

ATLANTIC INSURANCE COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
for the year ended 31 December 2003

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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
Polis Malloupas (left on 22 July 2003)
Kyriacos Toumazis

Registered Office

15 Esperidon Str.
Atlantic Building
2001 Strovolos

Secretary

Nicos Marathovouniotis

Auditors

L. Joannides & Co
13 St. Prokopiou Str.
1309 Nicosia

Legal Advisers

L. Papaphilippou & Co

Bankers

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

Company registration number: 20008

ATLANTIC INSURANCE COMPANY LIMITED

DIRECTORS' REPORT

The directors present to the shareholders for approval their annual report and the audited consolidated financial statements for the year ended 31 December 2003.

Principal Activities

The principal activities of the company and its subsidiaries is the undertaking of insurance business of the following classes: Motor, Fire, Marine, Aviation and Transit, Employer's Liability, Accident and Miscellaneous as well as the provision of Financial, Consultancy and Stockbroker services. During the year there are no changes in activities.

Results

As shown in page 4, the net profit after taxation realised the year ended 31 December 2003 amounts to £677.178 compared to £55.384 in 2002.

Dividends

The Directors do not propose paying dividends for 2003.

Building Facilities

Since October 1 2003 the company has transferred its head offices to the newly constructed building in 15 Esperidon Str. (off Kennedy Avenue) Strovolos. The building facilities have an area of 2.650 s.m. and consist of four floors of which three will be used by the company. One of the floors has been rented to British Airways from April 1 2004 for £25.344 per annum with an annual increase of 5% for a 9 year period.

Share Capital

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

During the year there has been no change in the capital structure of the Holding Company.

Corporate Governance

At present it was not possible for the company to follow the Code of Corporate Governance.

Directors

The present membership of the Board is set out on page 1. All directors served on the board for the whole year 2003 except Mr. Polis Malloupas who left on 22 July 2003. According to the articles of association of the company Messrs Zenios Pyrishis, Andreas Frangoullis and Nicos Marathovouniotis retire from the board but they are eligible and 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 determine their remuneration will be submitted to the Annual General meeting.

Zenios Pyrishis
Chairman

Nicosia
31 March 2004

Auditors' report to the members of Atlantic Insurance Company Limited

Report on the financial statements

1. We have audited the consolidated financial statements of Atlantic Insurance Company Limited (the Company) and their subsidiaries (the Group) on pages 4 to 21, which consist of the consolidated Balance Sheet at 31 December 2003, and the consolidated Profit and Loss account, the consolidated Own Capital Changes statement and the consolidated Cash Flow statement for the year then ended, and the relevant notes. 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. This report is made exclusively for the members of the Company, as a body, in accordance with Article 156 of the Companies Law, Cap.113. Our auditing business has taken place so that we can display to the members of the Company those issues required from us in an auditor's report and for no other purpose. In the maximum degree permitted by law, we do not accept or take any responsibility to anyone except the Company and its members as a body, for our auditing business, for this report, or for the opinions we have formed.

2. We conducted our audit in accordance with International Auditing Standards on. These Standards require that we plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.

3. In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group at 31 December 2003, and of its financial performance and cash flows for the year then ended in accordance with International Financial Report Standards and the provisions of the Companies Law, Cap. 113.

Report on other legal liabilities

4. In accordance with the provisions of the Companies Law, Cap. 113, we report the following:

- We have received all the information and explanations we deemed necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The financial statements of the Company are in agreement with the books of account.
- In our opinion and from what we have been best informed and in accordance with the explanations we have received, the consolidated financial statements contain the required by the Companies Law, Cap. 113, information in the required form.
- In our opinion, the information presented in the directors' report on page 2 are in accordance with the financial statements.

L. Joannides & Co
Certified Public Accountants (Cy)

Nicosia
31 March 2004

ATLANTIC INSURANCE COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 £	2002 £
Gross insurance premiums		7.992.084	6.342.449
Less:-			
Share of reinsurers' premium		<u>(1.383.684)</u>	<u>(822.460)</u>
Net insurance premiums		6.608.400	5.519.989
Transfer to unearned premiums		<u>(515.207)</u>	<u>(469.576)</u>
		6.093.193	5.050.413
Add:-			
Other income	4	<u>591.434</u>	<u>426.468</u>
		6.684.627	5.476.881
Less:-			
Claims		(4.073.761)	(3.214.065)
Commissions		(469.471)	(363.533)
Administrative expenses		<u>(1.504.692)</u>	<u>(1.452.738)</u>
Profit from operations	6	636.703	446.545
Loss from the sale and revaluation of investments		(100.000)	(516.311)
Net financial income	7	<u>217.578</u>	<u>238.516</u>
Profit before taxation		754.281	168.750
Taxation	8	<u>(103.198)</u>	<u>(142.708)</u>
Profit after taxation		651.083	26.042
Minority interest		<u>26.095</u>	<u>29.342</u>
Profit attributed to company's shareholders		<u>677.178</u>	<u>55.384</u>
Earnings per share (cent)	9	<u>1.73</u>	<u>0.14</u>

The notes on pages 8 to 21 form an integral part of the financial statements.

ATLANTIC INSURANCE COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

as at 31 December 2003

	Note	2003 £	2002 £
Non-current assets			
Tangible fixed assets	11	3,520,267	3,159,926
Intangible fixed assets	12	384,257	474,921
Investments available for sale	13	<u>1,260,355</u>	<u>762,013</u>
		<u>5,164,879</u>	<u>4,396,860</u>
Current assets			
Trade and other receivables	14	4,465,513	4,205,911
Investments	15	867,427	938,297
Cash and bank balances	16	<u>4,977,786</u>	<u>4,065,434</u>
		<u>10,310,726</u>	<u>9,206,642</u>
Total assets		<u>15,475,605</u>	<u>13,606,502</u>
Capital and reserves			
Issued capital	17	7,821,782	7,821,782
Reserves		<u>1,125,597</u>	<u>420,657</u>
Shareholders' interest		<u>8,947,379</u>	<u>8,242,439</u>
Minority interest		<u>164,411</u>	<u>190,506</u>
Non-current liabilities			
Deferred taxation	18	<u>78,354</u>	<u>85,077</u>
Current liabilities			
Outstanding claims and provisions for unearned premiums	19(a)	5,153,289	3,946,273
Other amounts payable	19(b)	<u>1,132,172</u>	<u>1,142,207</u>
Total current liabilities		<u>6,285,461</u>	<u>5,088,480</u>
Total equity and liabilities		<u>15,475,605</u>	<u>13,606,502</u>

The financial statements on pages 4 to 21
were approved by the Board of Directors on
31 March 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 8 to 21 form an integral part of the financial statements.

ATLANTIC INSURANCE COMPANY LIMITED

**CONSOLIDATED OWN CAPITAL CHANGES STATEMENT
for the year ended 31 December 2003**

	Share Capital £	Share Premium Reserve £	Revaluation Reserve £	Fair Value Reserve £	Profit and Loss Account £	Total £
Balance 1 January 2002	7.821.782	1.111.127	313.674	(1.070.355)	(362.397)	7.813.831
Losses of fair value for the year	-	-	-	(152.330)	-	(152.330)
Transfer of 2000 losses to the profit and loss account reserve as a result of permanent diminution in the value of shares	-	-	-	596.074	(596.074)	-
Write off of 2001 losses in the profit and loss account as a result of sale of shares	-	-	-	76.031	-	76.031
Write off of 2001 losses in the profit and loss account as a result of permanent diminution in the value of shares	-	-	-	365.185	-	365.185
Decrease of the provision for deferred taxation relating to the revaluation of land and buildings	-	-	84.338	-	-	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	-	-	163	-	(163)	-
Profit for the year					55.384	55.384
Balance 31 December 2002	7.821.782	1.111.127	396.540	(185.395)	(901.615)	8.242.439
Write off of losses in the profit and loss account as a result of permanent diminution in the value of shares	-	-	-	101.284	-	101.284
Decrease of the provision for deferred taxation relating to the revaluation of land and buildings	-	-	2.458	-	-	2.458
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	-	-	163	-	(163)	-
Losses of fair value for the year	-	-	-	(75.980)	-	(75.980)
Profit for the year	-	-	-	-	677.178	677.178
Balance 31 December 2003	7.821.782	1.111.127	397.526	(160.091)	(222.965)	8.947.379

Profit or loss from the revaluation of investments available for sale in the medium term and long term is recognised in the reserves.

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

The notes on pages 8 to 21 form an integral part of the financial statements.

ATLANTIC INSURANCE COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	Note	2003 £	2002 £
Operating activities			
Profit for the year before taxation		754.281	168.750
Adjustments for:			
Profit on the sale of investments		(3.613)	(164.596)
Loss from the revaluation of investments		103.613	680.907
Depreciation		106.925	90.504
Write off of goodwill		37.181	24.995
Profit on the sale of fixed assets		(9.030)	(200)
Income from investments		(274.617)	(320.481)
Interest paid		<u>40.203</u>	<u>67.079</u>
Profit from operations before the working capital changes		754.943	546.958
Increase in debtors		(259.602)	(823.302)
Increase in amounts payable and provisions		<u>1.336.993</u>	<u>721.854</u>
Cash from operations		1.832.334	445.510
Interest paid		(40.203)	(67.079)
Taxation paid		<u>(225.599)</u>	<u>(304.338)</u>
Net cash flow from operating activities		<u>1.566.532</u>	<u>74.093</u>
Investing Activities			
Purchase of investments		(845.971)	(8.393)
Sale of investments		343.803	942.234
Purchase of fixed assets		(810.219)	(778.641)
Return of goodwill due to the cancellation of portfolio purchase agreement		53.483	-
Sale of fixed assets		351.983	1.400
Interest received		273.237	305.577
Dividends received		<u>1.380</u>	<u>14.904</u>
Net cash flow from (used in) investing activities		<u>(632.304)</u>	<u>477.081</u>
Net increase in cash and cash equivalents		934.228	551.174
Cash and cash equivalents at the beginning of the year		<u>3.950.095</u>	<u>3.398.921</u>
Cash and cash equivalents at the end of the year	16	<u>4.884.323</u>	<u>3.950.095</u>

The notes on pages 8 to 21 form an integral part of the financial statements.

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 company was converted into a public company on 14 January 2000 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 principal activity of the company is the undertaking of general insurance business.

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

Marbella Estates Limited owned a plot of land 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 has not yet 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 Financial Report 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 of 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

Profits or losses from the sale or revaluation of investments held for trading are recognised 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 recognised in the reserve account in the balance sheet, in the year they are earned or incurred.

Dividends from shares are recognised on a receipt basis.
All other income is recognised 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 bonds 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. Profits or losses from the sale or revaluation of investments held for trading are recognised 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 recognised 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. When these investments have a permanent diminution in their value then the relevant adjustments are made through the profit and loss account for the year.

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.

Deferred tax is recognised 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 recognised in the relevant reserve.

Debit Balances of deferred tax are recognised only if substantial profits are expected in the near future from their utilisation.

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.

2. Principal accounting policies (continued)

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.

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 every three years. 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.

3. Segmental analysis

The company has three main sectors of activity: general insurance business, financial services and land development business (??) that are carried out in Cyprus.

Main analysis is as follows:

	General Insurance Business £	Financial Services £	Land Development Business £	Total £
Year ended 31 December 2003				
Turnover/other income	8.445.066	106.990	31.462	8.583.518
Profit (Loss) from operations	663.546	(57.446)	30.603	636.703
Total assets	14.744.396	722.930	8.279	15.475.605
Total liabilities	6.187.849	172.583	3.383	6.363.815
Purchases of fixed assets				
- Tangible fixed assets	804.163	6.056	-	810.219
Depreciation of fixed assets				
- Tangible fixed assets	87.920	19.005	-	106.925
- Intangible fixed assets	37.181	-	-	37.181

	General Insurance Business £	Financial Services £	Land Development Business £	Total £
Year ended 31 December 2002				
Turnover/other income	6.672.815	96.102	-	6.768.917
Profit (Loss) from operations	506.704	(59.531)	(628)	446.545
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

4. Other income

	2003 £	2002 £
Commissions received	256.126	191.013
Contract rights	185.663	94.574
Income from stock exchange and financial services	106.990	96.102
Share of profit from car hire risk pool	31.045	28.475
Dividends received	1.380	14.904
Profit on sale of fixed assets	9.030	200
Rents received	<u>1.200</u>	<u>1.200</u>
	<u>591.434</u>	<u>426.468</u>

5. 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 profit of the company in the car hire risk pool for the year ended 31 December 2003 amounts to £31.045 (2002 £28.475)

6. Profit from operations

Profit from operations is shown after subtracting the following:	2003 £	2002 £
Directors remuneration	207.100	207.334
Salaries and wages	673.100	608.223
Contributions to the provident fund		
- for the directors	3.416	2.742
- for the employees	23.712	21.374
Depreciation of fixed assets	106.925	90.504
Goodwill written off	37.181	24.995
Auditors remuneration	15.014	16.332

7. Net financial income	2003 £	2002 £
Interest received	273.237	305.577
Bank expenses and interest	(22.534)	(25.191)
Other interest	(17.669)	(41.888)
Currency adjustment (??)	<u>(15.456)</u>	<u>18</u>
	<u>217.578</u>	<u>238.516</u>

8. **Taxation**

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

	2003 £	2002 £
Corporation tax	101.723	97.498
Special contribution for defence	2.772	43.802
Prior years taxation	2.968	64
Stock exchange transaction levy	-	1.090
Withholding tax on dividends – current year	<u>-</u>	<u>1.604</u>
	107.463	144.058
Withholding tax on dividends – prior years	-	6.800
Deferred taxation	<u>(4.265)</u>	<u>(8.150)</u>
Charge for the year	<u>103.198</u>	<u>142.708</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:

	2003 £	2002 £
Accounting profit	<u>754.281</u>	<u>168.750</u>
Taxation in accordance with the current tax rates	75.428	45.250
Special contribution for defence on interest receivable for which a special taxation regime is in effect for the year 2003 (???)	2.772	-
Tax effects of:		
Expenses that are not deductible	19.803	51.446
Income that is not taxable	(1.292)	(33.360)
Loss from the sale and revaluation of investments	10.000	161.927
Capital allowances	(9.685)	(23.031)
Other deductions and additions	1.124	5.364
Increase in the defence contribution rate on interest receivable	-	15.121
Subsidiary company losses carried forward	<u>6.345</u>	<u>14.973</u>
	104.495	237.690
Tax saving on reduced corporation tax rates	<u>-</u>	<u>(96.390)</u>
	104.495	141.300
Prior years taxation	2.968	64
Stock exchange transaction levy	-	1.090
Withholding tax on dividends – current year	<u>-</u>	<u>1.604</u>
	107.463	144.058
Withholding tax on dividends – prior years	-	6.800
Deferred taxation	<u>(4.265)</u>	<u>(8.150)</u>
	<u>103.198</u>	<u>142.708</u>

8. 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 £100,000 in any tax year.

In accordance with the provisions of the Income Tax Law as amended on 15 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 year 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%. For the period from 1 July to 31 December 2002 the applicable rate on profits and dividends receivable was 3% and on interest receivable was 10%. 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.

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 and 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 2003 and 31 December 2002 the holding company did not bring forward any tax losses. The tax losses of the subsidiary companies brought forward amounted to £199,013 (2002 -£135,582)

The group (adopting a conservative policy) has made a provision for the transaction free 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:

Deferred Taxation	2003 £	2002 £
The provision for deferred taxation is analysed as follows:		
Effect of the temporary differences between depreciation and capital allowances	(791)	2.590
Provision in relation to the revaluation of investments	<u>(3.474)</u>	<u>(10.740)</u>
	<u>(4.265)</u>	<u>(8.150)</u>

9 Earnings per share

Profit attributed to the company's shareholders	<u>677.178</u>	<u>55.384</u>
Weighted average number of shares in issue during the year	<u>39.108.912</u>	<u>39.108.912</u>
Earnings per share (cents)	<u>1.73</u>	<u>0.14</u>

The basic earnings per share were calculated using the weighted average number of shares that were in issue during the year. Share warrants were not taken into account for the calculation since their exercise period had expired at 30 June 2003 and no warrant has been exercised.

10 Companies of the group

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

Company	Main Activities	Shareholding %
Marbella Estates Ltd	Property Development	100
Lyssi Investments Ltd	Car rental	100
Lion Insurance Agency Ltd	General insurance agency	100
Atlantic Financial Services Ltd	Financial and consultancy services	52.5
Atlantic Securities Limited - 100% subsidiary of Atlantic Financial Services Limited	Stock brokerage services	

There were no additions during 2003.

The contribution of the holding company to the group in terms of revenue and operating profit (loss) for the year 2003 and 2002 and its total assets and liabilities as at 31 December 2003 and 31 December 2002 was as follows:

	2003 £	2002 £
Revenues/other revenues (???)	8,466,277	6,658,810
Operating (loss) profit	774,254	168,113
Total assets	14,611,139	12,409,389
Total liabilities	6,186,013	5,026,381

The contribution of the subsidiary companies to the group in terms of revenue and operating profits (losses) for the year 2003 and 2002 and their total assets and liabilities as at 31 December 2003 and 31 December 2002 were as follows:

	Marbella Estates Limited £	Lyssi Investments Limited £	Lion Insurance Agency Limited £	Atlantic Financial Services Limited £	Total 2003 £	Total 2002 £
Revenues	-	8,751	1,500	106,990	117,241	110,107
Operating (loss) profit	30,585	4,354	(1,825)	(53,087)	(19,973)	(61,363)
Profit from sale of shares	-	-	-	-	-	62,000
Total assets	8,279	48,496	84,761	722,930	864,466	1,197,113
Total liabilities	3,383	738	1,098	172,583	177,802	147,176
Profit from sale of fixed assets	31,462	-	-	-	31,462	-

11. Tangible fixed assets

	Total £	Motor Vehicles £	Computers £	Furniture and equipment £	Land and buildings £
Cost/revaluation					
Balance 1 January 2003	3,638,252	234,223	232,944	200,160	2,970,925
Additions	810,219	24,200	54,297	102,703	629,019
Disposals	<u>(545,043)</u>	-	<u>(86,169)</u>	<u>(138,353)</u>	<u>(320,521)</u>
Balance 31 December 2003	<u>3,903,428</u>	<u>258,423</u>	<u>201,072</u>	<u>164,510</u>	<u>3,279,423</u>
Depreciation					
Balance 1 January 2003	478,326	192,518	129,556	127,965	28,287
Charge for the year	106,925	22,141	34,008	17,694	33,082
On disposals	<u>(202,090)</u>	-	<u>(83,083)</u>	<u>(119,007)</u>	-
Balance 31 December 2003	<u>383,161</u>	<u>214,659</u>	<u>80,481</u>	<u>26,652</u>	<u>61,369</u>
Net book value					
31 December 2003	<u>3,520,267</u>	<u>43,764</u>	<u>120,591</u>	<u>137,858</u>	<u>3,218,054</u>
31 December 2002	<u>3,159,926</u>	<u>41,705</u>	<u>103,388</u>	<u>72,195</u>	<u>2,942,638</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.

11. Tangible fixed assets (continued)

Construction of the company's offices was completed in October 2003.

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:

	2003 £	2002 £
Land	673.123	743.540
Buildings	<u>1.885.365</u>	<u>1.539.532</u>
	<u>2.558.488</u>	<u>2.283.072</u>
Revalued amount of land upon which depreciation is not calculated	<u>929.071</u>	<u>999.592</u>

12. Intangible fixed assets

Cost

Balance 1 January	542.340	542.340
Return of goodwill due to the cancellation of portfolio purchase agreement	(53.483)	-
Write off of goodwill due to the cancellation of insurance company portfolio purchase agreement	<u>(12.832)</u>	<u>-</u>
	<u>476.025</u>	<u>542.340</u>

Depreciation

Balance 1 January	67.419	42.424
Charge for the year	27.116	24.995
Write off of goodwill due to the cancellation of insurance company portfolio purchase agreement	<u>(2.767)</u>	<u>-</u>
	<u>91.768</u>	<u>67.419</u>
Balance 31 December	<u>384.257</u>	<u>474.921</u>

13. Investments available for sale

	2003 £	2002 £
Listed Companies	432.183	502.186
Government Bonds	178.172	259.827
Capital Securities Bonds	<u>650.000</u>	<u>-</u>
	<u>1.260.355</u>	<u>762.013</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 month from the balance sheet date.

The resulting amount, as loss on revaluation for the year 2003 of £75.980 (2002- £152.330) was transferred to the reserves. The Board of Directors estimates that this amount does not constitute a permanent diminution in the value of these investments.

14. Trade and other receivables

	2003 £	2002 £
Debtors	3.493.279	3.148.215
Other amounts receivable	<u>972.234</u>	<u>1.057.696</u>
	<u>4.465.513</u>	<u>4.205.911</u>

	2003 £	2002 £
15. Investments		
Deposits with financial institutions	783.278	738.942
Shares in listed public companies	74.673	72.402
Shares in non-listed public companies	9.476	9.476
Foreign investments in equity funds	<u>-</u>	<u>117.477</u>
	<u>867.427</u>	<u>938.297</u>

16. Cash and bank balances		
Cash at bank and in hand	4.977.786	4.065.434
Bank overdraft	<u>(93.463)</u>	<u>(115.339)</u>
	<u>4.884.323</u>	<u>3.950.095</u>

17. Share Capital		
Authorised Share Capital		
250.000.000 ordinary shares of 20 cent each	<u>50.000.000</u>	<u>50.000.000</u>
Issued Share Capital		
39.108.912 ordinary shares of 20 cent each	<u>7.821.782</u>	<u>7.821.782</u>

The exercise period of the share warrants issued in 2000 has expired on 30 June 2003 and no warrant has been exercised.

	2003 £	2002 £
18. Deferred Taxation		
Provision relating to the effect of losses of a subsidiary company carried forward		
Balance 1 January	<u>(796)</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	70.902	155.403
Deferred taxation for the year	(2.458)	(84.338)
Deferred taxation on the additional depreciation due to the revaluation of buildings	<u>(163)</u>	<u>(163)</u>
Balance 31 December	<u>68.281</u>	<u>70.902</u>
Provision relating to the revaluation of investments		
Balance 1 January	8.543	19.283
Deferred taxation for the year	<u>(3.474)</u>	<u>(10.740)</u>
Balance 31 December	<u>5.069</u>	<u>8.543</u>
Provision for the temporary differences between depreciation and capital allowances		
Balance 1 January	6.428	3.675
Deferred taxation for the year	(791)	2.590
Deferred taxation on the additional depreciation due to the revaluation of buildings	<u>163</u>	<u>163</u>
Balance 31 December	<u>5.800</u>	<u>6.428</u>
Total balance 31 December	<u>78.354</u>	<u>85.077</u>

19. Liabilities and provisions	2003 £	2002 £
(a) Outstanding claims and provisions for unearned premiums		
Outstanding claims	1.990.195	1.298.385
Unearned premiums	<u>3.163.094</u>	<u>2.647.888</u>
	<u>5.153.289</u>	<u>3.946.273</u>
(b) Other payables		
Bank overdrafts	93.463	115.339
Taxation	179.626	297.762
Reinsurers	222.621	348.892
Creditors	205.276	87.478
Other amounts payable	<u>431.186</u>	<u>292.736</u>
	<u>1.132.172</u>	<u>1.142.207</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% (+1%) basic interest per annum.

20. Statement of asset placement for insurance purposes

Assets that were invested upon by the company were as follows:

	2003 £	2002 £
Shares, bonds and fixed deposits	4.590.508	3.097.149
Immovable property	3.218.054	363.750
Other assets	<u>7.487.326</u>	<u>-</u>
	<u>15.295.888</u>	<u>3.460.899</u>
Technical reserves of the company (previously insurance placing in accordance with article 21 of the Insurance Law 1984 and 1990)	<u>6.265.000</u>	<u>4.406.460</u>

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, the Company is obliged to place assets in approved investments, on a continuing basis, sufficient to cover its technical reserves, as prescribed in the Law. The insurance placing that was required by 31 December 2002 is no longer in effect.

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

21. Intragroup Transactions

Company	Nature of the transactions	Volume of transactions		Debit/(credit) balance	
		2003 £	2002 £	2003 £	2002 £
Lyssi Investments Limited	Interest receivable	<u>215</u>	<u>612</u>		
	Rentals of cars	<u>8.751</u>	<u>7.687</u>	<u>(1.963)</u>	<u>4.679</u>
	Income from insurances	<u>891</u>	<u>-</u>		
Lion Insurance Agency Limited	Service charges	<u>1.500</u>	<u>-</u>	<u>10.059</u>	<u>-</u>
	Sundry expenses	<u>-</u>	<u>4.242</u>		
Atlantic Financial Services Limited	Loan interest receivable	<u>-</u>	<u>4.404</u>		
	Service charges	<u>-</u>	<u>2.750</u>	<u>204.222</u>	<u>201.690</u>
Atlantic Securities Limited	Charges relating to Stockbrokers commissions	<u>584</u>	<u>880</u>	<u>-</u>	<u>-</u>
Marbella Estates Limited	Interest receivable	<u>2.191</u>	<u>-</u>	<u>(20.629)</u>	<u>170.139</u>
	Dividends receivable	<u>158.000</u>	<u>-</u>		

22. Shareholders holding more than 5% of the share capital

As at 31 December 2003 the following persons held more than 5% of the share capital of the company:

	%
Andreas Frangoullis (a)	19.92
Nicos Marathovouniotis (b)	6.79
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%) and his indirect participation through his mother Vassilou Frangoulli with 10.000 shares (0.03%).
- (b) The holding of Nicos Marathovouniotis includes his direct participation of 2.644.924 shares (6.76%) and his indirect participation through his daughter Athina Nikolaidou with 10.000 shares (0.03%).
- (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%) and his indirect participation through his parents Zenios and Nina Pyrishi 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 31 March 2004.

23. 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	30 days before the date of notice of the Annual General Meeting	
		31 December 2003 %	%
Zenios Pyrishis (a)	949.187	2.42	2.42
Andreas Frangoullis (b)	7.788.599	19.92	19.92
Nicos Marathovouniotis (c)	2.654.924	6.79	6.79
George Pyrishis (d)	7.456.002	20.21	20.21
Emilios Pyrishis	7.865.526	20.11	20.11
Kyriakos Toumazis (e)	46.633	0.15	0.15
Andreas Pyrishis	15.000	0.04	0.04

- (a) The holding of Zenios Pyrishis includes his direct participation of 36.546 shares (0.09%) and his indirect participation through his wife Nina Pyrishi with 912.641 shares (2.33%).
- (b) The holding of Andreas Frangoullis includes his direct participation of 7.778.599 shares (19.89%) 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%) and his indirect participation through his daughter Athina Nikolaidou with 10.000 shares (0.03%).
- (d) 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%).
- (e) The holding of Kyriakos Toumazis includes his direct participation of 16.135 shares (0.04%), his indirect participation through his wife with 15.000 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 31 March 2004.

24. Average number of employees

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

	2003	2002
Permanent Staff	<u>71</u>	<u>69</u>

25. Contingent liabilities

The company did not have any contingent liabilities that would affect its financial statements for the year ended 31 December 2003 except for the settlement of the final bill for the contractor relating with building the company offices and which was not yet presented. (????) The directors estimate that the final amount that will be agreed upon will not be significant enough to affect the company's results.

26. Significant agreements

With directors

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

Zenios Pyrishis: Chairman

A contract commencing 1 January 2003 with gross annual remuneration amounting to £37.125 with a provision for automatic renewal.

Emilios Pyrishis: Managing Director

A contract for five years commencing 1 January 2000 with an automatic renewal for another five years. Gross annual remuneration amounting to £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 amounting to £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 annual increases of 7.5%.

27. Financial instruments and management of financial risk

The main financial and monetary assets of the company are cash at banks, investments, debtors and other receivables. The main financial and monetary liabilities of the company are bank overdrafts, trade creditors, reinsurers 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 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 is monitoring changes in interest rates on a continuing basis and acts accordingly.

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 minimise such losses.

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

28. Post balance sheet events and future capital commitments

There were no post balance sheet events and future capital commitments affecting the financial statements as at 31 December 2003.