

## 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)
	<b>5,843,482</b>	<b>2,058,706</b>	<b>5,321,782</b>	<b>1,933,317</b>

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.