

Consolidated Financial Statements

Akelius Insurance Public Limited

For the year ended 31 December 2004

Akelius Insurance Public Limited

FINANCIAL STATEMENTS for the year ended 31 December 2004

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GENERAL INFORMATION

Directors

Leif Zetterberg
Sievert Larsson
Par Ceder
Stefan Nilsson

Company Secretary

Marios Miliotis

Registered office

36, Laodikias Street
2028 Strovolos
Nicosia

Legal advisers

George Colocassides

Bankers

Julius Baer
Credit Suisse
UBS
Skandinaviska Enskilda Banken
Post Giro
The Cyprus Popular Bank Ltd
Bank of Cyprus Ltd
Barings (Guernsey) Ltd

Actuary

Michael Bell

Auditors

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 consolidated financial statements of the Group for the year ended 31 December 2004.

Principal activities

The Company's principal activity during the year continued to be the sale of life assurance policies outside Cyprus.

Results

The net profit for the year amounted to SEK108.189.000 (2003: net loss SEK10.262.000). After the addition of the retained losses brought forward of SEK11.181.000 (2003: retained earnings SEK 29.567.000), the payment of a dividend of SEK Nil (2003: SEK 30.250.000) the transfer to untaxed reserves of SEK166.000 (2003: SEK 206.000) and the transfer to statutory reserves of SEK45.000 (2003: SEK 30.000), the balance in retained earnings carried forward is SEK96.797.000 (2003: retained losses SEK 11.181.000).

Proposed dividend

The board of directors decided to propose the payment of a dividend amounting to SEK5,50 per share, which will be submitted for approval at the annual general meeting.

Board of directors

The directors of the Company at the date of this report are listed on page 3. On 4 December 2004 Mr Roger Akelius resigned from the board of directors.

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.

Auditors

The auditors, Messrs Ernst & Young, have signified their willingness to continue in office. A resolution for their reappointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Marios Miliotis
Company Secretary

4 April 2005

Auditors' report to the members of Akelius Insurance Public Limited

Report on the financial statements

1 We have audited the consolidated financial statements of Akelius Insurance Public Limited (the Company) and its subsidiaries (the Group) on pages 6 to 27, which comprise the consolidated balance sheet as at 31 December 2004 and the consolidated revenue account, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the related notes. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of 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 financial position of the Group as of 31 December 2004 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

- 4 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 consolidated 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 page 4 is consistent with the financial statements.

Ernst & Young
Chartered Accountants

Nicosia
4 April 2005

Akelius Insurance Public Limited**CONSOLIDATED REVENUE ACCOUNT - LIFE BUSINESS****for the year ended 31 December 2004****(all amounts are in thousand SEK unless otherwise stated)**

	<i>Notes</i>	<i>2004</i> <i>SEK</i>	<i>2003</i> <i>SEK</i>
Revenue			
Gross premiums		365.595	691.777
Less: Reinsurance		(11)	(7)
		<hr/>	<hr/>
		365.584	691.770
Investment income		157.359	269.441
Foreign exchange gains		10.071	5.611
Realised and unrealised gain on investments		216.189	323.814
		<hr/>	<hr/>
		749.203	1.290.636
		<hr/>	<hr/>
Expenditure			
Surrenders, cancellations and withdrawals		1.874.920	1.533.511
Death claims		32.453	28.498
Interest, bank charges and withholding taxes		4.574	18.111
Expenses of management		28.081	21.450
Portfolio managers' fees		8.355	6.502
		<hr/>	<hr/>
		1.948.383	1.608.072
		<hr/>	<hr/>
Shortfall of revenue over expenditure		(1.199.180)	(317.436)
Transfer (to)/from income statement		(96.702)	18.845
		<hr/>	<hr/>
Decrease in life assurance funds for the year		(1.295.882)	(298.591)
Life assurance funds at 1 January	13	4.848.080	5.146.671
		<hr/>	<hr/>
Life assurance funds at 31 December	13	3.552.198	4.848.080
		<hr/>	<hr/>

Akelius Insurance Public Limited

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

	<i>Notes</i>	<i>2004 SEK</i>	<i>2003 SEK</i>
Transfer from/(to) Revenue Account		96.702	(18.845)
		<hr/>	<hr/>
Income			
Other income		6.844	6.140
Net investment income		9.530	2.848
		<hr/>	<hr/>
		16.374	8.988
		<hr/>	<hr/>
Profit/(loss) from operating activities before taxation	3	113.076	(9.857)
Taxation	4	(4.887)	(405)
		<hr/>	<hr/>
Net profit/(loss)		108.189	(10.262)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings/(losses) per share (SEK)	6	9,84	(0,93)
		<hr/> <hr/>	<hr/> <hr/>

Akelius Insurance Public Limited

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

	<i>Note</i>	<i>2004</i> <i>SEK</i>	<i>2003</i> <i>SEK</i>
Cash used in operations	17	(1.651.076)	(1.562.498)
Interest paid		(726)	(17.528)
Income taxes paid		(2.229)	(3.012)
Foreign exchange difference on translation of foreign entities		(7)	(37)
Net cash flows used in operating activities		<u>(1.654.038)</u>	<u>(1.583.075)</u>
Cash flows from investing activities			
Purchase of intangible assets		(135)	(302)
Purchase of property, plant and equipment		(1.632)	(1.103)
Proceeds from disposal of property, plant and equipment		11	757
Purchase of shares, funds and similar investments		(365.132)	(893.311)
Purchase of bonds		(83.471)	(376.531)
Purchase of money market investments		(384.461)	(734.768)
Purchase of promissory notes		-	(267.769)
Proceeds from sale of investments		2.867.358	4.033.478
Investment income		160.273	270.754
Net cash flows from investing activities		<u>2.192.811</u>	<u>2.031.205</u>
Cash flows from financing activities			
Payment of dividends		-	(30.250)
Repayment of loans		-	(460.000)
Net cash flows used in financing activities		<u>-</u>	<u>(490.250)</u>
Net increase/(decrease) in cash and cash equivalents		538.773	(42.120)
Cash and cash equivalents at 1 January	8	225.303	267.423
Cash and cash equivalents at 31 December	8	<u>764.076</u>	<u>225.303</u>

Akelius Insurance Public Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

	<i>Issued capital SEK</i>	<i>Share premium SEK</i>	<i>Property revaluation reserve SEK</i>	<i>Retained earnings/ (losses) SEK</i>	<i>Other reserves SEK</i>	<i>Exchange reserve SEK</i>	<i>Total SEK</i>
<i>Note</i>							
At 1 January 2003	15.542	88.409	-	29.567	138	151	133.807
Net loss	-	-	-	(10.262)	-	-	(10.262)
Dividends	5	-	-	(30.250)	-	-	(30.250)
Transfer to untaxed reserves	-	-	-	(206)	206	-	-
Transfer to statutory reserve	-	-	-	(30)	30	-	-
Foreign exchange difference on translation of foreign entities	-	-	-	-	-	(37)	(37)
At 31 December 2003	15.542	88.409	-	(11.181)	374	114	93.258
Net profit	-	-	-	108.189	-	-	108.189
Revaluation of property	-	-	4.821	-	-	-	4.821
Deferred tax	-	-	(664)	-	-	-	(664)
Transfer to untaxed reserves	-	-	-	(166)	166	-	-
Transfer to statutory reserves	-	-	-	(45)	45	-	-
Foreign exchange difference on translation of foreign entities	-	-	-	-	-	(7)	(7)
At 31 December 2004	15.542	88.409	4.157	96.797	585	107	205.597

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(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 and ultimate parent company of the Group is D.A.J.M. Limited, a company incorporated in Cyprus.

The principal activity of the Company is to carry on life assurance business outside Cyprus. The principal activity of the subsidiary company Akelius Fund Management (Ireland) Limited is to carry out fund management services. Akelius Fonder Plc, a subsidiary of Akelius Fund Management (Ireland) Ltd, is an open-ended umbrella structure in that different funds can be launched. The principal activity of the subsidiary company Akelius Sverige AB is to invest in real estate. Akelius Fund Management (Ireland) Ltd and Akelius Fonder Plc are incorporated in Ireland and Akelius Sverige AB is incorporated in Sweden.

The consolidated financial statements of Akelius Insurance Public Limited for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 4 April 2005.

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect and applicable requirements of the Cyprus Companies Law, Cap. 113.

The financial statements have been prepared on a historical cost basis, except for land and buildings, investments classified as held-for-trading and available-for-sale that have been measured at fair value.

The financial statements are presented in Swedish Kronor, as this is the Group's measurement currency. The amounts are rounded to the nearest thousand.

Transfers between the revenue account and income statement are disclosed separately to reflect the Group's results clearly.

Where necessary, comparative amounts were restated to conform with the presentation adopted in the current year.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

2. Summary of significant accounting policies (continued)

Consolidated financial statements

The consolidated financial statements include the accounts of Akelius Insurance Public Limited (the "Company") and its wholly owned subsidiary companies Akelius Fund Management (Ireland) Ltd, and Akelius Sverige AB, as well as Akelius Fonder plc which is a wholly owned subsidiary of Akelius Fund Management (Ireland) Ltd, which together are referred to as the "Group".

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All significant intercompany transactions and balances are eliminated on consolidation.

Foreign currency translation

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 revenue account or the income statement as appropriate.

The measurement currency of the overseas subsidiaries, Akelius Fund Management (Ireland) Ltd and Akelius Fonder PLC is Euro. At the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Akelius Insurance Public Ltd at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the income statement.

Investments

The Group classifies its investments into three categories : investments available-for-sale, investments held-for-trading and loans receivable. The decision for the classification of financial instruments takes place on the date of the acquisition of the investments.

Loans receivable are measured at amortised cost, less any provision for impairment. Amortisation of premiums or discounts and any impairment losses are taken to the income statement or revenue account, as appropriate.

Available-for-sale investments are those not acquired principally for the purpose of generating a profit from short-term fluctuations in prices. Available-for-sale investments are initially recognised at cost, including the related acquisition charges. After initial recognition, available for sale investments are measured at fair value. For investments that are actively traded in financial markets, fair value is determined by reference to the stock exchange quoted bid price, while for unquoted securities fair values are estimated using valuation models and ratios refined to reflect the particular circumstances of the user. The estimated fair value of investments in investment companies is based on published net asset values. Unrealised gains and losses from changes in the fair values of available for sale investments are taken to the income statement or revenue account, as appropriate. When securities are sold or impaired the related gain or loss is also taken to the income statement or revenue account, as appropriate.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

2. Summary of significant accounting policies (continued)

Investments (continued)

Investments classified as held-for-trading are those acquired for the purpose of generating profits from short-term fluctuations in price. These investments are initially recognised at cost, including the related acquisition charges. After initial recognition, investments held-for-trading are measured at fair value. All related realised and unrealised gains/losses as a result of changes in the fair values are taken to the income statement or revenue account, as appropriate.

Derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently remeasured at fair value. Fair values are estimated using quoted market prices, discounted cash flow models and options pricing models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. All derivatives are treated as held for trading with changes in fair value reported in the income statement or revenue account, as appropriate.

An investment is considered as impaired if its carrying value exceeds the recoverable amount.

Dividends from investments in shares are recorded when received. Interest from investments in bonds, promissory notes and similar investments is recognised on an accruals basis.

All regular way purchases or sales of financial assets are recognised on the trade date the Group commits to purchase or sell the investment.

Intangible assets

Intangible assets are stated at cost less amortization and any impairment in value. The cost of computer software represents the fair value of the consideration paid for the acquisition. Amortisation is provided on a straight-line basis over the estimated useful life of the asset.

Computer software is amortised at the rate of 33 ⅓% 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.

Accounts receivable

Accounts receivable are stated net of specific provisions for doubtful debts that may arise during the ordinary conduct of the Group's business. Bad debts are written off to the income statement when identified.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less accumulated depreciation and any 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 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 included in the equity section of the balance sheet.

Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the property revaluation reserve. Additionally, accumulated depreciation as at 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.

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 values of property, plant and equipment are 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 net selling price 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.

2. Summary of significant accounting policies (continued)

Income tax

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

Deferred income tax is provided, using the liability method, on all 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 and not in the income statement.

Retirement benefit costs

The Group makes contributions to a provident fund of the defined contribution type which provides retirement and other benefits to its employees. Contributions are charged to the income statement as incurred.

Revenue recognition

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

Premiums

Premiums are accounted for in the year 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.

Maintenance, repairs and improvements

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

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received.

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

After initial recognition, interest-bearing loans and borrowings, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

2. Summary of significant accounting policies (continued)

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.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Profit/(loss) from operating activities before taxation

Profit/(loss) from operating activities before taxation is stated after charging/(crediting):

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Profit on disposal of property, plant and equipment	(11)	(657)
Directors' remuneration	1.676	1.623
Auditors' remuneration – current year	519	453
Auditors' remuneration – prior year 135	194	
Amortisation of intangible assets	326	677
Depreciation of property, plant and equipment	1.396	1.360
Bank interest	16	7
Foreign exchange loss	15	924
Salaries and related costs	11.596	9.261
	<u> </u>	<u> </u>

The amortisation of intangible assets is included in expenses of management which is included within the transfer from the Revenue account, in the Income Statement.

4. Income tax

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Income statement		
Income tax-current year	4.621	-
Income tax-prior year	(24)	33
Deferred tax	(9)	-
Taxation of foreign subsidiaries	299	372
	<u> </u>	<u> </u>
Income tax expense reported in income statement	<u>4.887</u>	<u>405</u>

Akelius Insurance Public Limited**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****at 31 December 2004****(all amounts are in thousand SEK unless otherwise stated)****4. Income tax (continued)**

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Balance sheet		
<i>Current assets:</i>		
Income tax receivable	924	3.593
	<u>924</u>	<u>3.593</u>
<i>Deferred tax liability:</i>		
Balance 1 January	-	-
Movement for the year	655	-
	<u>655</u>	<u>-</u>
Balance 31 December	655	-
	<u>655</u>	<u>-</u>
<i>The deferred tax liability comprises the following types of temporary differences:</i>		
Accelerated tax capital allowances on property, plant and equipment	(9)	-
Revaluation of land and buildings (reported in equity)	664	-
	<u>655</u>	<u>-</u>

Income tax expense represents provision for Cyprus income tax at the statutory tax rate for Cypriot International Business Companies of 4,25% on the taxable income for the year. This rate is applicable until 2005. Thereafter the applicable rate will be 10% on taxable income in accordance with Cypriot Fiscal Regulations.

A reconciliation of the income tax expense applicable to the accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2004 and 2003 is as follows:

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Accounting profit/(loss) before taxation	113.076	(9.857)
	<u>113.076</u>	<u>(9.857)</u>
Income tax at 4,25%	4.806	(419)
Tax effect of:		
Expenses disallowed for tax proposes	3	1
Differences in depreciation for tax purposes	(2)	(7)
Tax losses brought forward	(525)	527
Exchange differences	(10)	33
Additional taxation	273	-
Taxation of foreign subsidiaries	342	270
	<u>4.887</u>	<u>405</u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

5. Dividends

	2004 SEK	2003 SEK
<i>Proposed :</i>		
Final dividend SEK 5,50 per share	60.500	-
<i>Declared and paid :</i>		
Interim dividend SEK Nil (2003: SEK 2,75 per share)	-	30.250
	<u> </u>	<u> </u>

The board of directors decided to propose the payment of a dividend amounting to SEK 5,50 per share, which will be submitted for approval at the annual general meeting.

6. Basic and diluted earnings/(losses) per share

	2004	2003
Net profit/(loss) attributable to shareholders (SEK'000)	108.189	(10.262)
Weighted average number of shares in issue	11.000.000	11.000.000
Basic and diluted earnings/(losses) per share (SEK)	9,84	(0,93)
	<u> </u>	<u> </u>

At 31 December 2004 and 2003 there were no potentially dilutive ordinary shares.

7. Investments

	<i>Held-for- -trading SEK</i>	<i>Available- for-sale SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2004				
Money market investments	-	147.088	-	147.088
Shares, funds and similar investments	-	2.159.303	-	2.159.303
Bonds	-	663.577	-	663.577
Derivative contracts	798	-	-	798
Promissory notes and similar investments	-	-	175.955	175.955
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	798	2.969.968	175.955	3.146.721
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2003				
Money market investments	-	268.891	-	268.891
Shares, funds and similar investments	-	2.063.208	-	2.063.208
Bonds	-	762.636	-	762.636
Derivative contracts	43.196	-	-	43.196
Promissory notes and similar investments	-	-	1.553.920	1.553.920
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	43.196	3.094.735	1.553.920	4.691.851
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

7. Investments (continued)

Included under promissory notes and similar investments is the amount receivable from Akelius Finans Public Ltd, a related party, amounting to SEK7.275 (2003: SEK38.559).

Akelius Finans Public Ltd is considered a related party since it has common shareholders with the Company.

Interest charged for the year in respect of the above amounted to SEK2.469 (2003: SEK3.413).

Available for sale

	<i>Money market investments</i>	<i>Shares, funds and similar investments</i>	<i>Bonds</i>	<i>Total</i>
	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>
2004				
Listed on European stock exchanges	147.088	1.973.065	660.219	2.780.372
Listed on Cyprus Stock Exchange	-	56	-	56
Listed on USA stock exchanges	-	168.274	3.358	171.632
Listed on Japanese stock exchanges	-	17.908	-	17.908
	147.088	2.159.303	663.577	2.969.968
2003				
Listed on European stock exchanges	268.891	1.804.790	739.951	2.813.632
Listed on Cyprus Stock Exchange	-	144	311	455
Listed on USA stock exchanges	-	250.645	22.374	273.019
Listed on Japanese stock exchanges	-	7.629	-	7.629
	268.891	2.063.208	762.636	3.094.735

Held for trading and loans receivable

	<i>Derivative contracts</i>	<i>Promissory notes and other receivables</i>	<i>Total</i>
	<i>SEK</i>	<i>SEK</i>	<i>SEK</i>
2004			
Listed on European stock exchanges	798	-	798
Unlisted	-	175.955	175.955
	798	175.955	176.753
2003			
Listed on European stock exchanges	6.500	-	6.500
Listed on USA stock exchanges	36.696	-	36.696
Unlisted	-	1.553.920	1.553.920
	43.196	1.553.920	1.597.116

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

7. Investments (continued)

The movement of investments for the year is summarised as follows :

	<i>Held for trading SEK</i>	<i>Available for sale SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2004				
1 January	43.196	3.094.735	1.553.920	4.691.851
Additions	927	832.137	-	833.064
Disposals	(34.005)	(1.496.608)	(1.336.745)	(2.867.358)
Revaluation	(9.320)	539.704	(41.220)	489.164
31 December	798	2.969.968	175.955	3.146.721
2003				
1 January	220.770	3.565.012	2.101.607	5.887.389
Additions	39.737	1.964.873	267.769	2.272.379
Disposals	(178.823)	(3.049.091)	(805.564)	(4.033.478)
Revaluation	(38.488)	613.941	(9.892)	565.561
31 December	43.196	3.094.735	1.553.920	4.691.851

Analysis of investments held per currency is summarised as follows :

	<i>Held for trading SEK</i>	<i>Available for sale SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2004				
Euro	-	719.956	-	719.956
Other European currencies	-	2.053.110	175.955	2.229.065
Cyprus Pounds	-	56	-	56
United States Dollars	798	178.938	-	179.736
Japanese Yen	-	17.908	-	17.908
	798	2.969.968	175.955	3.146.721
2003				
Euro	867	853.328	-	854.195
Other European currencies	5.633	1.958.864	1.553.920	3.518.417
Cyprus Pounds	-	455	-	455
United States Dollars	36.696	274.459	-	311.155
Japanese Yen	-	7.629	-	7.629
	43.196	3.094.735	1.553.920	4.691.851

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

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8. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Cash and bank balances	781.578	237.579
Bank overdrafts	(17.502)	(12.276)
	<u>764.076</u>	<u>225.303</u>

Bank overdrafts amounting to SEK16.972 (2003: SEK11.670) denominated in Swedish Kronor carry interest at 5% to 6% on daily balances per annum and are repayable on demand. These overdrafts are secured on different investment portfolios with total market values of SEK45.289 (2003: SEK49.873) as at the balance sheet date.

9. Accounts receivable

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Interest receivable	18.029	47.336
Other	2.749	2.854
	<u>20.778</u>	<u>50.190</u>

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

10. Amounts due from/(to) related companies

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Amounts due from :		
Akelius Insurance Cyprus Limited	572	569
Akelius Finans Public Ltd	1.304	7.579
	<u>1.876</u>	<u>8.148</u>
Amounts due to :		
Akelius Fastigheter AB	(561)	-
Akelius Bostadsobligation Ltd	(121.265)	-
	<u>(121.826)</u>	<u>-</u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

10. Amounts due from/(to) related companies (continued)

During the year the Company also sold the following promissory notes held in Akelius Fastigheter AB, the amounts of which are included in the above balances:

	<i>Nominal Amount SEK</i>	<i>Carrying Amount at date of disposal SEK</i>	<i>Gain/(loss) recognised on disposal SEK</i>
Akelius Finans Public Ltd	520.000	529.877	-
Akelius Bostadsobligation Ltd	750.000	786.667	(7.023)

Akelius Bostadsobligation Ltd is an open-ended fund which is registered in the Bahamas.

The amount due from Akelius Insurance Cyprus Limited is for the payment of its initial expenses.

The balances receivable from/(payable to) the related companies, carry no interest are repayable on demand.

All the above companies are considered related parties as they have common shareholders with the Company.

11. 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 2004 SEK</i>	<i>Total 2003 SEK</i>
Cost or valuation						
At 1 January	11.077	7.384	3.196	111	21.768	21.807
Additions	74	560	559	439	1.632	1.103
Disposals	-	(136)	-	-	(136)	(1.142)
Revaluation	2.871	-	-	-	2.871	-
At 31 December	14.022	7.808	3.755	550	26.135	21.768
Depreciation						
At 1 January	1.671	5.909	2.068	111	9.759	9.441
Charge for the year	279	664	343	110	1.396	1.360
Disposals	-	(136)	-	-	(136)	(1.042)
Release on revaluation	(1.950)	-	-	-	(1.950)	-
At 31 December	-	6.437	2.411	221	9.069	9.759
Net book value						
At 31 December	14.022	1.371	1.344	329	17.066	12.009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
at 31 December 2004
(all amounts are in thousand SEK unless otherwise stated)

11. Property, plant and equipment (continued)

At 31 December 2004, a revaluation of freehold land and buildings was carried out by an independent qualified valuer. 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. Any revaluation surplus is credited to the property revaluation reserve included in the equity section of the balance sheet. Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the property revaluation reserve. The net surplus which amounted to SEK2.754 for land and SEK2.067 for buildings was credited to the property revaluation reserve.

If no revaluation had taken place, the historic cost net book value of the freehold land and buildings would have been SEK9.201 (2003: SEK9.406)

The value of land (at valuation) included in freehold land and buildings amounted to SEK4.569, whereas the historic cost of land amounted to SEK1.815 (2003 : SEK1.815).

12. Intangible assets

	<i>Computer software</i>	
	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Cost		
At 1 January	4.479	4.177
Additions	135	302
	<hr/>	<hr/>
At 31 December	4.614	4.479
	<hr/>	<hr/>
Amortisation		
At 1 January	4.097	3.420
Charge for the year	326	677
	<hr/>	<hr/>
At 31 December	4.423	4.097
	<hr/>	<hr/>
Net book value		
At 31 December	191	382
	<hr/> <hr/>	<hr/> <hr/>

13. Life assurance funds

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Life assurance funds	3.552.198	4.848.080
	<hr/> <hr/>	<hr/> <hr/>

The amount of the life assurance funds has been calculated by an independent qualified actuary. A discounted cash flow valuation method was used to determine the non unit reserves for unit linked business, and non-linked business was valued using a gross premium valuation method.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

14. Liability for payments due to policyholders

	<i>2004</i> <i>SEK</i>	<i>2003</i> <i>SEK</i>
Liability for payments due to policyholders	67.580	48.799

This represents liability for cancelled policies, withdrawals and death claims payable within 10 days of a valid request by a policyholder.

This amount was included as part of life assurance funds in previous years. The comparative has been restated to conform with the current year presentation.

15. Other creditors and accrued charges

	<i>2004</i> <i>SEK</i>	<i>2003</i> <i>SEK</i>
Other creditors and accrued charges	3.776	1.339

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

16. Issued capital

	<i>2004</i> <i>SEK</i>	<i>2003</i> <i>SEK</i>
<i>Authorised</i>		
15.000.0000 shares of CY£0,10 each	21.685	21.685
<i>Issued and fully paid</i>		
11.000.000 shares of CY£0,10 each	15.542	15.542

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

17. Net cash used in operations

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Cash flows from operating activities		
Net profit/(loss) before income taxes	113.076	(9.857)
Adjustments for :		
Amortisation of intangible assets	326	677
Depreciation of property, plant and equipment	1.396	1.360
Profit on disposal of property, plant and equipment	(11)	(657)
Life assurance funds	(1.295.882)	(298.591)
Liability for payments due to policyholders	18.781	48.799
Investment income	(189.507)	(662.425)
Foreign exchange loss on investments	34	7.545
Net unrealised gain on bonds and shares	(203.801)	(685.113)
Foreign exchange loss	35	1
Interest payable	726	17.528
Operating loss before working capital changes	<u>(1.554.827)</u>	<u>(1.580.733)</u>
Decrease in accounts receivable	29.412	43.895
Increase in related companies' balances	(128.098)	(7.847)
Increase/(decrease) in other creditors and accrued charges	2.437	(17.813)
Cash used in operations	<u><u>(1.651.076)</u></u>	<u><u>(1.562.498)</u></u>

18. Gross premiums

All the premiums earned are premiums from individuals and are single premiums.

The vast majority of premiums are received from Swedish nationals.

The split between non-linked insurance premiums and linked insurance premiums are as follows:

	<i>2004</i>	<i>2003</i>
	<i>SEK</i>	<i>SEK</i>
Linked insurance premiums	206.545	324.765
Non-linked insurance premiums	159.050	367.012
	<u>365.595</u>	<u>691.777</u>

19. Capital commitments

The Group had no significant capital commitments as at 31 December 2004 and 2003.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

20. Risk management

General

The Group is exposed to a variety of risks, the most important of which are those that arise from obligations to policyholders, 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 Group's profitability.

Credit risk exposure

Credit risk is the risk of a person or organisation defaulting in the repayment of their obligation to the Group. The Group's exposures to credit risk are as indicated by the carrying amounts of its non-linked assets amounting to SEK 1.095.621.

Concentration of credit risk

Shares and fixed interest investments greater than 10% of total non-linked assets:

	<i>% of total non-linked assets</i>	<i>2004 SEK</i>	<i>2003 SEK</i>
Kingdom of Sweden	13	138.303	210.213

Interest rate risk

Interest rate risk arises from possible fluctuations in interest rates on fixed interest instruments. The exposure of the Group 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 relating to financial instruments denominated in such currency. Exposure to such risk is minimal as the majority of the non-linked assets are denominated in SEK.

Exposure from liabilities denominated in foreign currency is minimal since such liabilities are immaterial.

Liquidity risk

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

In order to adequately monitor these obligations, a continuous inflow of cash is required which is constantly being monitored by management.

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

Insurance business risks

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

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2004

(all amounts are in thousand SEK unless otherwise stated)

21. 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 Group's financial assets and liabilities, both current and non-current are carried at amounts that approximate fair values.

22. Retirement benefit plans

As at the balance sheet date the Group had 52 employees (2003: 51 employees).

The Group makes contributions to a retirement plan of the defined contribution type. The Group's contribution to the plan for the year for the employees amounted to SEK437 (2003: SEK370) and for the directors amounted to SEK12 (2003: SEK71). These amounts are included in salaries and related costs in Note 3.

23. Post balance sheet events

On 4 April 2005 the Board of Directors resolved to close down its Irish Fund Management operations which were carried out through the Company's subsidiary Akelius Fund Management (Ireland) Limited and its subsidiary Akelius Fonder Plc. Management's intention is to transfer the assets within the subfunds of Akelius Fonder Plc to funds within Akelius Insurance Public Limited. The decision was taken in order for the Company to consolidate its funds and achieve cost savings.

24. Comparative information

During the year the Company changed the presentation of its revenue account and income statement in order to improve their compatibility and consistency with the format of the requirements of the current insurance legislation for accounting returns and current best practice.

As a result of the above, the comparatives for 2003 have been restated to conform with the presentation adopted in the current year.

In addition, the liability for payments due to policyholders has been reclassified from life assurance funds and is shown separately as a liability on the face of balance sheet. As a result, the decrease in life assurance funds for 2003 shown on the face of the revenue account has increased by SEK48.799 in comparison with the revenue account as per the 2003 audited financial statements resulting in a decrease in the life assurance funds as at the year end. This represents the liability for payments due to policyholders on 31 December 2003 which is shown separately on the balance sheet (see note 14).

25. Solvency

During the year the company completed the implementation of the plan which was prepared in cooperation with its appointed actuary in order to restore the technical deficiency of assets available to cover its liabilities and minimum solvency margin which existed as at 31 December 2003.

As at 31 December 2004 the Company has restored this deficiency and has adequate assets available to cover its technical reserves and minimum solvency margin.