

**COSMOS INSURANCE COMPANY PUBLIC LIMITED**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR 2009**

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## INDEX OF CONTENTS

	PAGE
Officers and professional advisers	1
Declaration by the Board of Directors	2
Independent Auditors' report	3
Consolidated income statement	5
Consolidated statement of recognized income and expenses	6
Consolidated balance sheet	7
Consolidated cash flow statement	8
Notes to the consolidated financial statements	9-29

# **COSMOS INSURANCE COMPANY PUBLIC LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **BOARD OF DIRECTORS**

Andreas P. Erotokritou	Chairman
Michael K.	Executive Vice - Chairman
Andreas K.	Managing Director
Andreas Efthymiou	Executive Director
Frixos Kitromilides	Member
Nikolaos Plakides	Member
Michael Skoufarides	Member
Costas Agathocleous	Member

### **SECRETARY**

Christiana A. Erotokritou

### **AUDITORS**

MGI Gregoriou & Co Ltd

### **LEGAL ADVISERS**

Andreas P. Erotokritou & Co

### **BANKS**

Bank of Cyprus Public Co. Ltd  
Alpha Bank Ltd  
Universal Bank Public Ltd  
Marfin Popular Bank Public Co. Ltd  
Commercial Bank of Greece (Cyprus) Ltd  
Societe Generale Cyprus Ltd  
S.P.E. Mesa Yitonias  
Hellenic Bank Public Co. Ltd

### **REGISTERED OFFICE**

46 Griva Digeni  
Cosmos Tower  
1080, Nicosia

# **COSMOS INSURANCE COMPANY PUBLIC LIMITED**

## **DECLARATION BY THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER, 2009**

In accordance with Article 9(7) of Law 190(I)/2007 on Transparency Requirements in relation to an issuer whose securities are listed for trading on a regulated market, we the Members of the Board of Directors of the Group Cosmos Insurance Company Public Limited confirm that to the best of our knowledge:

- (a) The consolidated financial statements of the group for the financial year ended 31 December, 2009 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and Article 9(4) of Law 190(I)/2007 and in general with the applicable Cyprus Legislation and give a true and fair view of the consolidated assets and liabilities, the consolidated financial position and the consolidated loss of the group and the companies included in the consolidated financial statements, as a whole and
- (b) The report of the Board of Directors includes a fair review of the developments and performance of the operations as well as the position of the company and the undertaking included in the consolidated financial statements, as a whole, together with the description of the principal risks and uncertainties that they face.

### **Members of the Board of Directors**

**Andreas P. Erotokritou**  
Chairman

**Michael K.**  
Executive Vice - Chairman

**Andreas K.**  
Managing Director

**Andreas Efthymiou**  
Executive Director

**Frixos Kitromilides**  
Member

**Nikolaos Plakides**  
Member

**Michael Skoufarides**  
Member

**Costas Agathocleous**  
Member

Nicosia, 29 March, 2010

## **Independent Auditors' Report**

### **To the Members of COSMOS INSURANCE COMPANY PUBLIC LIMITED**

#### **Report on the Consolidated Financial Statements**

We have audited the consolidated financial statements of COSMOS INSURANCE COMPANY PUBLIC LIMITED (the "Company") and its subsidiary (the "Group") on pages 5 to 29, which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement, the consolidated statement of recognized income and expense and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, 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 EU and the requirements of the Cyprus Companies Law, Cap. 113.

### **Report on Other Legal Requirements**

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the 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 are consistent with the consolidated financial statements.

### **Other Matter**

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

MGI GREGORIOU AND CO LTD  
CERTIFIED PUBLIC ACCOUNTANTS (CY)

Nicosia  
29 March, 2010

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2009

	Notes	2009 €	2008 €
<b>Income</b>			
Gross earned premium		<b>28.213.215</b>	27.674.460
Less:-			
Reinsurers' share on gross earned premium		<b>(5.977.793)</b>	(4.665.693)
<b>Net earned premium</b>	3	<b><u>22.235.422</u></b>	<u>23.008.767</u>
Add:-			
Policy fees and other income		<b>1.959.297</b>	1.900.499
Commissions from reinsures		<b>1.034.433</b>	852.756
Income from hire risk pool operations		<b>379.903</b>	452.191
<b>Total other income</b>		<b><u>3.373.633</u></b>	<u>3.205.446</u>
<b>Total income</b>		<b><u>25.609.055</u></b>	<u>26.214.213</u>
Claims	5	<b>15.771.010</b>	17.155.237
Commissions payable and other selling expenses		<b>6.229.893</b>	6.637.877
Other operating and administrating expenses from insurance operations		<b>2.802.469</b>	2.722.866
<b>Total operating and administrating expenses from insurance operations</b>		<b><u>24.803.372</u></b>	<u>26.515.980</u>
Technical insurance result		<b>805.683</b>	(301.767)
Income from investments	8	<b>237.783</b>	263.971
<b>Insurance result from operations</b>		<b><u>1.043,466</u></b>	<u>(37.796)</u>
Investment portfolio results	4	<b>49.925</b>	(1.059.912)
Surplus from revaluation on investment property		<b>(113.000)</b>	285.109
		<b><u>(63.075)</u></b>	<u>(774.803)</u>
Profit / (loss) after the results of investment activities		<b>980.391</b>	(812.599)
Other income		<b>162.847</b>	95.797
Other expenses	9	<b>(392.858)</b>	(376.467)
Finance expenses	6	<b>(128.671)</b>	(91.616)
Administration expenses of subsidiary company		<b>(5.382)</b>	(1.025)
Profit / (Loss) before taxation	7	<b>616.327</b>	(1.185.910)
Taxation	10	<b>(85.317)</b>	(43.728)
<b>Profit / (loss) for the year</b>		<b><u>531.010</u></b>	<u>(1.229.638)</u>
<b>Profit / (loss) for the year attributable to:-</b>			
Equity holders of the parent		<b>529.192</b>	(1.229.739)
Minority shareholders		<b>1.818</b>	101
		<b><u>531.010</u></b>	<u>(1.229.638)</u>
<b>Basic and fully diluted profit / (loss) earnings per share (cent)</b>	11	<b><u>2,94</u></b>	<u>(6,84)</u>

The notes on pages 9 to 29 form part of the consolidated financial statements.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER, 2009

	<b>2009</b>	2008
	€	€
Revaluation of immovable property	<b>334.764</b>	688.326
Deferred taxation on the revaluation	<u><b>(45.865)</b></u>	<u>(98.288)</u>
<b>Net income not recognized in the consolidated income statement</b>	<b>288.899</b>	344.436
Profit / (loss) for the year	<u><b>529.192</b></u>	<u>(1.229.739)</u>
<b>Total recognized income / (expense)</b>	<u><b>818.091</b></u>	<u>(639.701)</u>

The notes on pages 9 to 29 form part  
of the consolidated financial statements.



# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2009

	Notes	2009 €	2008 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	5.351.525	5.122.542
Goodwill	19	467.815	510.936
Investment property	15	3.046.000	3.099.000
Investment in associate company	24	-	-
Loan receivable	23	599.810	563.817
		<u>9.465.150</u>	<u>9.296.295</u>
<b>Current assets</b>			
Trade debtors and other debit balances	13	13.081.210	12.108.204
Investments held for trading	14	3.646.760	3.658.532
Taxation	10	27.801	46.484
Deferred acquisition expenditure	20	2.971.597	3.200.776
Reinsurers' share on technical reserves	17, 20	4.831.978	8.381.610
Cash at bank and in hand	22	3.988.789	3.481.292
		<u>28.548.135</u>	<u>30.876.898</u>
<b>Total assets</b>		<u><b>38.013.285</b></u>	<u><b>40.173.193</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	5.575.350	5.575.350
Share premium		163.984	163.984
Revaluation reserve		2.022.925	1.734.027
Retained earnings		1.189.220	771.704
<b>Total equity</b>		<u><b>8.951.479</b></u>	<u><b>8.245.065</b></u>
<b>Non-current liabilities</b>			
Deferred taxation	10	569.381	528.882
Long-term loans	21	207.744	305.138
<b>Total non-current liabilities</b>		<u><b>777.125</b></u>	<u><b>834.020</b></u>
<b>Current liabilities</b>			
Trade creditors and other credit balances	16	2.214.962	3.094.889
Outstanding claims	17	14.011.733	15.355.614
Unearned premium reserve	20	10.618.133	11.936.715
Reinsurance share on technical reserve	20	442.731	455.841
Short-term loans	21	929.204	243.402
Bank overdraft	22	67.918	7.647
<b>Total current liabilities</b>		<u><b>28.284.681</b></u>	<u><b>31.094.108</b></u>
<b>Total liabilities</b>		<u><b>29.061.806</b></u>	<u><b>31.928.128</b></u>
<b>Total equity and liabilities</b>		<u><b>38.013.285</b></u>	<u><b>40.173.193</b></u>

These financial statements have been approved by the Board of Directors on the 29 March, 2010.

.....  
Andreas P. Erotokritou - Chairman

.....  
Michael K. Tyllis - Executive Vice-Chairman

.....  
Andreas K. Tyllis - Managing Director

The notes on pages 9 to 29 form part  
of the consolidated financial statements.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2009

	Notes	2009 €	2008 €
<b>Cash flow from operating activities</b>			
(Loss) / profit before taxation		616.327	(1.185.910)
Adjustments for:-			
Depreciation		307.803	261.835
Amortisation of goodwill		43.121	43.121
Profit on the revaluation of investments and other securities		(60.700)	(7.251)
Exchange profit on investments held for trading		(1.051)	(1.696)
Exchange loss on investments held for trading		-	-
Surplus from the revaluation of investment property		113.000	(285.109)
Minority interest amount written – off as non-recoverable		(1.818)	(101)
Profit on sale of investments		(100.395)	(27.693)
Loss on sale of property, plant and equipment		10.821	-
Share of (loss) / profit from associate company		-	1.714
Loss on sale of investments		38.032	423.434
Loss from sale on investment property		-	5.152
Loss on the revaluation of investments		74.189	673.118
Interest payable		128.671	91.616
Interest receivable		(215.927)	(209.390)
Dividends receivable		(21.856)	(54.581)
Increase in unearned premium reserve		(1.318.582)	1.001.379
		<u>(388.365)</u>	<u>729.638</u>
Increase in trade debtors and other debit balances		(973.006)	(1.112.079)
Increase/(decrease) in trade creditors and other credit balances		(879.927)	1.320.944
Deferred acquisition expenditure		229.179	(374.250)
Reinsurers' share in technical reserves		3.536.522	(2.379.645)
Increase on outstanding claims		(1.343.881)	4.177.565
Cash from operations		<u>180.522</u>	<u>2.362.173</u>
Corporation tax refund for previous years		-	-
Taxes paid		(72.000)	(74.946)
Payment of defense tax on deemed distribution of dividend		(111.676)	(79.428)
Net cash from operating activities		<u>(3.154)</u>	<u>2.207.799</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(212.842)	(344.872)
Purchase of investments and other securities		(720.918)	(1.489.171)
Proceeds from sale of investments		782.614	1.576.077
Proceeds from sale of property, plant and equipment		-	32.677
Proceeds from sale on investment property		-	317.775
Investment in associate company		-	-
Purchase of investment property		(60.000)	(710.602)
Interest received		179.934	175.892
Dividends received		21.856	54.581
Net cash used in investing activities		<u>(9.356)</u>	<u>(387.643)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(509.263)
Interest paid		(128.671)	(91.616)
Receipt from loan		800.000	-
Payment for loan		(211.593)	(479.671)
Net cash used in financing activities		<u>459.736</u>	<u>(1.080.550)</u>
<b>Net increase in cash and cash equivalents</b>		<b>447.226</b>	<b>739.606</b>
<b>Cash and cash equivalents at the beginning of the year</b>	22	<u>3.473.645</u>	<u>2.734.039</u>
<b>Cash and cash equivalents at the end of the year</b>	22	<u>3.920.871</u>	<u>3.473.645</u>

The notes on pages 9 to 29 form part of the consolidated financial statements.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

### 1. INCORPORATION AND PRINCIPAL ACTIVITY

The company COSMOS INSURANCE COMPANY PUBLIC LIMITED was incorporated in Cyprus on the 17<sup>th</sup> October, 1981 as a limited liability private company in accordance with the Cyprus Company Law Cap. 113. The principal activity of the company is the provision of general business insurance services. The company became public with a special resolution on the 6<sup>th</sup> December, 1999 and new Articles and Memorandum of Association were adopted. The registered office of the company is located at Griva Digeni 46, Cosmos Tower, 1080 Nicosia. On the 12<sup>th</sup> July, 2004 according to a special resolution the name of the company was changed to Cosmos Insurance Company Public Limited in accordance with the Law 70 (1) 2003.

On the 7<sup>th</sup> of November 2001 a Cyprus company was incorporated in accordance with the provisions of the Companies Law, Cap. 113 under the name "Cosmos International Life Insurance Ltd" in order to provide life assurance business services when the appropriate permits will be secured from the proper supervisory authorities. On the 12<sup>th</sup> of July, 2005 the name of the company changed to Cosmos International Life Insurance Agencies Ltd in order to provide life assurance intermediary business and for this reason the appropriate licence was granted from the relevant authorities.

### 2. ACCOUNTING POLICIES

The following accounting policies were applied consistently referring to items which are considered essential in relation to the financial statements of the group.

#### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and in accordance with the requirements of the Cyprus Company Law Cap. 113 and are presented in Euro.

#### **Adoption of new and revised International Financial Reporting Standards**

During the current year the Group adopted all the new and revised International Reporting Standard (IFRS) that are relevant to its operations and are effective for accounting period beginning on 1 January 2009. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

<b>Standard/Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
<i>(i) Adopted by the European Union</i>	
IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards"	1 July 2009
IFRS 3 (Revised) "Business Combinations"	1 July 2009
IAS 27 (Amendments) "Consolidated and Separate Financial Statements"	1 July 2009
IFRIC 17 "Distributions of Non cash Assets to Owners"	1 July 2009
IAS 39 (Amendments) "Reclassification of Financial Assets: Effective date and Transition"	1 July 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinue Operations"	1 July 2009
IAS 32 (Amendments) "Classification of Rights Issues"	1 February 2010

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

### 2. ACCOUNTING POLICIES – (continued)

#### Adoption of new and revised International Financial Reporting Standards – (continued)

Standard/Interpretation	Effective for annual periods beginning on or after
<b>(ii) Not adopted by European Union</b>	
IFRS 2 (Amendments) “Group Cash-Settled Share-Based Payments Transactions”	1 January 2010
IFRS1 (Amendments) “Additional Exemptions for first-time adopters”	1 January 2010
IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”	1 July 2010
IFRIC 14 “Prepayments of a Minimum Funding Requirement”	1 January 2010
IAS 24 “Related Party Disclosures”	1 January 2010
IFRS 9 “Financial Instruments”	1 January 2010

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group.

#### **Consolidated financial statements**

The consolidated financial statements include the financial statements of Cosmos Insurance Company Public Ltd and its subsidiary company “Cosmos International Life Insurance Agencies Ltd”. The acquisition of the subsidiary company is accounted for based on the acquisition method.

The subsidiary’s financial statements are consolidated from the date of incorporation until the date of its disposal. The same accounting policies have been applied for both the subsidiary’s and the parent company’s financial statements.

Inter – group transactions and balances are excluded from the consolidated financial statements.

#### **Gross earned premiums**

The figures shown in the accounts are before the deduction of reinsurance expenses.

#### **Basis of results**

The results are determined after accounting for unearned premium income, deferred expenditure and outstanding claims. Insurance premium and claims are shown after payments or recoveries from the reinsurers.

Unearned premium is the proportion of the annual recorded premium relating to risk periods from 1 January next year until the policy expiry date. These are estimated on a time proportion basis.

The deferred acquisition expenditure as shown on the Balance Sheet represents the proportion of the commission, administration and selling expenses and the proportion of the reinsurers on the gross premium which relates to the gross unearned premium.

#### **Outstanding claims**

Provisions for outstanding claims include the estimated cost of claims notified but not settled at the balance sheet date on the basis of the best information available at the time that the provision is made. A provision is also made for any claims, incurred but not reported at the balance sheet date (IBNR) and for claims incurred but not enough reported at the balance sheet date (IBNER). Any differences between the provision at the balance sheet date and the subsequent settlement are included in the consolidated income statement in the following year.

#### **Unexpired Risk Reserve (URR)**

The unexpired risk reserve is calculated every year with an actuarial method by an independent actuarial.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 2. ACCOUNTING POLICIES – (continued)

#### Functional and presentation currency

On 1 January 2008, date of the introduction of the Euro as the new official currency of the Republic of Cyprus, the functional currency of the Company and its subsidiary in Cyprus as well as the presentation currency of the Group financial statements (including comparative amounts) changed from Cyprus Pounds to the Euro. As a result of this change, as from 1 January 2008 all assets and liabilities of the Company and its subsidiary in Cyprus have been converted using the fixed conversion rate of €1=CYP 0,585274. The comparative amounts presented in these financial statements have been converted into Euro using the above rate.

#### Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent appraisers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are carried out on fixed intervals to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date. All other property, plant and equipment are stated at historical cost less depreciation. Capital expenditure for material improvements to the property, plant and equipment which increases the value and is expected to give additional economic benefits to the company from those which were initially estimated are capitalized and depreciated based on the percentages stated below.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in equity. Decreases that offset previous increase of the same asset are charged against those reserves. All other decreases are charged to the income statement. The depreciation is calculated to write off the cost or the revalued value less any residual value of the property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned.

The annual rates used for this purpose are:

Buildings	3%
Furniture and fittings and computer software and hardware	10-20%
Motor vehicles	15%

Freehold land is not depreciated.

In case of disposal of a property, plant and equipment, the difference between the selling price and the net book value is charged directly to the income statement in the year of disposal. If the disposal relates to an asset which is shown at a revalued amount, any revaluation surplus which was previously credited to the revaluation reserve is transferred to retained earnings.

#### Foreign currency

All amounts are expressed in Euro. Foreign currency assets and liabilities are converted into Euro at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted into Euro at the rates of exchange ruling at the dates when they occur. Differences on exchange are included in the income statement.

#### Investments

The group separates its investments into two categories, (a) investments acquired for generating profit from short term price fluctuations, classified as investments held for trading and (b) investments acquired for unlimited time, which can be sold due to liquidity problems or changes in interest rates and prices and classified as investments available for sale.

The profit or loss incurred on the sale of an investment is recognized at the time of sale and transferred to the income statement. At the end of each accounting period, the group revalues all its investments using the average market value basis (average purchase / sale closing price) for the listed investments and the profits or losses are transferred to the income statement for the investments held for trading, while for the investments available for sale to the investment revaluation reserve and transferred to the income statement only when these are sold or suffered a permanent diminution in value. For non-listed investments whose market value differs from the average cost price, the valuation is made using other acceptable valuation methods.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 2. ACCOUNTING POLICIES - (continued)

#### **Repairs and maintenance of property, plant and equipment**

Repairs and maintenance costs are charged directly to the general business revenue account. Costs for significant renovation and improvement of property, plant and equipment are capitalized when it is considered that they increase the future economic benefits to the company beyond the benefits initially estimated.

#### **Income from investments**

Income from investments mainly includes interest and dividends receivable during the period, based on the accruals concept. It also includes surpluses from the revaluation of investments.

#### **Expenditure**

Administration, selling expenses and interest payable are written off when they arise and are directly debited either to the general business revenue account or to the income statement.

#### **Income from Cyprus Hire Risk Pool operations**

The company's share of the profit or loss from the pool operations is transferred to the income statement based on the accruals concept and the annual audited financial statements of the Cyprus Hire Risk Pool operations.

#### **Taxation**

A corporation tax provision is made based on the regulations and tax rates which are in force, in the country that the principal activity of the group takes place during each financial year.

#### **Interest**

Interest is accounted as income or expenditure in the period that it is receivable or payable.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks.

#### **Deferred taxation**

A deferred tax provision is made using the tax rates which will prevail when taxes will be payable as a result of timing differences which might occur due to the different treatment of certain expenditure and income under accounting and taxation regulations and also for the revaluation of certain fixed assets.

Deferred tax which is a result from the revaluation of fixed assets is transferred to revaluation reserve.

Debit balances which occur from deductible timing differences are recognized only when it is considered probable that future profits will occur.

#### **Employees pension scheme**

No fixed pension scheme exists beyond the provident fund under which the group contributes a fixed contribution equal to 5% of the gross salary of each employee. This expense is debited to the consolidated income statement.

#### **Premium income in arrears and other debit balances**

Premium income in arrears and other debit balances appear after the deduction of any provisions for doubtful debts. The group provides for bad and doubtful debts which might arise during the ordinary course of business on a yearly basis based on the amounts received or receivable.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 2. ACCOUNTING POLICIES - (continued)

#### **Commission**

These are calculated based on the premium income receivable using a predetermined percentage, which varies according to the type of policy and the extra benefits given on each insurance policy.

#### **Comparative figures**

The comparative figures are adjusted in order to be in line with the presentation of the current year figures.

#### **Impairment in the value of assets**

At each balance sheet date the group examines whether there are any indications that suggest a diminution in value of the assets with the exception of items that the accounting policy in relation to the diminution in value is stated elsewhere. In case of such indications the company carries out an estimation of the recoverable amount of the specific assets.

If the recoverable amount is lower than the net book value of a specific asset then the net book value is decreased to the recoverable amount. This diminution is recognised as an expense in the income statement of the year.

The diminution in value of assets is reversed if the next increase in the amount receivable could be related clearly to a fact which occurred since the diminution has been recognised. The diminution in value of all assets is reversed if a change occurred in the calculations of the recoverable amount.

The diminution is reversed in the case where the carrying value of an asset is not greater than the carrying value calculated less depreciation or amortisation, if the diminution in value had not been recognised. The cancellation of the diminution in value is recognised to the revaluation reserve or to the income statement with the reversal of the accounting entries made during the initial recognition of the diminution in value.

#### **Goodwill from acquisition of insurance portfolios**

The consideration paid for the acquisition of an insurance portfolio represents the fair value of the portfolio of insurance contracts acquired and accounted for as goodwill. The goodwill write-off in the income statement is calculated based on the straight line method over the useful life of goodwill which does not exceed twenty years.

#### **Revaluation reserve**

Surpluses from revaluation of property, plant and equipment are credited to the revaluation reserve. Deficits from revaluation of property, plant and equipment are debited to the revaluation reserve. In cases whereby a deficit is not covered from accumulated surplus in the revaluation reserve for a specific property, plant and equipment then the deficit is written off in the income statement.

#### **Investment property**

Immovable property acquired as a long term investment for capital appreciation or for leasing to generate income and is not intended for own use by the company is classified under the category of investment property. Such property is presented at the balance sheet date at fair value. Investment property additions are recorded at original cost and are revalued at each balance sheet date at fair value based on their market value. The profit or loss from sale or revaluation of investment property is transferred to the consolidated income statement in the year which arises.

#### **Associated companies**

Associated companies are companies, on which the company exercises significant influence, but not control on their financial and operating policy. The consolidated financial statements include the total recognized profit and losses of the associated companies which account to the company using the equity method since the date that significant influence is exercised until the date this influence ceased. When the share of losses of the associated company exceed the fair value of net assets, liabilities and contingent liabilities of the associated company, the carrying value reduces to zero and no other losses are recognized, except if the company has legal or constructive obligation to make payments on behalf of the associated companies.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 2. ACCOUNTING POLICIES - (continued)

#### Investment portfolio results

The results of the investment portfolio includes mainly the profits or losses from the change in the prices and the sale of the investments held for trading and are recorded in the consolidated income statement in the year in which they occur.

### 3. EARNED PREMIUM

	2009			2008		
	Gross premium €	Reinsurers' share €	Net premium €	Gross premium €	Reinsurers' share €	Net premium €
Personal accident and health	3.152.233	238.144	2.914.089	2.413.678	161.461	2.252.217
Motor	21.556.397	2.668.058	18.888.339	21.944.653	1.662.418	20.282.235
Marine, aviation and transit	208.371	172.416	35.955	243.696	197.568	46.128
Fire and general liability	2.610.297	2.281.838	328.459	2.105.538	1.778.735	326.803
Employer's liability	685.917	617.337	68.580	966.895	865.511	101.384
	<b>28.213.215</b>	<b>5.977.793</b>	<b>22.235.422</b>	<b>27.674.460</b>	<b>4.665.693</b>	<b>23.008.767</b>

The insurance results from operations per class of business are as follows:-

	2009 €	2008 €
Personal accident and health	104.321	174.198
Motor	657.082	(448.266)
Marine, aviation and transit	11.059	22.294
Fire and general liability	142.486	202.272
Employer's liability	128.518	11.706
<b>Total</b>	<b>1.043.466</b>	<b>(37.796)</b>

Due to the fact that the other income receivable, depreciation and finance expenses are not debited directly to the technical insurance result, it has been considered necessary that, in order to show a fairer view of the profit or loss per class of business, it would be more suitable to show the results of each class of insurance business rather than the results of the group as a whole.

Due to the fact that all the assets and liabilities of the group are used for domestic sales purposes, (general insurance business), it is not feasible to analyse them between the different classes of insurance.

An analysis of gross earned premium per geographical area is not required, since these only concern domestic sales.



# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 4. INVESTMENT PORTFOLIO RESULTS

The investment portfolio results consist of the following:-

	2009 €	2008 €
Profit on sale of investments	100.395	27.693
Profit on the revaluation of investments and other securities	60.800	7.251
Loss on sale of investments	(38.032)	(423.434)
Exchange gain on investments held for trading	1.051	1.696
Exchange loss on investments held for trading	-	-
Loss on the revaluation of investments	(74.189)	(673.118)
	<u>49.925</u>	<u>(1.059.912)</u>

### 5. CLAIMS

Gross payments to clients	18.009.477	15.507.975
Share of reinsurers' to the payments to clients	(4.066.691)	(664.985)
Gross movement to insurance policy liabilities	(1.443.881)	4.177.566
Share of reinsurers' on the gross movement to the insurance policy liabilities	3.172.105	(1.865.319)
Claims management expenses reserve	100.000	-
	<u>15.771.010</u>	<u>17.155.237</u>

### 6. FINANCE EXPENSES

Finance expenses comprise of the following charges: -

	2009 €	2008 €
Bank interest and charges	117.087	87.878
Mortgage expenses	11.584	3.738
	<u>128.671</u>	<u>91.616</u>

### 7. PROFIT / (LOSS) BEFORE TAXATION

The profit / (loss) before taxation is presented after deducting the following charges:-

	2009 €	2008 €
Directors' remuneration		
- Executive directors	176.155	263.142
- Non-executive directors	19.775	25.060
Employees' salaries	2.107.887	1.807.175
Other operating expenses	309.836	327.222
Professional fees and services from third parties	59.176	87.825
Auditors' remuneration	20.870	20.503
Depreciation of property, plant and equipment	307.803	261.835
Finance expenses	128.671	91.616
Provident fund contribution:-		
For directors	15.326	14.132
For employees	75.392	70.608

The average number of employees of the group is 81 (2008: 75).

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

	2009 €	2008 €
<b>8. INCOME FROM INVESTEMENTS</b>		
Interest receivable from financial assets held for trading	<b>113.029</b>	120.745
Interest receivable on investments held as fixed deposits	<b>102.898</b>	88.645
Dividends receivable	<b>21.856</b>	54.581
	<b><u>237.783</u></b>	<b><u>263.971</u></b>
<b>9. OTHER EXPENSES</b>		
Depreciation of property, plant and equipment	<b>307.803</b>	261.835
Provision for bad debts	<b>69.633</b>	99.149
Bad debts written-off	<b>4.601</b>	8.617
Share of loss from associate company	-	1.714
Loss on sale on investment property	-	5.152
Loss on sale of property, plant and equipment	<b>10.821</b>	-
	<b><u>392.858</u></b>	<b><u>376.467</u></b>

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 10. TAXATION

	Taxation €	Deferred taxation €	TOTAL 2009 €	TOTAL 2008 €
Balance 1.1.2009	(46.484)	528.882	<b>482.398</b>	415.328
Provision for the year as it appears in the consolidated income statement	90.683	(5.366)	<b>85.317</b>	43.728
Refund of corporation tax for previous year	-	-	-	-
Provision for deferred taxation due to revaluation	-	45.865	<b>45.865</b>	98.288
	<u>44.199</u>	<u>569.381</u>	<b><u>613.580</u></b>	<u>557.344</u>
Less:-				
Payments made in the year	<u>(72.000)</u>	-	<b><u>(72.000)</u></b>	<u>(74.946)</u>
Balance 31.12.2009	<u>(27.801)</u>	<u>569.381</u>	<b><u>541.580</u></b>	<u>482.398</u>

#### Corporation tax

The profits of the companies within the group are liable to corporation tax with a tax rate of 10%. In addition since the year 2003 and thereafter if the companies of the group do not proceed with a dividend distribution within two years after the end of each taxable year which they have gained the profits a deemed distribution of dividend equal to 70% of their profits which they gain in the tax year will be assumed. The deemed distribution of profits, which represents the 70% of the accounting profits for the year after deducting taxation and before deducting losses brought forward from previous years a special defense contribution will be imposed at a rate of 15%. Furthermore from 1 January 2003 no restriction exists for carrying forward losses to be set off with future profits. In addition as from the year 2003 a group loss relief between the companies of the same group is allowed provided that:

1. a company is 75% subsidiary of another company or each company are 75% subsidiaries of a third company
2. the companies which benefit the group loss relief, are companies resident in the republic of Cyprus
3. the loss making company and the profit making company are members of the same group for the whole taxable year.

#### Defense tax

Income from bank interest receivable is liable to taxation and assumed as income from trading activities with a tax rate of 10%.

#### Deferred taxation

A deferred tax provision is made using the tax rates which will prevail when taxes will be payable as a result of timing differences which might occur between the accounting value of assets and liabilities based on the tax rates at the year end.

Debit balances which occur from deductible timing differences are recognized only when it is considered probable that future profits will occur.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 10. TAXATION – (continued)

The reconciliation between the accounting profit / (loss) and the corporation tax is as follows:-

	2009 €	2008 €
Accounting profit / (loss) before taxation	<u>616.327</u>	<u>(1.185.910)</u>
Taxation charge according to the applicable tax rates	61.633	(118.591)
Tax result of expenses not deductible for taxation purposes	84.123	159.215
Tax effect on capital allowances and income not taxable	(55.073)	(40.053)
Deferred taxation	<u>(5.366)</u>	<u>43.157</u>
<b>Taxation as per the consolidated income statement</b>	<u><b>85.317</b></u>	<u><b>43.728</b></u>

The parent company is considered a public company for taxation purposes.

### 11. PROFIT / (LOSS) EARNINGS PER SHARE

	2009 €	2008 €
Profit/(loss) attributable to the parent company's shareholders	<u>529.192</u>	<u>(1.229.739)</u>
Weighted average number of shares issued during the year	<u>17.985.000</u>	<u>17.985.000</u>
Basic and fully diluted earnings / (loss) per share (cent)	<u>2,94</u>	<u>(6,84)</u>

### 12. PROPERTY, PLANT AND EQUIPMENT

	LAND & BUILDINGS €	MOTOR VEHICLES €	FURNITURE & FITTINGS €	TOTAL €
<b>2009</b>				
<b>Cost / revaluation</b>				
Balance 1.1.2009	4.050.000	663.601	1.367.804	6.081.405
Additions	-	112.200	100.642	212.842
Disposals	-	(5.809)	(178.157)	(183.966)
Revaluation	260.000	-	-	260.000
Balance 31.12.2009	<u>4.310.000</u>	<u>769.992</u>	<u>1.290.289</u>	<u>6.370.281</u>
<b>Depreciation</b>				
Balance 1.1.2009	5.464	275.946	667.453	958.863
Charge for the year	69.300	101.177	137.326	307.803
Disposals	-	(5.125)	(168.021)	(173.146)
Revaluation	(74.764)	-	-	(74.764)
Balance 31.12.2009	<u>-</u>	<u>371.998</u>	<u>646.758</u>	<u>1.018.756</u>
<b>Net book value</b>				
Balance 31.12.2009	<u>4.310.000</u>	<u>397.994</u>	<u>643.531</u>	<u>5.351.525</u>

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 12. PROPERTY, PLANT AND EQUIPMENT - (continued)

The respective amounts for the year 2008 are as follows:-

	LAND & BUILDINGS €	MOTOR VEHICLES €	FURNITURE & FITTINGS €	TOTAL €
<b>2008</b>				
<b>Cost / revaluation</b>				
Balance 1.1.2008	3.417.203	568.879	1.157.738	5.143.820
Additions	-	134.806	210.066	344.872
Disposals	-	(40.084)	-	(40.084)
Revaluation	632.797	-	-	632.797
Balance 31.12.2008	<u>4.050.000</u>	<u>663.601</u>	<u>1.367.804</u>	<u>6.081.405</u>
<b>Depreciation</b>				
Balance 1.1.2008	8.544	198.305	553.115	759.964
Charge for the year	52.449	85.048	124.338	261.835
Disposals	-	(7.407)	-	(7.407)
Revaluation	(55.529)	-	-	(55.529)
Balance 31.12.2008	<u>5.464</u>	<u>275.946</u>	<u>677.453</u>	<u>958.863</u>
<b>Net book value</b>				
Balance 31.12.2008	<u>4.044.536</u>	<u>387.655</u>	<u>690.351</u>	<u>5.122.542</u>

On the 29<sup>st</sup> December, 2009 (21<sup>th</sup> November, 2008) a revaluation was performed on the immovable property of the company from an independent professional appraiser. The surplus from the revaluation, which amounts to €688.326 (2007: €371.364), was transferred to the revaluation reserve of immovable property.

The value of the immovable property that would appear in the financial statements under the historical cost convention less accumulated depreciation is as follows:-

	2009 €	2008 €
Land	710.973	710.973
Buildings	<u>1.597.430</u>	<u>1.666.730</u>
	<u>2.308.403</u>	<u>2.377.703</u>

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 13. TRADE DEBTORS AND OTHER DEBIT BALANCES

	2009 €	2008 €
Insurance premium debtors	1.758.293	1.564.085
Insurance agents' balances	6.872.981	7.763.214
Reinsurers' account	1.076.522	250.198
Cyprus Hire Risks Pool account	1.501.557	1.313.694
Prepayments and other debit balances	1.807.203	1.171.403
Income receivable	64.654	45.610
	<u>13.081.210</u>	<u>12.108.204</u>

The above balances are receivable within one year from the balance sheet date.

### 14. INVESTMENTS HELD FOR TRADING

	2009 €	2008 €
Development debentures	2.433.984	2.342.436
Foreign investments	878.021	1.014.493
Securities and shares in Cyprus public companies	292.041	258.889
Investments in unlisted Cyprus public companies	42.714	42.714
	<u>3.646.760</u>	<u>3.658.532</u>

All the above investments have been classified as investments held for trading and are shown at market values prevailing at the balance sheet date.

### 15. INVESTMENT PROPERTY

	2009 €	2008 €
Balance 1 January	3.099.000	2.426.214
Additions	60.000	710.602
Disposals	-	(322.925)
(Loss) / Profit from revaluation on investment property	(113.000)	285.109
Balance 31 December	<u>3.046.000</u>	<u>3.099.000</u>

### 16. TRADE CREDITORS AND OTHER CREDIT BALANCES

Trade and other creditors	1.420.662	1.836.114
Reinsurers' accounts	649.627	1.085.515
Accrued expenses	144.673	173.260
	<u>2.214.962</u>	<u>3.094.889</u>

All the above liabilities are payable within one year from the balance sheet date.

The other creditors include an amount of €50.538 for the purchase of a building at Tsada – Paphos. This amount will be repaid with the provision of insurance services to the seller and or to his clients.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

	2009 €	2008 €
<b>17. OUTSTANDING CLAIMS</b>		
Outstanding claims	13.351.733	14.927.406
Provision for claims incurred but not reported	<b>560.000</b>	428.208
	<u>13.911.733</u>	<u>15.355.614</u>
Share of reinsurers' to outstanding claims	<b>(2.766.270)</b>	(5.938.375)
	<u>11.145.463</u>	<u>9.417.239</u>
Claims management expenses reserve	<b>100.000</b>	-
	<u>100.000</u>	<u>-</u>

A general provision based on actuarial method is made by an independent actuary to cover claims for accidents which have been incurred but not reported until the balance sheet date.

	2009 €	2008 €
<b>18. SHARE CAPITAL</b>		
<b>Authorized</b>		
30.000.000 ordinary shares of €0,31 each	<b>9.300.000</b>	9.300.000
	<u>9.300.000</u>	<u>9.300.000</u>
<b>Issued and fully paid</b>		
<b>1 January</b>	<b>5.575.350</b>	5.531.255
Difference due to the conversion of share capital into Euro	-	44.095
	<u>-</u>	<u>44.095</u>
<b>31 December</b>	<b>5.575.350</b>	5.575.350
17.985.000 ordinary shares of €0,31 each	<u>5.575.350</u>	<u>5.575.350</u>

During the Extraordinary General Meeting of the company which was held on the 20<sup>th</sup> December, 2007 it was decided to convert the share capital of the company from Cyprus Pounds to Euro in accordance with the provisions of the Adoption of the Euro Law of 2007 (Law 31(I)2007).

The authorized share capital of the company was converted from CYP 5.400.000 divided into 30.000.000 ordinary shares of nominal value of CYP 0,18 each to Euro 9.300.000 divided into 30.000.000 ordinary shares of nominal value of Euro 0,31 each.

Furthermore the issued share capital of the company was converted from CYP 3.237.300 divided into 17.985.000 ordinary shares of nominal value of CYP 0,18 each to Euro 5.575.350 divided into 17.985.000 ordinary shares of nominal value of Euro 0,31 each.

The increase of the share capital amounting to Euro 44.095 as a result of the above conversion was covered by capitalizing part of the share premium reserve.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 19. GOODWILL

The goodwill created from the purchase of the insurance portfolios of clients is analyzed as follows:-

	2009 €	2008 €
<b>Balance 1 January</b>	<b>510.936</b>	554.057
Less:-		
Amortization of goodwill	<u>(43.121)</u>	<u>(43.121)</u>
<b>Balance 31 December</b>	<b><u>467.815</u></b>	<b><u>510.936</u></b>

According to the opinion of the company's Board of Directors the net book value of goodwill from the acquisition of the insurance portfolios at the end of the year is not higher from its recoverable amount.

	2009 €	2008 €
<b>20. UNEARNED PREMIUM RESERVE</b>		

The unearned premium reserve is analyzed as follows:-

Gross unearned premium	<b>10.618.133</b>	11.936.715
Reinsurance Share on Technical Reserves	<b>442.731</b>	455.841
Deferred acquisition expenditure	<b>(2.971.597)</b>	(3.200.776)
Share of reinsurers' on gross unearned premium	<b><u>(2.065.708)</u></b>	<b><u>(2.443.235)</u></b>
	<b><u>6.023.559</u></b>	<b><u>6.748.545</u></b>

Based on the Insurance Company Law of 2002 - 2009 the group when calculating its technical reserves has calculated a provision for all the deferred acquisition expenditure which are directly connected with the gross unearned premium. The deferred acquisition expenditure relates to the expenses which are connected directly with insurance policies which have been issued during the financial year and relate to risk periods starting from the 1<sup>st</sup> January of the following year. The deferred acquisition expenditure has been calculated using the same basis, which has been used for the calculation of the gross unearned premium.

	2009 €	2008 €
<b>21. LOANS</b>		
Amount payable within 12 months	<b>929.204</b>	243.402
Amount payable after 12 months	<b>207.744</b>	305.138
	<b><u>1.136.948</u></b>	<b><u>548.540</u></b>

The loans of the company are secured with a mortgage on the company's owned building at 46 Griva Digeni Aven., Nicosia, for an amount of €1.879.462, charged with an interest rate equal to Euribor plus 1,90% and 3,25% annually and are payable with monthly installments until the final repayment of the loans.



# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

	2009 €	2008 €
<b>22. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents comprise of the following items:-		
Cash at bank	3.825.491	3.374.022
Cash in hand	163.298	107.270
Bank overdraft	<u>(67.918)</u>	<u>(7.647)</u>
	<u><b>3.920.871</b></u>	<u><b>3.473.645</b></u>

The bank overdraft is secured with a mortgage on the company's owned building at 46 Griva Digeni Ave., Nicosia, for an amount of €1.879.462.

The bank overdraft rate of interest is Euribor plus 1,90% per annum while the bank rate of interest on deposits is 2,25% - 5,10% per annum.

### 23. LOAN RECEIVABLE

	2009 €	2008 €
Loan receivable from associate company	<u><b>599.810</b></u>	<u><b>563.817</b></u>

The company Cosmos Insurance Company Public Ltd in 2007 has granted to the associate company CORALWORKS LTD a loan amounting to €530.319 (interest included). The above loan is interest bearing and the company CORALWORKS LTD is charged with interest equal to each six monthly Euribor plus 1,50% annually.

The above loan will be repaid from the company CORALWORKS LTD within five years from the date of the granting of the loan. During the first two years from the granting of the loan the company CORALWORKS LTD will not pay any installment against the capital or the interest of the loan.

The company CORALWORKS LTD is the registered owner of the property purchased. For the above loan it will be granted on the property acquired second mortgage amounting to €529.666 plus interest and charges to the company Cosmos Insurance Company Public Ltd as a security.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 24. INVESTMENT IN ASSOCIATE COMPANY

	2009 €	2008 €
<b>Balance 1 January</b>	-	1.714
Additions	-	-
Share of (loss) / profit for the year	-	(1.714)
<b>Balance 31 December</b>	<u>-</u>	<u>-</u>

The issued share capital, the country of incorporation, the principal activity and the percentage of participation in the associate company are as follows:-

Name of the company	Issued share capital €	Country of incorporation	Principal activity	Percentage of participation and voting right (direct)
CORALWORKS LTD	1.000	Cyprus	Property development	40%

Summarized financial information of the associate company are as follows:-

	2009 €	2008 €
Total assets	<b>1.543.476</b>	1.411.482
Total liabilities	<b>1.642.262</b>	1.511.322
Net liabilities	<u><b>(98.786)</b></u>	<u>(99.840)</u>
Income	-	-
Profit / (Loss) after taxation	<b>1.054</b>	(104.123)
Share of the company to the profit / (loss) after taxation recognized	<u>-</u>	<u>(1.714)</u>

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 25. INTEREST IN THE COMPANY BY MEMBERS OF THE BOARD OF DIRECTORS

The percentage into the company's issued share capital which is held by members of the board of directors, their husbands and their under age children and companies in which they hold directly or indirectly at least 20% of the voting rights in a general meeting are as follows:-

<u>Name</u>	31.12.2009 <u>Percentage (%)</u>	26.03.2010 <u>Percentage (%)</u>
Andreas P. Erotokritou	1,68	1,68
- Stella Erotokritou	0,31	0,31
Michael K. Tyllis	50,29	50,29
- Kyriakos M. Tyllis & Co Ltd	50,08	50,08
Andreas K. Tyllis	50,85	50,85
- Kyriakos M. Tyllis & Co Ltd	50,08	50,08
- Maria Tylli	0,73	0,73
Andreas Efthimiou	0,68	0,68
- Anastasia Efthimiou	0,01	0,01
Frixos Kitromilides	0,31	0,31
Nikolaos Plakides	-	-
Michael Skoufarides	0,05	0,05
Agathocleous Costas	0,12	0,12

The change in the percentage of shares held by the members of the board of directors for the period 31 December, 2009 and 30 days before the date of the notice for the Annual General Meeting appears under the column with date 26 March, 2010.

### 26. MATERIAL INTEREST BY OTHER SHAREHOLDERS

In accordance with the register of members, apart from the board of directors, the following shareholder held on the dates shown below more than 5% of the company's issued share capital.

<u>Name</u>	31.12.2009 <u>Percentage (%)</u>	26.03.2010 <u>Percentage (%)</u>
Kyriakos M. Tyllis & Co Ltd	50,08	50,08

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### 27. RISK MANAGEMENT

The main financial assets held by the group and the company's are cash at bank, investments, the balances of insurance agents and trade receivables. The main financial liabilities of the group and the company are bank overdrafts, loans, outstanding claims, reinsurance balances and trade payables. The main financial risks and uncertainties which the group and the company are exposed and the ways they manage these risks are outlined below.

#### **Credit risk**

Credit risk is the risk of default by counter parties to transactions. The group and the company ensure the application of appropriate mechanisms and ensure the maintenance of related monitoring procedures and controls over credits facilities. Credit risk is monitored on an ongoing basis for possible provision of bad debts. In addition the group and the company reduce the exposure to credit risk by undertaking business activities with a large number of clients and insurance agents. The highest exposure of the group and the company to credit risk is equal to the amounts of the financial assets as reported in the consolidated financial statements.

#### **Liquidity risk**

Liquidity risk is the risk that arises when the expiry date of assets and liabilities does not concur. When expiry dates do not concur the performance can be increased but at the same time risk for losses can increase. The company and the group have procedures in place to minimize such losses such as retaining sufficient amounts in cash and other high liquid assets and retaining sufficient amounts in secured credit facilities.

#### **Market risk**

This risk arises from changes in the value of the balance sheet items of the group and the company and the uncertainty of future income because of market condition changes in which the group and the company operate (fluctuations in interest rates, exchange rates, stock exchange prices and provisions for outstanding claims). The executive management of the group and the company have determined strategy and methods of continuous monitoring and controlling the exposure to market risk by applying inter-alia limits to the loss making classes of general business and insurance agents.

#### **Interest rate risk**

Interest rate risk is the risk the value of the financial instruments to fluctuate due to movements in the market interest rates. Income and cash flows from operations of the group and the company depend on changes in the interest rates since the group and the company, have material assets bearing interest. The group and the company are exposed to interest rate risk on long term borrowings. Borrowing in variable interest rates is exposing the group and the company in interest rate risk that affects cash flows. Borrowing in fixed interest rates is exposing the group and the company in interest rate risk that affects the fair value. The management of the group and the company is monitoring the fluctuations in interest rates on an ongoing basis and it takes appropriate actions.

The interest rates and repayment dates applicable for the loans and the bank overdrafts are stated in notes 24 and 25 in the consolidated financial statements.

#### **Foreign exchange risk**

This risk arises from adverse movements in foreign exchange rates. The group and the company are affected by foreign exchange risk on foreign reinsurance balances and on investments in overseas undertakings. The management is aware of foreign exchange risk and is examining possible solutions to offset such risk.

The hedging of foreign exchange risk is managed by the financial management of the group together with the executive directors.

#### **Risk of stock exchange price fluctuations**

This risk arises from investing in listed securities which due to market forces of demand and supply their values are subject to fluctuations. The executive management of the group and the company have undertaken strategy and methods on an ongoing basis to control the exposure to such risk by applying inter-alia investments an a wide range of listed securities and by setting limits of risk for each listed security.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

### RISK MANAGEMENT – (continued)

#### Outstanding claims risk

The outstanding claims risk is the risk that arises due to the differences which may occur during the actual settlement of claims compared to the provisions carried by the company. The group and the company ensure that proper policies are applied to maintain appropriate monitoring mechanisms on outstanding claims through continuous and periodic checks. The outstanding claims are subject to an ongoing process of valuation for possible changes in the amounts provided for payments. In addition provision is made on claims incurred but not reported at the balance sheet date (IBNR). The maximum outstanding claims risk in which the group and the company is exposed is represented by the amounts of outstanding claims which are reported in the consolidated financial statement.

### 28. AGREEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS

There have been is no material transaction at the end of the financial years that these financial statements refer, between any of the members of the board of directors and the company except from the employment contracts of the executive vice-chairman and the managing director which are for four years (expire 31.12.2009) and in the case of an early termination of employment the appropriate compensation consist of six monthly salaries except in case of an the early termination of employment due to reasons that the employment law provides for termination without any compensation. The salary for the two Executive Directors consists of a fixed monthly salary and for encouraging them they get additional performance related payment based on the profit attributable to the shareholders.

The above bonuses are calculated as follows:-

- (a) For profits up to €341.720 - NIL
- (b) For profits between €341.721 - €512.580 a bonus of 2% is given
- (c) For profits between €512.581 - €854.300 a bonus of 3% is given
- (d) For profits up to €854.301 and above a bonus of 5% is given

Apart from the above there are no other annual bonus schemes but they are entitled as a benefit in kind the use of a company car. Finally the two Executive Directors are participating in the company's provident fund of the employees and they are not entitled to any other supplementary pension scheme or scheme due to early retirement. In accordance with the employment contracts of the two Executive Directors their annual total remuneration fall due between €85.430 and €170.860 each without any remuneration from their participation in the Company's Board of Directors meetings.

### 29. COMMITMENTS/CONTINGENT LIABILITIES

On the 31 December, 2009 the company had the following commitments:

The company Cosmos Insurance Company Public Ltd on 12 July, 2007 entered into an agreement with V.K.C.A. QUALITY LTD for the purchase of two offices in Larnaca which are under construction. The total price for the above offices according to the agreement amounted to €768.102. During the year 2007 the company Cosmos Insurance Company Public Ltd paid the amount of €68.344 and during 2008 paid to the vendor €242.258 with insurance contracts issued to the seller and or to his clients. The remaining amount will be paid by the purchaser with insurance contracts issued to the seller and or to his clients. All the accrued insurance premium owed by the seller or his clients will be collected by the seller and deducted from the price of the property until full repayment. In case of termination for any reason and by any party to the above agreement, the outstanding amount will be paid by the purchaser in three years with monthly installments. The full repayment of the price of the property will be made after the transfer of the title to the name of the purchaser.

# COSMOS INSURANCE COMPANY PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009

	2009	2008
	€	€
<b>30. TRANSACTIONS WITH RELATED PERSONS AND COMPANIES</b>		
(a) <u>Amount due from subsidiary company</u>		
“Cosmos International Life Insurance Agencies Ltd”	<u>338.838</u>	<u>340.888</u>

The above transactions have been carried on a commercial basis.

### 31. OTHER INCOME

Commissions from other services	108.060	85.556
Income from Cyprus Hire Risk Pool	2.631	2.063
Profit from the sale of property, plant and equipment	-	-
Rent receivable	11.242	8.178
Share of profit from associate company	<u>40.914</u>	-
	<u>162.847</u>	<u>95.797</u>

### 32. INCOME FROM CYPRUS HIRE RISK POOL OPERATIONS

The company's share in the Cyprus Hire Risks Pool operations is analyzed as follows:-

	2009	2008
	€	€
Insurance premium income	659.864	676.875
Other income	166.732	185.358
Claims	(365.405)	(382.738)
Other expenses	(96.283)	(95.951)
Unearned premium, 1 January	109.786	178.433
Unearned premium, 31 December	<u>(94.791)</u>	<u>(109.786)</u>
	<u>379.903</u>	<u>452.191</u>

The group's participation in the Cyprus Hire Risks Pool is mandatory for companies with operations in the motor insurance industry. The group's share of the pool profits or losses is calculated on the basis of the group's proportion of the motor insurance premium income to the premium income of the whole motor insurances market in Cyprus.

### 33. INVESTMENT IN SUBSIDIARY COMPANY

The subsidiary company during the year which is directly and indirectly controlled private company is:-

Name of company	Activities	Registered country	Percentage of participation	Nominal value of share capital
Cosmos International Life Insurance (Agencies) Ltd	Provide life assurance intermediary business	Cyprus	81,25%	€344.000

## **COSMOS INSURANCE COMPANY PUBLIC LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (continued) FOR THE YEAR ENDED 31 DECEMBER, 2009**

#### **34. POST BALANCE SHEET EVENTS**

There are not any events following the balance sheet that are worth mentioning.

#### **35. DIVIDEND**

The Company's Board of Directors after considering all the relevant factors decided not to propose a dividend for the year 2009.