,493,442	43,078,132	17,364,598	40,448,633	5,117,196	11,919,860	4,117,196	9,590,487
Other investments	73,047,458	170,154,805	69,024,665	160,784,219	21,021,848	48,967,733	22,283,858	51,907,426
Deferred income tax	1,416,913	3,300,519	1,128,795	2,629,385	-	-	-	-
Reinsurers' share of technical provisions	12,406,454	28,899,264	12,360,650	28,792,569	5,874,888	13,684,808	6,389,975	14,884,637
Deferred acquisition costs	2,995,350	6,977,289	2,204,198	5,134,400	1,106,254	2,576,879	1,053,245	2,453,401
Insurance and other receivables	8,839,861	20,591,337	7,788,125	18,141,451	3,869,235	9,012,893	4,488,841	10,456,187
Income tax receivables	16,067	37,426	294,775	686,641	-	-	-	-
Cash and cash equivalents	4,249,853	9,899,495	1,939,735	4,518,367	1,320,723	3,076,457	906,215	2,110,913
Total assets	129,167,708	300,879,823	118,174,087	275,271,575	53,324,100	124,211,740	53,144,569	123,793,545
EQUITY								
Capital and reserves attributable to shareholders	35,455,844	82,589,900	33,744,254	78,602,967	18,411,857	42,888,090	17,340,609	40,392,753
Minority interests	1,392,053	3,242,611	1,258,923	2,932,502	-	-	-	-
Total equity	36,847,897	85,832,511	35,003,177	81,535,469	18,411,857	42,888,090	17,340,609	40,392,753
LIABILITIES								
Deferred income tax	515,371	1,200,492	481,982	1,122,716	515,371	1,200,492	481,982	1,122,716
Provisions for other liabilities and charges	379,427	883,827	347,499	809,455	-	-	-	-
Technical provisions	74,646,453	173,879,462	65,388,631	152,314,538	20,948,120	48,795,993	21,037,501	49,004,195
Borrowings	7,032,311	16,380,878	7,765,899	18,089,679	7,032,311	16,380,878	7,765,899	18,089,679
Insurance and other payables	9,535,173	22,210,978	8,833,236	20,575,905	6,333,801	14,753,788	6,164,917	14,360,394
Income tax payable	211,076	491,675	353,663	823,813	82,640	192,499	353,661	823,808
Total liabilities	92,319,811	215,047,312	83,170,910	193,736,106	34,912,243	81,323,650	35,803,960	83,400,792
Total equity and liabilities	129,167,708	300,879,823	118,174,087	275,271,575	53,324,100	124,211,740	53,144,569	123,793,545

These condensed financial statements were approved by the Board on 25 April 2008 and were signed on its behalf by:

M.C. Grech
Executive Chairman

R. E. D. Chalmers
Deputy Chairman



Middlesea Insurance p.l.c.

Condensed Financial Statements for the financial year ended 31 December 2007

Condensed Statement of Changes in Equity for the financial year ended 31 December 2007 - Maltese Lira

Group	Attributable to Shareholders				Minority interests Lm	Total Lm
	Share capital Lm	Share premium account Lm	Other reserves Lm	Profit & loss account 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
Fair value losses on available-for-sale investments, net of tax	-	-	(67,486)	-	-	(67,486)
Revaluation surplus on property, plant and equipment, net of tax	-	-	57,432	-	6,395	63,827
Share of increase in value of in-force business of associated undertaking	-	-	875,000	-	-	875,000
Net gains 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 undertaking	-	-	-	-	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
Balance as at 1 January 2007	6,250,000	1,192,500	9,313,631	16,988,123	1,258,923	35,003,177
Fair value losses on available-for-sale investments, net of tax	-	-	(56,030)	-	-	(56,030)
Release on disposal of subsidiary undertaking	-	-	(5,400)	-	-	(5,400)
Net losses recognised directly in equity	-	-	(61,430)	-	-	(61,430)
Profit for the financial year	-	-	-	2,898,020	68,408	2,966,428
Total recognised (expense)/income for the financial year	-	-	(61,430)	2,898,020	68,408	2,904,998
Dividends for 2006	-	-	-	(1,125,000)	(26,339)	(1,151,339)
Increase in share capital of subsidiary undertaking	-	-	-	-	118,447	118,447
Disposal of subsidiary undertaking	-	-	-	-	(27,386)	(27,386)
Balance as at 31 December 2007	6,250,000	1,192,500	9,252,201	18,761,143	1,392,053	36,847,897

Company	Share capital Lm	Share premium account Lm	Other reserves Lm	Profit & loss account Lm	Total Lm
Balance as at 1 January 2006	6,250,000	1,192,500	143,685	8,825,114	16,411,299
Fair value losses on available-for-sale investments, net of tax	-	-	(67,486)	-	(67,486)
Net losses recognised directly in equity	-	-	(67,486)	-	(67,486)
Profit for the financial year	-	-	-	2,246,796	2,246,796
Total recognised (expense)/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
Balance as at 1 January 2007	6,250,000	1,192,500	76,199	9,821,910	17,340,609
Fair value losses on available-for-sale investments, net of tax	-	-	(56,030)	-	(56,030)
Release on disposal of subsidiary undertaking	-	-	(5,400)	-	(5,400)
Net losses recognised directly in equity	-	-	(61,430)	-	(61,430)
Profit for the financial year	-	-	-	2,257,678	2,257,678
Total recognised (expense)/income for the financial year	-	-	(61,430)	2,257,678	2,196,248
Dividends for 2006	-	-	-	(1,125,000)	(1,125,000)
Balance as at 31 December 2007	6,250,000	1,192,500	14,769	10,954,588	18,411,857



Middlesea Insurance p.l.c.

Condensed Financial Statements for the financial year ended 31 December 2007

Condensed Statement of Changes in Equity for the financial year ended 31 December 2007 - Euro

Group	Attributable to Shareholders					Total €
	Share capital €	Share premium account €	Other reserves €	Profit & loss account €	Minority interests €	
Balance as at 1 January 2006	14,558,584	2,777,778	19,680,142	35,084,186	2,414,637	74,515,327
Fair value losses on available-for-sale investments, net of tax	-	-	(157,200)	-	-	(157,200)
Revaluation surplus on property, plant and equipment, net of tax	-	-	133,780	-	14,897	148,677
Share of increase in value of in-force business of associated undertaking	-	-	2,038,201	-	-	2,038,201
Net gains recognised directly in equity	-	-	2,014,781	-	14,897	2,029,678
Profit for the financial year	-	-	-	7,399,213	107,738	7,506,951
Total recognised income for the financial year	-	-	2,014,781	7,399,213	122,635	9,536,629
Dividends for 2005	-	-	-	(2,911,717)	(115,597)	(3,027,314)
Increase in share capital of subsidiary underatking	-	-	-	-	510,827	510,827
Balance as at 31 December 2006	14,558,584	2,777,778	21,694,923	39,571,682	2,932,502	81,535,469
Balance as at 1 January 2007	14,558,584	2,777,778	21,694,923	39,571,682	2,932,502	81,535,469
Fair value losses on available-for-sale investments, net of tax	-	-	(130,514)	-	-	(130,514)
Release on disposal of subsidiary undertaking	-	-	(12,579)	-	-	(12,579)
Net losses recognised directly in equity	-	-	(143,093)	-	-	(143,093)
Profit for the financial year	-	-	-	6,750,570	159,348	6,909,918
Total recognised (expense)/income for the financial year	-	-	(143,093)	6,750,570	159,348	6,766,825
Dividends for 2006	-	-	-	(2,620,544)	(61,353)	(2,681,897)
Increase in share capital of subsidiary undertaking	-	-	-	-	275,906	275,906
Disposal of subsidiary undertaking	-	-	-	-	(63,792)	(63,792)
Balance as at 31 December 2007	14,558,584	2,777,778	21,551,830	43,701,708	3,242,611	85,832,511

Company	Share capital €	Share premium account €	Other reserves €	Profit & loss account €	Total €
	Balance as at 1 January 2006	14,558,584	2,777,778	334,695	20,556,986
Fair value losses on available-for-sale investments, net of tax	-	-	(157,200)	-	(157,200)
Net losses recognised directly in equity	-	-	(157,200)	-	(157,200)
Profit for the financial year	-	-	-	5,233,627	5,233,627
Total recognised (expense)/income for the financial year	-	-	(157,200)	5,233,627	5,076,427
Dividends for 2005	-	-	-	(2,911,717)	(2,911,717)
Balance as at 31 December 2006	14,558,584	2,777,778	177,495	22,878,896	40,392,753
Balance as at 1 January 2007	14,558,584	2,777,778	177,495	22,878,896	40,392,753
Fair value losses on available-for-sale investments, net of tax	-	-	(130,514)	-	(130,514)
Release on disposal of subsidiary undertaking	-	-	(12,579)	-	(12,579)
Net losses recognised directly in equity	-	-	(143,093)	-	(143,093)
Profit for the financial year	-	-	-	5,258,975	5,258,975
Total recognised (expense)/income for the financial year	-	-	(143,093)	5,258,975	5,115,882
Dividends for 2006	-	-	-	(2,620,545)	(2,620,545)
Balance as at 31 December 2007	14,558,584	2,777,778	34,402	25,517,326	42,888,090

Condensed Cash Flow Statement for the financial year ended 31 December 2007

	Group				Company			
	2007 Lm	2007 €	2006 Lm	2006 €	2007 Lm	2007 €	2006 Lm	2006 €
Net cash generated from operating activities	10,359,623	24,131,430	6,651,629	15,494,128	2,142,058	4,989,653	1,912,403	4,454,700
Net cash (used in)/generated from investing activities	(6,283,025)	(14,635,511)	(7,636,623)	(17,788,546)	131,038	305,236	(2,255,256)	(5,253,333)
Net cash (used in)/generated from financing activities	(1,766,480)	(4,114,791)	300,645	700,314	(1,858,588)	(4,329,345)	130,973	305,085
Increase/(decrease) in cash and cash equivalents	2,310,118	5,381,128	(684,349)	(1,594,104)	414,508	965,544	(211,880)	(493,548)
Movement in cash and cash equivalents								
At beginning of year	1,939,735	4,518,367	2,624,084	6,112,471	906,215	2,110,913	1,118,095	2,604,461
Net cash inflow/(outflow)	2,310,118	5,381,128	(684,349)	(1,594,104)	414,508	965,544	(211,880)	(493,548)
At end of year	4,249,853	9,899,495	1,939,735	4,518,367	1,320,723	3,076,457	906,215	2,110,913



Middlesea Insurance p.l.c.

Condensed Financial Statements for the financial year ended 31 December 2007

Notes to the Condensed Financial Statements for the financial year ended 31 December 2007

1. 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.
2. Basis of preparation

These condensed financial statements are being published in accordance with Section 20 of the Insurance Business Act, 1998 and with the Malta Financial Services Authority Listing rule 9.35. The Lm figures within these statements have been extracted from the Group's audited financial statements as approved by the Board on 25 April 2008.

These financial statements for the financial year ended 31 December 2007 are prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union, the Insurance Business Act, 1998 and the Companies Act, 1995.

The Euro equivalent amounts have been included at the Irrevocably Fixed Conversion Rate at Euro 1 = Lm0.4293 for information purposes only.
3. The Board of Directors recommend the payment of a final dividend of 5.5 cents per share totalling Lm1,375,000 (2006 - Lm1,125,000). This is equivalent to Euro 0.1281 per share totalling Euro 3,202,888 (2006 - Euro 2,620,545).
4. The audited financial statements of the Group for the year ended 31 December 2007 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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Notice to all shareholders:

For the purpose of section 126 of the Companies Act 1995, it is hereby notified that 23 May 2008 is the date of reference to which it will be established which shareholders will:

- a) receive notice of and will be entitled to attend and vote at the Annual General Meeting of the Company scheduled for Wednesday 25 June 2008;
- b) 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 23 May 2008.

Carlo Farrugia
Company Secretary

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 2007. 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 25 April 2008 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 6 to 78 which comprise the balance sheets as at 31 December 2007 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 2007, and of their financial performance and their 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 Companies Act, 1995."

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

25 April 2008