

Akelius Insurance Public Limited

for the year ended 31 December 2007

Akelius Insurance Public Limited

FINANCIAL STATEMENTS for the year ended 31 December 2007

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GENERAL INFORMATION

Directors

Ioannis Loizou – Chairman
Sievert Larsson - Director

Company Secretary

Marios Miliotis

Registered office

36, Laodikias Street
2028 Strovolos
Nicosia

Legal advisers

Georghios Colocassides

Bankers

Skandinaviska Enskilda Banken
Danske Bank
UBS AG
Credit Suisse
Plusgirot
Bank of Cyprus Public Company Ltd
Marfin Popular Bank Public Company Ltd
FBME Ltd

Actuary

Michael Bell

Auditor

Ernst & Young
36, Byron Avenue
Nicosia Tower Centre
P.O. Box 21656
Nicosia 1511

Akelius Insurance Public Limited

REPORT OF THE BOARD OF DIRECTORS

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2007.

Principal activities

The Company's principal activity during the year continued to be life insurance business outside Cyprus, which included the sale of both life insurance contracts and investment contracts.

The subsidiary company, Akelius Fund Management (Ireland) Ltd, which remained dormant since July 2005, was liquidated in June 2007.

Results and position

The results of the Company for the year ended 31 December 2007 are set out on page 8 of the financial statements. The financial position of the Company is set out in the balance sheet on page 9 of the financial statements.

The net profit for the year amounted to SEK65.757.000 (2006: SEK50.961.000). After the addition of the retained earnings brought forward of SEK94.387.000 (2006: SEK83.576.000) and the payment of a dividend amounting to SEK125.070.000 (2006: SEK40.150.000), the balance in retained earnings carried forward is SEK35.074.000 (2006: SEK94.387.000).

The above result is considered to be very satisfactory.

Dividends

In accordance with a resolution of the Board of Directors on 12 February 2007, the Company paid an interim dividend of SEK4,55 per share for the year ended 31 December 2006 amounting in total to SEK50.050.000.

In accordance with a resolution of the Board of Directors on 3 April 2007 which was approved at the Annual General Meeting on 10 July 2007, the Company paid a final dividend for the year ended 31 December 2006 of SEK2,27 per share amounting in total to SEK24.970.000.

In addition, in accordance with a resolution of the Board of Directors on 11 September 2007, the Company paid an interim dividend of SEK4,55 per share for the year ended 31 December 2007 amounting in total to SEK50.050.000.

The Board of Directors proposes to the next Annual General Meeting the payment of a final dividend for the year 2007 of SEK2,73 per share, amounting in total to SEK30.030.000.

Branches

The Company does not operate through a branch.

Principal risks and uncertainties

The principal risks that the Company faces and the action it takes to address these risks are set out in note 23 to the financial statements.

Likely future development

Notwithstanding factors beyond the Company's control, the Board is continuing to aim to increase the level of policyholders' funds under management and profitability.

Akelius Insurance Public Limited

REPORT OF THE BOARD OF DIRECTORS (continued)

Share capital

During the year, there have been no changes to the share capital of the Company.

The immediate parent company of Akelius Insurance Public Limited as of 31 December 2007, holding 89,95% of the shares, was Confida Secretarial Limited, a company incorporated in Cyprus, which holds the shares as a nominee shareholder on behalf of the Mango Trust Settlement.

On 26 February 2008, all these shares were transferred to “The Sievert Larsson Scholarship Foundation”, a foundation registered in Bahamas.

Events after the Balance Sheet date

There were no significant events after the Balance Sheet date.

Board of Directors

The directors of the Company at the date of this report are listed on page 3. On 1 June 2007 Mr. Anders Glansk resigned from the Board of Directors of the Company and Mr. Ioannis Loizou was appointed as new director and Chairman of the Board. On 28 December 2007 Mr. Par Ceder resigned from the Board of Directors of the Company. Mr. Sievert Larsson was in office for the whole year.

In accordance with article 84 of the Company’s Articles of Association, Mr. Sievert Larsson retires by rotation and being eligible offers himself for re-election.

During the year there have been no significant changes in the distribution of responsibilities or the compensation of the Company’s Board of Directors except as stated above.

Auditors

The auditors of the Company, Ernst & Young, have signified their willingness to continue in office. A resolution for reappointing them and authorising the directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board

Marios Miliotis
Company Secretary

3 April 2008

Independent Auditors' Report

To the members of Akelius Insurance Public Limited

Report on the Financial Statements

We have audited the financial statements of Akelius Insurance Public Limited (the "Company") on pages 8 to 44, which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Akelius Insurance Public Limited as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 4 to 5 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Ernst & Young Cyprus Limited

Nicosia

3 April 2008

Akelius Insurance Public Limited

INCOME STATEMENT

for the year ended 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

	<i>Notes</i>	<i>2007</i> <i>SEK</i>	<i>2006</i> <i>SEK</i>
Gross earned premiums	14,20	259.448	306.192
Reinsurers' share of gross earned premiums		<u>(4)</u>	<u>(4)</u>
Net premiums		259.444	306.188
Fee and commission income	21	67.876	61.829
Investment income		73.283	59.789
Net realised and unrealised gains on investments		223.185	785.970
Other income		21.886	19.130
Foreign exchange gains		635	-
Profit/(loss) from disposal of investment in subsidiary	26	<u>1.718</u>	<u>(1.871)</u>
Other income		<u>388.583</u>	<u>924.847</u>
Total income		<u>648.027</u>	<u>1.231.035</u>
Benefits for surrenders, cancellations and withdrawals of insurance contracts	14	(344.312)	(609.103)
Death claims	14	(30.454)	(20.426)
Death expenses		(370)	(375)
Net change in insurance contract liabilities	14	<u>(56.667)</u>	<u>(289.265)</u>
Insurance contract benefits and claims		<u>(431.803)</u>	<u>(919.169)</u>
Net change in investment contract liabilities	16	(40.264)	(157.386)
Fee and commission expense	21	(67.876)	(61.829)
Interest, bank charges and withholding taxes		(5.910)	(2.996)
Foreign exchange losses		-	(3.098)
Portfolio managers fees		(618)	(1.458)
Other operating and administrative expenses	3	<u>(28.965)</u>	<u>(28.283)</u>
Total benefits, claims and administrative expenses		<u>(575.436)</u>	<u>(1.174.219)</u>
Profit before tax	3	72.591	56.816
Income tax expense	4	<u>(6.834)</u>	<u>(5.855)</u>
Net profit for the year		<u>65.757</u>	<u>50.961</u>
Basic and diluted earnings per share (SEK)	6	<u>5,98</u>	<u>4,63</u>

Akelius Insurance Public Limited

BALANCE SHEET

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

	<i>Notes</i>	<i>2007</i> <i>SEK</i>	<i>2006</i> <i>SEK</i>
ASSETS			
Financial assets			
Cash and cash equivalents	7	265.416	342.656
Money market investments	8	911.915	172.252
Shares, funds and similar investments	8	3.355.089	4.229.258
Bonds	8	204.930	328.940
Derivative contracts	8	5.054	16.260
Promissory notes and similar investments	8	23.914	145
Other receivables	9	13.335	8.419
Amounts due from related parties	10	7.322	6.637
		<u>4.786.975</u>	<u>5.104.567</u>
Other assets			
Income tax receivable	4	2.925	2.221
Investments in subsidiary companies	11	-	1.200
Property, plant and equipment	12	14.276	15.158
Intangible assets	13	414	128
		<u>17.615</u>	<u>18.707</u>
TOTAL ASSETS		<u><u>4.804.590</u></u>	<u><u>5.123.274</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18	15.542	15.542
Share premium		88.409	88.409
Property revaluation reserve		4.174	4.156
Retained earnings		35.074	94.387
Total equity		<u>143.199</u>	<u>202.494</u>
Liabilities			
Insurance contract liabilities	14	3.840.898	3.784.231
Liabilities to policyholders	15	35.348	45.969
Deferred tax liability	4	631	641
Investment contract liabilities	16	776.676	1.011.398
Financial liabilities at fair value through profit or loss	8	2.940	75.425
Other creditors and accrued charges	17	2.365	2.091
Amounts due to related parties	10	263	279
Bank overdrafts	7	2.270	746
Total liabilities		<u>4.661.391</u>	<u>4.920.780</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4.804.590</u></u>	<u><u>5.123.274</u></u>

Ioannis Loizou - Chairman

Sievert Larsson - Director

Akelius Insurance Public Limited

CASH FLOW STATEMENT

for the year ended 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

	<i>Note</i>	<i>2007</i> <i>SEK</i>	<i>2006</i> <i>SEK</i>
Cash from/ (used in) operations	19	51.772	(292.606)
Interest paid		(87)	(16)
Income taxes paid		<u>(7.635)</u>	<u>(4.623)</u>
Net cash flows from/ (used in) operating activities		<u>44.050</u>	<u>(297.245)</u>
Cash flows from investing activities			
Purchase of intangible assets	13	(377)	(167)
Purchase of property, plant and equipment	12	(285)	(264)
Proceeds from disposal of subsidiary	26	<u>2.918</u>	<u>11.871</u>
Net cash flows from investing activities		<u>2.256</u>	<u>11.440</u>
Cash flows from financing activities			
Payment of dividends	5	<u>(125.070)</u>	<u>(40.150)</u>
Net cash flows used in financing activities		<u>(125.070)</u>	<u>(40.150)</u>
Net decrease in cash and cash equivalents		(78.764)	(325.955)
Cash and cash equivalents at 1 January	7	<u>341.910</u>	<u>667.865</u>
Cash and cash equivalents at 31 December	7	<u><u>263.146</u></u>	<u><u>341.910</u></u>

Akelius Insurance Public Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

	<i>Note</i>	<i>Issued capital SEK</i>	<i>Share premium SEK</i>	<i>Property revaluation reserve SEK</i>	<i>Retained earnings SEK</i>	<i>Total SEK</i>
At 1 January 2006		15.542	88.409	4.148	83.576	191.675
Deferred tax		-	-	8	-	8
Total income and expense for the year recognised directly in equity		15.542	88.409	4.156	83.576	191.683
Net profit		-	-	-	50.961	50.961
Total recognised income and expense for the year.		15.542	88.409	4.156	134.537	242.644
Dividends paid		-	-	-	(40.150)	(40.150)
At 31 December 2006		15.542	88.409	4.156	94.387	202.494
Deferred tax		-	-	18	-	18
Total income and expense for the year recognised directly in equity		15.542	88.409	4.174	94.387	202.512
Net profit		-	-	-	65.757	65.757
Total recognised income and expense for the year.		15.542	88.409	4.174	160.144	268.269
Dividends paid	5	-	-	-	(125.070)	(125.070)
At 31 December 2007		<u>15.542</u>	<u>88.409</u>	<u>4.174</u>	<u>35.074</u>	<u>143.199</u>

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

1. Corporate information

Akelius Insurance Public Limited (“the Company”) was incorporated in Cyprus on 5 June 1987 as a private company limited by shares. On 23 November 1998 the Company became public through the issue of a statement in lieu of a prospectus. The registered office of the Company is located at 36 Laodikias Street, 2028 Strovolos, Nicosia.

The immediate parent company of Akelius Insurance Public Limited is Confida Secretarial Limited, a company incorporated in Cyprus, which holds 89,95% of the total issued shares as a nominee of the Mango Trust Settlement. On 26 February 2008, all shares held by Confida Secretarial Limited were transferred to “The Sievert Larsson Scholarship Foundation”, a foundation registered in Bahamas.

The principal activity of the Company is to carry on life insurance business outside Cyprus, which includes the sale of both life insurance contracts containing significant insurance risk and investment contracts containing insignificant insurance risk.

The financial statements for Akelius Insurance Public Limited for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 3 April 2008.

2.1 Basis of preparation

The financial statements of Akelius Insurance Public Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

All IFRSs issued by the International Accounting Standards Board (IASB) and effective at the time of preparing these financial statements, have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of International Accounting Standard (IAS) 39 ‘Financial Instruments: Recognition and measurement’ relating to portfolio hedge accounting. Since the Company is not affected by these provisions, these financial statements comply with both the IFRSs as adopted by the EU and the IFRSs as issued by the IASB.

No consolidated financial statements were prepared as the subsidiary company Akelius Fund Management (Ireland) Ltd, which remained dormant since July 2005, was liquidated in June 2007 and the effect of non-consolidation is not significant.

The financial statements are presented in Swedish Kronor (SEK), which is the Company’s functional and presentation currency. The amounts are rounded to the nearest thousand. The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings and financial assets and financial liabilities measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.2 Changes in accounting policies and adoption of new/revised IFRS

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC Interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did, however, give rise to additional disclosures.

IFRS 7 'Financial Instruments: Disclosures'

IAS 1 'Amendment – Presentation of Financial Statements – Capital Disclosures'

IFRIC 7 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies'

IFRIC 8 'Scope of IFRS 2'

IFRIC 9 'Reassessment of Embedded Derivatives'

IFRIC 10 'Interim Financial Reporting and Impairment'

The principal effects of these changes are as follows:

IFRS 7 'Financial Instruments: Disclosures' and a complementary amendment to IAS 1, 'Presentation of Financial Statements – Capital Disclosures'

IFRS 7 requires additional disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. In particular, it specifies minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'.

The amendment to IAS 1 introduces disclosures relating to the level of an entity's capital and how it is managed.

The new disclosures are included throughout the financial statements. Comparative information has been revised where needed.

IFRIC 7 'Applying the Restatement Approach' under IAS 29 'Financial Reporting in Hyperinflationary Economies'

IFRIC 7 requires entities to apply IAS 29 in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency, as if the economy had always been hyperinflationary. The adoption of IFRIC 7 did not have any impact on the financial statements of the Company.

IFRIC 8 'Scope of IFRS 2'

IFRIC 8 clarifies that IFRS 2 'Share-Based Payment' applies to any arrangement by which equity shares are granted or liabilities (based on the value of an entity's equity shares) are incurred and the identifiable consideration appears to be less than the fair value of the equity shares granted or the liabilities incurred. The adoption of IFRIC 8 did not have any impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.2 Changes in accounting policies and adoption of new/revised IFRS (continued)

IFRIC 9 'Reassessment of Embedded Derivatives'

IFRIC 9 requires an entity to assess upon entering into a contract, whether this contains an embedded derivative and prohibits reassessment unless there is a change to the contract terms as a result of which there are significant changes in the cash flows. The adoption of IFRIC 9 did not have any impact on the financial statements of the Company.

IFRIC 10 'Interim Financial Reporting and Impairment'

IFRIC 10 provides that, should any impairment losses be recognised in the interim financial statements in relation to goodwill, available-for-sale investments in equity shares or unquoted equity shares carried at cost, these impairment losses may not be reversed in subsequent interim periods or when preparing the annual financial statements. The adoption of IFRIC 10 did not have any impact on the financial statements of the Company.

IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions'

IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares of the company, to be accounted for as equity-settled schemes by an entity, even if the entity, chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity shares granted. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. The adoption of IFRIC 11 did not have any impact on the financial statements of the Company.

2.3 Standards and interpretations that are issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Standards and interpretations issued by the IASB and adopted by the EU

IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. IFRS 8 is not relevant to the Company.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.3 Standards and interpretations that are issued but not yet effective (continued)

(ii) Standards and interpretations issued by the IASB but not yet adopted by the EU

Amendment to IAS 23 ‘Borrowing costs’ (effective for annual periods beginning on or after 1 January 2009)

The option in the current standard to expense borrowing costs to the income statement in case of a qualifying asset has been eliminated. All borrowing costs must be capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRIC 12 ‘Service Concession Arrangements’ (effective for annual periods beginning on or after 1 January 2008)

IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Company.

IFRIC 13 ‘Customer Loyalty Programmes’ (effective for annual periods beginning on or after 1 July 2008)

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this Interpretation will have no impact on its financial statements as no such schemes currently exist.

IFRIC 14 ‘IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’ (effective for annual periods beginning on or after 1 January 2008)

IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the “asset ceiling test”, may be influenced by a minimum funding requirement and aims to standardize current practice. The Company expects that his interpretations will have no impact on its financial statements.

Amendments to IAS 1 ‘Presentation of Financial Statements’ (effective for annual periods beginning on or after 1 January 2009)

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. One of the main revisions is the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with “other comprehensive income” and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Company will make the necessary changes to the presentation of its financial statements in 2009.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.4 Significant accounting judgments, estimates and assumptions

In the process of applying the Company's accounting policies, management makes judgments, estimates and assumptions concerning the future at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The most important estimate is of the amount of life insurance contract liabilities and investment contract liabilities.

Actuarial estimates are made in respect of the liabilities arising from death claims, based on standard mortality tables that reflect historical mortality experience. Estimates are also made as to future investment income arising from assets backing the life insurance and investment contracts, based on current market returns as well as expectations about future economic and financial developments and for changes in the level of administration expenses.

Estimates for future deaths, investment returns and administration expenses are used to calculate the liability over the term of the contract (note 25). At each reporting date, these estimates are reassessed for adequacy and changes are reflected with adjustments to the liability.

2.5 Summary of significant accounting policies

The accounting policies followed in respect of items that are considered material for the results and the financial position of the Company are stated below.

(a) Foreign currency

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

(b) Financial assets and financial liabilities

Investments are classified as financial assets at fair value through profit or loss, or loans receivable.

All regular way purchases and sales of financial assets and financial liabilities are recognised on the date on which the Company commits to purchase or sell the investment.

Financial assets and liabilities at fair value through profit or loss

This category of financial assets and financial liabilities has two subcategories, financial assets and financial liabilities held-for-trading and financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial asset or financial liability is classified as held-for-trading if it is: (a) acquired or incurred principally for the purpose of sale or repurchase in the near future; (b) part of a portfolio of separately identifiable financial instruments that have been commonly managed and for which there is evidence of a recent pattern of short term profit taking; or (c) a derivative financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(b) Financial assets and financial liabilities (continued)

All other financial assets or financial liabilities are classified at fair value through profit or loss upon initial recognition, when they are collectively managed, their performance is assessed according to their fair value in accordance with the verified risk or investment management strategy and the information regarding this group of financial assets or financial liabilities is provided internally to the administrative officers of the Company.

The Company's strategy is to manage investments acquired to cover its insurance and investment contracts liabilities on the basis of their fair values.

All financial assets and financial liabilities are initially recognised at their fair value excluding transaction costs. A financial asset is derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

Financial assets and liabilities at fair value through profit or loss are subsequently measured at fair value, based on market prices for listed securities. The fair value of unlisted securities is estimated using appropriate models and valuation methods and/or on the basis of the investee's financial results, condition and prospects compared to those of similar companies for which quoted market prices are available. Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment, plus transaction costs directly attributable to the acquisition.

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method less any provision for impairment. Amortisation of premiums or discounts and any impairment losses are taken to the income statement.

(c) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

For loans and receivables, carried at amortised cost, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a variable interest rate was used, the discounted rate for measuring the impairment loss is the current effective interest rate. Impairment loss is recorded in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(c) Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(d) Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- the Company has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(f) Product classification

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependant on both the probability of an insured event and the magnitude of its potential effect. An insurance risk of 5% or more on the contract balance is considered significant.

Once a contract has been classified as an insurance contract, it remains an insurance contract until expiry, or until all of the rights and obligations under the contract have been fulfilled even if the insurance risk reduces significantly during this period.

Investment contracts

Any contracts not considered insurance contracts, where the insurance risk is insignificant, are classified as investment contracts. Deposits collected and benefits payments under investment contracts are not accounted for through the income statement, but are accounted for directly through the balance sheet as a movement in the investment contract liability, with only the net movement recorded in the income statement.

(g) Life insurance contract liabilities

The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life contract.

For liabilities of unit linked policies, the unitised fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked funds.

(h) Investment contract liabilities

Investment contracts are carried at fair value based on a prudent prospective actuarial valuation method and the current unit fund value.

For liabilities of unit linked policies, the unitised fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked funds.

(i) Investments in subsidiary companies

Investments in subsidiary companies are stated in the Company's balance sheet at cost, being the fair value of the consideration given for the acquisition. Provision is made, when necessary, to recognise any impairment in the value of investments.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment in value.

The cost of computer software represents the consideration paid for the acquisition.

Amortisation commences when the asset is ready for use and is provided on a straight-line basis over the estimated useful life of the asset.

Computer software is amortised at the rate of 33 1/3% per annum.

The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(k) Other receivables

Other receivables are stated net of specific provisions for doubtful debts that may arise during the ordinary conduct of the Company's business. Bad debts are written off to the income statement.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment in value.

The cost of property, plant and equipment represents the consideration paid for their acquisition as well as any directly attributable costs of bringing the assets to working condition for their intended use.

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The valuation is carried out by independent qualified valuers. Any surplus on revaluation is credited to the property revaluation reserve.

Any revaluation deficit directly offsetting a previous surplus for the same asset is directly offset against the surplus in the property revaluation reserve.

Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Revaluations are performed on a regular basis ensuring that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the following annual rates:

Buildings	3%
Computer equipment	20%
Furniture and other equipment	10%
Motor vehicles	25%

Land is not depreciated.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

Costs incurred for the modification or improvement of the freehold buildings of the Company are capitalised and depreciated using the rates referred to above to the extent that future economic benefits are expected to flow to the Company.

Costs incurred for the maintenance and repair of buildings and other property, plant and equipment are charged to the income statement as incurred.

(m) Income tax

Provision is made for income tax in accordance with the fiscal regulations and rates which apply in Cyprus.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is also recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(n) Retirement benefit costs

The costs of the defined contribution scheme, in the form of contributions to a Provident Fund are calculated as a fixed percentage of the employees' emoluments, are charged to the income statement as incurred.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Premiums

Premiums are accounted for in the period in which they are received, less cancellations.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Fee and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services and for surrenders. The fee is recognised as revenue in the period when the related services are performed.

Realised gains and losses recorded in the income statement

Realised gains and losses on the sale of financial assets, other than those at fair value through profit or loss, are calculated as the difference between net sales proceeds and the original or amortised cost. Realised gains and losses are recognised in the income statement when the sale transaction occurs.

(p) Death claims, surrenders, cancellations and withdrawals

Death claims are recorded on the date of death. Surrenders, cancellations and withdrawals are recorded on the date of the notifications received.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(r) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

(s) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Cash and cash equivalents

Cash and cash equivalents in the balance sheet consist of cash at bank and in hand.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(u) Equity Movements

Ordinary Share Capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Any difference between the issue price of share capital and the nominal value is recognised as share premium.

Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

3. Operating and administrative expenses

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
Salaries and employer contributions	11.253	11.807
Directors' remuneration	1.322	1.734
Consultancy fees	2.403	167
Marketing costs	4.527	5.050
Auditors' remuneration	524	566
Depreciation and amortisation	1.258	1.433
Other	7.678	7.526
	<u>28.965</u>	<u>28.283</u>

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

3. Operating and administrative expenses (continued)

The Company makes contributions to a retirement plan of the defined contribution type. The Company's contribution to the plan for the year for the employees amounted to SEK470 (2006: SEK480) and for the directors amounted to SEK21 (2006: SEK48). These amounts are included in salaries and employer contributions for employees and in directors remuneration for directors above.

4. Tax

	2007 SEK	2006 SEK
Income statement		
Income tax-current year	7.145	5.514
Income tax-prior year	(319)	350
Deferred tax	8	(9)
	<u>6.834</u>	<u>5.855</u>
Income tax expense reported in income statement		
Balance sheet		
<i>Current assets</i>		
Income tax receivable	<u>2.925</u>	<u>2.221</u>
<i>Deferred tax liability</i>		
Balance 1 January	641	658
Movement for the year – charged to income statement	8	(9)
– charged to equity	<u>(18)</u>	<u>(8)</u>
Balance 31 December	<u>631</u>	<u>641</u>
Difference between tax capital allowances on property, plant and equipment and depreciation	25	9
Revaluation of land and buildings (reported in equity)	<u>606</u>	<u>632</u>
	<u>631</u>	<u>641</u>

Income tax expense represents a provision for Cyprus income tax at the greater of the statutory tax rate of 10% on the taxable income for the year; and 1,5% on the gross insurance contract premiums.

A reconciliation of the income tax expense applicable to the accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2007 and 2006 is as follows:

	2007 SEK	2006 SEK
Accounting profit before tax	<u>72.591</u>	<u>56.816</u>
Income tax at 10%	7.259	5.682
Tax effect of:		
Income not taxable	(172)	(187)
Expenses disallowed for tax purposes	36	(2)
Differences in depreciation for tax purposes	30	12
Prior year taxes	<u>(319)</u>	<u>350</u>
	<u>6.834</u>	<u>5.855</u>

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

5. Dividends

	<i>Date</i>	<i>Per share</i>	<i>SEK</i>
Paid in respect of year			
2006	12.02.2007	4,55	50.050
2006	3.04.2007	2,27	24.970
2007	11.09.2007	4,55	50.050
		<u>11,37</u>	<u>125.070</u>
Proposed in respect of year			
2007	3.04.2008	<u>2,73</u>	<u>30.030</u>

The Board of Directors proposes for approval at the next Annual General Meeting the payment of a final dividend for 2007 of SEK2,73 per share amounting in total to SEK30.030.

6. Basic and diluted earnings per share

	<i>2007</i>	<i>2006</i>
Net profit attributable to shareholders (SEK'000)	<u>65.757</u>	<u>50.961</u>
Weighted average number of shares in issue	<u>11.000.000</u>	<u>11.000.000</u>
Basic and diluted earning per share (SEK)	<u>5,98</u>	<u>4,63</u>

At 31 December 2007 and 2006 there were no potentially dilutive financial instruments outstanding.

7. Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprise:

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
Cash in hand	2	3
Bank balances	265.414	342.653
Bank overdrafts	<u>(2.270)</u>	<u>(746)</u>
	<u>263.146</u>	<u>341.910</u>

Bank overdrafts which are denominated in Swedish Kronor carry interest at 5% to 6% per annum (calculated on daily balances) and are repayable on demand. These overdrafts are secured on different investment portfolios.

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

8. Financial assets and liabilities

Financial assets

	<i>Financial assets at fair value through profit or loss</i>			
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2007				
Money market investments	-	911.915	-	911.915
Shares, funds and similar investments	-	3.355.089	-	3.355.089
Bonds	-	204.930	-	204.930
Derivative contracts	5.054	-	-	5.054
Promissory notes and similar investments	-	-	23.914	23.914
	<u>5.054</u>	<u>4.471.934</u>	<u>23.914</u>	<u>4.500.902</u>
	<i>Financial assets at fair value through profit or loss</i>			
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2006				
Money market investments	-	172.252	-	172.252
Shares, funds and similar investments	-	4.229.258	-	4.229.258
Bonds	-	328.940	-	328.940
Derivative contracts	16.260	-	-	16.260
Promissory notes and similar investments	-	-	145	145
	<u>16.260</u>	<u>4.730.450</u>	<u>145</u>	<u>4.746.855</u>

The promissory notes and similar investments represent a receivable from Akelius Finans Public Ltd, which was a related company until 31 December 2005, amounting to SEK145 (2006: SEK145) and a receivable from Larsson Investment Funds Ltd, a related company, amounting to SEK23.769 (2006: Nil). Interest income on these receivables amounted to SEK437 (2006: SEK223).

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

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8. Financial assets and liabilities (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

	<i>Derivative contracts SEK</i>	<i>Money Market investments SEK</i>	<i>Shares, funds and similar investments SEK</i>	<i>Bonds SEK</i>	<i>Total SEK</i>
2007					
Listed on European stock exchanges	5.054	911.915	3.175.275	204.930	4.297.174
Listed on USA stock exchanges	-	-	172.068	-	172.068
Listed on Japanese stock exchanges	-	-	7.746	-	7.746
	<u>5.054</u>	<u>911.915</u>	<u>3.355.089</u>	<u>204.930</u>	<u>4.476.988</u>
2006					
Listed on European stock exchanges	16.260	172.252	4.048.094	328.940	4.565.546
Listed on USA stock exchanges	-	-	178.880	-	178.880
Listed on Japanese stock exchanges	-	-	2.284	-	2.284
	<u>16.260</u>	<u>172.252</u>	<u>4.229.258</u>	<u>328.940</u>	<u>4.746.710</u>

The movement in financial assets is summarised as follows:

	<i>Financial assets at fair value through profit or loss</i>		<i>Loans receivable SEK</i>	<i>Total SEK</i>
	<i>Held for trading SEK</i>	<i>Other SEK</i>		
2007				
1 January	16.260	4.730.450	145	4.746.855
Additions	5.054	2.745.456	23.769	2.774.279
Disposals	(16.260)	(2.948.369)	-	(2.964.629)
Fair value losses recorded in the income statement	-	(55.603)	-	(55.603)
31 December	<u>5.054</u>	<u>4.471.934</u>	<u>23.914</u>	<u>4.500.902</u>
2006				
1 January	8.461	3.835.675	7.185	3.851.321
Additions	16.260	2.665.827	-	2.682.087
Disposals	(8.461)	(2.282.537)	(7.040)	(2.298.038)
Fair value gains recorded in the income statement	-	511.485	-	511.485
31 December	<u>16.260</u>	<u>4.730.450</u>	<u>145</u>	<u>4.746.855</u>

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

8. Financial assets and liabilities (continued)

Financial assets (continued)

Analysis of financial assets held per currency is summarised as follows:

	<i>Financial assets at fair value through profit or loss</i>		<i>Loans receivable SEK</i>	<i>Total SEK</i>
	<i>Held for trading SEK</i>	<i>Other SEK</i>		
2007				
Euro	-	217.516	23.914	241.430
Other European currencies	5.054	4.079.159	-	4.084.213
United States Dollars	-	172.068	-	172.068
Japanese Yen	-	3.191	-	3.191
	<u>5.054</u>	<u>4.471.934</u>	<u>23.914</u>	<u>4.500.902</u>
2006				
Euro	-	162.067	-	162.067
Other European currencies	16.260	4.387.219	145	4.403.624
United States Dollars	-	178.880	-	178.880
Japanese Yen	-	2.284	-	2.284
	<u>16.260</u>	<u>4.730.450</u>	<u>145</u>	<u>4.746.855</u>

Financial liabilities

	<i>Financial liabilities at fair value through profit or loss</i>		<i>Total SEK</i>
	<i>Held for trading SEK</i>	<i>Other SEK</i>	
2007			
Derivative contracts	2.940	-	2.940
	<u>2.940</u>	<u>-</u>	<u>2.940</u>
2006			
Derivative contracts	10.815	-	10.815
Short selling	-	64.610	64.610
	<u>10.815</u>	<u>64.610</u>	<u>75.425</u>

The above financial liabilities represent listed securities.

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

8. Financial assets and liabilities (continued)

Financial liabilities (continued)

The movement in these financial liabilities is summarised as follows:

	<i>Financial liabilities at fair value through profit or loss</i>		
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Total SEK</i>
2007			
1 January	10.815	64.610	75.425
Additions	2.940	-	2.940
Disposals	(10.815)	(64.610)	(75.425)
31 December	<u>2.940</u>	<u>-</u>	<u>2.940</u>
2006			
1 January	2.814	76.088	78.902
Additions	10.815	64.610	75.425
Disposals	(2.814)	(76.088)	(78.902)
31 December	<u>10.815</u>	<u>64.610</u>	<u>75.425</u>

All the above financial liabilities are denominated in European currencies other than the Euro.

9. Other receivables

	<i>2007 SEK</i>	<i>2006 SEK</i>
Interest receivable	7.785	3.168
Other	<u>5.550</u>	<u>5.251</u>
	<u>13.335</u>	<u>8.419</u>

All the above amounts are receivable within 12 months from the balance sheet date.

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

10. Related party disclosures

	2007 SEK	2006 SEK
Amounts due from:		
Akelius Fund Administration Ltd	4.810	6.637
Larsson Fund Management (Bahamas) Ltd	<u>2.512</u>	<u>-</u>
	<u>7.322</u>	<u>6.637</u>
Amounts due to:		
Akelius Fund Management (Ireland) Ltd	-	(36)
Larsson Fund Management (Bahamas) Ltd	-	(243)
Larsson Investments Funds Ltd	<u>(263)</u>	<u>-</u>
	<u>(263)</u>	<u>(279)</u>

Akelius Fund Administration Ltd, Larsson (formerly Akelius) Fund Management Ltd and Larsson (formerly Akelius) Investments Funds Ltd are related parties as they have common shareholders with the Company. Akelius Fund Management (Ireland) Ltd was a wholly owned subsidiary of the Company (note 11) which has been liquidated.

The balance due from Akelius Fund Administration Ltd carries interest at 5,75% and represents an advance to finance the operational activities of the related company.

The remaining balances receivable from and payable to the related companies are of an operational nature, carry no interest and are repayable on demand.

In addition to the above, promissory notes amounting to SEK23.769 are receivable from Larsson Investment Funds Ltd (note 8). An amount of SEK20.841 is repayable on 30 January 2009 and an amount of SEK2.928 is repayable on 30 January 2012. The notes carry interest at 5,745% per annum until 31 January 2008 and thereafter at a rate of 6% per annum until maturity. The interest is compounded annually on the outstanding principal amount.

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

10. Related party disclosures (continued)

Key Management Personnel:

The Company enters into transactions with its directors and other key management personnel in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Details of significant transactions carried out during the year with directors and key management personnel are as follows:

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
<i>Sale of investment and insurance contracts:</i>		
Non executive directors	44	41
Executive directors	7.425	26.627
Other key management personnel	28	23
	<u>7.497</u>	<u>26.691</u>
<i>Directors' emoluments:</i>		
Salaries and directors' fees	1.236	1.433
Employer's contributions for social insurance etc.	41	49
Employer's contributions for retirement benefit plan	21	48
	<u>1.298</u>	<u>1.530</u>
Non executive director fees	<u>24</u>	<u>204</u>
Total fees and emoluments of directors	<u>1.322</u>	<u>1.734</u>
<i>Other key management personnel emoluments:</i>		
Salaries and other short term benefits	2.607	1.651
Employer's contributions for social insurance etc.	183	127
Employer's contributions for retirement benefit plan	126	87
	<u>2.916</u>	<u>1.865</u>

11. Investments in subsidiary companies

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
Shares at cost:		
Akelius Fund Management (Ireland) Limited	<u>-</u>	<u>1.200</u>
	<u>-</u>	<u>1.200</u>

Akelius Fund Management (Ireland) Limited was a wholly owned subsidiary of Akelius Insurance Public Limited, incorporated in Ireland. The principal activity of the subsidiary was to carry out fund management services which ceased in 2005.

The liquidation of the subsidiary was completed in June 2007 (note 26).

Akelius Insurance Public Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

(all amounts are in thousand SEK unless otherwise stated)

12. Property, plant and equipment

	<i>Freehold land and buildings SEK</i>	<i>Computer Equipment SEK</i>	<i>Furniture and other equipment SEK</i>	<i>Motor vehicles SEK</i>	<i>Total SEK</i>
2007					
Cost or valuation					
At 1 January	14.106	7.954	3.969	550	26.579
Additions	-	173	112	-	285
At 31 December	<u>14.106</u>	<u>8.127</u>	<u>4.081</u>	<u>550</u>	<u>26.864</u>
Depreciation					
At 1 January	694	7.208	3.080	439	11.421
Charge for the year	<u>349</u>	<u>450</u>	<u>257</u>	<u>111</u>	<u>1.167</u>
At 31 December	<u>1.043</u>	<u>7.658</u>	<u>3.337</u>	<u>550</u>	<u>12.588</u>
Net book value					
At 31 December	<u>13.063</u>	<u>469</u>	<u>744</u>	<u>-</u>	<u>14.276</u>
2006					
Cost or valuation					
At 1 January	14.106	7.785	3.874	550	26.315
Additions	-	169	95	-	264
At 31 December	<u>14.106</u>	<u>7.954</u>	<u>3.969</u>	<u>550</u>	<u>26.579</u>
Depreciation					
At 1 January	345	6.678	2.753	330	10.106
Charge for the year	<u>349</u>	<u>530</u>	<u>327</u>	<u>109</u>	<u>1.315</u>
At 31 December	<u>694</u>	<u>7.208</u>	<u>3.080</u>	<u>439</u>	<u>11.421</u>
Net book value					
At 31 December	<u>13.412</u>	<u>746</u>	<u>889</u>	<u>111</u>	<u>15.158</u>

Cost or valuation represents valuation as at 31 December 2004 plus additions at cost in the subsequent years.

If no revaluation had taken place, the net book value of the freehold land and buildings at cost less accumulated depreciation, would have been SEK8.434 (2006: SEK8.717).

The value of land (at valuation) included in freehold land and buildings amounted to SEK4.569 (2006: SEK4.569), whereas the historic cost of land amounted to SEK1.815 (2006: SEK1.815).

Depreciation of property, plant and equipment is included under "Other operating and administrative expenses" in the income statement.

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13. Intangible assets

	<i>Computer Software</i>	
	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
Cost		
At 1 January	4.832	4.665
Additions	377	167
At 31 December	<u>5.209</u>	<u>4.832</u>
Amortisation		
At 1 January	4.704	4.586
Charge for the year	91	118
At 31 December	<u>4.795</u>	<u>4.704</u>
Net book value		
At 31 December	<u>414</u>	<u>128</u>

Amortisation of intangible assets is included under "Other operating and administrative expenses" in the income statement.

14. Insurance contract liabilities

The movement during the year in the life insurance contract liabilities is as follows:

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
At 1 January	<u>3.784.231</u>	<u>3.494.966</u>
Gross premiums earned	259.448	306.192
Reinsurers' share of gross premium	(4)	(4)
Investment income	53.992	41.631
Realised and unrealised gains on investments	180.868	618.279
	<u>494.304</u>	<u>966.098</u>
Surrenders, cancellations and withdrawals	(344.312)	(609.103)
Death claims	(30.454)	(20.426)
Fees and commissions deducted	(55.000)	(49.191)
Interest, bank charges and withholding taxes	(4.781)	(2.370)
Foreign exchange losses	(336)	(1.792)
Portfolio managers' fees	(451)	(1.114)
Transfer from/(to) shareholders' funds	(2.304)	7.163
	<u>(437.638)</u>	<u>(676.833)</u>
Increase during the year	<u>56.667</u>	<u>289.265</u>
At 31 December	<u>3.840.898</u>	<u>3.784.231</u>

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15. Liabilities to policyholders

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
Insurance contracts	29.403	36.274
Investment contracts	5.945	9.695
	<u>35.348</u>	<u>45.969</u>

These represent liabilities for cancelled policies, withdrawals and death claims, payable within 10 days of a valid request by a policyholder.

16. Investment contract liabilities

The movement during the year in the investment contract liabilities is as follows:

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
At 1 January	<u>1.011.398</u>	<u>790.706</u>
Deposits	195.093	164.181
Investment income	12.640	10.695
Realised and unrealised gains on investments	42.343	158.844
	<u>250.076</u>	<u>333.720</u>
Surrenders, cancellations and withdrawals	(462.950)	(95.627)
Death claims	(7.130)	(5.248)
Fees and commissions deducted	(12.876)	(12.638)
Interest, bank charges and withholding taxes	(1.119)	(609)
Foreign exchange losses	(78)	(460)
Portfolio managers' fees	(106)	(286)
Transfer (to)/from to shareholders funds	(539)	1.840
	<u>(484.798)</u>	<u>(113.028)</u>
Increase during the year	<u>(234.722)</u>	<u>220.692</u>
At 31 December	<u>776.676</u>	<u>1.011.398</u>

17. Other creditors and accrued charges

	<i>2007</i>	<i>2006</i>
	<i>SEK</i>	<i>SEK</i>
Other creditors and accrued charges	<u>2.365</u>	<u>2.091</u>

All the above amounts are payable within 12 months from the balance sheet date.

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18. Issued capital

	2007 SEK	2006 SEK
Authorised 15.000.000 ordinary shares of CY£0,10 each	<u>21.685</u>	<u>21.685</u>
Issued and fully paid 11.000.000 ordinary shares of CY£0,10 each	<u>15.542</u>	<u>15.542</u>

19. Net cash used in operations

	<i>Note</i>	2007 SEK	2006 SEK
Net profit before income tax		72.591	56.816
Investment income and realised gains on investments		(303.739)	(111.670)
Foreign exchange (gain)/loss on investments		(635)	3.098
Net unrealised loss/(gain) on bonds and shares		211.375	(541.426)
Finance costs		86	16
Purchase of financial liabilities	8	2.940	75.425
Purchase of shares, funds and similar investments	8	(1.504.615)	(1.347.958)
Purchase of bonds	8	(357.617)	(808.484)
Purchase of money market investments	8	(888.278)	(525.645)
Purchase of promissory notes	8	(23.769)	-
Proceeds from sale of investments	8	2.964.629	2.298.038
Dividend income		40.543	36.778
Interest income		32.672	22.740
Other investment income		66	59
<i>Non cash items</i>			
Amortisation of intangible assets	13	91	118
Depreciation of property, plant and equipment	12	1.167	1.315
Profit on disposal of subsidiary		(1.718)	(1.871)
<i>Changes in working capital</i>			
(Increase)/decrease in other receivables		(4.914)	15.238
Increase in insurance contracts liabilities		56.667	289.265
(Decrease)/increase in investment contracts liabilities		(234.722)	220.692
(Decrease)/increase in liabilities to Policyholders		(10.621)	30.987
Increase in related party balances		(701)	(6.282)
Increase in other creditors and accrued charges		<u>274</u>	<u>145</u>
Cash from/(used) in operations		<u>51.772</u>	<u>(292.606)</u>

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20. Gross premiums

All premiums relate to life insurance contracts held by individuals, the vast majority of which are Swedish nationals.

These are single premium contracts, either linked to specified investments or non-linked that earn a defined benefit.

	2007 SEK	2006 SEK
Linked	199.686	237.340
Non-linked	59.762	68.852
	<u>259.448</u>	<u>306.192</u>

21. Fee and commission income

	2007 SEK	2006 SEK
<i>Policyholder administration and investment management charges</i>		
Insurance contracts	50.845	45.239
Investment contracts	11.903	11.622
<i>Entry/Surrender charges</i>		
Insurance contracts	4.155	3.952
Investment contracts	973	1.016
Total fee and commission income	<u>67.876</u>	<u>61.829</u>

22. Capital commitments

The Company had no significant capital commitments as at 31 December 2007 and 2006, other than the obligation to meet the minimum solvency margin, as per note 23.

23. Risk management

General

The Company is exposed to a variety of risks, the most important of which are insurance contract claims, credit risk, market risks and liquidity risk.

Market risks arise from possible changes in the values of assets and liabilities as a result of changes in market conditions. The risk of variations in asset values can arise from unfavourable changes in foreign currency exchange rates, in interest rates and the current prices of investments. To the extent that such variations concern investments relating to unit-linked investment plans, they do not affect the Company's profitability.

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23. Risk management (continued)

Credit risk exposure

Credit risk is the risk of a person or organisation defaulting in the repayment of their obligation to the Company. The Company's exposures to credit risk are as indicated by the carrying amounts of its non-linked assets and shareholders' assets as shown in the table below:

31 December 2007	Non-linked SEK	Share- holders SEK	Total SEK
Financial assets			
Bonds	160.145	-	160.145
Money market investments	426.830	61.562	488.392
Shares, funds and similar investments	-	46.012	46.012
Promissory notes and similar investments	145	-	145
Other receivables	4.839	6.467	11.306
Amounts due from related companies	-	7.322	7.322
Tax receivable	-	2.916	2.916
Cash and cash equivalents	40.256	4.198	44.454
Total	632.215	128.477	760.692

31 December 2006	Non-linked SEK	Share- holders SEK	Total SEK
Financial assets			
Bonds	319.343	-	319.343
Money market investments	118.615	53.637	172.252
Shares, funds and similar investments	-	69.563	69.563
Promissory notes and similar investments	145	-	145
Other receivables	2.988	5.430	8.418
Amounts due from related companies	-	6.637	6.637
Tax receivable	-	2.221	2.221
Cash and cash equivalents	124.450	117.761	242.211
Total	565.541	255.249	820.790

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23. Risk management (continued)

Credit risk (continued)

The table below provides information regarding the credit quality of the above assets according to Moody's credit ratings of the counterparties, of financial assets.

31 December 2007

	<i>Aaa</i>	<i>Aa1</i>	<i>Aa2</i>	<i>Aa3</i>	<i>A2</i>	<i>A3</i>	<i>Baa1</i>	<i>Not rated</i>	<i>Total</i>
	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>
Financial assets									
Bonds	-	73.467	37.002	49.676	-	-	-	-	160.145
Money market investments	-	-	25.000	-	463.392	-	-	-	488.392
Shares, funds and similar investments	-	-	-	-	-	-	21.840	24.172	46.012
Promissory notes and similar investments	-	-	-	-	-	-	-	145	145
Other receivables	20	1.144	3.820	-	2.211	-	-	4.111	11.306
Cash and cash equivalents	758	656	16.493	-	2.880	559	-	23.108	44.454
Amounts due from related companies	-	-	-	-	-	-	-	7.322	7.322
7.322	-	-	-	-	-	-	-	2.916	2.916
Total	778	75.267	82.315	49.676	468.483	559	21.840	61.775	760.692

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23. Risk management (continued)

Credit risk (continued)

31 December 2006

	<i>Aaa</i>	<i>Aa1</i>	<i>Aa2</i>	<i>Aa3</i>	<i>A2</i>	<i>A3</i>	<i>Baa1</i>	<i>Not</i>	<i>Total</i>
	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>rated</i>	<i>SEK</i>
								<i>SEK</i>	<i>SEK</i>
Financial assets									
Bonds	-	36.061	37.455	86.102	-	-	-	159.725	319.343
Money market investments	172.191	-	-	-	61	-	-	-	172.252
Shares, funds and similar investments	-	-	21.653	-	-	-	21.960	25.950	69.563
Promissory notes and similar investments	-	-	-	-	-	-	-	145	145
Other receivables	20	1.335	3.428	-	160	-	-	3.475	8.418
Cash and cash equivalents	55.228	987	49.171	-	117.141	492	-	19.192	242.211
Amounts due from related companies	-	-	-	-	-	-	-	6.637	6.637
Tax receivable	-	-	-	-	-	-	-	2.221	2.221
Total	227.439	38.383	111.707	86.102	117.362	492	21.960	217.345	820.790

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23. Risk management (continued)

Market risk

Interest rate risk

Interest rate risk arises from possible fluctuations in interest rates on fixed interest instruments. The exposure of the Company to such adverse fluctuations is considered minimal as the non-linked assets and liabilities are appropriately matched.

Foreign currency risk

Currency risk arises from fluctuations in the exchange rate between foreign currencies and the Swedish Kronor. Exposure to such risk is minimal as the majority of the non-linked assets are denominated in SEK. Also there is minimal exposure from liabilities denominated in foreign currency as such liabilities are insignificant.

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates only to the shareholder's financial assets and the non-linked assets whose values will fluctuate as a result of changes in market prices.

The table below indicates how the Company's profit before tax will be affected from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices:

		2007	2006
<i>Market indices</i>	<i>Change in variables</i>	<i>Impact on profit before tax SEK</i>	<i>Impact on profit before tax SEK</i>
Swedish Stock Exchange	+10	2.224	2.388
Structured products	+10	2.377	4.568
Swedish Stock Exchange	-10	-2.224	-2.388
Structured products	-10	-2.033	-4.332

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23. Risk management (continued)

Liquidity risk

Liquidity risk originates from the possibility that current cash obligations of the Company may not be covered by the available cash and cash equivalents.

The table below summarises the maturity profile of the financial liabilities of the Company by remaining contractual maturity:

	<i>Up to a year SEK000</i>	<i>No term SEK000</i>	<i>Total SEK000</i>
31 December 2007			
Insurance contract liabilities	-	3.840.898	3.840.898
Investment contract liabilities	-	776.676	776.676
Liabilities to policyholders	35.348	-	35.348
Financial liabilities at fair value			
through profit or loss	2.940	-	2.940
Other creditors and accrued charges	2.365	-	2.365
Amounts due to related parties	263	-	263
Bank overdrafts	2.270	-	2.270
	<u>43.186</u>	<u>4.617.574</u>	<u>4.660.760</u>
	<i>Up to a year SEK000</i>	<i>No term SEK000</i>	<i>Total SEK000</i>
31 December 2006			
Insurance contract liabilities	-	3.784.231	3.784.231
Investment contract liabilities	-	1011.398	1.011.398
Liabilities to policyholders	45.969	-	45.969
Financial liabilities at fair value			
through profit or loss	75.425	-	75.425
Other creditors and accrued charges	2.091	-	2.091
Amounts due to related parties	279	-	279
Bank overdrafts	746	-	746
	<u>124.510</u>	<u>4.795.629</u>	<u>4.920.139</u>

The Company's insurance and investment contracts do not have a fixed surrender date and therefore they are classified under no term. The remaining liabilities are due with one year from the balance sheet date.

The long term matching of the maturities of assets and liabilities is being continuously monitored by the management of the Company in cooperation with its actuary.

Akelius Insurance Public Limited

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23. Risk management (continued)

Capital management

The Company considers its capital to be shareholders' equity.

Externally imposed capital requirements are set and regulated by the Superintendent of Insurance of Cyprus. The requirements are put in place to ensure sufficient solvency margins.

The Company's objective in managing its capital is to support its business objective and maximize shareholder value.

In order to ensure that the capital requirements are met, the Company may adjust the amount of dividends it pays to shareholders.

The Company fully complied with the externally imposed capital requirements during the reported financial period.

The table below summarises the required capital of the Company for its life insurance business.

	<i>SEK</i>
2007 Minimum solvency margin	65.210
2006 Minimum solvency margin	64.050

24. Fair values of financial assets and liabilities

Fair value is generally the amount for which an asset could be exchanged for or a liability settled at an arm's length transaction.

The Company's financial assets and liabilities, both current and non-current are carried at amounts that approximates to fair values.

25. Life insurance contracts and investment contracts

Insurance business risks

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities.

In relation to the risks from insurance business, the Company maintains sufficient reserves to cover obligations under insurance policies, with the advice of the appointed actuary.

Terms and conditions

Life insurance contracts and investment contracts offered by the Company include whole life single premium plans, with a minimum premium. Additional single premiums can be paid, subject to certain minima. Premiums can be invested in a number of ways, as follows:

- a) In funds providing guaranteed amounts at maturity (these are no longer available to policyholders) or guaranteed deposit funds under which the Company can vary the rate of interest credited. These funds are part of the non-linked business of the Company.

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25. Life insurance contracts and investment contracts (continued)

- b) In various unitised funds run by the Company which invest directly in capital market and money market instruments or other unitised funds. These funds are part of the unit-linked business of the Company.
- c) In funds which provide policyholders with a return which is linked to the return of a capital market index. These funds are part of the index-linked business of the Company.

Under all the funds, there is an amount payable on the death of the life assured, either based on a percentage of the fund value at death or fixed percentages of net premiums paid.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions relating to both life insurance contracts and investment contracts. Assumptions are determined as appropriate and prudent estimates have been made. The liabilities are established on the advice of the appointed actuary and satisfy the valuation requirements of the Cyprus Law on Insurance Services and Other Related Issues, and the regulations made there under.

Due consideration is given to the average rate of interest earned/expected to be earned on the assets of the relevant fund, the future mortality experience of policyholders and the future level of expenses involved in administering the funds.

The key assumptions are as follows:

(a) Mortality rates

Mortality according to 60% of the UK Standard Table, A67/70 Ult.

An increase in mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated which will increase the expenditure and reduce profits for the shareholders.

(b) Investment return

These estimates are based on current market returns as well as expectations about future economic and financial developments.

In determining the non –unit reserve for unit linked business it has been assumed that the unit reserve grows at 5% per annum, before management charges, and the cash flows have been discounted at 2,5% per annum. In the case of the non-linked business an interest rate at 3,5% - 4% per annum has been assumed, depending on the type of fund.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders, to the extent that the assets are not matched to the liabilities.

(c) Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

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26. Consolidation

In June 2007 the Company's sole subsidiary Akelius Fund Management (Ireland) Ltd was liquidated. The difference in the carrying amount of the Investments in subsidiary (SEK1.200) and the net proceeds from liquidation (SEK2.918) of SEK1.718 was recognised in the income statement.

The net assets of the subsidiary at 31 December 2006 amounted to SEK2.671. During 2007 the subsidiary company had no significant profit or loss or any significant change in its net assets, therefore the Company decided not to produce consolidated financial statements for 2007 as the effect of non consolidation is not material. Had consolidated financial statements been prepared, the consolidated profit on disposal of subsidiary would have been SEK418 and the consolidated net profit of the Company would have been SEK64.456.

27. Events after the balance sheet date

There were no significant events after the balance sheet date.

