2013
ANNUAL REPORT

People you can trust

Atlas Insurance

Artwork featured on the front cover:

Abstract - by Pawl Carbonaro owned by the Company.

Atlas Insurance PCC Limited

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

2013

Our 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.

Our 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.

Our Core Values

Creating value for all stakeholders
Empowerment and innovation
Commitment to service
Ambition
Respect

CHAIRMAN'S STATEMENT

Economic Environment

During the past year, the global economy started to show signs of recovery, even though economic growth in the European Union, and more specifically within the Euro zone, is still hampered by a lack of reforms. Within such a scenario, the Maltese economy remained resilient in spite of the difficult international environment and continued to outperform the euro area average. Real GDP growth increased locally from 0.6% in 2012 to 2.4% in 2013. This trend is expected to continue in 2014. The inflation rate continues to decelerate, in the main due to a reduction in prices for services. While employment in 2013 was 3.1% higher than a year earlier, the labour market supply grew at a higher rate, resulting in slight increases in unemployment.

The financial services sector in Malta continues to perform well with high profitability, liquidity and solvency ratios. The World Economic Forum's global competitive index once again ranked the country highly and confirmed the jurisdiction in 14th place worldwide. Despite the strength of the financial services sector, local growth in the non-life insurance sector continues to be negligible with non-life premiums growing at around 2% and claims paid increasing by around 4% over previous year's performance.

Despite a difficult local competitive environment, the Company's core (non-cellular) premium income base grew by 2.7%. Our goal is to outperform the industry through seeking new opportunities for sustainable growth while keeping to our values of exceeding customer expectations. All aspects of customer touch points continue to be examined and staff training in areas of service excellence, accountability and compliance continue to be given priority. We strive to deliver on our service promise, 'People you can trust' and as such we continue to invest in the development and motivation of our people.

Financial results

Profit after tax in 2013 increased to €4.40m from €3.98m the previous year, a very positive year indeed for both core and cell shareholders. In fact the core saw its profit after tax increasing from €1.89m to €2.59m. This represents earnings per share of €0.79c (2012: €0.63c) and a return on capital employed of 20% (2012: 18%) to the core shareholders.

The balance on the technical account for the core was marginally down on the previous year at €3.60m (2012: €3.81m) in a year which started off with a major hailstorm. This is considered a very good result with the portfolio recovering well as the year progressed. The cells continued to perform well with an aggregated technical account balance of €2.80m, slightly down on the previous year.

The investment income accruing to the core for the year outperformed that of the previous year with the investment valuation supporting the recovery seen during 2013 with further fair value gains and realised income amounting to €1.86m (2012: €1.83m). The same cautious and diversified investment strategy has been applied as per the previous period.

I am pleased to report that, as in past years, the Company continues to show a strong balance sheet which maintains high levels of capital surplus over regulatory requirements. The capital ratio stood at 4.89 times the capital requirement for the core and 3.55 times the capital requirement for the protected cell company as one entity. The executive team of the Company also carries out regular tests to the Balance Sheet to ensure Solvency II capital adequacy and this continues to be well above the Solvency Capital Requirement to be established under the new regime.

Interim dividends of €1.21m net of tax were also declared to core shareholders during the financial year under review and €2.12m net of tax declared and paid to various cell shareholders during 2013.

At the forthcoming Annual General Meeting, a final dividend of €450,000 after tax is being proposed by the directors to the core shareholders.

Board Structure

Following the restructuring of the Board of Directors and the Board Committees the previous year, we have worked to implement initiatives that reflect best practice in corporate governance. We have also taken time to evaluate our work and set clear objectives for the coming year. I thank my fellow Directors for their support and contribution.

At the end of March 2014, Richard Clough resigned from his position as Chairman and member of the Board. On behalf of the shareholders, fellow directors and the employees, I thank him greatly for the many years of service that he has given to the Company. Mr Clough's association with Atlas started in 2004 when Atlas Insurance first obtained its licence to transact general insurance business but he also took up directorships and led other group companies as Chairman. His leadership, especially during the Board restructuring process, proved to be a most valuable asset.

Regulatory requirements

2013 saw Atlas continuing to work on closing any gaps in the Pillar 2 aspects of corporate governance in the run-up to the Solvency II capital adequacy regime in 2016. Board policies continued to be honed and the actuarial function and ORSA planning process well defined. Quantitative reporting requirements for Pillar 3 were examined in detail and dry runs of quantitative reporting templates commenced. The Risk and Compliance Board committee communicates closely with the executive Solvency II committee and the Company's Chief Risk Officer reports regularly to the same committee.

Atlas in the Community

Besides providing our clients with top notch service, indeed making every effort to exceed their expectations, we have a duty to minimize the impact we have on the environment. Our paperless initiatives continued during 2013 with more departments using scanning technology and reducing paper files and storage.

Additionally, as a sign of appreciation to our public we invest back in the community which ultimately gives us so much. Without the loyalty of our clients and the community as a whole we would not exist. When evaluating corporate social responsibility projects we look for those in which we can actively involve our staff and continue a particular drive to encourage sport and health and wellbeing – the Atlas Wellness drive. Our connection with Melita Football Club Youth Nursery has been renewed and this continues to give us much satisfaction. Various other sporting events were also sponsored. We continued to follow up our wellness and sporting initiatives internally with blood donation drives, subsidized yoga and circuit training and a smoking cessation clinic on our premises after hours as well as engaging a trainer for our Malta Walkathon Team. Encouraging more people to join the thousands who spend months improving their fitness for the Malta Marathon gives us immense pride.

We also like to include events which encourage the appreciation and conservation of our cultural heritage and in the year under review we sponsored the restoration of a wooden high-relief 17th century statue of St Anne with the infant Mary which adorns the Chapel of St. Anne at Fort St Angelo. This was unveiled at a staff event at the historic fort. We continued to support Fondazzjoni Patrimonju Malti as well as the restoration project of Our Lady of Victories Chapel of Valletta, the first resting place of La Valettte and surely one of the most significant buildings in our capital city. Atlas also supported the study and restoration of two paintings at the Church of Santa Maria di Gesù (Ta' Ġieżu) in Rabat. We also produced our 2014 calendar from a selection of works of Maltese artist and sculptor Andrew Diacono.

Apart from the Atlas Wellness and Cultural aspects of our CSR policy, Atlas continues to support our staff in-house charity administered by our Social Club and in this context this year a donation was made to Appogg. In line with this, staff were encouraged to spend time helping the Ursuline Sisters with refurbishment works at Angela House in Guardamangia.

Outlook

The future remains full of challenges as we strive to balance regulatory requirements with the need to provide the Company with entrepreneurial leadership. This is why we consider it critical that we manage our risks prudently, while we seek to expand our business to enhance shareholder value.

The Company is well placed to meet these challenges thanks to its management and staff, ably led by the CEO, Michael Gatt. One final note of thanks goes to the whole of the Atlas team whose unfailing efforts have ensured that the Company adapts successfully to the changing environment, exceeds customer expectations and sustains the values which have made our Company a key player in Malta's financial services sector.

Lawrence Zammit
Chairman

CEO'S REPORT

2013 was another good year for Atlas both on the local and international fronts. We have managed to consolidate further our position locally as a leading insurer despite the ever increasingly competitive environment. We are also seeing substantial growth on the international front by means of our protected cells activity which gives us the opportunity to grow further our premium base and our knowledge of overseas markets.

Aggregate net profit before tax for the year increased to €6.67m (2012: €6.18m) and a net profit after tax of €4.40m (2012: €3.98m). Profits accruing to the non-cellular (core) shareholders amounted to a very satisfactory €3.87m (2012: €2.95m) before tax.

Overall written premium income grew by 3.76% to €34.49m. Premiums written covering Maltese risks increased by 2.65% to €18.84m whilst premiums written by our 6 cells increased by 5.09% to €15.64m.

Our core premiums are well spread across all classes of business as is also our distribution mix. This balance has served us well as it makes us more resilient to the current fierce competition which is driving premiums down to the detriment of market loss ratios, in particular the motor classes of business which make up for more than 50% of the non-life market premiums.

We continue to examine operational expenses with a view to achieving better value for money although this is somewhat difficult to achieve due to the ever increasing regulatory requirements spearheaded in the main by the European regulator such as is the case with the imminent introduction of Solvency II and the resulting corporate governance and extensive reporting requirements. We continue to dedicate top level resources to such issues and are well prepared for the introduction of Solvency II on 1st January 2016.

During 2013, Atlas Insurance PCC Ltd acquired the shares of Atlas Healthcare Insurance Agency Ltd and Ark Insurance Management Malta PCC Ltd from Atlas Holdings Ltd, its immediate parent. Atlas Healthcare is the local agent for AXA PPP healthcare Limited and is one of the largest players in the local health insurance market. Ark is mainly involved in the setting up and management of insurance companies and has already licensed its first client in Building Blocks Insurance (Malta) PCC Ltd which will commence writing business later this year. Ark is also a protected cell company and during 2014 it set up its first insurance management cell in the 'Xorti Cell' which will endeavour to source business opportunities from the Benelux countries.

Atlas believes that good risk management that is visible, repeatable and consistently applied to support decision making increases the probability of success and reduces the uncertainty of achieving overall objectives.

Following the formalisation of our risk management function, we continue to invest in the research and application of international best practice in the area. This results in the embedding of risk management at all levels of the Company, from strategy to operations and into projects. Our enterprise risk management approach proved very useful when it came to ensuring that Atlas also met and exceeded regulatory risk governance requirements. We broke new ground establishing a comprehensive risk management policy and framework for a Protected Cell Company that achieves Solvency II Pillar 2 requirements. Risk owners assist the Board in drafting new or revised board policies and mitigation strategies to ensure adherence to the risk management framework and regulatory requirements.

Our risk management and actuarial functions together agreed on an Own Risk and Solvency Assessment (ORSA) process for 2014. Although the ORSA is a new regulatory requirement, we recognise the process produces a holistic Enterprise Risk Management evaluation and I am confident this will give both the board and senior management an effective tool to identify appropriate actions to further improve our risk profile.

In this environment, cost optimisation becomes ever more important as increasing compliance and investment in various new functions has meant that we must ensure that we spend our time as effectively as possible. To this end we ensure that through our performance management system, which is reviewed regularly to ensure that it meets the changing needs of our environment, each member of our staff knows what their priorities for each financial year are and how they tie in to corporate goals. Compliance training has also increased during the period under review to ensure that staff members and tied insurance intermediaries are fully aware and regularly reminded of various legislative requirements ranging from compliance with insurance rules to data protection.

Customer relationship management is also key to delivering our service promise and besides upgrading our systems to enable us to know our clients better, we look to constantly re-examine our customer service delivery and engagement though various means, including the training of customer care champions within the different service areas.

The Solvency II regime has also had implications on our Information Systems planning. Pillar 3 reporting requirements require ever more increased granularity of data necessary for the regular quantitative reporting templates. 2013 also saw significant investment in network monitoring, hardware for business continuity and customer communication and sophisticated cost control measures in the motor claims system. Investment in other IT based internal control systems also took place in the area of investments.

Despite the competitive and compliance challenges of this past financial period, I am pleased to announce that our central function of providing the highest quality insurance products to our market has continued. Product innovation has been a priority during the period with various new products and services launched from a new motor policy with GAP cover, various professional indemnity policies for different professions, a PV panel policy, pet insurance and new home assistance cover coming on the market over the past few months.

2013 also saw the launch of our updated corporate identity and the changed look and feel of our communication materials. Further investment in our web and social media presence also took place during the period with the Atlas Chat facility being strengthened and various Facebook customer engagement projects launched. We strongly feel that these services allow us to engage on an individual basis with clients and enhance our ability to reach out using different platforms to our increasingly diversified client base. Apart from accessibility to our services beyond normal working hours through Atlas Chat, Summer 2013 brought full accessibility with no more reduced summer working hours at our main offices.

Our outlook for 2014 is one of cautious optimism in the local market with further growth in our international business thereby consolidating our position as a leading insurer of repute. We always strive to be closer to our customers and have further increased our branch network with a new branch in Bormla in addition to the two branches opened in 2013 in San Gwann and Skyparks in Luqa. We also continue to invest in on line systems and today already provide an excellent platform for various online quotations, sales and services. We will continue to work closely with both the leading insurance brokers and with our tied insurance intermediaries with whom we have built very strong and healthy working relationships and work ethics over a long number of years.

The determination and hard work demonstrated by management and staff together with the remarkable results achieved in 2013 proves that we are well placed to meet the challenges of the years ahead. Notwithstanding this success we will not be complacent and are fully aware of the industry's volatility created by the tough competition that exists in our over saturated market. I am confident that the entire Atlas team has the necessary drive, resilience and professionalism to sustain the momentum for future growth.

Michael Gatt
Managing Director and CEO

BOARD MEMBERS

& Board/Executive Committees

Board of Directors
Lawrence Zammit MA (Econ) - Chairman from 1 April 2014
Franco Azzopardi MSc (Leicester) FIA CPA
Richard Clough FCA - resigned 31 March 2014
Catherine Calleja BA (Hons) ACII - Secretary
Michael Gatt - Managing
Bryan Gera DBA
Matthew von Brockdorff FCII

Audit Committee
Franco Azzopardi MSc (Leicester) FIA CPA - Chairman
Richard Clough FCA - resigned 31 March 2014
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 - resigned 31 March 2014
Bryan Gera DBA

Investments Committee
Lawrence Zammit MA (Econ) - Chairman from 1 April 2014
Richard Clough FCA - resigned 31 March 2014
John P Bonett
Mark Camilleri
Michael Gatt

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 & 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

Bormla Branch
55, Gavino Gulia Square, Bormla BML 1800

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 2
TVIS Cell

PROFESSIONAL SERVICES

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

Auditors
PricewaterhouseCoopers

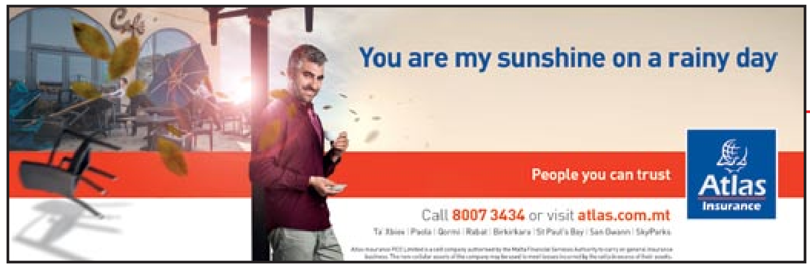
Bankers
APS Bank Limited
Banif Bank (Malta) Limited
Bank of Valletta plc
HSBC Bank Malta plc
Lombard Bank Malta plc
Volksbank Malta Limited

Investment Managers
Bank of Valletta plc
Jesmond Mizzi Financial Advisors Limited
Rizzo Farrugia & Co (Stockbrokers) Limited

ATLAS IN PHOTOS

Opening of new branch office at Skyparks Business Centre in January 2013.

Continuation of branch expansion with the opening of the San Gwann office in March 2013.



Sample ads from the 2013 corporate advertising campaign.

Restoration project of St Anne Altarpiece at Fort St Angelo sponsored by Atlas Insurance. This beautiful wood polychrome statue dates back to the 17th century.

Bormla branch office opened early in 2014.

Atlas Insurance renewed its support to Melita Football Club Youth Nursery.

Atlas Insurance PCC Limited

FINANCIAL STATEMENTS

The directors present their report and the audited financial statements for the year ended 31 December 2013.

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 the company registered good results for 2013 with further improved profitability over the previous year. The board is pleased to report that the Company's operation has well sustained the impact of the January 2013 hail storm. This good technical result was further bolstered by continued excellent returns arising from the management of the Company's investment portfolio.

Atlas Insurance PCC Limited registered an aggregate net profit before tax for the year of €6.67m (2012: €6.18m) and a net profit after tax of €4.40m (2012: €3.98m). Profits accruing to the non-cellular (Core) shareholders amounted to €3.87m (2012: €2.95m) before taxation. The Company's prudent underwriting and reinsurance policy continues to adequately protect its policy holders causing good profitability which continues to grow the company's reserves in its balance sheet. The management of the investments portfolio continues to be placed in line with the board's cautious and effective investment policy, resulting in a continued material contribution to the growth of its net assets.

The operating cells have further contributed to the Company's aggregated profitability showing continued 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 2013 stands at 355% of the regulated solvency requirement.

The Company continues to pursue prudent and profitable growth and cautious investment strategies in the light of the global economic environment. During 2014, the Company will continue 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.

As of 1 January 2013, and as part of a group restructuring, Atlas Insurance PCC Limited acquired full ownership of its sister companies, Atlas Healthcare Insurance Agency Limited and Ark Insurance Management PCC Limited from its ultimate parent, Atlas Holdings Limited.

During the year under review, the Company registered its TVIS Cell which was licensed by the MFSA on the 27 February 2013. The Totemic Cell 1 was also wound down during the year by capital reduction with shareholders being removed from the shareholder register on the 20th December 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 continued positive results with a combined profit before tax at €2.80m (2012: €3.23m) and after tax at €1.81m (2012: €2.09m) accruing to the cell shareholders.

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

Lawrence Zammit
Chairman and Independent Non-Executive Director
(Appointed as Chairman on 1 April 2014)
Richard Clough
(resigned from Chairman and as Director on 31 March 2014)
Michael Gatt
Managing Director
Matthew von Brockdorff
Deputy Managing Director
Catherine Calleja
Director and Group Company Secretary
Bryan Gera
Independent Non-Executive Director
Franco Azzopardi
Independent Non-Executive Director

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

Results and dividends

The profit and loss account is set out on pages 18 and 19. Interim ordinary dividends of €1,209,100 net of tax were declared to the non-cellular shareholders and €2,124,155 net of tax declared to the cell shareholders. Furthermore, in accordance with a board resolution dated 6 February 2014 an interim dividend of €450,000 net of tax was paid by the Company to the non-cellular shareholders.

The directors propose the payment of a final dividend of €450,000 net of tax 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 2013 are included in the Annual Report 2013, 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

Lawrence Zammit	**Michael Gatt**
Chairman	Managing Director

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

4 June 2014

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE

An effective system of corporate governance ensures that the board of directors will exercise its stewardship of the Company effectively to focus on the sustainable success of the Company in the long term. As a public interest company and a 'large private' company according to the definition in the Principles of Good Corporate Governance for Public Interest Companies , the Atlas Insurance PCC Limited board adopts the Malta Financial Services Authority (MFSA) Principles of Good Corporate Governance for Public Interest Companies but also refers to other models of best practice including guidance papers on systems of governance and risk management issued by the MFSA and EIOPA (European Insurance and Occupational Pensions Authority) in the run up to the full implementation of the Solvency II directive in 2016. The Company is also compliant with Insurance Rule 27 of 2009 on Insurers' Internal Controls under the Insurance Business Act (Cap 403).

The Board

The board of directors is appointed as per statute by the group holding company, Atlas Holdings Limited at the Annual General Meeting. The board is composed of a majority of four non-executive independent directors and three executive directors although a vacancy for the fourth independent director has recently arisen following the resignation of Mr Richard Clough, the Company's former Chairman due to personal reasons on the 31 March 2014. 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 board is led by an independent and non-executive Chairman whose responsibilities include leading the board and setting the board agenda. The Chairman is also responsible for relations with shareholders. Until the 31 March 2014, Mr Richard Clough occupied the post of Chairman of the Company and from the 1 April of this year, Mr Lawrence Zammit replaced Mr Clough as Chairman. With the Company Secretary, the Chairman 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 and therefore are in close contact with the rest of the board members while having specific and clearly defined roles within the Company. The CEO leads the Executive Committee, whose main role and responsibilities are to execute agreed strategy and manage the business. The separation of roles of the Chairman and CEO avoids concentration of authority in any one individual and differentiates the separate nature of the running of the board of directors and the operational management of the Company.

Board and board committee meetings are scheduled at the start of the year and the board normally meets eight times per year for regular board meetings as well as a number of times for ad hoc information sessions as mentioned below. The board is actively involved in setting financial and operational strategy and policies as well as the company's risk appetite to ensure adherence to its objectives.

The board of directors receives detailed monthly financial reports as well as non-financial key performance indicators relating to strategic development and is updated regularly on different subjects ranging from new cell proposals to reinsurance or risk issues by key senior executives. Board members also attend relevant seminars relating to key events or developments which effectively serve as professional development. After each board meeting minutes that faithfully record attendance, issues discussed and resolutions are circulated within a reasonable time.

The board undertook an evaluation of its own performance during the period under review through a board effectiveness questionnaire which was analysed by an independent director other than the Chairman. Recommendations made are already being implemented during 2014.

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 the board 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 and matters arising from minutes of meetings are regularly discussed at board level.

Audit

The Audit Committee met four times during the period under review and is composed entirely of non-executive directors. The Committee 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 monitor 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.

The Internal Audit function is independent from the operations of the Company and through the Audit committee and its Chairman, has direct access to the Board of Directors. Priorities for the internal audit functions annual audit plan are decided by the Audit committee, following due input to the board submitted by 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 and receive feedback 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.

Remuneration, Nominations and Related Parties

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 setting the remuneration of the executive directors as well as that of other key executives. The committee is also responsible for reviewing the overall remuneration policy and performance management system of the organisation including staff benefits to ensure appropriate incentives allied with performance and attainment of the company's objectives. Executive directors attend meetings by invitation as and when required.

The committee is also responsible to identify nominees qualified to become board members for recommendation to the board and shareholders, as well as assessing their independence and relevant fitness and properness. The committee also consults with executive directors on succession planning issues relating to senior management.

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 related party transactions. No director or manager is involved in deciding his or her own remuneration.

Risk and Compliance

The primary objectives of the Committee are to ensure that an appropriate compliance and risk management framework is in place and that commercial operations are conducted within the scope of that framework. The committee has oversight of two key functions of the organisation being the risk management and the compliance functions. The committee, chaired by Mr Franco Azzopardi met four times during 2013 and liaised with internal executive committees relating to the risk management and compliance functions in connection with various initiatives relating to preparedness for Solvency II. The meetings are in fact regularly addressed by the Chief Risk Officer, Mr Ian-Edward Stafrace MSc (Risk Management) FIRM FCII PIOR and the Compliance Officer of the Company, Ms Elaine Scerri B Com (Hons), while other senior management members such as the Information Systems Manager or the Internal Auditor have been asked to attend sessions on occasion.

The committee supports and facilitates on-going development of effective risk management throughout the organisation and carries out risk management at a corporate level. This includes assisting the board in the development of relevant policies including the risk management policy and upcoming ORSA framework liaising with the Company's Operational Solvency II team. It also reviews the effectiveness of the Company's risk management activity including monitoring the reviewing of risk owners' activities. The committee also reviews formalised risk management systems to ensure they are operating effectively including reviewing the impact of significant incidences including near-misses, recent major strategic decisions and appropriateness of management responses.

Similarly the committee ensures that the company, through the Compliance Officer, has systems to ensure compliance with regulatory obligations, as well as is prepared for legislative and regulatory changes which affect its operations. The committee also reviews reports which the Compliance Officer prepares in relation to compliance with various areas of legislation on an annual basis and ensures that compliance training is regularly carried out for existing and new employees.

Investment

The main objective of the Investment Committee is to optimise investment income, in so far as it is compatible with the security of the capital and the liquidity requirements of the Company. 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.

The committee appoints discretionary investment managers and sets terms of business and parameters for their activity ensuring prudent management of market risk. 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 Mr Richard Clough FCA, and met quarterly. Mr Lawrence Zammit has taken over the chair of this committee since 1 April 2014. Investment managers are regularly asked to address the committee and report on their performance.

Protected Cells

The Protected Cells committee is chaired by the CEO and is responsible for the oversight of the administration of the protected cells business, an area which is increasing in size and complexity. 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 cell owners and also carry out cell inspections on site. The Chief Underwriting Officer and

Chief Financial Officer, as representatives of the committee, form part of the investment and underwriting committees of the relative cells, which also review risk management and compliance issues relating to cells together with cell owners and managers

During the period under review, 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. New cells applications must be formally approved by the board of directors.

Executive Committee

The Executive Committee is delegated the responsibility of executing the strategy of the company as well as the proposing of annual budgets and funding plans and detailed business plans in various areas including sales and marketing and information technology for the approval of the board of directors. 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 committee is actively involved in the development of strategy with board members.

Relations with Shareholders

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 Limited 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.

Directors' and Officers' Liability Insurance

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 Limited and Ark Insurance Management PCC Limited. Fellow subsidiary companies of Atlas Holdings Limited are also covered by the same policy.

Approved by the Board of Directors on 4 June 2014 and signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director

INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Atlas Insurance PCC Limited

Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of Atlas Insurance PCC Limited, as a standalone company, on pages 18 to 62, which comprise the balance sheet as at 31 December 2013, 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 page 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 2013, 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

4 June 2014

PROFIT AND LOSS ACCOUNT - Technical Account - General Business

Year ended 31 December

		Core		Cells		Total	
	Notes	**2013 €**	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Earned premiums, net of reinsurance							
Gross premiums written	4	**18,844,662**	18,357,658	**15,644,038**	14,885,677	**34,488,700**	33,243,335
Outward reinsurance premiums		**(7,462,664)**	(7,412,306)	**(421,766)**	(340,172)	**(7,884,430)**	(7,752,478)
Net premiums written		**11,381,998**	10,945,352	**15,222,272**	14,545,505	**26,604,270**	25,490,857
Change in the provision for unearned premiums							
- gross amount	23	**72,394**	(199,941)	**(565,367)**	(285,181)	**(492,973)**	(485,122)
- reinsurers' share	23	**(235,250)**	229,016	**123,600**	84,494	**(111,650)**	313,510
		(162,856)	29,075	**(441,767)**	(200,687)	**(604,623)**	(171,612)
Earned premiums, net of reinsurance		**11,219,142**	10,974,427	**14,780,505**	14,344,818	**25,999,647**	25,319,245
Allocated investment return transferred from the non-technical account	6	**1,203,357**	1,390,414	**4,022**	8,878	**1,207,379**	1,399,292
Total technical income		**12,422,499**	12,364,841	**14,784,527**	14,353,696	**27,207,026**	26,718,537
Claims incurred, net of reinsurance							
Claims paid							
- gross amount	23	**8,735,837**	8,069,743	**2,295,713**	1,726,846	**11,031,550**	9,796,589
- reinsurers' share	23	**(1,772,085)**	(2,095,048)	**-**	-	**(1,772,085)**	(2,095,048)
		6,963,752	5,974,695	**2,295,713**	1,726,846	**9,259,465**	7,701,541
Change in the provision for claims							
- gross amount	23	**(974,687)**	(85,192)	**7,374,535**	235,623	**6,399,848**	150,431
- reinsurers' share	23	**410,339**	78,132	**(7,230,058)**	-	**(6,819,719)**	78,132
		(564,348)	(7,060)	**144,477**	235,623	**(419,871)**	228,563
Claims incurred, net of reinsurance		**6,399,404**	5,967,635	**2,440,190**	1,962,469	**8,839,594**	7,930,104
Net operating expenses	5	**2,425,959**	2,587,035	**9,543,312**	9,197,869	**11,969,271**	11,784,904
Total technical charges		**8,825,363**	8,554,670	**11,983,502**	11,160,338	**20,808,865**	19,715,008
Balance on the technical account for general business (page 19)		**3,597,136**	3,810,171	**2,801,025**	3,193,358	**6,398,161**	7,003,529

PROFIT AND LOSS ACCOUNT - Non-Technical Account

Year ended 31 December

		Core		Cells		Total	
	Notes	**2013 €**	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Balance on technical account – general business (page 18)		**3,597,136**	3,810,171	**2,801,025**	3,193,358	**6,398,161**	7,003,529
Investment income	6	**1,862,577**	1,826,692	**51,026**	78,738	**1,913,603**	1,905,430
Investment expenses and charges	6	**(281,172)**	(248,414)	**(15,379)**	(2,687)	**(296,551)**	(251,101)
Allocated investment return transferred to the general business technical account	6	**(1,203,357)**	(1,390,414)	**(4,022)**	(8,878)	**(1,207,379)**	(1,399,292)
Administrative expenses	7	**(106,982)**	(1,046,293)	**(32,466)**	(27,681)	**(139,448)**	(1,073,974)
Profit before tax		**3,868,202**	2,951,742	**2,800,184**	3,232,850	**6,668,386**	6,184,592
Tax expense	9	**(1,278,484)**	(1,059,416)	**(993,765)**	(1,141,071)	**(2,272,249)**	(2,200,487)
Profit for the year		**2,589,718**	1,892,326	**1,806,419**	2,091,779	**4,396,137**	3,984,105

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

		Core		Cells		Total	
	Notes	**2013 €**	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Profit for the year		**2,589,718**	1,892,326	**1,806,419**	2,091,779	**4,396,137**	3,984,105
Other comprehensive income:							
Items that will not be reclassified to profit or loss							
Net reporting currency differences arising on translation from functional currency to presentation currency	22	**-**	-	**(175,732)**	84,440	**(175,732)**	84,440
Movement in deferred tax relating to property, plant and equipment	17	**(21,801)**	2,639	**-**	-	**(21,801)**	2,639
Total other comprehensive income, net of tax		**(21,801)**	2,639	**(175,732)**	84,440	**(197,533)**	87,079
Total comprehensive income for the year		**2,567,917**	1,894,965	**1,630,687**	2,176,219	**4,198,604**	4,071,184

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 25 to 62 are an integral part of these financial statements.

BALANCE SHEET

as at 31 December

		Core		Cells		Total	
	Notes	**2013 €**	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
ASSETS							
Intangible assets	12	**85,068**	97,569	**-**	-	**85,068**	97,569
Tangible assets:							
- land, buildings and improvements	13	**3,511,968**	3,306,679	**-**	-	**3,511,968**	3,306,679
- plant and equipment	13	**701,634**	737,308	**-**	-	**701,634**	737,308
Investments:							
- land and buildings	14	**2,762,275**	2,971,275	**-**	-	**2,762,275**	2,971,275
- investment in subsidiary	15	**698,000**	-	**-**	-	**698,000**	-
- other financial investments	16	**21,286,058**	18,994,999	**4,191,107**	4,009,326	**25,477,165**	23,004,325
Reinsurers' share of technical provisions	23	**4,875,368**	5,520,957	**7,680,966**	275,475	**12,556,334**	5,796,432
Deferred acquisition costs	18	**654,085**	756,433	**108,263**	75,737	**762,348**	832,170
Receivables:							
- debtors arising out of direct insurance operations	20	**3,198,686**	3,229,823	**-**	-	**3,198,686**	3,229,823
- receivables from reinsurers	20	**15,569**	455,512	**-**	-	**15,569**	455,512
- debtors arising out of reinsurance operations	20	**-**	-	**-**	275,417	**-**	275,417
- other debtors	20	**464,081**	590,847	**4,255,326**	1,785,013	**4,719,407**	2,375,860
Taxation recoverable		**-**	111,108	**-**	-	**-**	111,108
Prepayments and accrued income	20	**290,673**	299,380	**36,689**	30,049	**327,362**	329,429
Cash and cash equivalents	27	**1,985,212**	2,658,097	**3,765,675**	5,371,075	**5,750,887**	8,029,172
Total assets		**40,528,677**	39,729,987	**20,038,026**	11,822,092	**60,566,703**	51,552,079
EQUITY							
Capital and reserves							
Share capital	21	**8,198,000**	7,500,000	**3,609,211**	2,993,720	**11,807,211**	10,493,720
Other reserves	22	**898,425**	920,226	**85,074**	260,806	**983,499**	1,181,032
Profit and loss account	22	**9,812,393**	8,431,775	**1,690,100**	2,007,836	**11,502,493**	10,439,611
Total equity		**18,908,818**	16,852,001	**5,384,385**	5,262,362	**24,293,203**	22,114,363
LIABILITIES							
Technical provisions	23	**18,297,558**	19,344,639	**11,651,056**	3,785,491	**29,948,614**	23,130,130
Payables:							
- borrowings	24	**56,880**	5,546	**-**	-	**56,880**	5,546
- creditors arising out of direct insurance operations	25	**734,384**	806,578	**474,871**	429,950	**1,209,255**	1,236,528
- creditors arising out of reinsurance operations	25	**-**	-	**440,580**	320,430	**440,580**	320,430
- balances payable to reinsurers	25	**370,205**	192,678	**-**	-	**370,205**	192,678
- other creditors	25	**198,306**	572,263	**780,979**	625,031	**979,285**	1,197,294
Deferred taxation	17	**335,677**	236,524	**-**	-	**335,677**	236,524
Taxation payable		**74,198**	-	**1,124,692**	1,144,939	**1,198,890**	1,144,939
Accruals and deferred income	25	**1,552,651**	1,719,758	**181,463**	253,889	**1,734,114**	1,973,647
Total liabilities		**21,619,859**	22,877,986	**14,653,641**	6,559,730	**36,273,500**	29,437,716
Total equity and liabilities		**40,528,677**	39,729,987	**20,038,026**	11,822,092	**60,566,703**	51,552,079

The notes on pages 25 to 62 are an integral part of these financial statements.

The financial statements on pages 18 to 62 were authorised for issue by the board on 4 June 2014 and were signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director

STATEMENT OF CHANGES IN EQUITY

		Core				Cells				Total			
	Notes	Share capital €	Other reserves €	Profit and loss account €	Total €	Share capital €	Other reserves €	Profit and loss account €	Total €	Share capital €	Other reserves €	Profit and loss account €	Total €
Balance at 1 January 2012		7,500,000	917,587	7,249,349	15,666,936	1,418,970	176,366	2,531,402	4,126,738	8,918,970	1,093,953	9,780,751	19,793,674
Comprehensive income													
Profit for the year		-	-	1,892,326	1,892,326	-	-	2,091,779	2,091,779	-	-	3,984,105	3,984,105
Other comprehensive income													
Net reporting currency differences arising on translation from functional currency to presentation currency	22	-	-	-	-	-	84,440	-	84,440	-	84,440	-	84,440
Movement in deferred tax relating to property, plant and equipment	17, 22	-	2,639	-	2,639	-	-	-	-	-	2,639	-	2,639
Total other comprehensive income		-	2,639	-	2,639	-	84,440	-	84,440	-	87,079	-	87,079
Total comprehensive income		-	2,639	1,892,326	1,894,965	-	84,440	2,091,779	2,176,219	-	87,079	3,984,105	4,071,184
Transactions with owners													
Increase in share capital	21	-	-	-	-	1,451,000	-	-	1,451,000	1,451,000	-	-	1,451,000
Issue of cell shares on incorporation	21	-	-	-	-	123,750	-	-	123,750	123,750	-	-	123,750
Dividends	11	-	-	(709,900)	(709,900)	-	-	(2,615,345)	(2,615,345)	-	-	(3,325,245)	(3,325,245)
Total transactions with owners		-	-	(709,900)	(709,900)	1,574,750	-	(2,615,345)	(1,040,595)	1,574,750	-	(3,325,245)	(1,750,495)
Balance at 31 December 2012		**7,500,000**	**920,226**	**8,431,775**	**16,852,001**	**2,993,720**	**260,806**	**2,007,836**	**5,262,362**	**10,493,720**	**1,181,032**	**10,439,611**	**22,114,363**
Balance at 1 January 2013		7,500,000	920,226	8,431,775	16,852,001	2,993,720	260,806	2,007,836	5,262,362	10,493,720	1,181,032	10,439,611	22,114,363
Comprehensive income													
Profit for the year		-	-	2,589,718	2,589,718	-	-	1,806,419	1,806,419	-	-	4,396,137	4,396,137
Other comprehensive income													
Net reporting currency differences arising on translation from functional currency to presentation currency	22	-	-	-	-	-	(175,732)	-	(175,732)	-	(175,732)	-	(175,732)
Movement in deferred tax relating to property, plant and equipment	17, 22	-	(21,801)	-	(21,801)	-	-	-	-	-	(21,801)	-	(21,801)
Total other comprehensive income		-	(21,801)	-	(21,801)	-	(175,732)	-	(175,732)	-	(197,533)	-	(197,533)
Total comprehensive income		-	(21,801)	2,589,718	2,567,917	-	(175,732)	1,806,419	1,630,687	-	(197,533)	4,396,137	4,198,604
Transactions with owners													
Increase in share capital	21	698,000	-	-	698,000	350,491	-	-	350,491	1,048,491	-	-	1,048,491
Decrease in share capital	21	-	-	-	-	(275,000)	-	-	(275,000)	(275,000)	-	-	(275,000)
Issue of cell shares on incorporation	21	-	-	-	-	540,000	-	-	540,000	540,000	-	-	540,000
Dividends	11	-	-	(1,209,100)	(1,209,100)	-	-	(2,124,155)	(2,124,155)	-	-	(3,333,255)	(3,333,255)
Total transactions with owners		698,000	-	(1,209,100)	(511,100)	615,491	-	(2,124,155)	(1,508,664)	1,313,491	-	(3,333,255)	(2,019,764)
Balance at 31 December 2013		**8,198,000**	**898,425**	**9,812,393**	**18,908,818**	**3,609,211**	**85,074**	**1,690,100**	**5,384,385**	**11,807,211**	**983,499**	**11,502,493**	**24,293,203**

The notes on pages 25 to 62 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December

		Core		Cells		Total	
	Notes	**2013 €**	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Cash flows from operating activities							
Cash generated from operations	26	**1,667,136**	2,726,622	**1,223,747**	2,583,823	**2,890,883**	5,310,445
Income tax paid		**(865,057)**	(988,344)	**(1,014,012)**	(828,964)	**(1,879,069)**	(1,817,308)
Net cash from operating activities		**802,079**	1,738,278	**209,735**	1,754,859	**1,011,814**	3,493,137
Cash flows from investing activities							
Purchase of property, plant and equipment		**(328,456)**	(362,885)	**-**	-	**(328,456)**	(362,885)
Purchase of intangible assets		**-**	(21,381)	**-**	-	**-**	(21,381)
Disposal of property, plant and equipment		**21,610**	7,900	**-**	-	**21,610**	7,900
Purchase of stock – property for development		**-**	(188,261)	**-**	-	**-**	(188,261)
Investments in subsidiary undertakings		**(698,000)**	-	**-**	-	**(698,000)**	-
Net cash used in investing activities		**(1,004,846)**	(564,627)	**-**	-	**(1,004,846)**	(564,627)
Cash flows from financing activities							
Dividends paid		**(1,209,100)**	(709,900)	**(2,124,155)**	(2,615,345)	**(3,333,255)**	(3,325,245)
Issue of share capital		**698,000**	-	**615,491**	1,574,750	**1,313,491**	1,574,750
Net cash used in financing activities		**(511,100)**	(709,900)	**(1,508,664)**	(1,040,595)	**(2,019,764)**	(1,750,495)
Movement in cash and cash equivalents		**(713,867)**	463,751	**(1,298,929)**	714,264	**(2,012,796)**	1,178,015
Cash and cash equivalents at beginning of year		**2,652,551**	2,205,104	**5,371,075**	4,399,781	**8,023,626**	6,604,885
Exchange (losses)/gains on cash and cash equivalents		**(10,352)**	(16,304)	**(306,471)**	257,030	**(316,823)**	240,726
Cash and cash equivalents at end of year	27	**1,928,332**	2,652,551	**3,765,675**	5,371,075	**5,694,007**	8,023,626

The notes on pages 25 to 62 are an integral part of these financial statements.

NOTES TO THE 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 32) 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 2013, the Company had five Cells, the Perfect Home Cell, the Travelodge Cell, the Ocado Cell, the Totemic Cell 2 and the TVIS Cell, referred to in these financial statements as Cell 1, Cell 2, Cell 4, Cell 6 and Cell 7 respectively. The Totemic Cell 1, referred to as Cell 5 in these financial statements, was wound up through a share capital reduction as authorised by the Malta Financial Services Authority on the 20 December 2013. 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 2013

In 2013, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2013. 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, other than the impact of the adoption of IAS 1 and IFRS 13 as described below.

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 they are potentially reclassifiable to profit or loss (reclassification adjustments).

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.

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 2013. 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.

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. 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

1.2 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).

1.5 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. Summary of significant accounting policies - continued

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, plant and equipment 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.

1.8 Investment in subsidiaries

Investment in subsidiaries is accounted for at cost less impairment. The results of the subsidiary undertakings 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 Financial assets - continued

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.

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.

1. Summary of significant accounting policies - continued

1.10 Impairment of assets - continued

(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 investment 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.

1.15 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 substantively 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.

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax - continued

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 earned 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 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.

1. Summary of significant accounting policies - continued

1.16 Insurance contracts - classification - continued

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 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.

3.1. Insurance risk - continued

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 TVIS Cell, which was authorised by the MFSA on the 27 February 2013 to write insurance risk under classes of business 1 – Accident, 2 – Sickness, 9 – Other Damage to Property, 13 - General Liability and 16 - Miscellaneous financial loss. The Cell maintains its own solvency with the Minimum Guarantee Fund being afforded by the core capital. Totemic Cell 1 was wound up on 20 December 2013 not having written any re-insurance risk in the year. PerfectHome Cell, Travelodge Cell, Ocado Cell and Totemic Cell 2 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, accident, 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.

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
   (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 Company's 2013 gross motor result was affected by a hailstorm event in January and a sizeable bodily injury claim incurred on one particular cell.

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. 2013 gross result was marginally affected by the hail event in January.

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 2013 year showed no extraordinary experience in this respect.

Marine

The marine account tends to produce regular patterns of claim frequency though years of increased frequency can arise owing to particular localised problems. The hull portion for the portfolio is affected by weather and crime patterns but it was not at all impacted by the hailstorm in January 2013.

3. Management of insurance and financial risk - continued

3.1. Insurance risk - continued

3.1.1. Frequency and severity of claims - continued

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.

(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.

The effectiveness of reinsurance protection in place for the company have worked towards reducing the impact of net retained losses for the year by the company.

(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.

3. Management of insurance and financial risk - continued

3.1. Insurance risk - continued

3.1.1. Frequency and severity of claims - continued

(c) Claims techniques - continued

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 necessary for pending non-liability claims based on the latest available facts and estimates

(ii) 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

(iii) to the above provisions 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. The Company will also 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.

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.

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. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

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:

	2013	2012
	€	€
Assets at floating interest rates - bank balances	**4,944,911**	7,558,261
Assets at fixed interest rates		
- Listed debt securities	**12,754,494**	10,218,614
- Deposits with banks or financial institutions	**1,349,079**	4,674,547
- Amounts owed from related parties	**2,630,048**	2,551,385
	21,678,532	25,002,807
Liabilities at floating interest rates - bank balance overdrawn	**56,880**	5,546

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. Cash at bank subject to floating interest rates expose the Company to cash flow interest rate risk.

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 2013 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 (2012: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €283,312 lower (2012: €266,284 lower). An increase of 50 basis points (2012: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €312,119 higher (2012: €274,792 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.

(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**	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**2,995,964**	1,901,817	**-**	-	**2,995,964**	1,901,817
Units in unit trusts	**5,325,610**	3,228,322	**421,970**	429,640	**5,747,580**	3,657,962
	8,321,574	5,130,139	**421,970**	429,640	**8,743,544**	5,559,779

3.2 Financial risk management - continued

3.2.1 Market risk - continued

(b) Equity price risk - continued

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% (2012: 10%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €832,157 (2012: €513,014). An increase and a decrease of 10% (2012: 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 €42,197 (2012: €42,964).

(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 investment committee 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 2013, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,062,737 (2012: €2,674,011). If the above currencies had weakened and/or strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €364,013 (2012: €471,884)/higher by €269,053 (2012: €348,784).

3.2.2 Credit risk

The Company is exposed to credit risk, the 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 in cash and cash equivalents.

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.

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

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:

	As at 31 December 2013						
	AAA to AA Core €	A to A- Core €	BBB to B Core €	Not rated Core €	A to A- Cells €	Not rated Cells €	Total €
Investments							
Debt securities - listed fixed interest rate	2,144,891	4,643,844	3,257,028	2,708,731	-	-	12,754,494
Deposits with banks or financial institutions	-	-	-	-	-	1,349,079	1,349,079
	2,144,891	4,643,844	3,257,028	2,708,731	-	1,349,079	14,103,573
Loans and receivables							
Amounts receivable from related parties	-	-	-	209,990	-	-	209,990
Discounted securities to cell owners	-	-	-	-	-	2,420,058	2,420,058
Debtors and prepayments and accrued income	-	-	-	3,969,009	-	4,292,015	8,261,024
Cash equivalents	-	-	72,000	1,107,236	-	3,765,675	4,944,911
	-	-	72,000	5,286,235	-	10,477,748	15,835,983
Reinsurers' share of technical provisions	2,925,221	1,950,147	-	-	7,680,966	-	12,556,334
Total assets bearing credit risk	5,070,112	6,593,991	3,329,028	7,994,966	7,680,966	11,826,827	42,495,890

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

	As at 31 December 2013						
	AAA to AA Core €	A to A- Core €	BBB to B Core €	Not rated Core €	A to A- Cells €	Not rated Cells €	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	-	1,735,149	4,674,547
	1,348,504	5,526,056	2,437,110	3,846,342	-	1,735,149	14,893,161
Loans and receivables							
Amounts receivable from related parties	-	-	-	706,848	-	-	706,848
Discounted securities to cell owners	-	-	-	-	-	1,844,537	1,844,537
Debtors and prepayments and accrued income	-	-	-	4,575,562	-	2,090,479	6,666,041
Cash equivalents	-	573,972	22,925	1,590,291	-	5,371,075	7,558,263
	-	573,972	22,925	6,872,701	-	9,306,091	16,775,689
Reinsurers' share of technical provisions	3,317,619	2,203,338	-	-	275,475	-	5,796,432
Total assets bearing credit risk	4,666,123	8,303,366	2,460,035	10,719,043	275,475	11,041,240	37,465,282

3.2.3 Liquidity risk

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.

3.2 Financial risk management - continued

3.2.3 Liquidity risk - continued

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

As at 31 December 2013	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core					
Trade and other creditors	1,302,895	-	-	-	1,302,895
Accruals and deferred income	1,552,651	-	-	-	1,552,651
Cells					
Trade and other creditors	1,696,430	-	-	-	1,696,430
Accruals and deferred income	181,463	-	-	-	181,463
	4,733,439	-	-	-	4,733,439

As at 31 December 2013	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core					
Technical provisions					
- Claims outstanding	6,747,215	2,134,085	1,020,058	735,476	10,636,834
Cells					
Technical provisions					
- Claims outstanding	8,539,717	645,951	227,599	-	9,413,267
	15,286,932	2,780,036	1,247,657	735,476	20,050,101

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 €
Core					
Trade and other creditors	1,571,519	-	-	-	1,571,519
Accruals and deferred income	1,719,758	-	-	-	1,719,758
Cells					
Trade and other creditors	1,375,411	-	-	-	1,375,411
Accruals and deferred income	253,889	-	-	-	253,889
	4,920,577	-	-	-	4,920,577

As at 31 December 2012	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core					
Technical provisions					
- Claims outstanding	5,244,181	1,736,031	2,671,753	1,959,556	11,611,521
Cells					
Technical provisions					
- Claims outstanding	1,434,535	593,976	19,442	-	2,047,953
	6,678,716	2,330,007	2,691,195	1,959,556	13,659,474

3. Management of insurance and financial risk - continued

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).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2013 and 2012

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	Level 1		Level 1		Level 1	
	€	€	**€**	€	**€**	€
Assets						
Financial assets at fair value through profit or loss						
- Equity securities and units in unit trusts	**8,321,574**	5,130,137	**421,970**	429,640	**8,743,544**	5,559,777
- Debt securities	**12,754,494**	10,218,614	**-**	-	**12,754,494**	10,218,614
Total assets	**21,076,068**	15,348,751	**421,970**	429,640	**21,498,038**	15,778,391

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 2013 and 2012, 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	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,821,313**	4,691,551	**151,820**	135,839	**4,973,133**	4,827,390
Motor (other classes)	**3,563,580**	3,479,691	**1,908,592**	1,804,718	**5,472,172**	5,284,409
Fire and other damage to property	**6,057,133**	6,122,284	**11,167,490**	9,922,700	**17,224,623**	16,044,984
Other classes	**4,402,636**	4,064,132	**2,416,136**	1,951,947	**6,818,772**	6,016,079
Reinsurance acceptances						
Other classes	**-**	-	**-**	1,070,473	**-**	1,070,473
	18,844,662	18,357,658	**15,644,038**	14,885,677	**34,488,700**	33,243,335

4. Segmental analysis - continued

General business - continued

(b) Gross premiums earned

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,754,691**	4,696,814	**113,231**	118,478	**4,867,922**	4,815,292
Motor (other classes)	**3,514,336**	3,483,595	**1,504,344**	1,574,060	**5,018,680**	5,057,655
Fire and other damage to property	**6,342,090**	5,875,498	**11,155,875**	9,904,436	**17,497,965**	15,779,934
Other classes	**4,305,939**	4,101,810	**2,305,221**	1,933,049	**6,611,160**	6,034,859
Reinsurance acceptances						
Other classes	**-**	-	**-**	1,070,473	**-**	1,070,473
	18,917,056	18,157,717	**15,078,671**	14,600,496	**33,995,727**	32,758,213

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

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

(c) Gross claims incurred

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**2,619,863**	2,435,560	**6,458,072**	912,378	**9,077,935**	3,347,938
Motor (other classes)	**3,075,492**	2,871,828	**1,863,970**	68,674	**4,939,462**	2,940,502
Fire and other damage to property	**1,450,085**	1,804,253	**991,055**	392,613	**2,441,140**	2,196,866
Other classes	**615,710**	872,910	**527,105**	334,337	**1,142,815**	1,207,247
Reinsurance acceptances						
Other classes	**-**	-	**(169,955)**	254,467	**(169,955)**	254,467
	7,761,150	7,984,551	**9,670,247**	1,962,469	**17,431,397**	9,947,020

(d) Gross operating expenses

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**1,331,652**	1,291,679	**158,464**	182,556	**1,490,116**	1,474,235
Motor (other classes)	**984,246**	966,501	**11,927**	13,741	**996,173**	980,242
Fire and other damage to property	**1,672,988**	1,869,568	**8,074,126**	7,922,101	**9,747,114**	9,791,669
Other classes	**1,216,532**	1,311,593	**1,249,159**	1,000,620	**2,465,691**	2,312,213
Reinsurance acceptances						
Other classes	**-**	-	**49,636**	78,851	**49,636**	78,851
	5,205,418	5,439,341	**9,543,312**	9,197,869	**14,748,730**	14,637,210

4. Segmental analysis - continued

General business - continued

(e) Reinsurance balance

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**179,573**	86,205	**(5,802,464)**	237,781	**(5,622,891)**	323,986
Motor (other classes)	**132,728**	63,926	**(436,745)**	17,897	**(304,017)**	81,823
Fire and other damage to property	**2,384,232**	1,655,770	**-**	-	**2,384,232**	1,655,770
Other classes	**860,176**	508,167	**(692,683)**	-	**167,493**	508,167
	3,556,709	2,314,068	**(6,931,892)**	255,678	**(3,375,183)**	2,569,746

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	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Acquisition costs	**2,877,360**	2,824,041	**9,027,959**	8,682,650	**11,905,319**	11,506,691
Change in deferred acquisition costs (Note 18)	**102,348**	(101,723)	**(32,821)**	(12,784)	**69,527**	(114,507)
Administrative expenses	**2,751,341**	2,963,753	**373,508**	321,026	**3,124,849**	3,284,779
Reinsurance commission earned	**(2,779,459)**	(2,852,306)	**-**	-	**(2,779,459)**	(2,852,306)
Other net technical (income)/expense	**(525,631)**	(246,730)	**174,666**	206,977	**(350,965)**	(39,753)
	2,425,959	2,587,035	**9,543,312**	9,197,869	**11,969,271**	11,784,904

Total commissions included in acquisition costs and accounted for in the financial period amounted to €1,670,777 in respect of the core operations (2012: €1,676,280) and €9,027,959 in respect of the cell operations (2012: €8,682,650).

6. Investment return

Investment income

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss	**36,140**	143,242	**42,746**	28,748	**78,886**	171,990
Income from financial assets at fair value through profit or loss:						
- interest income	**483,207**	453,311	**-**	-	**483,207**	453,311
- dividend income	**148,918**	124,781	**-**	-	**148,918**	124,781
Dividend from subsidiary undertaking	**430,769**	-	**-**	-	**430,769**	-
Net fair value gains on financial assets at fair value through profit or loss (Note 16)	**659,243**	1,004,228	**-**	-	**659,243**	1,004,228
Exchange differences	**-**	-	**8,280**	49,990	**8,280**	49,990
Rental income	**104,300**	101,130	**-**	-	**104,300**	101,130
	1,862,577	1,826,692	**51,026**	78,738	**1,913,603**	1,905,430

6. Investment return - continued

Investment expenses and charges

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Interest expense and charges for financial liabilities are not at fair value through profit or loss	**56,691**	52,301	**2,235**	2,687	**58,926**	54,988
Investment expenses	**214,129**	179,809	**-**	-	**214,129**	179,809
Exchange differences	**10,352**	16,304	**13,144**	-	**23,496**	16,304
	281,172	248,414	**15,379**	2,687	**296,551**	251,101
Total investment return	**1,581,405**	1,578,278	**35,647**	76,051	**1,617,052**	1,654,329
Allocated investment return transferred to:						
general business technical account	**1,203,357**	1,390,414	**4,022**	8,878	**1,207,379**	1,399,292
non-technical account	**378,048**	187,864	**31,625**	67,173	**409,673**	255,037

7. Expenses by nature

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Employee benefit expense and directors' fees	**2,457,018**	2,445,335	**-**	-	**2,457,018**	2,445,335
Commissions payable	**1,670,777**	1,676,280	**9,027,959**	8,682,650	**10,698,736**	10,358,930
Change in deferred acquisition costs	**102,348**	(101,723)	**(32,821)**	(12,784)	**69,527**	(114,507)
Reinsurance commissions earned	**(2,779,459)**	(2,852,306)	**-**	-	**(2,779,459)**	(2,852,306)
Amortisation of intangible assets (Note 12)	**12,190**	11,574	**-**	-	**12,190**	11,574
Impairment of intangible assets (Note 12)	**32,856**	37,137	**-**	-	**32,856**	37,137
Impairment of loan to subsidiary	**-**	51,189	**-**	-	**-**	51,189
Depreciation of property, plant and equipment (Note 13)	**335,296**	319,524	**-**	-	**335,296**	319,524
Auditor's fees	**50,970**	88,297	**25,180**	13,000	**76,150**	101,297
Other expenses	**650,945**	1,958,021	**555,460**	542,684	**1,206,405**	2,500,705
Total operating and administrative expenses	**2,532,941**	3,633,328	**9,575,778**	9,225,550	**12,108,719**	12,858,878
Allocated to:						
Technical account	**2,425,959**	2,587,035	**9,543,312**	9,197,869	**11,969,271**	11,784,904
Non-technical account	**106,982**	1,046,293	**32,466**	27,681	**139,448**	1,073,974

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2013 and 2012 relate to the following:

	2013	2012
	€	€
Annual statutory audit	**55,440**	41,675
Other assurance services	**3,000**	8,400
Tax advisory	**9,790**	13,510
Other non-audit services	**7,920**	37,712
	76,150	101,297

8. Employee benefit expense

	2013 €	2012 €
Salaries and related costs (including directors' salaries)	**3,056,273**	2,926,697
Social security costs	**184,470**	169,957
	3,240,743	3,096,654
Inter-company payroll charge	**(207,983)**	(174,082)
	3,032,760	2,922,572

The average number of persons employed during the year was:

	2013	2012
Directors	**7**	7
Managerial	**14**	13
Managerial - part time	**3**	2
Clerical	**74**	68
Clerical - reduced hours	**23**	25
Clerical - part time	**2**	2
	123	117

9. Tax expense

	Core		Cells		Total	
	2013 €	2012 €	2013 €	2012 €	2013 €	2012 €
Current tax expense	**1,201,189**	750,145	**993,765**	1,141,071	**2,194,954**	1,891,216
Deferred tax charge (Note 17)	**77,352**	327,231	**-**	-	**77,352**	327,231
Over provision in previous years	**(57)**	(17,960)	**-**	-	**(57)**	(17,960)
	1,278,484	1,059,416	**993,765**	1,141,071	**2,272,249**	2,200,487

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

	2013 €	2012 €
Profit before tax	**6,668,386**	6,184,592
Tax on profit at 35%	**2,333,935**	2,164,607
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(53,268)**	(51,444)
Income subject to reduced rates of tax	**(1,107)**	(1,154)
Expenses not deductible for tax purposes	**35,145**	27,602
Over provision in previous year	**(57)**	(17,960)
Other movements	**(42,399)**	78,836
Tax charge in the accounts	**2,272,249**	2,200,487

10. Directors' emoluments

	2013 €	2012 €
Directors' fees	**67,382**	82,557
Salaries and other emoluments	**314,381**	289,504
Gratuity payments to retired directors	**-**	925,000
	381,763	1,297,061

During the year, benefits in kind valued at €24,317 (2012: €22,688) were provided to the directors.

11. Dividends declared

	2013 €	2012 €
To the ordinary shareholders:		
Net	**1,209,100**	709,900
Dividends per ordinary share	**0.37**	0.24
To the cell shareholders:		
Cell 1	**977,571**	1,945,000
Cell 2	**365,000**	317,000
Cell 4	**220,491**	-
Cell 5	**561,093**	353,345
Net	**2,124,155**	2,615,345
Dividends per preference share		
Cell 1	**1.47**	3.18
Cell 2	**2.35**	2.05
Cell 4	**0.44**	-
Cell 5	**5.10**	3.21
Total dividends	**3,333,255**	3,325,245

At the forthcoming Annual General Meeting a net dividend in respect of 2013 amounting to €450,000 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 2014.

Furthermore, in accordance with a board resolution dated 6 February 2014, a net interim dividend of €450,000 was paid by the Company to the non-cellular shareholders.

As disclosed in Note 21, the share capital of Cell 5 was reduced to nil on 20 December 2013.

12. Intangible assets

	Customer relationships €	Computer software €	Total €
At 1 January 2012			
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**
Year ended 31 December 2013			
Opening net book amount	65,704	31,865	97,569
Additions	-	32,545	32,545
Impairment charge	(32,856)	-	(32,856)
Amortisation charge	-	(12,190)	(12,190)
Closing net book amount	32,848	52,220	85,068
At 31 December 2013			
Cost	194,735	479,706	674,441
Accumulated amortisation and impairment	(161,887)	(427,486)	(589,373)
Net book amount	**32,848**	**52,220**	**85,068**

12. Intangible assets - continued

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 €32,856 (2012: €37,137). 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 2012				
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
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**
Year ended 31 December 2013				
Opening net book amount	2,947,856	358,823	737,308	4,043,987
Additions	-	103,007	191,904	294,911
Reclassification from Investment property	210,000	-	-	210,000
Disposals	-	-	(65,907)	(65,907)
Depreciation charge	(33,080)	(74,638)	(227,578)	(335,296)
Depreciation released on disposal	-	-	65,907	65,907
Closing net book amount	3,124,776	387,192	701,634	4,213,602
At 31 December 2013				
Cost or revaluation	3,298,022	976,508	3,227,673	7,502,203
Accumulated depreciation	(173,246)	(589,316)	(2,526,039)	(3,288,601)
Net book amount	**3,124,776**	**387,192**	**701,634**	**4,213,602**

13. Property, plant and equipment - continued

Fair value of Property

The Company's property used in operations was last revalued on 28 February 2011, while its investment properties (Note 14) were last revalued on 10 January 2013. The directors are of the opinion that the carrying amount of the investment properties as at the end of the current financial period is not materially different from its fair value.

The Company is required to disclose fair value measurements by level of the following fair value measurement hierarchy for non-financial assets carried at fair value. These have been defined in Note 3.3 to the financial statements.

The Company's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs. The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. During the current financial year there were no transfers between the fair value levels.

The Company's property used in operations represents property predominantly located in Ta' Xbiex. The Company's investment properties represent properties in Mellieha. The current value of both categories of property equates to the highest and best use.

A reconciliation between the opening balance and the closing balance of the property's carrying amount is presented in the table above and in the table in Note 14, for property used in operations and for investment properties, respectively.

Valuation process and techniques

The Company's property is valued on periodic valuation by the directors after seeking professional advice from independent professionally qualified valuers who hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued. When external valuations are carried out in accordance with this policy, the valuer reports directly to the board of directors and discussions on the valuation technique and its results, including an evaluation of the inputs to the valuation, are held between these parties.

At the end of every reporting period during which an external valuation is not carried out, the directors also assess whether any significant changes in actual circumstances and developments have been experienced since the last external valuation. An adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change.

The valuation was determined using the sales comparison approach. Properties valued using this approach take into consideration comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre. The average price per square meter as at 31 December 2013 ranged from €495 to €1,575 in the case of property used in operations. The weighted average price per square metre as at 31 December was €1,315 in the case of investment properties. An increase in the adjusted sales prices per square metre would result in a higher fair value.

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

	2013 €	2012 €
Cost	**2,644,340**	2,434,340
Accumulated depreciation	**(199,050)**	(172,607)
Net book amount	**2,445,290**	2,261,733

14. Land and buildings – investment property

	2013 €	2012 €
Year ended 31 December		
At beginning of year	**2,971,275**	210,000
Reclassification from stock – property for development	**-**	2,761,275
Reclassification to property, plant and equipment	**(210,000)**	-
Additions	**1,000**	-
At end of year	**2,762,275**	2,971,275
At 31 December		
Cost	**2,762,275**	2,867,844
Accumulated fair value gains	**-**	103,431
Net book amount	**2,762,275**	2,971,275

The valuation process and techniques are included under Note 13.

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

	2013 €	2012 €
Cost	**2,762,275**	2,867,844
Accumulated depreciation	**(55,236)**	(37,204)
Net book amount	**2,707,039**	2,830,640

15. Investment in subsidiaries

	2013 €	2012 €
Year ended 31 December		
At beginning of year	**-**	-
Investment acquired during the year	**698,000**	-
At end of year	**698,000**	-

The subsidiaries at 31 December 2013 and 2012 are shown below:

Name of subsidiary	Registered office	Class of shares	Percentage of shares held 2013	2012
Atlas Healthcare Insurance Agency Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	100.0%	-
Ark Insurance Management PCC Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	100.0%	-
Stuart Property Development Limited	48-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	45.8%	45.8%

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.

	2013 €	2012 €
Fair value through profit or loss	**21,498,038**	15,778,393
Loans and receivables	**3,979,127**	7,225,932
	25,477,165	23,004,325

(a) Investments at fair value through profit or loss

	Core 2013 €	Core 2012 €	Cells 2013 €	Cells 2012 €	Total 2013 €	Total 2012 €
At 31 December						
Equity securities and units in unit trusts	**8,321,574**	5,130,139	**421,970**	429,640	**8,743,544**	5,559,779
Debt securities – listed fixed interest rate	**12,754,494**	10,218,614	**-**	-	**12,754,494**	10,218,614
Total investments at fair value through profit or loss	**21,076,068**	15,348,753	**421,970**	429,640	**21,498,038**	15,778,393

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

Maturity of fixed income debt securities:

	2013 €	2012 €
Within 1 year	**176,250**	239,071
Between 1 and 2 years	**1,515,059**	785,394
Between 2 and 5 years	**6,229,931**	4,359,218
Over 5 years	**4,833,254**	4,834,931
	12,754,494	10,218,614
Weighted average effective interest rate	**4.28%**	4.94%

The movements for the year are summarised as follows:

	Core 2013 €	Core 2012 €	Cells 2013 €	Cells 2012 €	Total 2013 €	Total 2012 €
Year ended 31 December						
At beginning of year	**15,348,753**	12,348,219	**429,640**	119,789	**15,778,393**	12,468,008
Additions	**12,379,678**	10,240,499	**-**	309,851	**12,379,678**	10,550,350
Disposals	**(7,311,606)**	(8,244,193)	**-**	-	**(7,311,606)**	(8,244,193)
Net fair value gains (Note 6)	**659,243**	1,004,228	**-**	-	**659,243**	1,004,228
Other movements	**-**	-	**(7,670)**	-	**(7,670)**	-
At end of year	**21,076,068**	15,348,753	**421,970**	429,640	**21,498,038**	15,778,393
As at 31 December						
Cost	**20,087,524**	14,743,358	**429,640**	429,640	**20,517,164**	15,172,998
Accumulated net fair value gains/(losses)	**988,544**	605,395	**(7,670)**	-	**980,874**	605,395
	21,076,068	15,348,753	**421,970**	429,640	**21,498,038**	15,778,393

16. Investments - continued

(b) Loans and receivables

	2013 €	2012 €
At 31 December		
Deposits with banks or financial institutions (i)	**1,349,079**	4,674,547
Discounted securities (ii)	**2,420,058**	2,174,537
Loan to subsidiary company (iii)	**209,990**	376,848
	3,979,127	7,225,932

(i) Deposits with banks or financial institutions

	Core		Cells		Total	
	2013 €	2012 €	2013 €	2012 €	2013 €	2012 €
Within 3 months	**-**	1,377,920	**1,349,079**	1,735,149	**1,349,079**	3,113,069
Within 1 year but exceeding 3 months	**-**	1,561,478	**-**	-	**-**	1,561,478
	-	2,939,398	**1,349,079**	1,735,149	**1,349,079**	4,674,547

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

	2013 €	2012 €
At fixed rates	**1,349,079**	4,674,547
Weighted average effective interest rate	**0.1%**	1.93%

(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 2013

	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					
Cells	GBP2,017,602	31/12/2013	GBP2,020,913	0.16	2,420,058
					2,420,058

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	€330,000	21/12/2013	€336,000	2.00	330,000
Cells	GBP708,242	28/02/2013	GBP710,844	1.52	868,912
Cells	GBP300,000	28/02/2013	GBP300,866	1.52	239,625
Cells	GBP195,000	31/12/2012	GBP195,558	1.51	368,218
Cells	GBP300,000	31/12/2012	GBP300,503	1.51	367,782
					2,174,537

16. Investments - continued

(b) Loans and receivables - continued

(iii) Loan to subsidiary company

The loan to subsidiary company is classified as non-current. The amount is stated net of a provision for impairment of €175,183 (2012: €175,183). Included in the loan is an amount of €131,504 (2012: €298,362) which bears interest at 6% p.a. (2012: 6% p.a.). During the year, an impairment loss of nil (2012: €51,189) was recognised in respect of the loan to the subsidiary company.

17. Deferred taxation

	2013 €	2012 €
Year ended 31 December		
At beginning of year	**(236,524)**	88,068
(Charged)/credited to other comprehensive income (Note 22)	**(21,801)**	2,639
Charged to profit and loss account (Note 9)	**(77,352)**	(327,231)
At end of year	**(335,677)**	(236,524)

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% (2012: 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 (2012: 12%).

The balance at 31 December represents temporary differences on:

	2013 €	2012 €
Land and buildings – tangible assets	**(86,901)**	(63,462)
Land and buildings – investment property	**-**	(34,647)
Financial investments at fair value through profit or loss	**(307,088)**	(181,350)
Fixed assets	**33,854**	18,477
Provisions	**24,458**	24,458
	(335,677)	(236,524)

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	
	2013 €	2012 €	2013 €	2012 €	2013 €	2012 €
Year ended 31 December						
At beginning of year	**756,433**	654,710	**75,737**	61,514	**832,170**	716,224
Net amount (charged)/credited to profit and loss account (Note 5)	**(102,348)**	101,723	**32,821**	12,784	**(69,527)**	114,507
Exchange differences resulting from translation to presentation currency	**-**	-	**(295)**	1,439	**(295)**	1,439
At end of year	**654,085**	756,433	**108,263**	75,737	**762,348**	832,170
Current portion	**654,085**	756,433	**108,263**	75,737	**762,348**	832,170

19. Stock – property for development

	Note	2013 €	2012 €
Year ended 31 December			
At beginning of year		**-**	2,573,014
Additions		**-**	188,261
Reclassification to Investment Property	14	**-**	(2,761,275)
At end of year		**-**	-

20. Debtors and prepayments and accrued income

	Core 2013 €	Core 2012 €	Cells 2013 €	Cells 2012 €	Total 2013 €	Total 2012 €
Debtors arising from direct Insurance operations						
Due from policyholders	**1,427,976**	1,214,799	**-**	-	**1,427,976**	1,214,799
Due from agents, brokers and intermediaries	**1,770,710**	2,015,024	**-**	-	**1,770,710**	2,015,024
Due from reinsurers	**15,569**	455,512	**-**	-	**15,569**	455,512
	3,214,255	3,685,335	**-**	-	**3,214,255**	3,685,335
Debtors arising out of reinsurance operations	**-**	-	**-**	275,417	**-**	275,417
Other debtors						
Receivable from parent	**199,306**	99,677	**-**	-	**199,306**	99,677
Receivable from subsidiary	**63,246**	-	**-**	-	**63,246**	-
Receivable from fellow subsidiaries	**121,919**	361,425	**-**	-	**121,919**	361,425
Receivable from related parties	**12,907**	23,422	**3,319,167**	1,324,574	**3,332,074**	1,347,996
Amounts owed by directors/ shareholders	**4,111**	2,240	**-**	-	**4,111**	2,240
Other debtors	**62,592**	104,083	**936,159**	460,439	**998,751**	564,522
	464,081	590,847	**4,255,326**	1,785,013	**4,719,407**	2,375,860
Prepayments and accrued income						
Prepayments	**58,237**	80,151	**36,689**	30,049	**94,926**	110,200
Accrued interest	**232,436**	219,229	**-**	-	**232,436**	219,229
	290,673	299,380	**36,689**	30,049	**327,362**	329,429
Total debtors and prepayments and accrued income	**3,969,009**	4,575,562	**4,292,015**	2,090,479	**8,261,024**	6,666,041
Current portion	**3,969,009**	4,575,562	**4,292,015**	2,090,479	**8,261,024**	6,666,041

Core debtors are presented net of an allowance for impairment of €69,881 (2012: €69,881). As at 31 December 2013, total debtors amounting to €2,868,791 (2012: €3,533,499) were fully performing, whereas debtors amounting to €809,545 (2012: €742,683) 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:

	2013 €	2012 €
Up to 3 months	**567,863**	461,645
3 to 9 months	**188,460**	188,304
More than 9 months	**53,222**	92,734
	809,545	742,683

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

21. Share capital

	2013 €	2012 €
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:		
3,276,200 (2012: 2,997,000) 'A' ordinary voting shares of €2.50 each	**8,190,500**	7,492,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
	8,198,000	7,500,000

	2013 €	2012 €
Cells		
Cell 1		
Issued and 100% paid up share capital: 663,600 (2012: 611,600) cell shares	**1,659,000**	1,529,000
Cell 2		
Issued and 80% paid up share capital: 155,000 cell shares	**310,000**	310,000
Cell 4		
Issued and 77.5% paid up share capital: 503,980 cell shares	**976,461**	755,970
Cell 5		
Issued and 100% paid up share capital: nil (2012: 110,000) cell shares	**-**	275,000
Cell 6		
Issued and 100% paid up share capital: 49,500 cell shares	**123,750**	123,750
Cell 7		
Issued and 67.5% paid up share capital: 320,000 cell shares	**540,000**	-
	3,609,211	2,993,720
Total share capital	**11,807,211**	10,493,720

All cell shares have a nominal value of €2.50 each.

Core

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.

Cells

Cell shares are issued as redeemable preference shares.

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 further resolution dated 10 December 2013, the shareholders resolved to increase the issued share capital of the company by the issue of 52,000 cell shares of €2.50 each, in respect of the same cell.

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 a resolution dated 26 September 2013, the shareholders resolved to increase the paid up share capital to 77.5% for a consideration of €220,491. In terms of a further resolution dated 28 January 2014, the shareholders resolved to increase the paid up share capital to 85.5% for a consideration of €100,796, in respect of the same cell.

Following the closure and winding up of Cell 5 in terms of a resolution dated 12 September 2013, the issued share capital was reduced by the cancellation of 110,000 cell shares of €2.50 each, fully paid up. Such cancellation became effective on 20 December 2013.

In terms of a 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 Cell 7.

22. Reserves

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Revaluation reserve	**696,883**	651,016	**-**	-	**696,883**	651,016
Functional currency exchange reserve	**-**	-	**85,074**	260,806	**85,074**	260,806
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Investment property reserve	**-**	67,668	**-**	-	**-**	67,668
Total other reserves	**898,425**	920,226	**85,074**	260,806	**983,499**	1,181,032

Revaluation reserve

	Core	
	2013	2012
	€	€
Year ended 31 December		
At beginning of year	**651,016**	648,377
Movement in deferred tax relating to property, plant and equipment (Note 17)	**(21,801)**	2,639
Transfer from investment property reserve	**67,668**	-
At end of year	**696,883**	651,016

Functional currency exchange reserve

	Cells	
	2013	2012
	€	€
Year ended 31 December		
At beginning of year	**260,806**	176,366
Exchange differences resulting from translation to presentation currency	**(175,732)**	84,440
At end of year	**85,074**	260,806

Investment property reserve

	Core	
	2013	2012
	€	€
Year ended 31 December		
At beginning of year	**67,668**	67,668
Transfer to revaluation reserve	**(67,668)**	-
At end of year	**-**	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.

22. Reserves - continued

Profit and loss account

	2013	2012
	€	€
Core	**9,812,393**	8,431,775
Cells		
Cell 1	**1,377,739**	977,571
Cell 2	**279,358**	329,232
Cell 4	**81,370**	238,337
Cell 5	**-**	490,052
Cell 6	**(66,499)**	(27,356)
Cell 7	**18,132**	-
	1,690,100	2,007,836
Total profit and loss account	**11,502,493**	10,439,611

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

	Core		Cells		Total	
	2013	2012	**2013**	2012	**2013**	2012
	€	€	**€**	€	**€**	€
Gross technical provisions						
Claims reported and loss adjustment expenses	**9,591,091**	10,369,558	**8,282,577**	1,131,833	**17,873,668**	11,501,391
Claims incurred but not reported	**1,045,743**	1,241,963	**1,130,690**	916,120	**2,176,433**	2,158,083
Unearned premiums	**7,660,724**	7,733,118	**2,237,789**	1,737,538	**9,898,513**	9,470,656
Total insurance liabilities, gross	**18,297,558**	19,344,639	**11,651,056**	3,785,491	**29,948,614**	23,130,130
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	**1,865,842**	2,283,147	**7,293,161**	-	**9,159,003**	2,283,147
Claims incurred but not reported	**205,688**	198,722	**-**	-	**205,688**	198,722
Unearned premiums	**2,803,838**	3,039,088	**387,805**	275,475	**3,191,643**	3,314,563
Total reinsurers' share of insurance liabilities	**4,875,368**	5,520,957	**7,680,966**	275,475	**12,556,334**	5,796,432
Net technical provisions						
Claims reported and loss adjustment expenses	**7,725,249**	8,086,411	**989,416**	1,131,833	**8,714,665**	9,218,244
Claims incurred but not reported	**840,055**	1,043,241	**1,130,690**	916,120	**1,970,745**	1,959,361
Unearned premiums	**4,856,886**	4,694,030	**1,849,984**	1,462,063	**6,706,870**	6,156,093
	13,422,190	13,823,682	**3,970,090**	3,510,016	**17,392,280**	17,333,698
Current portion	**13,422,190**	13,823,682	**3,970,090**	3,510,016	**17,392,280**	17,333,698

23. Technical provisions and reinsurance assets - continued

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 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:

	2004 €	2005 €	2006 €	2007 €	2008 €	2009 €	2010 €	2011 €	2012 €	2013 €	Total €
- at end of reporting year	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	10,344,366	86,536,419
- one year later	6,138,199	5,683,096	8,769,573	7,611,020	7,164,318	9,374,647	9,005,458	7,276,342	8,583,139		
- two years later	5,293,774	5,376,344	8,053,417	7,090,024	6,907,429	8,673,410	8,345,563	6,581,449			
- three years later	4,620,124	5,396,822	7,918,791	6,420,626	6,827,888	8,389,139	7,882,614				
- four years later	4,588,986	5,379,192	7,751,403	6,395,977	7,011,852	8,320,524					
- five years later	4,584,692	5,246,340	7,612,015	6,436,422	6,734,033						
- six years later	4,557,898	5,155,170	7,567,799	6,414,682							
- seven years later	4,548,282	5,132,566	7,548,165								
- eight years later	4,547,489	5,102,474									
- nine years later	4,545,719										
Current estimates of :											
Cumulative claims	4,545,719	5,102,474	7,548,165	6,414,682	6,734,033	8,320,524	7,882,614	6,581,449	8,583,139	10,344,366	72,057,165
Cumulative payments to date	(4,430,567)	(4,961,313)	(7,285,536)	(6,190,004)	(6,200,641)	(7,944,070)	(7,590,965)	(5,746,480)	(6,831,205)	(5,140,493)	(62,321,274)
Liability recognised in the balance sheet	115,152	141,161	262,629	224,678	533,392	376,454	291,649	834,969	1,751,934	5,203,873	9,735,891
Reserve in respect of prior years											900,943
Total reserve included in the balance sheet											10,636,834

23. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Core:

	2006 €	2007 €	2008 €	2009 €	2010 €	2011 €	2012 €	2013 €	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	8,039,367	53,190,100
- one year later	6,277,653	4,983,702	5,244,482	5,806,238	5,993,703	5,964,826	6,476,751		
- two years later	5,548,068	4,570,697	5,094,412	5,259,385	5,678,373	5,494,455			
- three years later	5,428,170	4,486,886	5,033,480	5,027,885	5,328,498				
- four years later	5,272,624	4,483,513	5,131,648	4,998,718					
- five years later	5,136,321	4,520,014	4,945,626						
- six years later	5,087,166	4,497,787							
- seven years later	5,067,222								
Current estimates of :									
Cumulative claims	5,067,222	4,497,787	4,945,626	4,998,718	5,328,498	5,494,455	6,476,751	8,039,367	44,848,424
Cumulative payments to date	(4,809,739)	(4,280,034)	(4,565,208)	(4,784,106)	(5,080,593)	(4,707,652)	(5,174,709)	(3,996,576)	(37,398,617)
Liability recognised in the balance sheet	257,483	217,753	380,418	214,612	247,905	786,803	1,302,042	4,042,791	7,449,807
Reserve in respect of prior years									1,115,497
Total reserve included in the balance sheet									8,565,304

Estimate of the ultimate Gross claims costs for the Cells:

Cells	2008 €	2009 €	2010 €	2011 €	2012 €	2013 €	Total €
- at end of reporting year	6,608	436,538	750,960	2,097,027	2,128,125	10,125,681	15,544,939
- one year later	10,596	422,616	876,294	1,921,989	1,929,797		
- two years later	10,596	422,616	655,087	1,640,648			
- three years later	10,596	422,616	676,499				
- four years later	10,596	422,616					
- five years later	10,596						
Current estimates of:							
Cumulative claims	10,596	422,616	676,499	1,640,648	1,929,797	10,125,681	14,805,837
Cumulative payments to date	(10,352)	(421,954)	(634,709)	(1,627,745)	(1,349,228)	(1,659,326)	(5,703,314)
Other movements	(244)	(662)	(934)	173,843	65,381	73,360	310,744
Liability recognised in the balance sheet	-	-	40,856	186,746	645,950	8,539,715	9,413,267

23. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Cells:

Cells	2008 €	2009 €	2010 €	2011 €	2012 €	2013 €	Total €
- at end of reporting year	6,608	436,538	750,960	2,097,027	2,128,125	2,895,623	8,314,881
- one year later	10,596	422,616	876,294	1,921,989	1,929,797		
- two years later	10,596	422,616	655,087	1,640,648			
- three years later	10,596	422,616	676,499				
- four years later	10,596	422,616					
- five years later	10,596						
Current estimates of:							
Cumulative claims	10,596	422,616	676,499	1,640,648	1,929,797	2,895,623	7,575,779
Cumulative payments to date	(10,352)	(421,954)	(634,709)	(1,627,745)	(1,349,228)	(1,659,326)	(5,703,314)
Other movements	(244)	(662)	(934)	173,843	65,381	10,257	247,641
Liability recognised in the balance sheet	-	-	40,856	186,746	645,950	1,246,554	2,120,106

(a) Claims and loss adjustment expenses - Core

	Year ended 31 December 2013			Year ended 31 December 2012		
	Gross €	Reinsurance €	Net €	Gross €	Reinsurance €	Net €
Notified claims still outstanding	**10,369,558**	**(2,283,147)**	**8,086,411**	10,473,776	(2,371,957)	8,101,819
Incurred but not reported	**1,241,963**	**(198,722)**	**1,043,241**	1,222,937	(188,044)	1,034,893
Total at beginning of year	**11,611,521**	**(2,481,869)**	**9,129,652**	11,696,713	(2,560,001)	9,136,712
Increase in liabilities:						
- arising from current year claims	**10,344,366**	**(2,304,999)**	**8,039,367**	9,790,944	(2,512,039)	7,278,905
- arising from prior year claims	**(3,226,340)**	**943,253**	**(2,283,087)**	(2,366,187)	495,123	(1,871,064)
Claims settled during the year	**(8,092,713)**	**1,772,085**	**(6,320,628)**	(7,509,949)	2,095,048	(5,414,901)
Total at the end of year	**10,636,834**	**(2,071,530)**	**8,565,304**	11,611,521	(2,481,869)	9,129,652
Notified claims still outstanding	**9,591,091**	**(1,865,842)**	**7,725,249**	10,369,558	(2,283,147)	8,086,411
Incurred but not reported	**1,045,743**	**(205,688)**	**840,055**	1,241,963	(198,722)	1,043,241
Total at the end of year	**10,636,834**	**(2,071,530)**	**8,565,304**	11,611,521	(2,481,869)	9,129,652

(a) Claims and loss adjustment expenses - Cells

	Year ended 31 December 2013			Year ended 31 December 2012		
	Gross €	Reinsurance €	Net €	Gross €	Reinsurance €	Net €
Notified claims still outstanding	**1,131,833**	**-**	**1,131,833**	793,346	-	793,346
Incurred but not reported	**916,120**	**-**	**916,120**	917,809	-	917,809
Total at beginning of year	**2,047,953**	**-**	**2,047,953**	1,711,155	-	1,711,155
Increase in liabilities:						
- arising from current year claims	**10,125,682**	**(7,230,058)**	**2,895,624**	2,181,096	-	2,181,096
- arising from prior year claims	**(458,257)**	**-**	**(458,257)**	(218,627)	-	(218,627)
Claims settled during the year	**(2,295,713)**	**-**	**(2,295,713)**	(1,726,846)	-	(1,726,846)
Other movements	**(6,398)**	**(63,103)**	**(69,501)**	101,175	-	101,175
Total at the end of year	**9,413,267**	**(7,293,161)**	**2,120,106**	2,047,953	-	2,047,953
Notified claims still outstanding	**8,282,577**	**(7,293,161)**	**989,416**	1,131,833	-	1,131,833
Incurred but not reported	**1,130,690**	**-**	**1,130,690**	916,120	-	916,120
Total at the end of year	**9,413,267**	**(7,293,161)**	**2,120,106**	2,047,953	-	2,047,953

23. Technical provisions and reinsurance assets - continued

(b) Gross and Net unearned premiums - Core

	Year ended 31 December 2013			Year ended 31 December 2012		
	Gross €	Reinsurance €	Net €	Gross €	Reinsurance €	Net €
At beginning of year	**7,733,118**	**(3,039,088)**	**4,694,030**	7,533,177	(2,810,072)	4,723,105
Net (credit)/charge to profit and loss	**(72,394)**	**235,250**	**162,856**	199,941	(229,016)	(29,075)
At the end of year	**7,660,724**	**(2,803,838)**	**4,856,886**	7,733,118	(3,039,088)	4,694,030

(b) Gross and Net unearned premiums – Cells

	Year ended 31 December 2013			Year ended 31 December 2012		
	Gross €	Reinsurance €	Net €	Gross €	Reinsurance €	Net €
At beginning of year	**1,737,538**	**(275,475)**	**1,462,063**	1,426,103	(187,591)	1,238,512
Net (credit)/charge to profit and loss	**565,367**	**(123,600)**	**441,767**	285,181	(84,494)	200,687
Other movements	**(65,116)**	**11,270**	**(53,846)**	26,254	(3,390)	22,864
At the end of year	**2,237,789**	**(387,805)**	**1,849,984**	1,737,538	(275,475)	1,462,063

24. Borrowings

	2013 €	2012 €
Bank balance overdrawn (Note 27)	**56,880**	5,546

The Company has the following undrawn borrowing facilities:

	2013 €	2012 €
Floating rate and expiring within one year	**477,202**	500,000

25. Creditors and accruals and deferred income

	Core		Cells		Total	
	2013 €	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Creditors arising out of direct insurance operations						
Trade creditors	**734,384**	806,578	**474,871**	429,950	**1,209,255**	1,236,528
Payable to reinsurers	**370,205**	192,678	**-**	-	**370,205**	192,678
	1,104,589	999,256	**474,871**	429,950	**1,579,460**	1,429,206
Creditors arising out of reinsurance operations	**-**	-	**440,580**	320,430	**440,580**	320,430
Other creditors						
Payable to related parties	**31,130**	455,943	**748,083**	625,031	**779,213**	1,080,974
Dividends payable	**-**	-	**32,896**	-	**32,896**	-
Other creditors	**167,176**	116,320	**-**	-	**167,176**	116,320
	198,306	572,263	**780,979**	625,031	**979,285**	1,197,294
Accruals and deferred income	**1,552,651**	1,719,758	**181,463**	253,889	**1,734,114**	1,973,647
Total creditors and accruals and deferred income	**2,855,546**	3,291,277	**1,877,893**	1,629,300	**4,733,439**	4,920,577
Current portion	**2,855,546**	3,291,277	**1,877,893**	1,629,300	**4,733,439**	4,920,577

26. Cash generated from operations

	Core 2013 €	Core 2012 €	Cells 2013 €	Cells 2012 €	Total 2013 €	Total 2012 €
Insurance premiums received	**18,875,799**	18,316,684	**15,644,038**	14,885,677	**34,519,837**	33,202,361
Reinsurance premiums paid	**(6,917,388)**	(7,875,162)	**(421,766)**	(340,172)	**(7,339,154)**	(8,215,334)
Claims paid	**(8,735,837)**	(8,069,743)	**(2,295,713)**	(1,726,846)	**(11,031,550)**	(9,796,589)
Reinsurance claims received	**1,772,085**	2,095,048	**-**	-	**1,772,085**	2,095,048
Commission and other income	**2,612,352**	3,079,737	**(72,426)**	56,924	**2,539,926**	3,136,661
Cash paid to employees, related parties and other suppliers for services and goods	**(5,354,017)**	(6,016,231)	**(11,489,116)**	(8,692,581)	**(16,843,133)**	(14,708,812)
Interest received	**512,740**	425,874	**40,511**	26,061	**553,251**	451,935
Dividends received	**428,918**	124,781	**-**	-	**428,918**	124,781
Rental Income	**104,300**	101,130	**-**	-	**104,300**	101,130
Net (purchase)/disposal of operating assets:						
- loans and receivables	**3,436,256**	2,540,810	**(181,781)**	(1,625,240)	**3,254,475**	915,570
- financial assets at fair value through profit or loss	**(5,068,072)**	(1,996,306)	**-**	-	**(5,068,072)**	(1,996,306)
Cash generated from operations	**1,667,136**	2,726,622	**1,223,747**	2,583,823	**2,890,883**	5,310,445

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 2013 €	Core 2012 €	Cells 2013 €	Cells 2012 €	Total 2013 €	Total 2012 €
Cash at bank and in hand	**1,427,090**	951,725	**3,765,675**	5,371,075	**5,192,765**	6,322,800
Held with investment managers	**558,122**	1,706,372	**-**	-	**558,122**	1,706,372
Bank balance overdrawn	**(56,880)**	(5,546)	**-**	-	**(56,880)**	(5,546)
At end of year	**1,928,332**	2,652,551	**3,765,675**	5,371,075	**5,694,007**	8,023,626

The weighted average interest rate on bank balances as at year-end was 0.07% p.a. (2012: 0.06%p.a.). Included in cash at bank and in hand is an amount of €55,608 (2012: €55,608) which is pledged as guarantees to third parties.

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:

	2013 €	2012 €
Income		
Parent company:		
Interest charged	**6,600**	9,900
Fellow subsidiaries:		
Payroll costs charged	**26,294**	142,984
Subsidiaries:		
Interest charged	**-**	41,405
Payroll costs charged	**161,591**	-
Other related entities:		
Payroll costs charged	**20,098**	31,098

28. Related party transactions - continued

	2013 €	2012 €
Expenditure		
Fellow subsidiaries:		
Commissions	**27,069**	19,401
Other related entities:		
Management fees	**61,696**	44,132

In relation to cells, 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 €59.8m (2012: €50.0m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2013 and 2012.

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:

	2013	2012
	€	€
Not later than 1 year	**77,203**	65,220
Later than 1 year and not later than 5 years	**235,342**	229,618
Later than 5 years	**250,421**	141,686
	562,966	436,524

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €68,918 (2012: €58,768) were recognised as an operating expense in profit or loss.

31. Contingent liabilities

As at 31 December 2013, the Company had issued special bank guarantees of €71,493 (2012: €44,659) 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.

33. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with current year's disclosure for the purpose of fairer presentation.

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