2012

ANNUAL REPORT

Atlas Insurance

Artwork featured on the front cover:
Clouds over Filfla - photography composite by Patrick J Fenech.

Patrick J Fenech was the featured artist in a recent Atlas Calendar.

Atlas Insurance PCC Limited

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Annual Report &
Audited Financial Statements

Atlas Insurance

Atlas Vision

The Atlas Group will be recognised as trusted, long term suppliers of insurance and financial services in Malta and overseas and will provide security and value to all stakeholders with a purpose beyond profit.

Atlas Mission

Atlas fosters a respectful environment between staff, clients, intermediaries and suppliers that empowers our people to

- build on their skills and training to develop and provide innovative, personalised, top quality products
- while ensuring the consistent delivery of our service promise to exceed our clients' expectations.

Atlas Values

Ambition

We have a strong work ethic and are passionate about what we do in order to maintain our competitive advantage and provide security for our stakeholders. Our strong work ethic requires us to create accountability, identify each other's strengths and to reward performance. A positive attitude is essential to develop our potential to the full.

Commitment to Service

We respond to each client as an individual while also providing the best possible products and services. We also provide excellent service to internal clients. We enjoy the challenge of responding to changing market needs and believe that professionalism in presentation and timeliness as well as consistency in approach are also paramount.

Creating Value for all stakeholders

We aim to create value for all stakeholders including clients, shareholders, staff and suppliers. We recognise that a win/win situation must exist between stakeholders as a win/lose situation will not stand the test of time. We commit to research and measure value on an ongoing basis.

Empowerment and Innovation

We create new opportunities by investing in continuous learning and we support innovation so that we can be constantly moving ahead. This includes empowerment of employees so that staff feel happy to suggest change and are supported when they take risks and it does not always work out. We value our staff and celebrate their successes and are proud to be Equal Opportunity Employers. We want our people to look forward to coming to work so that our clients will look forward to their dealings with them.

Respect

We foster a respectful environment between staff at all levels, clients, intermediaries and suppliers. This means that we endeavour to create an honest, sincere and communicative atmosphere in our dealings to ensure trust so that these relationships will endure. Regardless of position or career goals, compensation must be fair and commensurate with performance and working conditions orderly and safe. Atlas management and staff must foster this atmosphere of trust and integrity between themselves first.

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Economic Environment

Although 2012 was another turbulent year for the global economy characterised by stagnant growth, government spending cuts and quantitative easing to try to encourage growth, Malta has remained relatively less damaged than many of its neighbours both within and out of the Eurozone.

Despite adverse conditions in the country's important export markets, the local economy grew by 0.8% in 2012, down from 1.7% in 2011. This is relatively positive when compared with the negative growth rate of 0.5% in the European Union as a whole. In fact, after the country officially entered recession in the first quarter of 2012, the economy recovered to achieve the third highest growth rate among Euro area Member States during the year. The unemployment rate was also substantially lower than European Averages at around 6.5% at the end of the year which in itself is a major achievement given the global economic scenario The Eurozone crisis continues to surround us with a challenging and uncertain economic climate.

Moving to the financial services sector in which the Company operates, the Maltese banking and financial system is sound and robust with high solvency, profitability and liquidity ratios. The World Economic Forum's global competitive index once again confirmed Malta as a premier division finance economy and rated our banking sector as the 12th 'soundest' in the world. Our proven regulatory structure and legal system as well as the political consensus between the political parties have stood us in good stead.

Malta's insurance sector again did well during the year with general business gross premiums written by companies domiciled locally growing by around 10% to €1.31billion. As regards risks situated in Malta, however, written premiums contracted by 2.5% to €102.6m in 2012 and gross claims paid for local risks in the same general business sector also remained relatively static at €46.9m compared to €47m the previous year. The local market in fact continues to be rather stagnant as regards growth prospects.

Financial Results

I am pleased to note that Atlas experienced some modest growth in premiums written locally to €18.36m from €17.84m, despite negative growth as a market. Gross premiums written by the cells increased at a higher rate to €14.89m from €11.02m in 2011. Underwriting results continued to be positive with the balance on the technical account for the core amounting to €3.81m (2011: €2.29m) and an aggregated balance on the technical account of €7.00m (2011: €4.61m) continuing to support the company's prudent and relatively selective underwriting approach.

The recovery in the financial markets from the negative downturn experienced in 2011 had a marked effect on the investment income and movements in fair value on the investments of the core. Investment income net of expenses and charges showed an improvement from the previous year's performance from a negative €0.09m in 2011 to an income of €1.58m in the year under review.

Profits after tax for the year amounted to €1.89m (2011: €1.34m) for the core and total aggregated profits amounted to €3.98m (2011: €2.83m). This represents earnings per share of 63c (2011: 45c) and a return on capital employed of 18% (2011: 14%) to the core shareholders.

Directors paid €0.71m (2011: €0.74m) in dividends to core shareholders and €2.62m (2011: €0.28m) to cell shareholders.

Solvency II

Although the full implementation of Solvency II has now been delayed until 2016, EIOPA (the European Insurance and Occupational Pensions Authority) is putting pressure on regulators to implement a number of the measures relating to Solvency II prior to this date. A further quantitative impact assessment was requested by the MFSA in 2012 and I am pleased to report that the Company continues to report very positive results in that we are more than adequately capitalised to meet the challenges of Solvency II.

Gap Analyses of Pillar 2 and 3 requirements relating to Governance and Reporting Requirements under the new regime were completed by the management of the company during the year. The board is kept up to date on progress on various action points arising out of the Gap Analysis including the onerous reporting requirements under Pillar 3. The Risk and Compliance board committee is in close contact with the Solvency II executive committee which is responsible for the implementation of all aspects of the regime including the development of the ORSA (Own Risk and Solvency Assessment) and the setting up of the actuarial function. Liaison is also ongoing with the various cell committees to ensure a smooth changeover to the new regime for each cell.

Board Structure

During the year, a number of shareholder directors did not present themselves for re-election to the board and a slimmer board made up of a majority of non-executive directors, including myself, was appointed by the shareholders. The new directors, Lawrence Zammit and Franco Azzopardi have many years' experience both public and private companies in Malta and I welcome their contribution. Board committees were also restructured at the same time and more information is included about the committee structure in the Corporate Governance statement.

Atlas in the Community

Atlas continues to take its corporate social responsibility seriously and endeavours to include staff, both individually and through its active staff social club, in its efforts to support various initiatives nationally.

Support of sporting events and those connected with wellness continue to be given priority and the major sponsorship of the Melita Football Club Youth Nursery continued. Another combined CSR/sporting event this year was the raising of €3500 and participation in the Swim Aid Charity in September. Other sports and fitness events are sponsored by the company including many forming part of the now established Atlas Wellness initiative which is now in its third year of operation. A successful Blood donation drive was organised by Atlas and other companies in Ta' Xbiex were also invited to join in the event.

Our in-house charity administered by the Social club continued where members of staff choose specific deserving cases nominated by Appogg and regularly donate to them. We also actively collect for a number of causes including id-Dar tal-Providenza with our salary deduct scheme.

Atlas also contributes to support local cultural activities including sponsoring the restoration of Our Lady of Victories Church and Fondazzjoni Patrimonju Malti on an annual basis. We were also pleased to be given the opportunity to purchase a valuable portolan for the Malta Maritime Museum during 2012.

I would like to thank both the exiting board as well as the new board of directors for their unstinting work which is ever increasing in complexity. This year the board had an unprecedented level of activity and interaction with the management team which augurs well for the future. We continue to work on a strategy of prudent underwriting and investment and measured overseas expansion to continue our steady growth and profitability in the years to come. It has been a pleasure working with Atlas during 2012 and I look forward to the continued success of our endeavours during 2013 and beyond. This is a Company which embraces change and is adapting well to the different pressures facing the industry while still retaining a focus on profitability and prudence.

Richard Clough
Chairman

CEO's Report

The year under review was a very challenging year for us, both domestically and internationally. Despite this we achieved a very notable performance and the Company continued to consolidate its position in the local market and registered growth internationally through the cell operation. The Company recorded an aggregated net profit before tax of €6.18m (2011 - €4.45m). The core operation of the PCC achieved a 38% increase in profits before tax totalling €2.95m (2011: €2.14m) and a net profit after tax amounting to €1.89m (2011: €1.34m). Much improved investment returns as well as satisfactory technical results both helped us conclude yet another good year for the Company.

Written premiums on all classes of core general business excluding Health (which is written by our subsidiary company Atlas Healthcare Insurance Agency Ltd as agents for AXAPPP healthcare) increased by 3% to €18.36m. This is a very acceptable overall performance when seen in the context of a highly competitive market with little opportunity for growth.

The aggregated cells premium written has registered material growth. I am pleased to report that the combined premium written for our Cells grew to a total of €14.89m (2011 – 11.01m), bringing the PCC's aggregated total of premium underwritten by the PCC to €33.24m (2011 - €28.86m).

Though we are reporting higher administrative and management expenses than in the previous year this was in the main due to a one off gratuity paid to the retiring directors. This was in line with the shareholders' vision for the restructuring of the board of directors of the Company that was decided on at the last Annual General Meeting. Solvency II and other corporate governance requirements have also impacted on the increase in management expenses which we hope to contain in the future with further investment in IT so as to gain efficiency and economies of scale.

The Company has dedicated and continues to dedicate substantial resources to achieve full preparedness for the upcoming introduction of the new EU insurance and solvency regime. Detailed gap analyses for Pillar 2 and 3 of Solvency II were completed during the year and work on the ORSA is ongoing. Atlas's Core solvency ratio under the existing regime stood at 435% of the current minimum solvency requirement, with the consolidated PCC solvency ratio at a very healthy 326%. We are well positioned and prepared for the eventual introduction of Solvency II and considerable investment continues in the IT field in this area also to ensure that the reporting requirements required by Pillar 3 of the Solvency II regime, which may well be required before the 2016 official implementation, are fully met.

I am also pleased to report that our Internal Controls System now includes exception reporting to the new Risk and Compliance board committee. This committee liaises with the Risk Officer and the Compliance Officer and was set up with the new board structure after the Annual General Meeting. The committee is becoming an important tool to update and inform the board as well as liaising with the Solvency II executive committee in order to ensure that the board is fully involved in the new Corporate Governance and Reporting requirements under the new Solvency Regime.

As part of the board restructuring project, the directors have also appointed an Executive Committee made up of the three executive directors as well as the Chief Financial, Underwriting and Commercial Officers who liaise with the board to set strategy and execute new directions set. Our sincere belief in our human resources function has continued to bear fruit. We continue to obtain extremely positive results both from external and internal surveys and research of customer and staff satisfaction. Only by keeping our staff motivated can we continue to give our clients the top quality service they need from qualified, efficient and professional people. We recognize that training has to be continuous and we continue to train in both technical and soft skills as well as in newer areas such as compliance and risk management to ensure that Atlas retains the leadership position in customer care that we have worked so hard to attain. We continue

to develop our distribution channels and earlier this year we opened 2 new branches, one in San Gwann and one at street level at Skyparks Business Centre at Luqa. This latter branch which should be very accessible particularly for our clients based in the South of the island seeking personal insurance products. We have also increased the number of Tied Insurance Intermediaries in 2012 and have further strengthened our working relationships with the leading brokers. Facilities for payment of all renewals and claims excesses online as well as a popular livechat facility during extended working hours have continued to ensure that our web presence continues to push the boundaries of service excellence and convenience to satisfy the changing needs of the local consumer. As a consequence, we have a balanced flow of business from all sources be it through brokers, TIIs or direct business.

During 2012 we experienced a higher number of cell enquiries over the previous year however due to the economic uncertainty in the EU member states we only licensed one new cell. Totemic Cell 2 will begin operating this year together with the newly licensed TVIS cell which has started writing business in April 2013. This brings the number of cells to six. We have invested heavily in human resources in this area of our operation as we feel it is a new source of income that takes us beyond our shores whilst retaining our strong foothold in Malta. Cell profits are ring fenced and accrue only to the owners of the individual cell.

Looking ahead, 2013 will no doubt be another demanding year having already experienced an unusual hailstorm event in January. Hopefully the Maltese economy will continue to show resilience in the current subdued European economic environment and with a clear strategy in place we will continue to move our business to higher levels on all fronts.

I would like to thank the new board of directors, board committees, the newly formed executive committee, senior management and the entire staff, our intermediaries and customers for their support throughout the year.

In concluding I would like to also sincerely thank the outgoing board members who chose not to seek re-election at the last AGM in June 2012. Their years of contribution and vision to join forces and set up Atlas Insurance in 1998 have laid the foundation stones to build the Company into what it is today.

Michael Gatt
Managing Director and CEO

Board Members & Board/Executive Committees

Board of Directors
Richard Clough FCA - Chairman
Franco Azzopardi MSc (Leicester) FIA CPA
Catherine Calleja BA (Hons) ACII - Secretary
Michael Gatt - Managing
Bryan Gera DBA
Matthew von Brockdorff FCII
Lawrence Zammit MA (Econ)

Audit Committee
Franco Azzopardi MSc (Leicester) FIA CPA - Chairman
Richard Clough FCA
Lawrence Zammit MA (Econ)

Risk and Compliance Committee
Franco Azzopardi MSc (Leicester) FIA CPA - Chairman
Catherine Calleja BA (Hons) ACII - Secretary
Matthew von Brockdorff FCII

Remuneration, Nominations and Related Parties Committee
Lawrence Zammit MA (Econ) - Chairman
Richard Clough FCA
Bryan Gera DBA

Investments Committee
Richard Clough FCA – Chairman
John P Bonett
Mark Camilleri
Michael Gatt
Lawrence Zammit MA (Econ)

Executive Committee
Michael Gatt – Chairman
Catherine Calleja BA (Hons) ACII
Mark Camilleri
Robert Micallef
David Mifsud FCII
Matthew von Brockdorff FCII

Protected Cells Committee
Michael Gatt - Chairman
John P Bonett
Catherine Calleja BA (Hons) ACII
Mark Camilleri
David Mifsud FCII
Ian-Edward Stafrace MIRM FCII PIDR
Matthew von Brockdorff FCII

Offices and Branches

Head Office
47-50, Ta' Xbiex Seafront, Ta' Xbiex XBX 1021

Finance and Compliance/Branch Office
Abate Rigord Street, Ta' Xbiex XBX 1121

Paola Regional Office
Valletta Road, Paola PLA 1517

Birkirkara Branch
1, Psaila Street, Birkirkara BKR 9070

Qormi Branch
Triq Manwel Dimech, Qormi QRM 9061

Rabat Branch
45, Vjal il-Haddiem, Rabat RBT 1769

St Paul's Bay Branch
2, Toni Bajada Street, St Paul's Bay SPB 3227

San Gwann Branch
Naxxar Road c/w Bernardette Street, San Gwann SGN 9030

SkyParks Branch
Malta International Airport, Luqa LQA 3290

Cells

Perfecthome Cell
Travelodge Cell
Ocado Cell
Totemic Cell 1
Totemic Cell 2
TVIS Cell

Professional Services

Legal Advisors
Cefai and Associates
Ganado & Associates
Mamo TCV Advocates
SDC Advocates
Vella Zammit KcKeon

Auditors
PwC

Bankers
APS Bank Limited
Banif Bank (Malta) Limited
Bank of Valletta plc
HSBC Bank Malta plc
Lombard Bank Malta plc
Volksbank Malta Limited

Investment Managers
HSBC Global Asset Management (Malta) Limited
Jesmond Mizzi Financial Advisors Limited
Rizzo Farrugia & Co (Stockbrokers) Limited

Financial Statements

The directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal activities

The principal activities of the Company are that of a cell company licensed in terms of section 7 of the Insurance Business Act, 1998 by the Malta Financial Services Authority to write general business in Malta and in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2004.

Review of the business

The board of directors reports that 2012 saw improved profitability for the Company over the previous year. The combined good recovery in fair value movements on its investment portfolio together with profitable technical results work towards further strengthening of the Company's balance sheet. This is considered to be an excellent result notwithstanding the continued Eurozone economic crisis during the year under review.

Atlas Insurance PCC Limited registered an aggregate net profit before tax for the year of €6.18m (2011: €4.45m) and a net profit after tax of €3.98m (2011: €2.83m). Profits accruing to our non-cellular (Core) shareholders amounted to €2.95m (2011: €2.14m) before taxation. The Core operation has maintained these profitable results in difficult market conditions due to its prudent underwriting and reinsurance policies. Investments have been placed in line with the board's cautious and effective investment policy resulting in excellent returns. The operating cells have further contributed to the profitability showing substantial growth in their results, which portion of aggregation in profit accrues to cell shareholders.

The Company's aggregated solvency position as at 31 December 2012 stands at 439% of the minimum solvency requirements.

The Company continues to pursue prudent and profitable growth and cautious investment strategies in the light of the global economic environment. During 2013, the Company continues to focus on the management of core operating costs in the local market. The board anticipates further growth and profitability for its current cells as well as new cells during the period.

During the year under review, the Company registered its Totemic Cell 2 which was licensed by the MFSA on the 16 July 2012. Furthermore the Board is also pleased to report that a sixth cell operating within the PCC, TVIS Cell, has been authorised by the Malta Financial Services Authority as from 27 February 2013.

Core assets, cellular assets and share capital

The core assets comprise the assets of the Company which are non-cellular assets relating to the core operation. The assets of Atlas Insurance PCC Limited are either core assets or cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and other assets attributable to the cell.

During the year the cells carried on operations registering very positive results with a combined profit before tax at €3.23m (2011: €2.30m) and after tax at €2.09m (2011: €1.50m) accruing to the cell shareholders.

The directors of the Company who held office during the year were:

Richard Clough – Chairman
Michael Gatt – Managing Director
Matthew von Brockdorff
Catherine Calleja
Bryan Gera
Walter Camilleri (Resigned on 21 June 2012)
Albert Formosa (Resigned on 21 June 2012)
John Formosa (Resigned on 21 June 2012)
Robert von Brockdorff (Resigned on 21 June 2012)
Brian Valenzia (Resigned on 21 June 2012)
Frederick Mifsud Bonnici (Appointed on 21 June 2012 and resigned on 30 July 2012)
Lawrence Zammit (Appointed on 21 June 2012)
Franco Azzopardi (Appointed on 20 September 2012)

The current directors have expressed their willingness to remain in office.

Results and dividends

The profit and loss account is set out on pages 16 and 17. Interim ordinary dividends of €709,900 were declared to the non-cellular shareholders and €2,615,345 declared to the cell shareholders. Furthermore in accordance with a board resolution dated 5 February 2013 an interim dividend of €362,500 was paid by the Company to the non-cellular shareholders.

The directors propose the payment of a final net dividend of €510,000 to the non-cellular shareholders.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Insurance Business Act, 1998 and with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In terms of the Companies Act (Cell companies carrying on business of insurance) Regulations, 2004, the directors are responsible to keep separate accounts and records as may be necessary to evidence the assets and liabilities of each cell as distinct and separate from the assets and liabilities of other cells in the same Company.

The financial statements of Atlas Insurance PCC Limited for the year ended 31 December 2012 are included in the Annual Report 2012, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have expressed willingness to continue in office as auditors of the Company and a resolution proposing their reappointment will be put to the forthcoming Annual General Meeting.

On behalf of the board

Richard Clough	Michael Gatt
Chairman	Managing Director

Registered office
47-50 Ta' Xbiex Seafront
Ta' Xbiex
Malta

5 June 2013

Corporate Governance - Statement of Compliance

Good governance assures investors that the Company's objectives and operations will be carried out in the best interests of the company. It provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined. In taking the lead responsibility for corporate governance, the Atlas Insurance PCC Limited board uses various models of best practice in this area including but not limited to the Principles of Good Corporate Governance for Public Interest Companies, Insurance Rule 27 of 2009 on Insurers' Internal Controls under the Insurance Business Act (Cap 403), as well various MFSA guidance papers, the most recent being the January 2012 and August 2012 guidance papers on Systems of Governance and Risk Management respectively. EIOPA has also issued the recent consultation paper on the Proposal for Guidelines on the System of Governance issued in March 2013 which is being reviewed.

The board of directors is appointed as per statute by the group holding company, Atlas Holdings Limited. The composition of the board of directors has changed during the period under review when at the last Annual General Meeting a number of 'shareholder directors' did not offer themselves for re-election. The shareholders, through the holding company, have appointed a majority of four independent non-executive directors in the new slimmer board structure composed of seven directors. Taking into consideration the composition of the board, it is considered that this size of board is adequate to meet the needs of the company in the foreseeable future. The directors are considered to be, collectively and individually, of the appropriate calibre and having sufficient understanding and knowledge of the relevant statutory requirements, to be able to effectively lead and control the Company.

The Chairman is independent and non-executive and his responsibilities include leading the board and setting the board agenda. With the Company Secretary, he ensures that board members receive relevant and timely information and are updated on Corporate Governance requirements. The Chief Executive Officer, the Deputy Managing Director and the Company Secretary are executive directors. The CEO leads the new Executive Committee, whose main role and responsibilities are to execute agreed strategy and manage the business.

Board and board committee meetings are scheduled at the start of the year and the board normally meets ten times per year. In addition various induction sessions were arranged during the period for the new board members with particular emphasis on issues pertaining to risk and compliance of an insurance undertaking. The board sets and reviews financial and operational strategy and policies in various areas to ensure adherence to its risk appetite and objectives. The board of directors receives detailed monthly financial reports as well as non-financial key performance indicators and is regularly addressed on different subjects by key senior executives. After each board meeting minutes that faithfully record attendance, issues discussed and resolutions are circulated within a reasonable time.

The board delegates specific responsibilities to a number of board and executive committees, notably the Audit, Risk and Compliance and the Remuneration, Nominations and Related Parties Committees as well as the Investment, Protected Cells and the aforementioned Executive Committee.

Board and Executive Committees

Members of these committees are listed on page 8. These committees have terms of reference which are set and annually reviewed by the board and committee meeting progress is regularly reported at board level.

The Audit Committee met six times during the period under review and is composed entirely of non-executive directors. From September 2012, it was chaired by Mr Franco Azzopardi MSc Finance (Leicester) FIA CPA who is considered competent by the board in this field as having the relevant qualifications in accounting and/or auditing. The committee assists the Board of Directors in fulfilling its fiduciary responsibilities to provide oversight with respect to the integrity of the Company's financial statements and other financial information provided to the various stakeholders, the Company's system of internal controls, the engagement and performance of the independent auditors, the performance of the internal audit function, and compliance with legal requirements and Company policies unless expressly addressed by the Risk and Compliance committee.

Priorities for the internal audit functions annual audit plan are decided by the Audit committee, due input to the board having been received from the Risk and Compliance Committee

Mr Martin Gauci, the internal auditor prepares regular presentations to the Audit committee and attends relevant meetings. The Chief Financial Officer or other key senior executives may also be invited to relevant meetings of the committee. The Chairman of the committee also meets the Internal Auditor to give guidance to this function on a regular basis outside the regular Audit Committee meetings.

The Audit Committee together with the Chief Financial Officer is also actively involved in planning the external audit, discussing any issues with external auditors and executive directors, and reviewing the financial statements prior to approval by the board.

The Remuneration, Nominations and Related Parties committee, composed entirely of non-executive directors, met three times during the period under review. It is chaired by Mr Lawrence Zammit MA (Econ), who is considered by the board to have very relevant experience for this position. The committee is responsible for recommending the broad policy for remuneration of the Company's Chief Executive, Chairman and Executive directors as well as that of other key executives as it is designated to consider. The committee is also responsible for reviewing the overall remuneration policy of the organisation including staff benefits to ensure appropriate incentives allied with performance and attainment of the company's objectives. The committee is also responsible to identify nominees qualified to become board members for recommendation to the board and shareholders and assessing their independence and relevant fitness and properness as well as appropriate qualifications. Finally the committee also agrees with the board the related party transaction policy of the Company and reviews and makes recommendations to the board with respect to any proposed related party transactions. No director or manager is involved in deciding his or her own remuneration.

The Risk and Compliance committee's main duties, among others, include compliance with regulatory obligations and the supervision of two key functions of the organisation being the risk management and the compliance functions. The committee is chaired by Mr Franco Azzopardi and met once last year formally but liaised with internal executive committees relating to the risk management and compliance functions regularly in connection with various initiatives relating to preparedness for Solvency II. The meetings are in fact regularly addressed by the Officer responsible for Risk Management and the Compliance Officer of the Company being Mr Ian-Edward Stafrace MIRM FCII PIOR and Ms Elaine Scerri B Com (Hons) respectively.

The committee is involved in the setting up and monitoring of a risk appetite framework for the various risks in the Company's risk register, which is regularly updated for board approval. Risk owners for the various risks and the various executives responsible for the different areas of compliance prepare annual reports for the committee, detailing any changes to the risk profile as well as relevant mitigation/control measures taken.

The main objective of the Investment Committee is to optimise investment income, in so far as it is compatible with security and liquidity of the capital. The committee sets the investment policy of the Company and is involved in preparing the investment income budget for the approval of the board of directors. It is responsible for the appointment of and setting the terms of business as well as investment parameters of the discretionary investment managers who report on a monthly basis to the committee members. Exposure to individual holdings as well as asset classes and currencies are limited to ensure maximum spread of risk. During the year under review the committee continued to be chaired by the Chairman of the board, Mr Richard Clough FCA, and met quarterly.

The Protected Cells committee is chaired by the CEO and is responsible for the administration of the protected cells business area. It meets regularly to propose policy and analyse new cell prospects as well as to monitor and report on the performance of the existing cells. Members of this committee made up of executive directors and relevant senior executives liaise with insurance managers and form part of the investment and underwriting committees of the relative cells. During the period under review, various representatives of the committee made presentations to the board of directors about the progress of the existing cells as well as prior to new cell applications being presented to the MFSA.

The Executive Committee is delegated the responsibility of executing the strategy of the company as well as the formulating of annual budgets and funding plans and detailed business plans in various areas including sales and marketing and information technology. The committee is made up of the three executive directors and chaired by the Chief Executive Officer and also includes the Chief Financial Officer, the Chief Underwriting Officer and the Chief Commercial Officer of the company. The committee meets monthly and minutes of the meetings are copied to board members.

The level of disclosure to shareholders within the group continues to be in excess of statutory requirements under the Companies Act. An Annual General Meeting for shareholders of Atlas Holdings Ltd. is held each year and besides the statutory business of the Annual General Meeting as laid down in the memorandum and articles of the Company, reports for all group companies are presented. Regular board meetings for Atlas Holdings are also held with group updates.

The Company has purchased directors' and officers' liability insurance for the benefit of the directors and officers of the company as well as its subsidiaries Atlas Healthcare Insurance Agency and Ark Insurance Management PCC Limited. Fellow subsidiaries companies of Atlas Holdings Limited are also covered by the same policy.

Approved by the Board of Directors on 5 June 2013 and signed on its behalf by:

Richard Clough	**Michael Gatt**
Chairman	Managing Director

Independent Auditor's Report

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To the Shareholders of Atlas Insurance PCC Limited

Report on the Financial Statements for the year ended 31 December 2012

We have audited the financial statements of Atlas Insurance PCC Limited, as a standalone company, on pages 16 to 64, which comprise the balance sheet as at 31 December 2012, the profit and loss account and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on pages 12 to 13, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act, 1995 and the requirements of the said Act and of the Maltese Insurance Business Act, 1998 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of financial statements that give a true and fair view 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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the company, as a standalone company, as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU as modified by Article 174 of the Maltese Companies Act, 1995; and
- have been properly prepared in accordance with the requirements of the said Act and of the Maltese Insurance Business Act, 1998.

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi,
Malta

Simon Flynn
Partner

5 June 2013

Profit and Loss Account - Technical Account - General Business

Year ended 31 December

		Core		Cells		Total	
	Notes	**2012 €**	2011 €	**2012 €**	2011 €	**2012 €**	2011 €
Earned premiums, net of reinsurance							
Gross premiums written	4	**18,357,658**	17,843,405	**14,885,677**	11,015,978	**33,243,335**	28,859,383
Outward reinsurance premiums		**(7,412,306)**	(7,128,105)	**(340,172)**	(238,244)	**(7,752,478)**	(7,366,349)
Net premiums written		**10,945,352**	10,715,300	**14,545,505**	10,777,734	**25,490,857**	21,493,034
Change in the provision for unearned premiums							
- gross amount	23	**(199,941)**	(128,914)	**(285,181)**	9,251	**(485,122)**	(119,663)
- reinsurers' share	23	**229,016**	(97,218)	**84,494**	1,160	**313,510**	(96,058)
		29,075	(226,132)	**(200,687)**	10,411	**(171,612)**	(215,721)
Earned premiums, net of reinsurance		**10,974,427**	10,489,168	**14,344,818**	10,788,145	**25,319,245**	21,277,313
Allocated investment return/ (expense) transferred from the non-technical account	6	**1,390,414**	(87,567)	**8,878**	5,756	**1,399,292**	(81,811)
Total technical income		**12,364,841**	10,401,601	**14,353,696**	10,793,901	**26,718,537**	21,195,502
Claims incurred, net of reinsurance							
Claims paid							
- gross amount		**8,069,743**	7,554,728	**1,726,846**	951,564	**9,796,589**	8,506,292
- reinsurers' share	23	**(2,095,048)**	(1,812,185)	**-**	-	**(2,095,048)**	(1,812,185)
		5,974,695	5,742,543	**1,726,846**	951,564	**7,701,541**	6,694,107
Change in the provision for claims							
- gross amount	23	**(85,192)**	(1,061,700)	**235,623**	1,270,797	**150,431**	209,097
- reinsurers' share	23	**78,132**	836,217	**-**	-	**78,132**	836,217
		(7,060)	(225,483)	**235,623**	1,270,797	**228,563**	1,045,314
Claims incurred, net of reinsurance		**5,967,635**	5,517,060	**1,962,469**	2,222,361	**7,930,104**	7,739,421
Net operating expenses	5	**2,587,035**	2,598,791	**9,197,869**	6,248,834	**11,784,904**	8,847,625
Total technical charges		**8,554,670**	8,115,851	**11,160,338**	8,471,195	**19,715,008**	16,587,046
Balance on the technical account for general business (page 17)		**3,810,171**	2,285,750	**3,193,358**	2,322,706	**7,003,529**	4,608,456

Profit and Loss Account - Non-Technical Account

Year ended 31 December

		Core		Cells		Total	
	Notes	**2012 €**	2011 €	**2012 €**	2011 €	**2012 €**	2011 €
Balance on technical account – general business (page 16)		**3,810,171**	2,285,750	**3,193,358**	2,322,706	**7,003,529**	4,608,456
Investment income	6	**1,826,692**	765,150	**78,738**	22,815	**1,905,430**	787,965
Investment expenses and charges	6	**(248,414)**	(852,717)	**(2,687)**	(17,059)	**(251,101)**	(869,776)
Allocated investment (return)/expense transferred to the general business technical account	6	**(1,390,414)**	87,567	**(8,878)**	(5,756)	**(1,399,292)**	81,811
Administrative expenses	7	**(1,046,293)**	(144,529)	**(27,681)**	(18,371)	**(1,073,974)**	(162,900)
Profit before tax		**2,951,742**	2,141,221	**3,232,850**	2,304,335	**6,184,592**	4,445,556
Tax expense	9	**(1,059,416)**	(806,194)	**(1,141,071)**	(806,519)	**(2,200,487)**	(1,612,713)
Profit for the year		**1,892,326**	1,335,027	**2,091,779**	1,497,816	**3,984,105**	2,832,843

Statement of Comprehensive Income

Year ended 31 December

		Core		Cells		Total	
	Notes	**2012** **€**	2011 €	**2012** **€**	2011 €	**2012** **€**	2011 €
Profit for the year		**1,892,326**	1,335,027	**2,091,779**	1,497,816	**3,984,105**	2,832,843
Other comprehensive income:							
Net reporting currency differences arising on translation from functional currency to presentation currency	22	**-**	-	**84,440**	145,782	**84,440**	145,782
Fair value gains	22	**-**	410,607	**-**	-	**-**	410,607
Movement in deferred tax relating to property, plant and equipment	17	**2,639**	(46,317)	**-**	-	**2,639**	(46,317)
Total other comprehensive income, net of tax		**2,639**	364,290	**84,440**	145,782	**87,079**	510,072
Total comprehensive income for the year		**1,894,965**	1,699,317	**2,176,219**	1,643,598	**4,071,184**	3,342,915

Items disclosed in the statement above are disclosed net of tax. The income tax relating to each component is disclosed in Notes 9 and 17.

The notes on pages 23 to 64 are an integral part of these financial statements.

Balance Sheet

As at 31 December

		Core		Cells		Total	
		2012	2011	**2012**	2011	**2012**	2011
	Notes	**€**	€	**€**	€	**€**	€
ASSETS							
Intangible assets	12	**97,569**	124,899	**-**	-	**97,569**	124,899
Tangible assets:							
- land, buildings and improvements	13	**3,306,679**	3,317,424	**-**	-	**3,306,679**	3,317,424
- plant and equipment	13	**737,308**	683,202	**-**	-	**737,308**	683,202
Investments:							
- land and buildings	14	**2,971,275**	210,000	**-**	-	**2,971,275**	210,000
- investment in subsidiary	15	**-**	-	**-**	-	**-**	-
- other financial investments	16	**18,994,999**	18,525,365	**4,009,326**	2,384,086	**23,004,325**	20,909,451
Reinsurers' share of technical provisions	23	**5,520,957**	5,370,073	**275,475**	187,591	**5,796,432**	5,557,664
Deferred acquisition costs	18	**756,433**	654,710	**75,737**	61,514	**832,170**	716,224
Deferred taxation	17	**-**	88,068	**-**	-	**-**	88,068
Stock – property for development	19	**-**	2,573,014	**-**	-	**-**	2,573,014
Receivables:							
- debtors arising out of direct insurance operations	20	**3,229,823**	3,188,849	**-**	-	**3,229,823**	3,188,849
- debtors arising out of reinsurance operations	20	**455,512**	-	**275,417**	245,940	**730,929**	245,940
- other debtors	20	**590,847**	477,095	**1,785,013**	2,053,234	**2,375,860**	2,530,329
Taxation recoverable		**111,108**	-	**-**	-	**111,108**	-
Prepayments and accrued income	20	**299,380**	252,363	**30,049**	63,214	**329,429**	315,577
Cash and cash equivalents	27	**2,658,097**	2,230,988	**5,371,075**	4,399,781	**8,029,172**	6,630,769
Total assets		**39,729,987**	37,696,050	**11,822,092**	9,395,360	**51,552,079**	47,091,410
EQUITY							
Capital and reserves							
Share capital	21	**7,500,000**	7,500,000	**2,993,720**	1,418,970	**10,493,720**	8,918,970
Other reserves	22	**920,226**	917,587	**260,806**	176,366	**1,181,032**	1,093,953
Profit and loss account	22	**8,431,775**	7,249,349	**2,007,836**	2,531,402	**10,439,611**	9,780,751
Total equity		**16,852,001**	15,666,936	**5,262,362**	4,126,738	**22,114,363**	19,793,674
LIABILITIES							
Technical provisions	23	**19,344,639**	19,229,890	**3,785,491**	3,137,258	**23,130,130**	22,367,148
Payables:							
- borrowings	24	**5,546**	25,884	**-**	-	**5,546**	25,884
- creditors arising out of direct insurance operations	25	**806,578**	678,363	**429,950**	356,345	**1,236,528**	1,034,708
- creditors arising out of reinsurance operations	25	**192,678**	328,237	**320,430**	19,818	**513,108**	348,055
- other creditors	25	**572,263**	129,362	**625,031**	725,404	**1,197,294**	854,766
Deferred taxation	17	**236,524**	-	**-**	-	**236,524**	-
Taxation payable		**-**	145,051	**1,144,939**	832,832	**1,144,939**	977,883
Accruals and deferred income	25	**1,719,758**	1,492,327	**253,889**	196,965	**1,973,647**	1,689,292
Total liabilities		**22,877,986**	22,029,114	**6,559,730**	5,268,622	**29,437,716**	27,297,736
Total equity and liabilities		**39,729,987**	37,696,050	**11,822,092**	9,395,360	**51,552,079**	47,091,410

The notes on pages 23 to 64 are an integral part of these financial statements.

The financial statements on pages 16 to 64 were authorised for issue by the board on 5 June 2013 and were signed on its behalf by:

Richard Clough
Chairman

Michael Gatt
Managing Director

Statement of Changes in Equity

	Notes	Share capital €	Other reserves €	Profit and loss account €	Total €
			Core		
Balance at 1 January 2011		7,500,000	553,297	6,649,510	14,702,807
Comprehensive income					
Profit for the year		-	-	1,335,027	1,335,027
Other comprehensive income					
Net reporting currency differences arising on translation from functional currency to presentation currency	22	-	-	-	-
Fair value gains	22	-	410,607	-	410,607
Movement in deferred tax relating to property, plant and equipment	17, 22	-	(46,317)	-	(46,317)
Total other comprehensive income		-	364,290	-	364,290
Total comprehensive income		-	364,290	1,335,027	1,699,317
Transactions with owners					
Issue of cell shares	21	-	-	-	-
Dividends	11	-	-	(735,188)	(735,188)
Total transactions with owners		-	-	(735,188)	(735,188)
Balance at 31 December 2011		**7,500,000**	**917,587**	**7,249,349**	**15,666,936**
Balance at 1 January 2012		7,500,000	917,587	7,249,349	15,666,936
Comprehensive income					
Profit for the year		-	-	1,892,326	1,892,326
Other comprehensive income					
Net reporting currency differences arising on translation from functional currency to presentation currency	22	-	-	-	-
Fair value gains	22	-	-	-	-
Movement in deferred tax relating to property, plant and equipment	17, 22	-	2,639	-	2,639
Total other comprehensive income		-	2,639	-	2,639
Total comprehensive income		-	2,639	1,892,326	1,894,965
Transactions with owners					
Increase in share capital	21	-	-	-	-
Issue of cell shares on in incorporation	21	-	-	-	-
Dividends	11	-	-	(709,900)	(709,900)
Total transactions with owners		-	-	(709,900)	(709,900)
Balance at 31 December 2012		**7,500,000**	**920,226**	**8,431,775**	**16,852,001**

The notes on pages 16 to 64 are an integral part of these financial statements.

Cells				Total			
Share capital €	Other reserves €	Profit and loss account €	Total €	Share capital €	Other reserves €	Profit and loss account €	Total €
1,143,970	30,584	1,310,331	2,484,885	8,643,970	583,881	7,959,841	17,187,692
-	-	1,497,816	1,497,816	-	-	2,832,843	2,832,843
-	145,782	-	145,782	-	145,782	-	145,782
-	-	-	-	-	410,607	-	410,607
-	-	-	-	-	(46,317)	-	(46,317)
-	145,782	-	145,782	-	510,072	-	510,072
-	145,782	1,497,816	1,643,598	-	510,072	2,832,843	3,342,915
275,000	-	-	275,000	275,000	-	-	275,000
-	-	(276,745)	(276,745)	-	-	(1,011,933)	(1,011,933)
275,000	-	(276,745)	(1,745)	275,000	-	(1,011,933)	(736,933)
1,418,970	**176,366**	**2,531,402**	**4,126,738**	**8,918,970**	**1,093,953**	**9,780,751**	**19,793,674**
1,418,970	176,366	2,531,402	4,126,738	8,918,970	1,093,953	9,780,751	19,793,674
-	-	2,091,779	2,091,779	-	-	3,984,105	3,984,105
-	84,440	-	84,440	-	84,440	-	84,440
-	-	-	-	-	-	-	-
-	-	-	-	-	2,639	-	2,639
-	84,440	-	84,440	-	87,079	-	87,079
-	84,440	2,091,779	2,176,219	-	87,079	3,984,105	4,071,184
1,451,000	-	-	1,451,000	1,451,000	-	-	1,451,000
123,750	-	-	123,750	123,750	-	-	123,750
-	-	(2,615,345)	(2,615,345)	-	-	(3,325,245)	(3,325,245)
1,574,750	-	(2,615,345)	(1,040,595)	1,574,750	-	(3,325,245)	(1,750,495)
2,993,720	**260,806**	**2,007,836**	**5,262,362**	**10,493,720**	**1,181,032**	**10,439,611**	**22,114,363**

Statement of Cash Flows

Year ended 31 December

		Core		Cells		Total	
		2012	2011	**2012**	2011	**2012**	2011
	Notes	**€**	€	**€**	€	**€**	€
Cash flows from operating activities							
Cash generated from operations	26	**2,726,622**	550,335	**2,583,823**	2,650,473	**5,310,445**	3,200,808
Income tax paid		**(988,344)**	(457,809)	**(828,964)**	(631,837)	**(1,817,308)**	(1,089,646)
Net cash from operating activities		**1,738,278**	92,526	**1,754,859**	2,018,636	**3,493,137**	2,111,162
Cash flows from investing activities							
Purchase of property, plant and equipment		**(362,885)**	(210,163)	**-**	-	**(362,885)**	(210,163)
Purchase of intangible assets		**(21,381)**	(4,753)	**-**	-	**(21,381)**	(4,753)
Disposal of property, plant and equipment		**7,900**	5,300	**-**	-	**7,900**	5,300
Purchase of stock – property for development		**(188,261)**	(458,809)	**-**	-	**(188,261)**	(458,809)
Net cash used in investing activities		**(564,627)**	(668,425)	**-**	-	**(564,627)**	(668,425)
Cash flows from financing activities							
Dividends paid		**(709,900)**	(735,188)	**(2,615,345)**	(276,745)	**(3,325,245)**	(1,011,933)
Issue of share capital		**-**	-	**1,574,750**	275,000	**1,574,750**	275,000
Net cash (used in)/from financing activities		**(709,900)**	(735,188)	**(1,040,595)**	(1,745)	**(1,750,495)**	(736,933)
Movement in cash and cash equivalents		**463,751**	(1,311,087)	**714,264**	2,016,891	**1,178,015**	705,804
Cash and cash equivalents at beginning of year		**2,205,104**	3,520,123	**4,399,781**	2,063,476	**6,604,885**	5,583,599
Exchange gains/(losses) on cash and cash equivalents		**(16,304)**	(3,932)	**257,030**	319,414	**240,726**	315,482
Cash and cash equivalents at end of year	27	**2,652,551**	2,205,104	**5,371,075**	4,399,781	**8,023,626**	6,604,885

The notes on pages 16 to 64 are an integral part of these financial statements.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act, 1995 and in accordance with the requirements of the said Act and the requirements of the Maltese Insurance Business Act, 1998. Atlas Holdings Limited (Note 33) prepares consolidated financial statements as required by the Maltese Companies Act, 1995 and these are delivered to the Registrar of Companies in Malta in terms of section 174 (2) (e). Accordingly, Atlas Insurance PCC Limited is exempt from the preparation of consolidated financial statements by virtue of section 174 of the Companies Act, 1995.

The financial statements of Atlas Insurance PCC Limited include the financial performance and financial position of the Core operation together with the operations of the Cells.

As at 31 December 2012, the Company had five Cells, the Perfect Home Cell, the Travelodge Cell, the Ocado Cell, the Totemic Cell 1 and the Totemic Cell 2, referred to in these financial statements as Cell 1, Cell 2, Cell 4, Cell 5 and Cell 6 respectively. The Company maintains separate accounts for each Cell. Cellular assets and liabilities are separate and separately identifiable from Core and Cellular assets attributable to other Cells. Separate balance sheets, profit and loss accounts and statements of comprehensive income, changes in equity and cash flows have accordingly been prepared for the Cells.

The financial statements are prepared under the historical cost convention as modified by the fair valuation of Land and buildings - investment property, Land and buildings – property, plant and equipment, and financial assets at fair value through profit or loss.

The balance sheet is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Standards, interpretations and amendments to published standards effective in 2012

In 2012, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2012. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2012. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

Amendment to IAS 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether subsequently, they are potentially reclassifiable to profit or loss (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2015. The Company is considering the implications of the standard and its impact on the Company's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phases of IFRS 9 when completed.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.

1.2 Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) Rendering of services

Premium recognition is described in accounting policy 1.16 dealing with insurance contracts.

(b) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income from investment property is accounted for on an accruals basis in accordance with the substance of the relevant lease agreements.

1.3 Investment return

Investment return comprises investment income including fair value movements, interest income, dividends and rental income, and is net of investment expenses, charges and interest. Dividends are recorded on the date when the shareholder's right to receive income is established. Interest and expenses are accounted for on an accruals basis.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account of the actual investment return on investments supporting the insurance technical provisions.

1.4 Foreign currencies

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

All foreign exchange gains and losses are presented in the profit and loss account within 'investment expenses and charges'.

The results and the financial position of the cells are translated from GBP 'the functional currency' into euro 'the presentation currency' as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
(ii) income and expenses for each profit and loss account are translated at average exchange rates.

All resulting exchange differences are recognised as a component of equity and are accounted for in the functional currency exchange reserve (Note 22).

1. Summary of significant accounting policies - continued

1.5 Intangible assets

(a) Customer relationships

Acquired customer relationships are shown at historical cost. Customer relationships have an indefinite useful life.

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

All costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1.6 Tangible assets – Property, plant and equipment

Tangible fixed assets comprising land and buildings, computer equipment and furniture and fittings are initially recorded at cost. Property is subsequently shown at fair value, based on valuations by the directors after seeking due professional advice, less subsequent depreciation. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the balance sheet date. All other tangible fixed assets are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

	%
Buildings	1
Improvement to leasehold premises	10
Furniture, equipment and motor vehicles	10 - 20

Freehold land is not depreciated.

Gains and losses on disposal of tangible fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1.7 Land and buildings – Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property comprises freehold buildings.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors after seeking professional advice.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred. Changes in fair values are recorded in the profit and loss account.

Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

1. Summary of significant accounting policies - continued

1.8 Investment in subsidiary

Investment in subsidiary, is accounted for at cost. The results of the subsidiary undertaking are reflected in the Company's financial statements only to the extent of dividends receivable.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

1.9 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. The directors determine the appropriate classification of the investments at the time of purchase and re-evaluate such designation at every reporting date.

1.9.1 Classification

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise all securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, if so designated by the directors. These financial assets are managed and their performance is evaluated and reported on a fair value basis to the Company's key management personnel in accordance with a documented investment strategy.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell in the short term or that it has designated as fair value through profit or loss. They include, inter alia, deposits held with credit or financial institutions, debtors and cash and cash equivalents.

1.9.2 Recognition and measurement

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase and sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. Realised and unrealised gains and losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments and units in collective investment schemes are based on quoted market prices at the reporting date. If the market for an investment is not active, the Company establishes fair value by using valuation techniques. Equity securities for which the fair value cannot be measured reliably are recognised at cost less impairment.

On disposal, the difference between the net disposal proceeds and the carrying amount is included in the net profit or loss for the period.

1.10 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
(iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

1. Summary of significant accounting policies - continued

1.10 Impairment of assets - continued

(a) Impairment of financial assets carried at amortised cost - continued

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually-assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are assessed individually for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

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 (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(b) Impairment of financial assets carried at fair value

The Company assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not subsequently reversed.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life, such as customer relationships, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.11 Operating leases

Assets leased out under operating leases are included as investment property in the balance sheet. Rental income is recognised in the profit and loss account over the period of the lease to which it relates.

1.12 Stock – Property for development

Property held for development is intended in the main for resale purposes, and is accordingly classified in the financial statements as stock. Any elements of the project which are identified for business operation or long-term investments properties are transferred at their carrying amount or fair value to Property, plant and equipment or Investment properties when such identification is made and the cost thereof can be reliably segregated.

The development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property, expenses incidental to acquisition, development costs together with any borrowings costs attributable to the development phases of the project. The purchase cost of acquiring the property represents the cash equivalent value of the contracted price.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Gains and losses on disposal of development property are determined by reference to their carrying amount and are taken into account in determining gross profit.

1.13 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts, and other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are included in borrowings.

1.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

1.16 Insurance contracts - classification

The Company issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Company defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance contracts – General business

The results for direct business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(i) Premiums written relate to business incepted during the year together with any differences between the booked premiums for prior years and thus previously accrued, less cancellations.

(ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(iii) Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. These are capitalised and are shown as deferred acquisition costs ("DAC") in the balance sheet. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.

(iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(v) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported. The Company does not discount its liabilities for unpaid claims.

    The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available.

(vi) Provision in the form of an unexpired risk provision will be made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts

1. Summary of significant accounting policies - continued

1.16 Insurance contracts - classification - continued

Reinsurance contracts held - continued

held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

1.17 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

1.19 Offsetting financial instruments

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

1.20 Dividend distribution

Dividends on ordinary shares or on cell shares are recognised in equity in the period in which they are declared by the directors or approved by the Company's shareholders.

2. Critical accounting estimates and judgements in applying accounting policies

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate.

Provision is made as and when claims are notified for the estimated cost of claims. This estimate will include expenses to be incurred in settling the claim. All provisions for claims incurred but not settled by balance sheet date are carried forward to the following

2. Critical accounting estimates and judgements in applying accounting policies - continued

financial period. Given the uncertainty in establishing claims provisions, it is possible that the final outcome may prove to be different from the original liability estimated.

In reporting claims incurred and balance sheet provisions the Company takes all reasonable steps to curtail any future deviations in establishing its liabilities by ensuring that it has appropriate information regarding its claims exposures and related future liabilities from the outset, the results of which are elaborated in the claims cost progression tables disclosed in Note 23.

The Company believes that the liability arising from claims under insurance contracts is adequately reserved as at the financial year end.

3. Management of insurance and financial risk

3.1 Insurance risk

The Company issues contracts that transfer the insurance risk of the Company's clients. This section summarises these risks and how the Company manages them.

The risk under any one insurance contract is the uncertainty of whether the insured will sustain the contingency insured against. If that happens, then further uncertainty lies in how many times this can happen and how much it will cost, i.e. the frequency and severity of resultant claims.

Insurance risk is by its nature random and unpredictable. Consequently the Company writes portfolios of risk with the intention of taking refuge within the theory of probability (large numbers) and thus being able to correctly construct pricing of its insurance contracts.

The risk the Company faces however remains that actual claims incurred exceed the amounts of such provisions since the frequency and severity incurred exceed the estimated ones.

Insurance events, due to their random nature, can vary in severity and frequency from year to year. However the larger the portfolio involved, the lower the deviation from estimates which is why the Company endeavours to acquire growth in areas of insurance risk which it deems attractive.

Another method used to mitigate random deviations is that of diversification in portfolio characteristics. Atlas Insurance PCC Limited is not unduly dependant on one class or sector of business and in fact is deemed to be privileged with a balanced mix of various classes of Motor, Liability, Marine, Miscellaneous Accident, Property and Travel and Personal Accident. Likewise the Company's portfolio is evenly spread between personal lines and commercial lines business.

The Company has a rather even geographical spread of property risks within the Maltese isles and is well spread among the various sectors of commerce e.g. tourism and hotel accommodation; manufacture; services and it is not unduly dependent on one sector alone.

Once again this diversification ensures that the type and amount of risks presented are spread out without there being undue concentrations in one area alone.

During the year the Company concluded the process of licensing Totemic Cell 2, which was authorized by the MFSA on the 16 July 2012 to write insurance risk under classes of business 1 – Accident, 2 – Sickness, 6 - Miscellaneous financial loss. The Cell maintains its own solvency with the Minimum Guarantee Fund being afforded by the core capital.

Totemic Cell 2 did not write any insurance risk in 2012 but has now targeted 1 April 2013 to start up its operations. PerfectHome Cell, Travelodge Cell, Ocado Cell and Totemic Cell 1 carried on business during the year in accordance with their licence conditions, where as determined by their authorisation each cell is to maintain at all times its own solvency margin while the Minimum Guarantee Fund is afforded by the core capital. The cells write property, sickness, motor, motor liability and miscellaneous financial risks, all in the United Kingdom. The property risks are equally well-spread geographically. The cells' results are amply reflected in these financial statements.

On 20 February 2013, the MFSA authorized the licensing of TVIS Cell to write business of insurance under classes of business 1 – Accident, 2 – Sickness, 9 – Other damage to property, 13 – General liability, 16 – Miscellaneous financial loss.

3.1.1 Frequency and severity of claims

Motor and liability

The danger is that the frequency and severity of claims be seriously affected by:

(i) the long lifetime which motor and other liability claims tend to have and which can lead to:
  (a) negative effects of inflation on claim amounts;
  (b) increased court awards arising from increased sensitivity of courts to the plight of accident victims spurred also by EU directives and "pro-victim" court/ legislative tendencies in other EU jurisdictions; and

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

3.1.1 Frequency and severity of claims - continued

Motor and liability - continued

(c) increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and

(ii) the latent effect of disease claims on the employers liability and products liability portfolio
(iii) the effect of inflation on repair costs
(iv) the effect of natural hazards affecting comprehensive motor results - The storm event in September 2012 causing a spike in losses on the private motor account.

Property

From the property point of view, climatic changes give rise to the more frequent and severe extreme weather events e.g. flash floods and their consequences. The year 2012 included a severe storm event in September and this affected the property result.

Miscellaneous accident, and personal accident and travel

The nature of claims on Money, Glass, Goods in Transit and Fidelity relate very much to the prevalence of crime in Malta and the 2012 year showed no extraordinary experience in this respect.

Marine

The marine account is mainly based on cargo business which tends to produce regular patterns of claim frequency though years of increased frequency can arise owing to particular localised problems. The hull portfolio is affected by weather and crime patterns and the result of this portfolio was, to a lesser extent, also influenced by the storm in September 2012

Miscellaneous Financial Risk

Risk carried by the Company and managed under this class of business did not materially impact on the results of the company and the risk profiles do not offer any threat to the Company's core capital.

The Company manages all the above via:

(a) underwriting strategy,
(b) adequate reinsurance arrangements, and
(c) proactive claims handling

(a) Underwriting strategy

The Company follows strict risk acceptance selection processes and only accepts risks that possess characteristics which the Company feels will lead to low or average frequency and severity of losses. This criteria applies across all classes and for this purpose the Company uses underwriting guidelines and sets limits on the overall retention of the risks it writes.

The Company inserts certain exclusions in its contracts to enforce underwriting criteria. For example, in the context of liability exposures, the Company applies asbestos liabilities exclusions on all liability policies.

The Company closely scrutinises the business activities of its client base to determine any undue exposure to long-term industrial disease claims and to assist in this process and that of analysing other potential exposures, the Company views several property, accident and liability risks first hand via its policy of risk surveying (in-house and external).

The Company also has a regular renewal analysis and reserves the right to reassess each contract based on its claims experience and any other changes in material information. The majority of the marine cargo account is based on open covers. Thorough controls on each marine open cover are carried out regularly ensuring that performance is acceptable.

Malta's storm and flood exposure is localised in particular areas of flash flood exposure. With the Company's pre-risk survey strategy and with the added knowledge of flood-prone areas, the Company filters the incoming new business portfolio or alternatively manages the risk of storm.

The Company, as a standard, applies limits on all motor and liability policies. The only area of unlimited liability is that of Motor EU use (in line with legislation in certain countries).

The Company's internal underwriting authority limits mean that authority to bind is delegated in a controlled manner. The Company's agencies and branches likewise follow and are subject to specific underwriting limitations beyond which they must seek head office approval.

The risks underwritten by the Company may also be in the form of reinsurance contracts issued on a proportional basis whereby it assumes a portion of the risk which the ceding insurance undertakings undertake with their direct clients.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

3.1.1 Frequency and severity of claims - continued

(b) Reinsurance

The Company places its reinsurance programme with overseas reinsurers who all meet the financial approval of the local regulator. It is generally the Company's policy for reinsurance to be placed in the Lloyd's market or with listed multinational reinsurance companies whose credit rating is not less than A-. The portfolio programme is a mix of proportional and non-proportional protection which also includes protection from industrial disease losses incurred but not reported during the years prior to the portfolio transfers in 2004 and 2005 from AXA Insurance plc to the Company.

The Company's decision on the type of reinsurance obtained, the level of retention and the width of cover are recommended by the Company's own technical personnel in collaboration with overseas consultants and the board of directors approves the reinsurance programme on an annual basis.

(c) Claims techniques

Claims are handled and reserved on a claim by claim basis.

The Company employs in-house specialised claims personnel. In addition to having in place authority levels for its staff to negotiate claims, it also employs a panel of external loss adjusters and technical experts who are regularly utilised in the Company's quest for sound and equitable claim handling.

The Company has a policy of analysing claims progressions and thus determines if reserving policies adopted in the past have been successful. This procedure has pre-dated the setting up of the Company as an underwriter and the Company in fact tracks claims which were incurred in years during which the Company formerly acted as an agent for overseas principals.

The Company actively pursues early settlement of all claims to reduce exposure to unpredictable developments and equally the Company maintains a proactive system that ensures that timely action is taken on all claims and reviews are carried out when required. This is particularly important in the context of motor and liability claims. In the context of reserving active use is made of a panel of legal advisors and full acquaintance is made with courtroom developments by our specialist claims team headed by the claims director.

3.1.2 Sources of uncertainty in estimation of future claims payments

Owing to the fact that liability claims are normally payable on a claims occurrence basis, a claim is payable if the accident occurred in the year of insurance even if the damage is manifest long afterwards. This is accentuated in the context of employers liability claims where cover is provided on a loss caused basis. Therefore not only can known liability claims take longer to be settled owing to lengthy court proceedings and the like, but claims can take long to be registered and are therefore also very much in need of an IBNR (incurred but not reported) claims provision in that known claims outstanding provisions must be adequately increased by a provision every year for IBNR.

Therefore when estimating the cost due to be paid in future the Company looks at:

(i) the monetary provision for the future payment of claims for bodily injuries to employees or third party victims of accidents. This is based on the accepted basis of:

- (a) loss of future earnings as a result of disability percentages along with estimated rehabilitation expenses;
- (b) an element of direct damages; and
- (c) costs of settlement including legal and other fees and court expenses; and

(ii) to the above provision for known reported claims, the Company adds an IBNR provision with particular emphasis on the motor and liability class.

The Company also makes a provision for the unexpired period of cover of policies running at the time of the balance sheet date.

Like all claims, large claims are assessed on a case by case basis and accurately analysed and Atlas will take pessimistic scenarios based on legal precedent (of particular relevance to motor and liability class) and similar cases plus the Company will note current trends.

The Company takes care to ensure it is in possession of knowledge on all bodily injury claims notified and carries out active reviews of the larger/ more serious bodily injury cases on motor and liability classes.

IBNR percentages are taken as a factor on outstanding claims provision and are arrived at on the basis of an annual historical analyses of different classes' performance vis-a-vis actual IBNR experienced since 2005.

Uncertainty on the estimation of claim payments on property classes is considerably lower than that on motor and liability classes. The same can be said of personal accident, travel and miscellaneous accident.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

3.1.2 Sources of uncertainty in estimation of future claims payments - continued

Uncertainty in general is reduced by ensuring thorough knowledge of the circumstances and extent of losses reported; and through the use of medical and loss assessors and adjusters to ensure correct reserving.

While under the marine class doubt on value of claims can be influenced by the influx of late notifications on insured export claims, the Company actually insures very few export consignments so this factor does not affect its IBNR provision. Indeed a high degree of certainty on marine claims is achieved via collection of survey evidence and value documentation.

3.2 Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The key financial risk is that the proceeds from its financial assets would not be sufficient to fund the obligations arising from its insurance contracts and investing activity. The most important components of the Company's financial risk are market risk (cash flow and fair value interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks mainly arise on open positions in interest rate, debt and equity products, and currency exposures, which are all subject to market movements.

The Company's investment strategy reflects its profile of liabilities to ensure that sufficient assets of appropriate nature, term and liquidity enable it to meet the liabilities as they become due.

3.2.1 Market risk

(a) Cash flow and fair value interest-rate risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Financial instruments issued at variable rates expose the Company to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Company to fair value interest rate risk. The Company holds investments mostly in equity and debt securities. Debt securities are subject to interest rate risk.

Interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Company's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty. Notes 16 and 27 incorporate interest rate and maturity information with respect to the Company's assets.

The total assets and liabilities subject to interest rate risk are the following:

	2012	2011
	€	€
Assets at floating interest rates - bank balances	**7,558,261**	6,088,625
Assets at fixed interest rates		
- Listed debt securities	**10,218,614**	9,585,432
- Deposits with banks or financial institutions	**4,674,547**	4,737,001
- Amounts owed from related parties	**2,551,385**	3,704,442
	25,002,807	24,115,500
Liabilities at floating interest rates - bank balance overdrawn	**5,546**	25,884

Bank and other borrowing facilities are not commonly availed of and the directors traditionally sanction the use of such facilities for short-term operational cash flow bridging as and when the requirement arises. The exposure to interest rate risk in respect of borrowings is accordingly not material.

Deposits with banks or financial institutions potentially expose the Company to fair value interest rate risk. However, since these instruments are not fair valued there is no exposure to the Company.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

At 31 December 2012 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points (2011: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €266,284 lower (2011: €198,600 lower). An increase of 150 basis points (2011: 150 basis points), with all other variables held constant, would have resulted in pre-tax profits being €274,792 higher (2011: €206,371 higher). Up to the end of the reporting period the Company did not have any hedging policy with respect to interest rate risk on other financial instruments as exposure to such risks was not deemed to be significant by the directors.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.1 Market risk - continued

(b) Equity price risk

The Company is exposed to market price risk on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments. The Company reduces this risk by diversifying its investments in different countries and in different sectors.

The Company's investment portfolio is overseen by the Investment Committee that meets on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines. Investment decisions are taken on the basis of an Asset Allocation Policy approved by the Board. The Asset Allocation Policy includes benchmarks and guidelines on various aspects of portfolio management, including currency, instrument, rating, localisation, concentration and maturity. It is periodically reviewed by the Investment Committee and, subject to Board approval, amended as necessary so as to reflect the Company's overall investment objective, which is principally the preservation of capital and liabilities.

The total assets subject to equity price risk are the following:

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**1,901,817**	1,749,102	**-**	-	**1,901,817**	1,749,102
Units in unit trusts	**3,228,322**	1,013,685	**429,640**	119,789	**3,657,962**	1,133,474
	5,130,139	2,762,787	**429,640**	119,789	**5,559,779**	2,882,576

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. A 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase and a decrease of 10% (2011: 10%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €513,014 (2011: €276,249). An increase and a decrease of 10% (2011: 10%) in equity prices, with all other variables held constant, would result in an impact on the Cells pre-tax profit for the year of €42,964 (2011: €11,979).

(c) Currency risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. The Company may experience losses arising from a decrease in values of its assets held in foreign currency or an increase in value of its technical reserves denominated in foreign currencies. The board of directors implements a policy of currency matching rules thus minimising the Company's exposure to such risk.

As the Company's technical reserves arising from its core operation are wholly denominated in euro due to the fact that all insurance policies are written in euro, funds covering such liabilities are largely invested in euro instruments.

Similarly, in managing its cells, the Company applies the same currency matching policy by identifying the currency in which cellular technical provisions arise and as such administers a balance of matched assets.

In an effort to maximise return on investment the board directs its investments committees to prudently apply a certain degree of flexibility which is limited to the extent of not compromising the Company's financial strength in matching its liabilities, primarily its insurance technical provisions.

At 31 December 2012, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,674,011 (2011: €1,040,588). If the above currencies had weakened/strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €471,884 (2011: €183,633) / higher by €348,784 (2011: €135,729).

3.2.2 Credit risk

The Company is exposed to credit risk, that risk of loss due to a counterparty being unable to pay amounts in full when due. The following are the areas where credit risk is identified:

(i) reinsurers' share of insurance technical provisions;
(ii) amounts due from reinsurers in respect of claims already paid;
(iii) amounts due from insurance contract holders;
(iv) amounts due from insurance intermediaries; and
(v) investments and cash and cash equivalents.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

Limits of authority and segregation of duties in the granting of credit are in place to maintain objectivity, independence and control over new and existing lending exposures.

The credit risk management team assesses the creditworthiness of all reinsurers, intermediaries and customers by using credit grade references provided by rating agencies, and other publicly available financial information. Where this information is not available, detailed analysis is carried out by investigating both financial strength and market repute. The Company experiences a low level of bad debts and concentration of credit risk with respect to debts is limited due to the large number of customers comprising the Company's debtor base.

Routine reviews of payment history and the status of any ongoing negotiations with counterparties is carried out by the credit risk management in order to detect any deterioration in the creditworthiness of individual counterparties.

While reinsurance is used to manage insurance risk, this does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by the directors on an ongoing basis by reviewing their financial strength within the terms of their credit ratings as stated in Note 3.1.1 (b).

The Company is also exposed to credit risk for its investments and its cash at bank. The Company's cash is placed with quality financial institutions. Credit risk in respect of concentration of investments is not considered by the directors to be significant in view of the credit standing of the issuers.

The Investment Committee takes account of the credit risk inherent in the Company's investment portfolio by adopting similar cautious practices in identifying investment opportunities and monitoring portfolio performance. The investment instruments acquired are highly rated by the internationally-renowned credit rating agencies like Moody's and Standard and Poor's. The policy adopted by the investment committee is that of directing most of the funds available for investment to A-rated securities and deposits. There are certain instances whereby the committee may opt for placing these funds in B-rated securities only once the circumstances of such an opportunity are fully assessed and are beneficial to the performance of the investment portfolio.

Credit risk in relation to cells is not considered to be significant as a substantial amount of the receivables is due from related parties.

The following table illustrates the assets that expose the Company to credit risk as at the balance sheet date and includes the Standard & Poor's (or equivalent) composite rating, when available. Financial assets that are not rated principally comprise locally traded bonds on the Malta Stock Exchange, debtors and certain deposits with local bank institutions for which no international rating is available.

Assets bearing credit risk at the end of the reporting period, split up between Core and Cell operations are analysed as follows:

Core

	As at 31 December 2012				
	AAA to AA €	A to A- €	BBB to B €	Not rated €	Total €
Investments					
Debt securities - listed fixed interest rate	1,348,504	5,526,056	1,784,626	1,559,428	10,218,614
Deposits with banks or financial institutions	-	-	652,484	2,286,914	2,939,398
Treasury bills	-	-	-	-	-
	1,348,504	5,526,056	2,437,110	3,846,342	13,158,012
Loans and receivables					
Amounts receivable from related parties	-	-	-	706,848	706,848
Debtors and prepayments and accrued income	-	-	-	4,575,562	4,575,562
Cash equivalents	-	573,972	22,925	1,590,291	2,187,188
	-	573,972	22,925	6,872,701	7,469,598
Reinsurers' share of technical provisions	3,317,619	2,203,338	-	-	5,520,957
Total assets bearing credit risk	4,666,123	8,303,366	2,460,035	10,719,043	26,148,567

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

Cells

	As at 31 December 2012					
	Cell 1 Not rated €	**Cell 2** Not rated €	**Cell 4** Not rated €	**Cell 5** Not rated €	**Cell 6** Not rated €	**Total** €
Investments						
Deposits with banks or financial institutions	431,146	567,362	-	736,641	-	1,735,149
Loans and receivables						
Discounted securities issued to cell owners	1,844,537	-	-	-	-	1,844,537
Debtors and prepayments and accrued income	442,666	13,807	1,343,851	290,155	-	2,090,479
Cash equivalents	964,429	496,424	3,491,552	297,114	121,556	5,371,075
	3,251,632	510,231	4,835,403	587,269	121,556	9,306,091
Total assets bearing credit risk	3,682,778	1,077,593	4,835,403	1,323,910	121,556	11,041,240

Core

	As at 31 December 2011				
	AAA to AA €	A to A- €	BBB to B €	Not rated €	Total €
Investments					
Debt securities - listed fixed interest rate	2,311,370	4,780,084	816,172	1,477,954	9,385,580
Deposits with banks or financial institutions	-	-	671,396	3,031,559	3,702,955
Treasury bills	-	199,852	-	-	199,852
	2,311,370	4,979,936	1,487,568	4,509,513	13,288,387
Loans and receivables					
Amounts receivable from related parties	-	-	-	2,474,193	2,474,193
Debtors and prepayments and accrued income	-	-	-	3,918,307	3,918,307
Cash equivalents	-	914,478	28,234	734,901	1,677,613
	-	914,478	28,234	7,127,401	8,070,113
Reinsurers' share of technical provisions	454,870	4,915,203	-	-	5,370,073
Total assets bearing credit risk	2,766,240	10,809,617	1,515,802	11,634,914	26,728,573

Cells

	As at 31 December 2011				
	Cell 1 Not rated €	**Cell 2** Not rated €	**Cell 4** Not rated €	**Cell 5** Not rated €	**Total** €
Investments					
Deposits with banks or financial institutions	420,652	613,394	-	-	1,034,046
Loans and receivables					
Discounted securities issued to cell owners	930,648	299,601	-	-	1,230,249
Debtors and prepayments and accrued income	730,302	38,411	1,332,237	261,438	2,362,388
Cash equivalents	1,417,546	37,821	2,126,598	817,816	4,399,781
	3,078,496	375,833	3,458,835	1,079,254	7,992,418
Total assets bearing credit risk	3,499,148	989,227	3,458,835	1,079,254	9,026,464

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.3 Liquidity risk

The Company's exposure to liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The directors do not consider this risk as significant given the nature of the Company's financial assets and liabilities. The Company's financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets and deposits held with first-class-rated credit institutions. Moreover, the Company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the Company may also resort to an overdraft facility which provides a short-term means of finance.

The table below analyses the Company's financial liabilities (gross of reinsurers' share of claims outstanding (Note 23)) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

Liquidity risk is split up between Core and Cell operations as follows:

Core

As at 31 December 2012	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other creditors	1,378,841	-	-	-	1,378,841
Accruals and deferred income	1,719,578	-	-	-	1,719,578
	3,098,419	-	-	-	3,098,419

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions					
- Claims outstanding	5,244,181	1,736,031	2,671,753	1,959,556	11,611,521

Cells

As at 31 December 2012	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other creditors	1,375,411	-	-	-	1,375,411
Accruals and deferred income	253,889	-	-	-	253,889
	1,629,300	-	-	-	1,629,300

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions					
- Claims outstanding					
Cell 1	63,065	-	-	-	63,065
Cell 2	70,081	-	-	-	70,081
Cell 4	1,066,191	593,976	19,442	-	1,679,609
Cell 5	235,198	-	-	-	235,198
	1,434,535	593,976	19,442	-	2,047,953

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.3 Liquidity risk - continued

Core

As at 31 December 2011	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other creditors	1,135,962	-	-	-	1,135,962
Accruals and deferred income	1,492,327	-	-	-	1,492,327
	2,628,289	-	-	-	2,628,289

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions					
- Claims outstanding	6,232,917	1,918,604	1,183,339	2,361,853	11,696,713

Cells

As at 31 December 2011	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other creditors	1,101,567	-	-	-	1,101,567
Accruals and deferred income	196,965	-	-	-	196,965
	1,298,532	-	-	-	1,298,532

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions					
- Claims outstanding					
Cell 1	17,958	-	-	-	17,958
Cell 2	48,123	-	-	-	48,123
Cell 4	1,179,015	280,320	-	-	1,459,335
Cell 5	185,739	-	-	-	185,739
	1,430,835	280,320	-	-	1,711,155

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Management of insurance and financial risk - continued

3.3 Fair value estimation - continued

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012 and 2011

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	Level 1		Level 1		Level 1	
	€	€	**€**	€	**€**	€
Assets						
Financial assets at fair value through profit or loss						
- Equity securities and units in unit trusts	**5,130,137**	2,762,787	**429,640**	119,789	**5,559,777**	2,882,576
- Debt securities	**10,218,614**	9,385,580	**-**	-	**10,218,614**	9,385,580
- Treasury bills	**-**	199,852	**-**	-	**-**	199,852
Total assets	**15,348,751**	12,348,219	**429,640**	119,789	**15,778,391**	12,468,008

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. At 31 December 2012 and 2011, the carrying amount of the Company's other financial assets and liabilities approximate their fair value.

4. Segmental analysis

General business

The classifications below are based on Legal Notice 103 of 2000 of the Insurance Business Act (Cap 403) on Insurance Business (Companies Accounts) Regulations, 2000.

Gross premiums written and gross premiums earned by class of business:

(a) Gross premiums written

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,691,551**	4,654,626	**135,839**	186,550	**4,827,390**	4,841,176
Motor (other classes)	**3,479,691**	3,489,704	**1,804,718**	1,407,898	**5,284,409**	4,897,602
Fire and other damage to property	**6,122,284**	5,617,956	**9,922,700**	6,669,180	**16,044,984**	12,287,136
Other classes	**4,064,132**	4,081,119	**1,951,947**	1,809,277	**6,016,079**	5,890,396
Reinsurance acceptances						
Other classes	**-**	-	**1,070,473**	943,073	**1,070,473**	943,073
	18,357,658	17,843,405	**14,885,677**	11,015,978	**33,243,335**	28,859,383

Gross premiums written for the cellular operations are attributable as follows:

Gross premium written	Cell 1		Cell 2		Cell 4		Cell 5	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€	**€**	€
Direct insurance								
Motor (third party liability)	**-**	-	**-**	-	**135,839**	186,550	**-**	-
Motor (other classes)	**-**	-	**-**	-	**1,804,718**	1,407,898	**-**	-
Fire and other damage to property	**9,922,700**	6,669,180	**-**	-	**-**	-	**-**	-
Other classes	**-**	-	**1,849,812**	1,738,540	**102,135**	70,737	**-**	-
Reinsurance acceptances								
Other classes	**-**	-	**-**	-	**-**	-	**1,070,473**	943,073
	9,922,700	6,669,180	**1,849,812**	1,738,540	**2,042,692**	1,665,185	**1,070,473**	943,073

4. Segmental analysis - continued

General business - continued

(b) Gross premiums earned	**Core**		**Cells**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,696,814**	4,584,358	**118,478**	189,934	**4,815,292**	4,774,292
Motor (other classes)	**3,483,595**	3,437,022	**1,574,060**	1,433,445	**5,057,655**	4,870,467
Fire and other damage to property	**5,875,498**	5,588,590	**9,904,436**	6,641,401	**15,779,934**	12,229,991
Other classes	**4,101,810**	4,104,521	**1,933,049**	1,817,376	**6,034,859**	5,921,897
Reinsurance acceptances						
Other classes	**-**	-	**1,070,473**	943,073	**1,070,473**	943,073
	18,157,717	17,714,491	**14,600,496**	11,025,229	**32,758,213**	28,739,720

All gross premiums written on general insurance business emanate from contracts concluded in European Union member states.

Gross premiums earned for the cellular operations are attributable as follows:

Gross premium earned	**Cell 1**		**Cell 2**		**Cell 4**		**Cell 5**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€	**€**	€
Direct insurance								
Motor (third party liability)	**-**	-	**-**	-	**118,478**	189,934	**-**	-
Motor (other classes)	**-**	-	**-**	-	**1,574,060**	1,433,445	**-**	-
Fire and other damage to property	**9,904,436**	6,641,401	**-**	-	**-**	-	**-**	-
Other classes	**-**	-	**1,843,968**	1,745,355	**89,081**	72,021	**-**	-
Reinsurance acceptances								
Other classes	**-**	-	**-**	-	**-**	-	**1,070,473**	943,073
	9,904,436	6,641,401	**1,843,968**	1,745,355	**1,781,619**	1,695,400	**1,070,473**	943,073

Gross claims incurred, gross operating expenses and reinsurance balance by class of business:

(c) Gross claims incurred	**Core**		**Cells**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**2,435,560**	1,918,795	**912,378**	1,202,310	**3,347,938**	3,121,105
Motor (other classes)	**2,871,828**	2,142,713	**68,674**	63,279	**2,940,502**	2,205,992
Fire and other damage to property	**1,804,253**	1,723,557	**392,613**	277,358	**2,196,866**	2,000,915
Other classes	**872,910**	707,963	**334,337**	330,453	**1,207,247**	1,038,416
Reinsurance acceptances						
Other classes	**-**	-	**254,467**	348,961	**254,467**	348,961
	7,984,551	6,493,028	**1,962,469**	2,222,361	**9,947,020**	8,715,389

Gross claims incurred for the cellular operations are attributable as follows:

Gross claims incurred	**Cell 1**		**Cell 2**		**Cell 4**		**Cell 5**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€	**€**	€
Direct insurance								
Motor	**-**	-	**-**	-	**981,052**	1,265,589	**-**	-
Fire and other damage to property	**392,613**	277,358	**334,337**	330,453	**-**	-	**-**	-
Other classes	**-**	-	**-**	-	**-**	-	**-**	-
Reinsurance acceptances								
Other classes	**-**	-	**-**	-	**-**	-	**254,467**	348,961
	392,613	277,358	**334,337**	330,453	**981,052**	1,265,589	**254,467**	348,961

4. Segmental analysis - continued

General business - continued

(d) Gross operating Expenses	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**1,291,679**	1,358,278	**182,556**	148,852	**1,474,235**	1,507,130
Motor (other classes)	**966,501**	1,018,309	**13,741**	19,724	**980,242**	1,038,033
Fire and other damage to property	**1,869,568**	1,638,875	**7,922,101**	5,046,642	**9,791,669**	6,685,517
Other classes	**1,311,593**	1,190,621	**1,000,620**	983,249	**2,312,213**	2,173,870
Reinsurance acceptances						
Other classes	**-**	-	**78,851**	50,377	**78,851**	50,377
	5,439,341	5,206,083	**9,197,869**	6,248,844	**14,637,210**	11,454,927

Gross operating expenses incurred for the cellular operations are attributable as follows:

Gross operating Expenses	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Direct insurance									
Motor (third party liability)	**-**	-	**-**	-	**182,556**	148,852	**-**	-	**-**
Motor (other classes)	**-**	-	**-**	-	**13,741**	19,724	**-**	-	**-**
Fire and other damage to property	**7,922,101**	5,046,642	**-**	-	**-**	-	**-**	-	**-**
Other classes	**-**	-	**1,000,620**	983,249	**-**	-	**-**	-	**26,385**
Reinsurance acceptances									
Other classes	**-**	-	**-**	-	**-**	-	**52,466**	50,377	**-**
	7,922,101	5,046,642	**1,000,620**	983,249	**196,297**	168,576	**52,466**	50,377	**26,385**

(e) Reinsurance balance	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**86,205**	86,061	**237,781**	209,345	**323,986**	295,406
Motor (other classes)	**63,926**	64,623	**17,897**	27,739	**81,823**	92,362
Fire and other damage to property	**1,655,770**	2,683,347	**-**	-	**1,655,770**	2,683,347
Other classes	**508,167**	808,032	**-**	-	**508,167**	808,032
	2,314,068	3,642,063	**255,678**	237,084	**2,569,746**	3,879,147

The reinsurance balance for the cellular operations is attributable to Cell 4.

The reinsurance balance represents the credit to the technical account from the aggregate of all items relating to reinsurance outwards.

5. Net operating expenses

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Acquisition costs	**2,824,041**	2,784,259	**8,682,650**	5,783,132	**11,506,691**	8,567,391
Change in deferred acquisition costs (Note 18)	**(101,723)**	67,955	**(12,784)**	(9,630)	**(114,507)**	58,325
Administrative expenses	**2,963,753**	2,732,487	**321,026**	287,542	**3,284,779**	3,020,029
Reinsurance commissions earned	**(2,852,306)**	(2,607,292)	**-**	-	**(2,852,306)**	(2,607,292)
Other net technical (income)/expense	**(246,730)**	(378,618)	**206,977**	187,790	**(39,753)**	(190,828)
	2,587,035	2,598,791	**9,197,869**	6,248,834	**11,784,904**	8,847,625

5. Net operating expenses - continued

Net operating expenses are attributable to the cellular operations as follows:

	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Acquisition costs	**7,757,743**	4,913,860	**924,907**	869,272	**-**	-	**-**	-	**-**
Change in deferred acquisition costs (Note 18)	**(9,131)**	(13,890)	**(3,653)**	4,260	**-**	-	**-**	-	**-**
Administrative Expenses	**117,402**	96,740	**30,079**	63,787	**122,323**	94,118	**34,027**	32,897	**17,195**
Other net technical Expenses	**56,087**	49,932	**49,287**	45,930	**73,974**	74,458	**18,439**	17,470	**9,190**
	7,922,101	5,046,642	**1,000,620**	983,249	**196,297**	168,576	**52,466**	50,367	**26,385**

Total commissions included in acquisition costs and accounted for in the financial period amounted to: €1,676,280 in respect of the core operations (2011: €1,583,826), €7,757,743 in respect of Cell 1 (2011: €4,913,860) and €924,907 in respect of Cell 2 (2011: €869,272).

6. Investment return

Investment income	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss	**143,242**	251,858	**28,748**	21,572	**171,990**	273,430
Income from financial assets at fair value through profit or loss:						
- interest income	**453,311**	414,754	**-**	-	**453,311**	414,754
- dividend income	**124,781**	76,751	**-**	-	**124,781**	76,751
Fair value gains on investment property	**-**	12,003	**-**	-	**-**	12,003
Net fair value gains on financial assets at fair value through profit or loss (Note 16)	**1,004,228**	-	**-**	-	**1,004,228**	-
Exchange differences	**-**	-	**49,990**	1,243	**49,990**	1,243
Rental income	**101,130**	9,784	**-**	-	**101,130**	9,784
	1,826,692	765,150	**78,738**	22,815	**1,905,430**	787,965

Investment expenses and charges	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Interest expense and charges for financial liabilities are not at fair value through profit or loss	**52,301**	44,111	**2,687**	518	**54,988**	44,629
Net fair value losses on financial assets at fair value through profit or loss (Note 16)	**-**	662,383	**-**	-	**-**	662,383
Investment expenses	**179,809**	142,291	**-**	-	**179,809**	142,291
Exchange differences	**16,304**	3,932	**-**	16,541	**16,304**	20,473
	248,414	852,717	**2,687**	17,059	**251,101**	869,776
Total investment return/(expense)	**1,578,278**	(87,567)	**76,051**	5,756	**1,654,329**	(81,811)
Allocated investment return/(expense) transferred to:						
general business technical account	**1,390,414**	(87,567)	**8,878**	5,756	**1,399,292**	(81,811)
non-technical account	**187,864**	-	**67,173**	-	**255,037**	-

6. Investment return - continued

Investment return/(expense) is attributable to the cellular operations as follows:

Investment income	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Interest receivable from financial assets that are not at fair value through profit or loss	**21,447**	17,055	**4,241**	3,739	**1,213**	620	**1,818**	158	**29**
Interest expenses and charges for financial liabilities that are not at fair value through profit or loss	**(558)**	-	**(1,446)**	-	**(641)**	(496)	**(42)**	(22)	**-**
Exchange differences	**38,040**	(13,578)	**11,882**	(2,889)	**23**	(74)	**45**	1,243	**-**
	58,929	3,477	**14,677**	850	**595**	50	**1,821**	1,379	**29**

7. Expenses by nature

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Employee benefit expense and directors' fees	**2,445,335**	2,353,279	**-**	-	**2,445,335**	2,353,279
Commissions payable	**1,676,280**	1,583,826	**8,682,650**	5,783,132	**10,358,930**	7,366,958
Change in deferred acquisition costs	**(101,723)**	67,955	**(12,784)**	(9,630)	**(114,507)**	58,325
Reinsurance commissions earned	**(2,852,306)**	(2,607,292)	**-**	-	**(2,852,306)**	(2,607,292)
Amortisation of intangible assets (Note 12)	**11,574**	19,549	**-**	-	**11,574**	19,549
Impairment of intangible assets (Note 12)	**37,137**	49,054	**-**	-	**37,137**	49,054
Impairment of loan to subsidiary	**51,189**	126,557	**-**	-	**51,189**	126,557
Depreciation of property, plant and equipment (Note 13)	**319,524**	338,284	**-**	-	**319,524**	338,284
Auditor's fees	**88,297**	68,488	**13,000**	8,032	**101,297**	76,520
Other expenses	**1,958,021**	743,620	**542,684**	485,671	**2,500,705**	1,229,291
Total operating and administrative expenses	**3,633,328**	2,743,320	**9,225,550**	6,267,205	**12,858,878**	9,010,525
Allocated to:						
Technical account	**2,587,035**	2,598,791	**9,197,869**	6,248,834	**11,784,904**	8,847,625
Non-technical account	**1,046,293**	144,529	**27,681**	18,371	**1,073,974**	162,900

Operating and administrative expenses are attributable to the cellular operations as follows:

	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Commissions payable	**7,757,743**	4,913,860	**924,907**	869,272	**-**	-	**-**	-	**-**
Change in deferred acquisition costs	**(9,131)**	(13,890)	**(3,653)**	4,260	**-**	-	**-**	-	**-**
Other expenses	**178,418**	152,618	**83,679**	114,685	**202,302**	174,519	**63,900**	51,881	**27,385**
	7,927,030	5,052,588	**1,004,933**	988,217	**202,302**	174,519	**63,900**	51,881	**27,385**

7. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2012 and 2011 relate to the following:

	2012	2011
	€	€
Annual statutory audit	**41,675**	40,245
Other assurance services	**8,400**	8,400
Tax advisory	**13,510**	7,875
Other non-audit services	**37,712**	20,000
	101,297	76,520

8. Employee benefit expense

	2012	2011
	€	€
Salaries and related costs (including directors' salaries)	**2,926,697**	2,812,091
Social security costs	**169,957**	159,857
	3,096,654	2,971,948
Inter-company payroll charge	**(174,082)**	(209,230)
	2,922,572	2,762,718

The average number of persons employed during the year was:

	2012	2011
Directors	**7**	10
Managerial	**13**	12
Managerial - part time	**2**	3
Clerical	**68**	70
Clerical - reduced hours	**25**	20
Clerical - part time	**2**	3
	117	118

9. Tax expense

	Core		**Cells**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Current tax expense	**750,145**	961,951	**1,141,071**	806,519	**1,891,216**	1,768,470
Deferred tax charge/(credit) (Note 17)	**327,231**	(159,363)	**-**	-	**327,231**	(159,363)
(Over)/under provision in previous years	**(17,960)**	3,606	**-**	-	**(17,960)**	3,606
	1,059,416	806,194	**1,141,071**	806,519	**2,200,487**	1,612,713

Income tax expense is attributable to the cellular operations as follows:

	Cell 1		**Cell 2**		**Cell 4**		**Cell 5**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€	**€**	€
Current tax expense	**575,301**	460,226	**181,782**	149,638	**120,114**	6,391	**263,874**	190,264

9. Tax expense - continued

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2012 €	2011 €
Profit before tax	**6,184,592**	4,445,556
Tax on profit at 35%	**2,164,607**	1,555,945
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(51,444)**	(40,020)
Income subject to reduced rates of tax	**(1,154)**	(2,103)
Expenses not deductible for tax purposes	**27,602**	115,684
Under/(over) provision in previous year	**(17,960)**	3,606
Other movements	**78,836**	(20,399)
Tax charge in the accounts	**2,200,487**	1,612,713

10. Directors' emoluments

	2012 €	2011 €
Directors' fees	**82,557**	104,929
Salaries and other emoluments	**289,504**	293,456
Gratuity payments to retired directors	**925,000**	-
	1,297,061	398,385

During the year, benefits in kind valued at €22,688 (2011: €15,392) were provided to the directors.

11. Dividends declared

	2012 €	2011 €
To the ordinary shareholders:		
Net	**709,900**	728,200
Dividends per ordinary share	**0.24**	0.24
To the preference shareholders:		
Net	**-**	6,988
Dividends per preference share	**-**	4.66
To the cell shareholders:		
Cell 1	**1,945,000**	-
Cell 2	**317,000**	276,745
Cell 5	**353,345**	-
Net	**2,615,345**	276,745
Dividends per preference share		
Cell 1	**3.18**	-
Cell 2	**2.05**	1.79
Cell 5	**3.21**	-
Total dividends	**3,325,245**	1,011,933

At the forthcoming Annual General Meeting a net dividend in respect of 2012 amounting to €510,000 is to be proposed.

These financial statements do not recognise this dividend payable, which will be accounted for in shareholders' equity as an apportionment of retained earnings in the year ending 31 December 2013.

Furthermore in accordance with a board resolution dated 5 February 2013 an interim dividend of €362,500 was paid by the Company to the non-cellular shareholders.

12. Intangible assets

	Customer relationships €	Computer software €	Total €
At 1 January 2011			
Cost	194,735	421,027	615,762
Accumulated amortisation and impairment	(42,840)	(384,173)	(427,013)
Net book amount	151,895	36,854	188,749
Year ended 31 December 2011			
Opening net book amount	151,895	36,854	188,749
Additions	-	4,753	4,753
Impairment charge	(49,054)	-	(49,054)
Amortisation charge	-	(19,549)	(19,549)
Closing net book amount	102,841	22,058	124,899
At 31 December 2011			
Cost	194,735	425,780	620,515
Accumulated amortisation and impairment	(91,894)	(403,722)	(495,616)
Net book amount	102,841	22,058	124,899
Year ended 31 December 2012			
Opening net book amount	102,841	22,058	124,899
Additions	-	21,381	21,381
Impairment charge	(37,137)	-	(37,137)
Amortisation charge	-	(11,574)	(11,574)
Closing net book amount	65,704	31,865	97,569
At 31 December 2012			
Cost	194,735	447,161	641,896
Accumulated amortisation and impairment	(129,031)	(415,296)	(544,327)
Net book amount	65,704	31,865	97,569

The customer relationships intangible asset arose during 2007 as a result of the Company entering into an agreement to acquire insurance business at a cost of €256,231. In the opinion of the directors, customer relationships have an indefinite useful life.

During 2008, a revision in the cost of the acquired insurance business resulted in a reduction of €61,496.

The carrying amount of customer relationships has been reduced to its recoverable amount through the recognition of an impairment loss of €37,137 (2011: €49,054). This loss has been included in 'net operating expenses' in the profit and loss account.

13. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Furniture, equipment and motor vehicles €	Total €
At 1 January 2010				
Cost or revaluation	2,657,415	741,746	2,747,716	6,146,877
Accumulated depreciation	(78,206)	(378,352)	(1,972,177)	(2,428,735)
Net book amount	2,579,209	363,394	775,539	3,718,142
Year ended 31 December 2011				
Opening net book amount	2,579,209	363,394	775,539	3,718,142
Additions	20,000	42,228	147,933	210,161
Revaluation increase	410,607	-	-	410,607
Disposals	-	-	(19,441)	(19,441)
Depreciation charge	(30,980)	(67,034)	(240,270)	(338,284)
Depreciation released on disposal	-	-	19,441	19,441
Closing net book amount	2,978,836	338,588	683,202	4,000,626

13. Property, plant and equipment - continued

	Land and buildings €	Improvements to leasehold premises €	Furniture, equipment and motor vehicles €	Total €
At 31 December 2011				
Cost or revaluation	3,088,022	783,974	2,876,208	6,748,204
Accumulated depreciation	(109,186)	(445,386)	(2,193,006)	(2,747,578)
Net book amount	2,978,836	338,588	683,202	4,000,626
Year ended 31 December 2012				
Opening net book amount	2,978,836	338,588	683,202	4,000,626
Additions	-	89,527	273,358	362,885
Revaluation increase	-	-	-	-
Disposals	-	-	(47,890)	(47,890)
Depreciation charge	(30,980)	(69,292)	(219,252)	(319,524)
Depreciation released on disposal	-	-	47,890	47,890
Closing net book amount	2,947,856	358,823	737,308	4,043,987
At 31 December 2012				
Cost or revaluation	3,088,022	873,501	3,101,676	7,063,199
Accumulated depreciation	(140,166)	(514,678)	(2,364,368)	(3,019,212)
Net book amount	2,947,856	358,823	737,308	4,043,987

In line with Company policy, the land and buildings are valued on a regular basis. On 28 February 2011, land and buildings, including investment property, were valued by an independent professionally qualified valuer. The valuation was based on a free and open market valuation and consideration was given to the specific location of the property, the facilities included therein, the size of the site and the availability of similar properties in the area. The directors reviewed this valuation and the basis on which it was drawn up.

The carrying value of land and buildings has been adjusted to the valuations and the net resultant adjustment comprised an increase in the carrying values amounting to €410,607. The revaluation increase has been recognised in other comprehensive income as an increase in the revaluation reserve within shareholders' equity.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2012 €	2011 €
Cost	**2,434,340**	2,434,340
Accumulated depreciation	**(172,607)**	(146,464)
Net book amount	**2,261,733**	2,287,876

14. Land and buildings – investment property

	2012 €	2011 €
Year ended 31 December		
At beginning of year	**210,000**	197,997
Reclassification from stock – property for development	**2,761,275**	-
Fair value increase	**-**	12,003
At end of year	**2,971,275**	210,000
At 31 December		
Cost	**2,867,844**	106,569
Accumulated fair value gains	**103,431**	103,431
Net book amount	**2,971,275**	210,000

14. Land and buildings – investment property - continued

The fair value of the investment property was established in 2011 based on an independent professional valuation as described in Note 13. During 2012 development property was completed and has been reclassified as investment property at cost. The fair value of investment property at 31 December 2012 is considered by the directors not to be materially different from its carrying amount.

If the investment property was stated on the historical cost basis, the amounts would be as follows:

	2012	2011
	€	€
Cost	**2,867,844**	106,569
Accumulated depreciation	**(37,204)**	(8,526)
Net book amount	**2,830,640**	98,043

15. Investment in subsidiary

	2012	2011
	€	€
Year ended 31 December		
At beginning of year	**-**	2,562
Impairment charge	**-**	(2,562)
At end of year	**-**	-

The subsidiary at 31 December 2012 and 2011 is shown below:

			Percentage of shares held	
Name of subsidiary	**Registered office**	**Class of shares**	**2012**	2011
Stuart Property Development Limited	48-50, Ta' Xbiex	Ordinary 'A' shares	**45.8%**	45.8%
	Seafront, Ta' Xbiex	Ordinary 'B' shares		

The investment of Atlas Insurance PCC Limited in Stuart Property Development Limited represents 45.8% of the shares issued, and 50% of the voting shares. In terms of the Memorandum of Association, Atlas Insurance PCC Limited is entitled to appoint two directors out of a board of four directors.

As an ordinary 'A' shareholder, Atlas Insurance PCC Limited is entitled to elect the Chairman of the Board. The Chairman has a casting vote both in the case of a tie during board meetings, as well as in case of a tie during general meetings.

Accordingly, such investment is being considered as a subsidiary since Atlas Insurance PCC Limited is in a position to govern the financial and operating policies of the company.

In terms of the shareholders resolutions dated 1 January 2013 the shares of Atlas Healthcare Insurance Agency Limited and Ark Insurance Management PCC Limited were transferred from Atlas Holdings Limited to Atlas Insurance PCC Limited for the consideration of €698,000.

16. Investments

The investments are summarised by measurement category in the table below.

	2012	2011
	€	€
Fair value through profit or loss	**15,778,393**	12,468,008
Loans and receivables	**7,225,932**	8,441,443
	23,004,325	20,909,451

(a) Investments at fair value through profit or loss

	Core		**Cells**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
At 31 December						
Equity securities and units in unit trusts	**5,130,139**	2,762,787	**429,640**	119,789	**5,559,779**	2,882,576
Debt securities – listed fixed interest rate	**10,218,614**	9,385,580	**-**	-	**10,218,614**	9,385,580
Treasury bills	**-**	199,852	**-**	-	**-**	199,852
	10,218,614	9,585,432	**-**	-	**10,218,614**	9,585,432
Total investments at fair value through profit or loss	**15,348,753**	12,348,219	**429,640**	119,789	**15,778,393**	12,468,008

Equity securities and units in unit trusts are classified as non-current.

16. Investments - continued

(a) Investments at fair value through profit or loss - continued

Maturity of fixed income debt securities and treasury bills:

	2012 €	2011 €
Within 1 year	**239,071**	630,983
Between 1 and 2 years	**785,394**	756,323
Between 2 and 5 years	**4,359,218**	4,505,542
Over 5 years	**4,834,931**	3,692,584
	10,218,614	9,585,432
Weighted average effective interest rate	**4.94%**	4.56%

The movements for the year are summarised as follows:

	Core		Cells		Total	
	2012 €	2011 €	**2012 €**	2011 €	**2012 €**	2011 €
Year ended 31 December						
At beginning of year	**12,348,219**	11,649,492	**119,789**	-	**12,468,008**	11,649,492
Additions	**10,240,499**	7,459,752	**309,851**	119,789	**10,550,350**	7,579,541
Disposals	**(8,244,193)**	(6,098,642)	**-**	-	**(8,244,193)**	(6,098,642)
Net fair value gains /(losses) (Note 6)	**1,004,228**	(662,383)	**-**	-	**1,004,228**	(662,383)
At end of year	**15,348,753**	12,348,219	**429,640**	119,789	**15,778,393**	12,468,008
As at 31 December						
Cost	**14,743,358**	12,711,892	**429,640**	119,789	**15,172,998**	12,831,681
Accumulated net fair value (losses)/gains	**605,395**	(363,673)	**-**	-	**605,395**	(363,673)
	15,348,753	12,348,219	**429,640**	119,789	**15,778,393**	12,468,008

(b) Loans and receivables

	2012 €	2011 €
At 31 December		
Deposits with banks or financial institutions (i)	**4,674,547**	4,737,001
Discounted securities (ii)	**2,174,537**	1,725,249
Loan to subsidiary company (iii)	**376,848**	1,979,193
	7,225,932	8,441,443

(i) Deposits with banks or financial institutions

Deposits with banks or financial institutions are made up as follows:

	2012 €	2011 €
Core	**2,939,398**	3,702,955
Cells		
Cell 1	**431,146**	420,652
Cell 2	**567,362**	613,394
Cell 5	**736,641**	-
Total deposits with banks or financial institutions	**4,674,547**	4,737,001

16. Investments - continued

(b) Loans and receivables - continued

(i) Deposits with banks or financial institutions - continued

Maturity of deposits with banks or financial institutions:

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Within 3 months	**1,377,920**	1,605,327	**1,735,149**	1,034,046	**3,113,069**	2,639,373
Within 1 year but exceeding 3 months	**1,561,478**	1,997,628	**-**	-	**1,561,478**	1,997,628
Between1 and 2 years	**-**	100,000	**-**	-	**-**	100,000
	2,939,398	3,702,955	**1,735,149**	1,034,046	**4,674,547**	4,737,001

The deposits with banks or financial institutions earn interest as follows:

	2012	2011
	€	€
At fixed rates	**4,674,547**	4,737,001
Weighted average effective interest rate	**1.93%**	1.95%

(ii) Discounted securities

These consist of discounted securities issued by the parent and related parties. No guarantees have been given or received in respect of these notes and the amounts outstanding will be settled in cash. Details for their redemption dates and values and effective interest rates are as follows:

As at 31 December 2012

	Original note value	**Redemption date**	**Redemption value**	**Effective interest rate %**	**Value in balance sheet €**
Redemption period calculated from the balance sheet date:					
Within one year					
Core					
- Issued to parent	€330,000	21/12/2013	€336,000	2.00	**330,000**
Cell 1					
- Issued to cell owners	GBP708,242	28/02/2013	GBP710,844	1.52	**868,912**
- Issued to cell owners	GBP300,000	28/02/2013	GBP300,866	1.52	**239,625**
- Issued to cell owners	GBP195,000	31/12/2012	GBP195,558	1.51	**368,218**
- Issued to cell owners	GBP300,000	31/12/2012	GBP300,503	1.51	**367,782**
					2,174,537

As at 31 December 2011

	Original note value	**Redemption date**	**Redemption value**	**Effective interest rate %**	**Value in balance sheet €**
Redemption period calculated from the balance sheet date:					
Within one year					
Core					
- Issued to parent	€495,000	21/12/2012	€504,900	2.00	495,000
Cell 1					
- Issued to cell owners	GBP200,000	20/01/2012	GBP205,199	2.51	245,329
- Issued to cell owners	GBP570,000	31/12/2011	GBP572,447	1.96	685,319
Cell 2					
- Issued to cell owners	GBP250,000	18/06/2012	GBP252,993	2.35	299,601
					1,725,249

16. Investments - continued

(b) Loans and receivables - continued

(iii) Loan to subsidiary company

The loan to subsidiary company is classified as non-current. Included in the loan is an amount of €123,179 (2011: €1,725,524) which bears interest at 6% p.a. (2011: 6% p.a.). During the year, an impairment loss of €51,189 was recognised in respect of the loan to the subsidiary company.

17. Deferred taxation

	2012	2011
	€	€
Year ended 31 December		
At beginning of year	**88,068**	(24,978)
Credited/(charged) to other comprehensive income (Note 22)	**2,639**	(46,317)
(Charged)/credited to profit and loss account (Note 9)	**(327,231)**	159,363
At end of year	**(236,524)**	88,068

The total deferred tax liability is not expected to fall due within 12 months.

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2011: 35%) with the exception of investment property and freehold and other property, for which deferred income taxes are calculated using a principal tax rate of 12% of the carrying amount (2011: 12%).

The balance at 31 December represents temporary differences on:

	2012	2011
	€	€
Land and buildings – tangible assets	**(63,462)**	(66,102)
Land and buildings – investment property	**(34,647)**	(25,200)
Financial investments at fair value through profit or loss	**(181,350)**	160,299
Fixed assets	**18,477**	(5,387)
Provisions	**24,458**	24,458
	(236,524)	88,068

Deferred income taxes and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

18. Deferred acquisition costs

	Core		**Cells**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**654,710**	722,665	**61,514**	48,642	**716,224**	771,307
Net amount credited/ (charged) to profit and loss account (Note 5)	**101,723**	(67,955)	**12,784**	9,630	**114,507**	(58,325)
Exchange differences resulting from translation to presentation currency	**-**	-	**1,439**	3,242	**1,439**	3,242
At end of year	**756,433**	654,710	**75,737**	61,514	**832,170**	716,224
Current portion	**756,433**	654,710	**75,737**	61,514	**832,170**	716,224

18. Deferred acquisition costs - continued

Deferred acquisition costs are attributable to the cellular operations as follows:

	Cell 1		Cell 2	
	2012	2011	**2012**	2011
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**41,332**	25,875	**20,182**	22,767
Net amount credited/ (charged) to profit and loss account (Note 5)	**9,131**	13,890	**3,653**	(4,260)
Exchange differences resulting from translation to presentation currency	**755**	1,567	**684**	1,675
At end of year	**51,218**	41,332	**24,519**	20,182

19. Stock – property for development

	Note	**2012**	2011
		€	€
Year ended 31 December			
At beginning of year		**2,573,014**	2,114,205
Additions		**188,261**	458,809
Reclassification to Investment Property	14	**(2,761,275)**	-
At end of year		**-**	2,573,014

20. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Debtors arising from direct Insurance operations						
Due from policyholders	**1,214,799**	1,327,952	**-**	-	**1,214,799**	1,327,952
Due from agents, brokers and intermediaries	**2,015,024**	1,860,897	**-**	-	**2,015,024**	1,860,897
	3,229,823	3,188,849	**-**	-	**3,229,823**	3,188,849
Debtors arising out of reinsurance operations	**455,512**	-	**275,417**	245,940	**730,929**	245,940
Other debtors						
Receivable from parent	**99,677**	61,486	**-**	-	**99,677**	61,486
Receivable from subsidiaries	**384,847**	382,332	**-**	-	**384,847**	382,332
Receivable from related Parties	**-**	-	**1,324,574**	1,643,951	**1,324,574**	1,643,951
Amounts owed by directors/ Shareholders	**2,240**	13,531	**-**	-	**2,240**	13,531
Other debtors	**104,083**	19,746	**460,439**	409,283	**564,522**	429,029
	590,847	477,095	**1,785,013**	2,053,234	**2,375,860**	2,530,329
Prepayments and accrued income						
Prepayments	**80,151**	44,146	**30,049**	63,214	**110,200**	107,360
Accrued interest	**219,229**	208,217	**-**	-	**219,229**	208,217
	299,380	252,363	**30,049**	63,214	**329,429**	315,577
Total debtors and prepayments and accrued income	**4,575,562**	3,918,307	**2,090,479**	2,362,388	**6,666,041**	6,280,695
Current portion	**4,575,562**	3,918,307	**2,090,479**	2,362,388	**6,666,041**	6,280,695

20. Debtors and prepayments and accrued income - continued

Debtors and prepayments and accrued income are attributable to the cellular operations as follows:

	Cell 1		Cell 2		Cell 4		Cell 5	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€	**€**	€
Debtors arising out of reinsurance operations	**-**	-	**-**	-	**-**	-	**275,417**	245,940
Other debtors								
Receivables from related parties	**429,494**	717,432	**13,807**	38,411	**881,273**	888,108	**-**	-
Other debtors	**-**	-	**-**	-	**460,439**	409,283	**-**	-
	429,494	717,432	**13,807**	38,411	**1,341,712**	1,297,391	**-**	-
Prepayments and accrued income								
Prepayments	**13,172**	12,870	**-**	-	**2,139**	34,846	**14,738**	15,498
Total debtors and prepayments and accrued income	**442,666**	730,302	**13,807**	38,411	**1,343,851**	1,332,237	**290,155**	261,438

Core debtors are presented net of an allowance for impairment of €69,881 (2011: €69,881). As at 31 December 2012, total debtors amounting to €3,533,499 (2011: €2,678,199) were fully performing, whereas debtors amounting to €742,683 (2011: €987,745) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of significant default. The ageing analysis of amounts past due but not impaired is as follows:

	2012	2011
	€	€
Less than 6 months but more than 3 months	**461,645**	555,268
Less than 12 months but more than 6 months	**188,304**	226,917
More than 12 months	**92,734**	205,560
	742,683	987,745

Receivables from group undertakings and related parties are unsecured, interest free and repayable on demand.

21. Share capital

	2012	2011
	€	€
Authorised share capital:		
4,997,000 'A' ordinary voting shares of €2.50 each	**12,492,500**	12,492,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
3,000,000 cell shares of €2.50 each	**7,500,000**	7,500,000
	20,000,000	20,000,000
Core		
Issued and fully paid up share capital:		
2,997,000 'A' ordinary voting shares of €2.50 each	**7,492,500**	7,492,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
	7,500,000	7,500,000
Cells		
Cell 1		
Issued and 100% paid up share capital: 611,600 cell shares of €2.50 each	**1,529,000**	150,000
Cell 2		
Issued and 80% paid up share capital: 155,000 cell shares of €2.50 each	**310,000**	310,000
Cell 4		
Issued and 60% paid up share capital: 503,980 cell shares of €2.50 each	**755,970**	683,970
Cell 5		
Issued and 100% paid up share capital: 110,000 cell shares of €2.50 each	**275,000**	275,000
Cell 6		
Issued and 100% paid up share capital: 49,500 cell shares of €2.50 each	**123,750**	-
	2,993,720	1,418,970
Total share capital	**10,493,720**	8,918,970

21. Share capital - continued

Cell shares are issued as redeemable preference shares.

In terms of a resolution dated 1 January 2013 the issued share capital of the company was increased by 279,200 ordinary shares of €2.50 each fully paid up.

In terms of a resolution dated 4 July 2011, the shareholders resolved to increase the issued share capital of the Company by the issue of 110,000 cell shares of €2.50 each fully paid up in relation to Cell 5.

In terms of a resolution dated 16 January 2012, the shareholders resolved to settle the sum of €150,000 in consideration for the 50% balance of the 120,000 cell shares which were 50% paid up and to increase the issued share capital of the company by the issue of 339,600 cell shares of €2.50 each, fully paid up in relation to Cell 1. In terms of a resolution dated 15 March 2012, the shareholders resolved to increase the issued share capital of the company by 48,000 cell shares of $2.50 each, 60% paid up in relation to Cell 4.

In terms of resolution dated 25 February 2013, the shareholders resolved to increase the issued share capital of the company by the issue of 320,000 cell shares of €2.50 each 67.5% paid up in relation to TVIS Cell.

22. Reserves

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Revaluation reserve	**651,016**	648,377	**-**	-	**651,016**	648,377
Functional currency exchange reserve	**-**	-	**260,806**	176,366	**260,806**	176,366
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Investment property reserve	**67,668**	67,668	**-**	-	**67,668**	67,668
Total other reserves	**920,226**	917,587	**260,806**	176,366	**1,181,032**	1,093,953

Revaluation reserve

	Core	
	2012	2011
	€	€
Year ended 31 December		
At beginning of year	**648,377**	284,087
Revaluation increase on land and buildings (Note 13)	**-**	410,607
Movement in deferred tax relating to property, plant and equipment (Note 17)	**2,639**	(46,317)
At end of year	**651,016**	648,377

Functional currency exchange reserve

	Cells	
	2012	2011
	€	€
Year ended 31 December		
At beginning of year	**176,366**	30,584
Exchange differences resulting from translation to presentation currency	**84,440**	145,782
At end of year	**260,806**	176,366

The functional currency exchange reserve is attributable to the cellular operations as follows:

	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Functional currency exchange reserve	**(113,338)**	(73,192)	**(60,114)**	(38,514)	**(41,777)**	(27,581)	**(46,805)**	(37,079)	**1,228**

22. Reserves - continued

Investment property reserve

	Core	
	2012	2011
	€	€
Year ended 31 December		
At beginning and at end of year	**67,668**	67,668

Revaluation reserve represents the revaluation surplus on freehold and other property, net of deferred tax.

Functional currency exchange reserve represents movements in the exchange to the reporting currency of those assets and liabilities held by cellular operations in the currency it operates in, the functional currency.

Investment property reserve represents the difference between the original cost and the fair value of investment property, net of deferred tax.

The directors consider other reserves to be non-distributable.

Profit and loss account

	2012	2011
	€	€
Core	**8,431,775**	7,249,349
Cells		
Cell 1	**977,571**	1,854,150
Cell 2	**329,232**	308,640
Cell 4	**238,337**	15,267
Cell 5	**490,052**	353,345
Cell 6	**(27,356)**	-
	2,007,836	2,531,402
Total profit and loss account	**10,439,611**	9,780,751

The profit and loss account balance represents the amount available for dividend distribution to the non-preference shareholders, except any amount that is not distributable in terms of the solvency capital requirements under the Insurance Business (Assets and Liabilities), Regulations 2007 and any amount that is not distributable under the Maltese Companies Act, 1995, as it represents unrealised profits.

23. Technical provisions and reinsurance assets

Gross technical provision	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Claims reported and loss adjustment expenses	**10,369,558**	10,473,776	**1,131,833**	793,346	**11,501,391**	11,267,122
Claims incurred but not reported	**1,241,963**	1,222,937	**916,120**	917,809	**2,158,083**	2,140,746
Unearned premiums	**7,733,118**	7,533,177	**1,737,538**	1,426,103	**9,470,656**	8,959,280
Total insurance liabilities, gross	**19,344,639**	19,229,890	**3,785,491**	3,137,258	**23,130,130**	22,367,148
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	**2,283,147**	2,371,957	**-**	-	**2,283,147**	2,371,957
Claims incurred but not reported	**198,722**	188,044	**-**	-	**198,722**	188,044
Unearned premiums	**3,039,088**	2,810,072	**275,475**	187,591	**3,314,563**	2,997,663
Total reinsurers' share of insurance liabilities	**5,520,957**	5,370,073	**275,475**	187,591	**5,796,432**	5,557,664

23. Technical provisions and reinsurance assets - continued

Net technical provision	Core 2012 €	Core 2011 €	Cells 2012 €	Cells 2011 €	Total 2012 €	Total 2011 €
Claims reported and loss adjustment expenses	**8,086,411**	8,101,819	**1,131,833**	793,346	**9,218,244**	8,895,165
Claims incurred but no reported	**1,043,241**	1,034,893	**916,120**	917,809	**1,959,361**	1,952,702
Unearned premiums	**4,694,030**	4,723,105	**1,462,063**	1,238,512	**6,156,093**	5,961,617
	13,823,682	13,859,817	**3,510,016**	2,949,667	**17,333,698**	16,809,484
Current portion	**13,823,682**	13,859,817	**3,510,016**	2,949,667	**17,333,698**	16,809,484

Technical provisions for the cellular operations are attributable as follows:

Gross technical provision	Cell 1 2012 €	Cell 1 2011 €	Cell 2 2012 €	Cell 2 2011 €	Cell 4 2012 €	Cell 4 2011 €	Cell 5 2012 €	Cell 5 2011 €
Claims reported and loss adjustment expenses	**-**	-	**51,012**	35,802	**1,021,722**	722,262	**59,099**	35,282
Claims incurred but not reported	**63,065**	17,958	**19,069**	12,321	**657,887**	737,073	**176,099**	150,457
Unearned premiums	**102,436**	82,664	**39,230**	32,291	**1,595,872**	1,311,148	**-**	-
	165,501	100,622	**109,311**	80,414	**3,275,481**	2,770,483	**235,198**	185,739

Net technical provision	Cell 1 2012 €	Cell 1 2011 €	Cell 2 2012 €	Cell 2 2011 €	Cell 4 2012 €	Cell 4 2011 €	Cell 5 2012 €	Cell 5 2011 €
Claims reported and loss adjustments	**-**	-	**51,012**	35,802	**1,021,722**	722,262	**59,099**	35,282
Claims incurred but not reported	**63,065**	17,958	**19,069**	12,321	**657,887**	737,073	**176,099**	150,457
Unearned premiums	**102,436**	82,664	**39,230**	32,291	**1,320,397**	1,123,557	**-**	-
	165,501	100,622	**109,311**	80,414	**3,000,006**	2,582,892	**235,198**	185,739

The Company recognises liabilities arising from its operations, and specifically identifies those arising from premium written and claims incurred, while also establishing recoverability from reinsurers.

The Company uses various techniques in estimating liabilities arising from claims. A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until several years after the event. In calculating the estimate cost of unpaid claims the Company uses statistical analyses of historical experience in order to identify the IBNR component to be added to its known claims reserves. The basic assumption that the development pattern of the current claims will be consistent with past experience is also complemented with allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

Unearned premium reserves are formulated on a 365ths time apportionment basis of calculation. This method of calculation proves to be most accurate in identifying arising liabilities at the time of Balance Sheet reporting. These liabilities are reflective of that amount of premium remaining unearned on an individual policy basis, aggregated to determine the Company's total liability at any point in time.

Provision is also made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned

23. Technical provisions and reinsurance assets - continued

premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

The risk and claim profile of the Company do not indicate any conditions or variables that are likely to impact significantly upon the Company's cash flow. During the year there were no significant changes required in the assumptions used to estimate the ultimate cost of claims.

The reasonableness of the estimation processes on claims is monitored using claims' cost progression tables. These are reproduced below:

Estimate of the ultimate Gross claims costs for the Core:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
	€	€	€	€	€	€	€	€	€	€	€
- at end of reporting year	9,463,748	6,177,817	6,467,477	9,150,864	8,047,207	7,990,595	10,233,170	10,031,590	8,302,389	9,790,944	85,655,803
- one year later	8,941,279	6,138,199	5,683,096	8,769,573	7,611,020	7,164,318	9,374,647	9,005,458	7,276,342		
- two years later	8,301,640	5,293,774	5,376,344	8,053,417	7,090,024	6,907,429	8,673,410	8,345,563			
- three years later	7,948,181	4,620,124	5,396,822	7,918,791	6,420,626	6,827,888	8,389,139				
- four years later	7,734,971	4,588,986	5,379,192	7,751,403	6,395,977	7,011,852					
- five years later	7,673,138	4,584,692	5,246,340	7,612,015	6,436,422						
- six years later	7,640,986	4,557,898	5,155,170	7,567,799							
- seven years later	7,652,841	4,548,282	5,132,566								
- eight years later	7,643,653	4,547,489									
- nine years later	7,548,845										
Current estimates of :											
Cumulative claims	7,548,845	4,547,489	5,132,566	7,567,799	6,436,422	7,011,852	8,389,139	8,345,563	7,276,342	9,790,944	72,046,961
Cumulative pa ymentst od ate	(7,540,121)	(4,447,802)	(4,949,713)	(7,281,925)	(6,201,858)	(6,084,976)	(7,866,454)	(7,204,329)	(5,472,919)	(4,779,306)	(61,829,403)
Liability recognised in the balance sheet	8,724	99,687	182,853	285,874	234,564	926,876	522,685	1,141,234	1,803,423	5,011,638	10,217,558
Reserve in respect of prior years											1,393,963
Total reserve included in the balance sheet											11,611,521

Estimate of the ultimate Net claims costs for the Core:

	2006	2007	2008	2009	2010	2011	2012	Total
	€	€	€	€	€	€	€	€
- at end of reporting year	6,684,758	5,411,727	5,738,975	6,478,050	6,736,170	6,822,148	7,278,905	45,150,733
- one year later	6,277,653	4,983,702	5,244,482	5,806,238	5,993,703	5,964,826		
- two years later	5,548,068	4,570,697	5,094,412	5,259,385	5,678,373			
- three years later	5,428,170	4,486,886	5,033,480	5,027,885				
- four years later	5,272,624	4,483,513	5,131,648					
- five years later	5,136,321	4,520,014						
- six years later	5,087,166							
Current estimates of :								
Cumulative claims	5,087,166	4,520,014	5,131,648	5,027,885	5,678,373	5,964,826	7,278,905	38,688,817
Cumulative payments to date	(4,806,843)	(4,291,888)	(4,440,073)	(4,708,539)	(4,706,738)	(4,493,461)	(3,685,233)	(31,132,775)
Liability recognised in the balance sheet	280,323	228,126	691,575	319,346	971,635	1,471,365	3,593,672	7,556,042
Reserve in respect of prior years								1,573,610
Total reserve included in the balance sheet								9,129,652

23. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Gross and Net claims costs for the Cells:

Cell 1	2008 €	2009 €	2010 €	2011 €	2012 €	Total €
- at end of reporting year	6,608	91,226	128,320	278,624	339,467	844,245
- one year later	10,596	93,549	127,054	276,009		507,208
- two years later	10,596	93,549	127,054			231,199
- three years later	10,596	93,549				104,145
- four years later	10,596					10,596
Current estimates of:						
Cumulative claims	10,596	93,549	127,054	276,009	339,467	846,675
Cumulative payments to date	(10,352)	(93,756)	(127,337)	(278,172)	(263,437)	(773,054)
Other movements	(244)	207	283	2,163	(12,965)	(10,556)
Liability recognised in the balance sheet	-	-	-	-	63,065	63,065

Cell 2	2008	2009	2010	2011	2012	Total
- at end of reporting year		345,312	348,692	300,129	272,106	1,266,239
- one year later		329,067	379,015	301,216		1,009,298
- two years later		329,067	379,015			708,082
- three years later		329,067				329,067
Current estimates of:						
Cumulative claims		329,067	379,015	301,216	272,106	1,281,404
Cumulative payments to date		(328,199)	(381,805)	(311,976)	(223,176)	(1,245,156)
Other movements		(868)	2,790	10,760	21,151	33,833
Liability recognised in the balance sheet		-	-	-	70,081	70,081

Cell 4	2008	2009	2010	2011	2012	Total
- at end of reporting year			273,948	1,169,313	1,262,085	2,705,346
- one year later			370,225	995,803		1,366,028
- two years later			149,018			149,018
Current estimates of:						
Cumulative claims			149,018	995,803	1,262,085	2,406,906
Cumulative payments to date			(157,528)	(576,554)	(253,196)	(987,278)
Other movements			27,952	174,727	57,302	259,981
Liability recognised in the balance sheet			19,442	593,976	1,066,191	1,679,609

Cell 5	2008	2009	2010	2011	2012	Total
At end of reporting year						
- at end of reporting year				348,961	254,467	603,428
- one year later				348,961		348,961
Current estimates of:						
Cumulative claims				348,961	254,467	603,428
Cumulative payments to date				(363,293)	(38,820)	(402,113)
Other movements				14,332	19,551	33,883
Liability recognised in the balance sheet				-	235,198	235,198

23. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses

Claims and loss adjustment expenses - Core

	Year ended 31 December 2012 Gross €	Reinsurance €	Net €
Notified claims still outstanding	10,473,776	(2,371,957)	8,101,819
Incurred but not reported	1,222,937	(188,044)	1,034,893
Total at beginning of year	11,696,713	(2,560,001)	9,136,712
Increase in liabilities:			
- arising from current year claims	9,790,944	(2,512,039)	7,278,905
- arising from prior year claims	(2,366,187)	495,123	(1,871,064)
Claims settled during the year	(7,509,949)	2,095,048	(5,414,901)
Total at the end of year	**11,611,521**	**(2,481,869)**	**9,129,652**
Notified claims still outstanding	10,369,558	(2,283,147)	8,086,411
Incurred but not reported	1,241,963	(198,722)	1,043,241
Total at the end of year	**11,611,521**	**(2,481,869)**	**9,129,652**

	Year ended 31 December 2011 Gross €	Reinsurance €	Net €
Notified claims still outstanding	11,280,110	(3,057,689)	8,222,421
Incurred but not reported	1,478,303	(338,529)	1,139,774
Total at beginning of year	12,758,413	(3,396,218)	9,362,195
Increase in liabilities:			
- arising from current year claims	8,302,389	(1,480,241)	6,822,148
- arising from prior year claims	(2,323,729)	504,273	(1,819,456)
Claims settled during the year	(7,040,360)	1,812,185	(5,228,175)
Total at the end of year	**11,696,713**	**(2,560,001)**	**9,136,712**
Notified claims still outstanding	10,473,776	(2,371,957)	8,101,819
Incurred but not reported	1,222,937	(188,044)	1,034,893
Total at the end of year	**11,696,713**	**(2,560,001)**	**9,136,712**

Claims and loss adjustment expenses – Cells
Gross and net

	Year ended 31 December 2012 Cell 1 €	Cell 2 €	Cell 4 €	Cell 5 €	Total €
Notified claims still outstanding	-	35,802	722,262	35,282	793,346
Incurred but not reported	17,958	12,321	737,073	150,457	917,809
Total at beginning of year	17,958	48,123	1,459,335	185,739	1,711,155
Increase in liabilities:					
-arising from current year claims	339,467	272,106	1,315,054	254,469	2,181,096
-arising from prior year claims	53,145	62,231	(334,003)	-	(218,627)
Claims settled during the year	(347,545)	(315,332)	(839,408)	(224,561)	(1,726,846)
Other movements	40	2,953	78,631	19,551	101,175
Total at the end of year	**63,065**	**70,081**	**1,679,609**	**235,198**	**2,047,953**
Notified claims still outstanding	-	51,012	1,021,722	59,099	1,131,833
Incurred but not reported	63,065	19,069	657,887	176,099	916,120
Total at the end of year	**63,065**	**70,081**	**1,679,609**	**235,198**	**2,047,953**

23. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses - continued

Claims and loss adjustment expenses – Cells
Gross and net

	Year ended 31 December 2011				
	Cell 1	Cell 2	Cell 4	Cell 5	Total
	€	€	€	€	€
Notified claims still outstanding	-	31,848	35,858	-	67,706
Incurred but not reported	17,427	14,015	231,399	-	262,841
Total at beginning of year	17,427	45,863	267,257	-	330,547
Increase in liabilities:					
-arising from current year claims	278,624	300,129	1,169,313	348,961	2,097,027
-arising from prior year claims	(1,266)	30,324	96,276	-	125,334
Claims settled during the year	(278,881)	(340,040)	(155,091)	(177,552)	(951,564)
Other movements	2,054	11,847	81,580	14,330	109,811
Total at the end of year	**17,958**	**48,123**	**1,459,335**	**185,739**	**1,711,155**
Notified claims still outstanding	-	35,802	722,262	35,282	793,346
Incurred but not reported	17,958	12,321	737,073	150,457	917,809
Total at the end of year	**17,958**	**48,123**	**1,459,335**	**185,739**	**1,711,155**

(b) Unearned premiums - Core

	Year ended 31 December 2012		
	Gross	Reinsurance	Net
	€	€	€
At beginning of year	7,533,177	(2,810,072)	4,723,105
Net charge to profit and loss	199,941	(229,016)	(29,075)
At the end of year	**7,733,118**	**(3,039,088)**	**4,694,030**

	Year ended 31 December 2011		
	Gross	Reinsurance	Net
	€	€	€
At beginning of year	7,404,263	(2,907,290)	4,496,973
Net charge to profit and loss	128,914	97,218	226,132
At the end of year	**7,533,177**	**(2,810,072)**	**4,723,105**

(b) Unearned premiums - Cells

Gross unearned premiums - Cells

	Year ended 31 December 2012			
	Cell 1	Cell 2	Cell 4	Total
	€	€	€	€
At beginning of year	82,664	32,291	1,311,148	1,426,103
Net charge/(credit) to profit and loss	18,264	5,844	261,073	285,181
Other movements	1,508	1,095	23,651	26,254
At the end of year	**102,436**	**39,230**	**1,595,872**	**1,737,538**

23. Technical provisions and reinsurance assets - continued

(b) Unearned premiums - Cells - continued

Gross unearned premiums - Cells - continued

	Year ended 31 December 2011			
	Cell 1	Cell 2	Cell 4	Total
	€	€	€	€
At beginning of year	51,750	36,426	1,285,302	1,373,478
Net charge/(credit) to profit and loss	27,779	(6,814)	(30,216)	(9,251)
Other movements	3,135	2,679	56,062	61,876
At the end of year	**82,664**	**32,291**	**1,311,148**	**1,426,103**

Net unearned premiums - Cells

	Year ended 31 December 2012			
	Cell 1	Cell 2	Cell 4	Total
	€	€	€	€
At beginning of year	82,664	32,291	1,123,557	1,238,512
Net charge/(credit) to profit and loss	18,264	5,844	176,579	200,687
Other movements	1,508	1,095	20,261	22,864
At the end of year	**102,436**	**39,230**	**1,320,397**	**1,462,063**

	Year ended 31 December 2011			
	Cell 1	Cell 2	Cell 4	Total
	€	€	€	€
At beginning of year	51,750	36,426	1,106,984	1,195,160
Net charge/(credit) to profit and loss	27,779	(6,814)	(31,376)	(10,411)
Other movements	3,135	2,679	47,949	53,763
At the end of year	**82,664**	**32,291**	**1,123,557**	**1,238,512**

24. Borrowings

	2012	2011
	€	€
Bank balance overdrawn (Note 27)	**5,546**	25,884

The Company has the following undrawn borrowing facilities:

	2012	2011
	€	€
Floating rate and expiring within one year	**500,000**	698,820

25. Creditors and accruals and deferred income

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Creditors arising out of direct insurance operations	**806,578**	678,363	**429,950**	356,345	**1,236,528**	1,034,708
Creditors arising out of reinsurance operations	**192,678**	328,237	**320,430**	19,818	**513,108**	348,055
Other creditors						
Payable to related parties	**455,943**	-	**625,031**	725,404	**1,080,974**	725,404
Other creditors	**116,320**	129,362	**-**	-	**116,320**	129,362
	572,263	129,362	**625,031**	725,404	**1,197,294**	854,766
Accruals and deferred income	**1,719,758**	1,492,327	**253,889**	196,965	**1,973,647**	1,689,292
Total creditors and accruals and deferred income	**3,291,277**	2,628,289	**1,629,300**	1,298,532	**4,920,577**	3,926,821
Current portion	**3,291,277**	2,628,289	**1,629,300**	1,298,532	**4,920,577**	3,926,821

Creditors and accruals and deferred income are attributable to the cellular operations as follows:

	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Creditors arising out of direct insurance operations	**221,039**	172,703	**86,592**	78,462	**122,319**	105,180	**-**	-	**-**
Creditors arising out of Reinsurance operations	**-**	-	**-**	-	**320,430**	19,818	**-**	-	**-**
Other creditors									
Payable to related parties	**440,497**	725,404	**-**	-	**184,534**	-	**-**	-	**-**
Accruals and deferred income	**149,070**	105,919	**25,542**	37,370	**43,175**	15,850	**9,711**	37,826	**26,391**
Total creditors and accruals and deferred income	**810,606**	1,004,026	**112,134**	115,832	**670,458**	140,848	**9,711**	37,826	**26,391**

26. Cash generated from operations

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Insurance premiums received	**18,316,684**	17,788,926	**14,885,677**	11,015,978	**33,202,361**	28,804,904
Reinsurance premiums paid	**(7,875,162)**	(7,715,872)	**(340,172)**	(237,658)	**(8,215,334)**	(7,953,530)
Claims paid	**(8,069,743)**	(7,554,728)	**(1,726,846)**	(976,920)	**(9,796,589)**	(8,531,648)
Reinsurance claims received	**2,095,048**	1,812,185	**-**	-	**2,095,048**	1,812,185
Commission and other income	**3,079,737**	2,756,019	**56,924**	106,404	**3,136,661**	2,862,423
Cash paid to employees, related parties and other suppliers for services and goods	**(6,016,231)**	(5,400,606)	**(8,692,581)**	(6,900,378)	**(14,708,812)**	(12,300,984)
Interest received	**425,874**	636,282	**26,061**	21,054	**451,935**	657,336
Dividends received	**124,781**	76,751	**-**	-	**124,781**	76,751
Rental Income	**101,130**	9,784	**-**	-	**101,130**	9,784
Net (purchase)/disposal of operating assets:						
- loans and receivables	2,540,810	(497,289)	**(1,625,240)**	(378,007)	**915,570**	(875,296)
- financial assets at fair value through profit or loss	**(1,996,306)**	(1,361,117)	**-**	-	**(1,996,306)**	(1,361,117)
Cash generated from operations	**2,726,622**	550,335	**2,583,823**	2,650,473	**5,310,445**	3,200,808

27. Cash and cash equivalents

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	Core		Cells		Total	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**951,725**	825,295	**5,371,075**	4,399,781	**6,322,800**	5,225,076
Held with investment managers	**1,706,372**	1,405,693	**-**	-	**1,706,372**	1,405,693
Bank balance overdrawn	**(5,546)**	(25,884)	**-**	-	**(5,546)**	(25,884)
At end of year	**2,652,551**	2,205,104	**5,371,075**	4,399,781	**8,023,626**	6,604,885

Cash and cash equivalents are attributable to cellular operations as follows:

	Cell 1		Cell 2		Cell 4		Cell 5		Cell 6
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
	€	€	**€**	€	**€**	€	**€**	€	**€**
Cash at bank and in hand	**964,429**	1,417,546	**496,424**	37,821	**3,491,552**	2,126,598	**297,114**	817,816	**121,556**

The effective interest rate on bank balances was 0.06% p.a. (2011: 0.06% p.a.).

28. Related party transactions

All companies forming part of the Atlas Group of Companies are considered by the directors to be related parties since these companies are ultimately owned and controlled by Atlas Holdings Limited.

The following transactions were carried out by the Company with related parties:

	2012	2011
	€	€
Income		
Parent company:		
Interest charged	**9,900**	13,200
Fellow subsidiaries:		
Payroll costs charged	**142,984**	184,824
Subsidiaries:		
Interest charged	**41,405**	101,056
Other related entities:		
Payroll costs charged	**31,098**	24,406
Expenditure		
Fellow subsidiaries:		
Commissions	**19,401**	16,012
Other related entities:		
Management fees	**44,132**	43,672

In relation to Cell 1, Cell 2, Cell 4, Cell 5 and Cell 6, companies ultimately owned and controlled by the Cell owners are considered as related parties in connection with the respective cells. As part of the ordinary course of business, the cells transact business with related parties including the collection of premiums, settlement of claims and payment of commissions.

Year end balances owed by or to group undertakings and other related parties are disclosed in Notes 20 and 25 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 10 to these financial statements.

29. Capital management

The Company's objectives when managing capital are:

- To comply with the obligations to maintain positive solvency position based on the requirements under regulation;
- To ensure sufficient capital funding in order that the Company may continue as a going concern;
- To safeguard the interests of policy holders arising from the Company's contractual obligations;
- To provide adequate returns for shareholders; and
- To ensure that shareholder and other stakeholder interests are safeguarded at all times.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders.

The Company is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the Malta Financial Services Authority (MFSA). The minimum capital requirement (defined as 'the required minimum margin') must be maintained at all times throughout the year. The Company monitors its capital level on a regular basis at least once a month through detailed reports compiled with the management accounts. Such reports are circulated to the Board and senior management. Any transactions that may potentially affect the Company's solvency position are immediately reported to the directors and shareholders for resolution prior to notifying the MFSA.

As at 31 December the Company's admissible assets covering the core operation and the cellular operations were calculated by the directors to be €50.0m (2011: €46.0m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2012 and 2011.

Liabilities arising from cell operations

In terms of Legal Notice 412 of 2007 of the Companies Act, (Cell Companies carrying on business of insurance), where any liability arises which is attributable to a particular cell of a cell company –

(a) the cellular assets attributable to that cell shall be primarily used to satisfy the liability;
(b) the Company's core assets shall be secondarily used to satisfy the liability, provided that the cellular assets attributable to the relevant cell have been exhausted; and
(c) any cellular assets not attributable to the relevant cell shall not be used to satisfy the liability.

The Company has taken the following safeguards in this respect:

(a) if the assets of the cell are at any time insufficient to meet any payments, liabilities or obligations due or about to become due by the Cell, the Company shall notify the Cell owners in writing and the Cell owners shall ensure forthwith that the Cell is adequately funded to meet all payments, liabilities or other obligations due or becoming due by the cell.

(b) in the event that the Cellular Assets of the Cell are exhausted, the Cell Owner agrees to indemnify the Company for any assets paid or otherwise transferred to creditors of the Cell asset of the non-cellular assets of the Company.

30. Operating lease commitments

As at year-end the Company had commitments under non-cancellable operating leases where the Company is the lessee.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012	2011
	€	€
No later than 1 year	**48,885**	10,715
Later than 1 year and no later than 5 years	**174,605**	-
	223,490	10,715

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €58,768 (2011: €49,965) were recognised as an operating expense in profit or loss.

31. Contingent liabilities

As at 31 December 2012, the Company had issued special bank guarantees of €44,659 (2011: €43,698) in favour of third parties.

32. Statutory information

Atlas Insurance PCC Limited is a limited liability Company and is incorporated in Malta. The immediate parent Company of Atlas Insurance PCC Limited is Atlas Holdings Limited, a Company registered in Malta, with its registered address at 47-50, Ta' Xbiex Seafront, Ta' Xbiex, which prepares consolidated financial statements.

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