

Consolidated Financial Statements

Akelius Insurance Public Limited

For the year ended 31 December 2005

Akelius Insurance Public Limited

FINANCIAL STATEMENTS for the year ended 31 December 2005

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Akelius Insurance Public Limited

GENERAL INFORMATION

Directors

Sievert Larsson
Par Ceder
Leif Zetterberg
Anders Glansk

Company Secretary

Marios Miliotis

Registered office

36, Laodikias Street
2028 Strovolos
Nicosia

Legal advisers

Georghios Colocassides

Bankers

Skandinaviska Enskilda Banken
Danske Bank
Bank of Cyprus Public Company Ltd
UBS AG
Credit Suisse
Plusgirot
The Cyprus Popular Bank Public Company Ltd
Julius Baer
Federal Bank of the Middle East Ltd
Barings (Guernsey) Limited

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 Board of Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2005.

Principal activities

The Company's principal activity during the year continued to be the sale of life assurance policies outside Cyprus, which included life insurance contracts containing significant insurance risk and investment contracts containing insignificant insurance risk.

The principal activity of the subsidiary company Akelius Fund Management (Ireland) Ltd 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.

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. During the year, most of the assets currently held within the subfunds of Akelius Fonder Plc were transferred to funds within Akelius Insurance Public Limited. The above decision was taken in order for the Company to consolidate its funds and achieve cost savings. The liquidation process of the above two subsidiaries is underway and is expected to be completed within the next 12 months.

Results and position

The net profit for the year amounted to SEK50.061.000 (2004: net profit SEK108.189.000). After the addition of the retained earnings brought forward of SEK96.797.000 (2004: retained losses SEK11.181.000) and the payment of a dividend amounting to SEK60.500.000 (2004: Nil), the transfer to untaxed reserves of SEK140.000 (2004: SEK166.000) and the transfer to statutory reserves of SEK36.000 (2004: SEK45.000), the balance in retained earnings carried forward is SEK86.182.000 (2004: retained profits SEK96.797.000).

The above result is considered to be very satisfactory and has served to further strengthen the balance sheet position of the Group.

The results of the Group for the year ended 31 December 2005 are set out on page 7 of the financial statements. The financial position of the Group is set out in the balance sheet on page 8 of the financial statements.

Dividends

In accordance with a resolution of the Board of Directors on 4 April 2005 which was approved at the Annual General Meeting on 11 July 2005, the Group paid a final dividend of SEK5,50 per share amounting to SEK60.500.000 for the year ended 31 December 2004.

The Board of Directors decided to propose the payment of a final dividend amounting to SEK3,65 per share, totaling SEK40.150.000 which will be submitted for approval at the Annual General Meeting.

Branches

The Group does not operate through a branch.

Akelius Insurance Public Limited

REPORT OF THE BOARD OF DIRECTORS (continued)

Principal risks and uncertainties

The principal risks that the Group faces and the action it takes to address these risks are set out in note 22 to the financial statements.

Likely future development

An increase in the level of policyholders' funds under management and profitability.

Share capital

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

Events after the Balance Sheet date

Refer to note 26 of the financial statements which details the 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 11 July 2005 Messrs Leif Zetterberg, Par Ceder and Stefan Nilsson resigned from the Board of Directors of the Company. On the same day Messrs Roger Akelius, Fredrik Lindgren and Anders Glansk were appointed on the Board of Directors. On 1 November 2005 Mr. Fredrik Lindgren resigned from the Board of Directors and Messrs Par Ceder and Leif Zetterberg were reappointed on the Board of Directors on 1 November 2005 and 1 December 2005 respectively. On 10 February 2006 Mr. Roger Akelius resigned from the Board of Directors.

Messrs Leif Zetterberg and Anders Glansk have non-executive duties.

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.

In accordance with article 89 of the Company's Articles of Association Mr. Par Ceder and Mr. Leif Zetterberg shall hold office until the next annual general meeting, and shall then be eligible 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.

Auditors

The auditors, Messrs 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

12 June 2006

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 and its subsidiaries (The Group) on pages 7 to 41, which comprise the consolidated balance sheet as at 31 December 2005 and the 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 2005 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 (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) 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 pages 4 to 5 is consistent with the financial statements.

Ernst & Young
Chartered Accountants

Nicosia
12 June 2006

Akelius Insurance Public Limited

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

	<i>Notes</i>	<i>2005 SEK</i>	<i>2004 SEK</i>
Gross earned premiums on insurance contracts	13,19	169.262	175.164
Reinsurers' share of gross earned premiums on insurance contracts		(6)	(11)
Net insurance revenue		169.256	175.153
Fee and commission income	20	46.041	48.329
Investment income		65.185	160.570
Net realised and unrealised gains recorded in the income statement		1.006.266	222.542
Foreign exchange gains		-	10.086
Other income		11.135	8.579
Other revenue		1.128.627	450.106
Total revenue		1.297.883	625.259
Surrenders, cancellations and withdrawals – insurance contracts	13	653.652	1.644.440
Death claims	13	20.018	28.418
Death expenses		794	818
Gross change in insurance contracts liabilities	13	334.575	(1.277.541)
Net insurance benefits and claims		1.009.039	396.135
Net change in investment contracts liabilities	15	135.900	24.925
Interest, bank charges and withholding taxes		3.883	4.590
Foreign exchange losses		17.757	-
Portfolio managers fees		6.643	8.388
Fee and commission expense	20	46.041	48.329
Other operating and administrative expenses		26.187	29.816
Other expenses		236.411	116.048
Total benefits, claims and expenses		1.245.450	512.183
Profit before tax	3	52.433	113.076
Income tax expense	4	(2.372)	(4.887)
Net profit for the year		50.061	108.189
Basic and diluted earnings per share (SEK)	6	4,55	9,84

Akelius Insurance Public Limited

CONSOLIDATED BALANCE SHEET

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

	<i>Notes</i>	<i>2005</i> <i>SEK</i>	<i>2004</i> <i>SEK</i>
ASSETS			
Financial assets			
Money market investments	7	249.358	147.088
Shares, funds and similar investments	7	3.257.413	2.165.781
Bonds	7	328.904	663.577
Derivative contracts	7	8.461	9.019
Promissory notes and similar investments	7	18.558	175.955
		<hr/>	<hr/>
		3.862.694	3.161.420
Other assets			
Cash and cash equivalents	8	681.601	781.578
Other receivables	9	24.219	20.778
Amounts due from related parties	10	114	1.876
Income tax receivable	4	3.650	924
Property, plant and equipment	11	16.209	17.066
Intangible assets	12	79	191
		<hr/>	<hr/>
		725.872	822.413
		<hr/>	<hr/>
TOTAL ASSETS		4.588.566	3.983.833
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	17	15.542	15.542
Share premium		88.409	88.409
Property revaluation reserve		4.148	4.157
Retained earnings		86.182	96.797
Other reserves		761	585
Exchange reserve		215	107
		<hr/>	<hr/>
Total equity		195.257	205.597
Liabilities			
Insurance contracts liabilities	13	3.494.966	3.160.391
Liabilities for payments due to policyholders	14	14.982	67.580
Deferred tax liability	4	658	655
Financial liabilities			
Investment contracts liabilities	15	790.706	391.807
Financial liabilities at fair value through income statement	7	78.902	14.699
Other creditors and accrued charges	16	2.369	3.776
Amounts due to related parties	10	-	121.826
Bank overdrafts	8	10.726	17.502
		<hr/>	<hr/>
		4.393.309	3.778.236
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		4.588.566	3.983.833
		<hr/>	<hr/>

.....) Sievert Larsson
.....) Par Ceder

Akelius Insurance Public Limited

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

	<i>Note</i>	<i>2005 SEK</i>	<i>2004 SEK</i>
Cash used in operations	18	(325.309)	(1.651.373)
Interest paid		(801)	(726)
Income taxes paid		(5.104)	(2.229)
Foreign exchange difference on translation of foreign entities		102	(7)
Net cash flows used in operating activities		(331.112)	(1.654.335)
Cash flows from investing activities			
Purchase of intangible assets		(51)	(135)
Purchase of property, plant and equipment		(498)	(1.632)
Proceeds from disposal of property, plant and equipment		19	11
Purchase of financial liabilities		78.902	14.699
Purchase of shares, funds and similar investments		(1.405.861)	(379.831)
Purchase of bonds		(193.353)	(83.471)
Purchase of money market investments		(355.162)	(384.461)
Proceeds from sale of investments		2.109.230	2.867.358
Interest income		65.185	160.570
Net cash flows from investing activities		298.411	2.193.108
Cash flows from financing activities			
Payment of dividends		(60.500)	-
Net cash flows used in financing activities		(60.500)	-
Net (decrease)/increase in cash and cash Equivalents		(93.201)	538.773
Cash and cash equivalents at 1 January	8	764.076	225.303
Cash and cash equivalents at 31 December	8	670.875	764.076

Akelius Insurance Public Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

(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 2004	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
Net profit	-	-	-	50.061	-	-	50.061
Dividends	-	-	-	(60.500)	-	-	(60.500)
Deferred tax	-	-	(9)	-	-	-	(9)
Transfer to untaxed reserves	-	-	-	(140)	140	-	-
Transfer to statutory reserves	-	-	-	(36)	36	-	-
Foreign exchange difference on translation of foreign entities	-	-	-	-	-	108	108
At 31 December 2005	15.542	88.409	4.148	86.182	761	215	195.257

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(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 Akelius Insurance Public Limited is Confida Secretarial Limited, a company incorporated in Cyprus, which holds the shares as a nominee shareholder on behalf of the Mango Trust Settlement.

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

The principal activity of the subsidiary company Akelius Fund Management (Ireland) Ltd 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.

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. During the year, most of the assets currently held within the subfunds of Akelius Fonder Plc were transferred to funds within Akelius Insurance Public Limited. The above decision was taken in order for the Company to consolidate its funds and achieve cost savings. The liquidation process of the above two subsidiaries is underway and is expected to be completed within the next 12 months.

The consolidated financial statements for Akelius Insurance Public Limited for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Board of Directors on 12 June 2006.

2.1 Basis of preparation

The consolidated 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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

All IFRSs issued by the 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 the International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement”. With Regulations 2086/2004 and 1864/2005, the European Commission requires the use, as of 1 January 2005, of IAS 39 (revised 2003 and amended 2005), with the exception of certain of the provisions relating to portfolio hedge accounting. Since the Group 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.

In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.1 Basis of preparation (continued)

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

The comparative amounts were restated to conform with changes in the presentation of the results and balance sheet items of the Group and in addition as stated in Note 2.2. due to the adoption of the revised and amended IAS 32 "Financial instruments: disclosure and presentation". IAS 39 "Financial instruments: recognition and measurement" and IFRS 4 "Insurance contracts".

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

The accounting policies that have been followed were the same as those followed in the previous year, except for the adoption by the Group of the new/revised IFRSs as of 1 January 2005 and during the year 2005.

As of 1 January 2005, the following new/revised IFRSs came into force:

- IAS 1 (revised 2003) Presentation of financial statements
- IAS 2 (revised 2003) Inventories
- IAS 8 (revised 2003) Accounting policies, changes in accounting estimates and errors
- IAS 10 (revised 2003) Events after the balance sheet date
- IAS 16 (revised 2003) Property, plant and equipment
- IAS 17 (revised 2003) Leases
- IAS 21 (revised 2003) The effects of changes in foreign exchange rates
- IAS 24 (revised 2003) Related party disclosures
- IAS 27 (revised 2003) Consolidated and separate financial statements
- IAS 28 (revised 2003) Investments in associates
- IAS 31 (revised 2003) Interests in joint ventures
- IAS 32 (revised 2003
and amended 2005) Financial instruments: disclosure and presentation
- IAS 33 (revised 2003) Earnings per share
- IAS 36 (revised 2004) Impairment of assets
- IAS 38 (revised 2004) Intangible assets
- IAS 39 (revised 2003
and amended 2005) Financial instruments: recognition and measurement
- IAS 40 (revised 2003) Investment property
- IFRS 2 (issued 2004) Share-based payment
- IFRS 3 (issued 2004) Business combinations
- IFRS 4 (issued 2004) Insurance contracts
- IFRS 5 (issued 2004) Non-current assets held for sale and discontinued operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

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

In October 2004, the European Commission adopted Regulation 2086/2004 with which it was endorsing IAS 39 (revised 2003), with the exception of provisions on the use of the fair value for measuring financial liabilities and certain of the provisions relating to portfolio hedge accounting. The International Accounting Standards Board published on 16 June 2005 amendments to IAS 39 (and to IAS 32), restricting the use of the fair value option and requiring additional disclosures. As a result, in November 2005 the European Commission with Regulation 1864/2005 adopted the amended IAS 39 and IAS 32, but requiring their retrospective application as from 1 January 2005. On the basis of the relevant transitional provisions, the Group adopted the amended IAS 39 and IAS 32 as from 1 January 2005.

The adoption of the above Standards did not have an effect on the consolidated financial statements of the Group, except as set out below.

IAS 39: Financial instruments: recognition and measurement

As of 1 January 2005, the Group adopted the revised IAS 32: "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement". IAS 39 (revised and amended) allows the designation of any financial asset, upon initial recognition or when IAS 39 (revised and amended) is first applied, as a financial asset at fair value through income statement.

Upon the initial adoption of IAS 39 (revised and amended), the Group transferred all investments from the available-for-sale category to the fair value through income statement category. In accordance with the transitional provisions of IAS 39 (revised and amended), the transfer of investments was applied retrospectively.

The application of IFRS 39 (revised and amended) did not have any effect on the income statement of the Group; however the effect of the reclassification on the balance sheet is disclosed in note 7.

IFRS 4: Insurance contracts

On 1 January 2005, the Group adopted IFRS 4 "Insurance contracts", which applies to all insurance contracts, issued by the Group and reinsurance contracts held by the Group. Under IFRS 4, those contracts which do not contain significant insurance risk, are reclassified as investment contracts, accounted for as financial instruments under IAS 39.

The Group continues to apply the same accounting policies as in previous years for the recognition and measurement of obligations arising from insurance contracts that it issues and from reinsurance contracts that it holds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.3. New IFRS that are issued but have not yet come into effect for the current reporting period

The Group has not adopted the following IFRSs, which are issued but have not yet come into effect for the current reporting period:

IFRSs that have been issued by the IASB and adopted by the EU

- *IAS 19 (Amendment), Employee Benefits*: This amendment introduces the option of an alternative recognition approach for actuarial gains and losses on defined benefit plans. The amendment is not relevant to the Group as no such plans currently exist within the Group.
- *IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions*: The amendment allows the foreign currency risk of a highly probable forecast intra-company transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intra-company transactions that would qualify as a hedged item in the consolidated financial statements.
- *IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts*: This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Group considers that this amendment to IAS 39 is not relevant to it.
- *IFRS 6, Exploration for and Evaluation of mineral resources*: This standard is not relevant to the activities of the Group.
- *IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources*: These amendments are not relevant to the activities of the Group.
- *IFRS 7, Financial Instruments: Disclosures*: The standard replaces IAS 30 and the disclosure requirements of IAS 32. The Group expects that the adoption of the standard will not have a material effect on the financial statements other than the presentation of additional disclosures concerning financial instruments. This standard is mandatory for accounting periods beginning on or after 1 January 2007.
- *IFRIC Interpretation 4, Determining whether an arrangement contains a lease*: The interpretation specifies criteria for the determination of whether an agreement is or contains a lease and specifies the circumstances under which agreements that do not have the legal nature of a lease should be recognized according to IAS 17 "Leases". The adoption of the Interpretation is not expected to have material effect on the financial statements of the Group. The interpretation is effective for annual periods beginning on or after 1 January 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.3. New IFRS that are issued but have not yet come into effect for the current reporting period (continued)

IFRSs that have been issued by the IASB and adopted by the EU (continued)

- *IFRIC Interpretation 5, Right to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds:* This interpretation is not relevant to the activities of the Group.
- *IFRIC Interpretation 6, Liabilities arising from participating in a specific market - waste electrical and electronic equipment:* This interpretation is not relevant to the activities of the Group.
- *IAS 1(Amendment), Presentation of Financial Statements - Capital Disclosures:* The objective of the amendment is to require entities to provide disclosures in their financial statements that enable users to evaluate the entity's objectives, policies and processes for managing capital. The Group expects that the adoption of the amendment will not have a material effect on the financial statements other than the presentation of additional disclosures concerning management of capital. The amendment to IAS 1 is effective for annual periods beginning on or after 1 January 2007.

IFRSs that have been issued by the IASB but not yet been adopted by the EU

- *IAS 21 (Amendment), The Effects Of Changes in Foreign Exchange Rates—Net Investment in a Foreign Operation:* This amendment mainly requires exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognised initially in equity irrespective of the currency of the monetary item. The amendment is not expected to have an effect on the Group. The amendment is effective for annual periods beginning on or after 1 January 2006.
- *IFRIC Interpretation 7, Applying the restatement approach under IAS 29 financial reporting hyperinflationary economies:* This interpretation will not affect the Group.
- *IFRIC Interpretation 8, Scope of IFRS 2:* This interpretation is not relevant to the Group.
- *IFRIC Interpretation 9, Reassessment of Embedded Derivatives:* This interpretation is not relevant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.4 Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets and liabilities at fair value through income statement

The Group follows the guidance of IAS39 for the classification of financial assets and liabilities at fair value through income statement. Financial assets and liabilities classified in this category comprise of equity shares, funds and similar investments, debt securities, money market investments and derivative instruments. The Group has classified financial assets and liabilities in this category as it manages them with a view to profit from their total return in the form of interest, dividends and changes in fair value.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty 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 are discussed below:

Life insurance business

For life assurance contracts, actuarial estimates are made in respect of the liabilities arising from death claims, based on standard national mortality tables that reflect historical mortality experience. Estimates are also made as to future investment income arising from assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial development.

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

Investment contracts at fair value

The Group issues investment contracts that are designated at fair value through the income statement. The contracts are classified as such as they do not have significant insurance risk.

For investment contracts, actuarial estimates are also made in respect of the liabilities arising from death claims, based on standard national mortality tables that reflect historical mortality experience. Estimates are also made as to future investment income arising from assets backing investment contracts. These estimates are based on current market returns as well as expectations about future economic and financial development.

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

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

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 Group are stated below.

Consolidated financial statements

The consolidated financial statements include the accounts of Akelius Insurance Public Ltd (the “Company”) and its wholly owned subsidiary companies Akelius Fund Management (Ireland) Ltd, 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

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 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 incomes statement.

Investments and other financial assets and liabilities

Investments are classified into the following categories: financial assets and liabilities at fair value through income statement and loans receivable. The classification depends on the purpose for which the investments were acquired or originated. Management determines the appropriate classification at the time of purchase.

All financial assets are initially recognised at cost, being the fair value plus, in the case of financial assets not at fair value through income statement, the transaction costs that are directly attributable to the acquisition of the investment. A financial asset shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

Investments and other financial assets and liabilities (continued)

Financial assets and liabilities at fair value through income statement

Has two subcategories; financial assets and liabilities held-for-trading and other financial assets and liabilities designated at fair value through income statement at inception.

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

Financial assets and liabilities at fair value through income statement are 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 income statement 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.

Loans and receivables are 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.

Impairment of financial assets

The carrying value of all financial assets carried at amortised cost is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. 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.

2.5 Summary of significant accounting policies (continued)

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.

Off setting of financial instruments

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

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.

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 under IFRS 4 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.

Options and guarantees

Options and guarantees within insurance and/or investment contracts are treated as derivative financial instruments which are closely related to the host insurance and/or investment contract and are therefore not separated subsequently. The fair value of insurance and investment contracts therefore includes these options and guarantees intrinsic values and time values and their measurement is consistent with observed current market prices.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

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 operation.

The liability for the life insurance contracts has been calculated by an independent qualified actuary. The unit reserves are carried at fair value. A discounted cash flow valuation method was used to determine the non unit reserves for unit linked business and the non-linked business.

Investment contracts liabilities

The policies that do not meet the definition of an insurance contract are carried at fair value. The fair value is based on a prudent prospective actuarial valuation method and the current unit fund value.

The liability for the investment contracts has been calculated by an independent qualified actuary. The unit reserves are carried at fair value. A discounted cash flow valuation method was used to determine the non unit reserves for unit linked business and the non-linked business.

Intangible assets

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

Other receivables

Other receivables 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 2005

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are 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 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 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.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.5 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 Cyprus for Cypriot International Business Entities.

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 Company makes contributions to a provident fund of the defined contribution type which provides retirement and other benefits to its employees. Contributions are calculated as a fixed percentage of the employees' emoluments and 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 Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

2.5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 in which it is received.

Realised gains and losses recorded in the income statement

Realised gains and losses on the sale of financial assets 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 occurred.

Death claims, surrenders, cancellations and withdrawals

Death claims, surrenders, cancellations and withdrawals are recorded on the basis of notifications received.

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 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.

Borrowing costs

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

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.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

3. Profit before tax

Profit before tax is stated after charging/(crediting):

	2005 SEK	2004 SEK
Profit on disposal of property, plant and equipment	(10)	(11)
Auditors' remuneration – current year	558	519
Auditors' remuneration – prior year	9	135
Amortisation of intangible assets	163	326
Depreciation of property, plant and equipment	1.346	1.396
Bank interest	8	16
Foreign exchange loss	-	15
Salaries and related costs (excluding directors' emoluments)	11.461	11.596
Net gains on financial assets and liabilities at fair value through income statement	(1.049.499)	(387.070)
Interest income on loans receivable(744)	(2.469)	
	<u> </u>	<u> </u>

4. Tax

	2005 SEK	2004 SEK
Income statement		
Income tax-current year	2.368	4.621
Income tax-prior year	(127)	(24)
Deferred tax	(6)	(9)
Taxation of foreign subsidiaries	137	299
	<u> </u>	<u> </u>
Income tax expense reported in income statement	2.372	4.887
	<u> </u>	<u> </u>
Balance sheet		
<i>Current assets:</i>		
Income tax receivable	3.650	924
	<u> </u>	<u> </u>
<i>Deferred tax liability:</i>		
Balance 1 January	655	-
Movement for the year	3	655
	<u> </u>	<u> </u>
Balance 31 December	658	655
	<u> </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	(15)	(9)
Revaluation of land and buildings (reported in equity)	673	664
	<u> </u>	<u> </u>
	658	655
	<u> </u>	<u> </u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(all amounts are in thousand SEK unless otherwise stated)

4. Tax (continued)

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 before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2005 and 2004 is as follows:

	<i>2005</i>	<i>2004</i>
	<i>SEK</i>	<i>SEK</i>
Accounting profit before tax	52.433	113.076
Income tax at 4,25%	2.228	4.806
Tax effect of:		
Expenses disallowed for tax purposes	41	3
Differences in depreciation for tax purposes	1	(2)
Tax losses brought forward	-	(525)
Exchange differences	(78)	(10)
Additional taxation	62	273
Taxation of foreign subsidiaries	118	342
	<u>2.372</u>	<u>4.887</u>
5. Dividends		
	<i>2005</i>	<i>2004</i>
	<i>SEK</i>	<i>SEK</i>
<i>Proposed</i>		
Final dividend SEK 3,65 per share	40.150	-
<i>Declared and paid</i>		
SEK5,50 per share	-	60.500
	<u> </u>	<u> </u>

The Board of Directors decided to propose the payment of a dividend amounting to SEK3,65 per share, which will be submitted for approval at the Annual General Meeting.

6. Basic and diluted earnings per share

	<i>2005</i>	<i>2004</i>
Net profit attributable to shareholders (SEK'000)	50.061	108.189
Weighted average number of shares in issue	11.000.000	11.000.000
Basic and diluted earnings per share (SEK)	<u>4,55</u>	<u>9,84</u>

At 31 December 2005 and 2004 there were no potentially dilutive financial instruments outstanding.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

7. Financial assets and liabilities

Financial assets

	<i>Financial assets at fair value through income statement</i>			
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2005				
Money market investments	-	249.358	-	249.358
Shares, funds and similar investments	-	3.257.413	-	3.257.413
Bonds	-	328.904	-	328.904
Derivative contracts	8.461	-	-	8.461
Promissory notes and similar investments	-	-	18.558	18.558
	<u>8.461</u>	<u>3.835.675</u>	<u>18.558</u>	<u>3.862.694</u>
2004				
Money market investments	-	147.088	-	147.088
Shares, funds and similar investments	-	2.165.781	-	2.165.781
Bonds	-	663.577	-	663.577
Derivative contracts	9.019	-	-	9.019
Promissory notes and similar investments	-	-	175.955	175.955
	<u>9.019</u>	<u>2.976.446</u>	<u>175.955</u>	<u>3.161.420</u>

Upon the initial application of IAS 39 (revised and amended) the Group transferred all investments in money markets, shares funds and similar investments, bonds and derivative contracts from the available for sale category to the fair value through income statement category.

The value of the available for sale investments which was transferred to the fair value through income statement category on 1 January 2005 amounted to SEK2.970.466 consisting of financial assets amounting to SEK2.985.165 and financial liabilities amounting to SEK14.699.

Included under promissory notes and similar investments is the amount receivable from Akelius Finans Public Ltd (see note 10) amounting to SEK7.185 (2004: SEK7.275). Interest charged for the year in respect of the above amounted to SEK744 (2004: SEK2.469).

Akelius Insurance Public Limited**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****at 31 December 2005****(all amounts are in thousand SEK unless otherwise stated)****7. Financial assets and liabilities (continued)****Financial assets (continued)***Financial assets at fair value through income statement*

	<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>
2005					
Listed on European stock exchanges	8.461	249.358	3.066.243	326.952	3.651.014
Listed on USA stock exchanges	-	-	190.168	1.952	192.120
Listed on Japanese stock exchanges	-	-	1.002	-	1.002
	<u>8.461</u>	<u>249.358</u>	<u>3.257.413</u>	<u>328.904</u>	<u>3.844.136</u>
2004					
Listed on European stock exchanges	9.019	147.088	1.979.543	660.219	2.795.869
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
	<u>9.019</u>	<u>147.088</u>	<u>2.165.781</u>	<u>663.577</u>	<u>2.985.465</u>

Loans receivable

The promissory notes and similar investments consist only of unlisted securities amounting to SEK18.558 (2004: SEK175.955).

The movement in financial assets is summarised as follows:

*Financial assets at fair value
through income statement*

	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2005				
1 January	9.019	2.976.446	175.955	3.161.420
Additions	8.461	1.945.915	-	1.954.376
Disposals	(9.019)	(1.683.186)	(158.700)	(1.850.905)
Revaluation	-	596.500	1.303	597.803
	<u>8.461</u>	<u>3.835.675</u>	<u>18.558</u>	<u>3.862.694</u>
31 December				

Akelius Insurance Public Limited**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****at 31 December 2005****(all amounts are in thousand SEK unless otherwise stated)****7. Financial assets and financial liabilities (continued)****Financial assets (continued)**

	<i>Financial assets at fair value through income statement</i>			
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2004				
1 January	47.980	3.096.156	1.553.920	4.698.056
Additions	9.148	838.615	-	847.763
Disposals	(38.789)	(1.498.029)	(1.336.745)	(2.873.563)
Revaluation	(9.320)	539.704	(41.220)	489.164
	<hr/>	<hr/>	<hr/>	<hr/>
31 December	9.019	2.976.446	175.955	3.161.420
	<hr/>	<hr/>	<hr/>	<hr/>

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

	<i>Financial assets at fair value through income statement</i>			
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Loans receivable SEK</i>	<i>Total SEK</i>
2005				
Euro	-	274.087	-	274.087
Other European currencies	8.461	3.368.466	18.558	3.395.485
United States Dollars	-	192.120	-	192.120
Japanese Yen	-	1.002	-	1.002
	<hr/>	<hr/>	<hr/>	<hr/>
	8.461	3.835.675	18.558	3.862.694
	<hr/>	<hr/>	<hr/>	<hr/>
2004				
Euro	-	719.656	-	719.656
Other European currencies	8.221	2.059.888	175.955	2.244.064
Cyprus Pounds	-	56	-	56
United States Dollars	798	178.938	-	179.736
Japanese Yen	-	17.908	-	17.908
	<hr/>	<hr/>	<hr/>	<hr/>
	9.019	2.976.446	175.955	3.161.420
	<hr/>	<hr/>	<hr/>	<hr/>

Akelius Insurance Public Limited**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****at 31 December 2005****(all amounts are in thousand SEK unless otherwise stated)****7. Financial assets and financial liabilities (continued)****Financial liabilities**

	<i>Financial liabilities at fair value through income statement</i>		
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Total SEK</i>
2005			
Derivative contracts	2.814	-	2.814
Short selling	-	76.088	76.088
	<u>2.814</u>	<u>76.088</u>	<u>78.902</u>
2004			
Derivative contracts	2.732	-	2.732
Short selling	-	11.967	11.967
	<u>2.732</u>	<u>11.967</u>	<u>14.699</u>

The above financial liabilities represent listed securities.

The movement in these financial liabilities is summarised as follows:

	<i>Financial liabilities at fair value through income statement</i>		
	<i>Held for trading SEK</i>	<i>Other SEK</i>	<i>Total SEK</i>
2005			
1 January	2.732	11.967	14.699
Additions	2.814	76.088	78.902
Disposals	(2.732)	(11.967)	(14.699)
	<u>2.814</u>	<u>76.088</u>	<u>78.902</u>
31 December	<u>2.814</u>	<u>76.088</u>	<u>78.902</u>
2004			
1 January	675	5.530	6.205
Additions	2.732	11.967	14.699
Disposals	(675)	(5.530)	(6.205)
	<u>2.732</u>	<u>11.967</u>	<u>14.699</u>
31 December	<u>2.732</u>	<u>11.967</u>	<u>14.699</u>

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

Akelius Insurance Public Limited

NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

8. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	2005 SEK	2004 SEK
Cash and bank balances	681.601	781.578
Bank overdrafts	(10.726)	(17.502)
	<u>670.875</u>	<u>764.076</u>

Bank overdrafts amounting to SEK10.075 (2004: SEK16.972) 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 with total market values of SEK198.981 (2004: SEK45.289) as at the balance sheet date.

9. Other receivables

	2005 SEK	2004 SEK
Interest receivable	3.877	18.029
Other	20.342	2.749
	<u>24.219</u>	<u>20.778</u>

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

10. Related party disclosures

	2005 SEK	2004 SEK
Amounts due from:		
Akelius Finans Public Ltd	-	1.304
Akelius Insurance Cyprus Ltd	-	572
Akelius Fund Administration Ltd	18	-
Akelius Fund Management (Bahamas) Ltd	48	-
Akelius Investment Funds Ltd	48	-
	<u>114</u>	<u>1.876</u>
Amounts due to:		
Akelius Fonder Ltd (formerly Akelius Bostadsobligation Ltd)	-	(121.265)
Akelius Fastigheter AB	-	(561)
	<u>-</u>	<u>(121.826)</u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

10. Related party disclosures (continued)

Following a change in the group structure, as from 31 December 2005 Akelius Finans Public Ltd, Akelius Invest Ltd (formerly Akelius Rantespar Ltd), Akelius Fonder Ltd (formerly Akelius Bostadsobligation Ltd) and Akelius Fastigheter AB are no longer considered to be related companies and their balances are included in "Other receivables" (Note 9).

Akelius Insurance Cyprus Ltd, Akelius Fund Administration Ltd, Akelius Fund Management (Bahamas) Ltd and Akelius Investment Funds Ltd are related parties as they have common shareholders with the Company.

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

Related party transactions:

The nature and amounts of the main transactions with the related parties are as follows:

		<i>2005</i>	<i>2004</i>
	<i>Nature of transactions</i>	<i>SEK</i>	<i>SEK</i>
<i>Income</i>			
Akelius Finans Public Ltd	- interest income	744	2.469
		<u> </u>	<u> </u>
<i>Expense</i>			
Akelius Insurance Cyprus Ltd	- write off of balance	603	-
		<u> </u>	<u> </u>

The balances due from Akelius Fund Administration Ltd, Akelius Fund Management (Bahamas) Ltd and Akelius Investment Funds Ltd are related to expenses settled by the Group on their behalf.

Surrenders and reinvestments of funds by the policyholders and account holders respectively between the Group and its related parties occurred as follows:

		<i>2005</i>	<i>2004</i>
		<i>SEK</i>	<i>SEK</i>
Akelius Finans Public Ltd		(5.712)	404.605
Akelius Fonder Ltd (formerly Akelius Bostadsobligation Ltd)		-	913.312
		<u> </u>	<u> </u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. Related party disclosures (continued)

During the year 2004 the Group sold the following promissory notes held in Akelius Fastigheter AB.

	<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 Fonder Ltd (formerly Akelius Bostadsobligation Ltd)	750.000	786.667	(7.023)

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>2005 SEK</i>	<i>2004 SEK</i>
<i>Sale of investment and insurance contracts:</i>		
Non executive directors	6.291	1.160
Executive directors	619	4.624
Other key management personnel	21	84
	<u>6.931</u>	<u>5.868</u>
<i>Directors' emoluments :</i>		
Salaries and directors fees	1.163	1.160
Employer's contributions for social insurance etc.	46	28
Employer's contributions for retirement benefit plan	39	12
Executive directors' emoluments	<u>1.248</u>	<u>1.200</u>
Non executive director fees	309	516
Total fees and emoluments of directors	<u>1.557</u>	<u>1.716</u>

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(all amounts are in thousand SEK unless otherwise stated)

10. Related party disclosures (continued)

	2005 SEK	2004 SEK
<i>Other key management personnel emoluments:</i>		
Salaries and other short term benefits	1.669	1.132
Employer's contributions for social insurance etc.	127	111
Employer's contributions for retirement benefit plan	86	53
	<u>1.882</u>	<u>1.296</u>

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 2005 SEK</i>
2005					
Cost or valuation					
At 1 January	14.022	7.808	3.755	550	26.135
Additions	84	295	119	-	498
Disposals	-	(318)	-	-	(318)
	<u>14.106</u>	<u>7.785</u>	<u>3.874</u>	<u>550</u>	<u>26.315</u>
At 31 December	14.106	7.785	3.874	550	26.315
Depreciation					
At 1 January	-	6.437	2.411	221	9.069
Charge for the year	345	550	342	109	1.346
Disposals	-	(309)	-	-	(309)
	<u>345</u>	<u>6.678</u>	<u>2.753</u>	<u>330</u>	<u>10.106</u>
At 31 December	345	6.678	2.753	330	10.106
Net book value					
At 31 December	<u>13.761</u>	<u>1.107</u>	<u>1.121</u>	<u>220</u>	<u>16.209</u>
2004					
Cost or valuation					
At 1 January	11.077	7.384	3.196	111	21.768
Additions	74	560	559	439	1.632
Disposals	-	(136)	-	-	(136)
Revaluation	2.871	-	-	-	2.871
	<u>14.022</u>	<u>7.808</u>	<u>3.755</u>	<u>550</u>	<u>26.135</u>
At 31 December	14.022	7.808	3.755	550	26.135
Depreciation					
At 1 January	1.671	5.909	2.068	111	9.759
Charge for the year	279	664	343	110	1.396
Disposals	-	(136)	-	-	(136)
Release on revaluation	(1.950)	-	-	-	(1.950)
	<u>-</u>	<u>6.437</u>	<u>2.411</u>	<u>221</u>	<u>9.069</u>
At 31 December	-	6.437	2.411	221	9.069
Net book value					
At 31 December	<u>14.022</u>	<u>1.371</u>	<u>1.344</u>	<u>329</u>	<u>17.066</u>

Akelius Insurance Public Limited

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at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

11. Property, plant and equipment

At 31 December 2004, a revaluation of freehold land and buildings was carried out by an independent qualified valuer.

If no revaluation had taken place, the historic cost net book value of the freehold land and buildings would have been SEK9.002 (2004: SEK9.201).

The value of land (at valuation) included in freehold land and buildings amounted to SEK4.569 (2004: SEK4.569), whereas the historic cost of land amounted to SEK1.815 (2004: SEK1.815).

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

12. Intangible assets

	<i>Computer Software</i>	
	<i>2005</i>	<i>2004</i>
	<i>SEK</i>	<i>SEK</i>
Cost		
At 1 January	4.614	4.479
Additions	51	135
	<hr/>	<hr/>
At 31 December	4.665	4.614
Amortisation		
At 1 January	4.423	4.097
Charge for the year	163	326
	<hr/>	<hr/>
At 31 December	4.586	4.423
Net book value		
At 31 December	<hr/> <hr/> 79	<hr/> <hr/> 191

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

Akelius Insurance Public Limited

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(all amounts are in thousand SEK unless otherwise stated)

13. Life insurance contracts liabilities

	2005 SEK	2004 SEK
Insurance contracts	3.494.966	3.160.391

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

	2005 SEK	2004 SEK
At 1 January	3.160.391	4.437.932
Gross premiums	169.262	175.164
Reinsurances	(6)	(11)
Investment income	52.047	141.355
Foreign exchange gains	-	9.047
Realised and unrealised gain on investments	858.455	194.202
	<u>1.079.758</u>	<u>519.757</u>
Outflows		
Surrenders, cancellations and withdrawals	(653.652)	(1.644.440)
Death claims	(20.018)	(28.418)
Fees and commissions deducted	(39.623)	(43.414)
Interest, bank charges and withholding taxes	(3.335)	(4.109)
Foreign exchange losses	(15.677)	-
Portfolio managers' fees	(5.589)	(7.505)
Transfer to shareholders' funds	(7.289)	(69.412)
	<u>(745.183)</u>	<u>(1.797.298)</u>
Increase/(decrease) during the year	334.575	(1.277.541)
At 31 December	<u>3.494.966</u>	<u>3.160.391</u>

14. Liability for payments due to policyholders

	2005 SEK	2004 SEK
Insurance contracts liabilities due to policyholders	5	226
Investment contracts liabilities due to policyholders	14.977	67.354
	<u>14.982</u>	<u>67.580</u>

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

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

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15. Investment contracts liabilities

	2005 SEK	2004 SEK
Investment contracts liabilities	790.706	391.807

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

	2005 SEK	2004 SEK
At 1 January	391.807	410.148
Deposits	365.109	190.431
Investment income	8.431	16.003
Foreign exchange gains	-	1.024
Realised and unrealised gain on investments	139.052	21.987
	512.592	229.445
Outflows		
Surrenders, cancellations and withdrawals	(98.867)	(230.480)
Death claims	(3.243)	(3.218)
Fees and commissions deducted	(6.418)	(4.915)
Interest, bank charges and withholding taxes	(540)	(465)
Foreign exchange losses	(2.539)	-
Portfolio managers' fees	(905)	(850)
Transfer to shareholders funds	(1.181)	(7.858)
	(113.693)	(247.786)
Increase / (decrease) during the year	398.899	(18.341)
At 31 December	790.706	391.807

16. Other creditors and accrued charges

	2005 SEK	2004 SEK
Other creditors and accrued charges	2.369	3.776

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

17. Issued capital

	2005 SEK	2004 SEK
<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

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at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

18. Net cash used in operations

	<i>2005</i>	<i>2004</i>
	<i>SEK</i>	<i>SEK</i>
Cash flows from operating activities		
Net profit before income taxes	52.433	113.076
Adjustments for:		
Amortisation of intangible assets	163	326
Depreciation of property, plant and equipment	1.346	1.396
Profit on disposal of property, plant and equipment	(10)	(11)
Insurance contracts liabilities	334.575	(1.277.541)
Investment contracts liabilities	398.899	(18.341)
Liability for payments due to policyholders	(52.598)	18.781
Investment income	(103.423)	(189.804)
Foreign exchange loss on investments	17.757	34
Net unrealised gain on bonds and shares	(850.340)	(203.801)
Interest payable	801	726
Foreign exchange loss	-	35
	<hr/>	<hr/>
Operating loss before working capital changes	(200.397)	(1.555.124)
(Increase)/decrease in other receivables	(3.441)	29.412
Decrease in related parties' balances	(120.064)	(128.098)
(Decrease)/increase in other creditors and accrued charges	(1.407)	2.437
	<hr/>	<hr/>
Cash used in operations	<u>(325.309)</u>	<u>(1.651.373)</u>

19. 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>2005</i>	<i>2004</i>
	<i>SEK</i>	<i>SEK</i>
Linked insurance premiums	135.981	98.960
Non-linked insurance premiums	33.281	76.204
	<hr/>	<hr/>
	<u>169.262</u>	<u>175.164</u>

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

20. Fee and commission income

	2005 SEK	2004 SEK
<i>Policyholder administration and investment management charges</i>		
Insurance contracts	37.034	41.217
Investment contracts	5.999	4.666
<i>Entry / Surrender charges</i>		
Insurance contracts	2.589	2.197
Investment contracts	419	249
Total fee and commission income	<u>46.041</u>	<u>48.329</u>

21. Capital commitments

The Group had no significant capital commitments as at 31 December 2005 and 2004.

22. 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 SEK322.462 (2004: SEK363.159)

Concentration of credit risk

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

	% of total non-linked assets	2005 SEK	2004 SEK
Kingdom of Sweden	20	<u>118.321</u>	<u>138.303</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2005

(all amounts are in thousand SEK unless otherwise stated)

22. Risk management (continued)

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 long term 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

The risk under an insurance contract is the risk than an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group 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 Group maintains sufficient reserves to cover obligations under insurance policies, with the advice of the appointed actuary.

23. 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.

24. Life insurance contracts and investment contracts

Terms and conditions

Life insurance contracts and investment contracts offered by the Group 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 Group can vary the rate of interest credited. These funds are part of the non-linked business of the Group.
- 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 Group.
- 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 Group.

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 in use are based on past experience, current internal data and conditions, external market indexes and other published information. 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 to which the estimation of liabilities is particularly sensitive are as follows:

(a) Mortality rates

Assumptions are based on national mortality tables which are at 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.

Akelius Insurance Public Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(all amounts are in thousand SEK unless otherwise stated)

24. Life insurance contracts and investment contracts (continued)

(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, net of management charges, and the cash flows have been discounted at 1,75% per annum. In the case of the non-linked business an interest rate of 2% per annum has been assumed.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

(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.

25. Retirement benefit plans

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 SEK458 (2004: SEK437) and for the directors amounted to SEK39 (2004: SEK12). These amounts are included in salaries and related costs in note 3 for employees and in note 10 for directors.

26. Events after the balance sheet date

On 1 January 2006 the Group sold all of its investment in the share capital of Akelius Sverige AB (a dormant company) for a total consideration of SEK11.871 to be paid on 5 April 2006. The sale was carried out by the Group in order to further streamline its operations.