

**ATLANTIC INSURANCE COMPANY PUBLIC LIMITED**

**EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS 2005**

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**ATLANTIC INSURANCE COMPANY PUBLIC LIMITED****OFFICERS AND PROFESSIONAL ADVISERS****Board of Directors**

Emilios Pyrishis - Chairman and Managing Director  
Andreas Pyrishis - Vice Chairman  
Andreas Frangoullis  
Nikos Marathovouniotis  
George Pyrishis  
Kyriakos Toumazis  
Charalambos Alexandrou  
Nina Pyrishis

**Registered office**

15 Esperidon street  
Atlantic Building  
CY-2001 Strovolos

**Secretary**

Nikos Marathovouniotis

**Auditors**

AGN Joannides + Co Limited  
Approved Accountants  
13 Ayiou Prokopiou street  
CY-2406 Engomi,  
Lefkosia

**Legal advisers**

L. Papaphilippou & Co.

**Bankers**

Bank of Cyprus Public Limited  
Cyprus Popular Bank Public Limited  
Hellenic Bank Public Limited  
Alpha Bank Limited

**Company registration number:** 20008

**ATLANTIC INSURANCE COMPANY PUBLIC LIMITED****CHAIRMANS' STATEMENT**

It is with great pleasure and satisfaction that I communicate with the Company's shareholders on the occasion of the circulation of the financial statements of ATLANTIC for the year ended 31 December 2005.

The management and staff feel great satisfaction because we were able to fully respond to our shareholders' expectations and to fulfil all the promises we have given. The management and staff have worked with zeal and commitment and have attained the targets we had set, and in some cases to even exceed them. The comparative figures which appear in the annual report of 2005 are the strongest proof of our success.

This year, our Company's turnover has again significantly expanded, reaching £10.976.150 compared to last year's £9.472.031, showing an increase of 16%. The total profit of the Group, that is attributable to the shareholders, have impressively increased and as a result the profit after taxation reached £1.679.911 compared to last year's £1.131.360, showing an increase of 48%. This significant amelioration of profitability has been the result of our management's prudent developmental strategy, the planning but also the rational way of dealing with everyday operational issues. With this method we have managed to decrease the index of claims compared with the earned premiums from 64% to 60%, while in parallel we have increased the return from other operating income by 26%. Based on these results the Board of Directors have decided to recommend for approval at the Annual General Meeting of the Company the payment of a dividend of 2,00 cent per share.

The successful course of our Company does not cause the management to rest assured; on the contrary we perceive it as new challenge for even higher achievements. After the technological upgrade we have introduced in our operations, we have now adopted a professional and technological educational policy for our staff. In our headquarters, we have created a model educational centre named after the founder of our Company, Zenios Pyrishis. In this centre we will organise regular seminars and classes to train our staff in modern technology, as well as new Company products and modern customer service methods.

Dear Shareholders,

ATLANTIC is as strong as ever and ready to successfully take on the challenges of the new economic conditions brought about by our integrating in the European Union, and by the internal competition which is becoming more intense. I assure you that our prospects are excellent and we expect that the successful course of this Company will continue.

Emilios Pyrishis  
Chairman

## **ATLANTIC INSURANCE COMPANY PUBLIC LIMITED**

### **DIRECTORS' REPORT**

The Board of Directors of Atlantic Insurance Company Public Limited (the "Company") submits its Annual Report and the audited consolidated financial statements of the holding Company and its subsidiaries (the "Group") for the year ended 31 December 2005.

#### **Change of Name**

After the resolution that was proposed from the Board of Directors in the Extraordinary General Meeting at 25 May 2005, it was decided the change of the name from Atlantic Insurance Company Limited to Atlantic Insurance Company Public Limited.

#### **Principal activities**

The principal activities of the Group are the undertaking of insurance business of the following classes: Motor, Fire, Marine Aviation and goods in transit, employers' liability, accident and medical, credit and guarantees and miscellaneous general business, possession of land with the intention of its division into plots and their disposal, provision of financial, consultant and brokerage services. During the year there were no changes in these activities.

#### **Branches**

The Company provide insurance services through its headquarters that are located in Lefkosia and its branches that are in the cities of Larnaka, Lemesos and Pafos.

#### **Review of the development, position and results of the activities**

During the year 2005, the Group's course continued to rise and as a result the turnover of the Group for the year ended 31 December 2005 reached £10.976.150 (2004: £9.472.031) and the profit attributable to the shareholders achieved an increase of 48% arriving at £1.679.911 from £1.131.360 that was in 2004. The improvement of the results is due to the increase of the turnover of the insurance services, the improvement of the index of claims compared with the earned premiums from 64% to 60%, the increase of other operating income by 26% and the increase of the profit from the sale and revaluation of investments by 516%.

#### **Financial results**

As shown in the Consolidated Profit and Loss account, the net profit after taxation for the year ended 31 December 2005 reached £1.679.911 compared to £1.131.360 in 2004. The profit for the year will be transferred to the reserves.

#### **Dividend**

The Board of Directors decided to recommend for approval at the Annual General Meeting of the Company the payment of a dividend of 2,00 cent per share, which represents 10% on the nominal value of the share.

#### **Buildings**

Since 1 October 2003 the Company has moved to its newly built head offices at 15 Esperidon street, Strovolos. The new building occupies an area of 2 650 m<sup>2</sup> and comprises of four floors.

#### **Share Capital**

The authorised share capital of the Company amounts to £50.000.000 divided into 250.000.000 ordinary shares of £0,20 each. The issued share capital of the Company amounts to £7.821.782 divided into 39.108.912 ordinary shares of £0,20 each.

During the year there were no changes to the capital structure of the Company.

**ATLANTIC INSURANCE COMPANY PUBLIC LIMITED****DIRECTORS' REPORT (continued)****Corporate Governance**

The Company partly complies with the Code of Corporate Governance.

**Board of Directors**

The Board of Directors comprises of the members shown on page 1. All directors served on the board for the whole year of 2005. According to the articles of association of the Company Messrs Andreas Pyrishis and Kyriakos Toumazis will retire from the board and being eligible offer themselves for re-election. There will be an election for the filling in of the vacant positions.

**Auditors**

The Auditors of the Company AGN Joannides + Co Limited have expressed their willingness to continue to provide their services. Resolution that will authorise the Board of Directors to determine their remuneration will be submitted into the next Annual general meeting.

With order of Board of Directors

Emilios Pyrishis  
Chairman

Lefkosia  
10 April 2006

**ATLANTIC INSURANCE COMPANY PUBLIC LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2005

|  | 2005<br>£          | 2004<br>£          |
|--|--------------------|--------------------|
| Gross premiums                                       | 10,976,150         | 9,472,031          |
| Less:-   |                    |                    |
| Share of reinsurers' premium                         | <u>(2,937,465)</u> | <u>(2,311,360)</u> |
| Net premiums   | 8,038,685          | 7,160,671          |
| Transfer to unearned premiums                        | <u>(447,114)</u>   | <u>(183,434)</u>   |
|  | 7,591,571          | 6,977,237          |
| Add:-  |                    |                    |
| Other operating income                               | <u>1,113,151</u>   | <u>880,757</u>     |
|  | 8,704,722          | 7,857,994          |
| Less:-   |                    |                    |
| Claims payable                                       | (4,546,251)        | (4,453,383)        |
| Commissions payable                                  | (659,181)          | (522,465)          |
| Administrative expenses                              | <u>(2,163,457)</u> | <u>(1,861,164)</u> |
| Profit from operations                               | 1,335,833          | 1,020,982          |
| Profit/(Loss) on sale and revaluation of investments | 237,856            | (57,193)           |
| Profit on the revaluation of investment properties   | -                  | 56,505             |
| Net finance income                                   | <u>305,645</u>     | <u>269,609</u>     |
| <b>Profit before taxation</b>                        | 1,879,334          | 1,289,903          |
| Taxation   | <u>(200,340)</u>   | <u>(188,253)</u>   |
| <b>Profit after taxation</b>                         | 1,678,994          | 1,101,650          |
| Minority interest                                    | <u>917</u>         | <u>29,710</u>      |
| <b>Profit attributable to the shareholders</b>       | <u>1,679,911</u>   | <u>1,131,360</u>   |
| Earnings per share (cent)                            | <u>4.30</u>        | <u>2.89</u>        |

## ATLANTIC INSURANCE COMPANY PUBLIC LIMITED

## CONSOLIDATED BALANCE SHEET

as at 31 December 2005

|  | 2005<br>£                | 2004<br>£                |
|--|--------------------------|--------------------------|
| <b>Non current assets</b>                              |                          |                          |
| Tangible fixed assets                                  | 3.203.523                | 3.206.214                |
| Investment properties                                  | 975.277                  | 966.664                  |
| Intangible fixed assets                                | 300.000                  | 360.456                  |
| Investments available for sale                         | <u>1.352.275</u>         | <u>1.011.295</u>         |
|  | <u>5.831.075</u>         | <u>5.544.629</u>         |
| <b>Current assets</b>                                  |                          |                          |
| Debtors and other receivables                          | 5.626.702                | 5.172.015                |
| Investments  | 2.246.796                | 1.736.288                |
| Cash and bank balances                                 | <u>7.838.245</u>         | <u>5.920.877</u>         |
|  | <u>15.711.743</u>        | <u>12.829.180</u>        |
| <b>Total assets</b>                                    | <b><u>21.542.818</u></b> | <b><u>18.373.809</u></b> |
| <b>Capital and reserves</b>                            |                          |                          |
| Share capital  | 7.821.782                | 7.821.782                |
| Reserves   | <u>4.136.896</u>         | <u>2.796.960</u>         |
| <b>Shareholders' interest</b>                          | <u>11.958.678</u>        | <u>10.618.742</u>        |
| Minority interest                                      | <u>133.784</u>           | <u>134.701</u>           |
| <b>Non current liabilities</b>                         |                          |                          |
| Deferred taxation                                      | <u>164.138</u>           | <u>155.367</u>           |
| <b>Current liabilities</b>                             |                          |                          |
| Claims payable and provisions<br>for unearned premiums | 6.452.140                | 5.661.356                |
| Other Creditors  | <u>2.834.078</u>         | <u>1.803.643</u>         |
|  | <u>9.286.218</u>         | <u>7.464.999</u>         |
| <b>Total shareholders' interest and liabilities</b>    | <b><u>21.542.818</u></b> | <b><u>18.373.809</u></b> |

## ATLANTIC INSURANCE COMPANY PUBLIC LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' INTEREST

for the year ended 31 December 2005

|   | Share<br>capital<br>£ | Share<br>premium<br>£ | Revaluation<br>reserve<br>£ | Fair value<br>reserve<br>£ | Profit and<br>loss account<br>£ | Total<br>£ |
|---|-----------------------|-----------------------|-----------------------------|----------------------------|---------------------------------|------------|
| Balance 1 January 2004  | 7.821.782             | 1.111.127             | 397.526                     | (160.091)                  | (222.965)                       | 8.947.379  |
| Write off to the profit and loss account of the losses due to the permanent diminution in the value of shares     | -                     | -                     | -                           | 68.812                     | -                               | 68.812     |
| Profit on the revaluation of tangible fixed assets  | -                     | -                     | 592.246                     | -                          | -                               | 592.246    |
| Restated Deferred taxation due to the revaluation of immovable property   | -                     | -                     | (80.847)                    | -                          | -                               | (80.847)   |
| Transfer to the profit and loss account of the additional depreciation charge due to the revaluation of buildings | -                     | -                     | (1.635)                     | -                          | 1.635                           | -          |
| Deferred taxation on the additional depreciation charge due to the revaluation of buildings                       | -                     | -                     | 163                         | -                          | (163)                           | -          |
| Fair value losses for the year  | -                     | -                     | -                           | (40.208)                   | -                               | (40.208)   |
| Profit for the year   | -                     | -                     | -                           | -                          | 1.131.360                       | 1.131.360  |
| Balance 31 December 2004  | 7.821.782             | 1.111.127             | 907.453                     | (131.487)                  | 909.867                         | 10.618.742 |
| Restated Deferred taxation due to the revaluation of immovable property   | -                     | -                     | 3.110                       | -                          | -                               | 3.110      |
| Transfer to the profit and loss account of the additional depreciation charge due to the revaluation of buildings | -                     | -                     | (1.635)                     | -                          | 1.635                           | -          |
| Deferred taxation on the additional depreciation charge due to the revaluation of buildings                       | -                     | -                     | 163                         | -                          | (163)                           | -          |
| Fair value profits for the year   | -                     | -                     | -                           | 160.806                    | -                               | 160.806    |
| Write off losses to profit and loss account due to disposal of investments  | -                     | -                     | -                           | 11.819                     | -                               | 11.819     |
| Dividend paid   | -                     | -                     | -                           | -                          | (488.867)                       | (488.867)  |
| Restated Deferred taxation due to the revaluation of immovable property   | -                     | -                     | -                           | -                          | (26.843)                        | (26.843)   |
| Profit for the year   | -                     | -                     | -                           | -                          | 1.679.911                       | 1.679.911  |
| Balance 31 December 2005  | 7.821.782             | 1.111.127             | 909.091                     | 41.138                     | 2.075.540                       | 11.958.678 |

Profit or loss on the revaluation of investments held for sale in the medium and long terms are recognised in the reserves.

The share premium reserve, revaluation reserve and fair value reserve are not available for distribution.

As from 1 January 2003, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at the rate of 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed distribution is reduced by the actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.



**ATLANTIC INSURANCE COMPANY PUBLIC LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended 31 December 2005

|   | 2005<br>£               | 2004<br>£               |
|---|-------------------------|-------------------------|
| <b>Operating activities</b>                                   |                         |                         |
| Profit for the year before taxation                           | 1,879,334               | 1,289,903               |
| <b>Adjustments for:</b>                                       |                         |                         |
| Profit on sale of investments                                 | (85,209)                | (13,744)                |
| Profit on revaluation of investment properties                | -                       | (56,505)                |
| Loss on the revaluation of investments                        | (152,647)               | 70,937                  |
| Depreciation  | 147,526                 | 134,995                 |
| Goodwill written off  | 60,456                  | 23,801                  |
| Loss on sale of fixed assets                                  | -                       | 7,715                   |
| Interest received   | (341,399)               | (331,990)               |
| Dividends received  | (8,180)                 | (1,621)                 |
| Interest paid   | <u>30,429</u>           | <u>36,648</u>           |
| Profit from operations before changes in working capital      | 1,530,310               | 1,160,139               |
| Increase in debtors   | (454,687)               | (706,502)               |
| Increase in liabilities and provisions                        | <u>2,105,593</u>        | <u>779,983</u>          |
| <b>Cash from operations</b>                                   | <b>3,181,216</b>        | <b>1,233,620</b>        |
| Interest paid   | (30,429)                | (36,648)                |
| Taxation paid   | <u>(233,798)</u>        | <u>(92,895)</u>         |
| <b>Net cash flow from operating activities</b>                | <b><u>2,916,989</u></b> | <b><u>1,104,077</u></b> |
| <b>Investment activities</b>                                  |                         |                         |
| Purchase of investments                                       | (1,659,165)             | (1,339,611)             |
| Sale of investments   | 1,218,158               | 826,590                 |
| Purchase of fixed assets                                      | (153,448)               | (146,820)               |
| Sale of fixed assets  | -                       | 250                     |
| Interest received   | 341,399                 | 331,990                 |
| Dividend received   | <u>8,180</u>            | <u>1,621</u>            |
| <b>Net cash flow to investing activities</b>                  | <b><u>(244,876)</u></b> | <b><u>(325,980)</u></b> |
| <b>Financial activities</b>                                   |                         |                         |
| Dividend paid   | <u>(488,867)</u>        | -                       |
| <b>Net cash flow to financial activities</b>                  | <b><u>(488,867)</u></b> | <b><u>-</u></b>         |
| <b>Increase in cash and cash equivalents</b>                  | <b>2,183,246</b>        | <b>778,097</b>          |
| <b>Cash and cash equivalents at the beginning of the year</b> | <b><u>5,527,051</u></b> | <b><u>4,748,954</u></b> |
| <b>Cash and cash equivalents at the end of the year</b>       | <b><u>7,710,297</u></b> | <b><u>5,527,051</u></b> |