

**ATLANTIC INSURANCE COMPANY LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2002

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**ATLANTIC INSURANCE COMPANY LIMITED****OFFICERS AND PROFESSIONAL ADVISERS****Directors**

Zenios Pyrishis - Chairman  
Andreas Pyrishis - Vice Chairman  
Emilios Pyrishis - Managing Director  
Andreas Frangoullis  
Nicos Marathovouniotis  
George Pyrishis  
Loukis Loukaides (died on 13/12/2002)  
Polis Malloupas  
Kyriacos Toumazis

**Secretary**

Nicos Marathovouniotis

**Legal Advisors**

L. Papaphillipou & Co

**Auditors**

L. Joannides & Co

**Bankers**

Bank of Cyprus Limited  
Cyprus Popular Bank Limited  
Hellenic Bank Limited  
Arab Bank Plc  
Alpha Bank Limited

**Registered Office**

37 Prodromou Avenue  
1090 Nicosia

**ATLANTIC INSURANCE COMPANY LIMITED****DIRECTORS' REPORT**

The directors present to the shareholders their report and the audited consolidated financial statements for the year ended 31 December 2002.

**Principal activities**

The principal activities of the group is the undertaking of insurance business of the following classes: Motor, Fire, Marine Aviation and transit, employers liability, accident and miscellaneous and also the provision of financial, consultancy and stockbroker services.

**Results**

The results for the year are shown in the Consolidated Profit and Loss account on page 5.

**Code of Corporate Governance**

The Board of directors considers that the adoption of the code of the Corporate Governance a necessity for every company, particularly those listed on the Stock Exchange. The proper implementation of the Corporate Governance code serves and safeguards in the best possible manner the interests of the investors as well as those of the company.

As a result, the Board of Directors decided to implement the principles of the code of Corporate Governance in stages. The intention of the Company is to implement certain provisions of the code in the current year. Already, steps are being taken to improve the infrastructure in a way that will allow the effective implementation of the main provision of the code.

**Directors**

The present membership of the Board is set out on page 1. All directors served on the board for the whole year. Mr Loukis Loukaides, director of the Company since 1999, died on 13 December 2002. According to the articles of association of the company Messrs Andreas Pyrishis, Polis Mallouppas 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 L. Joannides & Co have expressed their willingness to continue in office. A resolution giving authority to the directors to fix their remuneration will be submitted to the Annual General meeting.

Zenios Pyrishis  
Chairman

24 April 2003

**AUDITORS' REPORT TO THE MEMBERS OF  
ATLANTIC INSURANCE COMPANY LIMITED**

We have audited the financial statements on pages 4 to 26 and have obtained all the information and explanations we considered necessary. These financial statements are the responsibility of the Company's directors. 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. These 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 proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of Atlantic Insurance Company Limited and of the group at 31 December 2002 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Law, Cap. 113.

L. Joannides & Co  
Certified Public Accountants (Cy)  
Nicosia

Nicosia, 24 April 2003

**ATLANTIC INSURANCE COMPANY LIMITED**

**CONSOLIDATED GENERAL INSURANCE ACCOUNT**

For the year ended 31 December 2002

	Note	2002 £	2001 £
Gross insurance premiums		6,342,449	5,197,769
Commissions receivable		191,013	166,923
Policy fees		<u>94,574</u>	<u>80,122</u>
		6,628,036	5,444,814
Less:-			
Share of reinsurers' premium		<u>(822,460)</u>	<u>(617,550)</u>
Net insurance premiums		5,805,576	4,827,264
Transfer to unearned premiums		<u>(469,576)</u>	<u>(249,832)</u>
		5,336,000	4,577,432
Add:-			
Other income	3	<u>417,983</u>	<u>479,495</u>
		5,753,983	5,056,927
Less:-			
Claims payable		(3,214,065)	(2,691,230)
Commissions payable		(363,533)	(283,402)
Administrative expenses		(1,359,100)	(1,192,283)
Finance costs		<u>(35,968)</u>	<u>(32,882)</u>
Surplus of income transferred to the profit and loss account		<u>781,317</u>	<u>857,130</u>

The notes on pages 9 to 26 form an integral part of the financial statements.

## ATLANTIC INSURANCE COMPANY LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2002

	Note	2002 £	2001 £
Transfer from the general insurance account		781,317	857,130
Provision for bad and doubtful debts		(93,620)	(30,992)
Share of profit from hire risk pool	4	<u>28,475</u>	<u>36,231</u>
<b>Profit from operations</b>	5	716,172	862,369
<b>Loss from the sale and revaluation of investments</b>		<u>(516,311)</u>	<u>(492,810)</u>
<b>Profit before taxation</b>		199,861	369,559
Taxation	6	<u>(173,819)</u>	<u>(180,275)</u>
<b>Profit after taxation</b>		26,042	189,284
Minority interest		<u>29,342</u>	<u>17,652</u>
Profit attributed to company's shareholders	16b	<u>55,384</u>	<u>206,936</u>
Earnings per share (cent)	7	<u>0.14</u>	<u>0.53</u>

**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

	2002 £	2001 £
Revaluation of land and buildings	-	410,777
Decrease (increase) of deferred taxation on revaluation	<u>84,338</u>	<u>(101,347)</u>
	84,338	309,430
Profit for the year after taxation	<u>55,384</u>	<u>206,936</u>
Total recognised gains	<u>139,722</u>	<u>516,366</u>

The notes on pages 9 to 26 form an integral part of the financial statements.

## ATLANTIC INSURANCE COMPANY LIMITED

## CONSOLIDATED BALANCE SHEET

as at 31 December 2002

	Note	2002 £	2001 £
<b>Non-current assets</b>			
Tangible fixed assets	9	3,159,926	2,472,989
Intangible fixed assets	10	474,921	499,916
Investments available for sale	11	<u>762,013</u>	<u>1,051,057</u>
		<u>4,396,860</u>	<u>4,023,962</u>
<b>Current assets</b>			
Trade and other receivables	12	4,205,911	3,389,409
Investments	13	3,212,031	3,022,249
Cash and bank balances	14	<u>1,791,700</u>	<u>2,533,469</u>
		<u>9,209,642</u>	<u>8,945,127</u>
<b>Total assets</b>		<b><u>13,606,502</u></b>	<b><u>12,969,089</u></b>
<b>Capital and reserves</b>			
Issued capital	15	7,821,782	7,821,782
Reserves	16	<u>420,657</u>	<u>(7,951)</u>
<b>Shareholders' interest</b>		<b><u>8,242,439</u></b>	<b><u>7,813,831</u></b>
Minority interest		<u>190,506</u>	<u>219,848</u>
<b>Non-current liabilities</b>			
Deferred taxation	17	<u>85,077</u>	<u>177,565</u>
<b>Current liabilities</b>			
Outstanding claims and provisions for unearned premiums	18(a)	3,946,273	3,175,424
Other amounts payable	18(b)	<u>1,142,207</u>	<u>1,582,421</u>
<b>Total current liabilities</b>		<b><u>5,088,480</u></b>	<b><u>4,757,845</u></b>
<b>Total equity and liabilities</b>		<b><u>13,606,502</u></b>	<b><u>12,969,089</u></b>

The financial statements on pages 4 to 26 were approved by the Board of Directors on 24<sup>th</sup> April 2003 and were signed by:-

Zenios Pyrishis	– Chairman
Emilios Pyrishis	– Managing Director
Andreas Frangoullis	– Sales Director
Nicos Marathovouniotis	– Financial Director/Secretary

The notes on pages 9 to 26 form an integral part of the financial statements.

**ATLANTIC INSURANCE COMPANY LIMITED**
**HOLDING COMPANY BALANCE SHEET**

as at 31 December 2002

	Note	2002 £	2001 £
<b>Non-current assets</b>			
Investments in subsidiary companies	8	896,626	896,626
Tangible fixed assets	9	2,742,613	2,073,375
Intangible fixed assets	10	202,931	213,611
Investments available for sale	11	<u>762,013</u>	<u>1,051,057</u>
		<u>4,604,183</u>	<u>4,234,669</u>
<b>Current Assets</b>			
Trade and other receivables	12	4,258,005	3,426,894
Investments	13	3,212,031	3,002,249
Cash and bank balances	14	<u>1,337,887</u>	<u>2,094,878</u>
		<u>8,807,923</u>	<u>8,524,021</u>
<b>Total assets</b>		<b><u>13,412,106</u></b>	<b><u>12,758,690</u></b>
<b>Capital and reserves</b>			
Issued capital	15	7,821,782	7,821,782
Reserves	16	<u>559,263</u>	<u>143,816</u>
<b>Shareholders' interest</b>		<u>8,381,045</u>	<u>7,965,598</u>
<b>Non-current liabilities</b>			
Deferred taxation	17	<u>85,873</u>	<u>178,361</u>
<b>Current liabilities</b>			
Outstanding claims and provisions for unearned premiums	18(a)	3,946,273	3,175,424
Other amounts payable	18(b)	<u>998,915</u>	<u>1,439,307</u>
<b>Total current liabilities</b>		<u>4,945,188</u>	<u>4,614,731</u>
<b>Total equity and liabilities</b>		<b><u>13,412,106</u></b>	<b><u>12,758,690</u></b>

The financial statements on pages 4 to 26 were approved by the Board of Directors on 24<sup>th</sup> April 2003 and were signed by:-

Zenios Pyrishis	– Chairman
Emilios Pyrishis	– Managing Director
Andreas Frangoullis	– Sales Director
Nicos Marathovouniotis	– Financial Director/Secretary

The notes on pages 9 to 26 form an integral part of the financial statements.

## ATLANTIC INSURANCE COMPANY LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2002

	Note	2002 £	2001 £
<b>Operating activities</b>			
Profit for the year before taxation		199,861	369,559
<b>Adjustments for:</b>			
Loss on the sale of investments		(164,596)	105,366
Loss from the revaluation of investments		680,907	387,444
Depreciation		90,504	63,154
Write off of goodwill		24,995	26,518
Profit on the sale of fixed assets		(200)	(60,983)
Income from investments		(320,481)	(384,480)
Interest paid		<u>35,968</u>	<u>32,882</u>
Profit from operations before the working capital changes		546,958	539,460
Increase in debtors		(823,302)	(687,751)
Increase in amounts payable and provisions		<u>721,854</u>	<u>555,819</u>
<b>Cash from operations</b>		<b>445,510</b>	<b>407,528</b>
Interest paid		(35,968)	(32,882)
Taxation paid		<u>(335,449)</u>	<u>(264,535)</u>
<b>Net cash flow from operating activities</b>		<b><u>74,093</u></b>	<b><u>110,111</u></b>
<b>Investing activities</b>			
Purchase of subsidiary companies		-	262,500
Purchase of investments		(1,070,397)	(280,393)
Sale of investments		942,234	906,392
Purchase of fixed assets		(778,641)	(1,135,775)
Purchase of goodwill		-	(224,223)
Sale of fixed assets		1,400	185,983
Interest received		305,577	364,025
Dividends received		<u>14,904</u>	<u>20,455</u>
<b>Net cash flow from (used in) investing activities</b>		<b><u>(584,923)</u></b>	<b><u>98,964</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>(510,830)</b>	<b>209,075</b>
<b>Cash and cash equivalents at the beginning of the year</b>	14	<b><u>2,187,191</u></b>	<b><u>1,978,116</u></b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>1,676,361</u></b>	<b><u>2,187,191</u></b>

**ATLANTIC INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****1. Incorporation and principal activity**

The company was incorporated in Cyprus on 19 July 1983 as a private limited company in accordance with the provisions of the companies' law cap 113. The principal activity of the company is the undertaking of general insurance business. The company was converted into a public company on 14 January 2000 in accordance with the Companies law Cap 113 and was listed on the Cyprus Stock Exchange on 23 October 2000. On 21 January 2003 the shares of the company were deposited with the Central Registry and Central Depository and the keeping of the register of members was taken over by the Cyprus Stock Exchange.

The company is 100% owner of the companies Marbella Estates Limited, Lyssi Investments Limited and Lion Insurance Agency Limited and 52.5% owner of the company Atlantic Financial Services Limited.

Marbella Estates Limited owned a plot of land at Ayioi Trimithias with the intention to divide it into building plots for sale. This land was sold in 2003. It has not carried out any other activities during the year.

Lyssi Investments Limited deals with the renting of 'Z' cars and investments in shares. The company was not engaged in any activities related to investments.

Lion Insurance Agency Limited is a general insurance agent.

Atlantic Financial Services Limited and its subsidiary company Atlantic Securities Limited provide financial, consultancy and stockbroker services.

**2. Principal accounting policies***Basis of preparation*

The financial statements are expressed in Cyprus pounds and have been prepared using the historical cost convention, as modified to include the revaluation of land, buildings and investments.

The financial statements have been prepared in accordance with the provisions of the Cyprus Companies law cap 113, the Cyprus Stock Exchange Laws and the International Accounting Standards.

*Basis of consolidation*

The consolidated financial statements of the group incorporate the financial statements of the company and the financial statements of the subsidiary companies mentioned above. Intra-group transactions are eliminated upon consolidation.

*Basis of calculation of the results*

The profits (losses) of the company are calculated after taking into consideration unearned premiums and claims payable. Insurance premiums and claims are calculated after taking into consideration payments or recoveries with regard to reinsurers.

The unearned premiums are derived by taking the portion of the insurance premiums during the year and those that relate to risk periods from 1 January of the following year until the expiry date of the contracts. The provision for unearned premiums is calculated using the twenty-four month basis method on the premiums of the year (less commissions payable) which represents a calculation on a fifteen-day prorata basis

*Recognition of other income*

From 1 January 2001 the company adopted the International Accounting Standard (IAS) 39. Profits or losses from the sale or revaluation of investments held for trading are recognized in the profit and loss account in the year when earned or incurred respectively. Profits or losses from the revaluation of investments available for sale are recognized in the reserve account in the balance sheet, in the year they are earned or incurred.

Dividends from shares are recognized on a receipt basis.

All other income is recognized on an accruals basis.

## 2. Principal accounting policies (*continued*)

### *Foreign currencies*

Monetary assets and liabilities arising in foreign currencies are converted into Cyprus pounds at the rates of exchange ruling at the balance sheet date. Trading transactions in foreign currencies are converted into Cyprus pounds at the rates of exchange ruling at the dates when they occur. Profits and losses on exchange are dealt with in the profit and loss account.

### *Claims*

Full provision is made for all known outstanding claims as at the balance sheet date based on information to the best of the company's knowledge. An additional provision for motor insurance is made for claims incurred but not reported to the company at the balance sheet date (IBNR) being 4% of net motor premium. For the other insurance business no additional provision is made (IBNR) because amounts are covered to a large degree by the reinsurers.

### *Investments in subsidiary companies*

Investments in subsidiary companies are stated in the balance sheet at cost as modified to show the revalued amounts where the values of the investments have permanently changed.

### *Other investments*

Investments in shares and loan stock of public companies and government securities are stated at their mid market value which is arrived at using the market prices published by the Cyprus Stock Exchange as at the year end. From 1 January 2001 the company adopted the International Accounting Standard 39. Profits or losses from the sale or revaluation of investments held for trading are recognized in the profit and loss account in the year when earned or incurred respectively. The profit or loss from the revaluation of investments available for sale are recognized in the reserve account in the balance sheet in the year in which it is earned or incurred respectively. When these investments are sold or if there is a permanent diminution in their value then the relevant adjustments are made through the profit and loss account for the year.

Investments in private companies are stated at cost.

### *Debtors and other receivables*

Debtors and other receivables are shown after providing for all doubtful debts.

### *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand and at bank and bank overdrafts.

### *Taxation*

Corporation tax and defence tax are calculated on the taxable profit using the current tax rates.

### *Deferred taxation*

Provision is made for deferred taxation using the rates of tax at the year-end taking into consideration all the temporary differences between the accounting value of assets and liabilities and the corresponding tax base in accordance with the International Accounting Standard 12 (revised).

Deferred tax is recognized in the profit and loss account in cases where the accounting treatment of income and expenditure is different from their tax treatment. In cases where deferred tax arises due to the revaluation of fixed assets it is recognized in the relevant reserve.

Debit balances of deferred tax are recognized only if substantial profits are expected in the near future for their utilization.

### *Employee retirement schemes*

There is no standard policy as far as employee retirement schemes are concerned apart from a provident fund scheme. This scheme involves defined and predetermined contributions where the company contributes a percentage of 5.5% on the gross salary of each employee. The amount of this contribution is shown in the profit and loss account.

### *Car hire risk pool*

The share of profit of the company resulting from its car hire risk pool activities is transferred to the profit and loss account on an accruals basis and also based on the annual audited accounts of the car hire risk pool.

## 2. Principal accounting policies *(continued)*

### *Expenses*

Commissions payable and other expenses are written off directly to the profit and loss account as incurred.

### *Fixed assets and depreciation of fixed assets*

Fixed assets are stated at cost less accumulated depreciation except land and buildings, which are shown at a revalued amount less accumulated depreciation. Independent valuers base this revalued amount on valuation reports and the surplus on revaluation is transferred to the relevant reserve that has been created specifically for this purpose. Depreciation is calculated to write off the book value or the revalued amount of the assets less the residual value on a straight line basis over the expected useful lives of the assets concerned. The additional annual depreciation that arises due to revaluation of the buildings is transferred from the relevant reserve to the profit and loss account reserve.

The annual depreciation rates are as follows:

	%
Freehold buildings	3
Motor vehicles	20
Furniture and equipment	10
Computers	20
Goodwill	5

Freehold land is not depreciated.

### *Goodwill*

Purchased goodwill is stated in the financial statements as an intangible fixed asset and is depreciated on a straight line basis over its expected useful life.

### *Revaluation reserve of land and buildings*

Surplus from the revaluation of land and buildings is credited in the revaluation reserve account. In cases where, after the revaluation, the charge for depreciation increases, then an amount equal to this increase, after subtracting deferred taxation, is transferred every year from this reserve to the profit and loss account reserve. In cases where the revalued land or buildings are sold any balance on the relevant revaluation reserve of these land and buildings is transferred to the profit and loss account reserve.

### *Expenditure and repairs of fixed assets*

Expenditure for repairs and maintenance are debited to the profit and loss account for the year in which they are incurred. Expenditure on substantial improvements and renewals of fixed assets are capitalized when it is believed that they have more future financial benefits for the company than those originally calculated.

### *Financial expenses*

Financial expenses are debited to the profit and loss account in the year they are incurred.

### *Comparative figures*

Where necessary, the comparative figures were adjusted in order to comply with the changes in the presentation of the current year.

## 2. Principal accounting policies (continued)

### Segmental analysis

The activities of the group have been analysed in the following main sectors: general insurance business, financial consultancy and stockbroker services and development of land:

<b>For the year ended 31 December 2002</b>	General insurance business £	Financial, consultancy and stockbroker services £	Development of land £	Total £
Turnover / other income	6,951,790	122,704	-	7,074,494
Profit (loss) from operations	776,331	(59,531)	(628)	716,172
Total assets	12,547,677	738,408	320,417	13,606,502
Total liabilities	5,039,074	131,283	3,200	5,173,557
Purchases of fixed assets				
- Tangible fixed assets	732,777	16,717	29,147	778,641
Depreciation of fixed assets				
- Tangible fixed assets	72,524	17,980	-	90,504
- Intangible fixed assets	24,995	-	-	24,995
<b>For the year ended 31 December 2001</b>	£	£	£	£
Turnover / other income	5,847,743	46,914	65,883	5,960,540
Profit (loss) from operations	838,490	(37,531)	61,410	862,369
Total assets	12,043,134	634,685	291,270	12,969,089
Total liabilities	4,811,017	51,293	73,100	4,935,410
Purchases of fixed assets				
- Tangible fixed assets	756,209	88,296	291,270	1,135,775
- Intangible fixed assets	224,223	-	-	224,223
Depreciation of fixed assets				
- Tangible fixed assets	56,139	7,015	-	63,154
- Intangible fixed assets	26,518	-	-	26,518

There is no need for analysis by geographical segment as all activities are carried out in Cyprus.

## 3. Other income

	2002 £	2001 £
<b>Income from investments</b>		
Dividends received	14,904	20,455
Interest received	<u>305,577</u>	<u>364,025</u>
	<u>320,481</u>	<u>384,480</u>
<b>Other</b>		
Sundry income	97,302	34,032
Profit on sale of fixed assets	<u>200</u>	<u>60,983</u>
	<u>97,502</u>	<u>95,015</u>
Total other income	<u>417,983</u>	<u>479,495</u>

## 4. Profit from car hire risk pool

The participation of the company in the car hire risk pool is obligatory for all insurance companies dealing with motor vehicle insurance schemes. The share of the company in the profits and losses of the car hire risk pool is based upon the ratio of the amount of motor premium of the company to that of all the companies participating in the car hire risk pool. The share of the company in the car hire risk pool for the year ended 31 December 2002 amounts to £28,475 (2001 £36,231).

## 5. Profit from operations

	2002	2001
	£	£
Profit from operations is shown after subtracting the following:		
Directors remuneration	207,334	183,475
Salaries and wages	608,223	533,928
Contributions to the provident fund		
- for the directors	2,742	2,536
- for the employees	21,374	19,712
Depreciation of fixed assets	90,504	63,154
Goodwill written off	24,995	26,518
Auditors remuneration	16,322	17,080
Commissions payable	363,533	283,402

## 6. Taxation

Taxation for the year is calculated on the profit for the year as adjusted for tax purposes and is analysed below:

	2002	2001
	£	£
Corporation tax	97,498	96,698
Special contribution for defence - current year	43,802	24,526
- prior year	64	-
Capital gains tax	-	27,222
Interest on late payments	31,111	39,269
Stock exchange transaction levy	1,090	1,813
Withholding tax on dividends – current year	<u>1,604</u>	<u>-</u>
	175,169	189,528
Withholding tax on dividends – prior years	6,800	-
Deferred taxation	<u>(8,150)</u>	<u>(9,253)</u>
Charge for the year	<u>173,819</u>	<u>180,275</u>

The reconciliation between the taxation charge and the taxation arrived at using the current tax rates applied on the accounting profit is as follows:

	2002	2001
	£	£
<b>Accounting profit</b>	<u>199,861</u>	<u>369,559</u>
Taxation in accordance with the current tax rates (20% or 25% corporation tax and 3% defence contribution)	53,961	101,477
Tax effect of expenses that are not deductible for taxation purposes	42,735	24,305
Tax effect of income that is not taxable	(33,360)	(20,802)
Tax effect of the loss from the sale and revaluation of investments	161,927	137,987
Tax effect of the allowances for the purchase of first issue shares	-	(26,246)
Tax effect of capital and investment allowances	(23,031)	(19,764)
Tax effect of other deductions and additions	5,364	7,470
Tax effect of increase in the defence contribution rate on interest receivable	15,121	-
Tax effect of subsidiary company losses carried forward	<u>14,973</u>	<u>11,690</u>
	237,690	216,117
Tax saving on reduced corporation tax rates	<u>(96,390)</u>	<u>(94,893)</u>
	141,300	121,224
Special contribution for defence – prior years	64	-
Capital gains tax	-	27,222
Stock exchange transaction levy	1,090	1,813
Interest on late payments	31,111	39,269
Withholding tax on dividends – current year	<u>1,604</u>	<u>-</u>
	175,169	189,528
Withholding tax on dividends – prior years	6,800	-
Deferred taxation	<u>(8,150)</u>	<u>(9,253)</u>
	<u>173,819</u>	<u>180,275</u>

## 6. Taxation (continued)

The companies of the group were subject up to 31 December 2002 to corporation tax at the rate of 20% on the first £40,000 of their taxable income and 25% on the balance. According to the amendments made to the Cyprus Income Tax Law on 10 July 1998, the holding company was taxed for the years 2001 and 2002 at reduced corporation tax rates equal to one half of the normal rates, that is at the rate of 10% for taxable income up to 40% and at the rate of 12,5% for taxable income in excess of £40,000. The reduced tax rates are not applicable to the subsidiary companies. The tax saving from the application of the reduced tax rates cannot exceed C£100,000 every tax year.

The tax saving from the application of the reduced rates cannot exceed £100,000 in any tax year.

In accordance with the provisions of the Income Tax Law as amended on 15<sup>th</sup> July 2002 the above provision is cancelled, effective 1 January 2003. As of this date the corporation tax rate is reduced to 10%. On taxable profits in excess of £1,000,000 an additional tax of 5% is imposed for the years 2003 and 2004. The Law also provides for deemed distribution of profits. Group companies will be deemed to distribute by way of dividend 70% of their accounting profit (after taxation) of each year that is attributed to shareholders that are taxable and are resident in Cyprus. The deemed distribution relates to profits made after 1 January 2003 and is applied two years after the end of the year to which the profits relate. The amount of the deemed distribution is reduced by the amount of dividends actually paid (out of the profits of the year in question) during the period up to the date on which the deemed distribution is applied.

Additionally, group companies are subject to special contribution for defence. The applicable rate on profits, dividends and interest receivable during the period from 1 January to 30 June 2002 was 3% (2001: 3%). For the period from 1 July to 31 December 2002 the applicable rate on profits and dividends receivable was 3% (2001: 3%) and on interest receivable was 10% (2001 3%). The rate of 10% on interest receivable will continue to apply after 31 December 2002.

From 1 January 2000 the profits from the sale of shares of companies listed in the Cyprus Stock Exchange are not subject to corporation tax. Based on the new legislation a transaction levy of 1% is imposed on the proceeds from the sale of shares.

For tax purposes, in cases where there are losses the companies of the group can carry forward and set off these losses with the profits of the next five years following the year in which they are incurred, paying additional tax of 10% on the amount of the loss used each year. As at 31 December 2001 and 31 December 2000 the holding company did not have any taxable losses to be carried forward. The losses of the subsidiary companies carried forward amount to C£60,712 (2000 – zero).

Based on the provisions of the new tax legislation, effective from 1 January 2003, the tax withheld on dividends will not be available for set-off. As a result an amount of £8,404 was written off to the profit and loss account of the year.

In cases of tax losses, the companies of the Group have the right to carry these forward in order to set them off against profits of future years. On 31 December 2002 and 31 December 2001 the holding company did not bring forward any tax losses. The tax losses of the subsidiary companies brought forward amounted to £135,582 (2001 – £60,712).

The group (adopting a conservative policy) has made a provision for the transaction fee of 1% on the revalued amount of investments in shares of listed companies and a provision for corporation tax of 10% on the surplus on revaluation investments in overseas equity funds. Due to the reduction of the value of the investments as at 31 December 2002 and the reduction on the corporation tax rate, the provision for deferred taxation is reduced as shown below:

	2002 £	2001 £
<b>Deferred taxation</b>		
The provision for deferred taxation is analysed as follows:		
Effect of the temporary differences between depreciation and capital allowances	2,590	(567)
Provision in relation to the revaluation of investments	(10,740)	(7,890)
Effect of taxable losses of subsidiary companies carried forward	-	(796)
	<u>(8,150)</u>	<u>(9,253)</u>

## 7. Earnings per share

Profit attributed to company's shareholders	55,384	206,936
Weighted average number of shares in issue during the year	39,108,912	39,108,912
Earnings per share (cents)	<u>0.14</u>	<u>0.53</u>

The basic earnings per share for the years 2002 and 2001 were calculated using the weighted average number of shares that were in issue during the above-mentioned years. Diluted profit per share is not applicable for 2002 since the exercise price of the warrants was higher than the mid market value of the share during the year.

**8. Investments in subsidiary companies**

	2002 £	2001 £
Balance 1 January	896,626	634,126
Additions during the year:		
Amount paid for the setting up of Atlantic Financial Services Limited and purchase of shares	<u>-</u>	<u>262,500</u>
Balance 31 December	<u>896,626</u>	<u>896,626</u>

There were no additions during 2002. In 2001 the company set up and acquired 52.5% shareholding in Atlantic Financial Services Limited. No goodwill resulted from this transaction.

The subsidiary company of Atlantic Financial Services Limited, Atlantic Securities Limited became member of the Cyprus Stock Exchange on 31 August 2001, the date on which it commenced trading.

The subsidiary companies are limited liability private companies, registered in Cyprus and are as follows:

Company	Main activities	Shareholding %	2002 £	2001 £
Marbella Estates Ltd	Property development	100	121,672	121,672
Lyssi Investments Ltd	Car rental	100	50,000	50,000
Lion Insurance Agency Ltd	General insurance agency	100	462,454	462,454
Atlantic Financial Services Ltd	Financial and stock brokerage services	52.5	<u>262,500</u>	<u>262,500</u>
			<u>896,626</u>	<u>896,626</u>

The contribution of the subsidiary companies to the group in terms of revenues and operating profits (losses) for the years 2002 and 2001 and their total assets and liabilities as at 31 December 2002 and 31 December 2001 were as follows:

	Marbella Estates Limited £	Lyssi Investments Limited £	Lion Insurance Agency Limited £	Atlantic Financial Services Limited £	Total 2002 £	Total 2001 £
Revenues	-	9,763	4,242	122,704	136,709	114,287
Operating (loss)/profit	(628)	(1,021)	(183)	(59,531)	(61,363)	25,205
Profit from sale of shares	-	-	62,000	-	62,000	-
Loss from revaluation of shares	-	-	-	-	-	(56,400)
Total assets	320,417	50,810	87,478	738,408	1,197,113	1,014,259
Total liabilities	3,200	595	12,098	131,283	147,176	142,318

**9. Tangible fixed assets****The Group**

	Total £	Motor vehicles £	Computers £	Furniture and equipment £	Land and buildings £	Installations £
<b>Cost/revaluation</b>						
Balance 1 January 2002	2,862,411	232,523	188,783	181,988	2,257,148	1,969
Additions	778,641	4,500	44,161	16,203	713,777	-
Disposals	<u>(2,800)</u>	<u>(2,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 31 December 2002	<u>3,638,252</u>	<u>234,223</u>	<u>232,944</u>	<u>198,191</u>	<u>2,970,925</u>	<u>1,969</u>
<b>Depreciation</b>						
Balance 1 January 2002	389,422	169,831	96,433	115,370	7,690	98
Charge for the year	90,504	24,287	33,123	12,300	20,597	197
On disposals	<u>(1,600)</u>	<u>(1,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 31 December 2002	<u>478,326</u>	<u>192,518</u>	<u>129,556</u>	<u>127,670</u>	<u>28,287</u>	<u>295</u>
<b>Net book value</b>						
31 December 2002	<u>3,159,926</u>	<u>41,705</u>	<u>103,388</u>	<u>70,521</u>	<u>2,942,638</u>	<u>1,674</u>
31 December 2001	<u>2,472,989</u>	<u>62,692</u>	<u>92,350</u>	<u>66,618</u>	<u>2,249,458</u>	<u>1,871</u>

## 9. Tangible fixed assets (continued)

Land and buildings were revalued on 31 December 2001 by independent licensed valuers on the basis of the market value for their current use. The surplus on revaluation of £410,777 was transferred to the revaluation reserve.

Buildings under construction on which no depreciation is calculated are as follows:

	2002 £	2001 £
Cost	1,093,211	411,862
Surplus on revaluation	<u>124,159</u>	<u>124,159</u>
	<u>1,217,370</u>	<u>536,021</u>

The value of land and buildings that would have been presented in the financial statements on a historical cost basis less accumulated depreciation is as follows:

	2002 £	2001 £
Land	743,540	714,393
Buildings	<u>1,539,532</u>	<u>873,864</u>
	<u>2,283,072</u>	<u>1,588,257</u>
Revalued amount of land upon which depreciation is not calculated	<u>999,592</u>	<u>999,592</u>

### The Company

	Total £	Motor vehicles £	Computers £	Furniture and equipment £	Land and buildings £
<b>Cost/revaluation</b>					
Balance 1 January 2002	2,435,088	199,298	117,393	152,519	1,965,878
Additions	732,417	4,500	29,590	13,697	684,630
Disposals	<u>(2,800)</u>	<u>(2,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 31 December 2002	<u>3,164,705</u>	<u>200,998</u>	<u>146,983</u>	<u>166,216</u>	<u>2,650,508</u>
<b>Depreciation</b>					
Balance 1 January 2002	361,713	155,626	85,410	112,987	7,690
Charge for the year	61,979	16,667	15,859	8,856	20,597
On disposals	<u>(1,600)</u>	<u>(1,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 31 December 2002	<u>422,092</u>	<u>170,693</u>	<u>101,269</u>	<u>121,843</u>	<u>28,287</u>
<b>Net Book value</b>					
31 December 2002	<u>2,742,613</u>	<u>30,305</u>	<u>45,714</u>	<u>44,373</u>	<u>2,622,221</u>
31 December 2001	<u>2,073,375</u>	<u>43,672</u>	<u>31,983</u>	<u>39,532</u>	<u>1,958,188</u>

Land and buildings were revalued on 31 December 2001 by independent licensed valuers on the basis of the market value for their current use. The surplus on revaluation of £410,777 was transferred to the revaluation reserve.

Buildings under construction on which no depreciation is calculated are as follows:

	2002 £	2001 £
Cost	1,093,211	411,862
Surplus on revaluation	<u>124,159</u>	<u>124,159</u>
	<u>1,217,370</u>	<u>536,021</u>

The value of land and buildings that would have been presented in the financial statements on a historical cost basis less accumulated depreciation is as follows:

	2002 £	2001 £
Land	423,123	423,123
Buildings	<u>1,539,532</u>	<u>873,864</u>
	<u>1,962,655</u>	<u>1,296,987</u>

**10. Intangible fixed assets**

	2002 £	2001 £
<b>The Group</b>		
Goodwill on the purchase of Lion Insurance Agency Limited		
Balance 1 January	286,305	302,211
Transfer to the profit and loss account	<u>(14,315)</u>	<u>(15,906)</u>
Balance 31 December	<u>271,990</u>	<u>286,305</u>
Goodwill on the purchase of the portfolios of insurance companies		
Balance 1 January	213,611	-
Additions	-	224,223
Transfer to the profit and loss account	<u>(10,680)</u>	<u>(10,612)</u>
Balance 31 December	<u>202,931</u>	<u>213,611</u>
Total	<u>474,921</u>	<u>499,916</u>
<b>The Company</b>		
Goodwill on the purchase of the portfolios of insurance companies		
Balance 1 January	213,611	-
Additions	-	224,223
Transfer to the profit and loss account	<u>(10,680)</u>	<u>(10,612)</u>
Balance 31 December	<u>202,931</u>	<u>213,611</u>

**11. Investments available for sale**

<b>The Group</b>		
Listed companies	502,186	669,645
Government bonds	<u>259,827</u>	<u>381,412</u>
	<u>762,013</u>	<u>1,051,057</u>
<b>The Company</b>		
Listed companies	502,186	669,645
Government bonds	<u>259,827</u>	<u>381,412</u>
	<u>762,013</u>	<u>1,051,057</u>

The investments available for sale include titles listed on the Cyprus Stock Exchange. The investments are revalued at the end of the year based on the mid market values at the year end. The investments available for sale are included in non-current assets unless they are expected to be sold within 12 months from the balance sheet date.

The loss on revaluation for the year 2002 of £152,330 (2001- £474,281) was transferred to the reserves. Based on estimations of the Board of Directors the amount transferred to reserves does not constitute a permanent diminution in the value of these investments.

**12. Trade and other receivables**

	2002 £	2001 £
<b>The Group</b>		
Debtors	3,148,215	2,803,117
Tax withheld on dividends receivable	-	6,800
Other amounts receivable	<u>1,057,696</u>	<u>579,492</u>
	<u>4,205,911</u>	<u>3,389,409</u>
<b>The Company</b>		
Debtors	3,097,715	2,664,256
Tax withheld on dividends receivable	-	6,800
Other amounts receivable	783,782	555,612
Current account of subsidiary companies	<u>376,508</u>	<u>200,226</u>
	<u>4,258,005</u>	<u>3,426,894</u>

	2002	2001
	£	£
<b>13. Investments</b>		
Deposits with financial institutions	738,942	1,235,848
Deposits with banks	2,273,734	1,211,730
Shares in listed public companies	72,402	423,167
Shares in non-listed public companies	9,476	9,000
Foreign investments in equity funds	<u>117,477</u>	<u>122,504</u>
<b>Total for the company</b>	3,212,031	3,002,249
Investments of subsidiary company	<u>-</u>	<u>20,000</u>
<b>Total for the group</b>	<u>3,212,031</u>	<u>3,022,249</u>
<b>14. Cash and bank balances</b>		
Cash at bank and in hand	1,337,887	2,094,878
Cash at bank and in hand of subsidiary companies	<u>453,813</u>	<u>438,591</u>
<b>Total cash at bank and in hand for the group</b>	1,791,700	2,533,469
Bank overdraft	<u>(115,339)</u>	<u>(346,278)</u>
<b>Total for the Group</b>	<u>1,676,361</u>	<u>2,187,191</u>
<b>15. Share capital</b>		
<b>Authorised share capital</b>		
250,000,000 ordinary shares of 20 cent each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued share capital</b>		
39,108,912 ordinary shares of 20 cent each	<u>7,821,782</u>	<u>7,821,782</u>
<p>After an extraordinary general meeting resolution of the shareholders of the company on 20 January 2000, 3,910,891 share warrants were granted to all the shareholders prorata at the ratio of 1 warrant for every 10 shares. These warrants can be exercised at the price of 55 cent in order to buy one ordinary share of nominal value of 20 cent for every warrant from 15 to 30 June 2002 and 2003. None of the warrants have been exercised during the year.</p>		
<b>16. Reserves</b>		
<b>The Group</b>	2002	2001
	£	£
<b>(a) Revaluation reserve</b>		
Balance 1 January	313,674	5,421
Revaluation of land and buildings	-	410,777
Deferred taxation	-	(74,731)
- on the revaluation of buildings	-	(26,616)
- increase due to the revaluation of land	-	-
- decrease of the provision of revaluation of buildings and land	84,338	-
Transfer to the profit and loss account of the additional depreciation due to the revaluation of buildings	(1,635)	(1,635)
Deferred taxation on the additional depreciation due to the revaluation of buildings	<u>163</u>	<u>458</u>
Balance 31 December	<u>396,540</u>	<u>313,674</u>

16. Reserves <i>(continued)</i>	2002 £	2001 £
<b>(b) Profit and loss account</b>		
Balance 1 January	(362,397)	(1,166,584)
Effect of adoption of IAS39	<u>-</u>	<u>596,074</u>
	(362,397)	(570,510)
Profit for the year	55,384	206,936
Transfer from the revaluation reserve of the additional depreciation due to revaluation of buildings	1,635	1,635
Deferred taxation on the additional depreciation due to revaluation of buildings	<u>(163)</u>	<u>(458)</u>
	(305,541)	(362,397)
Write off of 2000 fair value losses due to permanent diminution in the value of shares	<u>(596,074)</u>	<u>-</u>
Balance 31 December	<u>(901,615)</u>	<u>(362,397)</u>
<b>(c) Fair value reserve</b>		
Effect of adoption of IAS39		
Balance 1 January	(1,070,355)	(596,074)
Losses on fair value	<u>(152,330)</u>	<u>(474,281)</u>
	(1,222,685)	(1,070,355)
Transfer of 2000 losses to the profit and loss account reserve as a result of permanent diminution in the value of shares	596,074	-
Transfer of 2001 losses to the profit and loss account as a result of sale of shares	76,031	-
Transfer of 2001 losses to the profit and loss account as a result of permanent diminution in the value of shares	<u>365,185</u>	<u>-</u>
Balance 31 December	<u>(185,395)</u>	<u>(1,070,355)</u>
<b>(d) Share premium reserve</b>		
Balance 1 January	<u>1,111,127</u>	<u>1,111,127</u>
Balance 31 December	<u>1,111,127</u>	<u>1,111,127</u>
<b>Total</b>	<u>420,657</u>	<u>(7,951)</u>

## The Company

### (a) Revaluation reserve

Balance 1 January	313,674	5,421
Revaluation of land and buildings	<u>-</u>	<u>410,777</u>
	313,674	416,198
Deferred taxation	-	(74,731)
- on the revaluation of buildings	-	(26,952)
- increase due to the revaluation of land	-	-
- decrease of the provision of revaluation of buildings and land	84,338	-
- decrease on the revaluation of investment in a subsidiary company	-	336
Transfer to the profit and loss account of the additional depreciation due to the revaluation of buildings	(1,635)	(1,635)
Deferred taxation on the additional depreciation due to the revaluation of buildings	<u>163</u>	<u>458</u>
Balance 31 December	<u>396,540</u>	<u>313,674</u>

**16. Reserves (continued)**

	2002	2001
	£	£
<b>(b) Profit and loss account</b>		
Balance 1 January	(210,630)	(1,073,937)
Effect of adoption of IAS39	<u>-</u>	<u>596,074</u>
	(210,630)	(477,863)
Profit for the year	42,223	266,056
Transfer from the revaluation reserve of the additional depreciation due to revaluation of buildings	1,635	1,635
Deferred taxation on the additional depreciation due to revaluation of buildings	<u>(163)</u>	<u>(458)</u>
	(166,935)	(210,630)
Write off of 2000 fair value losses due to permanent diminution in the value of shares	<u>(596,074)</u>	<u>-</u>
Balance 31 December	<u>(763,009)</u>	<u>(210,630)</u>
<b>(c) Fair value reserve</b>		
Effect of adoption of IAS39		
Balance 1 January	(1,070,355)	(596,074)
Losses on fair value	<u>(152,330)</u>	<u>(474,281)</u>
	(1,222,685)	(1,070,355)
Transfer of 2000 losses to the profit and loss account reserve as a result of permanent diminution in the value of shares	596,074	-
Transfer of 2001 losses to the profit and loss account as a result of sale of shares	76,031	-
Transfer of 2001 losses to the profit and loss account as a result of permanent diminution in the value of shares	<u>365,185</u>	<u>-</u>
Balance 31 December	<u>(185,395)</u>	<u>(1,070,355)</u>
<b>(d) Share premium reserve</b>		
	£	£
Balance 1 January	<u>1,111,127</u>	<u>1,111,127</u>
Balance 31 December	<u>1,111,127</u>	<u>1,111,127</u>
<b>Total</b>	<u>559,263</u>	<u>143,816</u>

Profit or loss from the revaluation of investments available for sale in the medium term and long term is recognized in the reserves. The appropriate prior year adjustment has been made, as well as the appropriate adjustments in connection with losses on shares that resulted from permanent diminution in their value or from their sale.

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

**17. Deferred taxation**

	2002	2001
	£	£
<b>The Group</b>		
Provision relating to the effect of losses carried forward of a subsidiary company		
Balance 1 January	(796)	-
Deferred taxation for the year	<u>-</u>	<u>(796)</u>
Balance 31 December	<u>(796)</u>	<u>(796)</u>
Provision relating to the revaluation of land and buildings		
Balance 1 January	155,403	54,514
Deferred taxation for the year	(84,338)	101,347
Deferred taxation on the additional depreciation due to the revaluation of the buildings	<u>(163)</u>	<u>(458)</u>
Balance 31 December	<u>70,902</u>	<u>155,403</u>
Provision relating to the revaluation of investments		
Balance 1 January	19,283	27,173
Deferred taxation for the year	<u>(10,740)</u>	<u>(7,890)</u>
Balance 31 December	<u>8,543</u>	<u>19,283</u>
Provision for the temporary differences between depreciation and capital allowances		
Balance 1 January	3,675	3,784
Deferred taxation for the year	2,590	(567)
Deferred taxation on the additional depreciation due to the revaluation of buildings	<u>163</u>	<u>458</u>
Balance 31 December	<u>6,428</u>	<u>3,675</u>
Total balance 31 December	<u>85,077</u>	<u>177,565</u>
<b>The Company</b>		
Provision relating to the revaluation of land and buildings		
Balance 1 January	155,403	54,178
Deferred taxation for the year	(84,338)	101,683
Deferred taxation on the additional depreciation due to the revaluation of the buildings	<u>(163)</u>	<u>(458)</u>
Balance 31 December	<u>70,902</u>	<u>155,403</u>
Provision relating to the revaluation of investments in subsidiary company		
Balance 1 January	-	336
Deferred taxation for the year	<u>-</u>	<u>(336)</u>
Balance 31 December	<u>-</u>	<u>-</u>
Provision relating to the revaluation of investments		
Balance 1 January	19,283	27,173
Deferred taxation for the year	<u>(10,740)</u>	<u>(7,890)</u>
Balance 31 December	<u>8,543</u>	<u>19,283</u>
Provision for the temporary differences between depreciation and capital allowances		
Balance 1 January	3,675	3,784
Deferred taxation for the year	2,590	(567)
Deferred taxation on the additional depreciation due to the revaluation of buildings	<u>163</u>	<u>458</u>
Balance 31 December	<u>6,428</u>	<u>3,675</u>
Total balance 31 December	<u>85,873</u>	<u>178,361</u>

**18. Liabilities and provisions**

	2002 £	2001 £
<b>(a) Outstanding claims and provisions for unearned premiums</b>		
Outstanding claims	1,298,385	997,111
Unearned premiums	<u>2,647,888</u>	<u>2,178,313</u>
	<u>3,946,273</u>	<u>3,175,424</u>
<b>(b) Other payables</b>		
Bank overdrafts	110,170	346,278
Taxation	294,741	457,849
Reinsurers	348,892	427,949
Creditors	87,478	63,313
Other amounts payable – holding company	<u>157,634</u>	<u>143,918</u>
<b>Total for the Company</b>	998,915	1,439,307
Taxation – subsidiary companies	3,021	193
Bank overdrafts – subsidiary companies	5,169	-
Other amounts payable – subsidiary companies	<u>135,102</u>	<u>142,921</u>
<b>Total for the Group</b>	<u>1,142,207</u>	<u>1,582,421</u>

The bank overdrafts are secured by a mortgage on land and buildings of the company up to the amount of £176,000 and by personal guarantees of the directors. They are subject to 5,5% ( $\pm$  1%) basic interest per annum.

**19. Statement of asset placement for insurance purposes**

Assets that were placed by the company under trust were as follows:

	2002 £	2001 £
Shares, bonds and fixed deposits	3,097,149	2,455,253
Immovable property	<u>363,750</u>	<u>363,750</u>
	<u>3,460,899</u>	<u>2,819,003</u>
Insurance placing in accordance with article 21 of the Insurance Law 1984 and 1990	<u>4,406,460</u>	<u>3,607,268</u>

The Insurance placing in accordance with Article 21 of the Insurance Law 1984 and 1990 is notified to the company by the Superintendent of Insurance companies after the end of the relevant year. The company is obliged to increase the amount of assets held by trustees by 30 June of the following year. The company conforms fully to the above regulations for the years stated above.

On 1 January 2003 the new Insurance Law (Law 35 of 2002) and related Regulations became effective. In accordance with article 76 of the new Law, every Cyprus insurance company is obliged to place assets in approved investments, on a continuing basis, sufficient to cover its technical reserves, as prescribed in the Law. Consequently, it is no longer required to hold assets with trustees.

By March 2003 all the company assets held by the trustees were transferred to the Company.

## 20. Intragroup transactions

Company	Nature of the transactions	Volume of transactions		Debit / (credit) balance	
		2002 £	2001 £	2002 £	2001 £
Lyssi Investments Limited	Interest	<u>612</u>	<u>793</u>		
	Rentals of cars	<u>7,687</u>	<u>5,215</u>	<u>4,679</u>	<u>9,204</u>
Lion Insurance Agency Limited	Commissions	<u>-</u>	<u>242,413</u>	<u>-</u>	<u>-</u>
	Sundry expenses	<u>4,242</u>	<u>-</u>		
Atlantic Financial Services Limited	Loan interest receivable	<u>4,404</u>	<u>2,202</u>	<u>-</u>	<u>-</u>
	Service charges	<u>2,750</u>	<u>1,500</u>	<u>201,690</u>	<u>120,558</u>
Atlantic Securities Limited	Charges relating to stockbrokers commissions	<u>880</u>	<u>656</u>	<u>-</u>	<u>-</u>
Marbella Estates Limited	Expenses for land purchase	<u>-</u>	<u>-</u>	<u>170,139</u>	<u>70,464</u>

## 21. Shareholders holding more than 5% of the share capital

As at 31 December 2002 the following persons held more than 5% of the share capital of the company:

	%
Andreas Frangoullis (a)	19.97
Nicos Marathovouniotis (b)	6.81
George Pyrishis (c)	20.21
Emilios Pyrishis (d)	22.53

- (a) The holding of Andreas Frangoullis includes his direct participation of 7,778,599 shares (19.89%), his indirect participation through his brother Phillippos Frangoullis with 20,000 shares (0.05%) and his indirect participation through his mother Vassilou Frangoulli with 10,000 shares (0.03%).
- (a) The holding of Nicos Marathovouniotis includes his direct participation of 2,644,924 shares (6.76%), his indirect participation through his daughter Athina Nicolaidou with 10,000 shares (0.03%), his indirect participation through his grand daughter Nicole Nicolaidou with 1,000 shares, his indirect participation through his sister Christina Odysseos with 5,000 shares (0.01%) and his indirect participation through his sister Panayiota Theocharous with 1,000 shares (0.01%).
- (c) The holding of George Pyrishis includes his direct participation of 7,428,621 shares (18.99%), his indirect participation through his wife Maria Pyrishi with 27,381 shares (0.07%) and his indirect participation through the company Megabet Limited with 450,000 shares (1.15%).
- (d) The holding of Emilios Pyrishis includes his direct participation of 7,865,526 shares (20.11%) his indirect participation through his parents Zenios and Nina Pyrishis with 36,546 shares (0.09%), and 912,641 shares (2.33%) respectively.

The above proportions remained unchanged up until the date of approval of the financial statements by the Board of Directors on 24 April 2003.

## 22. Participation of the Board of Directors in the share capital of the company

The beneficial interest in the Company's share capital of the Directors, their spouses and minor children and by companies in which they hold, directly or indirectly at least 20% of the voting rights in a general meeting was as follows:

Name of shareholder	Number of shares	31 December 2002	30 days before the date of notice of the Annual General Meeting
		%	%
Zenios Pyrishis (a)	957,187	2.44	2.44
Andreas Frangoullis (b)	7,808,599	19.97	19.97
Nicos Marathovouniotis (c)	2,661,924	6.81	6.81
George Pyrishis (d)	7,906,002	20.21	20.21
Emilios Pyrishis	7,865,526	20.11	20.11
Loucis Loucaides (e)	63,555	0.16	0.16
Kyriakos Toumazis (f)	88,098	0.23	0.23
Andreas Pyrishis	15,000	0.04	0.04
Polis Malloupas	-	-	-

- (a) The holding of Zenios Pyrishis includes his direct participation of 36,546 shares (0.09%), his indirect participation through his wife Nina Pyrishi with 912,641 shares (2.33%) and his indirect participation through his sister Sotiroulla Yiavashi with 8,000 shares (0.02%).
- (b) The holding of Andreas Frangoullis includes his direct participation of 7,778,599 shares (19.89%), his indirect participation through his brother Phillippos Frangoullis with 20,000 shares (0.05%) and his indirect participation through his mother Vassilou Frangoulli with 10,000 shares (0.03%).
- (c) The holding of Nicos Marathovouniotis includes his direct participation of 2,644,924 shares (6.76%), his indirect participation through his daughter Athina Nicolaidou with 10,000 shares (0.03%), his indirect participation through his grand daughter Nicole Nicolaidou with 1,000 shares, his indirect participation through his sister Christina Odysseos with 5,000 shares (0.01%) and his indirect participation through his sister Panayiota Theocharous with 1,000 shares (0.01%).
- (d) The holding of George Pyrishis includes his direct participation of  $\mu\epsilon$  7,428,621 shares (18.99%), his indirect participation through his wife Maria Pyrishi with 27,381 shares (0.07%) and his indirect participation through the company Megabet Limited with 450,000 shares (1.15%).
- (e) The holding of Loukis Loucaides includes his direct participation of 8,000 shares (0.02%) and his indirect participation through his son George Loucaides with 55,555 shares (0.14%). Mr Loukis Loucaides died on 13/12/2002.
- (f) The holding of Kyriakos Toumazis includes his direct participation of 16,135 shares (0.043%), his indirect participation through his wife with 15,000 shares (0.04%), his indirect participation through his brother Alexis Toumazis with 15,498 shares (0.04%), his indirect participation through his brother Antonis Toumazis with 15,498 shares (0.04%), his indirect participation through his parents with 15,498 shares (0.04%) and his indirect participation through the company C & A Toumazis Co Ltd with 10,469 shares (0.03%).

The above proportions remained unchanged up until the date of approval of the financial statements by the Board of Directors on 24 April 2003.

## 23. Average number of employees

The average number of employees for the group were as follows:

	2002	2001
Permanent staff	<u>69</u>	<u>68</u>

## 24. Contingent liabilities

The company did not have any contingent liabilities that would affect its financial statements for the year ended 31 December 2002.

## 25. Significant agreements

### *With directors*

The following are the employment contracts (agreements) entered into by the companies of the group and members of the Board of Directors:

#### *Atlantic Insurance Company Limited*

##### **Zenios Pyrishis:** Chairman

A contract for two years commencing 1 January 2000. Gross annual remuneration amounting to £35,100 with annual increase of 7.5%. He continues to be employed by the company. His current annual gross earnings amount to £37,125. On expiration the contract will be automatically renewed.

##### **Emilios Pyrishis:** Managing Director

A contract for five years commencing on 1 January 2000 with an automatic renewal for another five years. Gross annual remuneration of £23,625 with annual increases of 7.5%. The contract was amended on 1 January 2003 and provides annual gross earnings of £31,050 with annual increases of 7.5%.

##### **Andreas Frangoullis:** Director of Sales

A contract for five years commencing 1 January 2000 with an automatic renewal for another five years. Gross annual remuneration of £23,625 with annual increases of 7.5%. The contract was amended on 1 January 2003 and provides annual gross earnings of £31,050 with annual increases of 7.5%.

##### **Nicos Marathovouniotis :** Financial director/secretary

A contract for five years commencing 1 January 2000. Gross annual remuneration of £20,250 with a yearly increase of 7.5%.

#### *Lion Insurance Agency Limited*

Mr. Loukis Loukaides has been appointed as the Manager of Lion Insurance Agency Limited with a yearly gross remuneration of £15,574. The contract expired on 31 December 2001 and was renewed from 1 January 2002. The renewed contract provided that Mr Loukaides is to be employed on a part time basis with an annual remuneration of £7,200. Mr Loukaides died on 13 December 2002.

## 26. Financial instruments and management of financial risk

The main financial and monetary assets of the company are cash at banks, investments, reinsurers, debtors and other receivables. The main financial and monetary liabilities of the company are bank overdrafts, trade creditors and outstanding claims.

### **(1) Financial risk factors**

The company is exposed to credit risk, interest rate risk, market price risk, liquidity risk and exchange rate risk that result from the financial instruments it possesses. The policy that the company follows in administering and controlling these risks is explained below.

#### *Credit risk*

Credit risk is limited due to the fact that the reinsurers, debtors and other receivables are subject to a systematic review by the management in order to identify any possible doubtful debts. The company reduces the credit risk by undertaking activities with a large portfolio of clients and insurance agents.

#### *Interest rate risk*

The company is exposed to risks related to the effect on revenues, cash flows and financial position from changes in market interest rates. The management of the Company in monitoring changes in interest rates on a continuing basis and acts accordingly.

## 26. Financial instruments and management of financial risk *(continued)*

### *Market price risk*

The investments of the company are subject to the risk of fluctuations in market prices. This risk is managed through the best possible diversification of the investment portfolio, selected placing of funds and liquidation of investments where this is deemed appropriate.

### *Liquidity risk*

The liquidity risk is the risk that arises when the maturity of assets and liabilities do not coincide. When the maturities do not coincide, the return may be increased but at the same time losses may be incurred. The Company applies procedures in order to minimize such losses.

### *Exchange rate risk*

The company does not have a substantial exchange rate risk due to the fact that all its dealing with reinsurers are in Cyprus Pounds.

## **(2) Fair values of assets and liabilities**

The fair values of the financial and monetary assets and liabilities of the company and the group approximate their carrying amounts in the balance sheet. The fair value represents the amount that an asset may be exchanged or a liability repaid at an arms length transaction.

## 27. Post balance sheet events and future capital commitments

The Company entered into agreements that relate to the development of immovable property as follows:

- (1) In 2000 entered into an agreement for the construction of new offices in Nicosia. The additional estimated expenditure for the construction of these offices from 1 January 2003 until completion amounts to £180,000. The cost of these premises under construction at 31 December 2002 amounts to £1,093,211 (note 9).
- (2) Simultaneously, the company agreed to sell its existing offices in Nicosia for £250,000 maintaining usage of these offices until the completion of the new offices, estimated in June 2003.
- (3) Purchase of an immovable property in Paphos for £250,000 that will be used as the Company's district office.

There were no other post balance sheet events and future capital commitments affecting the financial statements as at 31 December 2002.