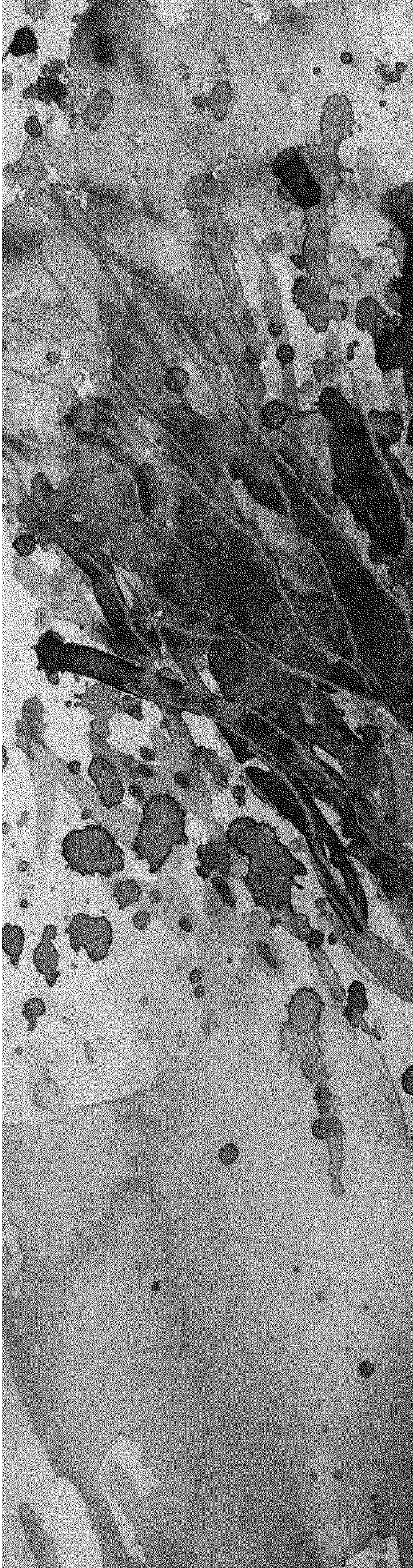
ANNUAL REPORT 2018

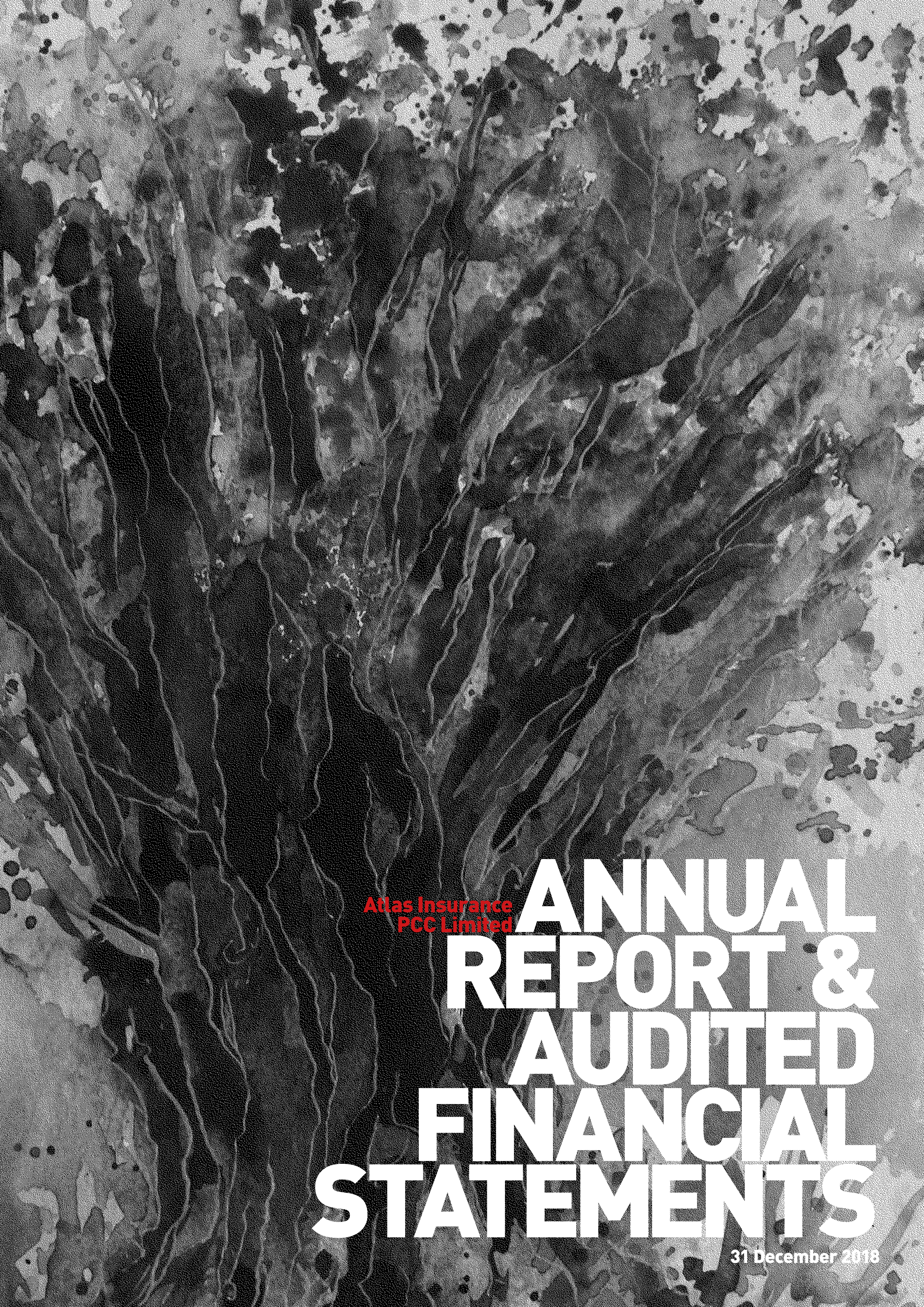
People you can trust

Atlas Insurance

atlas.com.mt



Cover Image by Jeni Caruana – 'World Tree', mixed media,
featured in the Atlas 2019 Calendar



Atlas Insurance PCC Limited

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

31 December 2018

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
- Passion
- Respect

CONTENTS

CHAIRMAN'S STATEMENT

The performance of Atlas Insurance in 2018 on its non-cellular (Core) technical account and other insurance activities was the best ever in the history of the Company. I thank the leadership team and all the employees for the efforts they have put in and the results they have achieved. Atlas has continued to operate in a very demanding trading environment, which has challenged us to focus on our twin objectives to deliver to our customers and to deliver to our shareholders.

ECONOMIC ENVIRONMENT

The Maltese economy has continued to perform well, maintaining a similar level of growth as the previous year, with the gross domestic product growing by 6.6% in real terms, compared to 6.7% in 2017 and 5.7% in 2016. The labour market has also continued to expand, with a total of 204,494 persons being in full time employment and 35,050 persons being in part time employment. Average wages and salaries for the whole economy increased by 5.6% in 2018 over 2017.

Household consumption grew by 8.3% over the previous year, denoting a still very positive consumer sentiment. The annual rate of inflation in December 2018 was 1.2%. Exports of goods and services increased by 4.3%, while representing 144% of the gross domestic product. Malta registered a favourable balance between exports and imports of goods and services of over €2.5 billion.

Financial and insurance activities have also performed well during 2018, with gross value added of this sector increasing by 7.7% to just under €667 million. This sector was reported to have employed 11,742 persons at the end of 2018, an increase of 4% over the previous year.

FINANCIAL RESULTS

The total assets of the Company stood at €109.2 million at the end of December 2018, down from €121 million the previous year due to the settlement of a material claim on one of the cell's books which was recoverable at year end 2017 from reinsurers. Net assets increased from €38 million to €39.3 million.

Profit before tax accruing to the Core stood at €4.4 million while profit before tax for the PCC as a whole decreased from €7.5 million to €6 million. Earnings per share for the Core shareholders amounted to €0.57, and the return on capital employed for the PCC on the whole stood at 15.3%.

Dividends amounting to €1.4m million were paid to the Core shareholders in 2018. An interim dividend was proposed by the Board of Directors and paid to the Core shareholders amounting to €0.7 million in February 2019 and at the forthcoming Annual General Meeting, a final dividend of €0.7 million after tax is being proposed by the directors to the Core shareholders. Interim dividends to cell shareholders were also paid during 2018 amounting to €0.06 million.

The Company's balance sheet continues to show high levels of capital surplus over regulatory requirements. The solvency ratio stood at 2.94 times the capital requirement for the Company as a whole on the 31 December 2018.

Gross premiums written by the Core have increased by 5.6% in 2018 over 2017 to €26.7 million. The balance on the Technical Account for the Core increased by €0.6 million to €4.6 million while the balance on the Technical Account of the Cells decreased by €1.3 million to €1.7 million. The total balance decreased by €0.7m to €6.3 million.

Net operating expenses remained stable at €3.1 million, despite increased remuneration of employees and increased compliance costs. Investment income in 2018 accruing to the Core shareholders, net of investment costs, experienced a decrease of €1.4 million.

MANAGEMENT AND STAFF

These results would not have been possible without the dedication, professionalism and commitment of the staff to the Company. I thank the Managing Director, Michael Gatt, and his leadership team for their continued focus on serving our customers, the pride in their work, and their desire to improve.

We continue to develop the Atlas employer brand to achieve our objective to transform Atlas into an employer of choice in the insurance sector. We strive to give our staff an enriching employment experience, which helps them to develop their skills, while helping them to remain forward looking and continually responsive to customer needs.

BOARD OF DIRECTORS

The Board of Directors is fully conscious of its responsibility to provide an effective corporate governance structure to the Company. Board members rigorously challenge each other on strategy and performance to ensure that the decisions we make are of the highest quality. The complementarity of the skills, experience and expertise of the non-executive directors and the executive directors enables the Board to adopt a balanced view to provide the appropriate direction to the Company.

We scrutinize our performance in an annual evaluation review, where we examine our progress against our plans and our collective effectiveness. We seek to ensure that all our deliberations take place within the context of the risks involved as we recognize that effective risk management is essential to the Company achieving its objectives.

We also attach great importance to communication with the Executive Committee and there is a very healthy exchange of ideas in the formulation of the Company's business strategy and the adoption of the appropriate risk appetite parameters as well as the Own Risks and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (SFCR) and the Regulatory Solvency Report (RSR).

Non-Executive Directors also chair five committees, set up to enhance the corporate governance structure. These five committees, which meet regularly and include the participation of executive management, are the Audit Committee, the Risk and Compliance Committee, the Remuneration and Nominations Committee the Investments Committee, and the Information Systems Committee. The charters of the various committees as well as the various policies of the company are formally reviewed annually to ensure that these policies reflect best practice in corporate governance.

BREXIT AND ITS CHALLENGES

During 2018, the Board of Directors has also focussed on the challenges brought about by the exit of the United Kingdom from the European Union, in particular because of the uncertainty surrounding it.

We have started to underwrite directly the health business from 2019, a decision that provides further opportunities for growth for the Company. We continue to assess our Cells portfolio with a view to determining how best to manage it once the UK exits the EU, but in the meantime, the Company's application to carry out business in the UK under the Temporary Permission's regime has been accepted by the UK PRA.

OUR CONTRIBUTION TO SOCIETY

Our CSR efforts continue to be focused in three primary areas being our contribution to our nation's health and fitness, our contribution to our heritage as well as to children's charities. A key criterion for the prioritisation of various proposals made to the company in these areas is the ability to involve our key stakeholders in what we do and we endeavour to involve our staff and clients in various CSR initiatives throughout the year.

The sponsorship of Melita FC continued in 2018 and we supported and collaborated in a number of other fitness and wellbeing related initiatives during the year including Alive and Action for Breast Cancer Foundation, the latter two again with staff involvement. Wellness related talks for staff continued to be held with talks on Varicella Awareness and First Aid being very popular.

The collaboration with Din L-Art Helwa on the restoration of the White Tower in Armier and the upgrading of the Rainbow Ward at Mater Dei Hospital continued. Two groups of staff members were again given volunteering leave to help Din L-Art Helwa in clean-ups around the White Tower in autumn and donations were made to upgrade the resources of the Rainbow Ward.

We continued to support both Fondazzjoni Patrimonju Malti and Young Enterprise during 2018, two organisations that we have worked closely with for many years.

OUTLOOK

Technology is in many ways transforming how people work and on how clients engage and interact with Atlas. As such this is an area that your Board shall be working on in the coming months, mindful of the need to invest to support long term growth, whilst driving financial performance in the short term and the medium term. This investment shall be complemented by investment in our staff to enable them to respond effectively to change while maximising their wellbeing and their job satisfaction.

These efforts are expected to drive further value for the shareholders, to enhance the relationship we build with our customers, to expand our product portfolio, to develop further the Atlas employer brand, and to remain committed to our contribution to Maltese society. Once again, I thank all the Group's customers, employees, the leadership team, shareholders and partners for their support throughout the year.

Lawrence Zammit
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

During the past financial year, Atlas Insurance PCC Limited ('Atlas') once again achieved very satisfactory results, recording a pre-tax profit of €6 million. The Core produced a profit of €4.4 million whilst the cells recorded overall profits of €1.6 million. The main driver of this positive outcome was the very satisfactory technical performance on the Core business in particularly the motor class of business, which saw a continued improvement in loss ratios following a number of years of poor results. These results were achieved despite the Company enduring the poorest investment returns since 2018 with global equity and bond markets experiencing extreme volatility during the year. The Core combined loss ratio ended the year at a very positive 82%. We have further strengthened our solvency ratio which continues to be well above the minimum regulatory requirement at 294% of the Solvency Requirement under Solvency II Regulation.

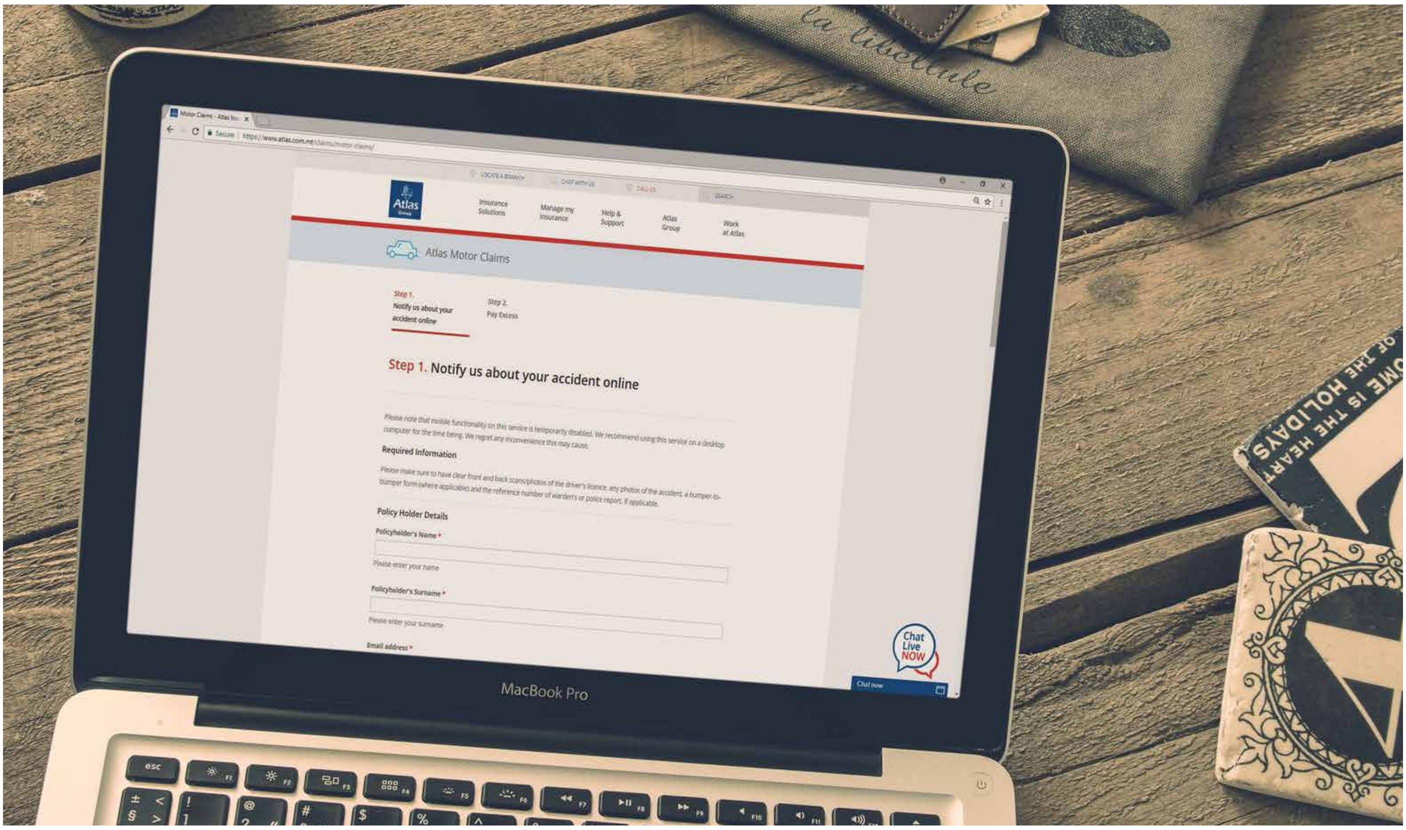
The Maltese economy continued performing at a sustained rate, with GDP growth well above the Eurozone average. This favourable economic environment positively influenced our revenue streams despite the tough competitive non-life market we operate in.

Aggregate written premiums reported by the Core and Cells reached €45.3 million. Overall Group and cell premium written, including premiums written through our subsidiary Atlas Healthcare Insurance Agency Limited reached €56.3 million, an 11.5% growth over the previous year.

To mitigate the impact Brexit could have on cells writing UK business, Atlas commenced the process of applying for a UK branch. The Company has recently received confirmed acceptance of its entry into the UK's Temporary Permissions Regime that would apply should there be no EU-agreed implementation period. This ensures we can continue to write UK business under different Brexit scenarios giving us adequate time to conclude our branch authorisation.

The Company's Core net operating expenses rose only slightly over the previous years such that the cost-to-premium income ratio fell to below the previous years. Employee compensation and benefits, the major cost item, increased although the staff complement was on average only slightly more than the previous year, reflecting the need to retain existing staff in a tight labour market characterised by wage inflation. We mitigated these risks by focusing on employee engagement through concentrating on what Atlas means to staff; continuing working at creating a positive work experience for our people, in an environment where they feel cared for. This was borne out when we were awarded the Business Leaders Employer of the Year 2017 in our category again, for the second year running. We also saw an increase of qualified staff throughout 2018, and continued to develop an ambitious internal training and development programme to underpin our talent management and succession planning.

Through various staff discussions we developed four employment values: family feel environment, long term learning and growth opportunities, leaders in customer care and professionalism. Through these we will continue to develop Atlas as an employer of choice. Our new Learning Management System or Atlas Academy is being utilised to ensure compliance with important new legislative requirements such as those mandated by Insurance Distribution Directive as well as continued updating on GDPR and Cyber risks as well as customer care and other important topics.



This is all part of our commitment to transform Atlas into a Learning Organisation enabling our people to access learning material in real time, at times convenient to them from our online platform. We are also investing in developing a coaching culture to enable our human resources to become true knowledge workers making the very best use of their talent.

In 2018, we reviewed our digital strategy and laid the ground work that will see us use new technology systems focused on helping us serve our customers better whilst significantly improving internal efficiency. The main transition will take two to three years to complete, and this will enable us to deliver new services and implement further improvements more nimbly. A cross functional team is facilitating this and, to support, we are committed to strengthen our human resources with training and recruitment. This is an investment which we believe will enable us to continue to grow our portfolio in the coming years, continue to improve the service we give to clients and meet future needs, challenges and opportunities.

Towards the end of 2018 we agreed with AXA PPP healthcare Ltd to transfer all their Malta based health insurance clients to Atlas as and when the policies expire. This will happen throughout 2019 so that Atlas will write all health policies previously written by AXA PPP by the end of the year, thereby substantially increasing the overall premiums written by Atlas. The Group will continue to be AXA Partners, reinsuring with AXA PPP healthcare with health insurance clients continuing to enjoy a number of AXA benefits including its various support networks.

The positive results for 2018 would not have been possible without our management team's unwavering dedication helped in no lesser way by our hard working staff, Tied Insurance Intermediaries and equally supported by the broker community. I would therefore like to thank all our colleagues and customers for their support during 2018.

Michael Gatt
Chief Executive Officer

BOARD OF DIRECTORS

FROM LEFT TO RIGHT

Lawrence Zammit

Franco Azzopardi

Catherine Calleja

Michael Gatt

Matthew von Brockdorff

Andre Camilleri

Philip Micallef

BOARD OF DIRECTORS

LAWRENCE ZAMMIT is a Founding Partner and a Director of MISCO. At MISCO he serves as a consultant on HR matters to a number of business organisations across a range of economic sectors. He set up the marketing and opinion research unit of MISCO and delivers training programmes on strategic leadership and marketing issues. He also has direct hands on experience in leading organisations, serving and having served on the Board of Directors of a number of Companies and Public Corporations. Lawrence is also the Chairman of the Board of Atlas Holdings Limited. He is a Fellow of the Chartered Institute of Marketing and a member of ESOMAR

FRANCO AZZOPARDI, a Certified Public Accountant with a UK post-graduate MSc in Finance, spent twenty-seven years working in public practice, ten of which with Deloitte Haskins and Sells and later in a firm he co-founded. In 2007 he decided to exit the firm to contribute more towards the strategic direction of boards of directors. He is today a professional director and a registered fellow member of the UK Institute of Directors. His portfolio includes directorships on Boards, Audit Committees, and Risk and Compliance Committees of both listed and private companies in various sectors including banking, insurance, software, logistics, private equity, and professional services, among others.

CATHERINE CALLEJA is Director and Company Secretary of Atlas Insurance PCC Limited and holds the position of Director and Group Company Secretary of the Atlas Group of Companies and is Managing Director of Atlas Healthcare Insurance Agency, a subsidiary of Atlas Insurance. She is a director and company secretary of Jesmond Mizzi Financial Advisors Limited and Company Secretary of Eagle Star (Malta) Limited. She is currently President of the Malta Insurance Association, chairs the Human Resources Committee at the Chamber of Commerce, Enterprise and Industry and is a Visiting Lecturer at the Department of Insurance and Risk Management at the University of Malta.

MICHAEL GATT is the Chief Executive Officer of Atlas Insurance PCC Limited . He has been in the insurance industry for over 40 years. In 2000, he became sales director for Atlas Insurance Agency Limited then agents for AXA Insurance plc. When the company became a fully-fledged Maltese insurance company in 2004, he was appointed Managing Director and saw it through its conversion to a Protected Cell Company in 2006, thereby expanding services into international business. He is also a director of Atlas Healthcare Insurance Agency Ltd., Strategic Risk Solutions Insurance Management Services PCC Limited, Eagle Star (Malta) Limited, Assikura Insurance Brokers Ltd. and Jesmond Mizzi Financial Advisors Ltd.

MATTHEW VON BROCKDORFF, is a fellow of the Chartered Insurance Institute and has been in the insurance industry for over 30 years. He is responsible for the Claims, IT and Property Management functions at Atlas Insurance. Matthew is a director of Atlas Holdings Ltd, Atlas Insurance PCC Ltd, Atlas Healthcare Insurance Agency Ltd and Jesmond Mizzi Financial Advisors Ltd. He is a past president of the Malta Insurance Association and of the Rotary Club La Valette Malta, a board member of JAYE Malta and a member of the Executive board of Fondazzjoni Patrimonju Malti.

ANDRÉ CAMILLERI graduated in law and economics in Malta and Milan, Italy. He worked with Saudi Aramco in The Netherlands, Brazil and South Korea and, in Malta, at the Attorney General's Office, the Malta Development Corporation and Simonds Farsons Cisk plc. From 2002 to 2014 he served as the Director General of the Malta Financial Services Authority. He is currently a member of the ECB's Administrative Board of Review."

PHILIP MICALLEF holds a Bachelor's degree in electrical engineering and an MBA and has worked in various senior positions both in private and public sectors in Malta and abroad. He started his career with Olivetti in Italy, Switzerland and Spain and some of the positions he held include Director Global Customer Service France Telecom, CEO Malta Enterprise, CEO Melita Cable, Executive Chairman Malta Communications Authority, Chief Executive Bermuda Telecom Regulatory Authority and CEO Air Malta.

EXECUTIVE COMMITTEE

FROM LEFT TO RIGHT

Michael Gatt

Mark Camilleri

David Mifsud

Ian-Edward Stafrace

Matthew von Brockdorff

Catherine Calleja

Robert Micallef

BOARD AND EXECUTIVE COMMITTEES

BOARD OF DIRECTORS

Lawrence Zammit M.A. (Econ.)
Chairman

Franco Azzopardi M.Sc. (Leicester), F.I.A. , C.P.A.
Non Executive

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)
Non Executive

Catherine Calleja B.A.(Hons.), A.C.I.I.
Executive and Company Secretary

Michael Gatt
Managing

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)
Non Executive

Matthew von Brockdorff FCII
Deputy Managing

AUDIT COMMITTEE

Franco Azzopardi MSc (Leicester) FIA CPA
Chairman

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)

Lawrence Zammit MA (Econ)

RISK AND COMPLIANCE COMMITTEE

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)
Chairman

Franco Azzopardi MSc (Leicester) FIA CPA

Catherine Calleja BA(Hons) ACII

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)

Matthew von Brockdorff FCII

REMUNERATION AND NOMINATIONS COMMITTEE

Lawrence Zammit MA (Econ)
Chairman

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)

INVESTMENTS COMMITTEE

Lawrence Zammit MA (Econ)
Chairman

Franco Azzopardi M.Sc. (Leicester), F.I.A. , C.P.A.

John P Bonett

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)

Mark Camilleri

Michael Gatt

INFORMATION TECHNOLOGY COMMITTEE

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)
Chairman

Vinay Aarohi

Michael Gatt

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

Matthew von Brockdorff FCII

EXECUTIVE COMMITTEE

Michael Gatt
Chairman

Catherine Calleja B.A.(Hons.), A.C.I.I.

Mark Camilleri

Robert Micallef

David Mifsud F.C.I.I.

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

Matthew von Brockdorff F.C.I.I.

PROTECTED CELLS COMMITTEE

Michael Gatt
Chairman

John P Bonett

Catherine Calleja BA(Hons) ACII

Mark Camilleri

David Mifsud FCII

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

Matthew von Brockdorff FCII

OFFICES AND BRANCHES, CELLS AND PROFESSIONAL SERVICES

OFFICES AND BRANCHES

HEAD OFFICE
48-50, Ta' Xbiex Seafront, Ta' Xbiex XBX 1021

ATLAS HEALTHCARE INSURANCE AGENCY/EAGLE STAR (MALTA) LIMITED/FINANCE, COMPLIANCE AND INTERNAL AUDIT OFFICE
Abate Rigord Street, Ta' Xbiex XBX 1121

BIRKIRKARA BRANCH
1, Psaila Street, Birkirkara BKR 9070

BORMLA BRANCH
55, Gavino Gulia Square, Bormla BML 1800

MOSTA BRANCH
94, Constitution Street, Mosta MST 9055

PAOLA REGIONAL OFFICE
Valletta Road, Paola PLA 1517

RABAT BRANCH
45, Vjal il-Haddiem, Rabat RBT 1769

SAN ĠWANN BRANCH
Naxxar Road c/w, Bernardette Street,
San Ġwann SGN 9030

SKYPARKS BRANCH
Malta International Airport, Luqa LQA 3290

ST PAUL'S BAY BRANCH
2, Toni Bajada Street, St Paul's Bay SPB 3227

ŻEBBUĠ BRANCH
148, Vjal il-Ħelsien, Żebbuġ ZBG 2079

CELLS

PERFECTHOME CELL • TRAVELODGE CELL wound up December 2018 • OCADO CELL • TVIS CELL • AMPLIFON CELL • GEMINI CELL • L'AMIE CELL

PROFESSIONAL SERVICES

ACTUARIES
Barnett Waddingham

AUDITORS
PricewaterhouseCoopers

BANKERS
APS Bank Limited

Bank of Valletta p.l.c.

Barclays Bank plc.

HSBC Bank Malta p.l.c.

Lombard Bank Malta p.l.c.

INVESTMENT MANAGERS
BOV Asset Management Limited

Jesmond Mizzi Financial Advisors Limited

APS Asset Management Limited

Rizzo Farrugia & Co (Stockbrokers) Limited

LEGAL ADVISORS
Ganado & Associates

Mamo TCV Advocates

SD Advocates

Vella Zammit McKeon

PICTORIAL HIGHLIGHTS

1

2


3


4


5

6

1. Atlas holds month long dress down in October for Breast Cancer Awareness.
2. Atlas Wellness – Chicken Pox and Shingles Awareness Session
3. Atlas wins Business Leaders Employee Voice Award for the second year running
4. Atlas provides kitchen items to Rainbow Ward, Sir Anthony Mamo Oncology Hospital.
5. Staff clean-ups as part of sponsorship of Din l-Art Helwa White Tower restoration.
6. Atlas Chief Financial Officer participates in Junior Achievement Young Enterprise Leader for a Day Programme

Atlas Insurance PCC Limited

REGISTERED OFFICE
48 – 50 Ta' Xbiex Seafront,
Ta' Xbiex XBX 1021, Malta
Tel: (+356) 2343 5363 Fax: (+356) 2134 4666
insure@atlas.com.mt

Atlas Insurance PCC Limited is a cell company authorized under the Insurance Business Act, 1998 to carry on general insurance business and is regulated by the Malta Financial Services Authority. The non-cellular assets of the company may be used to meet losses incurred by the cells in excess of their assets.

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the Company consist of the business of insurance. The Company is licensed as a cell company to write general business in terms of Article 7 of the Insurance Business Act (Cap.403) by the Malta Financial Services Authority in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2010.

Review of the business

The Board of Directors reports that the Company registered good results for 2018 for both the Non-Cellular shareholders (Core) and the Cellular shareholders with the PCC. Technical results were the main contributing factor to these positive results while investment performance reduced significantly from the previous period with volatility in both local and foreign securities' markets, impacting performance in this area.

The Company registered an aggregate net profit before tax for the year of €6,005,524 (2017: €7,522,707) and a net profit after tax of €3,731,205 (2017: €4,886,507). Profits before tax accruing to the non-cellular shareholders amounted to €4,362,052 (2017: €4,560,478) before taxation.

Core

The Board of Directors' objective remains that of consolidating balance sheet reserves with an end to safeguarding Policyholder interest, balanced with its dividend distribution policy. In this regard the relatively conservative underwriting and reinsurance policies as well as a prudent dividend policy applied by the Board continue to work toward this objective and consistently produce steady profitability as well as growing the Company's reserves and consolidating its balance sheet strength. The Core's regulated solvency position as at 31 December 2018 stood at 294% (2017: 234%) of the minimum Solvency requirement.

The motor class continues to produce positive results for the year under review which combine well with good results produced for other classes. This has resulted in a combined loss ratio of 82% (2017: 83%) across the Core's full portfolio.

During the financial year ended 31 December 2018 the Core continued to increase premium income with positive growth being registered in all classes of business. The resulting premium written increased by 6% over the previous year. The Company's prudent investment policy caused a balance for the managing of realised investment income softening the negative results for fair value movements. In effect this caused a neutral impact of the Company's results notwithstanding a volatile year in both local and international stock exchange market places.

In the coming financial year, the Company expects to continue to grow in the core local business. Its PCC operation continues to attract enquiries for the setting up of cellular insurance operation. The Company will continue to focus on maintaining recent profitability for the motor account, the prudent management of core operating costs and its cautious investment strategy.

Besides operating through its Ta' Xbiex Offices, the Company also operated during 2018 through nine branches strategically spread throughout the Island to service its clients. During 2018, the Company closed its branch office in Qormi and carries on to service its clients through its geographically neighboring branch network.

Directors' report - continued

Cellular

During the year under review no new cell has been incorporated within the PCC.

Effective 28 December 2018 the Travelodge Cell was wound up at the request of the shareholder following the Travelodge Group's decision to no longer offer cancellation insurance for its hotel room booking.

The operating cells have continued to contribute to the Company's aggregated profitability. Such portion of profitability accrues to cell shareholders.

During the year, the cells carried on operations registering continued positive results with a combined profit before tax at €1,643,472 (2017: €2,962,229) and after tax at €985,372 (2017: €1,874,877) accruing to the cell shareholders.

Principal risks and uncertainties

The Board is confident that it addresses a full inventory of the risks the Company's administration and operations face through its risk management structures. The mitigation for the principal risks are disclosed under note 3 of these accounts which impact is reported under notes 15 and 21.

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.

Subsidiaries

The Company fully owns two licensed subsidiaries Atlas Healthcare Insurance Agency Limited and Eagle Star (Malta) Limited

In November 2018, Atlas Healthcare Insurance Agency Limited was authorized by the MFSA under the Insurance Distribution Act to act as enrolled insurance agents for the Company as well as AXA PPP healthcare Limited. Effective 1 January 2019 the agency is writing new business and offering renewals as agent for the Company. The Company retains a strong partnership with AXA PPP healthcare Limited as reinsurer.

Also, in November 2018 the Company transferred 75% of its interest in Ark Insurance Management PCC Limited to Strategic Risk Solutions (SRS Europe) Limited and was renamed Strategic Risk Solutions Insurance Management Services Europe PCC (SRS). As such the Company's investment in SRS is now that of investing in an associate and therefore is not considered to be a subsidiary.

In July 2018 the Company went on to acquire 100% ownership of Eagle Star (Malta) Limited. This company is the appointed entity to run off a Long Term Insurance Business portfolio and is overseen by the MFSA.

It is the Company's declared financial policy to direct its subsidiaries' reserves within its own financial management processes and for this reason, causes its subsidiaries to upstream excess financial resources over those required under regulation, while preserving their regulated financial positions.

Atlas Healthcare's increased growth and sustained profitability has continued to contribute to the Company's success during the period under review through dividend income distribution. The agency's net asset value totaled €1,077,440 as on 31 December 2018, which result is in excess of regulated financial resources requirements under the Insurance Distribution Act.

Directors' report – continued

Eagle Star (Malta) Limited carries on to hold sufficient financial resources ensuring continued operation for the run off it is appointed to carry out. The net asset value of the company is reported as on 31 December 2018 at €107,222.

Board of Directors

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

Lawrence Zammit M.A. (Econ.) – Non Executive Chairman
Franco Azzopardi M.Sc. (Leicester), F.I.A., C.P.A. - Non Executive Director
Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan) - Non Executive Director
Catherine Calleja B.A. (Hons.), A.C.I.I. - Executive and Company Secretary
Michael Gatt – Managing Director and Chief Executive Officer
Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick) - Non Executive Director
Matthew von Brockdorff FCII - Deputy Managing 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 19 and 20.

During the year under review the directors declared the payment of non-cellular Ordinary dividends of €1,377,000 net of tax and paid to the shareholder. The directors also approved the payment of an interim dividend net of tax of €120,222 and €500,000 to the cellular shareholder, TVIS Limited and Amplifon respectively, out of the profit reserves of these Cells.

On 30 January 2019, the Board approved the payment of a net interim dividend of €700,000 to the non-cellular shareholders.

The directors propose the payment of a final dividend of €700,000 net of tax to the non-cellular shareholder.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Insurance Business Act (Cap.403) and the Maltese Companies Act (Cap.386) 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 as modified by Article 174 of the Maltese Companies Act, (Cap. 386);
- 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 Companies Act (Cap.386). 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.

Directors' report – continued

Statement of directors' responsibilities for the financial statements - continued

In terms of the Companies Act (Cell companies carrying on business of insurance) Regulations, 2010, 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 2018 are included in the Annual Report 2018, 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
Chairman

Michael Gatt
Managing Director and CEO

Registered office
48-50 Ta' Xbiex Seafront
Ta' Xbiex
Malta

18 April 2019

Corporate Governance – Statement of Compliance 2018

The board of directors of Atlas Insurance PCC Limited ensures that the Company adopts the Malta Financial Services Authority (MFSA) Corporate Governance Guidelines for Public Interest Companies. As a public interest company as well as a large private company as defined under these Guidelines, the Company highlights adherence to this Code in its Annual Report. Additionally, as a licensed insurance undertaking, it is also regulated by various rules issued under the Insurance Business Act (Cap 403) and is guided by the EIOPA Guidelines on Systems of Governance and other international models of best practice.

The Board

The seven members of the Atlas Board of Directors are considered to be fit and proper to direct the business of the Company. The board is appointed annually and assessed in order to ensure that members collectively have the required mix of qualifications, knowledge and experience to oversee the continued successful performance of an insurance undertaking. Members of the board are judged to have the necessary background in insurance and financial markets, business strategy and governance, financial and actuarial analysis, legal and regulatory frameworks as well as information technology and Human Resources Management in order to be able to provide the necessary leadership, integrity and judgement to direct the Company.

The board is appointed at the Annual General Meeting as per the Memorandum and Articles of Association of the Company and is composed of a majority of four Independent Non-Executive Directors (NEDs) and three Executive Directors one of whom is the Chief Executive Officer of the Group and Managing Director of the Company. The other Executive Directors on the board are the Deputy Managing Director and the Group Company Secretary, who bring additional knowledge and experience to the table. This mix of executive and non-executive directors enables appropriate interaction with senior management and adequate transfer of relevant information. The board also ensures that it has, also through the various board committees listed below, access to information which it can challenge as well as access to key individuals and entities which may affect the risk profile of the Company and the Group. The board meets several times a year with the full Executive Committee of the Company and with other key executives, especially at board committee level, to further strengthen significant decision taking. The Executive Committee is also involved in board discussion on Strategy, the Budget approval process and in the development and discussion of the Own Risk and Solvency Assessment (ORSA).

It is felt that the board composition and balance is the right mix for the circumstances, size and complexity of the Company. As required by the Insurance Business Act, the Board of Directors is ultimately responsible for the compliance by the Company with the Act, regulations, and Insurance Rules issued thereunder. The board has a number of annually reviewed board policies and reporting procedures, the latter ensuring effective internal controls procedures with pertinent monitoring and reporting mechanisms to the board itself.

The board considers that the non-executive directors appointed are of sufficient calibre to balance the strength of character of the executive directors and the roles of the Chairman and Managing Director are kept separate. An atmosphere of constructive and impartial debate is facilitated by the Chairman in order to encourage strategic decision taking together with executive directors and other Executive Committee members.

The non-executive directors chair five of the board committees being the Audit, the Investments, the Risk and Compliance, IT and the Remuneration and Nominations Committees. Through these committees, non-executive directors are further enabled to recognise and support innovation within the management of the company while striking a balance between enterprise and control at Atlas.

Corporate Governance – Statement of Compliance 2018 The Board - continued

There is a clear division of responsibilities at Atlas between the running of the board and the executive responsibility for the running of the business. The separation of the chair and Chief Executive Officer roles increases the board's independence from management and leads to better monitoring and oversight and, ultimately, to board independence. The primary role of the Chairman of the board is to focus the board on the ongoing development and determination of the Company's strategy and direction. The Chairman creates and maintains the right conditions for constructive discussion and the participation of all directors to enable each director to play a full and constructive role in the affairs of the Company. He leads the board and also sets the agenda and the order of that agenda, in collaboration with the Company Secretary. The Chairman ensures that the board receives accurate, timely and clear information and directs discussion to the emergence of a consensus view and sums up discussions to ensure the accurate recording and follow up of the key decisions taken.

Dr Andre Camilleri, the Senior Independent Director is appointed by the board as a whole to provide a sounding board for the Chairman and Group Chief Executive Officer on board matters, as well as a trusted intermediary for other non-executive directors. This Director is also available to address the concerns of shareholders or, indeed, members of staff, through the Group's Raising a Concern (Whistleblowing) Policy. The Senior Independent Director annually administers the board evaluation process during the last quarter. This is an important component of the board's annual review of the past period and for planning the board agenda for the following year including identifying development areas. The Senior Independent Director also chairs the Risk and Compliance Committee

The Chief Executive Officer runs the Company and is answerable to the board for the realisation of the Company strategy, while the non-executive Chairman serves as a valuable sounding board and mentor for the Chief Executive Officer, which is beneficial for the Chief Executive Officer, shareholders and the Company.

All board and board committee meetings are scheduled prior to the start of each year and, during 2018, the board met more frequently than in previous years. Eleven meetings were held, three of which on specific matters of strategic importance including the Group Own Risk and Solvency Assessment process.

Under Solvency II Group Supervision rules, Atlas Holdings, as the ultimate parent insurance holding company of the Group, has identified Atlas Insurance as the undertaking responsible for fulfilling the governance requirements for the Group. As the responsible undertaking for group supervision, the board and board committees as well as the key functions have an effective overview of the whole Group, and key financial and non-financial performance indicators of group companies are regularly discussed within these fora. In July 2018, Eagle Star (Malta) Limited was purchased by the Company and in November 2018, the majority shareholding of Ark Insurance Management PCC Limited (now Strategic Risk Solutions Insurance Management PCC Limited) was sold.

Agendas and information packs are sent well in advance of board and committee meetings and organised and recorded on a secure web portal. Agendas are set keeping a balance between strategy and planning, reporting on key performance indicators and current operational issues. Minutes of board meetings faithfully record attendance, decisions taken and resolutions, and are issued on a timely basis.

Corporate Governance – Statement of Compliance 2018 The Board - continued

Board and Executive Committees

In accordance with the provisions of the Memorandum and Articles of the Company, the board has delegated specific responsibilities to board committees. With due regard to the System of Governance required by the Solvency II Directive, the board has established the Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee and the Investment Committee to oversee policy in these important areas. The Protected Cells Committee, the Information Technology Committee and the Executive Committee provide additional support and information to the board. Appointment to all these committees is the prerogative of the board of directors and the board ensures an appropriate interaction with all of the committees it establishes as well as key functions reporting to such committees and to the boards of daughter companies. Members of these committees are listed on pages 7-11. The board is also copied with minutes of the committee meetings. The committees also have charters, which are set and annually reviewed by the board and the committees themselves also annually review their performance. The two executive committees, being the Executive and the Protected Cells Committees, are chaired by the Chief Executive Officer, while the other board committees are chaired by NEDs.

Audit Committee

The Audit Committee met six times during 2018. The Committee, composed entirely of non-executive directors, is chaired by Mr Franco Azzopardi who is considered by the board to have the relevant financial literacy and expertise in accounting, internal controls and auditing to perform this function. Other members of the committee are Mr Lawrence Zammit and Mr Philip Micallef.

The Committee has oversight of the integrity of the Group's financial reporting, the qualifications and independence and performance of the Group's external auditors as well as the performance of the Group's internal audit function including the internal control systems. It also reviews and assesses the qualitative aspects of financial reporting to shareholders and meets with external auditors, to review any problems or difficulties they encounter as well as to review audit plans prior to the commencement of audit cycles and finally to review financial statements prior to their presentation to the board. The Committee also exercises approval on the appointment or discharge of the auditors and pre-approves any permitted non-audit services to be performed by the auditors.

As part of its oversight of the internal audit function, the Committee is involved in the setting of risk based annual internal audit plans for the Group. It also reviews the internal audit function's performance relative to the plan. Regular liaison with the Risk function and indeed the collaboration with the Risk and Compliance Committee enable the Internal Audit Committee to function according to priorities aligned with the Group's top risks and risk appetite. The Committee also reviews protected cell issues and monitors results of cell inspections and related internal control systems. During 2018 the Internal Auditor carried out an onsite inspection of a cell's overseas operation in Austria. Meetings between the Committee and other board committee members and members of senior management also take place, especially in the area of financial control.

The Committee appoints the Internal Auditor and ensures that the function is free to work independently and objectively. It also ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function and does not perform any operational functions The Committee also benchmarks the function's activities against recognised standards such as, inter alia the Institute of Internal Auditors and the International Standards for Professional Practice of Internal Auditing as well as Regulatory expectations. The Internal Audit function, through the Audit Committee and its Chairman, has direct access to the Board of Directors.

Corporate Governance – Statement of Compliance 2018 The Board - continued

The Committee Chairman regularly met the Internal Auditor, Mr Ivan Distefano, outside the formal Audit Committee meetings to give guidance and receive feedback, and is very much involved in his continuing professional development. Other key senior executives are also invited to appropriate meetings of the Committee. The oversight of related party transactions is also the responsibility of this Committee.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee, also composed entirely of independent non-executive directors, met three times during 2018. The Chairman of the board chairs this Committee and is considered by the board to have the required knowledge, experience and skills for this position. Dr Andre Camilleri, the Senior Independent Director, and Mr Philip Micallef are the other two non-executive Directors appointed to sit on the Committee. Executive Directors attend meetings by invitation as and when required.

As per the EIOPA Guidelines on Systems of Governance, this Committee is established to exercise competent and independent judgement on the Group's Remuneration policy and its oversight. The Committee also assists and advises the board on matters relating to the remuneration of the board and senior management and, in particular, determines the remuneration of the Chief Executive, Executive Directors, members of the Executive Committee and the Internal Auditor. The Committee approves the structure and design of any performance related pay schemes and approves annual payments made under this policy. During 2018, a review of the remuneration policy, including a detailed benchmarking exercise, was carried out in line with the objective of ensuring that the remuneration offered by the Group is sufficient to motivate and retain executives, to ensure that the Group attracts and retains the best talent in the industry and to maximise shareholder value. The Committee also makes sure that all provisions regarding disclosure of remuneration are fulfilled and that the Remuneration Policy is applied consistently across the Group and complies with legal requirements. Furthermore it ensures that material risks at Group level linked to remuneration issues are managed.

In terms of Article 8(1) of the Insurance Business Act and, more specifically, as per Insurance Rulebook's Chapter 2: Fit and Proper Criteria, Notification and Assessment, the Group ensures that all persons who effectively run the undertaking or have other key functions are at all times 'fit and proper' persons. The Committee has been assigned the responsibility for overseeing the continuing fitness and properness of such persons and oversees this process on an ongoing basis. The policy was also updated during 2018 to reflect updated MFSA requirements in this area.

The board determines that the size and complexity of the Group does not necessitate a separate nominations committee and the remuneration committee leads the process for board appointments and makes recommendations to the board and shareholders for board appointments. It is also involved in senior succession planning issues.

Corporate Governance – Statement of Compliance 2018 The Board - continued

Risk and Compliance Committee

This Committee's primary objective is to approve, review and advise the board on appropriate risk management and compliance frameworks and to ensure that these are consistently maintained across the Group through adherence to the risk management and compliance policies. Dr Andre Camilleri, the Senior Independent Director, chairs the Committee as the designated director for oversight of the risk management system, as required for regulatory purposes. During the period under review, the committee met four times. Mr Franco Azzopardi, Ms Catherine Calleja, Mr Philip Micallef and Mr Matthew von Brockdorff also form part of the Committee and Mr Ian-Edward Stafrace was also appointed on this committee during 2018. The Chief Risk and Compliance Officer regularly attends meetings and other key members of the senior management team are invited where relevant to the discussion.

In April 2019, Mr Andrew Briffa, an Associate Actuary of the UK Institute and Faculty of Actuaries, was appointed to be the Group's Risk and Compliance Officer.

Together with the Chief Risk and Compliance Officer, the Committee coordinates, facilitates and has oversight of the risk management function including the development of the Group's risk appetite and future risk strategy and governing policies. The Committee also carries out risk management at Group level, monitoring developments in the Group's policies, strategy, operations, and environment that may significantly affect uncertainties faced by the organisation. The committee also has oversight of the Compliance function ensuring that the Group continues to maintain its systems to ensure regulatory compliance and readiness for anticipated regulatory changes.

The Committee continues to develop its role in evolving the methodology and assumptions underlying the models for determining the Group's economic and regulatory capital requirements including the ORSA (Own Risk and Solvency Assessment) process. It reviews quarterly status reports on the Company's risk appetite in the major risk categories, as well as regular reports relating to the various risk areas of accountability assigned across the organisation and any significant incidents including any near misses, both in the core and for cells.

During 2018, the Committee continued to involve itself significantly in issues relating to cyber security and data protection and met with the Group's consultants in these areas to ensure that the Group is fully prepared to meet the increasing Cyber Security challenges and the requirements for data protection as set out by GDPR regulations and ensuring that the Group's employees, TIIs and any outsourced functions are also regularly trained and well equipped to withstand cyber threats.

Investment Committee

This Committee is appointed to take responsibility for formulating the Group's Investment Policy and to ensure that the actual investment is conducted according to this policy. The Committee acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

In 2018, the Committee met four times. Mr Lawrence Zammit again chaired the Committee and members included Dr Andre Camilleri, Mr Franco Azzopardi and Mr Michael Gatt, Chief Executive Officer, as directors on the committee while the Group Chief Financial Officer, Mr Mark Camilleri and Mr John Bonett are additional members

The Committee sets investment parameters, mandates with discretionary managers, and asset allocations in line with the Investment Policy, the Asset Liability Management Policy and the Board's Risk Appetite Statement. It annually reviews the Investment Policy, the Asset Liability Management Policy and the relevant Risk Appetite Statement and ensures alignment between these policies and regulatory requirements.

Corporate Governance – Statement of Compliance 2018 The Board - continued

The Committee also engages, after board appointment, investment services providers entrusted to manage the investment portfolio on a discretionary basis, and reviews the performance of such managers. These investment managers regularly address and report to the Committee and other board and Executive Committee members attend these presentations. Detailed performance reports are provided to Investment Committee members on a monthly basis. Any investments made in excess of their mandate are always referred and subject to the Board's Risk Appetite or with the Board's exceptional approval. The Committee also oversees the Company's property investments.

Protected Cells Committee

This Committee proposes policy and broad guidelines to the board in relation to underwriting policy for the acceptance of protected cells within the Company. The Committee has oversight over the operational and financial progress of each cell, including its solvency and any potential impact on the solvency of the Atlas core and also ensures that regular cell inspections are carried out. The Committee also, where applicable, oversees relationships with cell managers and quarterly cell KPIs are submitted to the board of directors. The Committee also oversees the review of new cell applications and presents detailed cell application proposals to the board for approval, prior to submitting them to the Regulator.

The Chief Executive Officer chairs the Committee, which met four times in 2018. Apart from the Chairman, the Committee is composed of the two other Executive Directors of the Company as well as the Chief Underwriting Officer, the Chief Risk and Compliance Officer and the Group Chief Financial Officer, as well as Mr John Bonett.

The Chief Underwriting Officer and Group Chief Financial Officer, as representatives of the Committee, form part of the cell committees of the relative cells, which review risk management and compliance issues relating to cells together with cell owners and managers. The Committee is delegated with the responsibility to approve charters and membership of the said cell committees, which are central to the maintenance of the positive ongoing relationship with cell shareholders.

During 2018, the committee continued to oversee the preparation for changes necessitated by Brexit. The Company's application to carry out business in the UK under the Temporary Permission's regime was accepted by the UK FCA/PRA during the period under review.

Information Technology Committee

This Committee was constituted by the board of directors in March 2018 to address strategic issues relating to Information Technology. The committee is chaired by Mr Philip Micallef and the members are Mr Lawrence Zammit, Mr Michael Gatt, Mr Matthew von Brockdorff, Mr Ian Stafrace and Mr Vinay Aarohi who is the Group IT Manager. The committee met seven times during 2018.

This Committee's mandate is to ensure that IT priorities are aligned with the Group's strategy and that IT investment and expenditure deliver the expected results. The committee supports Atlas Management on IT policy, strategy and governance and reviews the reports obtained by external consultants in this area.

Corporate Governance – Statement of Compliance 2018 The Board - continued

Executive Committee

This Committee is chaired by the Chief Executive Officer and made up of the three Executive Directors and the Group Chief Financial Officer, the Chief Underwriting Officer, the Chief Commercial Officer and the Chief Strategy Officer. It met eight times in 2018 but also met on specific issues with the board on two other occasions during the period and participates in board education initiatives. The minutes of the meetings of this Committee are copied to board members, and matters arising are regularly discussed at board meetings.

The Executive Committee is responsible for implementing the strategy of the Company which involves development of business plans and detailed budgets on an annual basis to achieve the key strategic goals developed with the Board of Directors. It is also heavily involved in policy development and change in various areas of the Group including information systems planning, human resources development and talent management, sales and marketing, information systems planning and the consideration of new business opportunities.

Relations with Shareholders

The Group ensures an ongoing dialogue between the board and shareholders based on the mutual understanding of objectives. The level of disclosure with these important stakeholders within the Group continues to be in excess of statutory requirements under the Companies Act. During the Annual General Meeting, besides the statutory business as laid down in the Memorandum and Articles of the Company, information on group performance is presented through the publication of the Annual Report and Financial Statements.

Further communication with shareholders is enabled through the functioning of the Atlas Holdings Limited board of directors. Atlas Holdings is the shareholder of the non-cellular shares ('core shareholder'), in Atlas Insurance PCC Limited and this board appoints the directors of the Company at the Annual General Meeting. Mr Lawrence Zammit also chairs the Atlas Holdings Board and this structure ensures that both boards are kept aware of the priorities of the ultimate core shareholders.

Communication with cell shareholders is facilitated through regular meetings of the individual cell committees at which cell managers, where they exist, also participate. Reporting to the board through the Protected Cell Committee of any issues as well as financial and solvency performance of the cells is carried out on a quarterly basis.

Directors and Officers Liability Insurance

Directors and officers of the Group are covered by the Directors and Officers Liability insurance purchased by the Group. Atlas Healthcare Insurance Agency and Eagle Star (Malta) Limited, as subsidiaries of the Company, and other fellow subsidiaries of Atlas Holdings, are also covered by the same policy.

Approved by the Board of Directors on 18 April 2019 and signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director and CEO

Independent auditor's report

To the Shareholders of Atlas Insurance PCC Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Atlas Insurance PCC Limited's financial statements,as a standalone, give a true and fair view of the company's financial position as at 31 December 2018, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU as modified by Article 174 of the Maltese Companies Act, (Cap. 386); and
- The financial statements have been prepared in accordance with the said Act.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Atlas Insurance PCC Limited's financial statements, as a standalone, set out on pages 19 to 80, comprise:

- the profit and loss accounts and the statement of comprehensive income for the year ended 31 December 2018;
- the balance sheet as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2018 to 31 December 2018, are disclosed in Note 6 to the financial statements.

Our audit approach

Overview

Overall materiality: €304,400 that represents 5% of the profit before tax for the company

Valuation and accuracy of claims outstanding and claims incurred but not reported

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements as a whole. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

pwc

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€304,400 (2017: €376,000)
How we determined it	5% of the profit before tax for the company
Rationale for the materiality benchmark applied	We chose profit before tax because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We selected 5% based on our professional judgement, noting that it is also within the range that we would consider to be acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €30,440 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Key audit matter	How our audit addressed the Key audit matter
Valuation and accuracy of claims outstanding and claims incurred but not reported Valuation of insurance provisions is judgemental, and requires a number of assumptions to be made that have estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the Company as some claims can take time to emerge or develop. The determination of the value of these insurance reserves requires judgement in the selection of key assumptions and methodologies. The company has estimated claims outstanding mainly on a case by case basis, and supplemented this with an Incurred but Not Reported (IBNR) claims provision based on different reserving methodologies applicable to the relevant policy portfolios. The Company's net claims outstanding and IBNR provisions are disclosed in note 21 at €13.7m and €2.6m respectively, and favourable variations arising from prior year claims amounted to €3.1m. Further information on the development of the ultimate cost of claims over the years is disclosed in note 21. We focused on this area due to its inherent subjectivity and complexity (refer to note 3.1 and note 21).	Our audit procedures included : - applying our industry knowledge and experience in understanding and evaluating the claims outstanding and IBNR reserving methodology, models and assumptions used; - performing our own independent IBNR projections, and compared the results to management's estimates; - assessing management's estimate of the incurred but not reported reserves based on the methodology, assumptions and judgements made and also considered whether the reserving methodology has been applied consistently across periods; - checking a sample of claims case reserves and settlements to appropriate documentation and obtained evidence that they were based on the most recent claims information; - considering the quality of historical reserving by tracking the outcome of prior years' liabilities provisions; - considering the extent of related disclosures to the financial statements. Based on the work performed, we found the claims outstanding and claims incurred but not reported to be consistent with the explanations and evidence obtained.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance – Statement of Compliance (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Chairman's Statement and the Chief Executive Officer's Report, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

When we read the Chairman's Statement and the Chief Executive Officer's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance in accordance with International Standards on Auditing.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU as modified by Article 174 of the Companies Act (Cap. 386) and the requirements of the said Act, 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

pwc

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- 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.

Appointment

We were first appointed as auditors of the company for the financial year ended 31 December 1991 Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 28 years. The company became licensed as an insurance undertaking in terms of the Maltese Insurance Business Act (Cap. 403) on 29 April 2004.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

18 April 2019

Profit and loss account
Technical account – General business
year ended 31 December

	Notes	Core		Cells		Total	
		2018 €	2017 €	**2018 €**	2017 €	**2018 €**	2017 €
Earned premiums, net of reinsurance							
Gross premiums written		**26,689,044**	25,262,348	**18,595,980**	16,144,907	**45,285,024**	41,407,255
Outward reinsurance premiums		**(10,560,302)**	(10,279,094)	**(5,584,682)**	(1,024,052)	**(16,144,984)**	(11,303,146)
Net premiums written		**16,128,742**	14,983,254	**13,011,298**	15,120,855	**29,140,040**	30,104,109
Change in the provision for unearned premiums							
- gross amount	21	**(487,987)**	(1,181,275)	**(3,793,849)**	(1,563,173)	**(4,281,836)**	(2,744,448)
- reinsurers' share	21	**(29,659)**	477,505	**3,869,652**	92,284	**3,839,993**	569,789
		(517,646)	(703,770)	**75,803**	(1,470,889)	**(441,843)**	(2,174,659)
Earned premiums, net of reinsurance		**15,611,096**	14,279,484	**13,087,101**	13,649,966	**28,698,197**	27,929,450
Allocated investment return transferred from the non-technical account	5	**23,739**	767,572	**(5,210)**	(103,826)	**18,529**	663,746
Total technical income		**15,634,835**	15,047,056	**13,081,891**	13,546,140	**28,716,726**	28,593,196
Claims incurred, net of reinsurance							
Claims paid							
- gross amount		**10,281,951**	11,442,662	**30,652,335**	7,558,942	**40,934,286**	19,001,604
- reinsurers' share	21	**(2,426,975)**	(3,898,884)	**(23,255,186)**	(1,372,523)	**(25,682,161)**	(5,271,407)
		7,854,976	7,543,778	**7,397,149**	6,186,419	**15,252,125**	13,730,197
Change in the provision for claims							
- gross amount	21	**1,236,028**	5,416,211	**(26,554,109)**	15,195,654	**(25,318,081)**	20,611,865
- reinsurers' share	21	**(1,152,794)**	(5,045,245)	**26,374,358**	(15,434,715)	**25,221,564**	(20,479,960)
		83,234	370,966	**(179,751)**	(239,061)	**(96,517)**	131,905
Claims incurred, net of reinsurance		**7,938,210**	7,914,744	**7,217,398**	5,947,358	**15,155,608**	13,862,102
Net operating expenses	4	**3,093,476**	3,083,036	**4,195,507**	4,658,248	**7,288,983**	7,741,284
Total technical charges		**11,031,686**	10,997,780	**11,412,905**	10,605,606	**22,444,591**	21,603,386
Balance on the technical account for general business (page 20)		**4,603,149**	4,049,276	**1,668,986**	2,940,534	**6,272,135**	6,989,810

Profit and loss account
Non-technical account
year ended 31 December

	Notes	Core 2018 €	Core 2017 €	Cells 2018 €	Cells 2017 €	Total 2018 €	Total 2017 €
Balance on technical account – general business (page 19)		**4,603,149**	4,049,276	**1,668,986**	2,940,534	**6,272,135**	6,989,810
Investment income	5	**253,652**	1,679,009	**25,263**	97,050	**278,915**	1,776,059
Investment expenses and charges	5	**(209,456)**	(254,518)	**(22,839)**	(139,578)	**(232,295)**	(394,096)
Allocated investment return transferred to the general business technical account	5	**(23,739)**	(767,572)	**5,210**	103,826	**(18,529)**	(663,746)
Administrative expenses	6	**(261,554)**	(145,717)	**(33,148)**	(39,603)	**(294,702)**	(185,320)
Profit before tax		**4,362,052**	4,560,478	**1,643,472**	2,962,229	**6,005,524**	7,522,707
Tax expense	8	**(1,616,219)**	(1,548,848)	**(658,100)**	(1,087,352)	**(2,274,319)**	(2,636,200)
Profit for the year		**2,745,833**	3,011,630	**985,372**	1,874,877	**3,731,205**	4,886,507

Statement of comprehensive income

	Notes	Core 2018 €	Core 2017 €	Cells 2018 €	Cells 2017 €	Total 2018 €	Total 2017 €
Profit for the year		**2,745,833**	3,011,630	**985,372**	1,874,877	**3,731,205**	4,886,507
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	20	**-**	-	**(61,450)**	(337,671)	**(61,450)**	(337,671)
Revaluation release	20	**(1,000)**	(23,413)	**-**	-	**(1,000)**	(23,413)
Movement in deferred tax relating to property, plant and equipment	20	**4,553**	6,346	**-**	-	**4,553**	6,346
Total other comprehensive income, net of tax		**3,553**	(17,067)	**(61,450)**	(337,671)	**(57,897)**	(354,738)
Total comprehensive income for the year		**2,749,386**	2,994,563	**923,922**	1,537,206	**3,673,308**	4,531,769

Items disclosed in the statement above are disclosed net of tax. The income tax relating to each component is disclosed in Notes 8 and 16.

The notes on pages 25 to 80 are an integral part of these financial statements.

Balance sheet
as at 31 December

	Notes	Core 2018 €	Core 2017 €	Cells 2018 €	Cells 2017 €	Total 2018 €	Total 2017 €
ASSETS							
Intangible assets	11	**4,384**	17,425	**-**	-	**4,384**	17,425
Tangible assets:							
- land, buildings and improvements	12	**5,204,162**	5,174,264	**-**	-	**5,204,162**	5,174,264
- plant and equipment	12	**895,749**	742,094	**-**	-	**895,749**	742,094
Investments:							
- land and buildings	13	**5,746,210**	3,549,950	**-**	-	**5,746,210**	3,549,950
- investment in subsidiaries	14	**748,058**	698,000	**-**	-	**748,058**	698,000
- investment in associates	14	**3,500**	-			**3,500**	-
- other financial investments	15	**30,065,075**	30,875,415	**5,189,243**	5,213,726	**35,254,318**	36,089,141
Reinsurers' share of technical Provisions	21	**15,507,073**	14,383,938	**5,398,479**	28,140,307	**20,905,552**	42,524,245
Deferred acquisition costs	17	**856,929**	848,326	**987,735**	470,882	**1,844,664**	1,319,208
Receivables:							
- debtors arising out of direct insurance operations	18	**4,656,543**	4,437,190	**-**	-	**4,656,543**	4,437,190
- receivables from reinsurers	18	**18,331**	220,222	**-**	-	**18,331**	220,222
- other debtors	18	**604,033**	428,868	**13,120,977**	10,578,397	**13,725,010**	11,007,265
Taxation recoverable		**-**	40,521	**-**	-	**-**	40,521
Prepayments and accrued income	18	**186,130**	158,760	**203,460**	132,320	**389,590**	291,080
Cash and cash equivalents	25	**4,575,077**	3,833,445	**15,201,246**	11,078,922	**19,776,323**	14,912,367
Total assets		**69,071,254**	65,408,418	**40,101,140**	55,614,554	**109,172,394**	121,022,972
EQUITY							
Capital and reserves							
Share capital	19	**12,000,000**	12,000,000	**8,506,809**	8,816,809	**20,506,809**	20,816,809
Capital contribution		**-**	-	**500,000**	500,000	**500,000**	500,000
Other reserves	20	**2,454,605**	2,451,052	**(919,539)**	(858,089)	**1,535,066**	1,592,963
Profit and loss account		**13,307,804**	11,938,971	**3,412,597**	3,189,357	**16,720,401**	15,128,328
Total equity		**27,762,409**	26,390,023	**11,499,867**	11,648,077	**39,262,276**	38,038,100
LIABILITIES							
Technical provisions	21	**34,514,900**	32,790,885	**16,182,209**	39,513,708	**50,697,109**	72,304,593
Payables:							
- borrowings	22	**-**	13,568	**-**	-	**-**	13,568
- creditors arising out of direct insurance operations	23	**1,088,774**	1,097,418	**1,600,599**	806,796	**2,689,373**	1,904,214
- balances payable to reinsurers	23	**920,150**	977,999	**5,284,050**	1,247,873	**6,204,200**	2,225,872
- other creditors	23	**183,205**	270,633	**3,731,519**	237,813	**3,914,724**	508,446
Deferred taxation	16	**1,323,896**	1,667,192	**-**	-	**1,323,896**	1,667,192
Taxation payable		**1,072,084**	-	**1,627,545**	1,995,617	**2,699,629**	1,995,617
Accruals and deferred income	23	**2,205,836**	2,200,700	**175,351**	164,670	**2,381,187**	2,365,370
Total liabilities		**41,308,845**	39,018,395	**28,601,273**	43,966,477	**69,910,118**	82,984,872
Total equity and liabilities		**69,071,254**	65,408,418	**40,101,140**	55,614,554	**109,172,394**	121,022,972

The notes on pages 25 to 80 are an integral part of these financial statements.

The financial statements on pages 19 to 80 were authorised for issue by the board on 18 April 2019 and were signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director and CEO

Statement of changes in equity

	Core				Cells					Total				
	Share capital €	Other reserves €	Profit and loss account €	Total €	Share capital €	Capital contribution €	Other reserves €	Profit and loss account €	Total €	Share capital €	Capital contribution €	Other reserves €	Profit and loss account €	Total €
Balance at 1 January 2017	8,198,000	2,468,119	13,944,341	24,610,460	8,106,509	-	(520,418)	3,174,780	10,760,871	16,304,509	-	1,947,701	17,119,121	35,371,331
Comprehensive income														
Profit for the year	-	-	3,011,630	3,011,630	-	-	-	1,874,877	1,874,877	-	-	-	4,886,507	4,886,507
Other comprehensive income														
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	-	(337,671)	-	(337,671)	-	-	(337,671)	-	(337,671)
Fair value gains/(release on disposal)	-	(23,413)	-	(23,413)	-	-	-	-	-	-	-	(23,413)	-	(23,413)
Movement in deferred tax relating to property, plant and equipment (note 20)	-	6,346	-	6,346	-	-	-	-	-	-	-	6,346	-	6,346
Total other comprehensive Income	-	(17,067)	-	(17,067)	-	-	(337,671)	-	(337,671)	-	-	(354,738)	-	(354,738)
Total comprehensive income	-	(17,067)	3,011,630	2,994,563	-	-	(337,671)	1,874,877	1,537,206	-	-	(354,738)	4,886,507	4,531,769
Transactions with owners														
Increase in share capital	3,802,000	-	-	3,802,000	710,300	-	-	-	710,300	4,512,300	-	-	-	4,512,300
Issue of capital contribution	-	-	-	-	-	500,000	-	-	500,000	-	500,000	-	-	500,000
Dividends (note 10)	-	-	(5,017,000)	(5,017,000)	-	-	-	(1,860,300)	(1,860,300)	-	-	-	(6,877,300)	(6,877,300)
Total transactions with owners	3,802,000	-	(5,017,000)	(1,215,000)	710,300	500,000	-	(1,860,300)	(650,000)	4,512,300	500,000	-	(6,877,300)	(1,865,000)
Balance at 31 December 2017	**12,000,000**	**2,451,052**	**11,938,971**	**26,390,023**	**8,816,809**	**500,000**	**(858,089)**	**3,189,357**	**11,648,077**	**20,816,809**	**500,000**	**1,592,963**	**15,128,328**	**38,038,100**

Statement of changes in equity – continued

	Core				Cells					Total				
	Share capital €	Other reserves €	Profit and loss Account €	Total €	Share capital €	Capital contribution €	Other reserves €	Profit and loss Account €	Total €	Share capital €	Capital contribution €	Other reserves €	Profit and loss Account €	Total €
Balance at 1 January 2018	12,000,000	2,451,052	11,938,971	26,390,023	8,816,809	500,000	(858,089)	3,189,357	11,648,077	20,816,809	500,000	1,592,963	15,128,328	38,038,100
Comprehensive income														
Profit for the year	-	-	2,745,833	2,745,833	-	-	-	985,372	985,372	-	-	-	3,731,205	3,731,205
Other comprehensive Income														
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	-	(85,187)	-	(85,187)	-	-	(85,187)	-	(85,187)
Fair value gains/(release on disposal)	-	(1,000)	-	(1,000)	-	-	-	-	-	-	-	(1,000)	-	(1,000)
Movement in deferred tax relating to property, plant and equipment (note 20)	-	4,553	-	4,553	-	-	-	-	-	-	-	4,553	-	4,553
Total other comprehensive Income	-	3,553	-	3,553	-	-	(85,187)	-	(85,187)	-	-	(81,634)	-	(81,364)
Total comprehensive income	-	3,553	2,745,833	2,749,386	-	-	(85,187)	985,372	900,185	-	-	(81,634)	3,731,205	3,649,571
Transactions with owners														
Decrease in share capital (note 19)	-	-	-	-	(310,000)	-	-	310,000	-	(310,000)	-	-	310,000	-
Assignment of reserves (note 19)	-	-	-	-	-	-	23,737	(451,910)	(428,173)	-	-	23,737	(451,910)	(428,173)
Dividends (note 10)	-	-	(1,377,000)	(1,377,000)	-	-	-	(620,222)	(620,222)	-	-	-	(1,997,222)	(1,997,222)
Total transactions with owners	-	-	(1,377,000)	(1,377,000)	(310,000)	-	23,737	(762,132)	(1,048,395)	(310,000)	-	23,737	(2,139,132)	(2,425,395)
Balance at 31 December 2018	**12,000,000**	**2,454,605**	**13,307,804**	**27,762,409**	**8,506,809**	**500,000**	**(919,539)**	**3,412,597**	**11,499,867**	**20,506,809**	**500,000**	**1,535,066**	**16,720,401**	**39,262,276**

The notes on pages 25 to 80 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December

		Core		Cells		Total	
	Notes	**2018** **€**	2017 €	**2018** **€**	2017 €	**2018** **€**	2017 €
Cash flows from operating activities							
Cash generated from /(used in) operations	24	**5,539,199**	1,741,172	**6,601,345**	(3,240,195)	**12,140,544**	(1,499,023)
Income tax paid		**(554,291)**	(782,199)	**(950,845)**	(682,180)	**(1,505,136)**	(1,464,379)
Net cash generated from /(used in) operating activities		**4,984,908**	958,973	**5,650,500**	(3,922,375)	**10,635,408**	(2,963,402)
Cash flows from investing activities							
Purchase of property, plant and Equipment		**(651,040)**	(514,799)	**-**	-	**(651,040)**	(514,799)
Disposal of property, plant and Equipment		**10,000**	89,852	**-**	-	**10,000**	89,852
Disposal of shares in subsidiary undertaking		**48,650**	-			**48,650**	
Purchase of investment property		**(2,196,260)**	-	**-**	-	**(2,196,260)**	-
Investment in subsidiary undertakings		**(64,058)**	-			**(64,058)**	
Net cash used in investing activities		**(2,852,708)**	(424,947)	**-**	-	**(2,852,708)**	(424,947)
Cash flows from financing activities							
Dividends paid		**(1,377,000)**	(5,017,000)	**(620,222)**	(1,860,300)	**(1,997,222)**	(6,877,300)
Issue of share capital		**-**	3,802,000	**(428,173)**	710,300	**(428,173)**	4,512,300
Issue of capital contribution		**-**	-	**-**	500,000	**-**	500,000
Net cash used in financing activities		**(1,377,000)**	(1,215,000)	**(1,048,395)**	(650,000)	**(2,425,395)**	(1,865,000)
Movement in cash and cash Equivalents		**755,200**	(680,974)	**4,602,105**	(4,572,375)	**5,357,305**	(5,253,349)
Cash and cash equivalents at beginning of year		**3,819,877**	4,524,061	**11,078,922**	16,257,808	**14,898,799**	20,781,869
Exchange (losses)/gains on cash and cash equivalents		**-**	(23,210)	**(479,781)**	(606,511)	**(479,781)**	(629,721)
Cash and cash equivalents at end of year	25	**4,575,077**	3,819,877	**15,201,246**	11,078,922	**19,776,323**	14,898,799

The notes on pages 25 to 80 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 (Cap.386) and in accordance with the requirements of the said Act and the requirements of the Maltese Insurance Business Act, 1998. Atlas Holdings Limited (Note 29) prepares consolidated financial statements as required by the Maltese Companies Act (Cap.386) and these are delivered to the Registrar of Companies in Malta in terms of Article 174 (2) (e). Accordingly, Atlas Insurance PCC Limited is exempt from the preparation of consolidated financial statements by virtue of Article 174 of the Companies Act, (Cap 386).

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 2018, the Company had six Cells, the Perfect Home Cell, the Ocado Cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell and the L'Amie Cell referred to in these financial statements as Cell 1, Cell 4, Cell 7, Cell 8, Cell 9 and Cell 10 respectively. The Travelodge Cell was wound up during 2018. 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 (FVTPL).

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 2018

In 2018, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2018. 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. The Company is considering the implications of the below standards on the Company's financial results and position, and the timing of their adoption.

IFRS 9, 'Financial Instruments', became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. IFRS 9 addresses a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments. As part of IFRS 9, the IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

IFRS 4 (Amendments), 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts' provides two options for entities that issue insurance contracts within the scope of IFRS 4 i.e. an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") or a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The activities of the Company are predominantly connected with insurance. In this regard, the directors have assessed the following:

(a) The Company has not previously applied any version of IFRS9.
(b) The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 represents over 90% of total liabilities, which is considered significant.

There has been no change in the Company's activities that warrants a reassessment of the above information.

The amendment of IFRS 4 Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets separately.

Such disclosure is not required since the Company invests in debt instruments held at fair value through profit and loss (FVTPL) and are of a trading nature, not categorised as SPPI.

1. **Summary of significant accounting policies** - continued

IFRS 17 was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is currently effective from 1 January 2021. However, the IASB is considering delaying the mandatory implementation date by one year and may make additional changes to the standard. The Company is in the process of implementing IFRS 17. Industry practice and interpretation of the standard is still developing and there may be changes to it, therefore the likely impact of its implementation remains uncertain.

IFRS 17 together with IFRS 9 will result in a profound change to the accounting in IFRS financial statements for insurance companies. Management is considering the implications of these standards and their impact on the Company's financial results and position.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well as leases of low-value assets. The standard is effective for the Company as from the annual period beginning on 1 January 2019. As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 28 to the financial statements. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's results and classification of cash flows.

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 1.15 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. Summary of significant accounting policies - continued

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 net 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 Core's functional and the Company's 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 return'.

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 19).

1. **Summary of significant accounting policies** - continued

1.5 Intangible assets

(a) Customer relationships

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

(b) Computer software

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

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

1.6 Tangible assets - Property, plant and equipment

Tangible fixed assets comprising land and buildings, computer equipment and furniture and fittings are initially recorded at cost. Land and buildings included within property, plant and equipment are 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.

1. Summary of significant accounting policies - continued

1.6 Tangible assets - Property, plant and equipment - continued

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

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

Freehold land is not depreciated.

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

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

1.7 Land and buildings - Investment property

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

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

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

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

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

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

1. **Summary of significant accounting policies** - continued

1.8 Investment in subsidiaries & associates

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.

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% to 50% voting rights. Investment in associates is accounted for at cost less impairment.

1.9 Financial assets

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

1.9.1 Classification

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

Financial assets are designated at inception as fair value through profit or loss, if they are part of a group of investments that are managed on a portfolio basis, and whose performance is evaluated and reported internally on fair value basis to the Board 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.

1. **Summary of significant accounting policies** - continued

1.9 Financial assets - continued

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.

(b) 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. **Summary of significant accounting policies** - continued

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 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.

1.13 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.

1.14 Current and deferred tax

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

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

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

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

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

1. **Summary of significant accounting policies** - continued

1.15 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.

1. **Summary of significant accounting policies** - continued

1.15 Insurance contracts - classification - continued

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 on an accruals basis.

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

Receivables and payables related to insurance contracts

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

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

1.16 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. Summary of significant accounting policies - continued

1.17 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.

1.18 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.

1.19 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 21.

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

3. Management of insurance and financial risk

3.1 Insurance risk

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

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

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

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

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

Another method used to mitigate random deviations is that of diversification in portfolio characteristics. Atlas Insurance PCC Limited is not unduly dependant on one class or sector of business and in fact is deemed to be privileged with a balanced mix of various classes of Motor, Liability, Marine, Miscellaneous Accident, Property and Travel and Personal Accident. In the coming year Private Medical Insurance will be also be added. Furthermore, 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 did not license any new cells but Gemini Cell, L'Amie Cell, PerfectHome Cell, Ocado Cell, Amplifon Cell and TVIS Cell carried on business during the year in accordance with their licence conditions.

Amplifon Cell however stopped writing new business in the second quarter of 2018 and is in run-off and Ocado Cell did not renew its business in December 2018. Following a period of run-off, Travelodge Cell was unwound at the end of the year.

The insurance business written by the Gemini Cell still emanates from Belgium and the Netherlands and this grew satisfactorily. L'Amie Cell grew its Austrian portfolio but also started writing direct business in Bulgaria and inwards reinsurance from Serbia. The reinsurance business written by Amplifon Cell related to risks originally written in the Netherlands, Belgium, Germany, the UK and Switzerland. The other cells are licensed to write property, accident, sickness, motor, general liability and motor liability and miscellaneous financial risks in the United Kingdom. The property risks are equally well-spread geographically. The cells' results are amply reflected in these financial statements.

3. **Management of insurance and financial risk** - continued

3.1 **Insurance risk** - continued

3.1.1 Frequency and severity of claims

Motor and liability

The danger is that competition restrains average premium growth while the frequency and severity of claims may be seriously affected by:

(i) the long lifetime which motor and other liability claims tend to have and which can lead to negative effects of inflation on claim amounts;
(ii) changes in traffic management and density and the increased presence of more vulnerable road users;
(iii) 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
(iv) increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and
(v) the latent effect of disease claims on the employers' liability and products liability portfolio
(vi) the effect of inflation on motor repair costs
(vii) the effect of natural hazards affecting comprehensive motor results.

The Company's gross motor result turned around in 2018. There was a return to normality in terms of bodily injury loss frequency and severity and the effect of increased attritional losses on motor own damage was countered by increases in average premium

The review of Maltese law on civil damages in tort remains unconcluded while legal judgements remain relatively consistent.

Property

While no major natural events were experienced in 2018 it should be noted that the company was impacted by an exceptional windstorm that hit Malta in late February 2019 and which will affect the property result in 2019. Otherwise, other than a couple of large engineering losses in June and October, the 2018 performance was a normal one.

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 2018 showed no extraordinary experience in this respect.

Marine

The marine account was already badly affected by increased claim frequencies in 2017. These persisted in 2018 and were compounded by a serious boatyard fire in February 2018 and a seasonal storm in September.

Cargo results were within the norm which once again helped to mitigate the poor overall marine performance in 2018.

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 the results of the Company and the risk profiles do not pose 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 is also conscious of the susceptibility of certain locations to windstorm and endeavours to limit shoreline exposures.

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 EU countries).

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

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

3. **Management of insurance and financial risk** - continued

3.1 **Insurance risk** - continued

3.1.1 **Frequency and severity of claims** - continued

(b) Reinsurance

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

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

The effectiveness of reinsurance protection in place for the Company has 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.

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. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

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. This is why known claims outstanding provisions must be adequately increased by a provision for IBNR (incurred but not reported) claims.

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. Management of insurance and financial risk - continued

3.2 Financial risk management

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

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

3.2.1 Market risk

(a) Cash flow and fair value interest rate risk

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

Fair value 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 15 and 25 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:

	2018	2017
	€	€
Assets at floating interest rates - bank balances	19,566,852	14,386,802
Assets at fixed interest rates		
- Listed debt securities	8,399,689	7,413,902
- Deposits with banks or financial institutions	369,747	265,000
- Amounts owed from related parties	-	243,888
	28,336,288	22,309,592
Liabilities at floating interest rates - bank balance overdrawn	-	13,568

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.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.1 Market risk - continued

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

Deposits with banks or financial institutions potentially expose the Company to fair value interest rate risk. However, since these instruments are not fair valued, a change in interest rates will not have an effect on profit or loss or other comprehensive income. 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 2018 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 (2017: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €217,805 higher (2017: €203,653 higher). An increase of 50 basis points (2017: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €212,656 (2017: €202,424 lower). 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 Investment Policy approved by the Board. The Investment 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**	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**3,625,803**	3,888,199	**-**	-	**3,625,803**	3,888,199
Units in unit trusts	**17,669,836**	19,064,426	**5,189,243**	5,213,726	**22,859,079**	24,278,152
	21,295,639	22,952,625	**5,189,243**	5,213,726	**26,484,882**	28,166,351

3. Management of insurance and financial risk - continued

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 or a decrease of 10% (2017: 10%) in equity prices, with all other variables held constant, would result in an impact on the Core pre-tax profit for the year of €2,129,564 (2017: €2,294,862). An increase or a decrease of 10% (2017: 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 €518,924 (2017: €521,373).

(c) Currency risk

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

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

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

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

At 31 December 2018, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €1,526,583 (2017: €1,443,006). If the above currencies had weakened or strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €269,397 (2017: €254,648) or higher by €199,120 (2017: €188,218).

3. **Management of insurance and financial risk** - continued

3.2 Financial risk management - continued

3.2.2 Credit risk

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

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

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 investments is not considered by the directors to be significant in view of the credit standing of the issuers.

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

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

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

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 2018						
	AAA to AA Core €	A to A- Core €	BBB to B Core €	Not rated Core €	BBB to B Cells €	Not rated Cells €	Total €
Investments							
Debt securities - listed fixed interest rate	87,406	1,729,017	1,030,130	5,553,136	-	-	8,399,689
Deposits with banks or financial institutions	-	-	369,747	-	-	-	369,747
	87,406	1,729,017	1,399,877	5,553,136	-	-	8,769,436
Loans and receivables							
Discounted securities to cell owners	-	-	-	-	-	-	-
Debtors and prepayments and accrued income	-	-	-	5,465,037	-	14,635,527	20,100,564
Cash equivalents	-	10,818	2,069,945	2,284,843	4,970,975	10,230,271	19,566,852
	-	10,818	2,069,945	7,749,880	4,970,975	24,865,798	39,667,416
Reinsurers' share of technical provisions	11,539,230	3,908,627	-	59,216	5,398,479	-	20,905,552
Total assets bearing credit risk	11,626,636	5,648,462	3,469,822	13,362,232	10,369,454	24,865,798	69,342,404

3. **Management of insurance and financial risk** - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

	As at 31 December 2017						
	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	633,332	1,650,604	1,057,137	4,072,830	-	-	7,413,903
Deposits with banks or financial institutions	-	-	265,000	-	-	-	265,000
	633,332	1,650,604	1,322,137	4,072,830	-	-	7,678,903
Loans and receivables							
Discounted securities to cell owners	-	-	-	-	-	-	-
Debtors and prepayments and accrued income	-	-	-	5,246,885	-	11,876,855	17,123,740
Cash equivalents	-	10,948	3,257,694	39,238	5,035,099	6,043,823	14,386,802
	-	10,948	3,257,694	5,286,123	5,035,099	17,920,678	31,510,542
Reinsurers' share of technical provisions	12,368,522	1,959,448	-	55,968	28,140,307	-	42,524,245
Total assets bearing credit risk	13,001,854	3,621,000	4,579,831	9,414,921	33,175,406	17,920,678	81,713,690

3.2.3 Liquidity risk

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

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

The table below analyses the Company's financial liabilities (gross of reinsurers' share of claims outstanding (Note 21) 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. Management of insurance and financial risk - continued

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 2018	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	2,192,129	-	-	-	2,192,129
Accruals and deferred income	2,205,836	-	-	-	2,205,836
Cells					
Trade and other creditors	11,850,735	-	-	-	11,850,735
Accruals and deferred income	175,351	-	-	-	175,351
	16,424,051	-	-	-	16,424,051

As at 31 December 2018	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	13,775,025	5,250,793	2,749,304	1,143,229	22,918,350
Cells					
Technical provisions					
- Claims outstanding	2,085,610	2,517,015	372,450	-	4,975,075
	15,860,635	7,767,808	3,121,754	1,143,229	27,893,425

As at 31 December 2017	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	2,346,050	-	-	-	2,346,050
Accruals and deferred income	2,200,700	-	-	-	2,200,700
Cells					
Trade and other creditors	3,458,043	-	-	-	3,458,043
Accruals and deferred income	164,670	-	-	-	164,670
	8,169,463	-	-	-	8,169,463

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.3 Liquidity risk – continued

As at 31 December 2017 — **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	15,067,422	3,924,908	1,845,131	1,024,861	21,862,322
Cells					
Technical provisions					
- Claims outstanding	2,297,885	2,474,312	27,029,206	-	31,801,403
	17,365,307	6,399,220	28,874,337	1,024,861	53,663,725

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 2018 and 2017:

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	Level 1		Level 1		Level 1	
	€	€	**€**	€	**€**	€
Assets						
Financial assets at fair value through profit or loss						
- Equity securities and units in unit trusts	**21,295,639**	22,952,625	**5,189,243**	5,213,726	**26,484,882**	28,166,351
- Debt securities	**8,399,689**	7,413,902	**-**	-	**8,399,689**	7,413,902
Total assets	**29,695,328**	30,366,527	**5,189,243**	5,213,726	**34,884,571**	35,580,253

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 2018 and 2017, the carrying amount of the Company's other financial assets and liabilities approximate their fair value in view of their short-term maturity.

4. Net operating expenses

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Acquisition costs	**3,932,909**	3,605,963	**4,330,010**	3,948,107	**8,262,919**	7,554,070
Change in deferred acquisition costs (Note 17)	**(8,603)**	(57,386)	**(517,663)**	(178,978)	**(526,266)**	(236,364)
Administrative expenses	**3,449,852**	3,492,560	**573,915**	548,425	**4,023,767**	4,040,985
Reinsurance commission earned	**(3,768,404)**	(3,396,608)	**(540,094)**	(311)	**(4,308,498)**	(3,396,919)
Other net technical (income)/expense	**(512,278)**	(561,493)	**349,339**	341,005	**(162,939)**	(220,488)
	3,093,476	3,083,036	**4,195,507**	4,658,248	**7,288,983**	7,741,284

Total commissions included in acquisition costs and accounted for in the financial period amounted to €2,164,577 in respect of the core operations (2017: €2,024,638) and €3,331,869 in respect of the cell operations (2017: €3,772,727).

5. Investment return

Investment income

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss	-	-	**10,217**	74,234	**10,217**	74,234
Net gains from financial assets at fair value through profit or loss:						
- dividend income	**159,811**	122,993	-	-	**159,811**	122,993
- net fair value gains	**293,574**	844,701	-	-	**293,574**	844,701
Dividend from subsidiary Undertaking	**707,692**	584,615	-	-	**707,692**	584,615
Fair value gains on investment property	-	-	-	-		
Net fair value gains/(losses) on financial assets at FVTPL	**(1,177,564)**	-	**(19,314)**	(17,691)	**(1,196,878)**	(17,691)
Exchange differences	-	-	**15,046**	22,816	**15,046**	22,816
Rental income from investment property	**270,139**	126,700	-	-	**270,139**	126,700
	253,652	1,679,009	**5,949**	79,359	**259,601**	1,758,368

5. Investment return – continued

Investment expenses and charges	Core 2018 €	Core 2017 €	Cells 2018 €	Cells 2017 €	Total 2018 €	Total 2017 €
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**91,464**	99,722	**2,519**	2,567	**93,983**	102,289
Investment expenses	**117,992**	131,586	**-**	-	**117,992**	131,586
Exchange differences	**-**	23,210	**1,006**	119,320	**1,006**	142,530
	209,456	254,518	**3,525**	121,887	**212,981**	376,405
Total investment return/(expense)	**44,196**	1,424,491	**2,424**	(42,528)	**46,620**	1,381,963
Allocated investment return transferred to:						
general business technical account	**23,739**	767,572	**(5,210)**	(103,826)	**18,529**	663,746
non-technical account	**20,457**	656,919	**7,634**	61,298	**28,091**	718,217

6. Expenses by nature

	Core 2018 €	Core 2017 €	Cells 2018 €	Cells 2017 €	Total 2018 €	Total 2017 €
Employee benefit expense and directors' fees	**3,273,707**	3,174,557	**-**	-	**3,273,707**	3,174,557
Commissions payable	**2,164,577**	2,024,638	**4,330,010**	3,948,107	**6,494,587**	5,972,745
Change in deferred acquisition costs	**(8,603)**	(57,386)	**(517,663)**	(178,978)	**(526,266)**	(236,364)
Reinsurance commissions Earned	**(3,768,404)**	(3,396,608)	**(540,094)**	(311)	**(4,308,498)**	(3,396,919)
Amortisation of intangible assets (Note 11)	**15,357**	8,326	**-**	-	**15,357**	8,326
Depreciation of property, plant and equipment (Note 12)	**465,171**	415,949	**-**	-	**465,171**	415,949
Auditor's fees	**92,300**	71,220	**60,790**	80,360	**153,090**	151,580
Other expenses	**1,213,225**	988,057	**956,402**	848,673	**2,169,627**	1,836,730
Total operating and administrative expenses	**3,355,030**	3,228,753	**4,228,655**	4,697,851	**7,583,685**	7,926,604
Allocated to:						
Technical account	**3,093,476**	3,083,036	**4,195,507**	4,658,248	**7,288,983**	7,741,284
Non-technical account	**261,554**	145,717	**33,148**	39,603	**294,702**	185,320

6. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2018 and 2017 relate to the following:

	2018	2017
	€	€
Annual statutory audit	**69,000**	69,000
Other assurance services	**39,500**	39,500
Tax advisory and compliance services	**14,290**	43,080
Other non-audit services	**30,300**	-
	153,090	151,580

7. Employee benefit expense

	2018	2017
	€	€
Salaries and related costs (including directors' salaries)	**4,160,198**	3,863,378
Social security costs	**259,865**	241,324
	4,420,063	4,104,702
Inter-company payroll charge	**(381,732)**	(218,384)
	4,038,331	3,886,318

The average number of persons employed during the year was:

	2018	2017
Directors	**7**	7
Managerial	**16**	16
Clerical	**118**	111
	141	134

8. Tax expense

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Current tax expense	**1,925,756**	1,357,525	**658,100**	1,087,352	**2,583,856**	2,444,877
Deferred tax(credit)/charge (Note 16)	**(338,741)**	184,365	**-**	-	**(338,741)**	184,365
Under provision in previous years	**29,204**	6,958	**-**	-	**29,204**	6,958
	1,616,219	1,548,848	**658,100**	1,087,352	**2,274,319**	2,636,200

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

	2018	2017
	€	€
Profit before tax	**6,005,524**	7,522,707
Tax on profit at 35%	**2,101,933**	2,632,947
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(31,401)**	(27,885)
Income subject to reduced rates of tax	**(55,305)**	(807)
Expenses not deductible for tax purposes	**-**	1,223
Over provision in previous years	**29,204**	6,958
Other movements	**229,888**	23,764
Tax charge in the accounts	**2,274,319**	2,636,200

9. Directors' emoluments

	2018	2017
	€	€
Directors' fees	**83,869**	80,562
Salaries and other emoluments	**397,110**	383,880
	480,979	464,442

During the year, benefits in kind valued at €23,194 (2017: €24,870) were provided to the directors.

10. Dividends declared

	2018 €	2017 €
To the ordinary shareholders:		
Net	**1,377,000**	5,017,000
Dividends per ordinary share	**0.29**	1.05
To the cell shareholders:		
Cell 1	-	500,000
Cell 4	-	470,000
Cell 7	**120,222**	390,300
Cell 8	**500,000**	500,000
Net	**620,222**	1,860,300
Dividends per preference share		
Cell 1	-	0.34
Cell 4	-	0.36
Cell 7	**0.30**	0.72
Cell 8	**0.56**	0.56
Total dividends	**1,997,222**	6,877,300

On 30 January 2019, the Board approved the payment of a net interim dividend of €700,000 to the non-cellular shareholders.

At the forthcoming annual general meeting a net dividend in respect of 2018 amounting to € 700,000 is to be presented for shareholders' approval.

These financial statements do not recognise the dividend paid after year end and proposed, which will be accounted for in shareholders' equity as an apportionment of retained earnings in the year ending 31 December 2019.

11. Intangible assets

	Customer relationships €	Computer Software €	Total €
At 1 January 2017			
Cost	194,735	525,504	720,239
Accumulated amortisation and impairment	(194,735)	(493,596)	(688,331)
Net book amount	-	**31,908**	**31,908**
Year ended 31 December 2017			
Opening net book amount	-	31,908	31,908
Additions	-	5,428	5,428
Amortisation charge	-	(19,911)	(19,911)
Closing net book amount	-	17,425	17,425
At 31 December 2017			
Cost	194,735	530,932	725,667
Accumulated amortisation and impairment	(194,735)	(513,507)	(708,242)
Net book amount	-	**17,425**	**17,425**
At 1 January 2018			
Cost	194,735	530,932	725,667
Accumulated amortisation and impairment	(194,735)	(513,507)	(708,242)
Net book amount	-	**17,425**	**17,425**
Year ended 31 December 2018			
Opening net book amount	-	17,425	17,425
Additions	-	2,316	2,316
Amortisation charge	-	(15,357)	(15,357)
Closing net book amount	-	**4,384**	**4,384**
At 31 December 2018			
Cost	194,735	533,248	727,983
Accumulated amortisation and impairment	(194,735)	(528,864)	(723,599)
Net book amount	-	**4,384**	**4,384**

12. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Furniture, equipment and motor vehicles €	Total €
At 1 January 2017				
Cost or revaluation	4,558,735	1,659,241	3,648,758	9,866,734
Accumulated depreciation	(33,558)	(934,010)	(3,044,154)	(4,011,722)
Net book amount	**4,525,177**	**725,231**	**604,604**	**5,855,012**
Year ended 31 December 2017				
Opening net book amount	4,525,177	725,231	604,604	5,855,012
Additions	-	119,052	390,319	509,371
Disposals	(70,000)	-	(371,966)	(441,966)
Depreciation charge	(45,528)	(131,734)	(238,687)	(415,949)
Depreciation released on disposal	52,066	-	357,824	409,890
Closing net book amount	4,461,715	712,549	742,094	5,916,358
At 31 December 2017				
Cost or revaluation	4,552,769	1,778,293	3,667,111	9,998,173
Accumulated depreciation	(91,054)	(1,065,744)	(2,925,017)	(4,081,815)
Net book amount	**4,461,715**	**712,549**	**742,094**	**5,916,358**
Year ended 31 December 2018				
Opening net book amount	4,461,715	712,549	742,094	5,916,358
Additions	-	228,613	420,111	648,724
Disposals	-	-	(99,375)	(99,375)
Depreciation charge	(45,528)	(153,187)	(266,456)	(465,171)
Depreciation released on disposal	-	-	99,375	99,375
Closing net book amount	**4,416,187**	**787,975**	**895,749**	**6,099,911**
At 31 December 2018				
Cost or revaluation	4,552,769	2,006,906	3,987,847	10,547,522
Accumulated depreciation	(136,582)	(1,218,931)	(3,092,098)	(4,447,611)
Net book amount	**4,416,187**	**787,975**	**895,749**	**6,099,911**

12. **Property, plant and equipment** - continued

Fair value of Property

The Company's property used in operations and investment property were last revalued on 12 November 2016 based on professional independent valuations.

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 property located in Mellieha and Iklin. 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 13, 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.

As at the end of the reporting period no changes in fair value were accounted for, since in the opinion of the directors the carrying amount of property held by the company did not differ materiality from the fair value as at year end.

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 metre as at 31 December ranged circa €2,500 in the case of property used in operations. The weighted average price per square metre as at 31 December was €2,300 in the case of investment properties. An increase in the adjusted sales prices per square metre would result in a higher fair value.

12. **Property, plant and equipment** - continued

Valuation process and techniques - continued

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

	2018 €	2017 €
Cost	**4,973,536**	4,973,536
Accumulated depreciation	**(379,053)**	(345,495)
Net book amount	**4,594,483**	4,628,041

13. **Land and buildings - investment property**

	2018 €	2017 €
Year ended 31 December		
At beginning of year	**3,549,950**	3,549,950
Reclassification from Property, Plant and Equipment	**(16,000)**	-
Additions	**2,212,260**	-
At end of year	**5,746,210**	3,549,950
At 31 December		
Carrying amount	**5,762,210**	3,549,950

The valuation process and techniques are included under Note 12.

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

	2018 €	2017 €
Cost	**5,473,485**	3,261,225
Accumulated depreciation	**(217,289)**	(181,789)
Net book amount	**5,256,196**	3,079,436

14. Investment in subsidiaries

	2018	2017
	€	€
Year ended 31 December		
At beginning and end of year	**698,000**	698,000
Acquisition of Eagle Star Malta Limited	**64,058**	-
Disposal of shares in Ark Insurance Management	**(10,500)**	-
Transfer of cost of equity to Associate Undertaking	**(3,500)**	
	748,058	698,000

The subsidiaries and associates at 31 December 2018 and 2017 are shown below:

Name of subsidiary	Registered office	Class of shares	Percentage of shares held 2018	2017
Atlas Healthcare Insurance Agency Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	100%	100%
Eagle Star (Malta) Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	100%	-
Ark Insurance Management PCC Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	-	100%
Stuart Property Development Ltd	48-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	45.8%	45.8%

Name of Associate	Registered office	Class of shares	Percentage of shares held 2018	2017
Ark Insurance Management PCC Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	25%	-

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 has the power over the investee; and rights to variable returns from its involvement with the investee as well as the ability to use its power over the investee to affect the amount of the shareholders' returns.

During 2018 Atlas Insurance PCC Limited fully acquired the shares in Eagle Star (Malta) Limited and is being considered to be a fully owned subsidiary company. Also 75% of the shares in Ark Insurance Management Ltd were disposed of with the Company being renamed to SRS Insurance Management Services Europe PCC Ltd (SRS) and now being considered to be an associate entity with a valuation at cost of Eur3,500. Although appointing two directors on the SRS Board, Atlas Insurance PCC Limited has lost its significant influence and majority of voting rights.

15. Investments

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

	2018	2017
	€	€
Fair value through profit or loss	**34,884,571**	35,580,253
Loans and receivables	**369,747**	508,888
	35,254,318	36,089,141

(a) *Investments at fair value through profit or loss*

	Core		**Cells**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
At 31 December						
Equity securities and units in unit trusts	**21,295,639**	22,952,625	**5,189,243**	5,213,726	**26,484,882**	28,166,351
Debt securities – listed fixed interest rate	**8,399,689**	7,413,902	**-**	-	**8,399,689**	7,413,902
Total investments at fair value through profit or loss	**29,695,328**	30,366,527	**5,189,243**	5,213,726	**34,884,571**	35,580,253

Equity securities and units in unit trusts are classified as non-current. During 2016 the Company invested €13m as seed capital in the Merill Total Return Income Fund following a transfer of existing investments held under a discretionary management agreement.

Maturity of fixed income debt securities:

	2018	2017
	€	€
Within 1 year	**326,724**	647,828
Between 1 and 2 years	**372,959**	644,753
Between 2 and 5 years	**2,166,742**	3,635,414
Over 5 years	**5,533,264**	2,485,907
	8,399,689	7,413,902
Weighted average effective interest rate	**4.30%**	4.14%

15. **Investments** - continued

The movements for the year are summarised as follows:

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**30,366,527**	27,128,980	**5,213,726**	1,584,214	**35,580,253**	28,713,194
Additions	**3,591,402**	5,664,088	**-**	3,700,000	**3,591,402**	9,364,088
Disposals	**(3,085,037)**	(3,003,553)	**-**	-	**(3,085,037)**	(3,003,553)
Fair value (losses)/gains	**(1,177,564)**	577,012	**(19,341)**	(17,691)	**(1,196,905)**	559,321
Other movements	**-**	-	**(5,142)**	(52,797)	**(5,142)**	(52,797)
At end of year	**29,695,328**	30,366,527	**5,189,243**	5,213,726	**34,884,571**	35,580,253
As at 31 December						
Cost	**27,416,325**	27,163,801	**5,293,345**	5,293,345	**32,709,670**	32,457,146
Accumulated net fair value gains	**2,279,003**	3,202,726	**(104,102)**	(79,619)	**2,174,901**	3,123,107
	29,695,328	30,366,527	**5,189,243**	5,213,726	**34,884,571**	35,580,253

(b) Loans and receivables

	2018	2017
	€	€
At 31 December		
Deposits with banks or financial institutions (i)	**369,747**	265,000
Loan to parent company (ii)	**-**	243,888
	369,747	508,888

(i) Deposits with banks or financial institutions

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Within 3 months	**369,747**	265,000	**-**	-	**369,747**	265,000

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

	2018	2017
	€	€
At fixed rates	**369,747**	265,000
Weighted average effective interest rate	**0.1%**	0.1%

15. Investments - continued

(ii) Loan to parent company

The loan to the parent Company is an interest free loan. The amount is €0 (2017: €243,888).

16. Deferred taxation

	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**(1,667,192)**	(1,489,173)
Charged to other comprehensive income (Note 20)	**4,553**	6,346
Charged to profit and loss account (Note 8)	**338,741**	(184,365)
At end of year	**(1,323,898)**	(1,667,192)

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% (2017: 35%) with the exception of investment property and freehold and other property, for which deferred taxes are calculated using a tax rate of 8% or 10% of the carrying amount (2017: 8% or 10%) depending on acquisition dates.

The balance at 31 December represents temporary differences on:

	2018	2017
	€	€
Revaluation of land and buildings	**(238,963)**	(243,516)
Revaluation of investment property	**(287,795)**	(289,075)
Temporary differences on:		
- Financial investments at fair value through profit or loss	**(779,215)**	(1,101,605)
- Fixed assets	**(42,383)**	(57,454)
- Provisions	**24,458**	24,458
	(1,323,898)	(1,667,192)

Movements in deferred tax arising on revaluation of land and buildings are accounted for in Other comprehensive income. All other temporary differences are accounted for in the profit and loss account. Deferred income taxes and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

17. Deferred acquisition costs

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**848,326**	790,940	**470,882**	295,261	**1,319,208**	1,086,201
Net amount credited to profit and loss account (Note 4)	**8,603**	57,386	**517,663**	178,978	**526,266**	236,364
Exchange differences resulting from translation to presentation currency	**-**	-	**(810)**	(3,357)	**(810)**	(3,357)
At end of year	**856,929**	848,326	**987,735**	470,882	**1,844,664**	1,319,208
Current portion	**856,929**	848,326	**987,735**	470,882	**1,844,664**	1,319,208

18. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Debtors arising from direct Insurance operations						
Due from policyholders	**1,933,879**	1,907,405	**-**	-	**1,933,879**	1,907,405
Due from agents, brokers and intermediaries	**2,722,664**	2,529,785	**-**	-	**2,722,664**	2,529,785
Due from reinsurers	**18,331**	220,222	**-**	-	**18,331**	220,222
	4,674,874	4,657,412	**-**	-	**4,674,874**	4,657,412
Other debtors						
Receivable from parent	**15,050**	43,185	**-**	-	**15,050**	43,185
Receivable from subsidiaries	**214,627**	117,792	**-**	-	**214,627**	117,792
Receivable from related parties	**47,767**	55,418	**11,498,139**	9,235,305	**11,545,906**	9,290,723
Other debtors	**326,589**	212,473	**1,622,838**	1,343,092	**1,949,427**	1,555,565
	604,033	428,868	**13,120,977**	10,578,397	**13,725,010**	11,007,265
Prepayments and accrued income						
Prepayments	**73,343**	52,529	**203,460**	132,320	**276,803**	184,849
Accrued interest	**112,787**	106,231	**-**	-	**112,787**	106,231
	186,130	158,760	**203,460**	132,320	**389,590**	291,080
Total debtors and prepayments and accrued income	**5,465,037**	5,245,040	**13,324,437**	10,710,717	**18,787,474**	15,955,757
Current portion	**5,465,037**	5,245,040	**13,324,437**	10,710,717	**18,787,474**	15,955,757

Core debtors are presented net of an allowance for impairment of €69,881 (2017: €69,881). As at 31 December 2018, total debtors amounting to €4,120,092 (2017: €3,983,374) were fully performing, whereas debtors amounting to €1,158,815 (2017: €1,104,596) 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:

	2018	2017
	€	€
Up to 3 months	**889,982**	817,311
3 to 9 months	**227,518**	187,923
More than 9 months	**41,315**	99,362
	1,158,815	1,104,596

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

19. Share capital

	2018	2017
	€	€
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
6,000,000 cell shares of €2.50 each	**15,000,000**	15,000,000
	27,500,000	27,500,000
Core		
Issued and fully paid up share capital:		
4,797,000 (2017) 3,276,200 (2016) 'A' ordinary voting shares of €2.50 each	**11,992,500**	11,992,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
	12,000,000	12,000,000
Cells		
Cell 1		
Issued and 100% paid up share capital: 1,466,240 cell shares	**3,665,600**	3,665,600
Cell 2		
Issued and 80% paid up share capital: 155,000 cell shares	**-**	310,000
Cell 4		
Issued and 50% paid up share capital: 1,309,377 (2017) 1,121,377 (2016) cell shares	**1,871,721**	1,871,721
Cell 7		
Issued and 67.5% paid up share capital: 544,215 (2017) 401,815 (2016) cell shares	**918,363**	918,363
Cell 8		
Issued and 44.5% paid up share capital: 900,000 cell shares	**1,000,125**	1,000,125
Cell 9		
Issued and 55% paid up share capital: 328,000 cell shares	**451,000**	451,000
Cell 10		
Issued and 100% paid up share capital: 240,000 cell shares	**600,000**	600,000
	8,506,809	8,816,809
Total share capital	**20,506,809**	20,816,809

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

In terms of a resolution dated 9 June 2017, the issued share capital of the Company was increased by 142,400 cell shares of €2.50 each 67.5% paid up in relation to Cell 7.

In terms of a resolution dated 25 August 2017, the issued share capital of the Company was increased through a bonus issue by 1,520,800 shares of €2.50 each and fully paid up in relation to Core.

In terms of a resolution dated 28 December 2017, the issued share capital of the Company was increased through a bonus issue by 376,000 shares of €2.50 each 50% paid up in relation to Cell 4.

Following the closure and winding up of Cell 2 in terms of an extraordinary resolution dated 26 September 2018, the issued share capital was reduced by the cancellation of 124,000 cell shares of €2.50 each, fully paid up. Such cancellation became effective on 28 December 2018. In terms of an agreement between shareholders of cell 2 and the company ,all assets and liabilities were transferred to the company.

19. Share capital - continued

During 2017, the shareholders of the various cells resolved the following resolutions relating to increases in cell shares:

Cell	Resolution date	Nature of increase	Nominal value	Paid up
Core	25 August 2017	Issue of 1,520,800 shares	€2.50	Fully paid up
Cell 4	28 December 2017	Issue of 376,000 cell shares	€2.50	50% paid up
Cell 7	9 June 2017	Issue of 142,400 cell shares	€2.50	67.5% paid up

20. Reserves

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Revaluation reserve	**2,253,063**	2,249,510	**-**	-	**2,253,063**	2,249,510
Functional currency exchange reserve	**-**	-	**(919,539)**	(858,089)	**(919,539)**	(858,089)
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Total other reserves	**2,454,605**	2,451,052	**(919,539)**	(858,809)	**1,535,066**	1,592,963

Revaluation reserve

	Core	
	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**2,249,510**	2,266,577
Revaluation release on disposal of land and buildings (Note 12)	**(1,000)**	(23,413)
Movement in deferred tax relating to property, plant and equipment (Note 16)	**4,553**	6,346
Transfer from subsidiary	**-**	-
At end of year	**2,253,063**	2,249,510

Functional currency exchange reserve

	Cells	
	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**(858,089)**	(520,418)
Exchange differences resulting from translation to presentation currency	**(61,450)**	(337,671)
At end of year	**(919,539)**	(858,089)

20. **Reserves** - continued

The movements during the year are accounted for in other comprehensive income. The amounts gross of tax do not differ from the net amounts.

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.

The directors consider other reserves to be non-distributable.

Profit and loss account

	2018	2017
	€	€
Core	**13,307,804**	11,938,971
Cells		
Cell 1	**2,371,413**	1,909,284
Cell 2	**-**	255,947
Cell 4	**350,323**	397,161
Cell 7	**337,987**	210,445
Cell 8	**397,596**	533,686
Cell 9	**198,582**	56,422
Cell 10	**(243,305)**	(173,588)
	3,412,596	3,189,357
Total profit and loss account	**16,720,400**	15,128,328

The profit and loss account balance represents the amount available for dividend distribution to the respective shareholders, except any amount that is not distributable in terms of the solvency capital requirements and any amount that is not distributable under the Maltese Companies Act (Cap.386), as it represents unrealised profits.

21. Technical provisions and reinsurance assets

Gross technical Provisions	Core 2018 €	Core 2017 €	Cells 2018 €	Cells 2017 €	Total 2018 €	Total 2017 €
Claims reported and loss adjustment expenses	**20,986,403**	19,937,793	**3,324,011**	29,495,683	**24,310,414**	49,433,476
Claims incurred but not reported	**1,931,947**	1,744,529	**1,651,064**	2,305,720	**3,583,011**	4,050,249
Unearned premiums	**11,596,550**	11,108,563	**11,207,134**	7,712,305	**22,803,684**	18,820,868
Total insurance liabilities, gross	**34,514,900**	32,790,885	**16,182,209**	39,513,708	**50,697,109**	72,304,593
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	**10,010,262**	8,949,411	**610,097**	27,221,578	**10,620,359**	36,170,989
Claims incurred but not reported	**958,227**	866,284	**-**	-	**958,227**	866,284
Unearned premiums	**4,538,584**	4,568,243	**4,788,382**	918,729	**9,326,966**	5,486,972
Total reinsurers' share of insurance liabilities	**15,507,073**	14,383,938	**5,398,479**	28,140,307	**20,905,552**	42,524,245
Net technical provisions						
Claims reported and loss adjustment expenses	**10,976,141**	10,988,382	**2,713,914**	2,274,105	**13,690,055**	13,262,487
Claims incurred but not reported	**973,720**	878,245	**1,651,064**	2,305,720	**2,624,784**	3,183,965
Unearned premiums	**7,057,966**	6,540,320	**6,418,752**	6,793,576	**13,476,718**	13,333,896
	19,007,827	18,406,947	**10,783,730**	11,373,401	**29,791,557**	29,780,348

Maturity information related to claims outstanding and claims incurred but not reported is presented in Note 3.2.3. Unearned premium is current in nature.

21. 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.

During 2017 a provision to cover claims handling was introduced and is based on an estimated settlement fee on the number of open claims outstanding at year end. A subrogation or salvage recovery on gross claims has also been recognised and is based on statistical analyses of historical experience.

Unearned premium reserves are formulated on a 365^{ths} 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.

21. Technical provisions and reinsurance assets - continued

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:

	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	Total €
- at end of reporting year	10,233,170	10,031,590	8,302,389	9,790,944	10,344,366	11,283,117	15,231,792	14,400,164	19,016,753	16,389,345	125,023,631
- one year later	9,374,647	9,005,458	7,276,342	8,583,139	9,373,332	9,022,726	13,446,678	13,173,332	15,576,521		94,832,175
- two years later	8,673,410	8,345,563	6,581,449	8,062,640	8,761,064	8,015,028	12,337,696	12,351,302			73,128,152
- three years later	8,389,139	7,882,614	6,138,583	7,686,076	8,553,785	7,802,011	11,838,299				58,290,506
- four years later	8,320,524	8,018,995	6,014,570	7,585,657	8,405,629	7,625,992					45,971,368
- five years later	8,238,753	7,923,623	5,938,102	7,444,976	8,346,294						37,891,748
- six years later	8,276,002	7,884,434	5,913,793	7,428,855							29,503,084
- seven years later	8,369,496	7,932,012	5,899,550								22,201,058
- eight years later	8,362,108	7,929,807									16,291,915
- nine years later	8,087,612										8,087,612
Current estimates of :											
Cumulative claims	8,087,612	7,929,807	5,899,550	7,428,855	8,346,294	7,625,992	11,838,299	12,351,302	15,576,521	16,389,345	101,473,577
Cumulative payments to date	(7,969,212)	(7,861,832)	(5,871,308)	(7,350,571)	(8,121,257)	(7,429,199)	(10,983,200)	(9,695,482)	(7,848,981)	(6,237,798)	(79,368,841)
Liability recognised in the balance sheet	118,400	67,974	28,242	78,284	225,037	196,793	855,099	2,655,820	7,727,540	10,151,548	22,104,737
Reserve in respect of prior years											813,613
Total reserve included in the balance sheet											22,918,350

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Core:

	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	Total €
- at end of reporting year	6,478,050	6,736,170	6,822,148	7,278,905	8,039,367	7,768,761	9,431,033	10,106,850	9,212,017	9,983,389	81,856,689
- one year later	5,806,238	5,993,703	5,964,826	6,476,750	7,258,996	6,881,159	8,675,037	9,465,006	8,502,035		65,023,750
- two years later	5,259,385	5,678,373	5,494,456	6,056,331	6,642,433	6,357,253	7,697,462	8,589,373			51,775,065
- three years later	5,027,885	5,328,498	5,088,202	5,808,076	6,470,996	6,170,581	7,267,099				41,161,338
- four years later	4,998,718	5,470,410	4,971,888	5,736,542	6,362,895	6,044,203					33,584,656
- five years later	4,929,276	5,378,238	4,892,818	5,640,427	6,315,891						27,156,650
- six years later	5,026,195	5,340,697	4,871,086	5,623,081							20,861,059
- seven years later	5,123,822	5,392,202	4,864,482								15,380,507
- eight years later	5,116,210	5,389,953									10,506,163
- nine years later	4,837,352										4,837,352
Current estimates of :											
Cumulative claims	4,837,352	5,389,953	4,864,482	5,623,081	6,315,891	6,044,203	7,267,099	8,589,373	8,502,035	9,983,389	67,416,858
Cumulative payments to date	(4,799,931)	(5,321,956)	(4,836,545)	(5,546,511)	(6,102,589)	(5,847,606)	(6,596,208)	(6,631,245)	(5,953,662)	(4,591,914)	(56,228,165)
Liability recognised in the balance sheet	37,421	67,998	27,938	76,570	213,302	196,597	670,892	1,958,129	2,548,373	5,391,475	11,188,694
Reserve in respect of prior Years											761,167
Total reserve included in the balance sheet											11,949,861

21. **Technical provisions and reinsurance assets** - continued

Estimate of the ultimate Gross claims costs for the Cells:

Cells	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	**2018** **€**	Total €
- at end of reporting year	436,538	750,960	2,097,027	2,128,125	10,125,682	4,535,651	6,724,620	8,735,822	6,127,244	7,712,128	49,373,797
- one year later	422,616	876,294	1,921,989	1,929,797	10,664,268	4,479,656	6,742,010	8,252,379	7,035,776		42,324,786
- two years later	422,616	655,087	1,640,648	1,938,163	18,018,955	4,427,930	6,296,589	6,934,553			40,334,541
- three years later	422,616	676,499	1,681,901	1,747,566	15,834,488	4,404,344	6,028,773				30,796,187
- four years later	422,616	675,860	1,636,471	1,653,096	31,496,234	4,266,199					40,150,476
- five years later	422,616	635,644	1,612,358	1,593,776	28,402,615						32,667,009
- six years later	422,616	613,987	1,525,953	1,620,465							4,183,021
- seven years later	422,616	619,816	1,527,312								2,569,744
- eight years later	422,616	612,714									1,035,330
- nine years later	422,616										422,616
Current estimates of:											
Cumulative claims	422,616	612,714	1,527,312	1,620,465	28,402,615	4,266,199	6,028,773	6,934,553	7,035,776	7,712,128	64,563,151
Cumulative payments to date	(421,954)	(645,234)	(1,619,674)	(1,615,492)	(28,447,609)	(3,976,579)	(5,337,302)	(6,004,491)	(5,262,276)	(5,596,663)	(58,927,274)
Other movements	(662)	36,135	107,795	23,916	210,587	(223,911)	(598,261)	(140,852)	(45,694)	(29,856)	(660,802)
Liability recognised in the balance sheet	-	3,615	15,433	28,890	165,592	65,709	93,211	789,210	1,727,805	2,085,610	4,975,075

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Cells:

Cells	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	**2018 €**	Total €
- at end of reporting year	436,538	750,960	2,097,027	2,128,125	2,896,878	4,536,392	6,708,211	7,336,263	6,082,999	7,452,706	40,426,099
- one year later	422,616	876,294	1,921,989	1,929,797	2,886,593	4,479,656	6,681,076	7,315,606	7,033,485		33,547,113
- two years later	422,616	655,087	1,640,648	1,938,163	2,911,341	4,427,930	6,296,589	6,526,799			24,819,173
- three years later	422,616	676,499	1,681,901	1,747,566	2,592,339	4,352,572	6,080,852				17,554,345
- four years later	422,616	675,860	1,636,471	1,653,096	2,330,649	4,214,427					10,933,119
- five years later	422,616	635,644	1,612,358	1,593,776	2,377,846						6,642,240
- six years later	422,616	613,987	1,525,953	1,620,465							4,183,021
- seven years later	422,616	619,816	1,527,312								2,569,744
- eight years later	422,616	612,714									1,035,330
- nine years later	422,616										422,616
Current estimates of:											
Cumulative claims	422,616	612,714	1,527,312	1,620,465	2,377,846	4,214,427	6,080,852	6,526,799	7,033,485	7,452,706	37,869,222
Cumulative payments to date	(421,954)	(640,807)	(1,619,463)	(1,601,559)	(2,352,102)	(3,942,156)	(5,254,131)	(5,688,216)	(4,483,398)	(4,940,492)	(30,944,278)
Other movements	(662)	31,708	107,584	9,984	77,889	(206,562)	(733,510)	(455,077)	(822,281)	(569,036)	(2,559,963)
Liability recognised in the balance sheet	-	3,615	15,433	28,890	103,633	65,709	93,211	383,506	1,727,805	1,943,178	4,364,980

21. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses - Core

	Year ended 31 December 2018			Year ended 31 December 2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	**19,887,405**	**(8,949,411)**	**10,937,994**	14,949,470	(4,399,530)	10,549,940
Incurred but not reported	**1,794,917**	**(866,284)**	**928,633**	1,316,641	(370,920)	945,721
Total at beginning of year	**21,682,322**	**(9,815,695)**	**11,866,627**	16,266,111	(4,770,450)	11,495,661
Increase in liabilities:						
- arising from current year claims	**16,389,345**	**(6,405,957)**	**9,983,388**	19,016,753	(9,804,736)	9,212,017
- arising from prior year claims	**(5,719,859)**	**2,826,188**	**(2,893,671)**	(2,956,209)	860,607	(2,095,602)
Claims settled during the year	**(9,433,458)**	**2,426,975**	**(7,006,483)**	(10,644,333)	3,898,884	(6,745,449)
Total at end of year	**22,918,350**	**(10,968,489)**	**11,949,861**	21,682,322	(9,815,695)	11,866,627
Notified claims still outstanding	**20,986,403**	**(10,010,262)**	**10,976,141**	19,887,405	(8,949,411)	10,937,994
Incurred but not reported	**1,931,947**	**(958,227)**	**973,720**	1,794,917	(866,284)	928,633
Total at end of year	**22,918,350**	**(10,968,489)**	**11,949,861**	21,682,322	(9,815,695)	11,866,627

(a) Claims and loss adjustment expenses - Cells

	Year ended 31 December 2018			Year ended 31 December 2017		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	**29,488,668**	**(27,221,578)**	**2,267,090**	15,068,395	(13,063,393)	2,005,002
Incurred but not reported	**2,305,720**	**-**	**2,305,720**	2,985,013	-	2,985,013
Total at beginning of year	**31,794,388**	**(27,221,578)**	**4,572,810**	18,053,408	(13,063,393)	4,990,015
Increase in liabilities:						
- arising from current year claims	**7,712,128**	**(259,422)**	**7,452,706**	6,127,243	(46,262)	6,080,981
- arising from prior year claims	**(3,613,903)**	**3,378,594**	**(235,309)**	16,627,129	(16,760,977)	(133,848)
Claims settled during the year	**(30,652,335)**	**23,255,186**	**(7,397,149)**	(7,558,716)	1,372,523	(6,186,193)
Other movements	**(265,203)**	**237,122**	**(28,081)**	(1,447,661)	1,276,531	(171,130)
Total at end of year	**4,975,075**	**(610,098)**	**4,364,977**	31,801,403	(27,221,578)	4,579,825
Notified claims still outstanding	**3,324,011**	**(610,098)**	**2,713,913**	29,495,683	(27,221,578)	2,274,105
Incurred but not reported	**1,651,064**	**-**	**1,651,064**	2,305,720	-	2,305,720
Total at end of year	**4,975,075**	**(610,098)**	**4,364,977**	31,801,403	(27,221,578)	4,579,825

21. Technical provisions and reinsurance assets - continued

(b) Gross and Net unearned premiums - Core

	Year ended 31 December 2018			Year ended 31 December 2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	**11,108,563**	**(4,568,243)**	**6,540,320**	9,927,288	(4,090,738)	5,836,550
Net charge/(credit) to profit and loss	**487,987**	**29,659**	**517,646**	1,181,275	(477,505)	703,770
At end of year	**11,596,550**	**(4,538,584)**	**7,057,966**	11,108,563	(4,568,243)	6,540,320

(b) Gross and Net unearned premiums - Cells

	Year ended 31 December 2018			Year ended 31 December 2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	**7,712,305**	**(918,729)**	**6,793,576**	6,183,082	(833,590)	5,349,492
Net charge/(credit) to profit and loss	**3,793,847**	**(3,869,651)**	**(75,804)**	1,563,171	(92,283)	1,470,888
Other movements	**-**	**(17,311)**	**(17,311)**	(33,948)	7,144	(26,804)
At end of year	**11,506,152**	**(4,805,691)**	**6,700,461**	7,712,305	(918,729)	6,793,576

22. Borrowings

	2018	2017
	€	€
Bank balance overdrawn (Note 25)	-	13,568

The Company has the following undrawn borrowing facilities:

	2018	2017
	€	€
Floating rate and expiring within one year	-	903,736

23. Creditors and accruals and deferred income

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Creditors arising out of direct insurance operations						
Trade creditors	**1,088,774**	1,097,418	**1,600,599**	806,796	**2,689,373**	1,904,214
Payable to reinsurers	**920,150**	977,999	**5,284,050**	1,247,873	**6,204,200**	2,225,872
	2,008,924	2,075,417	**6,884,649**	2,054,669	**8,893,573**	4,130,086
Other creditors						
Payable to related parties	**-**	-	**3,731,519**	237,813	**3,731,519**	237,813
Other creditors	**183,205**	270,633	**-**	-	**183,205**	270,633
	183,205	270,633	**3,731,519**	237,813	**3,914,724**	508,446
Accruals and deferred income	**2,205,836**	2,200,700	**175,351**	164,670	**2,381,187**	2,365,370
Total creditors and accruals and deferred income	**4,397,965**	4,546,750	**10,791,519**	2,457,152	**15,189,484**	7,003,902
Current portion	**4,397,965**	4,546,750	**10,791,519**	2,457,152	**15,189,484**	7,003,902

Amounts payable to related parties are interest free, unsecured and repayable on demand.

24. Cash generated from operations

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Insurance premiums received	**26,469,691**	24,351,170	**18,595,980**	16,144,907	**45,065,671**	40,496,077
Reinsurance premiums paid	**(10,424,904)**	(10,609,826)	**(5,584,682)**	(1,024,052)	**(16,009,586)**	(11,633,878)
Claims paid	**(10,281,951)**	(11,442,662)	**(30,652,335)**	(7,558,942)	**(40,934,286)**	(19,001,604)
Reinsurance claims received	**2,426,975**	3,898,884	**23,255,186**	1,372,523	**25,682,161**	5,271,407
Commission and other income	**3,773,540**	3,544,083	**10,681**	(8,638)	**3,784,221**	3,535,445
Cash paid to employees, related parties and other suppliers for services and goods	**(7,233,896)**	(6,237,632)	**963,648**	(12,492,895)	**(6,270,248)**	(18,730,527)
Interest received/(paid)	**287,018**	267,997	**(11,616)**	53,976	**275,402**	321,973
Dividends received	**619,811**	502,993	**-**	-	**619,811**	502,993
Rental Income	**270,139**	126,700	**-**	-	**270,139**	126,700
Net (purchase)/disposal of operating assets:						
- loans and receivables	**139,141**	-	**24,483**	272,926	**163,624**	272,926
- financial assets at fair value through profit or loss	**(506,365)**	(2,660,535)	**-**	-	**(506,365)**	(2,660,535)
Cash generated from/ (used in) operations	**5,539,199**	1,741,172	**6,601,345**	(3,240,195)	**12,140,544**	(1,499,023)

25. Cash and cash equivalents

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

	Core		Cells		Total	
	2018	2017	**2018**	2017	**2018**	2017
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**3,612,737**	2,556,405	**15,201,246**	11,078,922	**18,813,983**	13,635,327
Held with investment managers	**962,340**	1,277,040	**-**	-	**962,340**	1,277,040
Bank balance overdrawn	**-**	(13,568)	**-**	-	**-**	(13,568)
At end of year	**4,575,077**	3,819,877	**15,201,246**	11,078,922	**19,776,323**	14,898,799

The weighted average interest rate on interest bearing bank balances as at year-end was 0.04% p.a. (2017: 0.04% p.a.).

26. 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:

	2018	2017
	€	€
Income		
Subsidiaries:		
Payroll costs charged	**349,869**	198,831
Other related entities:		
Payroll costs charged	**31,863**	19,553

Dividend receivable from subsidiary is disclosed Note 5. Dividends payable to the parent company are disclosed in Note 10.

26. Related party transactions – continued

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 18 and 23 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 9 to these financial statements.

27. Capital management

As from 1 January 2016, the Company was subject to the requirements of the EU Solvency II.

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- 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 insurance business in compliance with the rules issued by the Malta Financial Services Authority (MFSA). The minimum capital requirement must be maintained at all times throughout the year. The Company monitors its capital level on a regular basis, by ensuring that sufficient assets are maintained to match insurance liabilities and to provide solvency cover.

The company defines capital as the excess of assets over liabilities as valued in accordance with the respective regulatory requirements.

Any transactions that may affect the Company's solvency position are immediately reported to the directors and shareholders for resolution, prior to notifying MFSA. Any potential shortfall in capital requirements necessitates the development of a recovery plan with a list of possible actions.

27. Capital management – continued

As from 1 January 2016, the Company was subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The Company must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator. The Company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2018, the Company's eligible own funds amounting to €43.1m (unaudited) (2017: €38.3m (unaudited)) adequately covered the required SCR.

The Company was compliant with its regulatory capital requirements throughout the financial year.

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.

28. Operating lease commitments

As at year-end the Company had commitments under non-cancellable operating leases where the Company is the lessee. These arrangements relate to leasing of a number of branches in difference locations.

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

	2018	2017
	€	€
Not later than 1 year	**9,018**	46,731
Later than 1 year and not later than 5 years	**5,110**	14,128
	14,128	60,499

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €105,641 (2017: €105,846) were recognised as an operating expense in profit or loss.

29. Statutory information

Atlas Insurance PCC Limited is a limited liability company and is incorporated in Malta. The immediate and ultimate 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.

30. 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.