ATLAS INSURANCE PCC LIMITED

Annual Report & Audited Financial Statements 2022

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 Values

- » Creating value for all stakeholders
- » Empowerment and innovation
- » Commitment to service
- » Passion
- » Respect

COVER IMAGE:
RED GLOW AT NIGHT
2008 – Composite photography
Patrick Fenech

Contents

Chairperson's Statement

In 2022, we continued transforming the Company using technology and digital tools, focussing on the well-being of our customers and our staff, and placing sustainability at the heart of how we run the organisation. The Company once again delivered a strong financial performance on its core insurance activities, which has been hampered by a weak performance of the financial markets.

ECONOMIC ENVIRONMENT

The Maltese economy appears to have shaken off the effects of the coronavirus as it grew by 6.9% in volume terms in 2022 when compared to 2021. Gross value added in the financial and insurance activities sector increased by 3.5% over 2021 and by 12.7% over 2019 (pre-COVID).

Total employees' compensation in this sector increased by 11.9%, compared to a national average increase of 9.4%. Labour Force Survey data shows that 18,200 persons were working in this sector, an increase of 12.1% over the previous year. The average yearly basic salary was €28,932.

FINANCIAL RESULTS

Total written premiums underwritten by the Company amounted to over €92 million in 2022, an increase of 17.6% over 2021. Of these €53 million were underwritten by the Core, an increase of €7.3 million from the previous year. The balance on the technical account of the Core was €4.5million net of allocated investment return. The company incurred a loss of €3.1 million from financial investments and property rental, reflecting a very difficult situation in the financial markets. Profit before tax generated by the Core was €2.8 million. Total profit before tax of the Company as a whole was €5.9 million. Earnings per share for the Core shareholders stood at €0.40 in 2022.

€92m
TOTAL WRITTEN PREMIUMS IN 2022

€5.9m
TOTAL PROFIT FOR 2022

€162m
TOTAL ASSETS

2.2x
SOLVENCY RATIO

GEO-INF, a sustainability project supported by the Atlas Community Involvement Fund

Dividends amounting to €2.0 million were paid to the Core shareholders in 2022. An interim dividend was proposed by the Board of Directors and paid to the Core shareholders amounting to €1.1 million in February 2023 and at the forthcoming Annual General Meeting, a final dividend of €1.1 million after tax is being proposed by the directors to the Core shareholders. Interim dividends to cell shareholders were also paid during 2022 amounting to €0.8 million.

The total assets of the Company reached €162 million and the balance sheet continues to show high levels of capital surplus over regulatory requirements. The solvency ratio stood at 2.2 times the capital requirement for the Company as a whole on 31 December 2022, compared to 2.08 times the capital requirement in 2021.

MANAGEMENT AND STAFF

Everything that we have achieved has resulted from the dedication and commitment of our staff and the service they provide to our customers in line with the Atlas values. I would like to thank personally all staff for their efforts. We have listened to our employees' views, expressed through our regular engagement surveys and taken action where we have seen opportunities to make things better.

We continue to invest in the Atlas brand as an employer of choice as we strengthen our efforts to attract talent in a very difficult labour market where skills are in short supply. On behalf of the Board, I thank the Atlas team ably led by the CEO, Matthew von Brockdorff, for their efforts and the results they have delivered.

BOARD OF DIRECTORS

The succession planning process which we started two years ago continues. After eleven years as a member of the Board of this Company, with nine years as Chair, I retire at this annual General Meeting. Malcolm Booker shall be assuming the role of Chair. I wish him success and I am sure he will have the satisfaction which I have had during the past years. Maintaining the right balance of skills and experience within the Board continues to be a priority.

I thank my fellow Directors for the input and support they have given, and I will always cherish our teamwork and professional approach.

Non-Executive Directors have continued to chair five committees, which were 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.

The Board contributes effectively to the development of strategy and the annual budget, and to the monitoring of the performance of the Company. Board members have an open and transparent relation with the Executive Directors and the Company's senior management team. There is a frequent exchange of ideas as members of the Executive Committee are invited to take an active part in some of the Board's discussions. Members of the Executive Committee also take an active part in the meetings of the Board Committees.

Training sessions for Board members are held on a regular basis to enhance their knowledge of key regulatory aspects such as the Own Risks and Solvency Assessment (ORSA) and International Financial Reporting Standards.

At each year end the Board undertakes an evaluation of the performance of the Board and its Committees. This enables us to evaluate our collective effectiveness and to set objectives for the Board for the following year.

WE ARE WORKING TO EMBED SUSTAINABILITY IN OUR BUSINESS MODEL SUCH THAT IT BECOMES AN INTEGRAL PART OF OUR CULTURE

The Corporate Governance Statement in the Annual Report details our approach to governance in practice, mindful of the requirements of the regulatory authorities.

TRANSFORMING ATLAS INTO A MORE SUSTAINABLE BUSINESS

We have continued to operate in a way that benefits all our stakeholders and has a positive impact on Maltese society. We are working to embed sustainability in our business model such that it becomes an integral part of our culture. As stakeholders have come to value the holistic performance of businesses across important environmental, social and governance (ESG) measures, we too are making changes to continue to develop Atlas into a successful and sustainable Group we can all be proud of.

SUPPORTING MALTESE SOCIETY

During 2022, we reviewed our Community Involvement strategy and have allocated significant funding towards a major new initiative where we invited relevant applicants to submit proposals for funding to address eight areas where Malta is under-performing in its UN sustainable development goals or SDGs. The three projects which have been awarded significant funding address the SDGs of clean water and sanitation, gender equality and quality education. The first project is under way and is expected to recover as much as 75,000 litres per year per school for the aquifers of Malta from the roofs of three schools starting from 2023.

Our major support of Melita FC and the Malta Sports Journalists Association for the Atlas Youth Athlete of the month continues. We continue to value the promotion of sport and exercise, particularly among youth as one of the areas where we can make a major difference.

We also continued our sponsorship of the Malta Chamber Health and Wellness Committee and through the Chamber, invited clients as well as Chamber members to a number of events including the successful 'Diversity Pays' event on Women's Day, as well as other events relating to Mental Health Awareness month in October including participating in European Safer Gambling Week 2022. During the period, among other donations, substantial support was given to the APS Summer Festival, the JAYE Startup Festival and to the SOS Malta volunteering initiative.

We should also mention our donations to Foodbank Lifeline Foundation Malta where staff also volunteered their time as well as an MCCF sponsorship showcasing local artists' work. Atlas continues to support the arts in various other ways and in 2022 we produced another Atlas calendar featuring a local fine artist, we were main sponsors of the Etnika Arrow of Time Festival and continued to support Fondazzjoni Patrimonju Malti.

OUTLOOK

We are well aware that our purpose is to give our clients peace of mind. Our success depends on our ability to focus on customer expectations to deliver an excellent insurance experience.

To achieve this, we seek to enable our staff to thrive and develop. We have achieved a great deal and we look at our future with confidence. We seek to build on our success for the benefit of all our stakeholders and to continue enhancing shareholder value. I thank the shareholders for the trust that they have continued to show the Board and for the support they give us.

LAWRENCE ZAMMIT
Chairperson

Chief Executive Officer's Report

The post pandemic year of 2022 was extremely eventful. The extraordinary pressures resulting from the Ukraine war, accelerated inflation, increased interest rates, stock market crashes, and the battle for talent were all resiliently withstood by Atlas, managing to achieve respectable results. We continued to focus on our talent development and recruitment to support the successful growth in our business that places excellent Customer Experience as our top goal. Our strong technical results (of the Core) of €6.2m helped to compensate for our heavy losses on investments of €3.2m.

FINANCIAL RESULTS

The total gross written premium, for both local risks underwritten by the Core and Cell risks based overseas, amounted to over €92 million. Our premium income in the Core grew by 15.9% to €53 million and that of the cells increased by 20.2% to €38.9 million. The net profit before tax on the Core amounted to €2.84 million. Core shareholder equity grew by 4% to €42.8 million.

TEAMATLAS: PEOPLE WE CAN TRUST

TeamAtlas has again prevailed, achieving great sales results despite increased workloads and severe labour market difficulties which characterise both the local and global working environments. We are very grateful and indeed inspired by these efforts in the face of these difficulties.

2022 has been a year of extremes for us as it has been for everyone. We experienced the joy of meeting face to face again, both at Atlas social events and in the workplace but also the fears around global uncertainties.

€92m
TOTAL WRITTEN PREMIUMS IN 2022

€53m
UNDERWRITTEN BY THE CORE

€78m
TOTAL WRITTEN PREMIUMS IN 2021

€46m
UNDERWRITTEN BY THE CORE

We resumed our traditional Atlas Day event last year, a team day where we close our offices and spend time together in a relaxed environment. The theme this year was "The Future of Work" where together, we examined future-proofing skills and themes, apart from having fun and partying. Our social club came together in full force, holding a number of great social events over the whole year.

Our hybrid work model has worked well and it has given many the flexibility to work how it suits Atlas and themselves best. Contrary to universal fears that nobody would want to come back to work, many of our people spend the large majority of their time in the office.

Of course, we have had our successes and failures, however these were not more significant than what we would expect to experience in conventional office-based work patterns. We see that hybrid work, flexibility, trust, autonomy and shared values have become pre-requisites of the contemporary workplace and we continue to keep our finger on the pulse to ensure that we are attracting the best new talent to support current employees and our ambitious growth targets. It has been immensely satisfying to see the significant increase in the number of new recruits that were recommended by current employees.

We are very proud to say that we have closed the gender pay gap at Atlas. This is important to us especially considering that according to Eurostat 2020, our sector in Malta has the largest gender pay gap. Furthermore 44% of our leadership team are women, and we will continue to strengthen the presence of women in our most senior positions over the coming years.

We continue to bolster our Employer Value Proposition, focusing on strategies which include the mainstays of reward, recognition, personal development & training and contemporary work practices. A significant focus has been on recruitment which continues to challenge us across sectors and companies.

We have grown our leadership team, creating new opportunities for our people which allowed us to support our progress towards Agile work methodologies which are starting to bear fruit. We are seeing staff at all levels challenging the way we work and thinking creatively about process and procedural improvements, allowing us to focus on what really matters to clients and keeping an ever-present eye on our service offering. We invite feedback on both claims and sales touchpoints, where we follow up those who express low levels of satisfaction. This gives us great insight into areas of improvement but also places further time burdens on our people.

2022 was a year of significant challenges in human resources, however one of great satisfactions too when we consider what we have achieved under rather challenging circumstances.

CUSTOMER AND BUSINESS FOCUS

Our commitment to customer-centricity has continued to drive our success. We believe that insurance is not just a commodity based on price, but rather a service that provides peace of mind to customers when they need it most. We have focused on providing a seamless experience at every touchpoint, and our efforts have paid off with a rapid increase in the number of customers choosing Atlas. Our local market share by written premium increased for the third successive year now having reached 20%, demonstrating our strong brand reputation and customer loyalty.

Atlas Day 2022 - a day of sharing, learning and recharging

We have made progress in scaling the adoption of guided and automated services for our partners. Our aim is to provide insurance tailored to customer needs while simplifying and transforming more covers and customer journeys. This effort has been instrumental in improving customer experience and driving growth.

To improve customer experience further, we have experimented with new data-driven digital marketing and communication tools, leveraging our technology investments. Through these tools, we have been able to help our customers increase awareness of how we can help them with their needs.

INTERNATIONAL BUSINESS

Our international business continues to thrive, with fee revenue rising by over 20%. Our protected cells facility helps EU and UK businesses who wish to finance their risks better or sell insurance. We have also expanded our international services beyond protected cells by offering cover through our core for risks outside Malta. This effort has enabled those considering setting up a cell to obtain cover within weeks, allowing more time to assess and set up the cell.

We have made progress in our branch application with the UK Prudential Regulation Authority and Financial Conduct Authority. Existing and new cells we host continue to write new business in the UK under the Temporary Permissions Regime. Additionally, we have licensed Autorama Cell towards the end of 2022, and we expect other ongoing engagements to be licensed in 2023.

ESG

During 2022 we have worked hard on this area of the business which has become a key priority for our various stakeholders. To ensure progress towards our key objectives and concretised targets in this area, we have established an ESG cross functional team which regularly follows up the various initiatives. This team reports directly to the Risk and Compliance committee as does the Community Involvement committee which governs the increasing budget Atlas is devoting to giving back to the community. In this area, we have set eight key priorities which focus our funding towards the achievement of sustainable development goals (SDGs) where Malta needs most effort.

"OUR ACHIEVEMENTS IN 2022 DEMONSTRATE OUR CONTINUED COMMITMENT TO CUSTOMER-CENTRICITY, INNOVATION, AND GROWTH"

We issued calls for applications, received a number of excellent applications and have selected excellent projects which address the areas of clean water and sanitation, gender equality and quality education. The projects will come to fruition over the coming two years and will all lead to continuing benefits for many years after the funding periods end.

We continue to measure our operational carbon footprint and during 2023 will be seeing the benefits of our substantial investment in further photovoltaic installations in four different locations as well as our move to electric owned vehicles. Our decarbonisation strategy is one of the key areas of our ESG strategic direction and staff education and involvement is also crucial here. Related to this is our enhanced motor insurance cover for Electric Vehicles for clients.

We are closely monitoring developments relating to reporting requirements for the Corporate Sustainability Reporting Directive and related standards being issued by the European Financial Reporting Advisory Group in preparation for this.

As insurers, we are cognisant of the fact that our influence spans well beyond our own carbon footprint and investment in knowledge and resources in this area will be priorities during the coming periods. ESG related risks and their mitigation as well as the integration of sustainability within our policies and procedures are also current areas of focus.

OUTLOOK 2023

Whilst uncertainty due to the Ukraine war continues, the outlook seems to be more optimistic than the original forecast at the end of 2022. Growth in consumer spending seems to be relentless as financial markets appear to be on the upward trend.

Although interest rates continue to increase and the inflation rate increases seem to have levelled out, the current climate of uncertainty and volatility is likely to continue for the foreseeable future.

Overall, our achievements in 2022 demonstrate our continued commitment to customer-centricity, innovation, and growth. We are proud of the progress we have made and are excited about the opportunities that lie ahead.

The unwavering commitment to excellence and inspiring leadership that our outgoing chairperson Lawrence Zammit has provided to Atlas over the last 11 years has been outstanding. He has helped us to navigate even in the most challenging of times and his wisdom and vision have led us to achieve great things. We are grateful for his contribution and the legacy that he has left behind to enable our incoming chairperson, Malcolm Booker, to continue leading Atlas to new heights.

I would also like to express my deepest gratitude and appreciation to every member of staff for their hard work, dedication and commitment, to the board of directors for its guidance, challenge and support as well as to all our intermediaries, brokers and customers that have all contributed to the successes achieved in 2022.

MATTHEW VON BROCKDORFF
Managing Director and CEO

Board of Directors

From left to right:

Catherine Calleja BA (Hons), ACII
André Camilleri LLD, Dip Econ & Ind Law (Milan)
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)
Michael Gatt
Karen Pace BA (Hons) Accty, AIA, CPA
Lawrence Zammit MA (Econ) – **Chairperson**
Matthew Von Brockdorff FCII
Malcolm Booker FCA, FIA, FIT, CPAA

MALCOLM BOOKER

Malcolm Booker is a Chartered Accountant by profession and spent most of his career with Deloitte Malta. He became a partner at Deloitte in 1997 and between 1st January 2014 and 31st December 2019 served as its Chief Executive Officer. During his career at Deloitte he served as an international tax partner and was Lead Partner to a number of companies operating within the sphere of financial services and consumer products. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Malta Institute of Accountants, and a Fellow of the Malta Institute of Taxation. He is currently also a Director of Melita Limited and a director on a number of companies within the Dooba Holdings Limited group.

CATHERINE CALLEJA

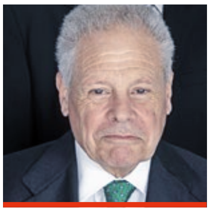
Catherine Calleja is a Chartered Insurer. She holds the position of Executive Director and Company Secretary of Atlas Insurance PCC Limited. She is the Managing Director of Atlas Healthcare Insurance Agency, a subsidiary of Atlas Insurance and also a director of Atlas Holdings Limited, Jesmond Mizzi Financial Advisors Limited and Eagle Star (Malta) Limited. She is an Associate of the Chartered Insurance Institute and graduated in business management from the University of Malta. She is a past president and Council Member of the Malta Insurance Association and sits on the Council of the Malta Chamber of Commerce, Enterprise and Industry. She also currently chairs the Health and Wellness thematic group at the Malta Chamber and is a Visiting Lecturer at the Department of Insurance and Risk Management at the University of Malta.

ANDRÉ CAMILLERI

André Camilleri graduated in law and economics in Malta and Milan, Italy. He worked with Saudi Aramco in The Netherlands, Brazil and South Korea. In Malta, he worked at the Attorney General's Office, was General Manager of the Malta Development Corporation, Chief Executive of the Malta Financial Services Centre, Pro-Chancellor of the University of Malta, Company Secretary at Simonds Farsons Cisk plc and chairman and board member of a number of companies and public corporations. 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.

MICHAEL GATT

Michael Gatt is a non-executive director, previously serving as Managing Director and CEO of the Atlas Group. He has worked within the insurance industry for over forty years. He is also a board member on a number of other financial and insurance services companies operating both in Malta and the EU and currently chairs the boards of Ivalife Insurance Limited and Jesmond Mizzi Financial Advisors Limited.



PHILIP MICALLEF

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 Orange Business Services, CEO Malta Enterprise, CEO Melita Cable, Executive Chairman Malta Communications Authority, Chief Executive Bermuda Telecom Regulatory Authority and CEO Air Malta.

KAREN PACE

Karen Pace is a Certified Public Accountant and holds a Practising Certificate in Auditing in Malta. She graduated as an Accountant in Malta in 2001 and held a senior role in the audit practice within the Deloitte professional network in Malta before moving on to respective offices in Luxembourg and later on in New York over a 16-year period. In the US and Luxembourg, she engaged with some of the larger players in the global asset management industry, while her audit experience in Malta encompassed a variety of industries including real estate and consumer products. In recent years, she held various roles on regulated entities within the Maltese financial services industry focusing on compliance and internal audit. She currently holds a position on the Board and Audit Committee of a listed entity in addition to her role on the Board and committees at Atlas.

MATTHEW VON BROCKDORFF

Matthew von Brockdorff is a fellow of the Chartered Insurance Institute, working in insurance since 1987. He is the Managing Director and Chief Executive Officer of the Atlas Group of Companies and Atlas Insurance PCC Ltd. He is also director of Atlas Holdings Ltd, Atlas Healthcare Insurance Agency Ltd, Eagle Star Malta Limited 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 JA Malta and a member of the Board of Governors of Fondazzjoni Patrimonju Malti.

LAWRENCE ZAMMIT

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.

Executive Committee

From left to right:

David Mifsud FCII
Robert Micallef
Jackie Attard Montalto BA
Matthew Von Brockdorff FCII
Vinay Aarohi BA (Comp Sci)
Catherine Calleja BA (Hons), ACII
Ian-Edward Stafrace MSc (Risk Management) CFIRM FCII PIOR
Mark Camilleri

Board and Executive Committees

BOARD OF DIRECTORS

- **Lawrence Zammit** MA (Econ)
  Chairperson
- **Malcolm Booker** FCA, FIA, FIT, CPAA
  Non Executive
- **André Camilleri** LLD, Dip Econ & Ind Law (Milan)
  Non Executive
- **Catherine Calleja** BA (Hons), ACII
  Executive and Company Secretary
- **Michael Gatt**
  Non Executive
- **Philip Micallef**
  BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)
  Non Executive
- **Karen Pace** BA (Hons) Accty, AIA, CPA
  Non Executive
- **Matthew von Brockdorff** FCII
  Managing and CEO

AUDIT COMMITTEE

- **Karen Pace** BA (Hons) Accty, AIA, CPA
  Chairperson
- **Michael Gatt**
- **Philip Micallef**
  BSc(Eng), MIEE, CEng, Eur Ing, MBA (Warwick)

RISK AND COMPLIANCE COMMITTEE

- **André Camilleri** LLD, Dip. Econ. & Ind. Law (Milan)
  Chairperson
- **Malcolm Booker** FCA, FIA, FIT, CPAA
- **Andrew Briffa** AIA, BSc (Hons)
- **Catherine Calleja** BA (Hons) ACII
- **Karen Pace** BA (HonsAccty, AIA, CPA
- **Ian-Edward Stafrace**
  MSc (Risk Management) CFIRM FCII PIOR

REMUNERATION AND NOMINATIONS COMMITTEE

- **Lawrence Zammit** MA (Econ)
  Chairperson
- **Malcolm Booker** FCA, FIA, FIT, CPAA
- **André Camilleri** LLD, Dip. Econ. & Ind. Law (Milan)
- **Philip Micallef**
  BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)

INVESTMENT COMMITTEE

- **Lawrence Zammit** MA (Econ)
  Chairperson
- **Malcolm Booker** FCA, FIA, FIT, CPAA
- **André Camilleri** LLD, Dip Econ & Ind Law (Milan)
- **Mark Camilleri**
- **Michael Gatt**
- **John Muscat** FCCA
- **Matthew von Brockdorff** FCII

EXECUTIVE COMMITTEE

- **Matthew von Brockdorff** FCII
  Chairperson
- **Vinay Aarohi** BA (Comp Sci)
- **Jackie Attard Montalto** BA
- **Catherine Calleja** BA (Hons), ACII
- **Mark Camilleri**
- **Robert Micallef**
- **David Mifsud** FCII
- **Ian-Edward Stafrace**
  MSc (Risk Management) CFIRM FCII PIOR

PROTECTED CELLS COMMITTEE

- **Matthew von Brockdorff** FCII
  Chairperson
- **Andrew Briffa** AIA, BSc (Hons)
- **Catherine Calleja** BA (Hons) ACII
- **Mark Camilleri**
- **David Mifsud** FCII
- **Ian-Edward Stafrace**
  MSc (Risk Management) CFIRM FCII PIOR

INFORMATION TECHNOLOGY COMMITTEE

- **Philip Micallef**
  BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)
  Chairperson
- **Vinay Aarohi** (Comp Sci)
- **Ian-Edward Stafrace**
  MSc (Risk Management) CFIRM FCII PIOR
- **Matthew von Brockdorff** FCII
- **Catherine Calleja** BA (Hons) ACII

PRODUCT OVERSIGHT AND GOVERNANCE COMMITTEE

- **Andrew Briffa** AIA, BSc (Hons)
  Chairperson
- **David Cassar** ACII, MBA
- **Claudine Gauci**
- **David Mifsud** 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 AND INTERNAL AUDIT OFFICE / BRANCH OFFICE
Abate Rigord Street, Ta' Xbiex XBX 1121

BIRKIRKARA BRANCH
1,Triq Dun Gaetano Mannarino, Birkirkara, BKR 9080

BORMLA BRANCH
55, Gavino Gulia Square, Bormla BML 1800

MOSTA BRANCH
94, Constitution Street, Mosta MST 9055

NAXXAR BRANCH
13, Triq San Gorg, In-Naxxar, NXR2541

PAOLA REGIONAL OFFICE
Valletta Road, Paola PLA 1517

RABAT BRANCH
267, Vjal il-Ħaddiem, Rabat RBT 1769

SAN ĠWANN BRANCH
Naxxar Road c/w, Bernardette Street, San Ġwann SĠN 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 ŻBĠ 2079

CELLS

» Amplifon Cell
» Autorama Cell
» Blevins Franks Cell
» Gemini Cell
» Griffin Cell
» L'AMIE Cell
» Ocado Cell
» TVIS Cell

PROFESSIONAL SERVICES

ACTUARIES
Barnett Waddingham LLP

AUDITORS
PricewaterhouseCoopers

BANKERS
» APS Bank Limited
» Bank of Valletta p.l.c.
» Barclays Bank plc.
» BNF Bank plc
» HSBC Bank Malta p.l.c.
» Lombard Bank Malta p.l.c.

INVESTMENT MANAGERS
» APS Asset Management Limited
» BOV Asset Management Limited
» Jesmond Mizzi Financial Advisors Limited
» Rizzo Farrugia & Co (Stockbrokers) Limited

LEGAL ADVISORS
» Cachia Advocates
» Fenech & Fenech Advocates
» Ganado Advocates
» Mamo TCV Advocates
» Schembri & Depasquale Advocates
» Vella Zammit McKeon

Pictorial highlights from 2022

Atlas employees appreciating fine art on display at the MCCF 'But I See Beauty' exhibition

Providing great customer support via online chat

Team Atlas enjoying some good food and company during Employee Appreciation Day 2022

Atlas Healthcare stand at the FHRD conference 2022

Atlas donates to SOSMalta in aid of Ukraine

Atlas Sponsors 'Diversity Pays' organised by the Malta Chamber

The Atlas Hiking Club enjoying the great outdoors while exploring the most beautiful parts of our Islands

The TeamAtlas running club participating in the Mdina2Spinola Race

Atlas presents the award to the Male Youth Athlete of the year at the SportMalta Awards 2022

TeamAtlas volunteering at the Foodbank Lifeline Foundation

A heart-warming amount of LovinMilied gifts collected across our branches

TeamAtlas: always there for our clients

Annual Report & Financial Statements

31 DECEMBER 2022

Company Registration Number: C5601

ATLAS INSURANCE PCC LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C5601

Directors' report

Principal activities

The principal activities of the Company relate to 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

Notwithstanding the turbulent financial market results during the period, the Board of Directors reports that the Company continued to produce a profit for the year under review. The Non-Cellular (Core) technical results were good, but these have been substantially impacted by the negative performance of both the local and international stock markets. Operating Cells registered reasonable profits for 2022 reporting with overall increased cellular profit over the previous year. The aggregate Cellular results include non-material losses that two cells registered.

The pure technical results for the Company as a whole have reverted to those of pre COVID-19 pandemic years. During 2022, the war in Ukraine and resulting supply chain disruptions, as well as stimulus responses to the pandemic have largely contributed to the continued rise in inflation. Inflation inevitably has and will continue to impact claims costs in the foreseeable future, most notably in the motor, property and health lines of business and this is likely to remain a prominent part of the business landscape in 2023.

Specific attention is focused on the Company's investment portfolio which is exposed to security market movements. Central banks across the world have responded by accelerating the tightening of monetary policy that, in turn, has triggered a material sell-off in equity and bond markets, as well as drawdowns in most asset classes. The risks arising from investment asset exposures are addressed on an ongoing basis, and the mitigating measures taken are described under the Capital Management note (Note 26) to these audited financial statements.

The Company registered an aggregate net profit before tax for the year of €5,850,807 (2021: €8,064,548) and a net profit after tax of €3,951,756 (2021: €4,749,752). Profits before tax accruing to the non-cellular shareholders amounted to €2,836,262 (2021: €7,869,258).

Core

The Board of Directors successfully implements a strategy of consolidating balance sheet reserves, balanced with regular dividend distribution to the shareholders. Conservative underwriting and reinsurance policies combined with prudent investment and dividend policies applied by the Board continue to work toward this objective and consistently produce continued profitability as well as growing the Company's net assets and consolidating its balance sheet strength. The Core's regulated solvency position as on 31 December 2022 stood at 290% (2021: 261%) of the minimum solvency requirement.

The Core registered excellent growth in all classes of business, exceeding the Board's expectations at the start of the year. This resulted in an increase of 15.9% over the previous year.

Directors' report – continued

The Company's Core saw positive technical results across all classes of business. This has resulted in a combined loss ratio of 91% (2021: 86%) across the Core's full portfolio.

The Board of Directors report a negative return on the Company's investment portfolio. Combined investment income, fair value losses and investment expenses for the year amounted to a negative return of €3,098,405 (2021: return €3,219,436).

The Company will continue to focus on maintaining profitability on the technical account, the prudent management of core operating costs and its conservative investment strategy.

Besides operating through its Ta' Xbiex Head Office, the Company also operated during 2022 through eleven branches strategically spread throughout the Island to service its clients.

Cellular

On the 21st November 2022 the PCC incorporated a new cell, the Autorama Cell, which is wholly owned by Autorama Holding Limited, a subsidiary of the Autotrader Group plc. The Autotrader Group's principal activity is that of wholesale, retail trade and the repair of motor vehicles. The Cell underwrites Finance Gap Insurance for the Group's lease agreement clients.

The PCC also has a minded letter from the MFSA for the authorisation of another Cell which is expected to become operative in Spring 2023. The PCC has furthermore filed an application to the MFSA for a 10th Cell early in March 2023.

The operating cells have continued to contribute to the Company's aggregated profitability. Such portion of profitability accrues to cell shareholders. Premiums written for the Cells registered material growth of 20.2% over those of the prior year (2021: loss €1,136,048).

The aggregated profit before tax for all Cells is reported at €3,014,545 (2021: €195,290). The Amplifon Cell registered a profit of €213,807 after a release of IBNR reserves being close to the expected completion of the run off of its reinsurance portfolio by May 2023.

Principal risks and uncertainties

The Board is confident that it addresses the full inventory of risks that the Company's administration and operations face through its risk management framework. The mitigation of the principal risks is 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 operations. 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.

Directors' report – continued

Subsidiaries and associates

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

Atlas Healthcare Insurance Agency Limited is authorised by the MFSA under the Insurance Distribution Act to act as enrolled insurance agents for the Company. The Company retains a strong partnership with AXA PPP healthcare Limited as reinsurer for the health insurance portfolio. The agency also acts as enrolled agents for IVALIFE Insurance Limited.

Eagle Star (Malta) Limited is the appointed entity to run off a Long Term Insurance Business portfolio and is overseen by the MFSA.

The Company also owns 25% of an associate company, IVALIFE Insurance Limited, a start up insurance undertaking authorised by the MFSA to underwrite Long Term classes of Business, and also holds equity investment in SRS Management Europe PCC Limited. Both these companies are not considered to be subsidiaries.

It is the Company's declared financial policy to direct its subsidiaries' reserves to within its own financial management processes and upstream excess financial resources over those required under regulation.

Similar to the Company, Atlas Healthcare continued to grow its agency portfolio and as such reports sustained profitability and contributes well to the Company's results through dividend distribution. The agency's net asset value totaled €1,221,436 as on 31 December 2022, which result is in excess of regulated financial resources requirements under the Insurance Distribution Act.

Eagle Star (Malta) Limited carries on to hold sufficient financial resources over its regulated requirement. The net asset value of the company is reported as on 31 December 2022 at €130,220.

Board of Directors

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

Lawrence Zammit M.A. (Econ.) – Independent Non Executive Chairperson
Franco Azzopardi M.Sc. (Leicester), F.I.A., C.P.A. – Independent Non Executive Director (resigned 12 May 2022)
Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan) – Independent Non Executive Director
Catherine Calleja B.A. (Hons.), A.C.I.I. - Executive Director and Company Secretary
Michael Gatt – Non Executive Director
Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick) – Independent Non Executive Director
Karen Pace – BA (Hons) Accty, AIA, CPA Independent Non Executive Director
Malcolm Booker – Independent Non Executive director (appointed 22 June 2022)
Matthew von Brockdorff FCII – Managing Director and Chief Executive Officer

Mr Lawrence Zammit will be retiring and is not seeking re-election. The other current directors have expressed their willingness to remain in office.

Directors' report – continued

Results and dividends - continued

The profit and loss account is set out on pages 23 and 24.

During the year under review, the directors declared and paid an interim non-cellular Ordinary dividend of €1,000,000 net of tax. A final dividend of €1,000,000 was also declared and paid at the Company's annual general meeting. During 2022 further interim dividends were paid to the cellular shareholders. These were €300,000 paid to the TVIS shareholder and €500,000 to the Gemini Cell shareholder.

On 25 January 2023 a net interim dividend of €1,100,000 was proposed by the directors to be paid to the non-cellular shareholder. This was subsequently approved by the Malta Financial Services Authority and paid on 15 February 2023.

At the forthcoming Annual General Meeting, a final dividend in respect of 2022 of €0.23 c per share amounting to a total dividend of €1,100,000 is to be proposed to the non-cellular shareholder. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2023.

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;
- 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.

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 2022 are included in the Annual Report 2022 and is 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.

Directors' report – continued

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
Chair

Matthew von Brockdorff
Director

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

4 April 2023

Corporate Governance – Statement of Compliance 2022

Atlas Insurance PCC Limited (Atlas Insurance, the Company), adheres to the principles set in the Malta Financial Services Authority (MFSA) Corporate Governance Code (the MFSA Code) as updated in August 2022. The Companies Act establishes the accountabilities of the board of directors, the rights of shareholders and its transparency obligations. As a licensed insurance undertaking and a protected cell company, the Company is also regulated by the Insurance Business Act (Cap 403) regulations and Insurance Rules and the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations as well as all Solvency II regulation (Solvency II Directive supplemented by the Commission Delegated Regulations). The EIOPA Guidelines on Systems of Governance and other international models of best practice are also important reference points. The board and its committees have charters as well as a number of annually reviewed policies and regular and transparent reporting structures, ensuring effective internal control framework.

Under Solvency II Group Supervision rules, Atlas Holdings Limited, as the ultimate parent holding company of the Insurance Group (Group), has identified Atlas Insurance as the undertaking responsible for fulfilling the governance requirements for the Group. This Company's board and board committees as well as the key functions therefore 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.

The Board

Atlas' board of directors holds ultimate responsibility for the corporate governance and is responsible for the Company's sustainability. It is formally appointed at the Annual General Meeting and annually evaluated in order to ensure that members continue to be fit and proper and collectively have the required diversity of knowledge, judgement and experience to complete their tasks. Together, the board members are judged to have complementary skills and the necessary background in governance and corporate strategy, insurance, financial markets and investments, ESG, risk management and compliance, financial and actuarial analysis, as well as information technology and talent management.

During 2022 the board was composed of a majority of six Non-Executive Directors (NEDs), five of whom being independent, and two Executive Directors one of whom is the Managing Director and Chief Executive Officer (CEO) of the Company, Mr Matthew von Brockdorff. Ms Catherine Calleja, the other Executive Director on the board is the Group Company Secretary. She brings additional knowledge and experience to the table and is also the Managing Director of Atlas Healthcare Insurance Agency, a fully owned subsidiary of the Company.

The board maintains close links with senior management both through the active board committees but also through various joint meetings relating to strategy development and reporting as well as joint learning and development sessions on various topics. The board is fully involved in the Strategic planning and budgetary and Own Risk and Solvency Assessment (ORSA) processes and regularly meets with key function holders including the Company's actuaries. Regular reporting of key results enables the board to be able to continuously assess the Company's performance, its current and future strengths and weaknesses as well as being able to have enough information to be able to constructively challenge and develop strategy as well as satisfy itself on the integrity of the financial information, internal controls and risk management systems in place.

The positions of the independent Chair and Managing Director & CEO are separate and there is a clear division of responsibilities between the running of the board and the executive responsibility for leading the Company. The independent Chair serves as a mentor for the Managing Director/CEO. The five other non-executive directors appointed are of sufficient calibre and standing to balance the strength of character of the Chair and executive directors.

Corporate Governance – Statement of Compliance 2022 - continued

The Board - continued

In line with the System of Governance requirements under the Solvency II Directive and the Commission Delegated Regulations, the board has delegated specific responsibilities to board committees. This is also provided for in the memorandum and articles of the Company. Non-executive directors chair five board committees and through these committees, members develop strategy and monitor progress in the area under review, meet more members of the management team as well as external consultants and can recognise and support innovation always striking a balance between enterprise and control at Atlas.

The primary role of the Chair is to focus the board on the determination of the Company's strategy and direction. He leads the board and sets the agenda and the order of that agenda, in collaboration with the Company Secretary. The Chair ensures that the board receives precise, timely and clear information and encourages discussion and participation of all directors during meetings as well as constructive relations between executive and non-executive directors. Where possible, he directs discussion to the emergence of a consensual view and sums up discussions to ensure the accurate recording and follow up of the key decisions taken. Mr Lawrence Zammit, will be resigning his directorship on the board after eleven years, chairing the board since 2014. Mr Zammit will retain his position of chair of the Atlas Holdings board which will allow the group to retain some of his invaluable knowledge and experience. His departure will bring the number of directors back to the usual complement of seven, with a majority of five NEDs.

Dr Andre Camilleri is the Senior Independent director. He is a support for the Chair and the Managing Director & CEO on board matters, as well as a trusted intermediary, if required, for other non-executive directors. He is available to address the concerns of shareholders or members of staff, through the Group's Raising a Concern (Whistleblowing) Policy and also annually administers the board evaluation process. This includes discussing the results of the board committee evaluation questionnaires, an important component of the board's annual review process. The board evaluation exercise leads to setting the board objectives, planning for use of board time during the next period as well as setting learning and development goals.

The Managing Director & CEO is responsible for the overall success of the Company and is answerable to the board for the realisation of the Company strategy. He is responsible for the appointment of the senior management team in coordination with the Remuneration and Nominations committee. The CEO also chairs the Executive and Protected Cells committees.

Board and board committee meetings are scheduled prior to the start of each year and, during 2022, the board met 14 times, several meetings being dedicated to technical development or regulatory training matters. Agendas and information packs are provided well in advance of all board and board committee meetings. Agendas are set keeping a balance between strategy and planning, compliance, reporting on key results and risks, and operational issues as well as ESG initiatives. Minutes of all meetings faithfully record attendance, decisions taken and resolutions, and are issued on a timely basis and made available to all directors and other committee members, as soon as practicable, after every meeting.

Board and Executive Committees

The Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, IT Committee and the Investment Committee are chaired by independent directors. The Protected Cells Committee, the Executive Committee and the POG committee provide additional support and information to the board. All members of board committees are appointed by the board and are listed on page 4. The board is also copied with minutes of the committee meetings and matters arising from such committees are a standard agenda item at board meetings. The committees also review their respective charters on an annual basis to ensure that all delegation of responsibility and function is clear and unequivocal.

Corporate Governance – Statement of Compliance 2022 - continued

Audit Committee

This committee met seven times during 2022. It is composed entirely of non-executive directors, two of whom are independent. Mr Franco Azzopardi handed over the chair of the committee to Ms Karen Pace after the Annual General Meeting in May when he resigned his directorship. Ms Pace has been approved by the MFSA to have the required competence in financial literacy and expertise in internal controls and auditing to perform this function. The other members of the committee are Mr Philip Micallef, and Mr Michael Gatt.

The committee has oversight of the independent audit of the financial statements as well as the audit scope and approach. It is also responsible for the engagement and oversight of the Group's external auditors. It also reviews and assesses the qualitative aspects of financial reporting to the shareholders of the Group and discusses significant accounting and reporting issues, including the preparation for IFRS 17 implementation. It 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 monitors the independence of the external auditors and pre-approves any permitted non-audit services to be performed by the auditors.

The same committee also monitors the effectiveness of the internal audit function and thus continues to strengthen the internal control framework of the Group. 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 ensures that the internal audit plan takes into account all the activities and the complete system of governance as well as expected developments of activities and innovations. It reviews the internal audit function's performance relative to the plan, documentation produced and information on achievement of previous audit recommendations. The committee also reviews protected cell issues and monitors results of cell inspections and related internal control systems.

To ensure independence, the Internal Auditor reports directly to the Audit Committee which ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function. The committee 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 requirements. The Internal Audit function, through the Audit Committee and its Chair, has direct access to the Board of Directors and meets regularly with the Company's Chief Risk and Compliance Officer to follow up recommendations and ensure that priorities are aligned with the Group's risk register and appetite.

During 2022, the Audit Committee Chair regularly held additional meetings with the Internal Auditor, Mr Ivan Distefano whose team was also strengthened during the period. These meetings give guidance, serve as an opportunity to receive feedback, and ensure the continued independence of the internal auditor as well as his continuing professional development. The oversight of related party transactions is also the responsibility of this committee.

Remuneration and Nominations Committee

This committee is also composed entirely of independent non-executive directors and met four times during 2022. It is chaired by Mr Lawrence Zammit, the board Chair who 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 as well as Mr Malcolm Booker (joined in June 2022) are the other non-executive Directors appointed to sit on the committee. The Executive Directors and the Chief HR Officer attend meetings by invitation as and when required.

Corporate Governance – Statement of Compliance 2022 – continued

Remuneration and Nominations Committee – continued

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 Executive Directors and members of the Executive Committee/Chief Officers. The committee approves the structure and design of performance related pay schemes and approves annual payments made under this policy. It ensures the transparency of the Remuneration policy, that provisions regarding disclosure of remuneration are fulfilled, that the policy is applied consistently across the Group, complies with legal requirements and that it is aligned with business strategy, objectives and values. Furthermore, it ensures that material risks at Group level linked to remuneration and talent issues are managed and that regular benchmarking exercises of senior management salaries are carried out.

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 also ensures that relevant persons and employees under the Insurance Distribution Rules continue to be of good repute. Questionnaires are completed and independent checks using various sources are also carried out on an annual basis.

The size and complexity of the Group does not necessitate a separate nominations committee and the remuneration committee also leads the process of succession planning for board and senior management appointments. The committee makes recommendations to the board and shareholders for such appointments.

Risk and Compliance Committee

Dr Andre Camilleri, as the designated director for oversight of the risk management system, chairs this committee. The committee met four times in 2022. Mr Franco Azzopardi (resigned May 2022), Ms Catherine Calleja, Mr Philip Micallef, Ms Karen Pace and Mr Ian-Edward Stafrace formed part of the committee during 2022. Mr Andrew Briffa, the Chief Risk and Compliance Officer (CRCO) and Mr Malcolm Booker also joined the committee in January and June 2022 respectively. Mr Philip Micallef resigned from the committee at the same time in May 2022.

With the support of the CRCO, the committee has oversight of the risk management function at Group level, including the development and detailed annual review of the Group's risk appetite statement, its ongoing risk strategy and governing policies as well as the ORSA process. It also 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 and associated controls assigned across the organisation and any significant incidents including any near misses, both in the core and in cell operations.

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 in various areas. During 2022, the board has entrusted the committee with further responsibility to oversee the Environmental Social Governance (ESG) strategy of the Group. Besides ensuring that ESG risks are incorporated into the risk management framework, the committee has several other roles in this area including ensuring that legislative requirements including ESG reporting, are adhered to, overseeing the Group's progress towards its decarbonisation strategy, stakeholder engagement in this area and the overseeing of the Group's Community Involvement efforts.

Corporate Governance – Statement of Compliance 2022 – continued

Risk and Compliance Committee – continued

The committee, together with the board, continues to develop its role in evolving the methodology and assumptions underlying the models for determining the Group's economic and regulatory capital requirements as assessed under the ORSA (Own Risk and Solvency Assessment) process. Key members of the senior management team are invited where relevant to the discussion and regular attendance from external experts on various risk areas are a feature of the committee meetings. During the period under review, the committee continued to monitor closely the Group's adherence to the highest of standards in ts distribution network, cell business and outsourced functions. The committee also reviews customer complaints and the related root cause analysis, as well as relevant training in various areas of compliance and risk management.

Investment Committee

This committee ensures adherence to the Group Investment Policy and Asset Liability Management Policy and acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

The committee met five times in 2022 and Mr Lawrence Zammit continued to chair the committee during the year. Members include Dr Andre Camilleri, Mr Franco Azzopardi (resigned May 2022), Mr Michael Gatt and Mr Matthew von Brockdorff, as directors on the committee; while the Group Chief Financial Officer, Mr Mark Camilleri and Mr John Bonett (resigned August 2022) were additional members. Mr Malcolm Booker and Mr John Muscat the Chief Financial Officer joined the committee in June and August 2022 respectively.

The committee sets investment parameters, mandates with discretionary managers, and asset allocations in line with the Investment Policy, the Asset Liability Management Policy and relevant areas in the Board's Risk Appetite Statement. It annually reviews the above-mentioned policies and the relevant parts of the Risk Appetite Statement to ensure alignment between these policies and regulatory requirements.

The committee also engages investment services providers entrusted to manage the investment portfolio on a discretionary basis and reviews the performance of such managers. Managers regularly address and report to the committee and other board and Executive Committee members attend these presentations. The committee continues its journey to build sustainability and increased ESG direction into its investment strategy.

Protected Cells Committee

This committee oversees the acceptance and monitoring of protected cells within the Company. It 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. Quarterly cell KPIs are submitted to the board of directors as part of the financial reporting process. During 2022 the committee met four times and further cell proposals were presented to the board and subsequently to the Malta Financial Services Authority for approval.

Corporate Governance – Statement of Compliance 2022 – continued

The Managing Director & CEO chairs the committee, composed of the two Executive Directors as well as the Chief Underwriting Officer, Mr David Mifsud; the Chief Strategy Officer Mr Ian-Edward Stafrace; the Group Chief Financial Officer, Mr Mark Camilleri; Mr John Bonett (until August 2022) and Mr Andrew Briffa, the Chief Risk and Compliance Officer (from January 2022). The committee is delegated with the responsibility to approve charters and membership of the cell committees which are composed of representatives of the core, cell owners, and cell managers. The proper functioning of these committees are central to the maintenance of the positive ongoing relationships with cell shareholders as well as to ensure a deep understanding of the cell performance and any potential risks to the core. These committees meet regularly to review underwriting, financial performance and risk management and compliance issues.

Information Technology Committee

This committee addresses strategic issues relating to Information Technology and digital transformation. This largely executive committee is chaired by Mr Philip Micallef and the members are Mr Matthew von Brockdorff, Ms Catherine Calleja, Mr Ian-Edward Stafrace and Mr Vinay Aarohi who is the Chief Information Officer. The committee met five times during 2022.

This committee's mandate is to ensure that IT priorities, particularly during the deployment of the new digital platform, are aligned with the Group's strategy and that the IT investment and expenditure deliver the expected results. The committee supports Atlas Management on IT policy, strategy, cyber security and governance matters and reviews the reports obtained by external consultants in this area. It will also supervise compliance with the Digital Operational Resilience Act (DORA).

Executive Committee

This committee is chaired by the Managing Director & CEO and besides the two executive directors, the Chief Underwriting Officer, the Group Chief Financial Officer, the Chief Strategy Officer, the Chief Information Officer, the Chief Commercial Officer and the Chief HR Officer sit on the committee.

This committee met seventeen times in 2022 and also met on specific issues with the board on other occasions during the period. The Executive committee is responsible for implementing the strategy of the Company developed with the board. This involves development and deployment of business plans and detailed budgets on an annual basis to achieve the key results 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, and the consideration of new business opportunities.

Product Oversight and Governance (POG) Committee

The responsibility for the operational monitoring and ongoing implementation of the POG processes and procedures within the Group is delegated by the Board of Directors to the POG Committee. The POG Committee ensures that the procedures in relation to both the roles of manufacturer and distributor of insurance products are in place and properly executed within the Group. Such procedures relate to the design and manufacture of insurance products, ongoing monitoring and regular product reviews, as well as the proper execution of the responsibilities associated with the distribution. The POG Committee met four times during 2022 and is composed of The Chief Risk and Compliance Officer, Mr Andrew Briffa who chairs the committee, the Chief Underwriting Officer, Mr David Mifsud, The Manager of Health Underwriting and Sales, Ms Claudine Gauci, and the Business Development Manager, Mr David Cassar.

Corporate Governance – Statement of Compliance 2022 – continued

Relations with Shareholders - continued

The Atlas 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 continues to be in excess of statutory requirements under the Companies Act.

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 chairs the Atlas Holdings Board and the two executive directors also sit on this board. This structure ensures that both boards are kept aware of the priorities of the ultimate core shareholders.

Communication with cell shareholders is also facilitated through regular meetings of the individual cell committees at which cell managers, where they exist, also participate as stated earlier in this report. 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 certain other fellow subsidiaries and associate companies are also covered by the same policy.

Approved by the Board of Directors on 4 April 2023 and signed on its behalf by:

Lawrence Zammit
Chairman

Matthew von Brockdorff
Managing Director & 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:

- The financial statements give a true and fair view of the financial position of Atlas Insurance PCC Limited ('the Company') as at 31 December 2022, 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; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

Atlas Insurance PCC Limited's financial statements, set out on pages 23 to 86, comprise:

- the profit and loss account and the and statement of comprehensive income for the year then ended 31 December 2022;
- the balance sheet as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 2022 to 31 December 2022, are disclosed in Note 6 to the Financial Statements.

Our audit approach

Overview

- Overall materiality: €904,000 that represents 1% of gross earned premium.

- Valuation of provision for 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. 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.

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	€904,000
How we determined it	1% of gross earned premium
Rationale for the materiality benchmark applied	We chose gross earned premium as reflected in the statement of profit or loss as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the company and is not as volatile as other profit and loss measures. We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted revenue-related thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €90,400 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

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.

Key audit matter	How our audit addressed the Key audit matter
Valuation of provision for 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, or enough reported, to the Company as some claims can take time to emerge or develop. The determination of the value of these insurance provisions requires judgement in the selection of key assumption and methodologies. The Company makes claims estimates mainly on a case by case basis, and supplements these case estimates with an incurred but not reported ('IBNR') provision based on different reserving methodologies applicable to the relevant product portfolios. The Company's IBNR provision is disclosed in note 21. Further information on the development of the ultimate cost of claims over the years is also disclosed in note 21. We focused on the provision for claims incurred but not reported due to its inherent subjectivity (refer to note 2, note 3.1 and note 21).	Our audit procedures, through the involvement of our own actuarial experts, comprised the following: - we applied our industry knowledge and experience in understanding and evaluating the claims outstanding and IBNR reserving methodology, models and assumptions used; - we assessed and challenged management's estimate of the incurred but not reported provisions based on the methodology, assumptions and judgements made, and also considered whether the reserving methodology has been applied consistently across periods; - we considered certain data analysis, including the assessment of experience against prior year technical provisions, to evaluate the reasonableness of management's IBNR reserving position, as well as management's assessment of the impact of heightened inflation; - we considered the quality of underlying data through testing of a sample of claims to underlying documentation; and - we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the provision for claims incurred but not reported to be consistent with the explanations and evidence obtained.

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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 2022 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 and the requirements of the Maltese Companies Act (Cap. 386), 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.

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:

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

- 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, actions taken to eliminate threats or safeguards applied.

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.

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Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 2 to 6) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

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Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	Our responsibilities	Our reporting
	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 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 which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

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Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 31 December 1991. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 32 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
Zone 5, Central Business District
Qormi
Malta

Romina Soler
Partner

4 April 2023

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

	Notes	Core 2022 €	Core 2021 €	Cells 2022 €	Cells 2021 €	Total 2022 €	Total 2021 €
Earned premiums, net of reinsurance							
Gross premiums written		**53,341,725**	46,042,339	**38,868,104**	32,334,394	**92,209,829**	78,376,733
Outward reinsurance premiums		**(27,299,018)**	(23,933,265)	**(26,906,386)**	(21,744,389)	**(54,205,404)**	(45,677,654)
Net premiums written		**26,042,707**	22,109,074	**11,961,718**	10,590,005	**38,004,425**	32,699,079
Change in the provision for unearned premiums							
- gross amount	21	**(2,916,077)**	(1,564,449)	**1,190,856**	(1,233,640)	**(1,725,221)**	(2,798,089)
- reinsurers' share	21	**1,735,389**	1,042,236	**(1,636,171)**	1,079,210	**99,218**	2,121,446
		(1,180,688)	(522,213)	**(445,315)**	(154,430)	**(1,626,003)**	(676,643)
Earned premiums, net of reinsurance		**24,862,019**	21,586,861	**11,516,403**	10,435,575	**36,378,422**	32,022,436
Allocated investment return transferred from the non-technical account	5	**(1,690,254)**	1,489,269	**(73,643)**	(35,283)	**(1,763,897)**	1,453,986
Total technical income		**23,171,765**	23,076,130	**11,442,760**	10,400,292	**34,614,525**	33,476,422
Claims incurred, net of reinsurance							
Claims paid							
- gross amount		**23,755,124**	17,467,777	**13,783,051**	13,997,409	**37,538,175**	31,465,186
- reinsurers' share		**(11,743,757)**	(7,947,520)	**(7,881,301)**	(7,320,034)	**(19,625,058)**	(15,267,554)
		12,011,367	9,520,257	**5,901,750**	6,677,375	**17,913,117**	16,197,632
Change in the provision for claims							
- gross amount		**14,455,507**	(4,540,857)	**(142,233)**	442,118	**14,313,274**	(4,098,739)
- reinsurers' share		**(14,656,976)**	5,640,931	**(807,543)**	(355,938)	**(15,464,519)**	5,284,993
		(201,469)	1,100,074	**(949,776)**	86,180	**(1,151,245)**	1,186,254
Claims incurred, net of reinsurance		**11,809,898**	10,620,331	**4,951,974**	6,763,555	**16,761,872**	17,383,886
Net operating expenses	4	**6,893,404**	6,068,575	**3,379,203**	3,365,115	**10,272,607**	9,433,690
Total technical charges		**18,703,302**	16,688,906	**8,331,177**	10,128,670	**27,034,479**	26,817,576
Balance on the technical account for general business (page 24)		**4,468,463**	6,387,224	**3,111,583**	271,622	**7,580,046**	6,658,846

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

		Core		Cells		Total	
	Notes	**2022 €**	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Balance on technical account – general business (page 23)		**4,468,463**	6,387,224	**3,111,583**	271,622	**7,580,046**	6,658,846
Investment return	5	**(3,098,405)**	3,219,436	**(68,372)**	(35,699)	**(3,166,777)**	3,183,737
Allocated investment return transferred to the general business technical account	5	**1,690,254**	(1,489,269)	**73,643**	35,283	**1,763,897**	(1,453,986)
Administrative expenses	6	**(224,050)**	(248,133)	**(102,309)**	(75,916)	**(326,359)**	(324,049)
Profit before tax		**2,836,262**	7,869,258	**3,014,545**	195,290	**5,850,807**	8,064,548
Tax expense	8	**(902,183)**	(2,669,393)	**(996,868)**	(645,403)	**(1,899,051)**	(3,314,796)
Profit/ (loss) for the year		**1,934,079**	5,199,865	**2,017,677**	(450,113)	**3,951,756**	4,749,752

Statement of comprehensive income

		Core		Cells		Total	
	Notes	**2022 €**	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Profit/(loss) for the year		**1,934,079**	5,199,865	**2,017,677**	(450,113)	**3,951,756**	4,749,752
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	**-**	-	**(198,765)**	843,487	**(198,765)**	843,487
Movements relating to property, plant and equipment – land and buildings:							
fair value gains	20	**1,890,735**	-	**-**	-	**1,890,735**	-
deferred tax relating to revalution	20	**(173,882)**	(1,459)	**-**	-	**(173,882)**	(1,459)
Other comprehensive income, net of tax		**1,716,853**	(1,459)	**(198,765)**	843,487	**1,518,088**	842,028
Comprehensive income for the year		**3,650,932**	5,198,406	**1,818,912**	393,374	**5,469,844**	5,591,780

Income tax relating to each component is disclosed in Notes 8 and 16.

The notes on pages 29 to 86 are an integral part of these financial statements.

Balance sheet
as at 31 December

	Notes	Core 2022 €	Core 2021 €	Cells 2022 €	Cells 2021 €	Total 2022 €	Total 2021 €
ASSETS							
Intangible assets	11	**291,007**	417,717	**-**	-	**291,007**	417,717
Tangible assets:							
- land, buildings and improvements	12	**8,898,832**	7,149,778	**-**	-	**8,898,832**	7,149,778
- plant and equipment	12	**854,450**	755,656	**-**	-	**854,450**	755,656
-right-of-use assets	12	**530,803**	521,586	**-**	-	**530,803**	521,586
Investments:							
- land and buildings	13	**9,505,717**	10,617,896	**-**	-	**9,505,717**	10,617,896
- investment in subsidiaries	14	**748,058**	748,058	**-**	-	**748,058**	748,058
- investment in associates	14	**2,375,000**	1,875,000	**-**	-	**2,375,000**	1,875,000
- financial investments	15	**37,361,659**	38,154,400	**2,253,355**	3,800,048	**39,615,014**	41,954,448
Available for sale assets		**94,429**	41,500	**-**	-	**94,429**	41,500
Reinsurers' share of technical provisions	21	**34,722,262**	18,329,897	**12,560,874**	13,390,203	**47,283,136**	31,720,100
Deferred acquisition costs	17	**2,291,966**	2,013,064	**593,221**	450,254	**2,885,187**	2,463,318
Receivables:							
- debtors arising out of direct insurance operations	18	**5,657,301**	5,269,710	**15,799,076**	16,584,131	**21,456,377**	21,853,841
- receivables from reinsurers	18	**65,111**	-	**-**	-	**65,111**	-
- other debtors	18	**1,766,444**	985,814	**59,459**	59,786	**1,825,903**	1,045,600
Taxation recoverable		**155,891**	-	**-**	-	**155,891**	-
Prepayments and accrued income	18	**707,198**	642,053	**88,421**	217,773	**795,619**	859,826
Cash and cash equivalents	24	**5,197,734**	5,773,162	**19,434,766**	13,874,728	**24,632,500**	19,647,890
Total assets		**111,223,862**	93,295,291	**50,789,172**	48,376,923	**162,013,034**	141,672,214
EQUITY							
Capital and reserves							
Share capital	19	**12,000,000**	12,000,000	**13,860,838**	12,310,838	**25,860,838**	24,310,838
Other reserves	20	**6,057,687**	4,340,834	**(318,392)**	(119,627)	**5,739,295**	4,221,207
Retained earnings/(Accumulated losses)	20	**24,745,398**	24,811,319	**323,381**	(894,296)	**25,068,779**	23,917,023
Total equity		**42,803,085**	41,152,153	**13,865,827**	11,296,915	**56,668,912**	52,449,068
LIABILITIES							
Technical provisions	21	**58,151,074**	40,779,491	**17,809,595**	19,231,525	**75,960,669**	60,011,016
Lease liabiities	12	**531,804**	519,736	**-**	-	**531,804**	519,736
Payables:							
- creditors arising out of direct insurance operations	22	**1,539,595**	1,542,027	**2,796,777**	1,845,945	**4,336,372**	3,387,972
- balances payable to reinsurers	22	**2,342,037**	2,332,076	**13,605,462**	14,128,946	**15,947,499**	16,461,022
- other creditors	22	**448,762**	237,288	**787,982**	469,798	**1,236,744**	707,086
Deferred taxation	16	**836,485**	2,361,411	**-**	-	**836,485**	2,361,411
Taxation payable		**-**	54,191	**1,634,380**	1,222,395	**1,634,380**	1,276,586
Accruals and deferred income	22	**4,571,020**	4,316,918	**289,149**	181,399	**4,860,169**	4,498,317
Total liabilities		**68,420,777**	52,143,138	**36,923,345**	37,080,008	**105,344,122**	89,223,146
Total equity and liabilities		**111,223,862**	93,295,291	**50,789,172**	48,376,923	**162,013,034**	141,672,214

The notes on pages 29 to 86 are an integral part of these financial statements.

The financial statements on pages 23 to 86 were authorised for issue by the board 4 April 2023 and were signed on its behalf by:

Lawrence Zammit
Chairman

Matthew von Brockdorff
Director

Statement of changes in equity

Core

	Share capital	Other reserves	Retained earnings/ (accumulated losses)	Total
	€	€	€	€
Balance at 1 January 2021	12,000,000	4,342,293	22,311,454	38,653,747
Comprehensive income				
Profit/(loss) for the year	-	-	5,199,865	5,199,865
Other comprehensive income				
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-
- Deferred tax (note 20)	-	(1,459)	-	(1,459)
Total other comprehensive income	-	(1,459)	-	(1,459)
Total comprehensive income	-	(1,459)	5,199,865	5,198,406
Transactions with owners				
Issue of cells shares	-	-	-	-
Decrease in sharecapital (note 19)	-	-	-	-
Capital contribution	-	-	-	-
Assignment of reserves	-	-	-	-
Dividends (note 10)	-	-	(2,700,000)	(2,700,000)
Total transactions with owners	-	-	(2,700,000)	(2,700,000)
Balance at 31 December 2021	12,000,000	4,340,834	24,811,319	41,152,153

Cells

	Share capital	Capital contribution	Other reserves	Retained earnings/ (accumulated losses)	Total
	€	€	€	€	€
Balance at 1 January 2021	12,313,228	500,000	(963,114)	3,479,385	15,329,499
Comprehensive income					
Profit/(loss) for the year	-	-	-	(450,113)	(450,113)
Other comprehensive income					
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	843,487	-	843,487
- Deferred tax (note 20)	-	-	-	-	-
Total other comprehensive income	-	-	843,487	-	843,487
Total comprehensive income	-	-	843,487	(450,113)	393,374
Transactions with owners					
Issue of cells shares	3,663,210	-	-	-	3,663,210
Decrease in sharecapital (note 19)	(3,665,600)	-	-	-	(3,665,600)
Capital contribution	-	(500,000)	-	-	(500,000)
Assignment of reserves	-	-	-	138,771	138,771
Dividends (note 10)	-	-	-	(4,062,339)	(4,062,339)
Total transactions with owners	(2,390)	(500,000)	-	(3,923,568)	(4,425,958)
Balance at 31 December 2021	12,310,838	-	(119,627)	(894,296)	11,296,915

Total

	Share Capital	Capital contribution	Other reserves	Retained earnings/ (accumulated losses)	Total
	€	€	€	€	€
Balance at 1 January 2021	24,313,228	500,000	3,379,179	25,790,839	53,983,246
Comprehensive income					
Profit/(loss) for the year	-	-	-	4,749,752	4,749,752
Other comprehensive income					
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	843,487	-	843,487
- Deferred tax (note 20)	-	-	(1,459)	-	(1,459)
Total other comprehensive income	-	-	842,028	-	842,028
Total comprehensive income	-	-	842,028	4,749,752	5,591,780
Transactions with owners					
Issue of cells shares	3,663,210	-	-	-	3,663,210
Decrease in sharecapital (note 19)	(3,665,600)	-	-	-	(3,665,600)
Capital contribution	-	(500,000)	-	-	(500,000)
Assignment of reserves	-	-	-	138,771	138,771
Dividends (note 10)	-	-	-	(6,762,339)	(6,762,339)
Total transactions with owners	(2,390)	(500,000)	-	(6,623,568)	(7,125,958)
Balance at 31 December 2021	24,310,838	-	4,221,207	23,917,023	52,449,068

Statement of changes in equity – continued

	Core				Total							
	Share capital	Other reserves	Retained earnings/ (accumulated losses)	Total	Share capital	Other reserves	Retained earnings/ (accumulated losses)	Total	Share Capital	Other reserves	Retained earnings/ (accumulated losses)	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Balance at 1 January 2022	12,000,000	4,340,834	24,811,319	41,152,153	12,310,838	(119,627)	(894,296)	11,296,915	24,310,838	4,221,207	23,917,023	52,449,068
Comprehensive income												
Profit for the year	-	-	1,934,079	1,934,079	-	-	2,017,677	2,017,677	-	-	3,951,756	3,951,756
Other comprehensive income												
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	(198,765)	-	(198,765)	-	(198,765)	-	(198,765)
Revaluation gain on property, plant and equipment (note 12)	-	1,890,735	-	1,890,735	-	-	-	-	-	1,890,735	-	1,890,735
Deferred tax arising from revaluation gain (note 20)	-	(173,882)	-	(173,882)	-	-	-	-	-	(173,882)	-	(173,882)
Total other comprehensive income	-	1,716,853	-	1,716,853	-	(198,765)	-	(198,765)	-	1,518,088	-	1,518,088
Total comprehensive income	-	1,716,853	1,934,079	3,650,932	-	(198,765)	2,017,677	1,818,912	-	1,518,088	3,951,756	5,469,845
Transactions with owners												
Issue of cells shares (note 19)	-	-	-	-	1,550,000	-	-	1,550,000	1,550,000	-	-	1,550,000
Dividends (note 10)	-	-	(2,000,000)	(2,000,000)	-	-	(800,000)	(800,000)	-	-	(2,800,000)	(2,800,000)
Total transactions with owners	-	-	(2,000,000)	(2,000,000)	1,550,000	-	(800,000)	750,000	1,550,000	-	(2,800,000)	(1,250,000)
Balance at 31 December 2022	12,000,000	6,057,687	24,745,398	42,803,085	13,860,838	(318,392)	323,381	13,865,827	25,860,838	5,739,295	25,068,779	56,668,912

The notes on pages 29 to 86 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December

		Core		Cells		Total	
	Notes	**2022** **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Cash flows from operating activities							
Cash generated from operations	23	**3,792,671**	6,760,997	**5,576,490**	2,777,847	**9,369,161**	9,538,844
Income tax paid		**(2,451,847)**	(2,428,355)	**(581,943)**	(404,659)	**(3,033,790)**	(2,833,014)
Net cash generated from operating activities		**1,340,824**	4,332,642	**4,994,547**	2,373,188	**6,335,371**	6,705,830
Cash flows from investing activities							
Purchase of property, plant and equipment	12	**(471,537)**	(309,475)	**-**	-	**(471,537)**	(309,475)
Purchase of intangible assets	11	**(14,198)**	(20,726)			**(14,198)**	(20,726)
Proceeds from disposal of property, plant and equipment	12	**9,050**	2,500	**-**	-	**9,050**	2,500
Proceeds from disposal of investment property		**1,113,000**	-	**-**	-	**1,113,000**	-
Purchase of investment property	13	**-**	(118,730)	**-**	-	**-**	(118,730)
Purchase of available for sale financial assets		**(52,927)**	(41,500)	**-**	-	**(52,927)**	(41,500)
Investment in subsidiary undertakings	14	**(500,000)**	(1,496,500)	**-**	-	**(500,000)**	(1,496,500)
Net cash generated from /(used in) investing activities		**83,388**	(1,984,431)	**-**	-	**83,388**	(1,984,431)
Cash flows from financing activities							
Dividends paid	10	**(2,000,000)**	(2,700,000)	**(800,000)**	(4,062,339)	**(2,800,000)**	(6,762,339)
Reduction of capital contribution		**-**	-	**-**	(500,000)	**-**	(500,000)
Net proceeds from issue of capital contribution	19	**-**	-	**1,550,000**	136,381	**1,550,000**	136,381
Net cash generated from/(used in) financing activities		**(2,000,000)**	(2,700,000)	**750,000**	(4,425,958)	**(1,250,000)**	(7,125,958)
Movement in cash and cash equivalents		**(575,788)**	(351,789)	**5,744,547**	(2,052,770)	**5,168,759**	(2,404,559)
Cash and cash equivalents at beginning of year		**5,773,162**	6,113,629	**13,874,728**	14,889,504	**19,647,890**	21,003,133
Exchange differences on cash and cash equivalents		**360**	11,322	**(184,509)**	1,037,994	**(184,149)**	1,049,316
Cash and cash equivalents at end of year	24	**5,197,734**	5,773,162	**19,434,766**	13,874,728	**24,632,500**	19,647,890

The notes on pages 29 to 86 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 and in accordance with the requirements of the Maltese Companies Act (Cap.386) and the requirements of the Maltese Insurance Business Act, 1998. The Company is exempt from the preparation of consolidated financial statements by virtue of paragraph 4 of IFRS 10, "Consolidated Financial Statements" and Article 174 of the Maltese Companies Act (Cap. 386). The Compamny presents only separate financial statements. Atlas Holdings Limited (Note 27) 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).

The financial statements of the Company include the financial performance and financial position of the Core operation together with the operations of the Cells.

As at 31 December 2022, the Company had eight Cells, the Autorama Cell, the Ocado Cell, the Blevins Franks cell, the Griffin cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell and the L'Amie Cell referred to in these financial statements as Cell 2, Cell 4, Cell 5, Cell 6, Cell 7, Cell 8, Cell 9 and Cell 10 respectively. The PerfectHome Cell was wound up during 2021. 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 2022

In 2022, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2022. 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 2022, 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

1.1 Basis of preparation – continued

IFRS 17 'Insurance Contracts' is an International Financial Reporting Standard (IFRS) that was issued by the International Accounting Standards Board (IASB) in May 2017 and amended in June 2020 and is applicable for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 was adopted by the European Union ('EU') on 19 November 2021, with an optional exemption regarding the annual cohort requirement. Furthermore, on 9 December 2021, the IASB issued 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information', as an amendment to IFRS 17 and this was endorsed by the European Commission on 9 September, 2022. The Company has not early adopted IFRS 17 and will apply IFRS 17 for the first time on 1 January 2023.

IFRS 17 sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. Management has considered the implications, interpretations and industry practice of the standard and its impact on the Company's financial results and position. The Company is currently working on the January 2022 transition balance sheet for both Core and Cells which is at an advanced stage after which work will focus on the restatement of 1 January 2023 IFRS17 results. Together with consultants, management is documenting policies and procedures with focus on the judgemental areas.

IFRS 17 together with IFRS 9 will result in a profound change to the accounting in IFRS financial statements for insurance companies.

In preparation for the introduction of the new insurance accounting standard IFRS 17 which is effective from reporting year 2023, the Company appointed external professional consultants to carry out a detailed data gap analysis. A data mapping exercise was also carried out in order to determine the significance of the extended reporting requirements under IFRS 17 and the impact on current reporting systems. This exercise also extended to performing a dry run on a primary set of financial statements for the Core which was carried out during the financial year 2021.

The project focused on closing any remaining data gaps, assessing the requirement of additional reporting tools, discussions with the actuarial function and external auditors to obtain a clear understanding of the assumptions to be applied in the financial year 2023. The Company has the following expectations as to the impact compared with its current accounting policy for insurance contracts:

- Contracts in scope of IFRS 17

IFRS 17 applies to insurance contracts issued and to all reinsurance contracts held by an insurer.

- Level of aggregation

Under IFRS 17, at initial recognition, portfolios of insurance contracts are identified. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. Portfolios should be further disaggregated into groups of insurance contracts that are, on initial recognition:
- onerous;
- profitable, with no significant possibility of subsequently becoming onerous; and
- remaining contracts.

A group can only include contracts that have been issued within one year of each other.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation – continued

- Contract boundaries

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

-
- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
-
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

- Measurement and transition

In accordance with IFRS 17, groups of insurance contracts are automatically eligible for the premium allocation approach ('PAA') measurement model, if every contract within the group has a coverage period of 12 months or less. For contracts having a coverage period of more than 12 months, prior to opting for the PAA, IFRS 17 requires the company to consider whether or not it reasonably expects that the the liability for remaining coverage under the PAA would produce a result that does not differ materially from the general measurement model ('GMM').

- Under IFRS 17, the GMM requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows and the contractual service margin.
- Under both models, the fulfilment cash flows will be calculated on a best estimate basis and will be remeasured on a current basis at each reporting period. Cashflows may also need to be discounted (subject to certain conditions laid down in the standard) and the statement of financial position will also include a risk adjustment.

IFRS 17 must be applied retrospectively and consequently the Company will need to restate the opening statement of financial position (i.e. 1 January 2022) as well as the statement of profit or loss for 2022 and the statement of financial position as at 31 December 2022. On transition to IFRS 17, the company will apply the fully retrospective approach unless impracticable. In some instances, this might lead to the modified retrospective approaches being used for specific groups of insurance contracts.

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

1.1 **Basis of preparation** – continued

- Presentation and disclosure

IFRS 17 will therefore result in a profound change as compared with the current measurement approach, including in so far as the presentation of the financial statements are concerned. Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Under IFRS 17, the components of the income statement and statement of financial position will change as compared to current practice under IFRS 4, mainly:

- The insurance service result will comprise insurance revenue, insurance service expense and insurance finance income or expense;
- A portion of operating expenses will be included in insurance service expense; and
- On the face of the statement of financial position there will be less information presented with all re(insurance) related balances rolling into either insurance liabilities/assets or reinsurance assets/liabilities;

- There will also be additional notes to the financial statements, including detailed reconciliations.

Henceforth, the assessment of the impact on the Company's financial statements is in progress. However, at the time of approval of these financial statements, given that certain judgements are still under consideration, a reasonable estimate of the financial impact cannot be provided at this stage.

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 payment 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 their functional currency (GBP) into 'the presentation currency' of the company 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 in other comprehensive income and are accounted for in the functional currency exchange reserve (Note 20).

1.5 Intangible assets

(a) Customer relationships

Acquired customer relationships are shown at historical cost. Customer relationships have an indefinite useful life and are subject to annual impairment assessment or whenever there are indicators that they may have suffered impairment.

(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.

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

1.5 Intangible assets - continued

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 measured 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revaluated amount of the asset. 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; all other decreases are charged to the profit and loss account.

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

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

Freehold land is not depreciated.

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

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

Tangible asset also includes right-of-use assets.

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,discounted cash flow projections or comparative sales prices. These valuations are reviewed annually by the directors after seeking professional advice.

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

1.7 Land and buildings - Investment property - continued

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

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

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

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

1.8 Investment in subsidiaries and associates

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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.

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

1.9 Financial assets – continued

(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.

(c) Available for sale financial assets

Financial assets are accounted for at cost and assessed annually for any potential impairment.

1.9.2 Recognition, derecognition and measurement

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

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

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

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

1.10 Impairment of assets

(a) Impairment of financial assets

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;

1. Summary of significant accounting policies - continued

1.10 Impairment of assets - continued

(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).

1.11 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's increamental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

1. Summary of significant accounting policies – continued

1.11 Leases - continued

Leases income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet as investment property based on the nature of the assets.

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 or not enough reported ("IBNR" or "IBNER") 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 or not enough 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 or not enough reported. The Company does not discount its liabilities for unpaid claims.

The estimation of claims IBNR or IBNER 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.

1. Summary of significant accounting policies - continued

1.15 Insurance contracts – classification - continued

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

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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

1.18 Dividend distribution

Dividends on ordinary shares or on cell shares are recognised as liability 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 Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are frequently re-evaluated and based on product assessment of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Ultimate liability arising from claims made under insurance contracts

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 and expected salvage recoveries. 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 technical 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 the Company's claims cost progression are disclosed in development tables included in Note 21

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

Investment in associate undertakings

Investment in associate undertakings represents the equity investment which the Company holds in Ivalife Insurance Limited, which is a start up long term insurance undertaking having incurred losses during the initial few years of operation. Based on the undertaking's business plan and expected growth which is expected to result in positive results in the medium term, it is management's opinion that the carrying amount of the investment held in the associate undertaking is reflective of the positive outlook of the entity's future results, as disclosed in Note 14.

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.

Insurance risk - Core

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, Private Medical and Travel and Personal Accident. Furthermore, the Company's portfolio is 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.

Insurance risk - Cells

During the year the Company licensed one new cell in November. The Autorama Cell writes finance gap and goods in transit insurance risks in the UK. Blevins Franks Cell, Gemini Cell, L'Amie Cell, Griffin Cell, Ocado Cell, Amplifon Cell (in run-off) and TVIS Cell carried on business during the year in accordance with their licence conditions. Ocado Cell did not write new business in 2022. However Griffin Cell, L'Amie, Gemini and TVIS cells carried on writing their normal classes in their European and UK markets.

Atlas' underwriting strategy on cells is that of underwriting the proposed cell holistically including, but certainly not limited to, the underlying insurance risk. The consideration of capitalisation, parental guarantees backed by parental strength, reinsurance protection, premium volume, historical performance, experience of the proposer (and of outsourced entities like claim handlers) and other such factors lead to a case-by-case assessment of the overall risk of the cell to the core from a financial, operational and reputational perspective. Atlas seeks typically cells with little or low exposure to large event or single losses, strong cell owners and short tail risks. It will however consider cells which write larger exposures when backed by strongly rated reinsurance protection.

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

3.1 **Insurance risk** – continued

3.1.1 Frequency and severity of claims

Further details on insurance risk exposures for the Core are described below.

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;
(iv) increased responsibilities of employers and business owners in the light of health and safety and consumer legislation;
(v) the latent effect of disease claims on the employers' liability and products liability portfolio;
(vi) the effect of inflation on motor repair costs and injury claims; and
(vii) the effect of natural hazards affecting comprehensive motor results.

Atlas is continually monitoring the impact of inflation on all classes with particular emphasis on motor losses and rate increases are applied where necessary to counter the effects of inflation. The Company's gross motor performance was undoubtedly affected by inflation and supply chain issues on motor repair costs while loss frequencies were far closer to pre-pandemic levels including those of bodily injury claims one of which was relatively severe but contained by reinsurance protection. No natural phenomena materially affected the motor book of business in 2022 and no major developments in relation to civil damages and court judgements were registered.

Property (including Business Interruption)

The gross property result was affected by a large commercial property claim which was extensively protected by treaty and facultative reinsurance protection. This claim nullified the positive effect of any savings made on older claim settlements. Inflation, particularly on building costs, had a detrimental effect on property claims.

Miscellaneous accident

The nature of claims on Money, Glass, Goods in Transit and Fidelity relate very much to the prevalence of crime in Malta and 2022 showed no extraordinary experience in this respect.

Personal accident and travel

Travel class reached and vastly surpassed pre-pandemic levels. The tail end of the Omicron-linked cancellations affected the performance in the first part of the year but claims performance then stabilised although it was affected by inflation on anything from flight costs to the costs of luggage.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

3.1.1 Frequency and severity of claims - continued

Marine

The marine portfolio in 2022 experienced a satisfactory result overall which was held back by negative performance on marine hull.

Health

The health account went back to pre-pandemic performance and the customary battle against the effects of medical inflation.

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. These criteria apply 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 and in the past years, communicable disease exclusions were introduced on most classes.

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 normally 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 e.g. 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/UK use (in line with legislation in certain EU countries and the UK).

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.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

3.1.1 Frequency and severity of claims - continued

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

(b) Reinsurance

The Company places its reinsurance programme with overseas reinsurers who all meet the financial approval of the local regulator. It is generally the Core Company's Policy for reinsurance to be placed in 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.

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 often worked towards reducing the impact of the Company's net retained losses for the year.

(c) Claims techniques

Reported 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. In the case of cells, the Company outsources claims handling to specialised third party administrators who, where necessary, may be permitted to sub-outsource certain services e.g. mobile phone repairs.

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.

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 and in the case of such claims arising from cells, this function is performed by the outsourced specialist administrators and supervised by the relevant cell committee. 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 supervised by the chief underwriting officer.

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 manifested 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 the extent of reported liability claims take longer to be fully known and for such claims to be settled owing also to possible lengthy court proceedings, but, additionally, claims can take long to be even reported. For this reason, claims outstanding provisions for known claims must be adequately increased by provisions for IBNR (incurred but not reported) claims.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

3.1.1 Frequency and severity of claims - continued

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

to the above provisions for known reported claims, the Company adds the IBNR provision. The Company also makes a provision for the unexpired period of cover of policies running at the time of the balance sheet date.

Large claims are also assessed on a case-by-case basis, and Atlas takes a prudent approach to determining outstanding reserves based on legal precedent (of particular relevance to motor and liability class) and similar cases. The Company also notes 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 reserves are determined using the historical actual development of incurred claims and absolute IBNR levels are then expressed as a proportion of claims outstanding by individual class in order to have an ongoing level of IBNR reserves. Such percentages are reviewed and reassessed annually.

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, health, 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 24 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:

	Notes	**2022**	2021
		€	€
Assets at floating interest rates - bank balances		**24,313,831**	19,352,175
Assets at fixed interest rates			
- Listed debt securities	15	**9,940,332**	7,799,325
- Deposits with banks or financial institutions	15	**-**	1,490,000
- Amounts owed from related parties	15	**-**	387,325
		34,254,163	29,028,825

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.

Cash at bank subject to floating interest rates exposes 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.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.1 Market risk - continued

At 31 December 2022 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 250 basis points (2021: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €1,056,681 higher (2021: €135,199 higher). An increase of 250 basis points (2021: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €897,013 lower (2021: €171,305 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) 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.

During 2022, the markets affected the portfolio negatively due to the Ukraine-Russia conflict, resulting in a fair value loss for the year of €4,656,311 (2021: a gain €1,571,496) (Note 15).

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:

	Notes	Core		Cells		Total	
		2022	2021	**2022**	2021	**2022**	2021
		€	€	**€**	€	**€**	€
Assets subject to equity price risk							
Equity securities	15	**4,612,190**	4,645,140	**-**	-	**4,612,190**	4,645,140
Units in unit trusts	15	**22,809,137**	25,322,610	**2,253,355**	2,310,048	**25,062,492**	27,632,658
		27,421,327	29,967,750	**2,253,355**	2,310,048	**29,674,682**	32,277,798

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

3.2 **Financial risk management** - continued

3.2.1 **Market risk** - continued

(b) 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% (2021: 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 €2,742,133 (2021: €2,996,775). An increase or a decrease of 10% (2021: 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 €225,336 (2021: €231,005).

(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 2022, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €3,636,578, (2021: €2,462,576). 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 €641,749 (2021: €434,572) or higher by €474,336 (2021: €321,206).

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) debt securities – listed fixed interest rate and cash and cash equivalents.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

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

The credit risk management team assesses the creditworthiness of all reinsurers, intermediaries and customers by using credit grade references provided by rating agencies, and other publicly available financial information. Where this information is not available, detailed analysis is carried out by investigating both financial strength and market repute, as well as payment patterns. 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 are 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 when considering payment patterns and/or assessment of counterparties and contractual arrangements.

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.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

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 2022							
	Notes	AAA to AA- Core €	A+ to A- Core €	BBB to B Core €	Not rated Core €	A+ to A- Cells	BBB to B Cells €	Not rated Cells €	Total €
Investments									
Debt securities - listed fixed interest rate	15	**231,668**	**1,204,992**	**1,894,416**	**6,609,256**	**-**	**-**	**-**	**9,940,332**
		231,668	**1,204,992**	**1,894,416**	**6,609,256**	**-**	**-**	**-**	**9,940,332**
Loans and receivables									
Debtors and prepayments and accrued income	18	**-**	**-**	**-**	**8,196,054**	**-**	**-**	**15,946,956**	**24,143,010**
Cash equivalents		**-**	**-**	**3,196,999**	**1,682,066**	**4,393,599**	**8,505,664**	**6,535,503**	**24,313,831**
		-	**-**	**3,196,999**	**9,878,120**	**4,393,599**	**8,505,664**	**22,482,459**	**48,456,841**
Reinsurers' share of technical provisions	21	**21,978,829**	**2,360,566**	**-**	**1,230**	**-**	**2,312,232**	**26,123**	**26,678,980**
Total assets bearing credit risk		**22,210,497**	**3,565,558**	**5,091,415**	**16,488,606**	**4,393,599**	**10,817,896**	**22,508,582**	**85,076,153**

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

	Notes	As at 31 December 2021							
		AAA to AA- Core €	A+ to A- Core €	BBB to B Core €	Not rated Core €	A+ to A- Cells	BBB to B Cells €	Not rated Cells €	Total €
Investments									
Debt securities - listed fixed interest rate	15	350,466	749,304	715,415	5,984,140	-	-	-	7,799,325
Deposits with banks or financial institutions		-	-	-	-	-	1,490,000	-	1,490,000
		350,466	749,304	715,415	5,984,140	-	1,490,000	-	9,289,325
Loans and receivables									
Debtors and prepayments and accrued income	18	-	-	-	6,897,577	-	-	16,861,690	23,759,267
Cash equivalents		-	-	2,410,213	3,067,234	4,793,109	3,604,799	5,476,820	19,352,175
		-	-	2,410,213	9,964,811	4,793,109	3,604,799	22,338,510	43,111,442
Reinsurers' share of technical provisions	21	7,301,915	2,380,410	-	1,325	-	1,498,006	33,386	11,215,042
Total assets bearing credit risk		7,652,381	3,129,714	3,125,628	15,950,276	4,793,109	6,592,805	22,371,896	63,615,809

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 2022 — **Contracted undiscounted cash outflows**

	Notes	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core						
Trade and other creditors	22	**4,330,394**	-	-	-	**4,330,394**
Accruals and deferred income		**4,571,020**	-	-	-	**4,571,020**
Cells						
Trade and other creditors	22	**17,190,221**	-	-	-	**17,190,221**
Accruals and deferred income		**289,149**	-	-	-	**289,149**
		26,380,784	-	-	-	**26,380,784**

As at 31 December 2022 — **Expected undiscounted cash outflows**

	Notes	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core						
Technical provisions						
- Claims outstanding	21	**28,088,677**	**5,411,954**	**1,977,266**	**1,454,812**	**36,932,709**
Cells						
Technical provisions						
- Claims outstanding	21	**3,916,423**	-	**602,245**	**41,588**	**4,560,256**
		32,005,102	**5,411,954**	**2,579,510**	**1,496,400**	**41,492,965**

As at 31 December 2021 — **Contracted undiscounted cash outflows**

	Notes	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core						
Trade and other creditors	22	4,111,391	-	-	-	4,111,391
Accruals and deferred income		4,316,918	-	-	-	4,316,918
Cells						
Trade and other creditors	22	14,651,193	-	-	-	14,651,193
Accruals and deferred income		181,399	-	-	-	181,399
		23,260,901	-	-	-	23,260,901

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.3 Liquidity risk - continued

As at 31 December 2021

		Expected undiscounted cash outflows				
	Notes	**Less than one year**	**Between one and two years**	**Between two and five years**	**Over five years**	**Total**
Core		**€**	**€**	**€**	**€**	**€**
Technical provisions						
- Claims outstanding	21	10,333,989	8,017,396	3,560,545	565,273	22,477,203
Cells						
Technical provisions						
- Claims outstanding	21	3,778,620	-	975,770	17,401	4,771,791
		14,112,609	8,017,396	4,536,315	582,674	27,248,994

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 2022 and 2021:

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	Level 1		Level 1		Level 1	
		€		€		€
Assets						
Financial assets at fair value through profit or loss						
- Equity securities and units in unit trusts	**27,421,327**	29,967,750	**2,253,355**	2,310,048	**29,674,682**	32,277,798
- Debt securities	**9,940,332**	7,799,325	**-**	-	**9,940,332**	7,799,325
Total assets	**37,361,659**	37,767,075	**2,253,355**	2,310,048	**39,615,014**	40,077,123

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 2022 and 2021, 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	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Acquisition costs	**9,289,725**	8,250,833	**20,326,493**	14,837,530	**29,616,218**	23,088,363
Change in deferred acquisition costs (Note 17)	**(278,902)**	(200,680)	**(147,922)**	50,887	**(426,824)**	(149,793)
Administrative expenses	**6,359,141**	5,656,090	**720,554**	628,276	**7,079,695**	6,284,366
Reinsurance commission earned	**(7,649,777)**	(6,908,179)	**(17,904,693)**	(12,488,458)	**(25,554,470)**	(19,396,637)
Other net technical (income)/expense	**(826,783)**	(729,489)	**384,771**	336,880	**(442,012)**	(392,609)
	6,893,404	6,068,575	**3,379,203**	3,365,115	**10,272,607**	9,433,690

Total commissions included in acquisition costs and accounted for in the financial period amounted to €6,678,213 in respect of the core operations (2021: €5,859,641) and €20,326,493 in respect of the cell operations (2021: €14,837,530).

5. Investment return

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Investment income:						
Interest receivable from financial assets that are not at fair value through profit or loss	**11,944**	22,180	**-**	-	**11,944**	22,180
Net gains from financial assets at fair value through profit or loss:						
- interest income	**309,168**	281,819	**-**	-	**309,168**	281,819
- dividend income	**159,154**	183,974	**-**	-	**159,154**	183,974
Dividend from subsidiary undertakings	**915,385**	946,154	**-**	-	**915,385**	946,154
Rental income from investment property	**494,887**	514,206	**-**	-	**494,887**	514,206
	1,890,538	1,948,333	**-**	-	**1,890,538**	1,948,333
Investment expense:						
Interest expense and charges financial liabilities that are not at fair value through profit or loss	**(199,993)**	(176,194)	**(25,935)**	(25,765)	**(225,928)**	(201,959)
Investment expenses	**(144,139)**	(143,169)	**-**	-	**(144,139)**	(143,169)
	(344,132)	(319,363)	**(25,935)**	(25,765)	**(370,067)**	(345,128)
Other gain and losses:						
Other fair value (losses)/gains on financial assets at FVTPL	**(4,645,172)**	1,579,144	**(56,693)**	(23,164)	**(4,701,865)**	1,555,980
Exchange differences	**361**	11,322	**14,256**	13,230	**14,617**	24,552
	(4,644,811)	1,590,466	**(42,437)**	(9,934)	**(4,687,248)**	1,580,532
Total investment return	**(3,098,405)**	3,219,436	**(68,372)**	(35,699)	**(3,166,777)**	3,183,737

5. **Investment return** - continued

Allocated investment return transferred to:						
general business technical account	**(1,690,254)**	1,489,269	**(73,643)**	(35,283)	**(1,763,897)**	1,453,986
non-technical account	**(1,408,151)**	1,730,167	**5,271**	(416)	**(1,402,880)**	1,729,751

6. Expenses by nature

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Employee benefit expense and directors' fees	**4,623,089**	4,175,743	**-**	-	**4,623,089**	4,175,743
Commissions payable	**6,678,213**	5,859,641	**20,326,493**	14,837,530	**27,004,706**	20,697,171
Change in deferred acquisition costs (Note 17)	**(278,902)**	(200,680)	**(147,922)**	50,887	**(426,824)**	(149,793)
Reinsurance commissions earned	**(7,649,777)**	(6,908,179)	**(16,111,197)**	(12,488,458)	**(23,760,974)**	(19,396,637)
Amortisation of intangible assets (Note 11)	**140,908**	137,908	**-**	-	**140,908**	137,908
Depreciation of property, plant and equipment (Note 12)	**513,603**	487,970	**-**	-	**513,603**	487,970
Auditor's fees	**94,151**	81,405	**89,049**	72,425	**183,200**	153,830
Other expenses	**2,996,169**	2,682,900	**1,120,489**	968,647	**4,116,658**	3,651,547
Net operating and administrative expenses	**7,117,454**	6,316,708	**5,276,912**	3,441,031	**12,394,366**	9,757,739
Allocated to:						
Technical account	**6,893,404**	6,068,575	**5,174,603**	3,365,115	**12,068,007**	9,433,690
Non-technical account	**224,050**	248,133	**102,309**	75,916	**326,359**	324,049

Employee benefit expense in note 6 above includes the allocation of the claims department salaries to claims incurred. This differs from employee expense in note 7 as this does not include the reclassification of such amount.

6. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor and affiliates for services rendered during the financial years ended 31 December 2022 and 2021 relate to the following:

	2022 €	2021 €
Annual statutory audit	**116,000**	91,425
Other assurance services	**53,450**	43,575
Tax advisory and compliance services	**13,750**	15,200
Other non-audit services	**-**	3,630
	183,200	153,830

Fees quoted above are exclusive of VAT.

7. Employee benefit expense

	2022 €	2021 €
Salaries and related costs (including directors' salaries)	**5,871,468**	5,273,703
Social security costs	**323,089**	323,089
	6,194,557	5,596,792
Inter-company payroll charge	**(578,315)**	(542,413)
	5,616,242	5,054,379

The average number of persons employed during the year was:

	2022	2021
Directors	**8**	8
Managerial	**35**	17
Clerical	**116**	124
	160	149

8. Tax expense

	Core 2022 €	Core 2021 €	Cells 2022 €	Cells 2021 €	Total 2022 €	Total 2021 €
Current tax expense	**2,600,991**	2,267,837	**996,868**	645,403	**3,597,859**	2,913,240
Deferred tax (credit)/charge (Note 16)	**(1,698,808)**	401,556	**-**	-	**(1,698,808)**	401,556
	902,183	2,669,393	**996,868**	645,403	**1,899,051**	3,314,796

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

	2022 €	2021 €
Profit before tax	**5,850,807**	8,064,548
Tax on profit at 35%	**2,047,782**	2,822,592
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(22,846)**	(27,340)
Income subject to reduced rates of tax	**(96,146)**	(102,841)
Expenses not deductible for tax purposes	**45,739**	35,532
(Over)/under provision in previous years	**(80,166)**	38,158
Unrecognised temporary differences	**81,532**	548,695
Utilisation of temporary differences arising in prior years	**(76,844)**	-
Tax charge in the accounts	**1,899,051**	3,314,796

9. Directors' emoluments

	2022 €	2021 €
Salaries and other emoluments (including directors' fees)	**473,434**	467,005

During the year, benefits in kind valued at €11,118 (2021: €11,665) were provided to the directors.

10. Dividends declared

	2022	2021
	€	€
To the ordinary shareholders:		
Net	**2,000,000**	2,700,000
Dividends per ordinary share	**0.42**	0.56
To the cell shareholders:		
Cell 1	**-**	2,282,280
Cell 7	**300,000**	601,904
Cell 9	**500,000**	878,155
Cell 10	**-**	300,000
Net	**800,000**	4,062,339
Dividends per preference share		
Cell 1	**-**	1.56
Cell 7	**0.82**	1.11
Cell 9	**2.46**	2.38
Cell 10	**-**	0.83
Total dividends	**2,800,000**	6,762,339

An interim dividend of €1,100,000 was proposed to the non-cellular shareholder at the board meeting on 25 January 2023 which was approved and paid on 15 February 2023. At the forthcoming Annual General Meeting, a final dividend in respect of 2022 of €0.23c per share amounting to a total dividend of €1,100,000 is to be proposed to the non-cellular shareholder.These financial statements do not reflect these dividends payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2023.

11. Intangible assets

	Customer relationships €	Computer Software €	Total €
At 1 January 2021			
Cost	194,735	1,201,754	1,396,489
Accumulated amortisation and impairment	(194,735)	(666,855)	(861,590)
Net book amount	-	**534,899**	**534,899**
Year ended 31 December 2021			
Opening net book amount	-	534,899	534,899
Additions	-	20,726	20,726
Amortisation charge	-	(137,908)	(137,908)
Closing net book amount	-	**417,717**	**417,717**
At 31 December 2021			
Cost	194,735	1,222,480	1,417,215
Accumulated amortisation and impairment	(194,735)	(804,763)	(999,498)
Net book amount	-	**417,717**	**417,717**
Year ended 31 December 2022			
Opening net book amount	-	417,717	417,717
Additions	-	14,198	14,198
Amortisation charge	-	(140,908)	(140,908)
Closing net book amount	-	**291,007**	**291,007**
At 31 December 2022			
Cost	194,735	1,236,678	1,431,413
Accumulated amortisation and impairment	(194,735)	(945,671)	(1,140,406)
Net book amount	-	**291,007**	**291,007**

12. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Plant and equipment €	Total €
At 1 January 2021				
Cost or revaluation	6,621,162	2,274,864	4,269,598	13,165,624
Accumulated depreciation	(68,260)	(1,520,288)	(3,493,147)	(5,081,695)
Net book amount	**6,552,902**	**754,576**	**776,451**	**8,083,929**
Year ended 31 December 2021				
Opening net book amount	6,552,902	754,576	776,451	8,083,929
Additions	821	66,332	242,322	309,475
Disposals	-	-	(1,116,351)	(1,116,351)
Depreciation charge	(69,082)	(155,771)	(263,117)	(487,970)
Depreciation released on disposal	-	-	1,116,351	1,116,351
Closing net book amount	**6,484,641**	**665,137**	**755,656**	**7,905,434**
At 31 December 2021				
Cost or revaluation	6,621,983	2,341,196	3,395,569	12,358,748
Accumulated depreciation	(137,342)	(1,676,059)	(2,639,913)	(4,453,314)
Net book amount	**6,484,641**	**665,137**	**755,656**	**7,905,434**
Year ended 31 December 2022				
Opening net book amount	6,484,641	665,137	755,656	7,905,434
Additions	-	102,562	368,975	471,537
Revalution surplus arising on valuation of land and buildings (Note 20)	1,890,735	-	-	1,890,735
Disposals	(821)	-	(50,803)	(51,624)
Depreciation charge	(68,261)	(175,161)	(270,181)	(513,603)
Depreciation released on disposal	-	-	50,803	50,803
Closing net book amount	**8,306,294**	**592,538**	**854,450**	**9,753,282**
At 31 December 2022				
Cost or revaluation	8,306,294	2,443,758	3,713,741	14,463,793
Accumulated depreciation	-	(1,851,220)	(2,859,291)	(4,710,511)
Net book amount	**8,306,294**	**592,538**	**854,450**	**9,753,282**

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

Fair value of Property

A valuation exercise was carried out by a professional entity during 2022 on both land and buildings included in property, plant and equipment (PPE) and investment property. Following the revaluation exercise the carrying amount of PPE was adjusted upwards to reflect current market prices whereas in the case of investment property the carrying amount on the balance sheet did not materially differ from the valuation obtained and was not therefore not adjusted.

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.

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, Sliema, Ta' Xbiex, San Gwann, Iklin and Qormi. 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 properties' 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 basis 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.

Investment property

The property valuations are determined using a combination of the discounted cash flow method ('DCF method') and direct capitalisation method. Properties valued using these approaches take primarily into consideration rental rates per square metre in relation to comparable properties in locations in the vicinity of the relevant property. These rental rates are then adjusted for differences in key attributes such as property size and quality of interior fittings. Key assumptions in the valuation process primarily included reference to: (i) rental income, as disclosed in Note 5, (ii) discount rates (for the DCF method) ranging between 6.8% to 7.5% (2021: 6,7% to 7,5%) and rental yields (for the direct capitalisation method) ranging from 5% to 6% (2021: 5% to 6,5%).

This exercise confirmed that the value of the investment properties held on the balance sheet at year end does not materially differ from the professional valuation and is in line with the valuation outputs.

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

Valuation process and techniques - continued

Land and buildings included in PPE

These valuations are determined using the direct capitalisation method. This method primarily took into consideration assumed market rental rates per square metre in locations in the vicinity of the relevant property. Key assumptions in the valuation process, therefore primarily included reference to: (i) assumed rental rates benchmarked to the respective property location and: (ii) rental yields ranging from 5% to 6%.

The directors considered that the value of land and buildings included within property, plant and equipment has increased as a result of the revaluation exercise carried out. The revaluation gain for the year amounted to €1,890,735.(pre-tax) and the increase was reflected on the balance sheet.

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

	2022	2021
	€	€
Cost	**5,323,862**	5,323,862
Accumulated depreciation	**(584,712)**	(553,839)
Net book amount	**4,739,150**	4,770,023

Leases – where Company is a lessee

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022	2021
	€	€
Right-of-use assets		
Current	**435,606**	400,945
Non-current	**95,197**	120,641
	530,803	521,586
Lease liabilities		
Current	**469,114**	444,533
Non-current	**62,690**	75,203
	531,804	519,736

There were two additions to the right-of-use assets in 2021, the Birkirkara Branch and the Naxxar Branch.

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

Leases – where Company is a lessee - continued

(ii) Amounts recognised in the profit and loss account

	2022	2021
	€	€
Interest expense (included in Administrative expenses)	**25,513**	19,195
Depreciation expense	**93,628**	71,081

The total cash outflow for leases in 2022 was €111,052 (2021: €111,192).

13. Land and buildings - investment property

	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**10,617,896**	10,499,166
Disposals	**(1,113,000)**	-
Additions	**821**	118,730
At end of year	**9,505,717**	10,617,896
At 31 December		
Carrying amount	**9,505,717**	10,617,896

The valuation process and techniques are included under Note 12. Investment property with a carrying amount of €1,113,000 was sold to a third party in 2022.

(i) Amounts recognised in profit or loss for investment properties

	2022	2021
	€	€
Rental income from operating leases	**494,887**	514,206

(ii) Leasing arrangements - Minimum lease payments receivable on leases of investment properties are as follows:

	2022	2021
	€	€
Within 1 year	**355,180**	510,727
Between 1 and 5 years	**1,385,922**	1,815,385
Later than 5 years	**-**	341,959
	1,741,102	2,668,072

14. Investment in subsidiaries and associates

Subsidiaries	**2022**	2021
	€	€
Year ended 31 December		
At beginning and end of year	**748,058**	748,058
	748,058	748,058

The subsidiaries at 31 December 2022 and 2021 are shown below:

Name of subsidiary	**Registered office**	**Class of shares**	**Percentage of shares held**	
			2022	2021
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%	100%

Associates	**2022**	2021
	€	€
Year ended 31 December		
At beginning and end of year	**1,875,000**	378,500
Additions	**500,000**	1,496,500
	2,375,000	1,875,000

Name of associates	**Registered office**	**Class of shares**	**Percentage of shares held**	
			2022	**2021**
IvaLife Insurance Limited	Gaba Buildings, Level 2, Naxxar Road, Iklin	Ordinary shares 20% paid up	25%	25%

During 2022 a further capital injection amounting to €500,000 was made to IvaLife to maintain the regulated solvency margin. There is also a possibility for further capital contributions to be effected by 2024 in ensuring that the company maintains its regulated solvency margin.

15. Investments

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

	2022 €	2021 €
Fair value through profit or loss	**39,615,014**	40,077,123
Loans and receivables	**-**	1,877,325
	39,615,014	41,954,448

(a) Investments at fair value through profit or loss

	Core		Cells		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
At 31 December						
Equity securities and units in unit trusts	**27,421,327**	29,967,750	**2,253,355**	2,310,048	**29,674,682**	32,277,798
Debt securities – listed fixed interest rate	**9,940,332**	7,799,325	**-**	-	**9,940,332**	7,799,325
Total investments at fair value through profit or loss	**37,361,659**	37,767,075	**2,253,355**	2,310,048	**39,615,014**	40,077,123

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

Maturity of fixed income debt securities:

	2022 €	2021 €
Within 1 year	**100,000**	616,523
Between 1 and 2 years	**841,576**	423,741
Between 2 and 5 years	**5,391,643**	2,701,806
Over 5 years	**3,607,113**	4,057,255
	9,940,332	7,799,325
Weighted average effective interest rate	**3.94%**	3.89%

15. Investments - continued

The movements for the year are summarised as follows:

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**37,767,075**	33,421,287	**2,310,048**	2,833,212	**40,077,123**	36,254,499
Additions	**12,093,506**	7,434,710	**-**	-	**12,093,506**	7,434,710
Disposals	**(7,842,611)**	(4,660,418)	**-**	(500,000)	**(7,842,611)**	(5,160,418)
Fair value (losses)/gains	**(4,656,311)**	1,571,496	**(56,693)**	(23,164)	**(4,713,004)**	1,548,332
At end of year	**37,361,659**	37,767,075	**2,253,355**	2,310,048	**39,615,014**	40,077,123
As at 31 December						
Cost	**36,696,433**	32,523,558	**2,373,757**	2,373,757	**39,070,190**	34,897,315
Accumulated net fair value gains	**665,226**	5,243,517	**(120,402)**	(63,709)	**544,824**	5,179,808
	37,361,659	37,767,075	**2,253,355**	2,310,048	**39,615,014**	40,077,123

(b) Loans and receivables

	2022	2021
	€	€
At 31 December		
Deposits with banks or financial institutions (i)	**-**	1,490,000
Loan to related party (ii)	**-**	387,325
	-	1,877,325

(i) Deposits with banks or financial institutions

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Within 1 year but exceeding 3 months	**-**	-	**-**	1,490,000	**-**	1,490,000

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

	2022	2021
	€	€
At fixed rates	**-**	1,490,000
Weighted average effective interest rate	**-**	0.25%

15. Investments - continued

(ii) Loan to related party

The loan to the related party was fully repaid during the year. This was subject to interest of 4.75%, secured by special hypothec and special privilege on commercial property and was repayable by not later than 15 May 2034. Interest received from the related party on the loan amounted to €11,944.

16. Deferred taxation

	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**(2,361,411)**	(1,958,396)
Charged to other comprehensive income (Note 20)	**(173,882)**	(1,459)
Credited/(charged) to profit and loss account (Note 8)	**1,698,808**	(401,556)
At end of year	**(836,485)**	(2,361,411)

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% (2021: 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 (2021: 8% or 10%) depending on acquisition dates.

The balance at 31 December represents temporary differences on:

	2022	2021
	€	€
Revaluation of property, plant and equipment - land and buildings	**(627,975)**	(454,093)
Revaluation of investment property	**(35,000)**	(124,040)
Temporary differences on:		
- Financial investments at fair value through profit or loss	**(232,829)**	(1,835,231)
- Fixed assets	**(26,709)**	(7,871)
- Provisions	**86,028**	59,824
	(836,485)	(2,361,411)

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.

No deferred tax asset was recognised as at 31 December 2022 in relation to tax losses of €2,857,235 (2021: €2,973,874) arising from cellular operations in view of the uncertainty of recovery in the foreseeable future.

17. Deferred acquisition costs

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**2,013,064**	1,812,384	**450,254**	495,934	**2,463,318**	2,308,318
Net amount credited/(charged) to profit and loss account (Note 4)	**278,902**	200,680	**147,922**	(50,887)	**426,824**	149,793
Exchange differences resulting from translation to presentation currency	**-**	-	**(4,955)**	5,207	**(4,955)**	5,207
At end of year	**2,291,966**	2,013,064	**593,221**	450,254	**2,885,187**	2,463,318
Current portion	**2,291,966**	2,013,064	**593,221**	450,254	**2,885,187**	2,463,318

18. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Debtors arising from direct insurance operations						
Due from policyholders	**2,228,743**	2,006,282	**-**	-	**2,228,743**	2,006,282
Due from agents, brokers and intermediaries	**2,857,417**	2,790,640	**-**	-	**2,857,417**	2,790,640
Due from reinsurers	**65,111**	-	**-**	-	**65,111**	-
Receivable from related parties	**-**	-	**15,799,076**	16,584,131	**15,799,076**	16,584,131
Receivable from subsidiaries	**571,141**	472,788	**-**	-	**571,141**	472,788
	5,722,412	5,269,710	**15,799,076**	16,584,131	**21,521,488**	21,853,841
Other debtors						
Receivable from parent undertaking	**34,072**	9,251	**-**	-	**34,072**	9,251
Receivable from related parties	**67,830**	32,479	**-**	-	**67,830**	32,479
Receivable from subsidiaries	**1,052,800**	868,900	**-**	-	**1,052,800**	868,900
Other debtors	**611,742**	75,184	**59,459**	59,786	**671,201**	134,970
	1,766,444	985,814	**59,459**	59,786	**1,825,903**	1,045,600
Prepayments and accrued income						
Prepayments	**581,472**	560,482	**88,421**	217,773	**669,893**	778,255
Accrued interest	**125,726**	81,571	**-**	-	**125,726**	81,571
	707,198	642,053	**88,421**	217,773	**795,619**	859,826
Total debtors and prepayments and accrued income	**8,196,054**	6,897,577	**15,946,956**	16,861,690	**24,143,010**	23,759,267
Current portion	**8,196,054**	6,897,577	**15,946,956**	16,861,690	**24,143,010**	23,759,267

Core debtors are presented net of an allowance for impairment of €291,443 (2021: €170,923). As at 31 December 2022, total debtors amounting to €6,317,887 (2021: €5,383,226) were fully performing, whereas debtors amounting to €1,170,969 (2021: €872,298) 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:

	2022	2021
	€	€
Up to 3 months	**570,065**	544,561
3 to 9 months	**283,466**	196,114
More than 9 months	**317,438**	131,623
	1,170,969	872,298

Receivables from group undertakings and related parties are unsecured, interest free and repayable on demand. €2,724,172 (2021: €1,858,483) receivables for cells are due whilst €13,074,904 (2021: €14,725,648) receivables are not yet due.

19. Share capital

	2022	2021
	€	€
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
7,885,739 (2021: 7,265,739) cell shares of €2.50 each	**19,714,348**	18,164,348
	32,214,348	30,664,348
Core		
Issued and fully paid up share capital:		
4,797,000 '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 2		
Issued and 100% paid up share capital: 620,000 cell shares	**1,550,000**	-
Cell 4		
Issued and 50% paid up share capital: 1,497,377 cell shares	**1,871,721**	1,871,721
Cell 5		
Issued and 100% paid up share capital: 745,284 cell shares	**1,863,210**	1,863,210
Cell 6		
Issued and 100% paid up share capital: 1,500,000 cell shares	**3,750,000**	3,750,000
Cell 7		
Issued and 67.5% paid up share capital: 544,215 cell shares	**918,363**	918,363
Cell 8		
Issued and 44.5% paid up share capital: 2,249,831 cell shares	**2,500,125**	2,500,125
Cell 9		
Issued and 55% paid up share capital: 369,032 cell shares	**507,419**	507,419
Cell 10		
Issued and 100% paid up share capital: 360,000 cell shares	**900,000**	900,000
	13,860,838	12,310,838
Total share capital	**25,860,838**	24,310,838

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

Following the closure and winding up of Cell 1 in terms of an extraordinary resolution dated 22 February 2021, the issued share capital was reduced by the cancellation of 1,466,240 cell shares of €2.50 each, fully paid up. Such cancellation became effective on 3 September 2021. In terms of an agreement between shareholders of cell 1 and the company, all assets and liabilities were transferred to the company.

745,284 shares have been issued and paid up through the addition of Cell 5 by means of an extraordinary resolution dated 2 November 2021. This became effective on 11 November 2021.

In terms of a resolution dated 14 June 2021, the issued share capital of the Company was increased by 1,349,831 shares of €2.50 each 44.45% paid up. This is in relation to Cell 8.

19. Share capital - continued

In terms of a resolution dated 2 December 2021, the issued share capital of the Company was increased through a bonus issue by 120,000 shares of €2.50 each 100% paid up through the capitalisation of profits reflected in the retained earnings reserve of Cell 10.

In terms of a resolution dated 19 October 2022, the issued share capital of the Company was increased by 620,000 shares of €2.50 each fully paid up. This in relation to Cell 2.

20. Reserves

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Revaluation reserve	**5,856,145**	4,139,292	**-**	-	**5,856,145**	4,139,292
Functional currency exchange reserve	**-**	-	**(318,392)**	(119,627)	**(318,392)**	(119,627)
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Total other reserves	**6,057,687**	4,340,834	**(318,392)**	(119,627)	**5,739,295**	4,221,207

Revaluation reserve

	Core	
	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**4,139,292**	4,140,751
Property, plant and equipment – land and buildings:		
Movement in deferred tax in relation to revaluation surplus (Note 16)	**(173,882)**	(1,459)
Revaluation surplus on land and buildings (Note 12)	**1,890,735**	-
At end of year	**5,856,145**	4,139,292

Functional currency exchange reserve

	Cells	
	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**(119,627)**	(963,114)
Exchange differences resulting from translation to presentation currency	**(198,765)**	843,487
At end of year	**(318,392)**	(119,627)

20. Reserves - continued

The movements during the year are accounted for in other comprehensive income.

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

Functional currency exchange reserve represents changes in the functional currency to that of the operating currency for cellular operations.

The directors consider other reserves to be non-distributable.

Retained earnings/(Accumulated losses)

	2022	2021
	€	€
Core	**24,745,398**	24,811,319
Cells		
Cell 2	**(24,859)**	-
Cell 4	**(898,900)**	(834,231)
Cell 5	**269,768**	31,240
Cell 6	**288,488**	(15,301)
Cell 7	**1,111,786**	825,420
Cell 8	**(1,321,070)**	(1,534,877)
Cell 9	**372,408**	510,244
Cell 10	**525,760**	123,209
	323,381	(894,296)
Total Retained earnings	**25,068,779**	23,917,023

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 2022 €	Core 2021 €	Cells 2022 €	Cells 2021 €	Total 2022 €	Total 2021 €
Claims reported and loss adjustment expenses	**34,039,823**	19,491,547	**2,237,060**	2,401,840	**36,276,883**	21,893,387
Claims incurred but not reported	**2,892,886**	2,985,656	**2,323,196**	2,369,951	**5,216,082**	5,355,607
Unearned premiums	**21,218,365**	18,302,288	**13,249,341**	14,459,734	**34,467,706**	32,762,021
Total insurance liabilities, gross	**58,151,074**	40,779,491	**17,809,595**	19,231,525	**75,960,669**	60,011,016
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	**22,496,763**	7,619,777	**1,731,299**	1,299,943	**24,228,062**	8,919,720
Claims incurred but not reported	**1,843,863**	2,063,873	**607,055**	231,449	**2,450,918**	2,295,322
Unearned premiums	**10,381,636**	8,646,247	**10,222,520**	11,858,811	**20,604,156**	20,505,058
Total reinsurers' share of insurance liabilities	**34,722,262**	18,329,897	**12,560,874**	13,390,203	**47,283,136**	31,720,100
Net technical provisions						
Claims reported and loss adjustment expenses	**11,543,060**	11,871,770	**505,761**	1,101,897	**12,048,821**	12,973,667
Claims incurred but not reported	**1,049,023**	921,783	**1,716,141**	2,138,502	**2,765,164**	3,060,285
Unearned premiums	**10,836,729**	9,656,041	**3,026,821**	2,606,923	**13,863,550**	12,256,964
	23,428,812	22,449,594	**5,248,723**	5,841,322	**28,677,533**	28,290,916

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

21. Technical provisions and reinsurance assets - continued

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 estimated 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.

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 the most accurate in determining this provision as at the balance sheet date. These liabilities are reflective of that amount of premium remaining unearned on an individual policy basis, aggregated to determine the Company's total liability at any point in time.

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

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

Favourable variations arising on prior year claims are indicative of a prudent reserving methodology.

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:

	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
- at end of reporting year	10,344,366	11,283,117	15,231,792	14,400,164	19,016,753	16,389,345	25,132,054	21,081,989	22,576,896	42,655,730	198,112,207
- one year later	9,373,332	9,022,726	13,446,678	13,173,332	15,576,521	15,123,712	28,626,726	20,701,383	22,277,800		147,322,210
- two years later	8,761,064	8,015,028	12,337,696	12,351,302	14,143,021	13,417,732	22,095,567	17,827,989			108,949,399
- three years later	8,553,785	7,802,011	11,838,299	12,157,822	13,651,274	12,933,181	21,066,365				88,002,736
- four years later	8,405,629	7,625,992	11,666,675	11,736,936	11,119,019	12,674,054					63,228,305
- five years later	8,346,294	7,486,864	11,475,199	11,611,811	10,592,190						49,512,358
- six years later	8,331,443	7,463,982	11,354,526	11,208,591							38,358,542
- seven years later	8,276,871	7,452,560	11,305,610								27,035,041
- eight years later	8,083,668	7,454,511									15,538,179
- nine years later	8,097,244										8,097,244
Current estimates of :											
Cumulative claims	8,097,244	7,454,511	11,305,610	11,208,591	10,592,190	12,674,054	21,066,365	17,827,989	22,277,800	42,655,730	165,160,084
Cumulative payments to date	(8,066,870)	(7,453,360)	(11,157,539)	(10,075,714)	(10,254,529)	(11,801,119)	(20,299,695)	(16,619,506)	(18,074,329)	(14,567,053)	(128,369,714)
Liability recognised in the balance sheet	30,374	1,151	148,071	1,132,877	337,661	872,935	766,670	1,208,483	4,203,471	28,088,677	36,790,370
Liability in respect of prior years											142,339
Total liability included in the balance sheet											36,932,709

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Core:

	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
- at end of reporting year	8,039,367	7,768,761	9,431,033	10,106,850	9,212,017	9,983,389	10,845,598	10,084,733	11,356,551	13,762,180	100,590,479
- one year later	7,258,996	6,881,159	8,675,037	9,465,006	8,502,035	9,266,810	9,932,356	9,953,999	11,219,058		81,154,456
- two years later	6,642,433	6,357,253	7,697,462	8,589,373	7,553,094	8,175,838	8,964,575	8,377,233			62,357,261
- three years later	6,470,996	6,170,581	7,267,099	8,430,599	7,092,908	8,105,618	8,650,666				52,188,467
- four years later	6,362,895	6,044,203	7,115,980	8,364,577	6,938,939	7,878,894					42,705,488
- five years later	6,315,891	5,905,074	6,949,363	8,248,932	6,577,103						33,996,363
- six years later	6,304,381	5,882,192	6,927,162	7,914,302							27,028,037
- seven years later	6,286,294	5,870,781	6,878,311								19,035,386
- eight years later	6,111,227	5,875,637									11,986,864
- nine years later	6,110,882										6,110,882
Current estimates of :											
Cumulative claims	6,110,882	5,875,637	6,878,311	7,914,302	6,577,103	7,878,894	8,650,666	8,377,233	11,219,058	13,762,180	83,244,266
Cumulative payments to date	(6,102,837)	(5,874,511)	(6,753,435)	(6,989,357)	(6,341,980)	(7,241,380)	(8,205,507)	(7,371,956)	(8,558,912)	(7,410,355)	(70,850,230)
Liability recognised in the balance sheet	8,045	1,126	124,876	924,945	235,123	637,514	445,159	1,005,277	2,660,146	6,351,825	12,394,036
Liability in respect of prior years											198,047
Total liability included in the balance sheet											12,592,083

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Gross claims costs for the Cells:

Cells	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
- at end of reporting year	10,124,923	4,535,651	6,724,620	8,735,822	6,127,242	7,712,128	7,983,912	12,476,571	14,881,830	14,339,245	93,641,944
- one year later	10,664,076	4,479,656	6,742,010	8,252,379	7,035,776	8,484,048	7,616,373	12,076,790	14,159,616		79,510,724
- two years later	18,018,763	4,427,930	6,296,589	6,934,553	7,614,027	8,540,668	7,624,005	12,094,012			71,550,546
- three years later	15,834,296	4,404,344	6,028,773	7,029,527	7,912,944	8,365,232	7,624,005				57,199,121
- four years later	31,496,042	4,266,199	5,880,288	7,233,805	7,943,231	8,149,336					64,968,901
- five years later	28,402,423	4,134,131	5,851,376	7,284,378	8,220,775						53,893,083
- six years later	28,376,854	4,103,542	5,884,182	7,221,895							45,586,473
- seven years later	28,376,854	4,109,364	5,891,058								38,377,276
- eight years later	28,376,854	4,109,196									32,486,050
- nine years later	28,376,854										28,376,854
Current estimates of:											
Cumulative claims	28,376,854	4,109,196	5,891,058	7,221,895	8,220,775	8,149,336	7,624,005	12,094,012	14,159,616	14,339,245	110,185,992
Cumulative payments to date	(28,798,163)	(4,007,946)	(5,364,548)	(7,043,041)	(7,435,636)	(7,933,908)	(7,667,683)	(12,298,701)	(14,746,041)	(10,627,775)	(105,923,442)
Other movements	421,309	(101,250)	(510,025)	(153,751)	(729,430)	331,109	43,678	204,689	586,425	204,952	297,706
Liability recognised in the balance sheet	-	-	16,485	25,103	55,709	546,537	-	-	-	3,916,422	4,560,256

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Cells:

Cells	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
- at end of reporting year	2,894,865	4,535,651	6,724,620	7,334,247	6,080,980	7,479,885	5,504,942	6,350,532	6,681,826	5,048,618	58,636,166
- one year later	2,885,834	4,479,656	6,681,076	7,315,606	7,035,889	7,666,768	5,304,558	6,342,005	6,570,516		54,281,908
- two years later	2,911,149	4,427,930	6,296,769	6,526,799	7,614,630	7,722,596	5,304,940	6,347,827			47,152,640
- three years later	2,592,147	4,352,572	6,080,852	7,150,790	7,867,305	7,584,273	5,304,940				40,932,879
- four years later	2,330,457	4,214,427	5,938,505	7,301,395	7,954,731	7,370,450					35,109,965
- five years later	2,377,654	4,082,359	5,879,329	7,396,409	8,232,479						27,968,230
- six years later	2,112,312	4,082,359	5,912,134	7,333,926							19,440,731
- seven years later	2,112,312	4,088,181	5,919,010								12,119,504
- eight years later	2,112,312	4,088,013									6,200.325
- nine years later	2,112,312										2,112,312
Current estimates of:											
Cumulative claims	2,112,312	4,088,013	5,919,010	7,333,926	8,232,479	7,370,450	5,304,940	6,347,827	6,570,516	5,048,618	58,328,091
Cumulative payments to date	(3,949,500)	(4,051,195)	(5,364,961)	(6,496,960)	(6,955,804)	(7,139,433)	(6,247,014)	(5,910,981)	(5,346,201)	(2,688,052)	(54,150,101)
Other movements	1,837,187	(36,818)	(537,565)	(816,127)	(1,220,966)	309,490	942,074	(436,847)	(1,224,316)	(772,200)	(1,956,088)
Liability recognised in the balance sheet	(1)	-	16,484	20,839	55,709	540,507	-	(1)	(1)	1,588,366	2,221,902

The cells' claims progression table includes developments on an accident year basis.

21. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses - Core

	Year ended 31 December 2022			Year ended 31 December 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	19,491,547	(7,619,777)	11,871,770	23,924,208	(13,337,906)	10,586,302
Incurred but not reported	2,985,656	(2,063,873)	921,783	3,093,851	(1,986,674)	1,107,177
Total at beginning of year	22,477,203	(9,683,650)	12,793,553	27,018,059	(15,324,580)	11,693,479
Increase in liabilities:						
- arising from current year claims	42,559,136	(28,796,956)	13,762,180	22,576,896	(11,220,345)	11,356,551
- arising from prior year claims	(5,491,236)	2,396,223	(3,095,013)	(10,679,745)	8,913,756	(1,765,990)
Claims settled during the year	(22,612,394)	11,743,757	(10,868,637)	(16,438,007)	7,947,520	(8,490,487)
Total at end of year	36,932,709	(24,340,626)	12,592,083	22,477,203	(9,683,649)	12,793,553
Notified claims still outstanding	34,039,823	(22,496,763)	11,543,060	19,491,547	(7,619,776)	11,871,770
Incurred but not reported	2,892,886	(1,843,863)	1,049,023	2,985,656	(2,063,873)	921,783
Total at end of year	36,932,709	(24,340,626)	12,592,083	22,477,203	(9,683,649)	12,793,553

The claims payments reflected in the triangulation for the Core are not inclusive of payroll allocated to claims paid on the income statement.

(b) Claims and loss adjustment expenses - Cells

	Year ended 31 December 2022			Year ended 31 December 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	2,401,840	(1,299,943)	1,101,897	2,853,198	(1,114,546)	1,738,652
Incurred but not reported	2,369,951	(231,449)	2,138,502	1,304,684	(54,974)	1,249,710
Total at beginning of year	4,771,791	(1,531,392)	3,240,399	4,157,882	(1,169,520)	2,988,362
Increase in liabilities:						
- arising from current year claims	14,373,362	(9,290,834)	5,082,528	14,384,250	(8,198,666)	6,185,584
- arising from prior year claims	(732,681)	601,046	(131,635)	55,277	522,694	577,971
Claims settled during the year	(13,783,051)	7,881,301	(5,901,750)	(13,997,409)	7,320,034	(6,677,375)
Other movements	(69,165)	1,524	(67,641)	171,791	(5,934)	165,857
Total at end of year	4,560,256	(2,338,355)	2,221,901	4,771,791	(1,531,392)	3,240,399
Notified claims still outstanding	2,237,060	(1,731,299)	505,761	2,401,840	(1,299,943)	1,101,897
Incurred but not reported	2,323,196	(607,056)	1,715,140	2,369,951	(231,449)	2,138,502
Total at end of year	4,560,256	(2,338,355)	2,221,901	4,771,791	(1,531,392)	3,240,399

21. Technical provisions and reinsurance assets - continued

(c) Gross and Net unearned premiums - Core

	Year ended 31 December 2022 Gross	Reinsurance	Net	Year ended 31 December 2021 Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	**18,302,288**	**(8,646,247)**	**9,656,041**	16,737,839	(7,604,011)	9,133,828
Net charge/(credit) to profit and loss	**2,916,077**	**(1,735,389)**	**1,180,688**	1,564,449	(1,042,236)	522,213
At end of year	**21,218,365**	**(10,381,636)**	**10,836,729**	18,302,288	(8,646,247)	9,656,041

(d) Gross and Net unearned premiums - Cells

	Year ended 31 December 2022 Gross	Reinsurance	Net	Year ended 31 December 2021 Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	**14,459,734**	**(11,858,811)**	**2,600,923**	13,205,395	(10,779,529)	2,425,866
Net charge/(credit) to profit and loss	**(1,190,856)**	**1,636,171**	**445,315**	1,233,640	(1,079,210)	154,430
Other movements	**(19,537)**	**120**	**(19,417)**	20,699	(72)	20,627
At end of year	**13,249,341**	**(10,222,520)**	**3,026,821**	14,459,734	(11,858,811)	2,600,923

22. Creditors and accruals and deferred income

	Core		Cells		Total	
	2022	2021	2022	2021	2022	2021
	€	€	€	€	€	€
Creditors arising out of direct insurance operations						
Trade creditors	**1,539,595**	1,542,027	**2,796,777**	1,845,945	**4,336,372**	3,387,972
Payable to reinsurers	**2,342,037**	2,332,076	**13,605,462**	14,128,946	**15,947,499**	16,461,022
	3,881,632	3,874,103	**16,402,239**	15,974,891	**20,283,871**	19,848,994
Other creditors						
Payable to related parties	**-**	-	**787,982**	469,798	**787,982**	469,798
Other creditors	**448,762**	237,288	**-**	-	**448,762**	237,288
	448,762	237,288	**787,982**	469,798	**1,236,744**	707,086
Accruals and deferred income	**4,571,020**	4,316,918	**289,149**	181,399	**4,860,169**	4,498,317
Total creditors and accruals and deferred income	**8,901,414**	8,428,309	**17,479,370**	16,626,088	**26,380,784**	25,054,397
Current portion	**8,901,414**	8,428,309	**17,479,370**	16,626,088	**26,380,784**	25,054,397

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

23. Cash generated from operations

	Core		Cells		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Insurance premiums received	**53,047,780**	45,447,967	**40,518,031**	32,334,394	**93,565,811**	77,782,361
Reinsurance premiums paid	**(27,351,893)**	(21,567,293)	**(25,636,374)**	(21,744,389)	**(52,988,267)**	(43,311,682)
Claims paid	**(23,755,124)**	(17,467,777)	**(13,783,051)**	(13,997,409)	**(37,538,175)**	(31,465,186)
Reinsurance claims received	**11,743,757**	7,947,520	**7,881,301**	7,320,034	**19,625,058**	15,267,554
Commission and other income	**7,903,879**	7,164,053	**107,750**	32,706	**8,011,629**	7,196,759
Cash paid to employees, related parties and other suppliers for services and goods	**(15,458,156)**	(14,225,004)	**(4,975,231)**	(161,724)	**(20,433,387)**	(14,386,728)
Interest received/(paid)	**276,957**	300,965	**(82,629)**	(48,929)	**194,328**	252,036
Dividends received	**754,154**	798,974	**-**	-	**754,154**	798,974
Rental Income	**494,887**	514,206	**-**	-	**494,887**	514,206
Net (purchase)/disposal of operating assets:						
- loans and receivables	**387,325**	621,678	**1,546,693**	(956,836)	**1,934,018**	(335,158)
- financial assets at fair value through profit or loss	**(4,250,895)**	(2,774,292)	**-**	-	**(4,250,895)**	(2,774,292)
Cash generated from/ (used in) operations	**3,792,671**	6,760,997	**5,576,490**	2,777,847	**9,369,161**	9,538,844

24. 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	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**4,748,956**	5,222,753	**19,434,766**	13,874,728	**24,183,722**	19,097,481
Held with investment managers	**448,778**	550,409	**-**	-	**448,778**	550,409
At end of year	**5,197,734**	5,773,162	**19,434,766**	13,874,728	**24,632,500**	19,647,890

25. 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 Company has interests in other entities that are not wholly owned by the parent company and these are also considered as related parties. Related parties also comprise the shareholders and the Company's key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive of otherwise) of that entity.

25. Related party transactions - continued

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

	2022	2021
	€	€
Income		
Subsidiaries:		
Payroll costs charged	**517,722**	478,600
Other related entities:		
Payroll costs charged	**60,593**	63,813
Interest income	**11,944**	22,180
Expenses		
Subsidiaries:		
Commission payable	**2,952,234**	2,651,663

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 15 (b)(ii), 18 and 2 to these financial statements respectively.

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

26. Capital management

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

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 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.

26. Capital management – continued

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.

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 2022, the Company's eligible own funds amounting to €50.2m (2021: to €46.9m) adequately covered the required SCR.

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

As part of its annual Own Risk and Solvency Assessment (ORSA) exercise, Atlas continues to test resilience of its capital adequacy under various stress scenarios. Amongst the stresses applied, Atlas has assessed the impact of the Pandemic as well as Climate Change Risk. Any further potential impact of the Russian Ukraine conflict on own funds is likely to continue to be on the asset side as a result of the impact on investment assets. On the other hand, the impact on the SCR is not likely to be significant, as previous calculations of the SCR for stressed projections have shown offsetting results for reduced business volumes and reduced asset exposures. Similarly an extreme weather event considered under climate change risk has only a marginal impact on the SCR with only a contained and proportionate reduction in own funds experienced.

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.

27. 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.

28. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure for the purpose of fairer presentation. A reclassification adjustment of €1,793,496 has been made to increase the reinsurers' share of unearned premium for the cells with a corresponding increase in amounts payable to reinsurers for the cells as at 1 January 2021 and 31 December 2021. The presentation of a statement of financial position as at 1 January 2022 was not deemed necessary in view of the fact that it is not considered material for the purpose of understandingthe financial statements.

29. Events after the reporting period

There were no significant events to report after year end.