Atlas Insurance

Atlas Insurance PCC Limited

Annual Report & Audited Financial Statements 2023

Atlas Insurance

Our *Purpose*

Building a positive tomorrow, *together*.

At the heart of what we do is a genuine drive to support our customers to live positively whilst managing their risks. This inspires us to be better everyday.

We try to see the bigger picture, sharing our knowledge and experience whilst providing a cover that measures up to the venture at hand. And when the time comes, we step in to support, swiftly and fairly, keeping in mind that behind every policy is a person with the right intentions chasing a dream. We take our responsibilities seriously and use our resources to empower a better tomorrow, for all.

Our *Principles*

- » We seek positive impact first.
- » We focus on what matters.
- » We empower and elevate.

Cover image:
Moods of Cyan and Ochre
Catherine Cavallo (Acrylic on board, 2022)
www.catherinecavallo.com

Contents

Chairperson's *Statement*

I am pleased to present the annual report of Atlas Insurance PCC Limited (the "Company") for the financial year ending December 31, 2023, and it is my pleasure to share the highlights of our performance, and our vision for the future.

The Board

I am deeply honoured to have assumed the responsibility for writing this message in my role as Company Chair, a position that I was appointed to in April 2023.

I am indeed grateful to my fellow board members for the steadfast support and assistance extended to me during this transition, and I wish to take this opportunity to offer a word of special thanks to our outgoing Chair, Mr. Lawrence Zammit, whose outstanding contribution to the Company over the years has been of immense support in guiding the Company in its journey to become Malta's foremost insurance company.

I can confirm that your board remains committed to upholding the highest standards of corporate governance, and to drive the implementation of robust systems and policies so as to ensure the continued adherence to the ever-tightening regulatory landscape.

Our Reporting

You will note that the Company has, as required, prepared its financial statements in accordance with International Financial Reporting Standards 17. Implementation of this standard has by no means been an easy task, and I wish to take this opportunity to sincerely thank the members of the Atlas team who were in one way, or another involved in this work stream, for their commendable efforts and commitment in this regard.

> **During the year under review, we continued to advance our market reach, supplementing our range of products and services, and seizing growth prospects**

Our Performance

Despite the constant challenging economic environment, I am delighted to report that the Company has delivered strong financial results in the year under review. Our insurance revenue reached €120m , representing a 32.6% increase compared to the previous year, whilst our Investment Income reached €4.5m from a negative €3.1m in 2022. This growth can be attributed to our continued focus on positive customer experience strategies, judicious risk management, diversified product offerings and sound investment decisions.

Our net profit before tax for the year stood at €18.7m, reflecting a 166.3% increase from the previous year. Included in this result the Core reports a profit before tax of €10.7m. Earnings per share for the Core shareholders stood at €2.22 in 2023.This achievement underscores the effectiveness of our growth strategies, coupled with operational efficiency initiatives.

Dividends amounting to €2.2m were paid to the Core shareholders in 2023. An interim dividend was proposed by the Board of Directors subject to MFSA approval amounting to €1.25m in January 2024 and subsequently paid in March 2024. A final dividend of €1.25m is being proposed to the shareholders at the upcoming annual general meeting to be paid to the shareholders subject to MFSA approval having been received.

€120m
Insurance revenue for 2023

€4.5m
Investment income for 2023

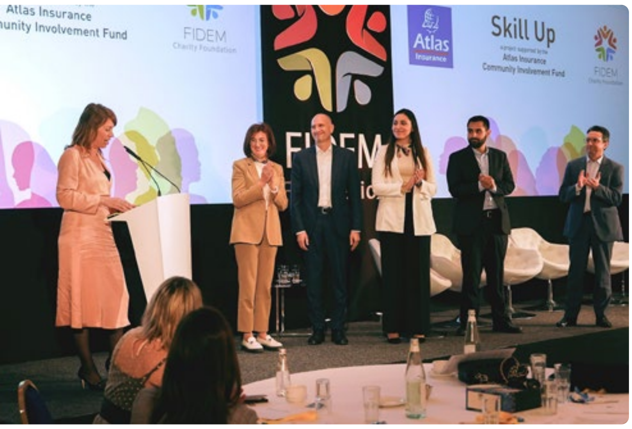
€18.7m
Net profit before tax for 2023

Interim dividends to cell shareholders were also paid during 2023 amounting to €0.9 m.

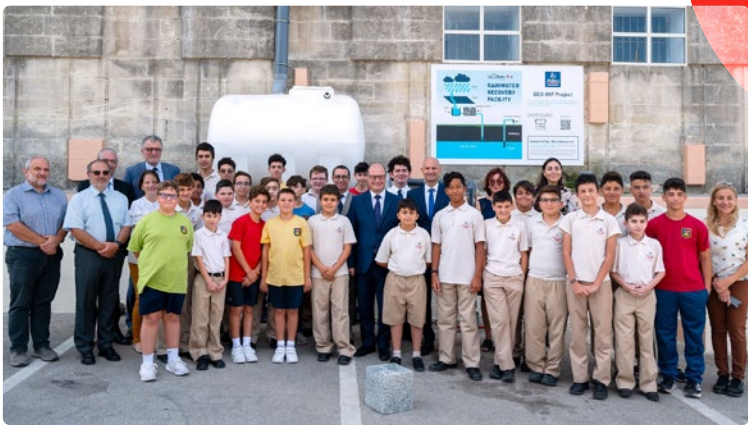
The total assets of the Company are reported at €131.6m and the balance sheet continues to show high levels of capital surplus over regulatory requirements. The solvency ratio stood at 2.1 times the capital requirement for the Company as a whole on 31 December 2023, compared to 2.2 times in 2022.

During the year under review, we continued to advance our market reach, supplementing our range of products and services, and seizing growth prospects. Furthermore, we dedicated resources to adopting ad implementing appropriate technology to optimize our processes and leverage efficiencies.

Our dedication to enhancing our customer experience and fostering customer loyalty remain unwavering as we commit to continually invest in this area.



Launch of FIDEM Skill Up Project during the Womens Day Conference, a project supported by the Atlas Community Involvement Fund



Inauguration of Geo-Inf Installation at De La Salle, a sustainability project supported by the Atlas Community Involvement Fund

Our Customers

We, as ever, remain sincerely grateful to our customers for their continuous display of unwavering loyalty towards us. We seek to repay this loyalty by ensuring that customer satisfaction metrics are top of mind in our delivery and management of our products and services to you. Furthermore, as we continue our journey to remain Malta's foremost insurance company, please know that your feedback remains invaluable to us such that we can strive to better serve your needs.

Our People

Recognition of the persistent dedication, skill, and professionalism exhibited by members of Team Atlas is fundamental in order fully appreciate their role as a key driver behind the continued success of the Company. The undeniable advancements made this year are a direct product of the manner in which our people live and project our core principles and beliefs.

Our Community

Our Community Involvement initiative gained momentum during 2023. Four new agreements were concluded with NGOs being Friends of the Earth, SOS Malta, Rota and FAA. These will address specific projects relating to strategic development goals (SDGs) where Malta is experiencing challenges.

GEO-Inf systems were inaugurated at De La Salle and St Aloysius College diverting significant amounts of rainwater into the water table. The FIDEM Foundation Skill Up project was also launched on Women's Day which will provide vulnerable women with the tools to boost their employment and career opportunities.

Support for the Malta Sports Journalists Association for the Atlas Youth Athlete of the month and Melita FC continue and we have organised events for clients during Mental Health awareness month for the fifth consecutive year.

Brand Collaboration with Neil Agius during his historic 100 mile swim attempt

Substantial donations were made to SOS Malta to assist earthquake victims in Turkey and Syria and Foodbank Lifeline Foundation Malta where staff also volunteered their time

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. The Neil Agius brand ambassador campaign promoted fitness while also addressing ocean activism – the SDG Life Below Water being another area where Malta faces significant challenges.

Substantial donations were made to SOS Malta to assist earthquake victims in Turkey and Syria and Foodbank Lifeline Foundation Malta where staff also volunteered their time. Atlas continues to support the arts and in 2023 we produced another Atlas calendar featuring a local fine artist.

Our Ambitions and our future

Our vision for the future remains as ever, cautiously optimistic. We of course recognize that the operating environment remains uncertain due to various geopolitical and economic factors, but we are confident in our ability to navigate these challenges and capitalise on opportunities that may present themselves.

We will continue to prioritize innovation, customer satisfaction, and operational excellence to drive sustainable growth and create long-term value for our shareholders. By investing in emerging technologies, constantly challenging our business model, diversifying our product and service offerings, and pushing beyond our geographic borders, we aim to further strengthen our competitive position and delivery capabilities.

As we continue with the journey ahead, I am exceedingly confident that under the watchful direction of our Managing Director, Matthew von Brockdorff, together with the support of his talented executive team, 2024 will be a year of further sustainable growth and corporate success.

Thank you for your trust and confidence in Atlas.

Malcolm Booker
Chairperson

Chief Executive Officer's *Report*

2023 has been a year of remarkable achievement and strategic evolution for Atlas Insurance, underscoring our unwavering commitment to innovation, our talent, customer experience, and international expansion. Our efforts have culminated in significant milestones that not only enhance our market presence but also strengthen our foundation for sustainable growth. We achieved exceptional performance in 2023 with a strong insurance service result for the Core at €7.06m together with an excellent investment return for the year of €4.5m.

Financial results

Insurance revenue for both local risks underwritten by the Core and, Cell risks based overseas, amounted to €120m. The Core insurance revenue grew by 13.4% to €57.2m and that of the Cells by 56.7% to €62.8m. The net profit before tax on aggregated basis amounted to €18.7m with the Core reporting a strong result before tax of €10.7m. The Core shareholder equity grew by 9.2% to €47.4m.

€57.2m
Core insurance revenue in 2023

€50.4m
Core insurance revenue in 2022

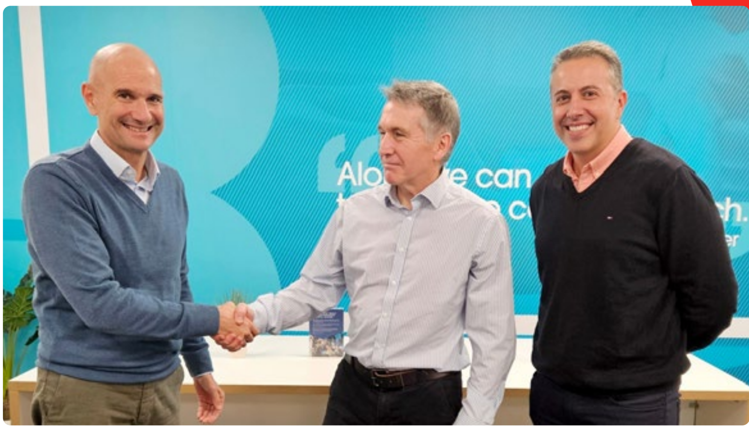
€62.8m
Cells insurance revenue in 2023

€40.1m
Cells insurance revenue in 2022

Our People The Heart of Atlas

TeamAtlas: Our people have again proved themselves, supporting Atlas' growth throughout another year in which the labour market continued to present challenges of scarcity of skills, low unemployment, and salary inflation. Despite this, we had many proud wins. We are pleased to say that in 2023 we have eliminated the gender pay gap in a setting where we see 2021 Eurostat figures of 10.5% nationally and 24.1% in the financial services sector.

Managers serve staff during Employee Appreciation Day



Atlas Insurance PCC Expands Reach with UK Branch Authorization and Life Reinsurance License

Our employee engagement and net promoter score levels are very encouraging. We saw our turnover levels decrease significantly and were encouraged by the return of some former employees. We made significant efforts to maintain hybrid work whilst continuing our focus on customer experience, allowing our people to create agile teams and work which facilitate hybrid.

Our staff events and social life happily returned to normality, with added enthusiasm, and our reduced summer hours remain one of our most popular benefits. In the medium term we will focus our efforts on further refining our training programme and strategy for both existing and newly joined staff.

We wanted our new Purpose and Principles to be based on the experience and aspirations of our people. We studied four years' worth of both internally run and externally commissioned staff feedback. This helped us to develop what we feel is an inspiring Purpose Statement and aspirational, motivating Principles which we will be able to use in our everyday lives together at work, with our clients and intermediaries, and with the community at large too. "Building a positive tomorrow, together" is our new Purpose Statement and our Guiding Principles are "We seek positive impact first," "We focus on what matters" and "We empower and elevate."

Customer Experience & Local Market Growth

In the last year, we maintained a strategic direction focused on agile customer-centricity. Our over 20% local market share by written premium continued to rise for the fourth year running. External market surveys we have commissioned have also confirmed that we have continued to grow our Net Promoter Score (NPS), retaining our number one position in customer experience, a key strategic goal for Atlas. Notably, we played a pivotal role in addressing underinsurance risks by aiding our customers in updating their insured values in response to inflation, particularly in home insurance where construction costs have surged. Our efforts have ensured that our customers' peace of mind remains intact, reinforcing their trust in Atlas as a reliable and responsive insurance provider.

International Business Expansion

Our international business has witnessed unprecedented growth, with a remarkable 82.1% increase in revenue to our Core. A pivotal achievement was successfully securing our UK branch license, marking Atlas as the first EU Protected Cell Company (PCC) to accomplish this feat, providing a bridge between the EU and UK markets. Additionally, obtaining a life reinsurance license has opened further avenues for growth, positioning Atlas as a versatile enabler in the international market. The launch of three new cells has significantly contributed to our international expansion, continuing our success in providing innovative insurance solutions across borders.

Our partnership with a new artificial intelligence (AI) platform signifies a leap forward in leveraging data science and AI for predictive modelling.

Agile Foundations & Digital Transformation

We have made significant advancements in embedding agile principles and mindsets across our teams. This transformation has laid a solid foundation for future improvements, as we strive to reduce customer cycle times and continue to foster a culture of innovation and teamwork. Our digital transformation journey has accelerated, with a 50% increase in online straight-through sales, underscoring our commitment to making insurance accessible and user-friendly. For the first time in Malta, our partners could effortlessly obtain quotes, purchase, and renew policies online for products traditionally reliant on underwriter interactions. We will continue to build on this success expanding the products we are able to service this way.

Advancements in Data and Business Intelligence

Our partnership with a new artificial intelligence (AI) platform signifies a leap forward in leveraging data science and AI for predictive modelling, enhancing our capabilities in innovation and strategic decision-making. The migration to a cloud-based data analytics platform has equipped us with enhanced speed, flexibility, and resilience, enabling us to harness the power of data to drive business intelligence and customer insights.

Environmental Social & Governance (ESG)

Our ESG cross-functional team follows up on the initiatives we have in place to work towards the ESG targets forming part of our strategic vision. 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. The Community Involvement committee has, in 2023, secured four more partnerships with NGOs to work on projects in line with the achievement of Sustainable Development Goals (SDGs) where Malta faces most challenges.

We have started to see the benefits of our considerable investment in more photovoltaic systems in four different installations in our offices and branches as well as the move to electric vehicles. Despite the slight increase in carbon footprint in our offices, on our return to work post pandemic, albeit in a hybrid manner, our decarbonisation strategy has started to bear fruit and we have offset our remaining operational carbon footprint in 2023.

Reflecting on our past achievements inspires us to face future challenges with courage amid a constantly changing business environment.

Staff education and involvement is crucial in this area, and it continues to be an important aspect of our strategy which we are extending to our value chain over the next couple of years.

We have started to prepare for Corporate Sustainability Reporting and related standards being issued by the European Financial Reporting Advisory Group as well as the Green Taxonomy reporting requirements. Mitigation of ESG related risks is central to our role as insurers and we understand that our influence spans well beyond our own carbon footprint. Key steps in this direction have already been taken in our investment portfolio and related decisions and the integration of sustainability within our policies and procedures has been a key focus in the period under review.

Brand Refresh and Exhibition 100-year legacy

To mark our 100-year legacy in insurance we successfully carried out a massive project for the implementation of a brand refresh and, in April and May 2024, we are holding an exhibition at the Malta Chamber themed 'Centennial Chronicles, Celebrating Malta's Commercial Legacy'. Our exhibition is designed to honour not just the centenary of Atlas Insurance and its predecessors but also the remarkable journey of Malta's commercial landscape and history.

Outlook 2024

Reflecting on our past achievements inspires us to face future challenges with courage amid a constantly changing business environment. As we look ahead, we remain committed to leveraging our achievements as a foundation for future growth and innovation. We continue to invest confidently in supporting our growth trajectory, while ensuring the well-being of our staff, maintaining excellence in service to our customers and partners worldwide and furthering our international expansion, particularly in protected cells, which has seen notable success.

I extend my sincere thanks and appreciation to every member of TeamAtlas for their hard work and commitment, to our board for their steadfast support, and to our loyal customers, intermediaries, brokers, and partners for their trust. Together, your efforts have propelled us forward, resulting in significant accomplishments throughout 2023.

Matthew von Brockdorff
Chief Executive Officer

Board of *Directors*

Left to right:

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

Board of ***Directors***

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.

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 also 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 currently Vice-President of the Insurance Association Malta and sits on the Council of the Malta Chamber of Commerce, Enterprise and Industry. She also currently chairs the Services Providers Economic Group at the Malta Chamber and is a Visiting Lecturer at the Department of Insurance and Risk Management at the University of Malta.

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.

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 Insurance Association Malta 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.

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 recent years, she has held various roles on regulated entities within the Maltese financial services industry focusing on compliance and internal audit. She is currently a non-executive director on regulated and listed entities in Malta in addition to her role on the Board and committees at Atlas.

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, Chairman of Malta International Airport, 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.

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.

Executive *Committee*

Left to right:

Andrew Briffa AIA, BSc(Hons)
David Cassar ACII, MBA
Ian-Edward Stafrace MSc (Risk Management) CFIRM FCII PIOR
Catherine Calleja BA (Hons), ACII
Vinay Aarohi BA (Comp Sci)
Matthew von Brockdorff FCII
David Mifsud FCII
Jackie Attard Montalto BA
Mark Camilleri
Robert Micallef
John Muscat FCCA

Board & Executive *Committees*

Board of Directors
- Malcolm Booker FCA, FIA, FIT, CPAA
  Chairperson
- Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)
  Non-Executive
- Catherine Calleja BA(Hons), A.C.I.I.
  Executive and Company Secretary
- Michael Gatt
  Non-Executive
- Philip Micallef BSc(Eng.), MIEE, C.Eng., Eur. Ing., MBA (Warwick)
  Non-Executive
- Karen Pace BA(Hons)Accty, MIA, CPA
  Non-Executive
- Matthew von Brockdorff FCII
  Managing and CEO

Audit Committee
- Karen Pace BA(Hons)Accty, MIA, CPA
  Chairperson
- Michael Gatt
- Philip Micallef BSc(Eng.), MIEE, C.Eng., Eur. Ing., MBA (Warwick)

Risk and Compliance Committee
- Andre Camilleri LL.D, 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(Hons)Accty, MIA, CPA
- Ian-Edward Stafrace MSc (Risk Mgmt), FCII,
  CFIRM, PIOR, Chartered Insurance Risk Manager

Remuneration and Nominations Committee
- Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)
  Chairperson
- Malcolm Booker FCA, FIA, FIT, CPAA
- Philip Micallef BSc(Eng.), MIEE, C.Eng., Eur. Ing., MBA (Warwick)

Investment Committee
- Malcolm Booker FCA, FIA, FIT, CPAA
  Chairperson
- Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)
- Mark Camilleri
- Michael Gatt
- John Muscat FCCA
- Matthew von Brockdorff FCII
- Karen Pace BA(Hons)Accty, MIA, CPA

Executive Committee
- Matthew von Brockdorff FCII
  Chairperson
- Jackie Attard Montalto BA
- Catherine Calleja BA(Hons), A.C.I.I.
- Mark Camilleri
- Robert Micallef
- David Mifsud FCII
- Ian-Edward Stafrace MSc (Risk Mgmt), FCII,
  CFIRM, PIOR, Chartered Insurance Risk Manager
- Vinay Aarohi BA (Comp Sci)
- Andrew Briffa AIA, BSc(Hons)
- John Muscat FCCA
- David Cassar ACII, MBA

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 Mgmt), FCII,
  CFIRM, PIOR, Chartered Insurance Risk Manager

Information Technology Committee
- Philip Micallef BSc(Eng.), MIEE, C.Eng., Eur. Ing., MBA (Warwick)
  Chairperson
- Vinay Aarohi BA (Comp Sci)
- Ian-Edward Stafrace MSc (Risk Mgmt), FCII,
  CFIRM, PIOR, Chartered Insurance Risk Manager
- 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 & Branches, Cells and Professional Services

Malta Offices & 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
Business Centre, 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

UK Branch

Atlas Insurance PCC Ltd
Trent House, 234 Victoria Road, Stoke On Trent,
Fenton, ST4 2LW - United Kingdom

Cells

- AM Cell
- Amplifon Cell
- Asservo Malta
- Autorama Cell
- Blevins Franks Cell
- Gemini Cell
- Griffin Cell
- L'AMIE Cell
- Ocado Cell
- TVIS Cell

Professional Services

Actuaries
Barnett Waddingham LLP

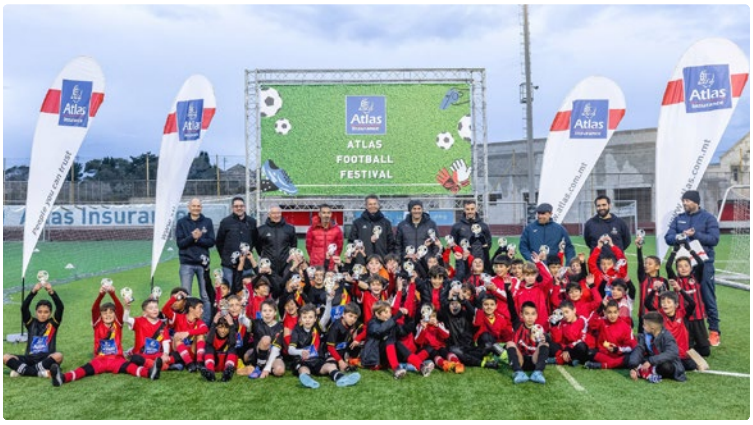
Auditors
PricewaterhouseCoopers

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.

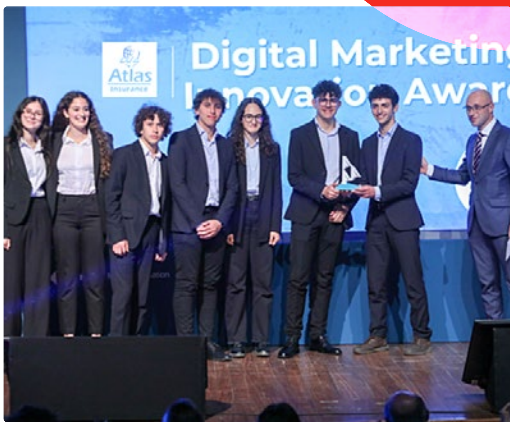
Investment Managers
- APS Asset Management Limited
- BOV Asset Management Limited
- Jesmond Mizzi Financial Advisors Limited
- Rizzo Farrugia & Co (Stockbrokers) Limited

Legal Advisors
- Cachia Advocates
- Fenech & Fenech Advocates
- Ganado Advocates
- Mamo TCV Advocates
- Schembri & Depasquale Advocates
- Vella Zammit McKeon

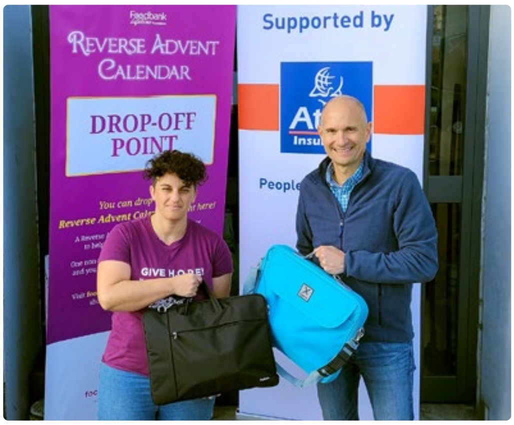
Pictorial *Highlights*



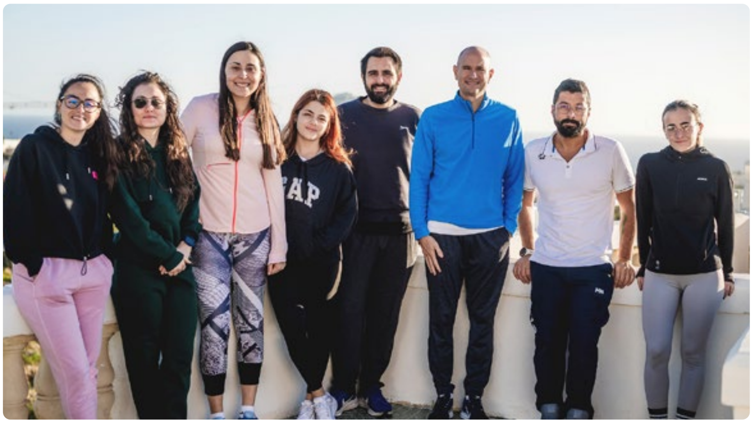
Atlas hosts the Melita Football Festival



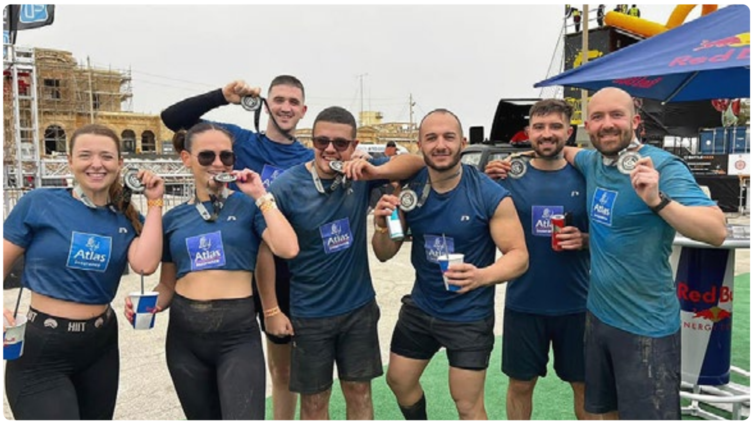
Atlas Insurance sponsors JA Company Programme Award



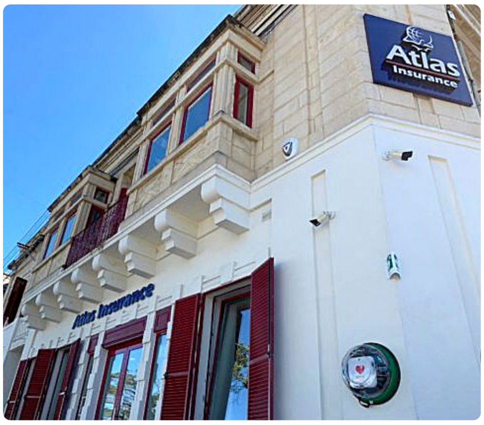
Volunteering and donating equipment to Foodbank



Team Atlas takes on Sunrise Yoga and Ice Baths with Neil Agius



Team Atlas takes on The Grid Challenge



Atlas Insurance installs two defibrillators
outside its Ta' Xbiex offices

ATLAS INSURANCE PCC LIMITED

Annual Report and Financial Statements
31 December 2023

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

The Board of Directors report that the Company registered record profits for the year under review. The Non-Cellular (Core) technical results were good and further complimented by a significant recovery of fair value on the investment portfolio during the year. Operating Cells continue to register reasonable profits for 2023 reporting overall increased cellular profit over the previous year.

During the year the Company successfully obtained its licence to operate a UK branch.

As of 1 January 2023 the Company adopted IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments. This required the restatement of the aggregated balance sheet values reported under IFRS 4 for the year ended 31 December 2022 and the year ended 31 December 2021 for IFRS 17. This restatement resulted in an increase to the retained earnings reserve brought forward to 2023 from €25.07m to €26.4m.

The insurance service results of the Company amount to €15.2m for 2023 (2022 restated: €10.4m). This excellent performance has been achieved through the growth in premium and as a result of the Company's prudent and resilient underwriting and reinsurance strategies. The adoption of IFRS17 has also contributed towards this performance.

The investment portfolio also registered significant fair value recovery from the prior year diminutions. Risks arising from investment asset exposures are addressed on an ongoing basis, and the mitigating measures taken are described under the Financial Risk Management note (Note 3.4) to these audited financial statements.

The Company registered an aggregate net profit before tax for the year of €18.7m (2022 restated: €7.03m) and a net profit after tax of €11.50m (2022 restated: €4.71m). Profits before tax accruing to the non-cellular shareholders amounted to €10.66m (2022 restated: €3.77m).

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 generate healthy profitability as well as growing the Company's net assets. The Core's regulated solvency position as on 31 December 2023 stood at 324% (2022: 290%) of the regulated solvency requirement.

The Company's core operations registered excellent growth in all classes of business, again exceeding the Board's expectations at the start of the year. This resulted in an increase in premium of 13% over the previous year.

The Board of Directors reports a satisfactory return on the Company's investment portfolio. Combined investment income, fair value gains and investment expenses for the year amounted to a return of €4.4m (2022 restated: loss €3.1m).

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

Directors' report – continued

Besides operating through its Ta' Xbiex Head Office, the Company also operated during 2023 through eleven branches strategically spread throughout the Island to service its clients.

Cellular

On the 11th January 2023 the Company incorporated a new cell, the Asservo Malta Cell, which is wholly owned by Cover Genius Holdings Pty Limited. The Cell underwrites insurance policies that can be sold as embedded (add on) products.

The AM Cell, was also incorporated on the 13th September 2023 and is wholly owned by Auxmoney Europe Holdings Limited. The Cell is authorised as a Reinsurance Cell assuming a quota share programme for Payment Protection Insurance (PPI) including life and optional inability to work, serious illness, unemployment and abandoned self-employment.

The operating cells have continued to contribute to the Company's aggregated profitability. Such portion of profitability accrues to cell shareholders. Aggregate Cellular insurance revenue, reported at €62.79m, registering material growth of 57% over that of the prior year (2022 restated: €40.05m).

The aggregated profit before tax for all Cells is reported at €8.06m (2022 restated: €3.26m). In regard to the Cells that do not have recourse to the Core the newly incorporated AM Cell registered a profit before taxation of €6.21m, whereas the Amplifon Cell, currently in run-off of its insurance business, registered a loss of €0.14m.

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 16 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.

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 and was also licensed to distribute pensions during the period.

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, an insurance undertaking authorised by the MFSA to underwrite long term classes of Business, and also holds an equity investment in SRS Management Europe PCC Limited. Both these companies are not considered to be subsidiaries.

Directors' report – continued

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 and 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 2023 are included in the Annual Report 2023 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.

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

Malcolm Booker
Chairman

Matthew von Brockdorff
Managing Director & CEO

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

10th April 2024

Directors' report – continued

It is the Company's declared financial policy to direct its subsidiaries' reserves over those required under regulation to be managed within its own investment management portfolio.

Similar to the Company, Atlas Healthcare continued to grow its agency portfolio and as such reports sustained profitability and contributed dividends of €846,154 to the Company's results through dividend distributions during 2023. The agency's net asset value totaled €1.2m as at 31 December 2023 (31 December 2022 €1.2m), 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 at 31 December 2023 at €119,165 (2022 €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 (resigned 19 May 2023)
Malcolm Booker FCA, FIA, CPAA – Independent Non-Executive Chairperson (appointed as chairperson 19 May 2023)
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, MIA, CPA Independent Non-Executive Director
Matthew von Brockdorff FCII – Managing Director and Chief Executive Officer

Dr Andre Camilleri and Mr Philip Micallef will be retiring from the board and will not be seeking re-election. The other current directors have expressed their willingness to remain in office.

Results and dividends

The profit and loss account is set out on page 1.

During the year under review, the directors declared and paid an interim non-cellular Ordinary dividend of €1,100,000 net of tax. A final dividend of €1,100,000 was also declared and paid at the Company's annual general meeting. During 2023 further interim dividends were paid to the cellular shareholders. These were €350,000 paid to the TVIS shareholder, two interim dividends of €250,000 each paid to the Gemini Cell Shareholder, and €300,000 to the L'Amie Cell shareholder in the form of a Bonus Share Issue.

At a Board Meeting held on the 29 November 2023 it had been resolved to pay an interim dividend of €160,000 to the shareholder of the TVIS Cell subject to MFSA approval. This was subsequently approved by the MFSA and paid on the 22 March 2024.

On 30 January 2024 a net interim dividend of €1,250,000 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 22 March 2024.

At the forthcoming Annual General Meeting, a final dividend in respect of 2023 of €0.26c per share amounting to a total dividend of €1,250,000 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 2024.

Corporate Governance – Statement of Compliance 2023

As a licenced insurance undertaking and a public interest entity, Atlas Insurance PCC Limited (Atlas Insurance, the Company), adheres to the principles set out 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. 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 an effective internal control framework. Although publication of this Statement of Compliance is not mandatory in the Company's case, the Atlas Insurance board (the Board) believes that these disclosures add transparency and foster mutual trust between the various company stakeholders.

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 under Solvency II Group Supervision rules. This Company's Board and board committees as well as its 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 platforms.

The Board and its Composition

The Board ensures the highest standards of governance by setting the corporate culture and strategy, managing the different interests of the shareholders while overseeing the systems of control – thus ensuring long term 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. Board composition is regularly reviewed and a policy for rotation of non-executive directors (NEDs) is in place.

During 2023, the Board was composed of a majority of six Non-Executive Directors (NEDs), five of whom being independent, and two Executive Directors. Matthew von Brockdorff is the Managing Director and Chief Executive Officer (CEO) of the Company. 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 through the operation of active board committees and also through various joint meetings relating to strategy development and reporting as well as joint learning and development sessions on various topics. It is also kept fully updated on developments at board and executive committee level through regular reporting. This regular communication and reporting of Key Results enables the Board to address any issues as well as its current and future strengths and weaknesses and to have enough information to be able to constructively challenge as well as satisfy itself on the integrity of the financial information, internal controls and risk management systems in place. Strategic planning and budgetary and Own Risk and Solvency Assessment (ORSA) processes are key priorities for the Board and meetings are held regularly with key function holders including the Company's actuaries. The Board, together with the support of the Chief Risk and Compliance Officer, continues to develop its analytical role by constantly challenging the methodology and assumptions underlying the models for determining the Group's economic and regulatory capital requirements as assessed under the ORSA process.

Corporate Governance – Statement of Compliance 2023 – continued

In May 2023, Lawrence Zammit stepped down as Chair at the Annual General Meeting after chairing the Board since 2014. He continues his involvement with the Group as Atlas Holdings chair. Malcolm Booker was appointed Board Chair at the same meeting. The positions of the independent Chair and Managing Director & CEO continue to be separate with a clear division of responsibilities between the running of the board and the executive responsibility for leading the Company. The independent Chair provides guidance and support to 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.

The Board has delegated specific responsibilities to board committees in line with the System of Governance requirements under the Solvency II Directive and the Commission Delegated Regulations. This is also provided for in the memorandum and articles of the Company. Non-executive directors chair five committees and members can devote more time to develop strategy and monitor progress in these areas, this with the support of members of the management team and external consultants where considered necessary or appropriate.

The primary role of the Chair is to ensure the effective running of functioning of the Board, focussing the board on the determination of the Company's strategy and board objectives. He leads the board and sets the agenda and the order of that agenda, in collaboration with the Company Secretary. The Chair sets high governance standards and ensures that the board receives precise, timely and clear information in order to be well prepared for discussion. He encourages participation of all directors during meetings as well as constructive relations between executive and non-executive directors. Where possible, he facilitates the emergence of a consensual view and sums up discussions to ensure the accurate recording and follow up of key decisions.

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. The Board also reviews the results of Board and Executive Committee evaluations which are carried out annually and this is considered an important component of the board's annual review process. The board evaluation process is a good platform which 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 answerable to the board for the realisation of the Company's strategy. He is accountable for the performance of the Company and managing its organization structure including 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 During 2023, 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. Board agendas maintain a balance between strategy and planning and monitoring of key results and risks, compliance, ESG matters. Minutes of all meetings record attendance, discussion, decisions taken and resolutions, and are issued on a timely basis and made available as soon as practicable, after every meeting.

Corporate Governance – Statement of Compliance 2023 – continued

Board and Executive Committees

The Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, the 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. Members of board committees are listed on page v. The committees also review their respective charters on an annual basis to ensure that all delegation of responsibility and function is clear and unequivocal.

Audit Committee

This committee met seven times during 2023. It is composed of non-executive directors, two of whom are independent. Karen Pace chairs the committee and 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 process of engagement of the Group's external auditors and oversight of the same. The audit committee reviews and assesses the qualitative aspects of financial reporting to the shareholders of the Group and discusses significant accounting and reporting issues. It meets with external auditors to review any problems or difficulties they encounter as well as to review and monitor progress on audit plans and 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 same auditors.

The monitoring of the effectiveness of the internal audit function is another important role of this committee, and it is crucial for the continuing strengthening of 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 also reviews the internal audit function's performance relative to the plan, documentation produced and information on achievement of previous audit recommendations. The Committee also monitors the results of cell inspections and related internal control systems.

To ensure independence, the Internal Auditor reports directly to the Audit Committee which also ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function. The Internal Audit Function's activities are benchmarked 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 function, through the Audit Committee and its Chair, has direct access to the Board of Directors but also 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 risk appetite.

During 2023, the Audit Committee Chair held frequent additional meetings with the Group Internal Auditor, Mr Ivan Distefano. These meetings give guidance, serve as an opportunity to receive feedback, and ensure the continued independence of the internal auditor as well as his team's continuing professional development. The oversight of related party transactions is also the responsibility of this Committee.

Corporate Governance – Statement of Compliance 2023 – continued

Remuneration and Nominations Committee

This committee is also composed entirely of independent non-executive directors and met five times during 2023. From May 2023, Lawrence Zammit passed on the Chair of the committee to Malcolm Booker, the new 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 are the other non-executive Directors appointed to sit on the Committee. The Executive Directors and Jackie Attard Montalto, Chief HR Officer, attend meetings by invitation.

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 including ESG risks, at Group level linked to remuneration and talent issues are managed and that regular benchmarking exercises of senior management salaries are carried out.

As per the MFSA 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 for various groups of employees and other stakeholders and independent checks using various sources are also carried out on an annual basis and this committee overseas this process.

The size and complexity of the Group does not necessitate a separate nominations committee and this 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 and ensures fitness and properness assessments are carried out.

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 2023. Malcolm Booker, Catherine Calleja, Philip Micallef, Karen Pace, Mr Andrew Briffa (the Chief Risk and Compliance Officer/CRCO) and Ian-Edward Stafrace (the Chief Strategy Officer) formed part of the Committee during 2023.

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 relevant incidents), both in the core and in cell operations.

Corporate Governance – Statement of Compliance 2023 – continued

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. The committee has the further responsibility of overseeing 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 the preparation for CSRD 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.

Key members of the senior management team are invited to attend where relevant 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 its 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 seven times in 2023 and Lawrence Zammit handed over the chair of this committee to Malcolm Booker in May 2023 when he resigned from the board. Members include Andre Camilleri, Michael Gatt and Matthew von Brockdorff, as directors on the committee; while the Chief Treasury Officer, Mark Camilleri and John Muscat, the Chief Financial Officer also form part of the committee.

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 and during the period under review a consultant was engaged to review its operations.

Protected Cells Committee

This committee oversees the protected cells operations within the Company. It has oversight over the 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 committee and board of directors as part of the financial reporting process. During 2023, the committee met four times. The committee also makes formal cell proposals to the Board and seeks Board approval prior to the cell applications being formally made to the Malta Financial Services Authority for regulatory approval.

Corporate Governance – Statement of Compliance 2023 – 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 Treasury Officer, Mr Mark Camilleri; and Mr Andrew Briffa, the Chief Risk and Compliance Officer. 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, if applicable. The proper functioning of these committees is 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'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. The committee also monitors the Group's readiness for the implementation of the Digital Operational Resilience Act (DORA). This largely executive committee is chaired by Philip Micallef and the members are Matthew von Brockdorff, Catherine Calleja, Ian-Edward Stafrace and Vinay Aarohi who is the Chief Information Officer. Relevant members of the senior management team are also in attendance at the meetings. The committee met four times during 2023.

Executive Committee

Chaired by the Managing Director & CEO, besides the two executive directors, the Chief Underwriting Officer, The Chief Financial Officer, the Group Treasury Officer, the Chief Risk and Compliance Officer, the Chief Strategy Officer, the Chief Information Officer, the Chief Commercial Officer, the Chief HR Officer and the Chief Customer Officer sit on the committee.

This Committee met sixteen times in 2023 and also met on specific issues with the board on other occasions during the period. The 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. It is also heavily involved in policy development and change in various areas of the Group including growth, agility, customer focus, talent management and ESG.

Product Oversight and Governance (POG) Committee

The board has delegated the responsibility for the operational monitoring and ongoing implementation of the POG processes and procedures within the Group to the POG Committee. This 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, the ongoing monitoring and regular product reviews, as well as the proper execution of the responsibilities associated with the distribution. The POG Committee met five times during 2023 and is composed of The Chief Risk and Compliance Officer, Andrew Briffa who chairs the committee, the Chief Underwriting Officer, David Mifsud, the Chief Customer Officer, Daivd Cassar and the Manager of Health Underwriting and Sales, Ms Claudine Gauci.

Corporate Governance – Statement of Compliance 2023 – continued

Relations with Shareholders

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 as well as Michael Gatt, 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 10 April 2024 and signed on its behalf by:

Malcolm Booker
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 2023, 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 1 to 96, comprise:

- the statement of profit and loss account and statement of comprehensive income for the year then ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

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 2023 to 31 December 2023, are disclosed in note 7 to the financial statements.

Our audit approach

Overview

Materiality	• Overall materiality: €1,199,000, which represents 1% of insurance revenue
Key audit matters	• Transition methodology, judgements and related estimates used due to the implementation of IFRS 17. • Valuation of liability for incurred claims included in insurance contract liabilities. • Assessment of the methodology and model applied in the determination of the contractual service margin within the liability for remaining coverage.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

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.

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	€1,199,000
How we determined it	1% of insurance revenue
Rationale for the materiality benchmark applied	We chose insurance revenue as reflected in the statement of profit and 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 €119,900 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
Transition methodology, judgements and related estimates used due to the implementation of IFRS 17 IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing IFRS 4, 'Insurance Contracts'. As a result, the Company has adopted IFRS 17 fully retrospectively, and the 2022 opening statement of financial position and the 2022 comparatives have been restated in order to comply with the requirements of IFRS 17, respectively. Transition to IFRS 17 introduces significant changes to the recognition, measurement and presentation of (re) insurance contract liabilities (or assets) and requires significant judgement to estimate the impact on 1 January 2022 (the transition date) and 31 December 2022 (comparative period). IFRS 17 adoption has resulted in a credit adjustment of €538k, net of tax, to the Company's accumulated retained earnings at the transition date. This is primarily due to the re-measurement of (re)insurance contracts on adoption of IFRS 17. The key methodology, judgements and assumptions first applied on transition to the new standard include: • Determination of eligibility for the premium allocation approach ('PAA');	Our audit procedures addressing the implementation of IFRS 17 included *inter alia* the following procedures using our IFRS 17 and actuarial specialist team members: • we obtained an understanding of and challenged the key judgements and assumptions used to develop and calculate the transition balance sheet and restated comparative balances on adopting IFRS 17 using the fully retrospective approach; • we assessed the methodology applied against the IFRS 17 requirements, and assessed the application of the methodology to the Company and its products, including PAA eligibility; • we tested the inputs and outputs to/from the PAA model on a sample basis by *inter alia* testing the completeness and accuracy of data flows and by recomputing the PAA eligibility using an independent model; • we understood and challenged the methodology applied in calculating IFRS 17 (re)insurance contract liabilities (or assets), including risk adjustment (see separate key audit matter pertaining to 'Valuation of liabilities for incurred claims'); and • we tested the adequacy and compliance of the new quantitative and qualitative disclosures in the financial statements including disclosures related to the adoption of IFRS 17.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
• The Company applied the premium allocation approach ('PAA') for measuring contracts with a coverage period of one year or less and for groups of contracts with a coverage period exceeding one year, where the Company reasonably expects that the measurement of the liability for remaining coverage ('LRC') does not differ materially from the one that would be produced by applying the general measurement model ('GMM'), at the inception of the respective groups. This assessment takes into account qualitative and quantitative factors determined by the Company; and • The methodology to be applied in calculating IFRS 17 (re) insurance contract liabilities (or assets), including the risk adjustment. The measurement of liability for incurred claims is explained in a separate key audit matter below pertaining to 'Valuation of liabilities for incurred claims included in insurance contract liabilities'. We focused on this area because there is a risk that the eligibility for the PAA, or the agreed methodology has not been implemented correctly in the related models. Further, there is a risk that the key judgements and estimates applied at transition, and for 2022 restatement, are not described in an appropriate level of detail for users of the financial statements to understand the decisions made by management.	Based on the audit procedures performed, we consider the transition methodology, judgements, and related estimates to be reasonable.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Relevant references in the financial statements are: • Changes in material accounting policies Note 1.2.1; • Summary of material accounting policies: Note 1.15; • Significant judgements and estimates in applying IFRS 17: Note 2.2; • Methods used and judgements applied in determining the IFRS 17 transition amounts: Note 2.3; and • Note on insurance and reinsurance contracts: Note 21.	
Valuation of liability for incurred claims included in insurance contract liabilities The Liability for Incurred Claims ('LFIC') comprises the estimate of the present value of future cash flows on a best estimate basis together with an explicit risk adjustment. This forms part of the insurance contract liabilities. The estimation of the present value of future cash flows is judgmental and requires a number of assumptions to be made. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The method to calculate the risk adjustment is not prescribed by IFRS 17. The Company opted for the Value at Risk approach, while one Cell opted for the Cost of Capital approach.	Our audit procedures addressing the valuation of the LFIC included the following procedures involving our actuarial specialist team members: • We applied our industry knowledge and experience in understanding and evaluating the reserving methodology, models and assumptions used, also assessing the consistency with IFRS 17 transition principles; • we performed our own independent LFIC projections on a sample basis, and compared the results to management's estimates; • we independently assessed the reasonableness of the non-financial risk adjustment ('RA') on a sample basis, with due consideration of the confidence interval; • we challenged management's methodology around the inclusion of directly attributable expenses within LIC;

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
The LFIC is estimated by using recognised actuarial methods, including analysis of historical claims experience and information provided by the primary insurer (for Cells that issue reinsurance contracts). The Company's LFIC is disclosed in Note 21 at €20.6m (2022 restated: €38.8m) for the Core and €21.1m (2022 restated: €17.5m) for the Cells. Relevant references in the financial statements are: • Changes in material accounting policies Note 1.2.1; • Summary of material accounting policies: Note 1.15; • Significant judgements and estimates in applying IFRS 17: Note 2.2; • Methods used and judgements applied in determining the IFRS 17 transition amounts: Note 2.3; • Estimates and assumptions: Note 2.4; • Management of underwriting risk: Note 3.3; and • Note on insurance and reinsurance contracts: Note 21. We focused on the LFIC due to its magnitude and inherent subjectivity.	• we considered the quality of underlying data through testing of a sample of claims to underlying documentation, including bordereaux; • we considered the quality of historical reserving by reviewing variations arising from prior year experience; and • we considered the extent of related disclosures to the financial statements with emphasis on IFRS 17 requirements. Based on the work performed, we found the recorded LFIC to be reasonable.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Assessment of the methodology and model applied in the determination of the contractual service margin within the liability for remaining coverage During 2023, the Company licenced a new cell that writes reinsurance of life and annuity, accident and sickness and miscellaneous financial loss. In accordance with IFRS 17 'Insurance contracts', the Company applies the General Measurement model (GMM) for this cell. Under this model, as explained in Note 1.15.8, the Company recognises and measures groups of insurance contracts at a risk-adjusted present value of fulfilment cash flows plus the contractual service margin ('CSM'). The CSM, which amounted to €8.7m as at 31 December, is the mechanism in IFRS 17 by which profits are deferred and released over the duration of a contract, the determination of which requires judgement and interpretation. This includes the selection of accounting policies and the use of complex methodologies. The fulfilment cash flows are the current estimates of the future cash flows within the contract boundary adjusted to reflect the timing and uncertainty of these amounts, duly discounted to reflect the time value of money.	Our audit procedures addressing the reasonableness of the methodology and model applied in the determination of the Company's CSM, including the involvement of our actuarial specialist team members, are outlined below: • we applied our industry knowledge and experience in understanding and evaluating the Company's methodology and assumptions used, including consideration of the view of the Company's third-party actuarial experts; • we tested the accuracy and completeness of the underlying data utilised for the purpose of the Company's estimation models to source information; • we assessed the reasonableness of the CSM as at the year-end against the assumed coverage patterns; and • we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the valuation of CSM to be consistent with the explanations and evidence obtained

Independent auditor's report - continued
To the Shareholders of Atlas Insurance PCC Limited

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td>The key judgements and assumptions applied include:
The methodology applied in building the CSM model that calculates the CSM; and
The determination of the coverage units reflecting the benefits provided, which is the basis of the CSM release over the boundary of the insurance contract.
Relevant references in the financial statements are:
Summary of material accounting policies (Measurement – Contracts measured under the GMM): Note 1.15.8;
Significant judgements and estimates in applying IFRS 17: Note 2.2;
Sensitivity analysis: Note 3.3.3;
Analysis by measurement component: Note 21.4; and
Note on the contractual service margin: 21.7.
We focused on the determination of the CSM due to the subjectivity underlying the key judgements as well as the risk that the CSM modelling may not be appropriate or the agreed methodology may not have been implemented correctly in the CSM model. Further, there is a risk that the key judgements and estimates applied are not described in an appropriate level of detail for users of the financial statements to understand the decisions made by management.</td><td></td></tr>
</table>

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 2023 (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 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:

- 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.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

pwc

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 2023* 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 2023* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages iii to vi) 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.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Area of the *Annual Report and Financial Statements 2023* 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.

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.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

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 33 years. The company became listed on a regulated market on/became licensed as an insurance undertaking in terms of the Maltese Insurance Business Act (Cap. 403) on 29 April 2004.

Romina Soler
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

10 April 2024

Statement of profit and loss account
For the year ended 31 December

		Core		Cells		Total	
		2023	2022 Restated	**2023**	2022 Restated	**2023**	2022 Restated
	Notes	**€**	€	**€**	€	**€**	€
Insurance revenue	5, 21	**57,197,750**	50,425,647	**62,787,066**	40,054,401	**119,984,816**	90,480,048
Insurance service expenses	7, 21	**(27,728,512)**	(52,475,474)	**(51,431,814)**	(33,963,056)	**(79,160,326)**	(86,438,530)
Net expenses from reinsurance contracts held	21	**(22,412,940)**	9,147,138	**(3,251,428)**	(2,807,682)	**(25,664,368)**	6,339,456
Insurance service result		**7,056,298**	7,097,311	**8,103,824**	3,283,663	**15,160,122**	10,380,974
Interest revenue from financial assets not measured at fair value through profit and loss	6	**-**	11,944	**-**	-	**-**	11,944
Net gains / (losses) on fair value through profit and loss investments	6	**3,298,140**	(4,176,850)	**135,209**	(56,693)	**3,433,349**	(4,233,543)
Net gains from fair value adjustment to investment properties	6	**90,781**	-	**-**	-	**90,781**	-
Other investment income	6	**1,418,513**	1,410,633	**3,568**	7,529	**1,422,081**	1,418,162
Other investment expenses	6	**(400,916)**	(344,132)	**(4,783)**	-	**(405,699)**	(344,132)
Net investment income / (expenses)		**4,406,518**	(3,098,405)	**133,994**	(49,164)	**4,540,512**	(3,147,569)
Finance (expenses) / income from insurance contracts issued	6	**(740,328)**	65,812	**99,001**	13,633	**(641,327)**	79,445
Finance income / (expenses) from reinsurance contracts held	6	**444,045**	(11,929)	**(248,201)**	6,483	**195,844**	(5,446)
Net insurance finance (expenses) / income		**(296,283)**	53,883	**(149,200)**	20,116	**(445,483)**	73,999
Net insurance and investment result		**11,166,533**	4,052,789	**8,088,618**	3,254,615	**19,255,151**	7,307,404
Other operating expenses	7	**(1,315,057)**	(799,199)	**(32,148)**	343	**(1,347,205)**	(798,856)
Other income		**807,994**	517,437	**-**	1,901	**807,994**	519,338
Profit before income tax		**10,659,470**	3,771,027	**8,056,470**	3,256,859	**18,715,940**	7,027,886
Income tax expense	9	**(4,435,602)**	(1,229,351)	**(2,778,350)**	(1,085,984)	**(7,213,952)**	(2,315,335)
Profit for the year		**6,223,868**	2,541,676	**5,278,120**	2,170,875	**11,501,988**	4,712,551

Statement of comprehensive income

		Core		Cells		Total	
		2023	2022 Restated	**2023**	2022 Restated	**2023**	2022 Restated
	Notes	**€**	€	**€**	€	**€**	€
Profit for the year		**6,223,868**	2,541,676	**5,278,120**	2,170,875	**11,501,988**	4,712,551
Other comprehensive income:							
Items that will not be reclassified to profit and loss							
Net reporting currency differences arising on translation from functional currency to presentation Currency	20	**-**	-	**161,899**	(272,594)	**161,899**	(272,594)
Movements relating to property, plant and equipment – land and buildings:							
fair value gains	20	**-**	1,890,735	**-**	-	**-**	1,890,735
Deferred tax relating to revaluation	20	**10,528**	(173,882)	**-**	-	**10,528**	(173,882)
Other comprehensive income, net of tax		**10,528**	1,716,853	**161,899**	(272,594)	**172,427**	1,444,259
Comprehensive income for the year		**6,234,396**	4,258,529	**5,440,019**	1,898,281	**11,674,415**	6,156,810

Income tax relating to each component is disclosed in Notes 9 and 17.

The notes on pages 8 to 96 are an integral part of these financial statements.

Statement of financial position

As at 31 December

		Core			Cells			Total		
	Notes	2023	31 Dec 2022 Restated	1 Jan 2022 Restated	2023	31 Dec 2022 Restated	1 Jan 2022 Restated	2023	31 Dec 2022 Restated	1 Jan 2022 Restated
		€	€	€	€	€	€	€	€	€
ASSETS										
Intangible assets	12	**191,339**	291,007	417,717	-	-	-	**191,339**	291,007	417,717
Property, plant and equipment:										
- land, buildings and improvements	13	**8,679,931**	8,898,832	7,149,778	-	-	-	**8,679,931**	8,898,832	7,149,778
- plant and equipment	13	**904,373**	854,450	755,656	-	-	-	**904,373**	854,450	755,656
- right-of-use assets	13	**717,281**	530,803	521,586	-	-	-	**717,281**	530,803	521,586
Investments:										
- investment property	14	**9,607,000**	9,505,717	10,617,896	-	-	-	**9,607,000**	9,505,717	10,617,896
- investment in subsidiaries	15	**748,058**	748,058	748,058	-	-	-	**748,058**	748,058	748,058
- investment in associates	15	**2,875,000**	2,375,000	1,875,000	-	-	-	**2,875,000**	2,375,000	1,875,000
- financial investments	16	**44,428,371**	37,361,659	38,154,400	**7,221,484**	2,253,355	3,800,048	**51,649,855**	39,615,014	41,954,448
Other assets		**94,427**	94,427	41,500	-	-	-	**94,427**	94,427	41,500
Insurance contract assets	21	-	-	-	**7,828,635**	353,368	327,516	**7,828,635**	353,368	327,516
Reinsurance contract assets	21	**11,812,439**	28,984,144	12,439,737	**1,136,832**	359,585	376,194	**12,949,271**	29,343,729	12,815,931
Debtors not arising from direct insurance operations	18	**2,903,811**	1,708,975	985,813	**471,676**	430,166	250,180	**3,375,487**	2,139,141	1,235,993
Deferred taxation asset	17	-	-	-	**408**	9,616	25,400	**408**	9,616	25,400
Taxation recoverable		-	155,891	-	-	-	-	-	155,891	-
Prepayments and accrued income	18	**729,322**	707,198	642,053	**480,952**	88,132	217,403	**1,210,274**	795,330	859,456
Cash and cash equivalents	24	**6,415,422**	5,197,734	5,773,162	**24,312,960**	19,434,766	13,874,728	**30,728,382**	24,632,500	19,647,890
Total assets		**90,106,774**	97,413,895	80,122,356	**41,452,947**	22,928,988	18,871,469	**131,559,721**	120,342,883	98,993,825

Statement of financial position – continued
As at 31 December

	Notes	Core 2023 €	Core 2022 Restated €	Core 2021 Restated €	Cells 2023 €	Cells 2022 Restated €	Cells 2021 Restated €	Total 2023 €	Total 2022 Restated €	Total 2021 Restated €
EQUITY										
Capital and reserves										
Share capital	19	**12,000,000**	12,000,000	12,000,000	**20,360,838**	13,860,838	12,310,838	**32,360,838**	25,860,838	24,310,838
Other reserves	20	**6,068,215**	6,057,687	4,340,834	**(234,014)**	(395,913)	(123,319)	**5,834,201**	5,661,774	4,217,515
Retained earnings/(Accumulated losses)	20	**29,376,387**	25,357,090	24,815,414	**5,140,465**	1,014,666	(356,209)	**34,516,852**	26,371,756	24,459,205
Total equity		**47,444,602**	43,414,777	41,156,248	**25,267,289**	14,479,591	11,831,310	**72,711, 891**	57,894,368	52,987,558
LIABILITIES										
Insurance contract liabilities	21	**37,444,374**	51,238,711	34,528,376	**10,748,740**	4,325,018	4,672,176	**48,193,114**	55,563,729	39,200,552
Reinsurance contract liabilities	21	**-**	-	-	**1,298,510**	2,120,770	1,025,671	**1,298,510**	2,120,770	1,025,671
Lease liabilities	13	**764,414**	531,804	519,736	**-**	-	-	**764,414**	531,804	519,736
Creditors not arising from direct insurance operations	22	**102,594**	288,911	555,906	**36,949**	197,809	21,829	**139,543**	486,720	577,735
Deferred taxation	17	**2,437,328**	1,165,858	2,363,616	**-**	158,014	98,067	**2,437,328**	1,323,872	2,461,683
Taxation payable		**820,250**	19	54,191	**4,039,233**	1,647,786	1,222,416	**4,859,483**	1,647,805	1,276,607
Accruals and deferred income	22	**1,093,212**	773,815	944,283	**62,226**	-	-	**1,155,438**	773,815	944,283
Total liabilities		**42,662,172**	53,999,118	38,966,108	**16,185,658**	8,449,397	7,040,159	**58,847,830**	62,448,515	46,006,267
Total equity and liabilities		**90,106,774**	97,413,895	80,122,356	**41,452,947**	22,928,988	18,871,469	**131,559,721**	120,342,883	98,993,825

The notes on pages 8 to 96 are an integral part of these financial statements. The financial statements on pages 1 to 96 were authorised for issue by the board 10 April 2024 and were signed on its behalf by:

Malcolm Booker
Chairman

Matthew von Brockdorff
Managing Director & CEO

Statement of changes in equity

	Core				Cells				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, as previously reported	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
Adjustment on initial application of IFRS 17, net of tax	-	-	4,095	4,095	-	(3,692)	538,087	534,395	-	(3,692)	542,182	538,490
Restated balance at 1 January 2022	12,000,000	4,340,834	24,815,414	41,156,248	12,310,838	(123,319)	(356,209)	11,831,310	24,310,838	4,217,515	24,459,205	52,987,558
Comprehensive income												
Profit for the year (restated)	-	-	2,541,676	2,541,676	-	-	2,170,875	2,170,875	-	-	4,712,551	4,712,551
Other comprehensive income												
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	(272,594)	-	(272,594)	-	(272,594)	-	(272,594)
Revaluation gain on property, plant and equipment (note 13)	-	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	-	(272,594)	-	(272,594)	-	1,444,259	-	1,444,259
Total comprehensive income (restated)	-	1,716,853	2,541,676	4,258,529	-	(272,594)	2,170,875	1,898,281	-	1,444,259	4,712,551	6,156,810
Transactions with owners												
Issue of cells shares (note 19)	-	-	-	-	1,550,000	-	-	1,550,000	1,550,000	-	-	1,550,000
Dividends (note 11)	-	-	(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)
Restated balance at 31 December 2022	12,000,000	6,057,687	25,357,090	43,414,777	13,860,838	(395,913)	1,014,666	14,479,591	25,860,838	5,661,774	26,371,756	57,894,368

Statement of changes in equity – continued

	Core				Cells				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 2023	12,000,000	6,057,687	25,357,090	43,414,777	13,860,838	(395,913)	1,014,666	14,479,591	25,860,838	5,661,774	26,371,756	57,894,368
Adjustment on initial application of IFRS 9, net of tax	-	-	(4,571)	(4,571)	-	-	(2,321)	(2,321)	-	-	(6,892)	(6,892)
	12,000,000	6,057,687	25,352,519	43,410,206	13,860,838	(395,913)	1,012,345	14,477,270	25,860,838	5,661,774	26,364,864	57,887,476
Comprehensive income												
Profit for the year	-	-	6,223,868	6,223,868	-	-	5,278,120	5,278,120	-	-	11,501,988	11,501,988
Other comprehensive income												
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	161,899	-	161,899	-	161,899	-	161,899
Deferred tax arising from revaluation gain (note 20)	-	10,528	-	10,528	-	-	-	-	-	10,528	-	10,528
Total other comprehensive income	-	10,528	-	10,528	-	161,899	-	161,899	-	172,427	-	172,427
Total comprehensive income	-	10,528	6,223,868	6,234,396	-	161,899	5,278,120	5,440,019	-	172,427	11,501,988	11,674,415
Transactions with owners												
Issue of cells shares (note 19)	-	-	-	-	6,500,000	-	-	6,500,000	6,500,000	-	-	6,500,000
Dividends (note 11)	-	-	(2,200,000)	(2,200,000)	-	-	(1,150,000)	(1,150,000)	-	-	(3,350,000)	(3,350,000)
Total transactions with owners	-	-	(2,200,000)	(2,200,000)	6,500,000	-	(1,150,000)	5,350,000	6,500,000	-	(3,350,000)	3,150,000
Balance at 31 December 2023	12,000,000	6,068,215	29,376,387	47,444,602	20,360,838	(234,014)	5,140,465	25,267,289	32,360,838	5,834,201	34,516,852	72,711,891

The notes on pages 8 to 96 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December

		Core		Cells		Total	
		2023	2022	**2023**	2022	**2023**	2022
	Notes	**€**	€	**€**	€	**€**	
Cash flows from operating activities							
Cash generated from operations	23	**6,174,526**	3,793,492	**(103,804)**	5,659,240	**6,070,722**	9,452,732
Income tax paid		**(1,846,326)**	(2,451,847)	**(535,709)**	(581,943)	**(2,382,035)**	(3,033,790)
Net cash generated from operating activities		**4,328,200**	1,341,645	**(639,513)**	5,077,297	**3,688,687**	6,418,942
Cash flows from investing activities							
Purchase of property, plant and equipment	13	**(347,535)**	(471,538)	**-**	-	**(347,535)**	(471,538)
Purchase of intangible assets	12	**(51,154)**	(14,198)	**-**	-	**(51,154)**	(14,198)
Proceeds from disposal of property, plant and equipment		**-**	9,050	**-**	-	**-**	9,050
Proceeds from disposal of investment property		**-**	1,113,000	**-**	-	**-**	1,113,000
Purchase of investment property	14	**(10,502)**	(821)	**-**	-	**(10,502)**	(821)
Purchase of available for sale financial assets		**-**	(52,927)	**-**	-	**-**	(52,927)
Investment in subsidiary undertakings	15	**(500,000)**	(500,000)	**-**	-	**(500,000)**	(500,000)
Net cash (used in) / generated from investing activities		**(909,191)**	82,566	**-**	-	**(909,191)**	82,566
Cash flows from financing activities							
Dividends paid	11	**(2,200,000)**	(2,000,000)	**(1,150,000)**	(800,000)	**(3,350,000)**	(2,800,000)
Reduction of capital contribution			-	**-**	-	**-**	-
Net proceeds from issue of capital contribution	19		-	**6,500,000**	1,550,000	**6,500,000**	1,550,000
Net cash (used in) / generated from financing activities		**(2,200,000)**	(2,000,000)	**5,350,000**	750,000	**3,150,000**	(1,250,000)
Movement in cash and cash equivalents		**1,219,009**	(575,789)	**4,710,487**	5,827,297	**5,929,496**	5,251,508
Cash and cash equivalents at beginning of year		**5,197,734**	5,773,162	**19,434,766**	13,874,728	**24,632,500**	19,647,890
Exchange differences on cash and cash equivalents		**(1,321)**	361	**167,707**	(267,259)	**166,386**	(266,898)
Cash and cash equivalents at end of year	24	**6,415,422**	5,197,734	**24,312,960**	19,434,766	**30,728,382**	24,632,500

The notes on pages 8 to 96 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of material 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 Company presents only separate financial statements. Atlas Holdings Limited (Note 26) 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 2023, the Company had ten Cells, the Autorama Cell, the Ocado Cell, the Blevins Franks cell, the Griffin cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell, the L'Amie Cell, the Asservo Cell and the AM Cell referred to in these financial statements as Cell 2, Cell 4, Cell 5, Cell 6, Cell 7, Cell 8, Cell 9, Cell 10, Cell 11 and Cell 12 respectively. The Company maintains separate accounts for each Cell. Cellular assets and liabilities are separate and separately identifiable from Core and Cellular assets attributable to other Cells. Separate balance sheets, profit and loss accounts and statements of comprehensive income, changes in equity and cash flows have accordingly been prepared for the Cells.

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

1.2 Changes in material accounting policies

The Company has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. IFRS 17 has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 1 to all periods presented in these financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

1. Summary of material accounting policies - continued

1.2 Changes in material accounting policies - continued

1.2.1 IFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts and an explicit risk adjustment for non-financial risk.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts and the General Measurement Model (GMM) for one of its Cells. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the best estimate future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit and loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit and loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts under IFRS 17, see the Summary of material accounting policies, Note 1.15.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;

- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;

- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts; and

- recognised any resulting net difference in equity.

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

1.2 Changes in material accounting policies - continued

1.2.1 IFRS 17 Insurance Contracts – continued

Transition - continued

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

1.2.2 IFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 1.10. IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at AC, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39. (see Note 1.10.3).

Transition

The general principle in IFRS 9 is for retrospective application in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. IFRS 9 contains however certain exemptions from full retrospective application. These include an exemption from the requirement to restate comparative information about classification and measurement, including impairment. If an insurer does not restate prior periods, then opening retained earnings (or other components of equity, as appropriate) for the annual reporting period that includes the date of initial application (1 January 2023) is adjusted for any difference between the carrying amounts of financial instruments before adoption of IFRS 9 and the new carrying amounts. Insurers are allowed to restate comparatives if, and only if, this is possible without the use of hindsight. If an insurer restates prior periods, then the restated financial information must reflect all of IFRS 9's requirements except for items that have been derecognised prior to the date of initial application. The Company has opted not to restate prior period financial information to reflect the impact of IFRS 9. The Company's opening retained earnings, as at 1 January 2023, will be adjusted for any difference between the carrying amounts of financial instruments before adoption of IFRS 9 and the new carrying amounts. The effects of adopting IFRS 9 on the financial statements at 1 January 2023 are presented in the statement of changes in equity.

As permitted by IFRS 7, the Company has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

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

1.2 Changes in material accounting policies - continued

1.2.2 IFRS 9 Financial Instruments – continued

Transition - continued

Details of the changes and implications resulting from the adoption of IFRS 9 are presented below:

Effect of initial application

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2023.

Core	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
Financial assets					
Financial investments	16	FVTPL	FVTPL	37,361,659	37,361,659
Other debtors	18	Amortised cost	Amortised cost	1,708,975	1,705,743
Cash and cash equivalents	24	Amortised cost	Amortised cost	5,197,734	5,196,395
Total financial assets				44,268,368	44,263,797
Financial liabilities					
Other creditors	22	Amortised cost	Amortised cost	288,911	288,911

Cells	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
Financial assets					
Financial investments	16	FVTPL	FVTPL	2,253,355	2,253,355
Other debtors	18	Amortised cost	Amortised cost	430,093	430,007
Cash and cash equivalents	24	Amortised cost	Amortised cost	19,434,766	19,432,531
Total financial assets				22,118,214	22,115,893
Financial liabilities					
Other creditors	22	Amortised cost	Amortised cost	198,063	198,063

1. Summary of material accounting policies - continued

1.2 Changes in material accounting policies - continued

1.2.2 IFRS 9 Financial Instruments – continued

Effect of initial application - continued

The Company's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 1.10.13.

The following table reconciles the closing impairment allowance under IAS 39 as at 31 December 2022 with the opening loss allowance under IFRS 9 as at 1 January 2023.

Core	31 December 2022 IAS 39	Remeasurement	1 January 2023 IFRS 9
Other debtors	-	1,339	1,339
Cash and cash equivalents	-	3,232	3,232
	-	4,571	4,571

Cells	31 December 2022 IAS 39	Remeasurement	1 January 2023 IFRS 9
Other debtors	-	86	86
Cash and cash equivalents	-	2,235	2,235
	-	2,321	2,321

1.3 Revenue recognition

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

(a) Rendering of services

Insurance revenue is described in Note 1.15 dealing with insurance contracts.

(b) Interest income

Interest income from financial assets not classified as FVTPL 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 material accounting policies - continued

1.4 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.

1.5 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'.

Certain cells operate in GBP. The results and the financial position of the particular 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 (OCI) and are accounted for in the functional currency exchange reserve (Note 20).

1.6 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.

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

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

1.7 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 OCI and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in OCI 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.

1.8 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.

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.

1. Summary of material accounting policies - continued

1.8 Investment property - continued

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.

1.9 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.

1.10 Financial assets and liabilities

1.10.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit and loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

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

1.10 Financial assets and liabilities – continued

1.10.2 Amortised cost and effective interest rate

AC is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit and loss.

Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC or FVOCI.

1.10.3 Financial assets

Classification and subsequent measurement

The Company classifies its financial assets into the following measurement categories:
- AC; or
- FVTPL.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds.

The classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by solely payments of principal and interest (SPPI)).

Based on these factors, the Company classifies its debt instruments into one of the following two measurement categories:

- **AC:** Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described further below. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.

- **FVTPL:** Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the statement of profit and loss within net gains on FVTPL investments in the period in which it arises.

1. Summary of material accounting policies - continued

1.10 Financial assets and liabilities - continued

1.10.3 Financial assets - continued

Debt instruments - continued

Business model

The business model reflects how the Company manages assets in order to generate cash flows. That is, it reflects whether the Company's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL.

Solely payments of principal and interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement).

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Treasury bills, which have a maturity date of greater than 90 days from the acquisition date, are held to maturity and are classified at AC and not at FVTPL since the cash flows represent SPPI. Listed debt securities with fixed interest rates are classified at FVTPL.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'Net gains on FVTPL investments' in the statement of profit and loss.

The Company chooses not to apply the FVOCI option for equity instruments that are not held for trading.

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. Summary of material accounting policies - continued

1.10 Financial assets and liabilities - continued

1.10.3 Financial assets - continued

Impairment

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at AC and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.4.2 provides more detail on how the ECL allowance is measured.

Loss allowances for ECL in relation to financial assets measured at amortised cost are presented as a deduction from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Company expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derecognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership; or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

1.10.4 Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at AC.

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

1.10 Financial assets and liabilities - continued

1.10.4 Financial liabilities – continued

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different than the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or a modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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 and 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.

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 Impairment of other non-financial assets

Assets that have an indefinite useful life, such as customer relationships, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1. Summary of material accounting policies - continued

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 and loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI 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 and 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

1.15 Insurance contracts

1.15.1 Definition and classification

Contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are classified as insurance contracts. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance and reinsurance contracts issued or acquired, and reinsurance contracts held, unless specifically stated otherwise.

All insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Whilst some of the reinsurance contracts issued by one cell are measured under the GMM, the majority of the Company's contracts are measured under the PAA.

1. Summary of material accounting policies - continued

1.15 Insurance contracts - continued

1.15.2 Unit of account

The Company manages insurance contracts issued at the product line level, where each product line includes contracts that are subject to similar risks. An exception is made for some of the contracts issued by the Company falling under the property, marine and accident porfolios where the liability component is separated from the legal contract. Overriding the presumption that the contract is the lowest unit of account for property contracts was deemed appropriate following a thorough assessment of facts and circumstances. All insurance contracts within a product line represent a portfolio of contracts. Note 2.2 provides further information on the judgement that is applied.

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract.

1.15.3 Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts and each annual cohort into three groups based on the profitability of the contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For contracts measured using the GMM, due to clear steering of profitability and a low-severity-high-frequency-loss characteristics, none of the groups of insurance contracts are onerous at initial recognition. The Company monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the portfolio level.

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

1.15 Insurance contracts - continued

1.15.3 Aggregation and recognition of insurance and reinsurance contracts - continued

Insurance contracts - continued

For contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Reinsurance contracts

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within an annual cohorts into groups of:

i. contracts for which there is a net gain at initial recognition, if any;
ii. contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently;
iii. remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

Recognition

Insurance contracts

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);

- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and

- when facts and circumstances indicate that the contract is onerous.

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

1.15 Insurance contracts - continued

1.15.3 Aggregation and recognition of insurance and reinsurance contracts - continued

Recognition - continued

Insurance contracts - continued

Insurance contracts acquired in a portfolio transfer are accounted for as if they were entered into at the date of transfer.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts

A group of reinsurance contracts is recognised on the following date.

- *Reinsurance contracts initiated by the Company that provide proportionate coverage:* At the later of the beginning of coverage period of the group and the date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.
- *Other reinsurance contracts initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts. This applies to the Group's excess of loss and stop loss reinsurance contracts.

If the Company entered into a reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

1.15.4 Insurance acquisition cash flows

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

1. Summary of material accounting policies - continued

1.15 Insurance contracts - continued

1.15.4 Insurance acquisition cash flows - continued

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

The recoverability assessment is performed in two steps, as follows:

1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;
2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

1.15.5 Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

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 the policyholder with insurance contract services.

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

1.15 Insurance contracts – continued

1.15.5 Contract boundaries - continued

Insurance contracts – continued

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.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as product development costs and training costs, are recognised in other operating expenses as incurred.

Reinsurance contracts held

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.

The Company's proportional reinsurance arrangements provide cover on a risks attaching basis. The contract boundary for these contracts may be longer than the contractual term as it will be based on the contract term plus the coverage period of the last underlying contract expected to attach to the reinsurance contract, unless mutual early cancellation clauses are in place.

The non-proportional reinsurance arrangements held by the Company provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

1. Summary of material accounting policies - continued

1.15 Insurance contracts – continued

1.15.6 Fulfilment cash flows

The fulfilment cash flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on a probability weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims (LIC).

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires judgement and estimation. Refer to note 2.4.1.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

1.15.7 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 2.4.4.

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

1.15 Insurance contracts – continued

1.15.8 Measurement – Contracts measured under the GMM

Insurance contracts – Initial measurement

On initial recognition, the Company measures a group of insurance contracts as the total of (a) the fulfilment cashflows, which comprise estimates of future cashflows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cashflows of a group of insurance contracts do not reflect Company's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cashflows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cashflows, (b) any cashflows arising from the contracts at that date and (c) any amount arising from the derecognition of any insurance acquisition cash flows asset and any other pre-recognition cash flows, is a net inflow, then the group of insurance contracts is not onerous. Insurance revenue and insurance service expense are recognised immediately for any such assets derecognised.

When the above calculations results in a net outflow, then the group of insurance contracts issued would be onerous. In this case, the net outflow is recognised as a loss in profit and loss, with no CSM recognised on the balance sheet on initial recognition and a loss component is established in the amount of loss recognised. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit and loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Insurance contracts – Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage comprising the fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date and the liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date.

1. Summary of material accounting policies - continued

1.15 Insurance contracts – continued

1.15.8 Measurement – Contracts measured under the GMM - continued

Insurance contracts – Subsequent measurement - continued

Changes in fulfilment cash flows

The fulfilment cashflows of groups of insurance contracts are measured at the end of the reporting date using current estimates of future cashflows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cashflows are recognised as follows:

Changes relating to future services	Adjusted against the CSM
Changes relating to current or past services	Recognised in the insurance service result in profit and loss
Effects of the time value of money, financial risk and changes therein on estimated future cashflows	Under IFRS 17, an entity has the accounting policy choice to recognize the impact of insurance finance income or expenses either in Profit and Loss or disaggregated between Profit and loss and OCI ("OCI option"). The OCI option has not been chosen to recognise the impact of insurance finance income or expenses.

Changes in fulfilment cashflows that relate to future services comprise:

a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows, measured at the discount rates upon initial recognition.
b) changes in estimates of the present value of the future cash flows in the LRC, measured at the discount rates upon initial recognition. However, the following items are excluded from "Changes in fulfilment cashflows that relate to future services" and therefore do not affect the CSM:
    - the effect of the time value of money and changes in financial assumptions
    - changes in estimates of future cashflows in the LIC
    - experience adjustments other than those in point a) above
c) differences between (i) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses ; and (b) actual amount amount that becomes payable in the year.
d) differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
e) changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Adjustments (a), (b) and (e) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

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

1.15 Insurance contracts – continued

1.15.8 Measurement – Contracts measured under the GMM - continued

Insurance contracts – Subsequent measurement – continued

The following adjustments do not adjust the CSM:

a) changes in the fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
b) changes in the fulfilment cash flows relating to the liability for incurred claims;
c) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on initial recognition;
- changes in fulfilment cashflows that relate to future services; and
- the amount recognised as insurance revenue because of the services provided in the year.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. If more contracts are added to the existing groups in the subsequent reporting periods, the Company revises these discount curves by calculating weighted-average discount curves over the period during which the contracts in the group are recognised. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Company recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC. When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a) expected incurred claims and other directly attributable expenses for the period;
b) changes in the risk adjustment for non-financial risk for the risk expired; and
c) finance income (expenses) from insurance contracts issued.

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

1.15 Insurance contracts – continued

1.15.8 Measurement – Contracts measured under the GMM - continued

Insurance contracts – Subsequent measurement – continued

Onerous contracts – Loss component - continued

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

Reinsurance contracts held

To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts, with the following modifications.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in profit and loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

a) the initial recognition of the FCF; and
b) cash flows arising from the contracts in the group at that date;
c) the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
d) any income recognised in profit and loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (d) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit and loss. The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

As at the reporting date, the Company's reinsurance contracts held are measured under the PAA.

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

1.15 Insurance contracts – continued

1.15.9 Measurement – Contracts measured under the PAA

The Company uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception:

- Insurance and reinsurance contracts issued: The coverage period of each contract in the group is one year or less, or the Company reasonably expects that the resulting measurement of the liability for remaining coverage (LRC) would not differ materially from the result of applying the requirements of the general measurement model (GMM). When comparing the different possible measurements, the Company considers the impact of different claims experience as well as plausible movements in the discount rate.

- Loss-occurring reinsurance contracts held: The coverage period of each contract in the group is one year or less.

Risk-attaching reinsurance contracts held: The coverage period of each contract in the group is one year or less, or the Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the GMM. When comparing the different possible measurements, the Company considers the impact of different claims experience as well as plausible movements in the discount rate.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
- the LRC; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

Subsequently, the carrying amount of the LRC is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any acquisition cash flows paid in the period.

The Company does not adjust the LRC for the effect of the time value of money unless the time between providing each part of the services and the related premium due date is more than a year.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM, whereby the Company recognises the LIC of a group of insurance contracts at the amount of the FCF relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit and loss and increases the LRC to the extent that the current estimates of the FCF that relate to remaining coverage exceed the carrying amount of the LRC. The FCF are discounted (at current rates) if the LIC is also discounted.

1. Summary of material accounting policies - continued

1.15 Insurance contracts – continued

1.15.9 Measurement – Contracts measured under the PAA - continued

Reinsurance contracts held

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
- the remaining coverage; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's nonperformance.

1.15.10 Derecognition and contract modification

An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
    - is not in scope of IFRS 17;
    - results in different separable components;
    - results in a different contract boundary; or
    - belongs to a different group of contracts; or
- the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognsied as a result of modification, and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and contract aggregation requirements (notes 1.15.1 – 1.15.3).

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

1.15 Insurance contracts – continued

1.15.10 Derecognition and contract modification - continued

Insurance contracts measured under GMM

On derecognition of a contract from within a group of contracts measured under the GMM:

- the fulfilment cash flows allocated to the group are adjusted to eliminate the present value of future cash flows and risk adjustment for non-financial risk that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see 1.15.11).

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

Insurance contracts measured under PAA

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit and loss:

- if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;

- if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;

- if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

1.15.11 Presentation

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. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under Note 1.15.4) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit and loss into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

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

1.15 Insurance contracts – continued

1.15.11 Presentation - continued

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net income (expenses) from reinsurance contracts held' in the insurance service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses are recognised as follows:

Insurance revenue – contracts measured under the GMM

The Company recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration and comprises the following items:

- A release of the CSM, measured based on coverage units provided
- Changes in the risk adjustment for non-financial risk relating to current services
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year
- Other amounts, including experience adjustments for premium receipts for current services

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years and recognising in profit and loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Insurance revenue – contracts measured under PAA

The insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the following bases:

- finance gap contracts: the release of risk; and
- other contracts: the passage of time.

1. Summary of material accounting policies - continued

1.15 Insurance contracts – continued

1.15.11 Presentation - continued

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit and loss generally as they are incurred. They comprise the following items.

- Incurred claims and other directly attributable expenses.
- Amortisation of insurance acquisition cash flows: For contracts measured under the GMM, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows based on the passage of time.
  Adjustments to the liabilities for incurred claims (ie. changes that relate to past service) that do not arise from the effects of the time value of money, financial risk and changes therein.
- Changes that relate to future services, that is, changes in FCF that result in onerous contract losses or reversals of those losses; and
- Insurance acquisition cash flows asset impairment, net of reversal.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit and loss.

Net income (expenses) from reinsurance contracts held

Net income (expenses) from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers net of any non-distinct investment component.

The Company recognises an allocation of reinsurance premiums paid in profit and loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:
a. interest accreted on the FCF and the CSM; and
b. the effect of changes in interest rates and other financial assumptions.

1. Summary of material accounting policies - continued

1.15 Insurance contracts – continued

1.15.11 Presentation - continued

Insurance finance income or expenses - continued

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:
a. interest accreted on the LIC; and
b. the effect of changes in interest rates and other financial assumptions.

For the contracts measured under the GMM and the PAA, the Company includes all insurance finance income or expenses for the period in profit and loss (that is, the profit and loss option (the PL option) is applied).

1.16 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.

1.17 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.

2.1 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 15.

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

2.2 Significant judgements and estimates in applying IFRS 17

The table below presents the areas for which the Company has considered the use of judgement and how judgement, if applicable, has been made.

Definition and classification - Whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable:	
For insurance and reinsurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17(53)(a),(54),(69)(a),(70) may involve significant judgement.	Contracts having a coverage period of one year or less are automatically eligible for the PAA. An assessment for PAA eligibility was carried out for all other contracts. The Company concluded that tested contracts are eligible for the PAA. Refer to note 1.15.9.
Unit of account - Judgements involved in combination of insurance contracts and separation of distinct components	
Separation of contracts with multiple insurance coverage - whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.	The Company applied judgement in concluding that some contracts issued under the property, marine and accident porfolios require separation into multiple insurance components. Refer to note 1.15.2.
Measurement - Fulfilment cash flows	
An entity may use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Company performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.
Financial performance	
Insurance revenue and insurance service expenses – methods and assumptions used in the determination of the CSM to be recognised in profit and loss for the services provided or received in the period under the GMM. Areas of potential judgement are: a. the determination of the coverage units provided or received in the current period and expected to be provided in future periods, particularly when multiple services are provided under the same insurance contract; b. factoring in the time value of money when determining the equal allocation of the CSM to the coverage units provided or received; and c. the determination of the expected coverage period over which the CSM is allocated into profit and loss for the services provided or received.	The Company applied significant judgements in the determination of the CSM amounts that were recognised in profit and loss in 2023. Coverage units were determined based on the definition of the risk premium per group of insurance contracts, which was considered to be representative of the benefits provided. Furthermore the Company exercises judgement to derive the projected fulfilment cash inflows and outflows used to determine the CSM.

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

2.3 Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date to apply the full retrospective approach.

In addition, for insurance contracts originated by the Company that are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

2.4 Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean of a full range of scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to Note 3.3.3.

2.4.1 Discount rates

The bottom-up approach was used to derive the discount rate for the expected cash flows to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. Under this approach, the discount rate is determined as the sum of the risk free yield and an illiquidity premium for liabilities (derived from a reference portfolio). The risk-free rates selected are the EIOPA Risk Free rates. The illiquidity premium is determined using a top down approach based on a reference portfolio of assets with similar characteristics, reflecting the time taken to settle the claims. Where applicable reinsurance credit default has been allowed for via the reinsurance discount rates.

The table below sets out the yield curves used to discount the cashflows of insurance contracts:

31 December 2023	1 year	5 years	10 years	15 years	20 years
Yield curves used to discount cashflows	3.36%-4.36%	2.32%-3.32%	2.39%-3.39%	2.47%-3.47%	2.41%-3.41%

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

2.4 Estimates and assumptions - continued

2.4.2 Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is on a best estimate basis. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as activity based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. Claims settlement related expenses are allocated based on claims costs.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

2.4.3 Methods used to measure insurance contracts

The Company estimates insurance liabilities in relation to claims incurred using a number of standard actuarial techniques. Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contracts.

The most common methods used to estimate claims incurred are the chain-ladder and the Bornhuetter-Ferguson methods, which are the industry standards for this type of claims.

The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. The chain-ladder technique is the most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Company does not have a developed claims history for a particular type of claims.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (i.e. the recent accident years or new products).

The Company has not changed the methods used to estimate incurred claims in 2023. Refer to Note 21 which discloses the development tables on a gross and net basis.

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

2.4 Estimates and assumptions - continued

2.4.4 Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated separately for the Core and for each of the individual Cells.

The Company has employed a Value at Risk approach to assess the risk adjustment for the Core, for both the gross and reinsurance basis. The risk adjustment is calculated at a total portfolio level to include the impact of diversification. The resulting confidence levels on both a gross and a reinsurance basis is 75%.

In the case of the individual cells, the Company employs a combination of methodologies to assess the risk adjustment, which include the Value at Risk approach and the Cost of Capital approach. The resulting confidence level is determined at each Cell level. The confidence levels applied to the cells range between 55% and 85%, depending on the risk appetite of each individual cell.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023.

3. Risk and capital management

The Company issues contracts that transfer the insurance risk of the Company's clients. Insurance and reinsurance contracts expose the Company to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk.

In addition, the Company is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk and other price risk.

This note presents information about the Company's risk exposures, and the Company's objectives, policies and processes for measuring and managing risks and for managing capital.

3.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company risk committee is responsible for approving and monitoring the Company's risk management policies, and reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by then Company, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

3. Risk and capital management - continued

3.1 Risk management framework - continued

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.

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, Miscelaneous 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; manufacturing; various service sectors and is thus not unduly dependent on one sector alone.

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

Cells

During the year the Company licensed two new cells.

The AM Cell writes reinsurance of Class 1 Life and Annuity, and General Business Classes 1-Accident, 2-Sickness and 16-Miscellaneous Financial loss.

The Asservo Cell is licensed to write insurance of general business classes General Business Classes 1-Accident, 2-Sickness, 8-Fire and natural forces, 9-other damage to property, 16-Miscellaneous Financial Loss and 18- Assistance.

Blevins Franks Cell stopped writing business during the year and is in the process of being unwound. Ocado Cell had last written business in 2019 but is now officially in run off. Autorama Cell, Gemini Cell, L'Amie Cell, Griffin Cell, Amplifon Cell (in run-off) and TVIS Cell carried on business in their European and UK markets during the year in accordance with their licence conditions.

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. Risk and capital management - continued

3.2 Key risks arising from contracts issued

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. While developments on older claims may have positively affected motor and liability class performance, the Company's gross motor performance remains undoubtedly affected by inflation and supply chain issues on motor repair costs. Loss frequencies are now at pre-pandemic levels.

The number of serious bodily injury claims was in line with expectations and the largest of those claims was mitigated by reinsurance protection. A relatively minor natural phenomena slightly affected the motor book of business in 2023 but no major developments in relation to civil damages and court judgements were registered.

Property (including Business Interruption)

The gross property result was negatively affected by a relatively large fire claim in the first quarter but this was more than offset by savings on an older claim. The efforts to bring property insurance values in line with increased rebuilding costs continue in an attempt to temper the effects of inflation on 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 2023 showed no extraordinary experience in this respect.

Personal accident and travel

Travel class volumes planed out in 2023 and claim volumes were within expectations except for repatriation claims which hit an all-time high and were furthermore affected by inflation.

Marine

The marine portfolio in 2023 experienced a satisfactory result overall but remains affected by sustained negative performance on marine hull.

3. Risk and capital management - continued

3.2 Key risks arising from contracts issued - continued

Health

The health account performance was affected by the effects of medical inflation, increased claim frequencies and severe losses.

3.3 Underwriting risk

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

- Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.

- Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, among others.

Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

3.3.1 Management of underwriting risk

The board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives, e.g. aggregation limits, reinsurance protection thresholds and line of business limitations, are prepared and reviewed by the chief underwriting officer. The board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present themselves.

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.

3. Risk and capital management - continued

3.3 Underwriting risk - continued

3.3.1 Management of underwriting risk - continued

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.

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.

Reinsurance contracts held

The Company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Certain products are protected against catastrophe events in accordance with the Company's risk management framework. Where an individual exposure exceeds the Company's risk appetite, additional facultative reinsurance is also purchased.

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.

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. Risk and capital management - continued

3.3 Underwriting risk - continued

3.3.1 Management of underwriting risk - continued

Changes from previous period

There were no significant changes in Company's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

3.3.2 Concentrations of underwriting risks

The Company ensures that it maintains a healthy balance between different lines of business, lines of distribution and geographical areas. In this way it can be safely stated that it has a well-diversified portfolio and while there are important cohorts of business it does not depend on any one sector or client group for sustained profitability. Even on a pure risk concentration basis the company monitors any physical risk accumulations which are controlled by means of facultative reinsurance or coinsurance where felt necessary.

3.3.3 Sensitivity analysis

The future cash flows that are within the boundary of each of the insurance contracts included in the group reflect the amounts that the Company expects to collect from premiums and pay out for claims and expenses. The future cash flows are determined on a best estimate basis incorporating all reasonable and supportable information available without undue cost or effort. The expected future cash flows are determined from the perspective of the Company with estimates that are consistent with its own historical data and observable market conditions existing at the measurement date. The Company considers that the most sensitive assumptions relate to the CSM measured under the GMM.

The table below analyses how the CSM, profit and loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred with respect to one of the cells.

31 December 2023	CSM Gross €	Profit and loss Net €	Equity Gross €
Life			
Claims ratio (1,00% increase)	(1,759)	(12,603)	12,603
Claims ratio (1,00% decrease)	1,759	12,603	(12,603)
Expenses (5,00% increase)	1,660	(669)	669
Expenses (5,00% decrease)	(1,660)	669	(669)
Lapse rates (5,00% increase)	174,205	(122,454)	122,454
Lapse rates (5,00% decrease)	(174,687)	122,408	(122,408)
Health			
Claims ratio (1,00% increase)	(2,622)	(15,536)	15,536
Claims ratio (1,00% decrease)	2,622	15,536	(15,536)
Lapse rates (5,00% increase)	176,070	(183,547)	183,547
Lapse rates (5,00% decrease)	(175,247)	183,477	(183,477)

3. Risk and capital management - continued

3.3 Underwriting risk - continued

3.3.3 Sensitivity analysis - continued

31 December 2023	CSM Gross €	Profit and loss Net €	Equity Gross €
Non-Life			
Claims ratio (1,00% increase)	(1,247)	(4,339)	4,339
Claims ratio (1,00% decrease)	1,247	4,339	(4,339)
Lapse rates (5,00% increase)	108,430	(75,709)	75,709
Lapse rates (5,00% decrease)	(108,469)	75,679	(75,679)

3.4 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.

3.4.1 Market risk

Market risk comprises interest rate, equity price and foreign currency risks. These risks arise from variability in fair values of financial instruments or related future cash flows as well as from variability of the FCF of insurance contracts due to variability in market risks variables.

3. Risk and capital management - continued

3.4 Financial risk management - continued

3.4.1 Market risk - continued

(a) 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. Note 16 incorporates interest rate and maturity information with respect to the Company's assets.

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

	Notes	**2023**	2022
		€	€
Assets at floating interest rates - bank balances		**30,262,265**	24,313,831
Assets at fixed interest rates			
- Listed debt securities	16	**15,637,695**	9,940,332
- Treasury Bills	16	**3,521,764**	-
		49,421,724	34,254,163

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 demonstrates 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.

In the case of any impact of interest rates on insurance liabilities on both the Core and Cellular operations this is deemed to be insignificant and immaterial.

3. **Risk and capital management** - continued

3.4 Financial risk management - continued

3.4.1 Market risk - continued

(a) Interest rate risk - continued

Sensitivity analysis - Core

At 31 December 2023 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. An analysis of the Company's sensitivity to a 250BPS parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

If interest rates at that date would have been 250 basis points (2022: 250 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €1,377,652 higher (2022: €1,056,681 higher). An increase of 250 basis points (2022: 250 basis points), with all other variables held constant, would have resulted in pre-tax profits being €1,270,843 lower (2022: €897,013 lower). Up to the end of the reporting period the Company did not have any hedging policy with respect to interest rate risk on other financial instruments as exposure to such risks was not deemed to be significant by the directors.

(b) Equity price risk

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

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

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

		Core		**Cells**		**Total**	
	Notes	**2023**	2022	**2023**	2022	**2023**	2022
		€	€	**€**	€	**€**	€
Assets subject to equity price risk							
Equity securities	16	**5,605,860**	4,612,190	**-**	-	**5,605,860**	4,612,190
Units in unit trusts	16	**24,521,050**	22,809,137	**2,363,486**	2,253,355	**26,884,536**	25,062,492
		30,126,910	27,421,327	**2,363,486**	2,253,355	**32,490,396**	29,674,682

3. **Risk and capital management** - continued

3.4 Financial risk management - continued

3.4.1 Market risk - continued

(b) Equity price risk - continued

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. A 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase or a decrease of 10% (2022: 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 €3,012,691 (2022: €2,742,133). An increase or a decrease of 10% (2022: 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 €236,348 (2022: €225,336).

(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 2023, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,673,416, (2022: €3,636,578). If the above currencies had weakened or strengthened by 15% against the euro with all other variables held constant, the Core pre-tax profit for the year would have been lower by €471,779 (2022: €641,749) or higher by €348,707 (2022: €474,336). The impact on the Cells' other reserves would have been lower by €1,255,198 or higher by €927,755.

3. Risk and capital management - continued

3.4 Financial risk management - continued

3.4.2 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, and arises principally from the Company's reinsurance contract assets, insurance contract holders, insurance intermediaries, other debtors and cash and cash equivalents. Amounts receivable at year end from insurance contract holders and insurance intermediaries are recognised within 'insurance contract liabilities' (see Note 21).

Management of credit risk

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 below.

The Company is also exposed to credit risk for its financial investments, other debtors, and cash and cash equivalents. The Company assesses its credit risk with these counterparties through their credit rating. Should a counterparty not have a credit rating, the Company develops an internal credit rating by analysing their financial performance and the country of incorporation.

3. Risk and capital management - continued

3.4 Financial risk management - continued

3.4.2 Credit risk - continued

Management of credit risk - continued

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

Credit risk in relation to cells is not considered to be significant when considering payment patterns and/or assessment of counterparties and contractual arrangements.

Credit quality analysis

The Company measures credit risk and expected credit losses on financial assets using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. The Company's cash at bank is placed with quality financial institutions.

An insignificant allowance amount has been recognised with respect to debtors not arising from direct insurance operations and cash and cash equivalents given the counterparties' credit qualities. Amounts receivable from subsidiaries amounting to €2,264,848 (2022: €1,052,800) gross of ECL of €2,644, are included in Company's unrated debtors not arising from direct insurance operations, prepayments and accrued income (Note 18).

The Company measures credit risk on debtors arising out of direct insurance operations (i.e., mainly insurance premiums receivable), and reinsurers' share of contract assets using incurred credit loss approach.

Debtors included within insurance contract assets and liabilities are inclusive of an impairment of €225,587 (2022: €245,798).

The following table (split by Core and Cells) 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. In the following table, the rating of the bank's parent was applied in relation to cash equivalents.

3. Risk and capital management - continued

3.4 Financial risk management – continued

3.4.2 Credit risk – continued

Credit quality analysis – continued

		As at 31 December 2023								
	Notes	AAAA to AA- Core €	A+ to A- Core €	BBB to B Core €	Not rated Core €	AAA to AA- Cells €	A+ to A- Cells €	BBB to B Cells €	Not rated Cells €	Total €
Financial investments measured at FVTPL										
Debt securities – listed fixed interest rate	16	395,259	1,964,439	3,013,501	5,406,498	4,213,855	433,167	210,976	-	15,637,695
		395,259	1,964,439	3,013,501	5,406,498	4,213,855	433,167	210,976	-	15,637,695
Financial assets at amortised cost – stage 1										
Debtors not arising from direct insurance operations, prepayments and accrued income	18	2,489	22,327	39,537	3,571,423	43,057	6,252	6,333	897,073	4,588,491
Debtors included within insurance contract assets and liabilities		-	-	-	5,063,437	-	-	-	28,082,633	33,146,070
Cash equivalents	24	-	1,985,774	3,963,233	467,490	-	4,430,946	-	19,883,278	30,730,721
Treasury bills	16	2,031,193	1,490,571	-	-	-	-	-	-	3,521,764
Loss allowance – Debtors		-	-	-	(2,644)	-	-	(86)	-	(2,730)
Loss allowance – Cash equivalents		-	(263)	(812)	-	-	(435)	-	(829)	(2,339)
		2,033,682	3,498,409	4,001,958	9,099,706	43,057	4,436,763	6,247	48,862,155	71,981,977
Reinsurance contract assets	21	6,651,844	1,036,697	-	7,316	961,463	10,243	868,476	1,188,094	10,724,133
Total assets bearing credit risk		9,080,785	6,499,545	7,015,459	14,513,520	5,218,375	4,880,173	1,085,699	50,050,249	98,343,805

3. Risk and capital management - continued

3.4 Financial risk management – continued

3.4.2 Credit risk – continued

Credit quality analysis - continued

	Notes	As at 31 December 2022								
		AAAA to AA- Core €	A+ to A- Core €	BBB to B Core €	Not rated Core €	AAA to AA- Cells €	A+ to A- Cells €	BBB to B Cells €	Not rated Cells €	Total €
Financial investments measured at FVTPL										
Debt securities – listed fixed interest rate	16	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
Financial assets at amortised cost – stage 1										
Debtors not arising from direct insurance operations, prepayments and accrued income	18	179	15,202	17,933	2,382,859	-	-	-	518,298	2,934,471
Debtors included within insurance contract assets and liabilities		-	-	-	6,684,159	-	-	-	25,357,404	32,041,563
Cash equivalents	24	-	521,087	3,910,668	765,979	-	4,393,599	8,505,664	6,535,503	24,632,500
		179	536,289	3,928,601	9,832,997	-	4,393,599	8,505,664	32,411,205	59,608,534
Reinsurance contract assets	21	20,760,986	2,229,768	-	1,162	-	10,072	1,012,319	15,499	24,029,806
Total assets bearing credit risk		20,992,833	3,971,049	5,823,017	16,443,415	-	4,403,671	9,517,983	32,426,704	93,578,672

3. Risk and capital management - continued

3.4 Financial risk management - continued

3.4.3 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.

Insurance and reinsurance contracts

The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.The table is split up between Core and Cell operations as follows:

As at 31 December 2023

	Remaining contractual undiscounted net cash flows				
	Less than one year €	One and two years €	Two and five years €	Over five years €	Total €
Core					
Insurance contracts					
Liabilities	(15,477,848)	(3,177,904)	(1,320,638)	(4,893)	(19,981,283)
	(15,477,848)	(3,177,904)	(1,320,638)	(4,893)	(19,981,283)
Cells					
Insurance contracts					
Assets	7,579,837	742,214	(496,926)	(379,765)	7,445,360
Liabilities	(19,745,054)	(565,938)	(15,752)	(213)	(20,326,957)
	(12,165,217)	176,276	(512,678)	(379,978)	(12,881,597)

3. Risk and capital management - continued

3.4 Financial risk management - continued

3.4.3 Liquidity risk - continued

Insurance and reinsurance contracts - continued

As at 31 December 2022

	Remaining contractual undiscounted net cash flows				
	Less than one year €	One and two years €	Two and five years €	Over five years €	Total €
Core					
Insurance contracts					
Liabilities	(29,561,888)	(6,005,628)	(2,032,148)	(176,570)	(37,776,235)
	(29,561,888)	(6,005,628)	(2,032,148)	(176,570)	(37,776,235)
Cells					
Insurance contracts					
Liabilities	(17,223,224)	(37,078)	(13,928)	-	(17,274,230)
	(17,223,224)	(37,078)	(13,928)	-	(17,274,230)

3. Risk and capital management - continued

3.4 Financial risk management - continued

3.4.3 Liquidity risk - continued

Financial instruments

The following table sets out the remaining contractual maturities of the Company's financial liabilities and assets that do not relate to insurance and reinsurance contracts.

As at 31 December 2023

	Contractual undiscounted cash flows				
	Less than one year €	One and two years €	Two and five years €	Over five years €	Total €
Core					
Trade and other creditors	(102,594)	-	-	-	(102,594)
Accruals and deferred income	(1,093,212)	-	-	-	(1,093,212)
Cash and cash equivalents	6,415,422	-	-	-	6,415,422
Financial investments	759,368	770,921	4,238,730	5,010,678	10,779,697
Treasury bills held at amortised cost	3,521,764	-	-	-	3,521,764
Debtors not arising from direct insurance operations, prepayments and accrued income	3,635,776	-	-	-	3,635,776
	13,136,525	770,921	4,238,730	5,010,678	23,156,854
Cells					
Trade and other creditors	(36,948)	-	-	-	(36,948)
Accruals and deferred income	(62,226)	-	-	-	(62,226)
Cash and cash equivalents	24,312,960	-	-	-	24,312,960
Financial investments	165,767	2,053,029	2,331,990	307,212	4,857,998
Debtors not arising from direct insurance operations, prepayments and accrued income	952,715	-	-	-	952,715
	25,332,267	2,053,029	2,331,990	307,212	30,024,499

3. **Risk and capital management** - continued

3.4 Financial risk management - continued

3.4.3 Liquidity risk - continued

Financial instruments - continued

As at 31 December 2022

	Contractual undiscounted cash flows				
	Less than one year	**One and two years**	**Two and five years**	**Over five years**	**Total**
	€	**€**	**€**	**€**	**€**
Core					
Trade and other creditors	(288,911)	-	-	-	(288,911)
Accruals and deferred income	(773,815)	-	-	-	(773,815)
Cash and cash equivalents	5,197,734	-	-	-	5,197,734
Financial investments	100,000	841,576	5,391,643	3,607,113	9,940,332
Debtors not arising from direct insurance operations, prepayments and accrued income	2,416,173	-	-	-	2,416,173
	6,651,181	841,576	5,391,643	3,607,113	16,491,513
Cells					
Trade and other creditors	(197,807)	-	-	-	(197,807)
Accruals and deferred income	-	-	-	-	-
Cash and cash equivalents	19,434,766	-	-	-	19,434,766
Financial investments	-	-	-	-	-
Debtors not arising from direct insurance operations, prepayments and accrued income	518,514	-	-	-	518,514
	19,755,473	-	-	-	19,755,473

The amounts in the tables above have been compiled as follows:
- The amounts are the gross contractual undiscounted cash flows.
- The interest on floating-rate instruments reflects the market forward interest rates at the reporting date, which may change as market interest rates change.

3. Risk and capital management - continued

3.5 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.

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 2023, the Company's eligible own funds amounting to €64.1m (2022: to €50.2m) 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.

3. Risk and capital management - continued

3.5 Capital management - continued

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.

4. Fair value measurement

4.1 Fair value hierarchy

The Company categorises a financial asset or a financial liability measured at fair value at the same level of fair value hierarchy as the lowest-level input that is significant to the entire measurement. The Company ranks fair value measurements based on the type of inputs, as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equities, bonds and derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company did not hold any Level 2 investments during the two reporting periods presented.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Company did not hold any Level 3 investments during the two reporting periods presented.

There were no transfers between Levels 1 and 2 for recurring fair value measurements during both years.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

4. Fair value measurement - continued

4.2 Recognised fair value measurement

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2023 and 2022:

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	Level 1		Level 1		Level 1	
		€		€		€
Assets						
Financial assets at fair value through profit and loss						
- Equity securities and units in unit trusts	**30,126,910**	27,421,327	**2,363,486**	2,253,355	**32,490,396**	29,674,682
- Debt securities	**10,779,697**	9,940,332	**4,857,998**	-	**15,637,695**	9,940,332
Total assets	**40,906,607**	37,361,659	**7,221,484**	2,253,355	**48,128,091**	39,615,014

4.3 Valuation techniques used to determine fair values

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 2023 and 2022, the carrying amount of the Company's other financial assets and liabilities approximate their fair value in view of their short-term maturity.

4.4 Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, other debtors, and other creditors approximate their fair value.

5. Insurance revenue

¤	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	**€**	**€**	**€**	**€**	**€**
Contracts measured under the GMM						
Amounts relating to changes in liabilities for remaining coverage						
CSM recognised for services provided	-	-	**6,704,294**	-	**6,704,294**	-
Change in risk adjustment for nonfinancial risk for risk expired	-	-	**75,236**	-	**75,236**	-
Expected incurred claims and other insurance service expenses	-	-	**1,405,006**	-	**1,405,006**	-
Experience adjustments for premium receipts	-	-	**(457,650)**	-	**(457,650)**	-
Recovery of insurance acquisition cash Flows	-	-	**1,878,842**	-	**1,878,842**	-
	-	-	**9,605,728**	-	**9,605,728**	-
Contracts measured under the PAA	**57,197,750**	50,425,647	**53,181,338**	40,054,401	**110,379,088**	90,480,048
Total insurance revenue	**57,197,750**	50,425,647	**62,787,066**	40,054,401	**119,984,816**	90,480,048

6. Investment income and insurance finance expenses

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Net investment income						
Interest revenue from financial assets not measured at FVTPL	**-**	11,944	**-**	-		11,944
Total interest revenue from financial assets not measured at FVTPL	**-**	11,944	**-**	-	**-**	11,944
Net gains from financial assets at FVTPL						
- interest income	**473,345**	309,168	**20,715**	-	**494,060**	309,168
- dividend income	**236,949**	159,154	**3,010**	-	**239,959**	159,154
Other fair value gains / (losses) on financial assets at FVTPL	**2,587,846**	(4,645,172)	**111,484**	(56,693)	**2,699,330**	(4,701,865)
Total net gains / (losses) on fair value through profit and loss investments	**3,298,140**	(4,176,850)	**135,209**	(56,693)	**3,433,349**	(4,233,543)
Gains from fair value adjustments to investment properties	**90,781**	-	**-**	-	**90,781**	-
Total net gains from fair value adjustment to investment properties	**90,781**	-	**-**	-	**90,781**	-
Dividend from subsidiary undertakings	**946,154**	915,385	**-**	-	**946,154**	915,385
Rental income from investment property	**472,980**	494,887	**-**	-	**472,980**	494,887
Exchange differences	**(1,321)**	361	**4,299**	7,529	**2,978**	7,890
Net credit impairment losses	**700**	-	**(731)**	-	**(31)**	-
Total net other investment income	**1,418,513**	1,410,633	**3,568**	7,529	**1,422,081**	1,418,162
Interest expense and charges on financial liabilities that are not at FVTPL	**(162,432)**	(199,993)	**-**	-	**(162,432)**	(199,993)
Investment expenses	**(238,484)**	(144,139)	**(4,783)**	-	**(243,267)**	(144,139)
Total other investment expenses	**(400,916)**	(344,132)	**(4,783)**	-	**(405,699)**	(344,132)
Total net investment income/(expenses)	**4,406,518**	(3,098,405)	**133,994**	(49,164)	**4,540,512**	(3,147,569)

6. Investment income and insurance finance expenses - continued

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Finance (expenses)/income from insurance contracts issued						
Effect of changes in interest rates and other financial assumptions	**(740,328)**	65,812	**99,001**	6,416	**(641,327)**	72,228
Foreign exchange differences recognised in profit and loss	**-**	-	**-**	7,217	**-**	7,217
Foreign exchange differences recognised in OCI	**-**	-	**(6,033)**	26,875	**(6,033)**	26,875
Finance (expenses)/income from insurance contracts issued	**(740,328)**	65,812	**92,968**	40,508	**(647,360)**	106,320
Finance income/(expenses) from reinsurance contracts held						
Effect of changes in interest rates and other financial assumptions	**444,045**	(11,929)	**(248,201)**	6,483	**195,844**	(5,446)
Foreign exchange differences recognised in OCI	**-**	-	**225**	(629)	**225**	(629)
Finance income/(expenses) from reinsurance contracts held	**444,045**	(11,929)	**(247,976)**	5,854	**196,069**	(6,075)
Total net insurance finance (expenses)/income	**(296,283)**	53,883	**(155,008)**	46,362	**(451,291)**	100,245
Represented by						
Amounts recognised in profit and loss	**4,110,235**	(3,044,522)	**(15,206)**	(29,048)	**4,095,029**	(3,073,570)
Amounts recognised in OCI	**-**	-	**(5,808)**	26,246	**(5,808)**	26,246
	4,110,235	(3,044,522)	**(21,014)**	(2,802)	**4,089,221**	(3,047,324)

A summary of net investment income and net insurance finance expenses, together with the insurance service result is presented below:

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
<u>Summary of amounts recognised:</u>						
Net investment income/ (expenses)	**4,406,518**	(3,098,405)	**133,994**	(49,164)	**4,540,512**	(3,147,569)
Net insurance finance (expenses)/income	**(296,283)**	53,883	**(155,008)**	46,362	**(451,291)**	100,245
Insurance service result	**7,056,298**	7,097,311	**8,103,824**	3,283,663	**15,160,122**	10,380,974
	11,166,533	4,052,789	**8,082,810**	3,280,861	**19,249,343**	7,333,650

6. Investment income and insurance finance expenses - continued

An analysis of net investment income and expenses is presented below. The net gain or loss for each class of financial instrument by measurement category is as follows:

	2023				2022			
Net gain or loss - Core	**AC**	**FVTPL**		**Total**	**AC**	**FVTPL**		**Total**
		Designated	**Mandatory**			**Designated**	**Mandatory**	
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Interest revenue from financial assets not measured at FVTPL								
Cash and cash equivalents	-	-	-	-	11,944	-	-	11,944
Loans to related parties	-	-	-	-	-	-	-	-
	-	-	-	-	11,944	-	-	11,944
Interest expense from financial liabilities not measured at FVTPL								
Cash and cash equivalents	**(199,237)**	-	-	**(199,237)**	(199,993)	-	-	(199,993)
Loans to related parties	-	-	-	-	-	-	-	-
	(199,237)	-	-	**(199,237)**	(199,993)	-	-	(199,993)
Net gains/(losses) on financial investments measured at FVTPL								
Equity securities	-	**2,581,954**	-	**2,581,954**	-	(4,112,296)	-	(4,112,296)
Debt securities	-	**714,840**	-	**714,840**	-	(66,587)	-	(66,587)
	-	**3,296,794**	-	**3,296,794**	-	(4,178,883)	-	(4,178,883
Other								
Net credit impairment losses	**700**	-	-	**700**	-	-	-	-
Other investment expenses	-	**(201,679)**	-	**(201,679)**	-	(142,105)	-	(142,105)
	700	**(201,679)**	-	**(200,979)**	-	(142,105)	-	(142,105)
Total interest revenue/(expense) and investment income/(losses)	**(198,537)**	**3,095,115**	-	**2,896,578**	(188,049)	(4,320,988)	-	(4,509,037)

6. Investment income and insurance finance expenses - continued

Net gain or loss - Cells	2023 AC	2023 FVTPL Designated	2023 FVTPL Mandatory	2023 Total	2022 AC	2022 FVTPL Designated	2022 FVTPL Mandatory	2022 Total
	€	€	€	€	€	€	€	€
Net gains/(losses) on FVTPL investments								
Equity securities	-	-	**114,494**	**114,494**	-	-	(56,693)	(56,693)
Debt securities	-	-	**20,717**	**20,717**	-	-	-	-
	-	-	**135,211**	**135,211**	-	-	(56,693)	(56,693)
Other								
Net credit impairment losses	**(731)**	-	-	**(731)**	-	-	-	-
Other investment expenses	-	**(4,783)**	-	**(4,783)**	-	-	-	-
	(731)	**(4,783)**	-	**(5,514)**	-	-	-	-
Total investment income/(expenses)	**(731)**	**(4,783)**	**135,211**	**129,697**	-	-	(56,693)	(56,693)

7. Expenses by nature

Expenses by nature - Core	2023 Expenses attributed to insurance acquisition cash flows	2023 Other directly attributable expenses	2023 Other operating expenses	2023 Total	2022 Expenses attributed to insurance acquisition cash flows	2022 Other directly attributable expenses	2022 Other operating expenses	2022 Total
	€	€	€	€	€	€	€	€
Claims and benefits	-	**9,741,568**	-	**9,741,568**	-	36,764,300	-	36,764,300
Employee benefit expense and directors' fees	-	**6,544,752**	-	**6,544,752**	-	5,765,820	-	5,765,820
Commissions	**7,358,193**	-	-	**7,358,193**	6,436,812	-	-	6,436,812
Marketing	**1,167,756**	-	-	**1,167,756**	705,332	-	-	705,332
Amortisation of intangible assets (Note 12)	-	-	**150,822**	**150,822**	-	-	140,908	140,908
Depreciation of property, plant and equipment (Note 13)	-	-	**516,513**	**516,513**	-	-	513,603	513,603
Audit, legal and other professional fees	-	**632,083**	-	**632,083**	-	453,900	-	453,900
Other expenses	**219,253**	**2,064,907**	**647,722**	**2,931,882**	249,306	2,100,004	144,688	2,493,998
Total	**8,745,202**	**18,983,310**	**1,315,057**	**29,043,569**	7,391,450	45,084,024	799,199	53,274,673

7. Expenses by nature - continued

Expenses by nature - Cells	2023 Expenses attributed to insurance acquisition cash flows	2023 Other directly attributable expenses	2023 Other operating expenses	2023 Total	2022 Expenses attributed to insurance acquisition cash flows	2022 Other directly attributable expenses	2022 Other operating expenses	2022 Total
	€	€	€	€	€	€	€	€
Claims and benefits	-	19,963,889	-	19,963,889	-	12,542,763	-	12,542,763
Commissions	8,929,457	20,198,528	-	29,127,985	5,414,488	14,761,073	-	20,175,561
Audit, legal and other professional fees	-	2,020,457	31,406	2,051,863	-	1,108,679	-	1,108,679
Other expenses	366	319,117	742	320,225	2,194	133,859	(343)	135,710
Total	8,929,823	42,501,991	32,148	51,463,962	5,416,682	28,546,374	(343)	33,962,713

Auditor's fees

Fees charged by the auditor and affiliates for services rendered during the financial years ended 31 December 2023 and 2022 relate to the following:

	2023	2022
	€	€
Annual statutory audit	**337,000**	116,000
Other assurance services	**62,000**	53,450
Tax advisory and compliance services	**45,875**	13,750
Other non-audit services	**4,000**	-
	448,875	183,200

Fees quoted above are exclusive of VAT.

8. Employee benefit expense

	2023	2022
	€	€
Salaries and related costs (including directors' salaries)	**6,883,780**	5,871,468
Social security costs	**402,753**	323,089
	7,286,533	6,194,557
Inter-company payroll charge	**(403,839)**	(578,315)
	6,882,694	5,616,242

8. Employee benefit expense - continued

The average number of persons employed during the year was:

	2023	2022
Directors	**8**	8
Managerial	**35**	35
Clerical	**126**	116
	169	160

9. Tax expense

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Current tax expense	**3,153,604**	2,598,786	**2,927,156**	1,010,253	**6,080,760**	3,609,039
Deferred tax charge/(credit) (Note 17)	**1,281,998**	(1,369,435)	**(148,806)**	75,731	**1,133,192**	(1,293,704)
	4,435,602	1,229,351	**2,778,350**	1,085,984	**7,213,952**	2,315,335

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

	2023	2022
	€	€
Profit before tax	**18,715,940**	7,027,886
Tax on profit at 35%	**6,550,579**	2,459,760
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(31,680)**	(22,846)
Income subject to reduced rates of tax	**(106,816)**	(96,146)
Impact of tax on investment property	**736,787**	-
Expenses not deductible for tax purposes	**60,562**	45,739
Over provision in previous years	**(388,859)**	(80,166)
Unrecognised temporary differences	**393,379**	85,838
Utilisation of temporary differences arising in prior years	**-**	(76,844)
Tax charge in the accounts	**7,213,952**	2,315,335

10. Directors' emoluments

	2023 €	2022 €
Salaries and other emoluments (including directors' fees)	**600,850**	473,434

During the year, benefits in kind valued at €11,733 (2022: €11,118) were provided to the directors.

11. Dividends declared

	2023 €	2022 €
To the ordinary shareholders:		
Net	**2,200,000**	2,000,000
Dividends per ordinary share	**0.46**	0.42
To the cell shareholders:		
Cell 7	**350,000**	300,000
Cell 9	**500,000**	500,000
Cell 10	**300,000**	-
Net	**1,150,000**	800,000
Dividends per preference share		
Cell 7	**0.95**	0.82
Cell 9	**2.46**	2.46
Cell 10	**0.63**	-
Total dividends	**3,350,000**	2,800,000

On 30 January 2024 a net interim dividend of €1,250,000 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 22 March 2024.

At the forthcoming Annual General Meeting, a final dividend in respect of 2023 of €0.26c per share amounting to a total dividend of €1,250,000 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 2024.

At a Board Meeting held on the 29 November 2023 it had been resolved to pay an interim dividend of €160,000 to the shareholder of the TVIS Cell subject to MFSA approval. This was subsequently approved by the MFSA and paid on the 22 March 2024.

12. Intangible assets

	Customer relationships €	Computer software €	Total €
At 1 January 2022			
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**
Year ended 31 December 2023			
Opening net book amount	-	291,007	291,007
Additions	-	51,154	51,154
Amortisation charge	-	(150,822)	(150,822)
Closing net book amount	-	**191,339**	**191,339**
At 31 December 2023			
Cost	194,735	1,287,832	1,482,567
Accumulated amortisation and impairment	(194,735)	(1,096,493)	(1,291,228)
Net book amount	-	**191,339**	**191,339**

13. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Plant and equipment €	Total €
At 1 January 2022				
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
Revaluation 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**
Year ended 31 December 2023				
Opening net book amount	8,306,294	592,538	854,450	9,753,282
Additions		16,712	330,823	347,535
Revaluation surplus arising on valuation of land and buildings (Note 20)	-	-	-	-
Disposals	-	-	(328,653)	(328,653)
Depreciation charge	-	(235,613)	(280,900)	(516,513)
Depreciation released on disposal	-	-	328,653	328,653
Closing net book amount	**8,306,294**	**373,637**	**904,373**	**9,584,304**
At 31 December 2023				
Cost or revaluation	8,306,294	2,460,470	3,715,911	14,482,675
Accumulated depreciation	-	(2,086,833)	(2,811,538)	(4,898,371)
Net book amount	**8,306,294**	**373,637**	**904,373**	**9,584,304**

13. Property, plant and equipment - continued

Fair value of Property

The directors have re-assessed the value of investment property on the basis of an independent valuation carried out by professional advisors in 2023. Following this valuation exercise the carrying amount of investment property was adjusted upwards to reflect current market prices. The carrying amount of the PPE on the balance sheet did not materially differ from the valuation exercise carried out in the prior year and was therefore not adjusted further following the revalution performed in 2022.

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 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 14, for property used in operations and for investment properties, respectively.

Valuation process and techniques

The Company's property is valued on a 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 in value since last value assessment.

Investment property

The property valuations were determined by the valuers using the direct capitalisation method. Properties valued using this approach primarily take 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, duration of lease agreements, quality of interior fittings, amongst other specifications. Key assumptions in the valuation process primarily included reference to (i) rental income, as disclosed in Note 6, (ii) rental yields ranging from 4% to 5.5% (2022: 5% to 6%).

The valuation exercise in 2023 indicated that the value of the investment property held on the balance sheet at year end 31 December 2023 increased in value by €90,781.

13. Property, plant and equipment - continued

Valuation process and techniques - continued

Land and buildings included in PPE

The property valuations for these properties were based on a valuation exercise performed by independent professionally qualified valuers in 2022. These valuations were 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 as at 31 December 2023 is reasonable and in line with market valuations of similar properties. In 2022, a revaluation gain of €1,890,735 (pre-tax) was accounted for as a result of the revaluation exercise carried out.

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

	2023	2022
	€	€
Cost	**5,323,862**	5,323,862
Accumulated depreciation	**(671,880)**	(584,712)
Net book amount	**4,651,982**	4,739,150

Leases – where Company is a lessee

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2023	2022
	€	€
Right-of-use assets		
Current	**621,200**	435,606
Non-current	**96,081**	95,197
	717,281	530,803
Lease liabilities		
Current	**674,425**	469,114
Non-current	**89,989**	62,690
	764,414	531,804

13. Property, plant and equipment - continued

Leases – where Company is a lessee - continued

(ii) Amounts recognised in the profit and loss account

	2023 €	2022 €
Interest expense (included in other investment expenses)	**36,805**	25,513
Depreciation expense	**97,804**	93,628

The total cash outflow for leases in 2023 was €123,156 (2022: €111,052).

14. Investment property

	2023 €	2022 €
Year ended 31 December		
At beginning of year	**9,505,717**	10,617,896
Disposals	**-**	(1,113,000)
Fair value increase	**90,781**	-
Additions	**10,502**	821
At end of year	**9,607,000**	9,505,717
At 31 December		
Carrying amount	**9,607,000**	9,505,717

The valuation process and techniques are included under Note 13. Investment property with a carrying amount of €1,113,000 was sold to a third party in 2022.

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

	2023 €	2022 €
Rental income from operating leases	**472,980**	494,887

(ii) Leasing arrangements

Minimum lease payments receivable on leases of investment properties are as follows:

	2023 €	2022 €
Within 1 year	**469,834**	355,180
Between 1 and 5 years	**1,394,757**	1,385,922
Later than 5 years	**-**	-
	1,864,591	1,741,102

15. Investment in subsidiaries and associates

Subsidiaries	2023	2022
	€	€
Year ended 31 December		
At beginning and end of year	**748,058**	748,058
	748,058	748,058

The subsidiaries at 31 December 2023 and 2022 are shown below:

Name of subsidiary	Registered office	Class of shares	Percentage of shares held 2023	2022
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	2023	2022
	€	€
Year ended 31 December		
At beginning of year	**2,375,000**	1,875,000
Additions	**500,000**	500,000
At end of year	**2,875,000**	2,375,000

Name of associates	Registered office	Class of shares	Percentage of shares held 2023	2022
IvaLife Insurance Limited	Centris Business Gateway II, Level 1D, Triq il-Salib tal-Imriehel, Zone 3, Central Business District, Birkirkara	Ordinary shares 100% paid up	25%	25%

During 2023 a further capital injection amounting to €500,000 was made to IvaLife to maintain the regulated solvency margin. A further capital contribution of €1,000,000 is to be made by June 2024 in ensuring that the company maintains its regulated solvency margin as a result of the Company's growth.

16. Financial investments

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

	2023 €	2022 €
Fair value through profit and loss	**48,128,091**	39,615,014
Measured at amortised cost	**3,521,764**	-
	51,649,855	39,615,014

(a) Investments at FVTPL

	Core		Cells		Total	
	2023 €	2022 €	**2023 €**	2022 €	**2023 €**	2022 €
At 31 December						
Equity securities and units in unit trusts	**30,126,910**	27,421,327	**2,363,486**	2,253,355	**32,490,396**	29,674,682
Debt securities – listed fixed interest rate	**10,779,697**	9,940,332	**905,805**	-	**11,685,502**	9,940,332
Treasury Bills	**-**	-	**3,952,193**	-	**3,952,193**	-
	10,779,697	9,940,332	**4,857,998**	-	**15,637,695**	9,940,332
Total investments at fair value through profit and loss	**40,906,607**	37,361,659	**7,221,484**	2,253,355	**48,128,091**	39,615,014

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

Maturity of fixed income debt securities:

	Core		Cells		Total	
	2023 €	2022 €	**2023 €**	2022 €	**2023 €**	2022 €
Within 1 year	**759,368**	100,000	**165,767**	-	**925,135**	100,000
Between 1 and 2 years	**770,921**	841,576	**2,053,029**	-	**2,823,950**	841,576
Between 2 and 5 years	**4,238,730**	5,391,643	**2,331,990**	-	**6,570,720**	5,391,643
Over 5 years	**5,010,678**	3,607,113	**307,212**	-	**5,317,890**	3,607,113
	10,779,697	9,940,332	**4,857,998**	-	**15,637,695**	9,940,332
Weighted average EIR	**5.52%**	3.94%	**3.70%**	0.00%	**4.79%**	3.94%

16. Financial investments - continued

(a) *Investments at FVTPL* - continued

The movements for the year are summarised as follows:

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**37,361,659**	37,767,075	**2,253,355**	2,310,048	**39,615,014**	40,077,123
Additions	**6,449,829**	12,093,506	**5,014,876**	-	**11,464,705**	12,093,506
Disposals	**(5,472,684)**	(7,842,611)	**(158,231)**	-	**(5,630,915)**	(7,842,611)
Fair value gains / (losses)	**2,567,803**	(4,656,311)	**111,484**	(56,693)	**2,679,287**	(4,713,004)
At end of year	**40,906,607**	37,361,659	**7,221,484**	2,253,355	**48,128,091**	39,615,014
As at 31 December						
Cost	**37,673,578**	36,696,433	**7,230,402**	2,373,757	**44,903,980**	39,070,190
Accumulated net fair value gains / (losses)	**3,233,029**	665,226	**(8,918)**	(120,402)	**3,224,111**	544,824
	40,906,607	37,361,659	**7,221,484**	2,253,355	**48,128,091**	39,615,014

(b) *Investments at AC*

	Core	
	2023	2022
	€	€
At 31 December		
Treasury Bills (Note 1.10.3)	**3,521,764**	-
	3,521,764	-

17. Deferred taxation

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**(1,165,858)**	(2,361,411)	**(148,398)**	(72,667)	**(1,314,256)**	(2,434,078)
Charged to other comprehensive income (Note 20)	**10,528**	(173,882)	**-**	-	**10,528**	(173,882)
(Charged)/credited to profit and loss account (Note 9)	**(1,281,998)**	1,369,435	**148,806**	(75,731)	**(1,133,192)**	1,293,704
At end of year	**(2,437,328)**	(1,165,858)	**408**	(148,398)	**(2,436,920)**	(1,314,256)
Deferred tax asset	**-**	-	**408**	9,616	**408**	9,616
Deferred tax liability	**(2,437,328)**	(1,165,858)	**-**	(158,014)	**(2,437,328)**	(1,323,872)
	(2,437,328)	(1,165,858)	**408**	(148,398)	**(2,436,920)**	(1,314,256)

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

17. Deferred taxation - continued

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2022: 35%) with two exceptions. Deferred taxes for investment property and freehold and other property are calculated using a tax rate of 8% or 10% of the carrying amount (2022: 8% or 10%) depending on acquisition dates. Deferred taxes for one cell which operates in the UK markets are calculated using a tax rate of 23.5% (2022: 23.5%).

The balance at 31 December represents temporary differences on:

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Revaluation of property, plant and equipment - land and buildings	**(617,446)**	(627,975)	**-**	-	**(617,446)**	(627,975)
Revaluation of investment property	**(803,560)**	(35,000)	**-**	-	**(803,560)**	(35,000)
Temporary differences on:						
- Financial investments at FVTPL	**(1,065,786)**	(232,829)	**-**	-	**(1,065,786)**	(232,829)
- Fixed assets	**(94,854)**	(26,709)	**-**	-	**(94,854)**	(26,709)
- Provisions	**144,318**	86,028	**-**	-	**144,318**	86,028
- Impact of IFRS 17 adjustement	**-**	(329,373)	**408**	(148,398)	**408**	(477,771)
At end of year	**(2,437,328)**	(1,165,858)	**408**	(148,398)	**(2,436,920)**	(1,314,256)

Movements in deferred tax arising on revaluation of land and buildings are accounted for in OCI. 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 2023 in relation to tax losses of €3,408,175 (2022: €2,857,235) arising from cellular operations in view of the uncertainty of recovery in the foreseeable future.

18. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Debtors not arising from direct insurance operations						
Receivable from parent undertaking	**12,561**	34,072	**-**	-	**12,561**	34,072
Receivable from related parties	**76,047**	51,377	**-**	-	**76,047**	51,377
Receivable from subsidiaries	**2,262,204**	1,052,800	**-**	-	**2,262,204**	1,052,800
Other debtors	**552,999**	570,726	**471,676**	430,166	**1,024,675**	1,000,892
	2,903,811	1,708,975	**471,676**	430,166	**3,375,487**	2,139,141
Prepayments and accrued income						
Prepayments	**620,928**	581,472	**425,398**	88,132	**1,046,326**	669,604
Accrued interest	**108,394**	125,726	**55,554**	-	**163,948**	125,726
	729,322	707,198	**480,952**	88,132	**1,210,274**	795,330
Total debtors and prepayments and accrued income	**3,633,133**	2,416,173	**952,628**	518,298	**4,585,761**	2,934,471
Current portion	**3,633,133**	2,416,173	**952,628**	518,298	**4,585,761**	2,934,471

Core and cell debtors are presented net of an allowance for impairment (Note 1.10.3). Receivables from group undertakings and related parties are unsecured, interest free and repayable on demand.

19. Share capital

	2023 €	2022 €
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
12,000,000 (2022: 7,885,739) cell shares of €2.50 each	**30,000,000**	19,714,348
	42,500,000	32,214,348
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**	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 44.45% 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: 480,000 cell shares	**1,200,000**	900,000
Cell 11		
Issued and 100% paid up share capital: 480,000 cell shares	**1,200,000**	-
Cell 12		
Issued and 100% paid up share capital: 2,000,000 cell shares	**5,000,000**	-
	20,360,838	13,860,838
Total share capital	**32,360,838**	25,860,838

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

On the 11 January 2023 the Company incorporated Cell 11 with a share capital of 320,000 shares of €2.50 each fully paid up.

In terms of a resolution dated 11 April 2023, the issued share capital of the Company was increased by 120,000 shares of €2.50 each fully paid up. This was in relation to Cell 10.

By resolutions dated 26 August 2023 and 13 September 2023, the issued share capital of the Company was increased by 160,000 shares of €2.50 and 2,000,000 shares of €2.50 each fully paid, in relation to the new Cell 11 and Cell 12 respectively.

20. Reserves

	Core		Cells		Total	
	2023	2022 Restated	**2023**	2022 Restated	**2023**	2022 Restated
	€	€	**€**	€	**€**	€
Revaluation reserve	**5,866,673**	5,856,145	**-**	-	**5,866,673**	5,856,145
Functional currency exchange reserve	**-**	-	**(234,014)**	(395,913)	**(234,014)**	(395,913)
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Total other reserves	**6,068,215**	6,057,687	**(234,014)**	(395,913)	**5,834,201**	5,661,774

Revaluation reserve

	Core	
	2023	2022
	€	€
Year ended 31 December		
At beginning of year	**5,856,145**	4,139,292
Property, plant and equipment – land and buildings:		
Movement in deferred tax in relation to revaluation surplus (Note 17)	**10,528**	(173,882)
Revaluation surplus on land and buildings (Note 13)	**-**	1,890,735
At end of year	**5,866,673**	5,856,145

Functional currency exchange reserve

	Cells	
	2023	2022
	€	€
Year ended 31 December		
At beginning of year	**(395,913)**	(123,319)
Exchange differences resulting from translation to presentation currency	**161,899**	(272,594)
At end of year	**(234,014)**	(395,913)

The movements during the year are accounted for in OCI.

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.

20. Reserves - continued

Retained earnings/(Accumulated losses)

	2023 €	2022 €
Core	**29,376,387**	25,357,090
Cells		
Cell 2	**(382,729)**	(218,395)
Cell 4	**(443,449)**	(248,125)
Cell 5	**424,022**	269,770
Cell 6	**662,974**	282,841
Cell 7	**1,325,745**	1,061,977
Cell 8	**(1,462,267)**	(1,322,866)
Cell 9	**712,752**	643,728
Cell 10	**641,533**	545,736
Cell 11	**(377,219)**	-
Cell 12	**4,039,103**	-
	5,140,465	1,014,666
Total Retained earnings	**34,516,852**	26,371,756

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. Insurance contract liabilities and reinsurance contract assets

The following table sets out the amounts presented in the balance sheet for insurance contracts and reinsurance contracts at 31 December.

	Core €	Cells €	Total €
At 31 December 2023			
Insurance contracts			
Insurance contract liabilities			
- Insurance contract balances	37,444,374	10,748,740	48,193,114
	37,444,374	**10,748,740**	**48,193,114**
Insurance contract assets			
- Insurance contract balances	-	(7,828,635)	(7,828,635)
	-	**(7,828,635)**	**(7,828,635)**
Reinsurance contracts			
Reinsurance contract assets	(11,812,439)	(1,136,832)	(12,949,271)
Rensurance contract liabilities	-	1,298,510	1,298,510
	(11,812,439)	**161,678**	**(11,650,761)**

21. **Insurance contract liabilities and reinsurance contract assets** - continued

	Core	Cells	Total
	€	€	€
At 31 December 2022 (restated)			
Insurance contracts			
Insurance contract liabilities			
- Insurance contract balances	51,238,711	4,325,018	55,563,729
	51,238,711	4,325,018	55,563,729
Insurance contract assets			
- Insurance contract balances	-	(353,368)	(353,368)
	-	(353,368)	(353,368)
Reinsurance contracts			
Reinsurance contract assets	(28,984,144)	(359,585)	(29,343,729)
Reinsurance contract liabilities	-	2,120,770	2,120,770
	(28,984,144)	1,761,185	(27,222,959)

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be settled or recovered more than 12 months after the reporting date.

	2023		2022	
	Core	**Cells**	Core	Cells
	€	**€**	€	€
Insurance contract assets	**-**	**598,624**	-	(4,049)
Insurance contract liabilites	**3,961,394**	**69,782**	7,187,788	26,280
Reinsurance contract liabilities	**-**	**9,177**	-	9,455
Reinsurance contract assets	**(1,135,768)**	**(8,724)**	(4,311,982)	(12,133)
	2,825,626	**668,859**	2,875,806	19,553

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit and loss.

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit and loss.

21. Insurance contract liabilities and reinsurance contract assets – continued

21.1 Reconciliation of the liability for remaining coverage and incurred claims – Core insurance contracts issued

Insurance contracts issued	2023				2022			
	Liability for remaining coverage	Liability for incurred claims		Total	Liability for remaining coverage	Liability for incurred claims		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	12,435,916	36,692,509	2,110,286	51,238,711	10,835,926	22,419,205	1,273,245	34,528,376
Net opening balance	12,435,916	36,692,509	2,110,286	51,238,711	10,835,926	22,419,205	1,273,245	34,528,376
Changes in statement of profit and loss								
Insurance revenue	(57,197,750)	-	-	(57,197,750)	(50,425,647)	-	-	(50,425,647)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	37,522,553	562,371	38,084,924	-	50,293,739	668,680	50,962,419
Amortisation of insurance acquisition cash flows	8,745,202	-	-	8,745,202	7,391,450	-	-	7,391,450
Changes that relate to past service – changes in FCF relating to the LIC	-	(17,619,611)	(1,482,003)	(19,101,614)	-	(6,046,756)	168,361	(5,878,395)
	8,745,202	19,902,942	(919,632)	27,728,512	7,391,450	44,246,983	837,041	52,475,474
Insurance service result	(48,452,548)	19,902,942	(919,632)	(29,469,238)	(43,034,197)	44,246,983	837,041	2,049,827
Net finance expenses from insurance contracts	-	740,328	-	740,328	-	(65,812)	-	(65,812)
Total changes in statement of profit and loss and OCI	(48,452,548)	20,643,270	(919,632)	(28,728,910)	(43,034,197)	44,181,171	837,041	1,984,015
Cash flows								
Premiums received	62,063,936	-	-	62,063,936	52,101,846	-	-	52,101,846
Claims and other insurance service expenses paid	-	(37,896,537)	-	(37,896,537)	-	(29,907,867)	-	(29,907,867)
Insurance acquisition cash flows	(9,232,826)	-	-	(9,232,826)	(7,467,659)	-	-	(7,467,659)
Total cash flows	52,831,110	(37,896,537)	-	14,934,573	44,634,187	(29,907,867)	-	14,726,320
Insurance contract liabilities as at 31 December	16,814,478	19,439,242	1,190,654	37,444,374	12,435,916	36,692,509	2,110,286	51,238,711

21. Insurance contract liabilities and reinsurance contract assets – continued

21.2 Reconciliation of the remaining coverage and incurred claims – Core reinsurance contracts held

Reinsurance contracts held	2023				2022			
	Assets for remaining coverage	Assets for incurred claims		Total	Assets for remaining coverage	Assets for incurred claims		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets as at 1 January	4,572,454	22,991,916	1,419,774	28,984,144	2,108,953	9,815,391	515,392	12,439,736
Net opening balance	4,572,454	22,991,916	1,419,774	28,984,144	2,108,953	9,815,391	515,392	12,439,736
Changes in statement of profit and loss and OCI								
Allocation of reinsurance premiums paid	(20,351,414)	-	-	(20,351,414)	(17,838,852)	-	-	(17,838,852)
Amounts recoverable from reinsurer								
Recoveries of incurred claims and other insurance service expenses	-	13,525,850	166,264	13,692,114	-	28,120,693	332,638	28,453,331
Changes that relate to past service - changes in FCF relating to incurred claims recovery	-	(14,588,177)	(1,165,463)	(15,753,640)	-	(2,039,085)	571,744	(1,467,341)
	-	(1,062,327)	(999,199)	(2,061,526)	-	26,081,608	904,382	26,985,990
Effects of changes in non-performance risk of reinsurers								
Net expenses from reinsurance contracts	(20,351,414)	(1,062,327)	(999,199)	(22,412,940)	(17,838,852)	26,081,608	904,382	9,147,138
Net finance income from reinsurance contracts	-	444,045	-	444,045	-	(11,929)	-	(11,929)
Total changes in the statement of profit and loss	(20,351,414)	(618,282)	(999,199)	(21,968,895)	(17,838,852)	26,069,679	904,382	9,135,209
Cash flows								
Premiums paid	28,622,808	-	-	28,622,808	28,526,907	-	-	28,526,907
Amounts received	(9,147,842)	(14,677,776)	-	(23,825,618)	(8,224,554)	(12,893,154)	-	(21,117,708)
Total cash flows	19,474,966	(14,677,776)	-	4,797,190	20,302,353	(12,893,154)	-	7,409,199
Reinsurance contract assets as at 31 December	3,696,006	7,695,858	420,575	11,812,439	4,572,454	22,991,916	1,419,774	28,984,144

21. Insurance contract liabilities and reinsurance contract assets – continued

21.3 Reconciliation of the liability for remaining coverage and incurred claims – Cells insurance contracts issued

	2023					2022				
	Liability for remaining coverage	Liability for incurred claims			Total	Liability for remaining coverage	Liability for incurred claims			Total
		Contracts not measured under the PAA	Contract measured under the PAA				Contracts not measured under the PAA	Contracts measured under the PAA		
Insurance contracts as at 1 January			Estimates of present value of future cash flows	Risk adjustment for non-financial risk				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	(2,567,313)	-	2,196,400	17,545	(353,368)	(2,798,775)	-	2,469,292	1,967	(327,516)
Opening liabilities	(10,925,748)	-	15,124,978	125,788	4,325,018	(7,322,290)	-	11,753,502	240,964	4,672,176
Net opening balance	(13,493,061)	-	17,321,378	143,333	3,971,650	(10,121,065)	-	14,222,794	242,931	4,344,660
Adjustment during the year	(146,837)	146,837	-	-	-	-	-	-	-	-
Changes in statement of profit and loss										
Insurance revenue	(62,787,066)	-	-	-	(62,787,066)	(40,054,401)	-	-	-	(40,054,401)
Insurance service expenses										
Incurred claims and other insurance service expenses	393,370	84,421	39,800,399	969,315	41,247,505	-	-	29,174,347	(39,023)	29,135,324
Amortisation of insurance acquisition cash flows	4,616,345	-	4,313,478	-	8,929,823	2,157,547	-	3,259,135	-	5,416,682
Changes that relate to past service – changes in FCF relating to the LIC	-	880,638	386,644	(12,796)	1,254,486	-	-	(530,505)	(58,445)	(588,950)
	5,009,715	965,059	44,500,521	956,519	51,431,814	2,157,547	-	31,902,977	(97,468)	33,963,056
Insurance service result	(57,777,351)	965,059	44,500,521	956,519	(11,355,252)	(37,896,854)	-	31,902,977	(97,468)	(6,091,345)
Net finance expenses from insurance contracts	147,547	-	(246,548)	-	(99,001)	-	-	(6,416)	-	(6,416)
Effect of movement in exchange rates	-	-	5,181	852	6,033	(6,526)	-	(25,436)	(2,130)	(34,092)
Total changes in statement of profit and loss and OCI	(57,629,804)	965,059	44,259,154	957,371	(11,448,220)	(37,903,380)	-	31,871,125	(99,598)	(6,131,853)

21. Insurance contract liabilities and reinsurance contract assets – continued

21.3 Reconciliation of the liability for remaining coverage and incurred claims – Cells insurance contracts issued - continued

	2023					2022				
	Liability for remaining coverage	Liability for incurred claims			Total	Liability for remaining coverage	Liability for incurred claims			Total
		Contracts not measured under the PAA	Contract measured under the PAA				Contracts not measured under the PAA	Contracts measured under the PAA		
Insurance contracts			Estimates of present value of future cash flows	Risk adjustment for non-financial risk				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Cash flows										
Premiums received	60,720,978	-	-	-	60,720,978	39,004,510	-	-	-	39,004,510
Claims and other insurance service expenses paid	-	(36,344)	(42,543,219)	-	(42,579,563)	-	-	(28,772,541)	-	(28,772,541)
Insurance acquisition cash flows	(7,744,740)	-	-	-	(7,744,740)	(4,473,126)	-	-	-	(4,473,126)
Total cash flows	52,976,238	(36,344)	(42,543,219)	-	10,396,675	34,531,384	-	(28,772,541)	-	5,758,843
Transfer to other items in the statement of financial position	139,289	-	(139,289)	-	-	-	-	-	-	-
Net closing balance	(18,154,175)	1,075,552	18,898,024	1,100,704	2,920,105	(13,493,061)	-	17,321,378	143,333	3,971,650
Closing assets	(9,466,115)	1,075,552	521,587	40,341	(7,828,635)	(2,567,313)	-	2,196,400	17,545	(353,368)
Closing liabilities	(8,688,060)	-	18,376,437	1,060,363	10,748,740	(10,925,748)	-	15,124,978	125,788	4,325,018
Net closing balance as at 31 December	(18,154,175)	1,075,552	18,898,024	1,100,704	2,920,105	(13,493,061)	-	17,321,378	143,333	3,971,650

21. Insurance contract liabilities and reinsurance contract assets – continued

21.4 Analysis by measurement component – Cells insurance contracts issued measured under the GMM

	2023			
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening assets	-	-	-	-
Opening liabilities	-	-	-	-
Net opening balance - – Insurance contracts s at 1 January	-	-	-	-
Changes in the statement of comprehensive income				
Changes that relate to current services				
CSM recognised for services provided	-	-	6,704,294	6,704,294
Risk adjustment recognised for the risk expired	-	75,236	-	75,236
Experience adjustments	(457,650)	-	-	(457,650)
	(457,650)	**75,236**	**6,704,294**	**6,321,880**
Changes that relate to future services				
Contracts initially recognised in the period	13,892,744	(180,548)	(13,712,196)	-
Changes in estimates that adjust the CSM	1,237,294	-	(1,237,294)	-
	15,130,038	**(180,548)**	**(14,949,490)**	-
Changes that relate to past services				
Changes in FCF relating to the LIC	(880,638)	-	-	(880,638)
	(880,638)	-	-	**(880,638)**
Insurance service result	**927,215**	-	-	**927,215**
Net finance expenses (income) from insurance contracts	**329,889**	-	**(456,068)**	**(126,179)**
Total changes in the statement of comprehensive income	**15,048,854**	**(105,312)**	**(8,701,264)**	**6,242,278**
Cash flows	**36,344**	-	-	**36,344**
Closing assets	15,085,198	(105,312)	(8,701,264)	6,278,622
Closing liabilities	-	-	-	-
Net closing balance – Insurance contracts as at 31 December	**15,085,198**	**(105,312)**	**(8,701,264)**	**6,278,622**

21. Insurance contract liabilities and reinsurance contract assets – continued

21.5 Reconciliation of the remaining coverage and incurred claims – Cells reinsurance contracts held

Reinsurance contracts	2023				2022			
	Assets for remaining coverage	Assets for incurred claims		Total	Assets for remaining coverage	Assets for incurred claims		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	(226,559)	579,006	7,138	359,585	(259,978)	626,626	9,546	376,194
Opening liabilities	(2,584,530)	458,883	4,877	(2,120,770)	(1,401,835)	363,267	12,897	(1,025,671)
Net opening balance as at 1 January	(2,811,089)	1,037,889	12,015	(1,761,185)	(1,661,813)	989,893	22,443	(649,477)
Changes in statement of profit and loss and OCI								
Allocation of reinsurance premiums paid	(15,200,893)	-	-	(15,200,893)	(10,720,695)	-	-	(10,720,695)
Amounts recoverable from reinsurer								
Recoveries of incurred claims and other insurance service expenses	-	11,105,702	844,554	11,950,256	-	7,924,565	(10,368)	7,914,197
Changes that relate to past service - changes in FCF relating to incurred claims recovery	-	(264)	(527)	(791)	-	(1,165)	(19)	(1,184)
	-	11,105,438	844,027	11,949,465	-	7,923,400	(10,387)	7,913,013
Investment component	(23,450,311)	23,450,311	-	-	(15,765,597)	15,765,597	-	-
Effects of changes in non-performance risk of reinsurers	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts	(38,651,204)	34,555,749	844,027	(3,251,428)	(26,486,292)	23,688,997	(10,387)	(2,807,682)
Net finance income from reinsurance contracts	-	(248,201)	-	(248,201)	-	6,483	-	6,483
Effect of movements in exchange rates	-	166	59	225	-	(588)	(41)	(629)
Total changes in the statement of profit and loss	(38,651,204)	34,307,714	844,086	(3,499,404)	(26,486,292)	23,694,892	(10,428)	(2,801,828)

21. Insurance contract liabilities and reinsurance contract assets – continued

21.5 Reconciliation of the remaining coverage and incurred claims – Cells reinsurance contracts held - continued

Reinsurance contracts	2023				2022			
	Assets for remaining coverage	Assets for incurred claims		Total	Assets for remaining coverage	Assets for incurred claims		Total
		Estimates of present valueto of future cash flows	Risk adjustment for non-financial risk			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Cash flows								
Premiums paid	37,416,240	-	-	37,416,240	25,337,016	-	-	25,337,016
Amounts received	-	(32,317,329)	-	(32,317,329)		(23,646,896)	-	(23,646,896)
Total cash flows	37,416,240	(32,317,329)	-	5,098,911	25,337,016	(23,646,896)	-	1,690,120
Net closing balance	(4,046,053)	3,028,274	856,101	(161,678)	(2,811,089)	1,037,889	12,015	(1,761,185)
Closing assets	(1,322,385)	1,621,558	837,659	1,136,832	(226,559)	579,006	7,138	359,585
Closing liabilities	(2,723,668)	1,406,716	18,442	(1,298,510)	(2,584,530)	458,883	4,877	(2,120,770)
Net closing balance as at 31 December	(4,046,053)	3,028,274	856,101	(161,678)	(2,811,089)	1,037,889	12,015	(1,761,185)

21. Insurance contract liabilities and reinsurance contract assets – continued

21.6 Analysis of contracts initially recognised in the period – insurance contracts held

The following table summarises the effect on the measurement components arising from the initial recognition of cell insurance contracts issued measured under GMM.

2023	Profitable contracts
Insurance acquisition cash flows	(5,005,401)
Claims payable and other expenses	(5,343,168)
Estimates of present value of future cash outflows	(10,348,569)
Estimates of present value of future cash inflows	24,241,313
Risk adjustment for non-financial risk	(180,548)
CSM	(13,712,196)
Losses recognised on initial recognition	-

21.7 Contractual service margin – Cell insurance contracts issued measured under GMM

The following table sets out when the Company expects to recognise the remaining CSM in profit and loss after the reporting date for contracts measured under the GMM.

31-Dec-23	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	>10 years	Total
Insurance contracts issued								
Segment 1 (Life)	2,169,744	1,080,916	546,399	251,291	63,380	0	0	4,111,730
Segment 2 (Health)	2,185,476	703,354	107,114	(154,313)	(192,008)	0	0	2,649,623
Segment 3 (Non-Life)	1,597,076	514,559	80,091	(111,659)	(140,156)	0	0	1,939,911
	5,952,296	2,298,829	733,604	(14,681)	(268,784)	0	0	8,701,264

21.8 Claims development

The tables below illustrate how estimates of cumulative claims have developed over time on a gross and net of reinsurance basis. Each table shows how the estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

The Company provides information on the claims development for the current reporting period and nine years prior to it. In order to reconcile undiscounted claims information for the nine years prior to the current reporting period (i.e., for the periods prior to the transition to IFRS 17) the Company included estimates of claim amounts based on accounting policies that existed prior to IFRS 17 adoption.

21. Insurance contract liabilities and reinsurance contract assets - continued

21.8 Claims development - continued

21.8.1 Gross claims development – Core

31 December 2023	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	2023 €	Total €
Gross of reinsurance											
Estimates of undiscounted gross cumulative claims											
- at end of reporting year	11,283,117	15,231,792	14,400,164	19,016,753	16,389,345	25,132,054	21,081,989	22,576,896	42,655,732	30,452,725	
- one year later	9,022,726	13,446,678	13,173,332	15,576,521	15,123,712	28,626,726	20,701,383	22,277,800	26,923,832		
- two years later	8,015,028	12,337,696	12,351,302	14,143,021	13,417,732	22,095,567	17,827,989	19,828,143			
- three years later	7,802,011	11,838,299	12,157,822	13,651,274	12,933,181	21,066,365	17,467,276				
- four years later	7,625,992	11,666,675	11,736,936	11,119,019	12,674,054	20,524,703					
- five years later	7,486,864	11,475,199	11,611,811	10,592,190	12,292,949						
- six years later	7,463,982	11,354,526	11,208,591	10,410,919							
- seven years later	7,452,560	11,305,610	10,823,196								
- eight years later	7,454,511	11,312,637									
- nine years later	7,453,422										
Cumulative gross claims paid	(7,453,324)	(11,159,549)	(10,187,433)	(10,259,162)	(11,920,508)	(20,312,054)	(16,703,232)	(19,160,147)	(22,978,183)	(20,198,454)	(150,332,047)
Gross liabilities - accident years 2014 to 2023	98	153,088	635,763	151,757	372,441	212,649	764,044	667,996	3,945,649	10,254,271	17,157,756
Gross liabilities - accident years before 2014											154,063
Effect of the risk adjustment margin for non-financial risk											1,190,654
Effect of discounting											(542,041)
Effect of other attributable expenses											2,669,463
Gross liabilities for incurred claims included in the statement of financial position											**20,629,895**

21. Insurance contract liabilities and reinsurance contract assets – continued

21.8 Claims development – continued

21.8.2 Net claims development – Core

31 December 2023	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	€	€	€	€	€	€	€	€	€	€	€
Net of reinsurance											
Estimates of undiscounted net cumulative claims											
- at end of reporting year	7,768,761	9,431,033	10,106,850	9,212,017	9,983,389	10,845,598	10,084,733	11,356,551	13,827,729	16,747,220	
- one year later	6,881,159	8,675,037	9,465,006	8,502,035	9,266,810	9,932,356	9,953,999	11,219,058	12,477,625		
- two years later	6,357,253	7,697,462	8,589,373	7,553,094	8,175,838	8,964,575	8,377,233	9,499,721			
- three years later	6,170,581	7,267,099	8,430,599	7,092,908	8,105,618	8,650,666	8,187,437				
- four years later	6,044,203	7,115,980	8,364,577	6,938,939	7,878,894	8,394,281					
- five years later	5,905,074	6,949,363	8,248,932	6,577,103	7,707,956						
- six years later	5,882,192	6,927,162	7,914,302	6,490,727							
- seven years later	5,870,781	6,878,311	7,585,372								
- eight years later	5,875,637	7,118,261									
- nine years later	5,874,528										
Cumulative gross claims paid	(5,874,475)	(6,965,172)	(7,101,502)	(6,342,569)	(7,360,353)	(8,222,300)	(7,441,110)	(8,897,544)	(10,177,937)	(10,614,771)	(78,997,733)
Net liabilities - accident years 2014 to 2023	53	153,089	483,870	148,158	347,603	171,981	746,327	602,177	2,299,688	6,132,449	11,085,395
Net liabilities - accident years before 2014											143,078
Effect of the risk adjustment margin for non-financial risk											770,079
Effect of discounting											(382,292)
Effect of other attributable expenses											897,202
Net liabilities for incurred claims included in the statement of financial position											**12,513,462**

21. Insurance contract liabilities and reinsurance contract assets – continued

21.8 Claims development – continued

21.8.3 Gross claims development – Cells

31 December 2023	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	€	€	€	€	€	€	€	€	€	€	€
Gross of reinsurance											
Estimates of undiscounted gross cumulative claims											
- at end of reporting year	2,599,788	4,316,313	6,313,918	4,995,359	6,928,469	7,663,637	12,513,016	14,386,935	14,676,346	17,357,479	
- one year later	2,510,706	4,388,673	5,864,907	5,908,254	7,961,095	7,814,119	12,580,373	13,481,274	14,540,948		
- two years later	2,458,948	3,943,310	4,547,110	6,486,539	8,001,680	7,823,733	12,567,033	13,486,130			
- three years later	2,435,363	3,675,494	4,642,083	6,785,493	7,812,525	7,823,733	12,570,521				
- four years later	2,297,218	3,527,009	4,846,362	6,815,780	7,597,659	7,824,600					
- five years later	2,165,150	3,498,097	4,896,934	7,093,526	7,644,532						
- six years later	2,134,561	3,530,903	4,834,451	6,692,714							
- seven years later	2,140,383	3,537,779	4,818,687								
- eight years later	2,140,215	3,503,585									
- nine years later	2,132,272										
Cumulative gross claims paid	(2,040,334)	(3,073,604)	(4,763,259)	(6,181,999)	(7,901,047)	(7,824,438)	(12,569,123)	(13,482,173)	(12,761,876)	(12,933,111)	(83,530,964)
Gross liabilities - accident years 2014 to 2023	91,938	429,981	55,428	510,715	(256,515)	162	1,398	3,957	1,779,072	4,424,368	7,040,504
Gross liabilities - accident years before 2014											(720,127)
Effect of the risk adjustment margin for non-financial risk											1,100,704
Effect of discounting											(353,379)
Effect of other attributable expenses											14,006,578
Gross liabilities for incurred claims included in the statement of financial position											**21,074,280**

21. Insurance contract liabilities and reinsurance contract assets – continued

21.8 Claims development – continued

21.8.4 Net claims development – Cells

31 December 2023	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	€	€	€	€	€	€	€	€	€	€	€
Net of reinsurance											
Estimates of undiscounted net cumulative claims											
- at end of reporting year	2,599,788	4,316,313	4,912,343	4,949,097	6,698,029	4,694,420	6,386,977	6,133,295	5,165,041	7,017,600	
- one year later	2,510,706	4,327,739	4,928,134	5,906,563	7,145,618	5,012,057	6,900,562	6,060,551	5,519,024		
- two years later	2,458,948	3,943,490	4,139,355	6,485,339	7,185,412	5,014,418	6,875,821	6,059,894			
- three years later	2,383,591	3,727,573	4,763,347	6,738,051	7,033,370	5,014,418	6,894,325				
- four years later	2,245,446	3,585,226	4,913,952	6,825,477	6,819,445	5,014,615					
- five years later	2,113,378	3,526,050	5,008,966	7,103,223	6,859,611						
- six years later	2,113,378	3,558,855	4,946,483	6,702,411							
- seven years later	2,119,200	3,565,731	4,930,719								
- eight years later	2,119,032	3,538,413									
- nine years later	2,110,920										
Cumulative gross claims paid	(2,060,701)	(3,040,674)	(4,161,999)	(5,613,402)	(6,838,366)	(5,014,453)	(6,894,070)	(6,058,687)	(4,761,520)	(4,887,575)	(49,331,446)
Net liabilities - accident years 2014 to 2023	50,219	497,739	768,720	1,089,009	21,245	162	255	1,207	757,504	2,130,025	5,316,085
Net liabilities - accident years before 2014											(2,326,018)
Effect of the risk adjustment margin for non-financial risk											244,603
Effect of discounting											(52,683)
Effect of other attributable expenses											14,007,918
Net liabilities for incurred claims included in the statement of financial position											**17,189,905**

22. Creditors and accruals and deferred income

	Core 2023 €	Core 2022 €	Cells 2023 €	Cells 2022 €	Total 2023 €	Total 2022 €
Creditors not arising from direct insurance operations						
Payable to related parties	**50,105**	37,455	**26,114**	197,809	**76,219**	235,264
Other creditors	**52,489**	251,456	**10,835**	-	**63,324**	251,456
	102,594	288,911	**36,949**	197,809	**139,543**	486,720
Accruals and deferred income	**1,093,212**	773,815	**62,226**	-	**1,155,438**	773,815
Total creditors and accruals and deferred income	**1,195,806**	1,062,726	**99,175**	197,809	**1,294,981**	1,260,535
Current portion	**1,195,806**	1,062,726	**99,175**	197,809	**1,294,981**	1,260,535

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

23. Cash generated from operations

	Core 2023 €	Core 2022 €	Cells 2023 €	Cells 2022 €	Total 2023 €	Total 2022 €
Insurance premiums received, net of IACF	**52,831,110**	44,634,187	**52,976,238**	34,531,384	**105,807,348**	79,165,571
Reinsurance premiums paid, net of commission	**(19,474,966)**	(20,302,353)	**(37,416,240)**	(25,337,016)	**(56,891,206)**	(45,639,369)
Claims and other insurance service expenses paid	**(37,896,537)**	(29,907,867)	**(42,579,563)**	(28,772,541)	**(80,476,100)**	(58,680,408)
Reinsurance claims received, net of commission	**14,677,776**	12,893,154	**32,317,329**	23,646,896	**46,995,105**	36,540,050
Cash paid to employees, related parties and other suppliers for services and goods	**(1,282,965)**	(1,241,351)	**(554,889)**	100,517	**(1,837,854)**	(1,140,834)
Interest received	**473,345**	321,112	**6,958**	-	**480,303**	321,112
Dividends received	**851,949**	754,154	**3,010**	-	**854,959**	754,154
Rental Income	**472,980**	494,887	**-**	-	**472,980**	494,887
Net (purchase)/disposal of operating assets:						
- loans and receivables	**700**	387,325	**-**	1,490,000	**700**	1,877,325
- financial assets at fair value through profit and loss	**(4,478,866)**	(4,239,756)	**(4,856,647)**	-	**(9,335,513)**	(4,239,756)
Cash generated from / (used in) operations	**6,174,526**	3,793,492	**(103,804)**	5,659,240	**6,070,722**	9,452,732

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	
	2023	2022	**2023**	2022	**2023**	2022
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**6,139,441**	4,748,956	**24,312,960**	19,434,766	**30,452,401**	24,183,722
Held with investment managers	**275,981**	448,778	**-**	-	**275,981**	448,778
At end of year	**6,415,422**	5,197,734	**24,312,960**	19,434,766	**30,728,382**	24,632,500

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.

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

	2023	2022
	€	€
Income		
Subsidiaries:		
Payroll costs charged	**376,047**	517,722
Other related entities:		
Payroll costs charged	**27,792**	60,593
Interest income	**-**	11,944
Expenses		
Subsidiaries:		
Commission payable	**3,342,756**	2,952,234

During 2022, a loan receivable from related party was fully repaid. This was subject to interest of 4.75% secured by special hypothec and special privilege on commercial property. Interest received from the related party loan amounted to €11,944.

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

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

26. 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.

27. Comparative information

The Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022. The comparative figures disclosed have been restated in accordance with Note 1.2.

28. Events after the reporting period

There were no significant events to report after year end.