

ATLANTIC INSURANCE COMPANY PUBLIC LIMITED

EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS 2006

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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
Panayiotis Mallis (appointed 25th March 2007)

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
Marfin Popular Bank Public Limited
Hellenic Bank Public 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 2006.

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 have even exceeded them. The comparative figures which appear in the annual report of 2006 are the strongest proof of our success.

This year, our Company's gross premiums and policy fees continued ascendantly resulting to an increase of £11.506.411 (€19.900.400) compared to last year's £11.303.770 (€19.549.931). The total profits of the Group, that are attributable to the shareholders, have increased and as a result the profit after taxation reached £2.761.758 (€4.776.475) compared to last year's £1.679.911 (€2.905.416), showing an increase of 63%.

The profits from insurance operations, the income from investments of the Group and the essential increase of profits of our subsidiary company which is activated in stock exchange and financial operations have contributed in this important improvement of results. Particularly, this year the premiums continued their ascendant course. At the same time the index of claims compared with the earned premiums decreased from 57% to 50%, resulting to a profit increase from insurance operations from £1.335.900 (€2.310.446) in 2005, to £1.653.518 (€2.859.768), presenting an increase of 24%.

The recovery of the Cyprus Stock Exchange, the acquisition of the ATHEX remote Member market-making license from its subsidiary company Atlantic Securities Ltd and the spectacular increase of the operational volume, contributed to an increase in profit from stock exchange and financial operations presented an increase of £433.252 (€749.312), resulting to £433.547 (€749.822) compared to last year's £295 (€510).

The total profit from disposal of investments amounted in £381.136 (€659.177) compared to the corresponding period in 2005 of £85.209 (€147.370), presenting an increase of 347%.

Based on these excellent 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 3,25 cent (€0,0562) per share which represents 16,25% on the nominal value of the share.

I would like to reassure the shareholders that 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. Special effort was given to the improvement of processes of acceptance of dangers and control of claims in the medical department. We expect that as result of our efforts the output of this sector will be improved. At the same time we continue with intensive efforts in the technological upgrade of our services, as well as in the education of the personnel in the theoretical and technological sector. The various training programs were approved and subsidised by Human Resource Development Authority. The results from the operation of Training Centre ZENIOS PYRISIS proved that the initiative for its foundation was absolutely successful.

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 integration 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 2006.

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 2006, the Group's course continued to ascend and as a result the gross premiums and policy fees of the Group for the year ended 31 December 2006 reached £11,5 million (€19,9 million) compared to last year's £11,3 million (€19,5 million). As far the insurance operations, it is pointed out that premiums amounting to £768.000 (€1.328.260) were not included due to the fact that contracts were extended for 2 months and were renewed in February 2007.

The Group profit from operations increased by 56% and reached £2.086.487 (€3.608.589). The profits from insurance operations, the income from investments of the Group and the essential increase of profits of our subsidiary company which is activated in stock exchange and financial operations have contributed in this important improvement of results. Particularly the premiums continued and this year their ascendant course while the index of claims compared with the earned premiums decreased from 57% to 50%, resulting to a profit increase from insurance operations from £1.335.900 (€2.310.446) in 2005 to £1.653518 (€2.859.768) presenting an increase of 24%.

The recovery of the Cyprus Stock Exchange, the acquisition of the ATHEX remote Member market-making license from its subsidiary company Atlantic Securities Ltd and the spectacular increase of the operational volume contributed to an increase in profit from stock exchange and financial operations showing an increase of movement of £433.252 (€749.312) resulting to £433.547 (€749.822) compared to last year's £295 (€510).

The total profit from disposal of investments amounted in £381.136 (€659.177) compared to the corresponding period in 2005 of £85.209 (€147.370) presenting an increase of 347%.

From the revaluation of investments resulted a total profit of £809.713 (€1.400.403) compared £313.453 (€542.119) of the corresponding period of 2005, showing an increase of 158%. From this increase, a profit of £176.460 (€305.189) was recognised in the Profit and Loss account and concerned £80.850 (€139.830) for investments held for trading; £34.162 (€59.084) for investments available for sale; £61.448 (€106.275) for investments held in abroad, and the rest of the amount £633.253 (€1.095.214) that concerned fair value profits for investments available for sale, was recognized in the Fair Value reserve in the Balance Sheet.

Financial results

As shown in page 6, the net profit after taxation for the year ended 31 December 2006, that is attributable to the shareholders, have increased by 64% and reached £2.761.758 (€4.776.475) compared to last year's £1.679.911 (€2.905.416). 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 3,25 cent (€0,0562) per share, which represents 16,25% on the nominal value of the share.

ATLANTIC INSURANCE COMPANY PUBLIC LIMITED**DIRECTORS' REPORT (continued)****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 m² and comprises of four floors.

Based on estimation by independent approved valuers, the land and buildings of the Holding Company presented total profit of £661.118 (€1.143.407), from which the amount of £138.276 (€239.150), concerned profit from revaluation of investments properties and was recognised in the profit and loss account. The remaining balance of £522.842 (€904.258) was recognised in the revaluation reserve in the balance sheet.

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.

The Board of Directors decided to recommend for approval at the Annual General Meeting of the Company resolution which will adopt a plan for the buyback of own shares, pursuant to the provisions of the relevant Laws and Regulations.

Corporate Governance

The Company partly complies with the Code of Corporate Governance.

Post balance events

There were no any significant post balance events.

Board of Directors

The Board of Directors is consisted by the members shown on page 1. All directors served on the board for the whole year of 2006 except from Mr. Panayiotis Mallis who was appointed on 23 March 2007. According to the articles of association of the Company Messrs Andreas Frangoullis, Nikos Marathovouniotis and Panayiotis Mallis will retire from the board ,but being eligible offer themselves for re-election. There will be an election for the filling in of the vacant positions. There were no significant changes in the distribution of responsibilities or the compensation of the board of directors.

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
19 April 2007

ATLANTIC INSURANCE COMPANY PUBLIC LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	2006	2005	Additional information	
	£	£	2006	2005
			€	€
Gross premiums and policy fees	11,506,411	11,303,770	19,900,400	19,549,931
Less:-				
Share of reinsurers' premium	<u>(2,740,133)</u>	<u>(2,937,465)</u>	<u>(4,739,075)</u>	<u>(5,080,362)</u>
Net premiums	8,766,278	8,366,305	15,161,325	14,469,569
Transfer to unearned premiums	<u>(412,663)</u>	<u>(447,114)</u>	<u>(713,703)</u>	<u>(773,287)</u>
	8,353,615	7,919,191	14,447,622	13,696,282
Add:-				
Other operating income from insurance operations	471,250	499,422	815,029	863,753
Operating income from stock exchange and financial operations	<u>1,835,377</u>	<u>286,109</u>	<u>3,174,294</u>	<u>494,827</u>
	10,660,242	8,704,722	18,436,945	15,054,862
Less:-				
Claims payable	(4,143,733)	(4,546,251)	(7,166,609)	(7,862,766)
Commission payable for insurance operations	(584,898)	(540,247)	(1,011,584)	(934,360)
Commission payable for stock exchange and financial operations	(1,073,808)	(118,934)	(1,857,157)	(205,696)
Administrative expenses	<u>(2,771,316)</u>	<u>(2,163,457)</u>	<u>(4,793,006)</u>	<u>(3,741,710)</u>
Profit from operations	2,086,487	1,335,833	3,608,589	2,310,330
Profit on sale and revaluation of investments	557,596	237,856	964,366	411,374
Profit on the revaluation of investment properties	138,276	-	239,150	-
Net finance income	<u>491,369</u>	<u>305,645</u>	<u>849,825</u>	<u>528,615</u>
Profit before taxation	3,273,728	1,879,334	5,661,930	3,250,319
Taxation	<u>(309,615)</u>	<u>(200,340)</u>	<u>(535,481)</u>	<u>(346,489)</u>
Profit after taxation	2,964,113	1,678,994	5,126,449	2,903,830
Minority interest	<u>(202,355)</u>	<u>917</u>	<u>(349,974)</u>	<u>1,586</u>
Profit attributable to the shareholders	<u>2,761,758</u>	<u>1,679,911</u>	<u>4,776,475</u>	<u>2,905,416</u>
Earnings per share (cent)	<u>7.06</u>	<u>4.30</u>	<u>12.21</u>	<u>7.44</u>

ATLANTIC INSURANCE COMPANY PUBLIC LIMITED

CONSOLIDATED BALANCE SHEET

as at 31 December 2006

	2006	2005	Additional information	
	£	£	2006	2005
			€	€
Non current assets				
Tangible fixed assets	3.602.985	3.203.523	6.231.382	5.540.511
Investment properties	1.113.553	975.277	1.925.896	1.686.747
Intangible fixed assets	-	300.000		518.852
Investments available for sale	<u>2.333.192</u>	<u>1.352.275</u>	<u>4.035.269</u>	<u>2.338.767</u>
	<u>7.049.730</u>	<u>5.831.075</u>	<u>12.192.547</u>	<u>10.084.877</u>
Current assets				
Debtors and other receivables	6.195.266	5.626.702	10.714.746	9.731.412
Investments	2.283.133	2.246.796	3.948.691	3.885.846
Cash and bank balances	<u>12.801.178</u>	<u>7.838.245</u>	<u>22.139.706</u>	<u>13.556.287</u>
	<u>21.279.577</u>	<u>15.711.743</u>	<u>36.803.143</u>	<u>27.173.545</u>
Total assets	<u>28.329.307</u>	<u>21.542.818</u>	<u>48.995.690</u>	<u>37.258.422</u>
Capital and reserves				
Share capital	7.821.782	7.821.782	13.527.814	13.527.814
Reserves	<u>7.089.341</u>	<u>4.136.896</u>	<u>12.261.054</u>	<u>7.154.784</u>
	<u>14.911.123</u>	<u>11.958.678</u>	<u>25.788.868</u>	<u>20.682.598</u>
Shareholders' interest	<u>295.892</u>	<u>133.784</u>	<u>511.747</u>	<u>231.381</u>
Non current liabilities				
Deferred taxation	<u>255.510</u>	<u>164.138</u>	<u>441.906</u>	<u>283.878</u>
Current liabilities				
Claims payable and provisions for unearned premiums	7.069.817	6.452.140	12.227.287	11.159.011
Other Liabilities	<u>5.796.965</u>	<u>2.834.078</u>	<u>10.025.882</u>	<u>4.901.554</u>
	<u>12.866.782</u>	<u>9.286.218</u>	<u>22.253.169</u>	<u>16.060.565</u>
Total shareholders' interest and liabilities	<u>28.329.307</u>	<u>21.542.818</u>	<u>48.995.690</u>	<u>37.258.422</u>

ATLANTIC INSURANCE COMPANY PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' INTEREST

for the year ended 31 December 2006

	Share capital £	Share premium £	Revaluation reserve £	Fair value reserve £	Profit and loss account £	Total £
Balance 1 January 2005	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)
Special contribution for defence on deemed dividend distribution	-	-	-	-	(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 due to the revaluation of immovable property	-	-	522,842	-	-	522,842
Restated Deferred taxation due to the revaluation of immovable property	-	-	(85,828)	-	-	(85,828)
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)	-
Write off losses due to previous years revaluation of immovable property that were disposed during the year	-	-	(33,085)	-	-	(33,085)
Write off losses to profit and loss account due to disposal of investments	-	-	-	(34,162)	-	(34,162)
Fair value profits for the year	-	-	-	633,253	-	633,253
Dividend paid	-	-	-	-	(782,178)	(782,178)
Special contribution for defence on deemed dividend distribution	-	-	-	-	(30,155)	(30,155)
Profit for the year	-	-	-	-	2,761,758	2,761,758
Balance 31 December 2006	7,821,782	1,111,127	1,311,548	640,229	4,026,437	14,911,123

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.

ATLANTIC INSURANCE COMPANY PUBLIC LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

			Additional information	
	2006	2005	2006	2005
	£	£	€	€
Operating activities				
Profit for the year before taxation	3,273,728	1,879,334	5,661,930	3,250,319
Adjustments for:				
Profit on sale of investments	(381,136)	(85,209)	(659,177)	(147,370)
Profit on revaluation of investment properties	(138,276)	-	(239,150)	-
Profit on the revaluation of investments	(176,460)	(152,647)	(305,189)	(264,004)
Depreciation	148,312	147,526	256,506	255,148
Goodwill written off	300,000	60,456	518,852	104,559
Loss on sale of fixed assets	30,443	-	52,651	-
Interest received	(442,329)	(341,399)	(765,010)	(590,452)
Dividends received	(29,331)	(8,180)	(50,728)	(14,148)
Interest paid	<u>23,183</u>	<u>30,429</u>	<u>40,095</u>	<u>52,628</u>
Profit from operations before changes in working capital	2,608,134	1,530,310	4,510,780	2,646,680
Increase in debtors and other receivables	(568,564)	(454,687)	(983,334)	(786,384)
Increase in liabilities and provisions	<u>3,491,482</u>	<u>2,132,436</u>	<u>6,038,537</u>	<u>3,688,060</u>
Cash from operations	5,531,052	3,208,059	9,565,983	5,548,356
Interest paid	(23,183)	(30,429)	(40,095)	(52,628)
Special contribution for defence on deemed dividend distribution	(30,155)	(26,843)	(52,154)	(46,426)
Taxation paid	<u>(288,946)</u>	<u>(233,798)</u>	<u>(499,734)</u>	<u>(404,355)</u>
Net cash flow from operating activities	<u>5,188,768</u>	<u>2,916,989</u>	<u>8,974,000</u>	<u>5,044,947</u>
Investment activities				
Purchase of investments	(3,317,830)	(1,659,165)	(5,738,205)	(2,869,535)
Purchase of investments in subsidiary companies	(40,250)	-	(69,613)	-
Sale of investments	3,457,262	1,218,158	5,979,354	2,106,811
Purchase of fixed assets	(110,006)	(144,835)	(190,256)	(250,493)
Purchase of investment properties	-	(8,613)	-	(14,897)
Receipts from sale of fixed assets	21,546	-	37,265	-
Interest received	442,329	341,399	765,010	590,452
Dividend received	<u>29,331</u>	<u>8,180</u>	<u>50,728</u>	<u>14,148</u>
Net cash flow to investing activities	<u>482,382</u>	<u>(244,876)</u>	<u>834,283</u>	<u>(423,514)</u>
Financial activities				
Dividend paid	<u>(782,178)</u>	<u>(488,867)</u>	<u>(1,352,781)</u>	<u>(845,499)</u>
Net cash flow to financial activities	<u>(782,178)</u>	<u>(488,867)</u>	<u>(1,352,781)</u>	<u>(845,499)</u>
Increase in cash and cash equivalents	4,888,972	2,183,246	8,455,502	3,775,934
Cash and cash equivalents at the beginning of the year	<u>7,710,297</u>	<u>5,527,051</u>	<u>13,335,000</u>	<u>9,559,065</u>
Cash and cash equivalents at the end of the year	<u>12,599,269</u>	<u>7,710,297</u>	<u>21,790,502</u>	<u>13,334,999</u>