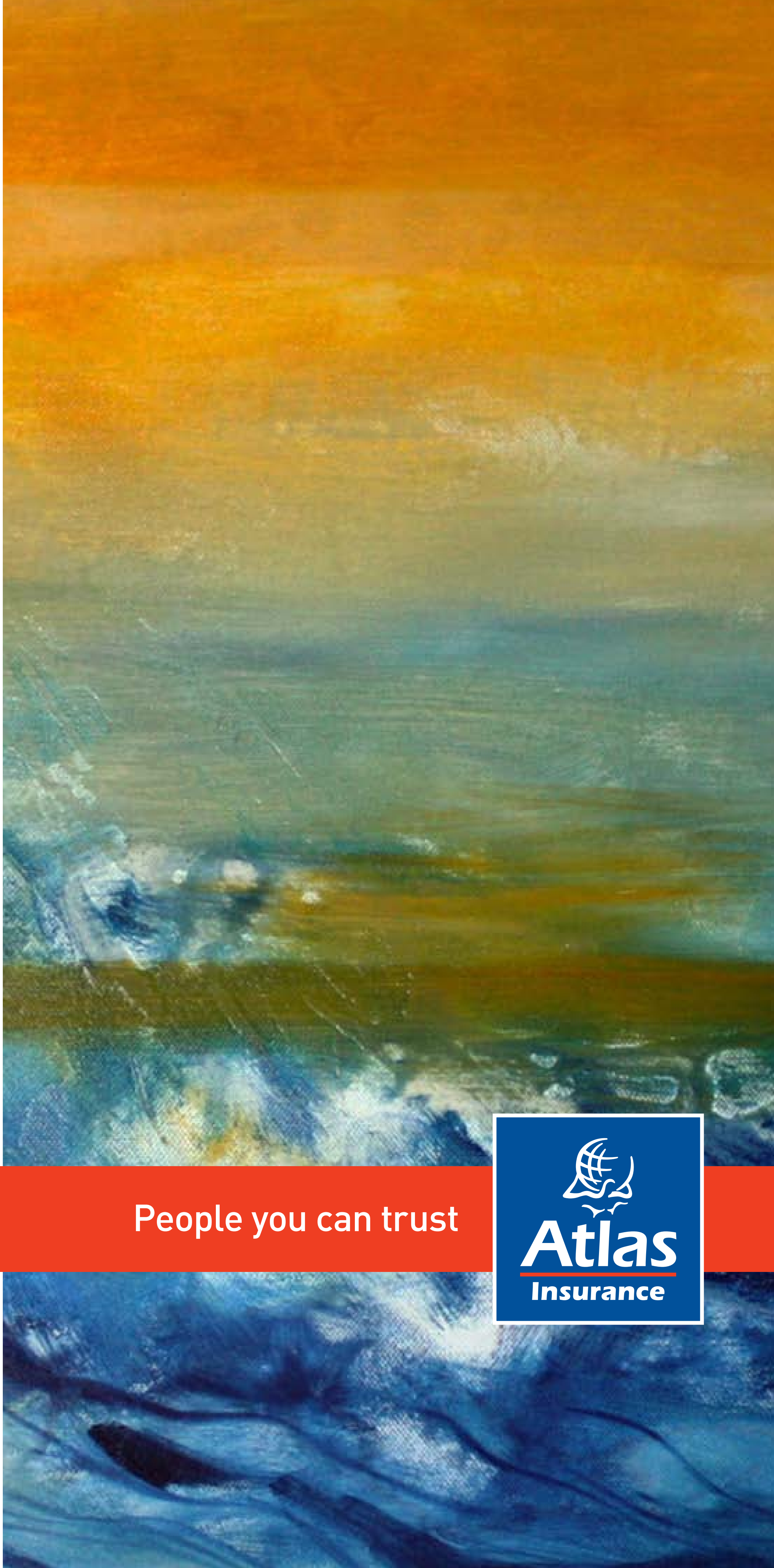
Annual Report 2014



People you can trust

Atlas Insurance

Artwork featured on the front and back covers:
'Mares' and 'Match Racing' oil on canvas paintings by Stephen Grima.
Stephen Grima was the featured artist in the Atlas Calendar for 2015.

Atlas Insurance PCC Limited

Annual Report & Audited Financial Statements 2014

Our Vision

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

Our Mission

Atlas fosters a respectful environment between staff, clients, intermediaries and suppliers that empowers our people to build on their skills and training to develop and provide innovative, personalised, top quality products while ensuring the consistent delivery of our service promise to exceed our clients' expectations.

Our Core Values

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

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Chairman's statement

Economic environment

Following very difficult times and the initial signs of growth in the global economy in 2013, there are now signs of a pickup and some positive momentum in the euro area, reflecting lower oil prices and the quantitative easing policy of the European Central Bank. However the International Monetary Fund has reported that the risks of prolonged low growth and low inflation remain.

Thus the priority for the European Union is to boost growth and inflation through a comprehensive approach that, in addition to quantitative easing, features the prudent use of available fiscal resources to stimulate investment; structural reforms that aim to enhance productivity; and steps to strengthen the balance sheet of financial institutions.

The Maltese economy has continued to perform well and in 2014 real growth of the gross domestic product reached 3.5%, compared to 2.4% in 2013 and compared to 0.9% in the euro area as a whole. The inflation rate continued to decelerate and reached 0.8% creating expectations for further decreases in prices.

Employment in Malta grew by 1.2% in 2014 over 2013 and the unemployment rate was 5.9%. The current account balance was 2.7% of the gross domestic product, reflecting a healthy position in Malta's international economic relations with the rest of the world.

Gross value added of financial insurance activities stood at just over €500 million in 2014. This represents a slowdown from 2013 when gross value added from such activities stood at over €526 million.

While the local insurance sector as a whole remains buoyant with a 10.5% growth in total general business premium income to €1.69 billion, growth in the sector relating to risks situated in Malta amounted to a more modest increase of just under 3% to €110m. Despite a difficult local competitive environment, the Company's core (non-cellular) premium income base grew by 8.6%, reflecting our commitment to play an important role in the local insurance market. When taking into consideration business written outside Malta by cells, the PCC's total growth amounted to 17.5% and a total of €40.5m in premium written for the financial period.

Financial results

Atlas Insurance PCC continued to make good progress in 2014. Profit before tax for the PCC as a whole amounted to €6.43m (2013: €6.67 million) with strong improvement in the non-cellular (core) profit before tax of €4.37m (2013: €3.87m). Earnings per share for core shareholders amounted to €1.33 (2013: €1.18) and a return on capital employed for the PCC as a whole of 22.17% (2013: 27.45%).

Operating expenses for the core were again tightly controlled with an increase of €0.16m million or 6.6%. The balance on the technical account for the Core increased over that of 2013 largely due to improved investment return at €4.03 million (2013: €3.60 million). The cells continued to perform well with an aggregated technical account balance of €2.04 million, down on the previous year (2013: €2.80m) following the winding down of the Totemic Cell 1.

The investment income accruing to the core for the year outperformed that of the previous year, reflecting the same cautious and diversified investment strategy used in previous years, with further fair value gains and realised income amounting to €2.66 million (2013: €1.86 million).

I am pleased to report that, as in past years, the Company continues to show a strong balance sheet which maintains high levels of capital surplus over regulatory requirements. The capital ratio stood at 5.35 times the capital requirement for the core and 3.70 times the capital requirement for the protected Cell Company as one entity.

The executive team of the Company also carries out periodic tests to the Balance Sheet to ensure Solvency II capital adequacy and this continues to be well above the Solvency Capital Requirement to be established under the new regime.

Dividends of €0.9 million net of tax were paid to the non-cellular shareholders during the financial year under review. Interim dividends of €0.55 million and €1.38m were paid to core and cellular shareholders respectively in 2015. Additionally, at the forthcoming Annual General Meeting, a final dividend of €0.70 million after tax is being proposed by the Directors to the core shareholders.

Board structure

We have continued to implement initiatives that reflect best practice in corporate governance. We have also taken time to evaluate our work and set clear objectives for 2015. I thank my fellow Directors for their support and contribution.

During 2014, Mr Philip Micallef and Dr Andre' Camilleri accepted an invitation to join the Board of Directors and we look forward to their contribution.

In December 2014, Mr Bryan Gera resigned from his position as member of the Board. On behalf of the shareholders, fellow Directors and the employees, I thank him greatly for the many years of service that he has given to the Company since 1981. Mr Gera was the Company's first independent Director and his business acumen, insight and ethical approach to business have been of great value.

Regulatory requirements

In the run up to the live date of the Solvency II regime of 1 January 2016, EIOPA (the European Insurance and Occupational Pensions Authority) introduced interim regulatory measures commencing in 2014 for member states to comply with to ensure readiness for quantitative and qualitative aspects of the regime. During the period the Risk and Compliance Committee and the Board was actively involved in a number of these measures. Among which were the formalisation and approval of a number of Board policies and the Company's Risk Appetite Statement as well as the Forward-looking Assessment of Own Risks calculation in preparation for the Own Risk and Solvency Assessment under the live SII regime.

Atlas in the community

The Company believes that it has a role to play in the community beyond its purely fiscal and employment contribution and has developed a strong leaning towards contributing towards the nation's health through various initiatives many of which relate to sport. As a leading financial services company and public interest company, as well as owning one of the largest health insurance providers on the island, our investment in the nation's health fits well into our corporate ethos. We involve our staff heavily in these initiatives and indeed our wellness initiatives often start in-house. We have internal programmes for health and fitness and during 2014 added a Half Marathon and Walkathon coaching programme to our circuit training and yoga programmes which have now been in existence for a couple of years.

We continued our major sponsorship of Melita FC during the period and also took on a three year agreement to support the major health and wellbeing study 'Saħħtek' run by the University of Malta. The aim of this project is to determine the proportion and number of persons suffering from diabetes, hypertension, lack of physical activity, hyperlipidaemia and obesity currently residing in Malta as well as to study a number of related risk factors. We hope that Atlas will contribute to a greater understanding and addressing of these problems enabling us to improve the quality of our lives. Various other sporting events were sponsored including a swimming marathon organised for the Community Chest fund and other more minor sport club events.

During 2014 the company also sponsored the Today Public Policy Institute, Fondazzjoni Patrimonju Malti as well as Young Enterprise, organisations which we believe continue to add depth and value to our society.

We again continued supporting an in-house charity administered by our staff social club which during 2014 continued to support Appoġġ causes and during the Summer months many staff members helped to renovate a property administered by the Sisters of Charity in Bormla. This is in line with our new branch in that locality which we opened during the same period last Summer.

Outlook

2014 saw the continuing improvements in operations, along with the business overall which continued to make good progress and we are well positioned to move forward. While constantly seeking to enhance shareholder value, the Board of Directors is mindful of the need to fulfil the regulatory requirements and to manage risks prudently.

On behalf of the Board, I express my thanks to the management and staff of the Company, ably led by the CEO, Michael Gatt. It is through their efforts that we have succeeded in achieving our objectives.

We shall continue to seek new opportunities, whilst maintaining our commitment to our customers and to the Atlas values. The Board's commitment is that Atlas Insurance PCC remains a key player in Malta's financial services sector as a reputable and preferred employer, service provider and business partner.

Lawrence Zammit
Chairman

CEO's report

"2014 was another successful year for Atlas, which has continued to maintain its positive momentum also from the profitability perspective"

In 2014 Atlas Insurance PCC Ltd celebrated its 10th year as an insurance company having converted from an agency of AXA Insurance plc just before Malta joined the European Union in 2004. For the first time in our history, the Company exceeded the €20 million mark in terms of gross premiums written in our core which mainly represents risks based in Malta. In addition, the Company's gross premium written through the cells insuring risks overseas also exceeded €20 million of gross premiums written, the highest since the Company converted to a Protected Cell Company in 2006 to jointly produce overall gross written premiums of €40.5 million.

Despite operating in a challenging environment in the local market Atlas experienced an overall premium growth of 8.6% in the core which is the highest growth we have experienced in the past 5 years and ahead of the local market as a whole. During the year, the Company expanded its branch network with the opening of our 8th branch office, this time in Bormla in the Three Cities early in 2014. Early this year, a new branch in Mosta was also opened. Growth was experienced in all our business sources including brokered business, business introduced through tied insurance intermediaries and business written directly including that via the internet. This consolidated growth is very encouraging and augurs well for the future. We are confident that we can continue to grow along these paths into the coming years. The Company has seen growth in all classes of business thereby maintaining the same balance of insurance risk as we have experienced over the past years.

2014 was another successful year for Atlas, which has continued to maintain its positive momentum also from the profitability perspective. The Company registered a net profit on core operations of €4.37 million; this is a 12.92% increase on the €3.87 million in 2013. Net profit accruing to the cells decreased from €2.80 million last year to €2.06 million this year therefore overall the Company registered a net profit before tax of €6.43 million slightly lower than the previous year's €6.67 million.

Despite a slight deterioration in loss ratios, the return on the core technical account improved over last year's as a result of the premium growth and higher investment returns. Operating costs were maintained at similar levels to those in 2013 despite the ever increasing regulatory costs incurred to comply with Solvency II regulations that will come into force in 2016.

As with any business, Atlas takes and manages risks to achieve its objectives. Our Board reviewed and enhanced our risk appetite statement that broadly describes the types and amounts of risk we are willing to take in pursuit of these objectives. At the highest level, it helps assure we maximise the likelihood of delivering on our mission, strategy and objectives. This is cascaded down by senior management into more detailed expressions of appetite facilitating risk-taking decisions of all employees. Management further worked with our Board to thoroughly review all key Board policies to ensure these are in line with our strategic objectives and risk appetite ensuring also that these satisfy developing regulatory expectations. Such policies included underwriting and reinsurance, actuarial governance, claims management, risk management, compliance, outsourcing, liquidity, credit, asset liability management and fraud risk.

As part of Solvency II regulatory interim measures, we completed our first Forward Looking Assessment of Own Risks (FLAOR) report providing the Board with a holistic assessment of our risk profile. This helped us fine-tune our Own Risks Solvency Assessment (ORSA) process, which is becoming an integral part of our strategic decision-making. Our latest assessments also confirm that we maintain substantial surplus funds over European regulatory requirements. According to current EU technical specifications for Solvency II, Atlas's core would in fact be considered to have the financial strength equivalent to an AA rated entity.

We have made further inroads on our Customer Strategy Project and work on our CRM systems is well underway as we value the importance of constantly monitoring our customer satisfaction experience. We take pride in continuously maintaining a very high level of repeat renewal business which is a clear indication of client loyalty.

Conscious of the growing needs and expectations of our customers, we will continue to invest in our infrastructure and in our people and to reach out and get closer to both our clients and prospective customers all over Malta and Gozo. We believe that the need for insurance protection will continue to increase as the economy develops and we want to continue to be the preferred people of trust for all our customers and stakeholders. To this end the company continues to raise its web and social media presence and in the period increased social media engagement considerably through many initiatives designed to humanise our brand and reach out to the public. Product development also continued during 2014 with professional indemnity wordings for various health sector professionals being launched successfully to add to our successful professional indemnity portfolio.

We recognise that our growth and success is dependent on the quality of our human resources and the ability of our management to develop themselves and others. Our people, through employee engagement and performance management initiatives, remain key to achieving our business objectives in today's challenging environment.

A very positive 51% of our employees are qualified in various areas such as insurance, finance, risk management, health and safety, business, IT and others. Our staff complement stood at 132, with the group at 181 at the end of the year. We have a healthy gender ratio of 49% males to 51% females, with 93% permanently employed and 41% having been with us for over 10 years. 25% of our staff avail themselves of flexible work arrangements.. We participate in several student placement schemes and have strong ties with feeder educational institutions.

A word of thanks goes to all Atlas management and staff. The successes enjoyed by Atlas over the years would not be possible without the dedication and commitment of the entire Atlas team. I would like to thank my colleagues who form part of the executive team as well as the Chairman and Board of Directors for their professionalism in carrying out their specific Board duties as well as for their strong sense of vision and their provision of proper direction.

Each and every relationship is important to Atlas, I therefore cannot but end by thanking all our policyholders and intermediaries for the trust and confidence that they continue to show in the Atlas brand.

Michael Gatt
Managing Director and CEO

Board members & Board/executive Committees

Board of Directors

Lawrence Zammit MA (Econ) - Chairman from 1 April 2014

Franco Azzopardi MSc (Leicester) FIA CPA

André Camilleri LLD Dip Econ & Ind Law (Milan) - Appointed 28 November 2014

Richard Clough FCA - Resigned 31 March 2014

Catherine Calleja BA (Hons) ACII

Michael Gatt - Managing

Bryan Gera DBA - Resigned 3 December 2014

Philip Micallef BSc (Eng) MIEE CEng Eur Ing MBA (Warwick) - Appointed 15 October 2014

Matthew von Brockdorff FCII

Audit Committee

Franco Azzopardi MSc (Leicester) FIA CPA - Chairman

Richard Clough FCA - Resigned 31 March 2014

Philip Micallef BSc (Eng) MIEE CEng Eur Ing MBA (Warwick) - Appointed 15 October 2014

Lawrence Zammit MA (Econ)

Risk and compliance Committee

Franco Azzopardi MSc (Leicester) FIA CPA - Chairman

Catherine Calleja BA (Hons) ACII

André Camilleri LLD Dip Econ & Ind Law (Milan) - Appointed 28 November 2014

Philip Micallef BSc (Eng) MIEE CEng Eur Ing MBA (Warwick) - Appointed 15 October 2014

Matthew von Brockdorff FCII

Remuneration, nominations and related parties Committee

Lawrence Zammit MA (Econ) - Chairman

Richard Clough FCA - Resigned 31 March 2014

Bryan Gera DBA - Resigned 3 December 2014

André Camilleri LLD Dip Econ & Ind Law (Milan) - Appointed 28 November 2014

Philip Micallef BSc (Eng) MIEE CEng Eur Ing MBA (Warwick) - Appointed 15 October 2014

Investments Committee

Lawrence Zammit MA (Econ) - Chairman from 1 April 2014

Franco Azzopardi MSc (Leicester) FIA CPA

André Camilleri LLD Dip Econ & Ind Law (Milan) - Appointed 28 November 2014

Richard Clough FCA - Resigned 31 March 2014

John P Bonett

Mark Camilleri

Michael Gatt

Executive Committee

Michael Gatt - Chairman

Catherine Calleja BA (Hons) ACII

Mark Camilleri

Robert Micallef

David Mifsud FCII

Matthew von Brockdorff FCII

Protected Cells Committee

John P Bonett

Michael Gatt - Chairman

Catherine Calleja BA (Hons) ACII

Mark Camilleri

David Mifsud FCII

Ian-Edward Stafrace MSc (Risk Management) FIRM FCII PIOR

Matthew von Brockdorff FCII

Offices & branches

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

Compliance and Internal Audit Office/Atlas Healthcare and Ark Insurance Management PCC offices
Abate Rigord Street,
Ta' Xbiex XBX 1121

Paola Regional Office
Valletta Road,
Paola PLA 1517

Birkirkara Branch
1, Psaila Street,
Birkirkara BKR 9070

Bormla Branch
55, Gavino Gulia Square,
Bormla BML 1800

Mosta Branch
94, Constitution Street,
Mosta MST 9055

Qormi Branch
Triq Manwel Dimech,
Qormi QRM 9061

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

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

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

SkyParks Branch
Malta International Airport,
Luqa LQA 3290

Cells

Perfecthome Cell
Travelodge Cell
Ocado Cell
Totemic Cell 2
TVIS Cell
Amplifon Cell

Professional services

Legal Advisors

Cefai and Associates
Ganado & Associates
Mamo TCV Advocates
SDC Advocates
Vella Zammit McKeon

Auditors

PricewaterhouseCoopers

Bankers

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

Investment Managers

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

Atlas pictorial highlights 2014

Staff photo during Atlas Day

The newly opened Bormla branch

Share your Sunshine competition winner

Atlas half marathon team

Opening of the new Mosta Branch

Presentation of Saħħtek sponsorship

Blood donation drive

Atlas cultural tour in Bormla

Melita young footballers

Atlas Insurance PCC Limited

Annual Report & Audited Financial Statements
31 December 2014

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Principal activities

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

Review of the business

The Board of Directors reports that the Company registered excellent results for 2014 with the PCC reporting similar results to the previous year. The Board is pleased to report increased profits accruing to the Non-Cellular shareholders (Core) with sustained profitability accruing to the Cellular shareholders.
The good technical result was further bolstered by continued excellent returns arising from the management of the Company's investment portfolio.

Atlas Insurance PCC Limited registered an aggregate net profit before tax for the year of €6.43m (2013: €6.67m) and a net profit after tax of €4m (2013: €4.40m). Profits accruing to the non-cellular shareholders amounted to €4.37m (2013: €3.87m) before taxation. Atlas' prudent underwriting and reinsurance policies and cautious investment policy continue to contribute towards the Company's consistent positive profitability.
This result, matched by a balanced dividend distribution policy, work towards growing the Company's reserves in consolidating its balance sheet strength in the best interest of its various stakeholders.

The operating cells have continued to contribute to the Company's aggregated profitability with the reduction in profit solely attributable to the winding down of the Totemic Cell 1 during 2013. Such portion of profitability accrues to cell shareholders.

The Company's aggregated solvency position as at 31 December 2014 stands at 370% of the regulated solvency requirement.

During 2014, the Company remained focused on carefully targeted growth both locally and internationally, and on the management of core operating costs. A prudent approach to investment strategy remains of key importance. The Board anticipates further growth and profitability for the core, the Company's current cells, as well as new cells during the period.

During the year under review, the Company registered its Amplifon Cell which was licensed by the MFSA on 18 December 2014.

Core assets, cellular assets and share capital

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

During the year, the cells carried on operations registering continued positive results with a combined profit before tax at €2.06m (2013: €2.80m) and after tax at €1.33m (2013: €1.81m) accruing to the cell shareholders.

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

Lawrence Zammit – Chairman and Independent Non-Executive Director (Appointed as Chairman on 1 April 2014)
Richard Clough – (Resigned from Chairman and as Director on 31 March 2014)
Michael Gatt – Managing Director
Matthew von Brockdorff – Deputy Managing Director
Catherine Calleja – Director and Group Company Secretary
Bryan Gera – Independent Non-Executive Director (Resigned on 3 December 2014)
Franco Azzopardi – Independent Non-Executive Director
Philip Micallef – Independent Non-Executive Director (Appointed on 15 October 2014)
Andre Camilleri – Independent Non-Executive Director (Appointed on 28 November 2014)

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

Results and dividends

The profit and loss account is set out on pages 19 and 20. Interim ordinary dividends of €900,000 net of tax were declared to the non-cellular shareholders. Furthermore, on 25 February 2015, the Board approved the payment of a net interim dividend of €550,000 to the non-cellular shareholders. In terms of a Board resolution dated 3 December 2014 a dividend of €1,377,739 was proposed to be paid to the Cell shareholders by the Directors and subsequently paid in 2015.

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

Statement of Directors' responsibilities for the financial statements

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

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

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

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

The financial statements of Atlas Insurance PCC Limited for the year ended 31 December 2014 are included in the Annual Report 2014, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the Board

Lawrence Zammit
Chairman

Michael Gatt
Managing Director

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

27 May 2015

Corporate governance – statement of compliance

Atlas Insurance PCC Limited, as a large private, public interest company, adopts the Malta Financial Services Authority (MFSA) Principles of Good Corporate Governance for Public Interest Companies. It is also guided by other models of best practice, including guidance papers on systems of governance and risk management issued by the MFSA and EIOPA (European Insurance and Occupational Pensions Authority) in the run up to the full implementation of the Solvency II directive in 2016. The Company is also compliant with Insurance Rule 27 of 2009 on Insurers' Internal Controls under the Insurance Business Act (Cap 403).

The Board

The Board of Directors is appointed at the Annual General Meeting as per statute. It is composed of a majority of four non-executive independent Directors and three executive Directors. The Board considers that the number of Board members and composition of the Board is the right mix for the size and complexity of the company.

Mr Richard Clough, the Board's non-executive independent chairman until the 31 March 2014, resigned from the Board on that date due to personal reasons. Mr Clough had a long relationship with the company and other companies in the Group since 2004 when he was first appointed as a Director of the then newly licensed insurance undertaking. Mr Lawrence Zammit took his place as Chairman from that date. Mr Zammit had been on the Atlas Board since 2012, holding the role of Senior Independent Director since the same date.

Mr Philip Micallef joined the Board in October 2014 again bringing the number of non-executive Directors to a majority on the Board, followed by Dr Andre Camilleri who was appointed a Director in November 2014. Dr Camilleri replaced Mr Bryan Gera who retired from the Board after a long relationship as a non-executive Director with the company and saw the company through a number of mergers and major transformations over 30 years.

While the Board structure is designed to have executive management representation through the three executive Directors' input, it is led by a non-executive Chairman. The three other independent non-executive Directors bring a breadth of experience, skills and knowledge to be able to contribute their experience to the development of the strategy and governance of the company. Non-executive Board members are chosen for their diverse and complementary backgrounds in the fields of law, auditing and accounting, international business, HR and IT.

The Chairman's responsibilities include management of the Board of Directors including the setting of the agenda in consultation with the company secretary with adequate time being given to important areas of focus. He ensures, with the company secretary, that the Directors receive accurate, timely and clear information including financial and non-financial key performance indicators well in advance of every Board meeting. The Chairman also ensures that new Directors and indeed current Directors' development needs are addressed both during induction and during times of change such as the implementation of the new risk based SII regime. The Chairman regularly runs Board evaluation questionnaires and encourages active participation of all Board members.

The separation of roles of the Chairman and CEO avoids concentration and authority in one individual with the CEO being responsible for the executive management of the company's operation. Other executive Directors, being the Deputy Managing Director and Company Secretary, bring an element of balance and extra information to the Board while the CEO is answerable to the Board for the performance of the business. The CEO also chairs the Executive Committee made up of the three executive Directors and the Chief Underwriting Officer, the Chief Financial Officer and Chief Commercial Officer of the company.

Board and Board Committee meetings are scheduled at the start of the year. During 2014 the Board met nine times including a couple of meetings set for specific agenda items of discussion such as new cell proposals.

Board members also attend relevant seminars relating to key events or developments which effectively serve as professional development. After each Board meeting and well in advance of the next meeting, minutes that faithfully record attendance, issues discussed and resolutions are circulated.

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

Board and Executive Committees

Members of the Board Committees are listed on page 8. These Committees have terms of reference which are set and regularly reviewed by the Board. Committee meeting progress and matters arising from minutes of meetings are regularly discussed at Board level.

Audit

The Audit Committee met four times during the period under review. The Committee is composed entirely of non-executive Directors and is chaired by Mr Franco Azzopardi who is considered competent by the Board in this field as having the relevant qualifications in accounting and/or auditing. Other members of the Committee are Mr Lawrence Zammit and Mr Philip Micallef. Mr Richard Clough resigned from the Committee on his retirement on the 31 March 2014.

The Committee oversees the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications of the accounting firm engaged as the Company's auditor to prepare or issue an audit report on the financial statements of the Company. The Committee also reviews and assesses the qualitative aspects of financial reporting to shareholders.

The Committee also has oversight of the internal audit function including the setting of risk based annual internal audit plans. The Committee is responsible to appoint the internal auditor and review findings from the internal auditor's work and management's response thereto. The Internal Audit function is independent from the operations of the Company and through the Audit Committee and its Chairman, has direct access to the Board of Directors.

The Internal Auditor, Mr Martin Gauci, prepares regular presentations to the Audit Committee and attends relevant meetings. Other key senior executives may also be invited to appropriate meetings of the Committee. The Chairman of the Committee also meets the Internal Auditor to give guidance and receive feedback on a regular basis outside the regular Audit Committee meetings. An Assistant Internal Auditor, Mr Ivan Distefano, has also been appointed during the period under review.

Remuneration, Nominations and Related Parties

The Remuneration, Nominations and Related Parties Committee, composed entirely of non-executive Directors, met four times during the period under review. It is chaired by Mr Lawrence Zammit, who is considered by the Board to have very relevant experience for this position. Mr Richard Clough resigned from the Committee in March and Dr Andre Camilleri and Mr Philip Micallef joined the Committee during the year. Mr Bryan Gera resigned from the Committee at the end of the period. Executive Directors attend meetings by invitation as and when required.

The Committee's role is to determine and agree with the Board the framework or broad policy for the overall remuneration policy including performance related pay of the company as well as well as the remuneration of the company's chief executive, executive Directors and the members of the Executive Committee and the Internal Auditor. The Committee also reviews the remuneration trends across the company, performs benchmarking exercises against the industry and ensures that all disclosures regarding remuneration are fulfilled. No Director or manager is involved in deciding his or her own remuneration.

The Committee also identifies nominees qualified to fill Board vacancies for recommendation to the Board and shareholders, as well as assessing their independence and relevant fitness and properness. The Committee also consults with executive Directors on succession planning issues relating to senior management.

Finally the Committee also agrees with the Board the related party transaction policy of the Company and reviews and makes recommendations to the Board with respect to any related party transactions.

Risk and Compliance

The primary objectives of the Committee are to ensure that an appropriate risk management, internal controls and compliance framework is in place within the insurance undertaking.

Together with the Chief Risk Officer, the Committee performs the risk management support function in the risk management framework so that it coordinates, facilitates and has oversight of the function including the development and maintenance of the risk management policy and methodology. The internal controls environment is an integral part of the organisation's risk management. The Committee also carries out risk management at corporate level monitoring developments in the company's policies, strategy, operations, and environment that may significantly affect uncertainties faced by the organisation. The Committee supports the Board in reviewing and contributing to the Own Risk Solvency Assessment (ORSA) process as well as reviewing periodic status reports on major initiatives or potential risks.

The Committee is also responsible to monitor and review the formalised risk management systems to ensure they are operating appropriately and effectively including the monitoring of significant incidents, including near-misses, recent major strategic decisions and appropriateness of subsequent management responses.

It also has oversight of the compliance function through the Group Compliance Officer and its systems to ensure regulatory compliance and readiness for anticipated regulatory changes such as the Solvency II framework. The Committee also ensures that training in various areas of regulatory compliance is regularly carried out for new and existing staff members. The Committee regularly reviews reports prepared by both the Chief Risk Officer and the Compliance Officer relating to the various risks and compliance areas for which accountability is assigned across the organisation.

The Committee, chaired by Mr Franco Azzopardi met four times during 2014. Mr Matthew von Brockdorff and Ms Catherine Calleja continued to form part of the Committee and Mr Philip Micallef and Dr Andre Camilleri were appointed to the Committee in October and November 2014 respectively. The meetings are regularly addressed by the Chief Risk Officer, Mr Ian-Edward Stafrace and the Group Compliance Officer, Ms Elaine Scerri, while other senior management members may also be invited to review various aspects of internal controls.

Investment

The Board of Directors of an authorized Insurance Company is required by MFSA Insurance Rule 6, in relation to the Insurance Business (Criteria of Sound and Prudent Management) Regulations, 1999, to appoint an Investment Committee responsible for the formulation of the company's investment policy and the issuing of guidelines to management.

The objective of the company's Investment Committee is to assist the Board in setting the Investment Policy to be adopted for the Company's investment portfolio and to ensure that the investment of the Company funds is conducted in according with the Investment Policy. The Committee also sets investment parameters, mandates and asset allocations in line with the Investment Policy, ALM Policy and the Board's Risk Appetite Statement and may also recommend changes to the Board in respect of the ALM policy and Risk Appetite statement.

During the year under review, following Mr Clough's retirement, Mr Lawrence Zammit joined the Committee and took over the Chair from 1 April 2014. Dr Andre Camilleri also joined the Committee in November 2014. Mr Franco Azzopardi and Mr Michael Gatt, CEO, as Directors are also on the Committee and the Board has also appointed the CFO and Mr John Bonett as additional members. The Committee met four times in the year under review and investment managers are regularly asked to address the Committee and report on their performance.

Protected Cells

The Chief Executive Officer chairs the Protected Cells Committee which is responsible for the oversight of the protected cells cost centre of the company. This is a specialised area of the business which is increasing in size and complexity and is also well prepared for the challenges of Solvency II. The Committee meets four times a year to propose policy and analyse new cell prospects as well as to monitor and report on the performance of the existing cells as regards various KPIs including profitability and solvency. The Committee is composed of the three executive Directors of the company, as well as the Chief Underwriting Officer, the Chief Risk Officer and the Chief Financial Officer as well as Mr John Bonett. The Committee oversees the liaison with insurance managers and cell owners and also regular cell inspections as well as preparedness for Solvency II. The Chief Underwriting Officer and Chief Financial Officer, as representatives of the Committee, form part of the investment and underwriting committees of the relative cells, which also review risk management and compliance issues relating to cells together with cell owners and managers.

During the period under review, representatives of the Committee made presentations to the Board of Directors about the progress of the existing cells as well as prior to new cell applications being presented to the MFSA.

Executive Committee

The Board actively involves the Executive Committee in the development of strategy and delegates the responsibility of the implementation of the company's strategy to the Executive Committee under the Chairmanship of the CEO. The Committee met ten times during the period under review and was instrumental in the proposing of annual budgets and funding plans as well as detailed business plans in various areas including sales and marketing and information technology for the approval of the Board of Directors.

The Committee was made up of the three executive Directors and the Chief Financial Officer, the Chief Underwriting Officer and the Chief Commercial Officer of the company. Minutes of the EXCO meetings are copied to Board members and matters arising regularly discussed at Board level.

Relations with Shareholders

Recognising the importance of keeping open communication with shareholders, the level of disclosure with these important stakeholders within the group continues to be in excess of statutory requirements under the Companies Act. An Annual General Meeting for shareholders of

Atlas Holdings Ltd. is held each year and, besides the statutory business of the Annual General Meeting as laid down in the Memorandum and Articles of the Company, information on group performance is presented. The Chairman also communicates with shareholders through his Directorship on the Atlas Holdings Board which convenes three times a year and where the major shareholding groups are represented. This structure also ensures that Directors of the company are kept aware of the priorities of the shareholders.

Directors' and Officers' Liability Insurance

The Company purchases Directors' and Officers' Liability Insurance for the Directors and officers of the company as well as its subsidiaries Atlas Healthcare Insurance Agency Limited and Ark Insurance Management PCC Limited. Fellow subsidiary companies of Atlas Holdings Limited are also covered by the same policy.

Approved by the Board of Directors on 27 May 2015 and signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director

Independent auditor's report

To the Shareholders of Atlas Insurance PCC Limited

Report on the Financial Statements for the year ended 31 December 2014

We have audited the financial statements of Atlas Insurance PCC Limited, as a standalone company, on pages 19 to 63, which comprise the balance sheet as at 31 December 2014, the profit and loss account and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the company, as a standalone company, as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU as modified by Article 174 of the Maltese Companies Act, 1995; and
- have been properly prepared in accordance with the requirements of the said Act and of the Maltese Insurance Business Act, 1998.

Report on Other Legal and Regulatory Requirements for the year ended 31 December 2014

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Simon Flynn
Partner
27 May 2015

Profit and loss account - technical account - general business

Year ended 31 December

		Core		Cells		Total	
		2014	2013	**2014**	2013	**2014**	2013
	Notes	**€**	€	**€**	€	**€**	€
Earned premiums, net of reinsurance							
Gross premiums written	4	**20,471,158**	18,844,662	**20,055,738**	15,644,038	**40,526,896**	34,488,700
Outward reinsurance premiums		**(8,748,188)**	(7,462,664)	**(728,736)**	(421,766)	**(9,476,924)**	(7,884,430)
Net premiums written		**11,722,970**	11,381,998	**19,327,002**	15,222,272	**31,049,972**	26,604,270
Change in the provision for unearned premiums							
– gross amount	22	**(826,754)**	72,394	**(1,168,769)**	(565,367)	**(1,995,523)**	(492,973)
– reinsurers' share	22	**639,247**	(235,250)	**186,903**	123,600	**826,150**	(111,650)
		(187,507)	(162,856)	**(981,866)**	(441,767)	**(1,169,373)**	(604,623)
Earned premiums, net of reinsurance		**11,535,463**	11,219,142	**18,345,136**	14,780,505	**29,880,599**	25,999,647
Allocated investment return transferred from the non-technical account	6	**1,874,454**	1,203,357	**4,391**	4,022	**1,878,845**	1,207,379
Total technical income		**13,409,917**	12,422,499	**18,349,527**	14,784,527	**31,759,444**	27,207,026
Claims incurred, net of reinsurance							
Claims paid							
– gross amount		**7,785,406**	8,735,837	**3,642,301**	2,295,713	**11,427,707**	11,031,550
– reinsurers' share	22	**(1,465,260)**	(1,772,085)	**–**	–	**(1,465,260)**	(1,772,085)
		6,320,146	6,963,752	**3,642,301**	2,295,713	**9,962,447**	9,259,465
Change in the provision for claims							
– gross amount	22	**2,143,575**	(974,687)	**887,041**	7,374,535	**3,030,616**	6,399,848
– reinsurers' share	22	**(1,669,354)**	410,339	**-**	(7,230,058)	**(1,669,354)**	(6,819,719)
		474,221	(564,348)	**887,041**	144,477	**1,361,262**	(419,871)
Claims incurred, net of reinsurance		**6,794,367**	6,399,404	**4,529,342**	2,440,190	**11,323,709**	8,839,594
Net operating expenses	5	**2,586,954**	2,425,959	**11,778,816**	9,543,312	**14,365,770**	11,969,271
Total technical charges		**9,381,321**	8,825,363	**16,308,158**	11,983,502	**25,689,479**	20,808,865
Balance on the technical account for general business (page 20)		**4,028,596**	3,597,136	**2,041,369**	2,801,025	**6,069,965**	6,398,161

Profit and loss account - non-technical account

Year ended 31 December

		Core		Cells		Total	
		2014	2013	**2014**	2013	**2014**	2013
	Notes	**€**	€	**€**	€	**€**	€
Balance on technical account – general business (page 19)		**4,028,596**	3,597,136	**2,041,369**	2,801,025	**6,069,965**	6,398,161
Investment income	6	**2,656,292**	1,862,577	**55,696**	51,026	**2,711,988**	1,913,603
Investment expenses and charges	6	**(320,187)**	(281,172)	**(5,505)**	(15,379)	**(325,692)**	(296,551)
Allocated investment return transferred to the general business technical account	6	**(1,874,454)**	(1,203,357)	**(4,391)**	(4,022)	**(1,878,845)**	(1,207,379)
Administrative expenses	7	**(120,822)**	(106,982)	**(24,821)**	(32,466)	**(145,643)**	(139,448)
Profit before tax		**4,369,425**	3,868,202	**2,062,348**	2,800,184	**6,431,773**	6,668,386
Tax expense	9	**(1,668,734)**	(1,278,484)	**(735,470)**	(993,765)	**(2,404,204)**	(2,272,249)
Profit for the year		**2,700,691**	2,589,718	**1,326,878**	1,806,419	**4,027,569**	4,396,137

Statement of comprehensive income

		Core		Cells		Total	
		2014	2013	**2014**	2013	**2014**	2013
	Notes	**€**	€	**€**	€	**€**	€
Profit for the year		**2,700,691**	2,589,718	**1,326,878**	1,806,419	**4,027,569**	4,396,137
Other comprehensive income: Items that will not be reclassified to profit or loss							
Net reporting currency differences arising on translation from functional currency to presentation currency	21	**-**	-	**414,083**	(175,732)	**414,083**	(175,732)
Revaluation surplus	21	**111,978**	-	**-**	-	**111,978**	-
Movement in deferred tax relating to property, plant and equipment	17	**(37,035)**	(21,801)	**-**	-	**(37,035)**	(21,801)
Total other comprehensive income, net of tax		**74,943**	(21,801)	**414,083**	(175,732)	**489,026**	(197,533)
Total comprehensive income for the year		**2,775,634**	2,567,917	**1,740,961**	1,630,687	**4,516,595**	4,198,604

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

The notes on pages 25 to 63 are an integral part of these financial statements.

Balance sheet
as at 31 December

		Core		Cells		Total	
		2014	2013	**2014**	2013	**2014**	2013
	Notes	**€**	€	**€**	€	**€**	€
ASSETS							
Intangible assets	12	**70,017**	85,068	**-**	-	**70,017**	85,068
Tangible assets:							
– land, buildings and improvements	13	**3,775,452**	3,511,968	**-**	-	**3,775,452**	3,511,968
– plant and equipment	13	**632,203**	701,634	**-**	-	**632,203**	701,634
Investments:							
– land and buildings	14	**2,777,275**	2,762,275	**-**	-	**2,777,275**	2,762,275
– investment in subsidiaries	15	**698,000**	698,000	**-**	-	**698,000**	698,000
– other financial investments	16	**23,728,585**	21,286,058	**5,599,976**	4,191,107	**29,328,561**	25,477,165
Reinsurers' share of technical provisions	22	**7,183,969**	4,875,368	**8,368,075**	7,680,966	**15,552,044**	12,556,334
Deferred acquisition costs	18	**731,220**	654,085	**119,334**	108,263	**850,554**	762,348
Receivables:							
– debtors arising out of direct insurance operations	19	**3,564,420**	3,198,686	**-**	-	**3,564,420**	3,198,686
– receivables from reinsurers	19	**9,975**	15,569	**-**	-	**9,975**	15,569
– other debtors	19	**559,722**	464,081	**6,064,508**	4,255,326	**6,624,230**	4,719,407
Prepayments and accrued income	19	**317,869**	290,673	**30,711**	36,689	**348,580**	327,362
Cash and cash equivalents	26	**2,819,836**	1,985,212	**6,484,542**	3,765,675	**9,304,378**	5,750,887
Total assets		**46,868,543**	40,528,677	**26,667,146**	20,038,026	**73,535,689**	60,566,703
EQUITY							
Capital and reserves							
Share capital	20	**8,198,000**	8,198,000	**4,710,132**	3,609,211	**12,908,132**	11,807,211
Other reserves	21	**973,368**	898,425	**499,157**	85,074	**1,472,525**	983,499
Profit and loss account	21	**11,613,084**	9,812,393	**3,016,978**	1,690,100	**14,630,062**	11,502,493
Total equity		**20,784,452**	18,908,818	**8,226,267**	5,384,385	**29,010,719**	24,293,203
LIABILITIES							
Technical provisions	22	**21,267,887**	18,297,558	**14,450,640**	11,651,056	**35,718,527**	29,948,614
Payables:							
– borrowings	23	**5,771**	56,880	**-**	-	**5,771**	56,880
– creditors arising out of direct insurance operations	24	**972,280**	734,384	**592,161**	474,871	**1,564,441**	1,209,255
– creditors arising out of reinsurance operations	24	**-**	-	**749,863**	440,580	**749,863**	440,580
– balances payable to reinsurers	24	**956,650**	370,205	**-**	-	**956,650**	370,205
– other creditors	24	**135,809**	198,306	**751,577**	780,979	**887,386**	979,285
Deferred taxation	17	**859,785**	335,677	**-**	-	**859,785**	335,677
Taxation payable		**37,908**	74,198	**1,757,924**	1,124,692	**1,795,832**	1,198,890
Accruals and deferred income	24	**1,848,001**	1,552,651	**138,714**	181,463	**1,986,715**	1,734,114
Total liabilities		**26,084,091**	21,619,859	**18,440,879**	14,653,641	**44,524,970**	36,273,500
Total equity and liabilities		**46,868,543**	40,528,677	**26,667,146**	20,038,026	**73,535,689**	60,566,703

The notes on pages 25 to 63 are an integral part of these financial statements.
The financial statements on pages 19 to 63 were authorised for issue by the Board on 27 May 2015 and were signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director

Statement of changes in equity

	Notes	Core				
		Share capital	**Other reserves**	**Profit and loss account**	**Total**	**Share capital**
		€	**€**	**€**	**€**	**€**
Balance at 1 January 2013		**7,500,000**	**920,226**	**8,431,775**	**16,852,001**	**2,993,720**
Comprehensive income						
Profit for the year		-	-	2,589,718	2,589,718	-
Other comprehensive income						
Net reporting currency differences arising on translation from functional currency to presentation currency	21	-	-	-	-	-
Movement in deferred tax relating to property, plant and equipment	17, 21	-	(21,801)	-	(21,801)	-
Total other comprehensive income		-	(21,801)	-	(21,801)	-
Total comprehensive income		-	(21,801)	2,589,718	2,567,917	-
Transactions with owners						
Increase in share capital	20	698,000	-	-	698,000	350,491
Decrease in share capital	20	-	-	-	-	(275,000)
Issue of cell shares on incorporation	20	-	-	-	-	540,000
Dividends	11	-	-	(1,209,100)	(1,209,100)	-
Total transactions with owners		698,000	-	(1,209,100)	(511,100)	615,491
Balance at 31 December 2013		**8,198,000**	**898,425**	**9,812,393**	**18,908,818**	**3,609,211**
Balance at 1 January 2014		**8,198,000**	**898,425**	**9,812,393**	**18,908,818**	**3,609,211**
Comprehensive income						
Profit for the year		-	-	2,700,691	2,700,691	-
Other comprehensive Income						
Net reporting currency differences arising on translation from functional currency to presentation currency	21	-	-	-	-	-
Revaluation surplus	21	-	111,978	-	111,978	-
Movement in deferred tax relating to property, plant and equipment	17, 21	-	(37,035)	-	(37,035)	-
Total other comprehensive income		-	74,943	-	74,943	-
Total comprehensive income		-	74,943	2,700,691	2,775,634	-
Transactions with owners						
Increase in share capital	20	-	-	-	-	100,796
Issue of cell shares on incorporation	20	-	-	-	-	1,000,125
Dividends	11	-	-	(900,000)	(900,000)	-
Total transactions with owners		-	-	(900,000)	(900,000)	1,100,921
Balance at 31 December 2014		**8,198,000**	**973,368**	**11,613,084**	**20,784,452**	**4,710,132**

The notes on pages 25 to 63 are an integral part of these financial statements.

Cells			Total			
Other reserves	Profit and loss account	Total	Share aapital	Other reserves	Profit and loss account	Total
€	€	€	€	€	€	€
260,806	**2,007,836**	**5,262,362**	**10,493,720**	**1,181,032**	**10,439,611**	**22,114,363**
-	1,806,419	1,806,419	-	-	4,396,137	4,396,137
(175,732)	-	(175,732)	-	(175,732)	-	(175,732)
-	-	-	-	(21,801)	-	(21,801)
(175,732)	-	(175,732)	-	(197,533)	-	(197,533)
(175,732)	1,806,419	1,630,687	-	(197,533)	4,396,137	4,198,604
-	-	350,491	1,048,491	-	-	1,048,491
-	-	(275,000)	(275,000)	-	-	(275,000)
-	-	540,000	540,000	-	-	540,000
-	(2,124,155)	(2,124,155)	-	-	(3,333,255)	(3,333,255)
-	(2,124,155)	(1,508,664)	1,313,491	-	(3,333,255)	(2,019,764)
85,074	**1,690,100**	**5,384,385**	**11,807,211**	**983,499**	**11,502,493**	**24,293,203**
85,074	**1,690,100**	**5,384,385**	**11,807,211**	**983,499**	**11,502,493**	**24,293,203**
-	1,326,878	1,326,878	-	-	4,027,569	4,027,569
414,083	-	414,083	-	414,083	-	414,083
-	-	-	-	111,978	-	111,978
-	-	-	-	(37,035)	-	(37,035)
414,083	-	414,083	-	489,026	-	489,026
414,083	1,326,878	1,740,961	-	489,026	4,027,569	4,516,595
-	-	100,796	100,796	-	-	100,796
-	-	1,000,125	1,000,125	-	-	1,000,125
-	-	-	-	-	(900,000)	(900,000)
-	-	1,100,921	1,100,921	-	(900,000)	200,921
499,157	**3,016,978**	**8,226,267**	**12,908,132**	**1,472,525**	**14,630,062**	**29,010,719**

Statement of cash flows
Year ended 31 December

		Core		Cells		Total	
		2014	2013	**2014**	2013	**2014**	2013
	Notes	**€**	€	**€**	€	**€**	€
Cash flows from operating activities							
Cash generated from operations	25	**3,305,052**	1,667,136	**1,072,671**	1,223,747	**4,377,723**	2,890,883
Income tax paid		**(1,077,951)**	(865,057)	**(181,782)**	(1,014,012)	**(1,259,733)**	(1,879,069)
Net cash from operating activities		**2,227,101**	802,079	**890,889**	209,735	**3,117,990**	1,011,814
Cash flows from investing activities							
Purchase of property, plant and equipment		**(452,569)**	(328,456)	**-**	-	**(452,569)**	(328,456)
Disposal of property, plant and equipment		**1,290**	21,610	**-**	-	**1,290**	21,610
Purchase of investment property		**(15,000)**	-	**-**	-	**(15,000)**	-
Investments in subsidiary undertakings		**-**	(698,000)	**-**	-	**-**	(698,000)
Net cash used in investing activities		**(466,279)**	(1,004,846)	**-**	-	**(466,279)**	(1,004,846)
Cash flows from financing activities							
Dividends paid		**(900,000)**	(1,209,100)	**-**	(2,124,155)	**(900,000)**	(3,333,255)
Issue of share capital		**-**	698,000	**1,100,921**	615,491	**1,100,921**	1,313,491
Net cash generated from / (used in) financing activities		**(900,000)**	(511,100)	**1,100,921**	(1,508,664)	**200,921**	(2,019,764)
Movement in cash and cash Equivalents		**860,822**	(713,867)	**1,991,810**	(1,298,929)	**2,852,632**	(2,012,796)
Cash and cash equivalents at beginning of year		**1,928,332**	2,652,551	**3,765,675**	5,371,075	**5,694,007**	8,023,626
Exchange gains/(losses) on cash and cash equivalents		**24,911**	(10,352)	**727,057**	(306,471)	**751,968**	(316,823)
Cash and cash equivalents at end of year	26	**2,814,065**	1,928,332	**6,484,542**	3,765,675	**9,298,607**	5,694,007

The notes on pages 25 to 63 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act, 1995 and in accordance with the requirements of the said Act and the requirements of the Maltese Insurance Business Act, 1998. Atlas Holdings Limited (Note 30) prepares consolidated financial statements as required by the Maltese Companies Act, 1995 and these are delivered to the Registrar of Companies in Malta in terms of Article 174 (2) (e). Accordingly, Atlas Insurance PCC Limited is exempt from the preparation of consolidated financial statements by virtue of Article 174 of the Companies Act, 1995.

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

As at 31 December 2014, the Company had six Cells, the Perfect Home Cell, the Travelodge Cell, the Ocado Cell, the Totemic Cell 2, the TVIS Cell and the Amplifon Cell, referred to in these financial statements as Cell 1, Cell 2, Cell 4, Cell 6, Cell 7 and Cell 8 respectively. The Totemic Cell 1, referred to as Cell 5 in these financial statements, was wound up through a share capital reduction as authorised by the Malta Financial Services Authority on 20 December 2013. The Company maintains separate accounts for each Cell. Cellular assets and liabilities are separate and separately identifiable from Core and Cellular assets attributable to other Cells. Separate balance sheets, profit and loss accounts and statements of comprehensive income, changes in equity and cash flows have accordingly been prepared for the Cells.

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

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

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

Standards, interpretations and amendments to published standards effective in 2014

In 2014, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2014. The adoption of thes¬e revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2014. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

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

1. Summary of significant accounting policies - continued

1.2 Revenue recognition

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

(a) Rendering of services

Premium recognition is described in accounting policy 1.15 dealing with insurance contracts.

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

1.3 Investment return

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

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

1.4 Foreign currencies

(a) Functional and presentation currency

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

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(ii) income and expenses for each profit and loss account are translated at average exchange rates.

All resulting exchange differences are recognised as a component of equity and are accounted for in the functional currency exchange reserve (Note 21).

1.5 Intangible assets

(a) Customer relationships

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

(b) Computer software

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

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

1.6 Tangible assets - Property, plant and equipment

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

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

1. Summary of significant accounting policies - continued

directly in equity; all other decreases are charged to the profit and loss account.

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

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

Freehold land is not depreciated.

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

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

1.7 Land and buildings - Investment property

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

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

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

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

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

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

1.8 Investment in subsidiaries

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

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

1.9 Financial assets

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

1.9.1 Classification

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

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

(b) Loans and receivables

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

1. Summary of significant accounting policies - continued

1.9.2 Recognition and measurement

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

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

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

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

1.10 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

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

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

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(b) Impairment of other non-financial assets

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

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

1. Summary of significant accounting policies - continued

1.11 Operating leases

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

1.12 Cash and cash equivalents

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

1.13 Share capital

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

1.14 Current and deferred tax

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

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

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

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

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

1.15 Insurance contracts - classification

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

Insurance contracts - general business

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

(i) Premiums earned relate to business incepted during the year together with any differences between the booked premiums for prior years and thus previously accrued, less cancellations.
(ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

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

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

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

1. Summary of significant accounting policies - continued

established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported. The Company does not discount its liabilities for unpaid claims.

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

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

Reinsurance contracts held

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

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

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

Receivables and payables related to insurance contracts

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

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

1.16 Provisions

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

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

1.17 Borrowings

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

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

1.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention

1. Summary of significant accounting policies - continued

to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.19 Dividend distribution

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

2. Critical accounting estimates and judgements in applying accounting policies

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

Provision is made as and when claims are notified for the estimated cost of claims. This estimate will include expenses to be incurred in settling the claim. All provisions for claims incurred but not settled by balance sheet date are carried forward to the following financial period. Given the uncertainty in establishing claims provisions, it is possible that the final outcome may prove to be different from the original liability estimated.

In reporting claims incurred and balance sheet provisions the Company takes all reasonable steps to curtail any future deviations in establishing its liabilities by ensuring that it has appropriate information regarding its claims exposures and related future liabilities from the outset, the results of which are elaborated in the claims cost progression tables disclosed in Note 22.

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

3. Management of insurance and financial risk

3.1 Insurance risk

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

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

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

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

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

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

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

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

During the year the Company concluded the process of licensing Amplifon Cell, which was authorised by the MFSA on 18 December 2014 to write reinsurance risk under classes of business – 8 – Fire and Other Natural Forces and 9 - Other Damage to Property. The Cell maintains its own solvency with the Minimum Guarantee Fund being afforded by the core capital. PerfectHome Cell, Travelodge Cell, Ocado Cell, TVIS Cell and Totemic Cell 2 carried on business during the year in accordance with their licence conditions, where, as determined by their authorisation, each cell is to maintain at all times its own solvency margin while the Minimum Guarantee Fund is afforded by the core capital. The reinsurance business written by the Amplifon Cell emanates from the Netherlands and the other cells all write property, accident, sickness, motor, motor liability and miscellaneous financial risks in the United Kingdom. The property risks are equally well-spread geographically. The cells' results are amply reflected in these financial statements.

3. Management of insurance and financial risk - continued

3.1.1 Frequency and severity of claims

Motor and liability

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

(i) the long lifetime which motor and other liability claims tend to have and which can lead to:
a. negative effects of inflation on claim amounts;
b. increased court awards arising from increased sensitivity of courts to the plight of accident victims spurred also by EU directives and "pro-victim" court/legislative tendencies in other EU jurisdictions; and
c. increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and
(ii) the latent effect of disease claims on the employers liability and products liability portfolio
(iii) the effect of inflation on motor repair costs
(iv) the effect of natural hazards affecting comprehensive motor results.

The Company's 2014 gross motor result was not affected by any natural catastrophe event like the 2013 hailstorm.

The impending review of Maltese law on civil damages in tort can have a significant bearing on future motor results.

Property

From the property point of view, climatic changes give rise to the more frequent and severe extreme weather "catastrophe" events e.g. flash floods and their consequences. No such phenomenon was registered in 2014 though the gross property result was impacted by two moderately large property losses incurred mid-year.

Miscellaneous accident, and personal accident and travel

The nature of claims on Money, Glass, Goods in Transit and Fidelity relate very much to the prevalence of crime in Malta and the 2014 year showed no extraordinary experience in this respect.

Marine

The marine account tends to produce regular patterns of claim frequency though years of increased frequency can arise owing to particular localised problems.

Miscellaneous Financial Risk

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

The Company manages all the above via:

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

(a) Underwriting strategy

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

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

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

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

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

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

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

3. Management of insurance and financial risk - continued

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

(b) Reinsurance

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

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

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

(c) Claims techniques

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

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

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

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

3.1.2 Sources of uncertainty in estimation of future claims payments

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

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

(i) the monetary provision necessary for pending non-liability claims based on the latest available facts and estimates

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

(a) loss of future earnings as a result of disability percentages along with estimated rehabilitation expenses;

(b) an element of direct damages; and

(c) costs of settlement including legal and other fees and court expenses; and

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

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

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

The Company takes care to ensure it is in possession of knowledge on

3. Management of insurance and financial risk - continued

all bodily injury claims notified and carries out active reviews of the larger/more serious bodily injury cases on motor and liability classes. IBNR percentages are taken as a factor on outstanding claims provision and are arrived at on the basis of an annual historical analyses of different classes' performance vis-a-vis actual IBNR experienced since 2005.

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

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

A high degree of certainty on marine claims is achieved via collection of survey evidence and value documentation.

3.2 Financial risk management

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

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

3.2.1 Market risk

(a) Cash flow and fair value interest rate risk

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

Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Company's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty. Notes 16 and 26 incorporate interest rate and maturity information with respect to the Company's assets.

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

	2014	2013
	€	€
Assets at floating interest rates - bank balances		
Assets at fixed interest rates	**8,992,860**	4,944,911
– Listed debt securities	**15,287,686**	12,754,494
– Deposits with banks or financial institutions	**849,844**	1,349,079
– Amounts owed from related parties	**4,357,708**	2,630,048
	29,488,098	21,678,532
Liabilities at floating interest rates - bank balance overdrawn	**5,771**	56,880

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

3. Management of insurance and financial risk - continued

Deposits with banks or financial institutions potentially expose the Company to fair value interest rate risk. However, since these instruments are not fair valued, a change in interest rates will not have an effect on profit or loss or other comprehensive income. Cash at bank subject to floating interest rates expose the Company to cash flow interest rate risk.

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

At 31 December 2014 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points (2013: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €497,726 higher (2013: €312,119 higher). An increase of 50 basis points (2013: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €484,283 lower (2013: €283,312 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 Asset Allocation Policy approved by the Board. The Asset Allocation Policy includes benchmarks and guidelines on various aspects of portfolio management, including currency, instrument, rating, localisation, concentration and maturity. It is periodically reviewed by the Investment Committee and, subject to Board approval, amended as necessary so as to reflect the Company's overall investment objective, which is principally the preservation of capital and liabilities.

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

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**3,486,233**	2,995,964	**-**	-	**3,486,233**	2,995,964
Units in unit trusts	**4,893,827**	5,325,610	**453,263**	421,970	**5,347,090**	5,747,580
	8,380,060	8,321,574	**453,263**	421,970	**8,833,323**	8,743,544

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% (2013: 10%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €838,007 (2013: €832,157). An increase or a decrease of 10% (2013: 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 €45,326 (2013: €42,197).

(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

3. Management of insurance and financial risk - continued

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 2014, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,241,022 (2013: €2,062,737). If the above currencies had weakened or strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €395,474 (2013: €364,013) or higher by €292,307 (2013: €269,053).

3.2.2 Credit risk

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

(i) reinsurers' share of insurance technical provisions;

(ii) amounts due from reinsurers in respect of claims already paid;

(iii) amounts due from insurance contract holders;

(iv) amounts due from insurance intermediaries; and

(v) investments and cash and cash equivalents.

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

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

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

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

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

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

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

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

3. Management of insurance and financial risk - continued

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

As at 31 December 2014

	AAA to AA Core	A to A - Core	BBB to B Core	Not rated Core	A to A- Cells	Not rate Cells	Total
	€	€	€	€	€	€	€
Investments							
Debt securities - listed fixed interest rate	1,719,133	2,052,898	6,592,112	4,923,543	-	-	15,287,686
Deposits with banks or financial institutions	-	-	-	-	-	849,844	849,844
	1,719,133	**2,052,898**	**6,592,112**	**4,923,543**	**-**	**849,844**	**16,137,530**
Loans and receivables							
Amounts receivable from related parties	-	-	-	60,839	-	-	60,839
Discounted securities to cell owners	-	-	-	-	-	4,296,869	4,296,869
Debtors and prepayments and accrued income	-	-	-	4,451,986	-	6,095,219	10,547,205
Cash equivalents	-	-	317,664	2,190,654	-	6,484,542	8,992,860
	-	**-**	**317,664**	**6,703,479**	**-**	**16,876,630**	**23,897,773**
Reinsurers' share of technical provisions	4,413,894	2,770,065	-	-	8,368,085	-	15,552,044
Total assets bearing credit risk	6,133,027	4,822,963	6,909,776	11,627,022	8,368,085	17,726,474	55,587,347

As at 31 December 2013

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

3. Management of insurance and financial risk - continued

3.2.3 Liquidity risk

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

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

The table below analyses the Company's financial liabilities (gross of reinsurers' share of claims outstanding (Note 22) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

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

As at 31 December 2014	**Contracted undiscounted cash outflows**				
	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	€	€	€	€	€
Core					
Trade and other creditors	2,064,739	-	-	-	2,064,739
Accruals and deferred income	1,848,001	-	-	-	1,848,001
Cells					
Trade and other creditors	2,093,601	-	-	-	2,093,601
Accruals and deferred income	138,714	-	-	-	138,714
	6,145,055	**-**	**-**	**-**	**6,145,055**

As at 31 December 2014	**Expected undiscounted cash outflows**				
	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	€	€	€	€	€
Core					
Technical provisions					
– Claims outstanding	8,208,513	2,639,689	1,155,882	776,325	12,780,409
Cells					
Technical provisions					
– Claims outstanding	1,823,689	8,496,287	631,166	-	10,951,142
	10,032,202	**11,135,976**	**1,787,048**	**776,325**	**23,731,551**

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

3. Management of insurance and financial risk - continued

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

3.3 Fair value estimation

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

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2014 and 2013:

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
	Level 1		Level 1		Level 1	
Assets						
Financial assets at fair value through profit or loss						
– Equity securities and units in unit trusts	**8,380,060**	8,321,574	**453,263**	421,970	**8,833,323**	8,743,544
– Debt securities	**15,287,686**	12,754,494	**-**	-	**15,287,686**	12,754,494
Total assets	**23,667,746**	21,076,068	**453,263**	421,970	**24,121,009**	21,498,038

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 2014 and 2013, the carrying amount of the Company's other financial assets and liabilities approximate their fair value in view of their short-term maturity.

4. Segmental analysis

General business

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

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

(a) Gross premiums written

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,911,256**	4,821,313	**378,933**	151,820	**5,290,189**	4,973,133
Motor (other classes)	**3,829,225**	3,563,580	**3,258,822**	1,908,592	**7,088,047**	5,472,172
Fire and other damage to property	**7,560,599**	6,057,133	**13,345,234**	11,167,490	**20,905,833**	17,224,623
Other classes	**4,170,078**	4,402,636	**3,072,749**	2,416,136	**7,242,827**	6,818,772
	20,471,158	18,844,662	**20,055,738**	15,644,038	**40,526,896**	34,488,700

(b) Gross premiums earned

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,788,405**	4,754,691	**264,540**	113,231	**5,052,945**	4,867,922
Motor (other classes)	**3,733,418**	3,514,336	**2,275,046**	1,504,344	**6,008,464**	5,018,680
Fire and other damage to property	**6,807,267**	6,342,090	**13,334,846**	11,155,875	**20,142,113**	17,497,965
Other classes	**4,315,314**	4,305,939	**3,012,537**	2,305,221	**7,327,851**	6,611,160
	19,644,404	18,917,056	**18,886,969**	15,078,671	**38,531,373**	33,995,727

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

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

(c) Gross claims incurred

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**3,186,688**	2,619,863	**2,164,101**	7,833,539	**5,350,789**	10,453,402
Motor (other classes)	**2,509,079**	3,075,492	**(460,839)**	488,504	**2,048,240**	3,563,996
Fire and other damage to property	**2,923,236**	1,450,085	**1,649,889**	991,055	**4,573,125**	2,441,140
Other classes	**1,309,978**	615,710	**1,176,191**	527,105	**2,486,169**	1,142,815
Reinsurance acceptances						
Other classes	**-**	-	**-**	(169,955)	**-**	(169,955)
	9,928,981	7,761,150	**4,529,342**	9,670,248	**14,458,323**	17,431,398

4. Segmental analysis - continued

(d) Gross operating expenses

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**1,805,552**	1,331,652	**166,933**	158,464	**1,972,485**	1,490,116
Motor (other classes)	**1,408,566**	984,246	**11,927**	11,927	**1,420,493**	996,173
Fire and other damage to property	**1,701,080**	1,672,988	**10,220,825**	8,074,126	**11,921,905**	9,747,114
Other classes	**762,639**	1,216,532	**1,379,131**	1,249,159	**2,141,770**	2,465,691
Reinsurance acceptances						
Other classes	**-**	-	**-**	49,636	**-**	49,636
	5,677,837	5,205,418	**11,778,816**	9,543,312	**17,456,653**	14,748,730

(e) Reinsurance balance

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**193,202**	179,573	**486,802**	(6,971,673)	**680,004**	(6,792,100)
Motor (other classes)	**142,801**	132,728	**54,089**	39,781	**196,890**	172,509
Fire and other damage to property	**1,019,381**	2,384,232	**-**	-	**1,019,381**	2,384,232
Other classes	**528,060**	860,176	**942**	-	**529,002**	860,176
	1,883,444	3,556,709	**541,833**	(6,931,892)	**2,425,277**	(3,375,183)

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

5. Net operating expenses

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Acquisition costs	**3,076,502**	2,877,360	**11,314,642**	9,027,959	**14,391,144**	11,905,319
Change in deferred acquisition costs (Note 18)	**(77,135)**	102,348	**(3,779)**	(32,821)	**(80,914)**	69,527
Administrative expenses	**2,956,207**	2,751,341	**281,751**	373,508	**3,237,958**	3,124,849
Reinsurance commission earned	**(3,090,883)**	(2,779,459)	**-**	-	**(3,090,883)**	(2,779,459)
Other net technical (income)/expense	**(277,737)**	(525,631)	**186,202**	174,666	**(91,535)**	(350,965)
	2,586,954	2,425,959	**11,778,816**	9,543,312	**14,365,770**	11,969,271

Total commissions included in acquisition costs and accounted for in the financial period amounted to €1,797,052 in respect of the core operations (2013: €1,670,777) and €11,314,642 in respect of the cell operations (2013: €9,027,959).

6. Investment return

Investment income

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss	**4,100**	36,140	**55,696**	42,746	**59,796**	78,886
Net gains from financial assets at fair value through profit or loss:						
- dividend income	**204,027**	148,918	**-**	-	**204,027**	148,918
- net fair value gains	**1,910,579**	1,142,450	**-**	-	**1,910,579**	1,142,450
Dividend from subsidiary undertaking	**400,000**	430,769	**-**	-	**400,000**	430,769
Exchange differences	**24,911**	-	**-**	8,280	**24,911**	8,280
Rental income from investment property	**112,675**	104,300	**-**	-	**112,675**	104,300
	2,656,292	1,862,577	**55,696**	51,026	**2,711,988**	1,913,603

Investment expenses and charges

	Core		Cells		Total	
	€	€	**€**	€	**€**	€
	2014	2013	**2014**	2013	**2014**	2013
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**65,799**	56,691	**2,659**	2,235	**68,458**	58,926
Investment expenses	**254,388**	214,129	**-**	-	**254,388**	214,129
Exchange differences	**-**	10,352	**2,846**	13,144	**2,846**	23,496
	320,187	281,172	**5,505**	15,379	**325,692**	296,551
Total investment return	**2,336,105**	1,581,405	**50,191**	35,647	**2,386,296**	1,617,052
Allocated investment return transferred to: general business technical account	**1,874,454**	1,203,357	**4,391**	4,022	**1,878,845**	1,207,379
non-technical account	**461,651**	378,048	**45,800**	31,625	**507,451**	409,673

7. Expenses by nature

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Employee benefit expense and Directors' fees	**2,574,618**	2,457,018	**-**	-	**2,574,618**	2,457,018
Commissions payable	**1,797,052**	1,670,777	**11,314,642**	9,027,959	**13,111,694**	10,698,736
Change in deferred acquisition costs	**(77,135)**	102,348	**(3,779)**	(32,821)	**(80,914)**	69,527
Reinsurance commissions earned	**(3,090,883)**	(2,779,459)	**-**	-	**(3,090,883)**	(2,779,459)
Amortisation of intangible assets (Note 12)	**24,163**	12,190	**-**	-	**24,163**	12,190
Impairment of intangible assets (Note 12)	**32,848**	32,856	**-**	-	**32,848**	32,856
Depreciation of property, plant and equipment (Note 13)	**328,534**	335,296	**-**	-	**328,534**	335,296
Profit on disposal of fixed assets	**(1,290)**	(21,610)	**-**	-	**(1,290)**	(21,610)
Auditor's fees	**40,130**	50,970	**30,750**	25,180	**70,880**	76,150
Other expenses	**1,079,649**	672,555	**462,024**	555,460	**1,541,673**	1,228,015
Total operating and administrative expenses	**2,707,776**	2,532,941	**11,803,637**	9,575,778	**14,511,413**	12,108,719
Allocated to:						
Technical account	**2,586,954**	2,425,959	**11,778,816**	9,543,312	**14,365,770**	11,969,271
Non-technical account	**120,822**	106,982	**24,821**	32,466	**145,643**	139,448

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2014 and 2013 relate to the following:

	2014	2013
	€	€
Annual statutory audit	**56,740**	55,440
Other assurance services	**3,000**	3,000
Tax advisory	**11,140**	9,790
Other non-audit services	**-**	7,920
	70,880	76,150

8. Employee benefit expense

	2014	2013
	€	€
Salaries and related costs (including Directors' salaries)	**3,263,551**	3,056,273
Social security costs	**196,835**	184,470
	3,460,386	3,240,743
Inter-company payroll charge	**(283,922)**	(207,983)
	3,176,464	3,032,760
The average number of persons employed during the year was:		
Directors	**7**	7
Managerial	**14**	14
Managerial - part time	**3**	3
Clerical	**76**	74
Clerical - reduced hours	**26**	23
Clerical - part time	**2**	2
	128	123

9. Tax expense

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Current tax expense	**1,184,848**	1,201,189	**735,470**	993,765	**1,920,318**	2,194,954
Deferred tax charge (Note 17)	**487,073**	77,352	**-**	-	**487,073**	77,352
Over provision in previous years	**(3,187)**	(57)	**-**	-	**(3,187)**	(57)
	1,668,734	1,278,484	**735,470**	993,765	**2,404,204**	2,272,249

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

	2014	2013
	€	€
Profit before tax	**6,431,773**	6,668,386
Tax on profit at 35%	**2,251,121**	2,333,935
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(68,149)**	(53,268)
Income subject to reduced rates of tax	**(9,376)**	(1,107)
Expenses not deductible for tax purposes	**58,004**	35,145
Over provision in previous years	**(3,187)**	(57)
Temporary differences relating to prior years	**128,068**	-
Unrecognised temporary differences	**13,647**	-
Other movements	**34,076**	(42,399)
Tax charge in the accounts	**2,404,204**	2,272,249

10. Directors' emoluments

	2014	2013
	€	€
Directors' fees	**66,096**	67,382
Salaries and other emoluments	**328,090**	314,381
	394,186	381,763

During the year, benefits in kind valued at €22,879 (2013: €24,317) were provided to the Directors.

11. Dividends declared

	2014	2013
	€	€
To the ordinary shareholders:		
Net	**900,000**	1,209,100
Dividends per ordinary share	**0.27**	0.37

11. Dividends declared - continued

	2014	2013
	€	€
To the cell shareholders:		
Cell 1	**-**	977,571
Cell 2	**-**	365,000
Cell 4	**-**	220,491
Cell 5	**-**	561,093
Net	**-**	2,124,155
Dividends per preference share		
Cell 1	**-**	1.47
Cell 2	**-**	2.35
Cell 4	**-**	0.44
Cell 5	**-**	5.10
Total dividends	**900,000**	3,333,255

At the forthcoming Annual General Meeting a net dividend in respect of 2014 amounting to €700,000 is to be proposed.

These financial statements do not recognise this dividend payable, which will be accounted for in shareholders' equity as an apportionment of retained earnings in the year ending 31 December 2015.

Furthermore, on 25 February 2015, the Board approved the payment of a net interim dividend of €550,000 to the non-cellular shareholders. In terms of a Board resolution dated 3 December 2014 a dividend of €1,377,739 was proposed to be paid to the Cell shareholders by the Directors and subsequently paid in 2015.

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

12. Intangible assets

	Customer relationships	Computer software	Total
	€	€	€
At 1 January 2013			
Cost	194,735	447,161	641,896
Accumulated amortisation and impairment	(129,031)	(415,296)	(544,327)
Net book amount	**65,704**	**31,865**	**97,569**
Year ended 31 December 2013			
Opening net book amount	65,704	31,865	97,569
Additions	-	32,545	32,545
Impairment charge	(32,856)	-	(32,856)
Amortisation charge	-	(12,190)	(12,190)
Closing net book amount	32,848	52,220	85,068
At 31 December 2013			
Cost	194,735	479,706	674,441
Accumulated amortisation and impairment	(161,887)	(427,486)	(589,373)
Net book amount	32,848	52,220	85,068
Year ended 31 December 2014			
Opening net book amount	32,848	52,220	85,068
Additions	-	41,960	41,960
Impairment charge	(32,848)	-	(32,848)
Amortisation charge	-	(24,163)	(24,163)
Closing net book amount	-	70,017	70,017
At 31 December 2014			
Cost	194,735	521,666	716,401
Accumulated amortisation and impairment	(194,735)	(451,649)	(646,384)
Net book amount	-	70,017	70,017

12. Intangible assets - continued

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

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

The carrying amount of customer relationships has been reduced to its recoverable amount through the recognition of an impairment loss of €32,848 (2013: €32,856). This loss has been included in 'net operating expenses' in the profit and loss account.

13. Property, plant and equipment

	Land and buildings	Improvements to leasehold premises	Furniture, equipment and motor vehicles	Total
	€	€	€	€
At 1 January 2013				
Cost or revaluation	3,088,022	873,501	3,101,676	7,063,199
Accumulated depreciation	(140,166)	(514,678)	(2,364,368)	(3,019,212)
Net book amount	**2,947,856**	**358,823**	**737,308**	**4,043,987**
Year ended 31 December 2013				
Opening net book amount	2,947,856	358,823	737,308	4,043,987
Additions	-	103,007	191,904	294,911
Reclassification from investment property	210,000	-	-	210,000
Disposals	-	-	(65,907)	(65,907)
Depreciation charge	(33,080)	(74,638)	(227,578)	(335,296)
Depreciation released on disposal	-	-	65,907	65,907
Closing net book amount	**3,124,776**	**387,192**	**701,634**	**4,213,602**
At 31 December 2013				
Cost or revaluation	3,298,022	976,508	3,227,673	7,502,203
Accumulated depreciation	(173,246)	(589,316)	(2,526,039)	(3,288,601)
Net book amount	**3,124,776**	**387,192**	**701,634**	**4,213,602**
Year ended 31 December 2014				
Opening net book amount	3,124,776	387,192	701,634	4,213,602
Additions	-	281,812	131,357	413,169
Revaluation surplus	111,978	-	-	111,978
Disposals	-	-	(27,860)	(27,860)
Depreciation charge	(36,033)	(94,273)	(198,228)	(328,534)
Depreciation released on disposal	-	-	25,300	25,300
Closing net book amount	**3,200,721**	**574,731**	**632,203**	**4,407,655**
At 31 December 2014				
Cost or revaluation	3,200,721	1,258,320	3,331,170	7,790,211
Accumulated depreciation	-	(683,589)	(2,698,967)	(3,382,556)
Net book amount	**3,200,721**	**574,731**	**632,203**	**4,407,655**

Fair value of Property

The Company's property used in operations was last revalued on 24 October 2014 and 26 December 2014 based on professional independent valuations. The Directors obtained a professional valuation for the investment properties (Note 14) on 27 October 2014. In the opinion of the Directors the carrying amount of the investment properties as at the end of the current financial period is not materially different from its fair value.

The Company is required to disclose fair value measurements by level of

13. Property, plant and equipment - continued

the following fair value measurement hierarchy for non-financial assets carried at fair value. These have been defined in Note 3.3 to the financial statements.

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

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

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

Valuation process and techniques

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

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

The valuation was determined using the sales comparison approach. Properties valued using this approach take into consideration comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre. The average price per square metre as at 31 December ranged from €495 to €1,650 in the case of property used in operations. The weighted average price per square metre as at 31 December was €1,315 in the case of investment properties. An increase in the adjusted sales prices per square metre would result in a higher fair value.

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

	2014	2013
	€	€
Cost	**2,644,340**	2,644,340
Accumulated depreciation	**(225,493)**	(199,050)
Net book amount	**2,418,847**	2,445,290

14. Land and buildings - investment property

	2014	2013
	€	€
Year ended 31 December		
At beginning of year	**2,762,275**	2,971,275
Reclassification to property, plant and equipment	**-**	(210,000)
Additions	**15,000**	1,000
At end of year	**2,777,275**	2,762,275
At 31 December		
Cost and net book amount	**2,777,275**	2,762,275

The valuation process and techniques are included under Note 13.

14. Land and buildings - investment property - continued

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

	2014	2013
	€	€
Cost	**2,777,275**	2,762,275
Accumulated depreciation	**(83,008)**	(55,235)
Net book amount	**2,694,267**	2,707,040

15. Investment in subsidiaries

	2014	2013
	€	€
Year ended 31 December		
At beginning of year	**698,000**	-
Investments acquired during the year	**-**	698,000
At end of year	**698,000**	698,000

The subsidiaries at 31 December 2014 and 2013 are shown below:

Name of subsidiary	Registered office	Class of shares	Percentage of shares held	
			2014	2013
Atlas Healthcare Insurance Agency Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	**100.0%**	100.0%
Ark Insurance Management PCC Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	**100.0%**	100.0%
Stuart Property Development Limited	48-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	**45.8%**	45.8%

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

As an ordinary 'A' shareholder, Atlas Insurance PCC Limited is entitled to elect the Chairman of the Board.

The Chairman has a casting vote both in the case of a tie during Board meetings, as well as in case of a tie during general meetings.

Accordingly, such investment is being considered as a subsidiary since Atlas Insurance PCC Limited has the power over the investee; and rights to variable returns from its involvement with the investee as well as the ability to use its power over the investee to affect the amount of the shareholders' returns.

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

16. Investments

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

	2014	2013
	€	€
Fair value through profit or loss	**24,121,009**	21,498,038
Loans and receivables	**5,207,552**	3,979,127
	29,328,561	25,477,165

16. Investments - continued

(a) Investments at fair value through profit or loss

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
At 31 December						
Equity securities and units in unit trusts	**8,380,060**	8,321,574	**453,263**	421,970	**8,833,323**	8,743,544
Debt securities – listed fixed interest rate	**15,287,686**	12,754,494	**-**	-	**15,287,686**	12,754,494
Total investments at fair value through profit or loss	**23,667,746**	21,076,068	**453,263**	421,970	**24,121,009**	21,498,038

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

Maturity of fixed income debt securities:

	2014	2013
	€	€
Within 1 year	**866,343**	176,250
Between 1 and 2 years	**505,839**	1,515,059
Between 2 and 5 years	**4,458,664**	6,229,931
Over 5 years	**9,456,840**	4,833,254
	15,287,686	12,754,494
Weighted average effective interest rate	**4.19%**	4.28%

The movements for the year are summarised as follows:

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**21,076,068**	15,348,753	**421,970**	429,640	**21,498,038**	15,778,393
Additions	**12,382,223**	12,379,678	**-**	-	**12,382,223**	12,379,678
Disposals	**(11,113,114)**	(7,311,606)	**-**	-	**(11,113,114)**	(7,311,606)
Fair value gains	**1,322,569**	659,243	**-**	-	**1,322,569**	659,243
Other movements	**-**	-	**31,293**	(7,670)	**31,293**	(7,670)
At end of year	**23,667,746**	21,076,068	**453,263**	421,970	**24,121,009**	21,498,038
As at 31 December						
Cost	**21,659,796**	20,087,524	**429,640**	429,640	**22,089,436**	20,517,164
Accumulated net fair value gains/(losses)	**2,007,950**	988,544	**23,623**	(7,670)	**2,031,573**	980,874
	23,667,746	21,076,068	**453,263**	421,970	**24,121,009**	21,498,038

(b) Loans and receivables

	2014	2013
	€	€
At 31 December		
Deposits with banks or financial institutions (i)	**849,844**	1,349,079
Discounted securities (ii)	**4,296,869**	2,420,058
Loan to subsidiary company (iii)	**60,839**	209,990
	5,207,552	3,979,127

16. Investments - continued

(i) Deposits with banks or financial institutions

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Within 3 months	**-**	-	**849,844**	1,349,079	**849,844**	1,349,079

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

	2014	2013
	€	€
At fixed rates	**849,844**	1,349,079
Weighted average effective interest rate	**0.1%**	0.1%

(ii) Discounted securities

These consist of discounted securities issued by the parent and related parties which are not subject to interest, were issued at a discount and are redeemable at par upon maturity. No guarantees have been given or received in respect of these notes and the amounts outstanding will be settled in cash. Details for their redemption dates and values and effective interest rates are as follows:

As at 31 December 2014

	Original note value	**Redemption date**	**Redemption value**	**Effective interest rate %**	**Value in Balance Sheet €**
Redemption period calculated from the balance sheet date:					
Within one year					
Cell 1	GBP 3,120,954	15/01/2015	GBP 3,124,869	0.13	3,795,860
Cell 2	GBP 385,000	01/02/2015	GBP 390,878	0.15	501,009
					4,296,869

As at 31 December 2013

	Original note value	**Redemption date**	**Redemption value**	**Effective interest rate %**	**Value in Balance Sheet €**
Redemption period calculated from the balance sheet date:					
Within one year cells	GBP 2,017,602	31/12/2013	GBP 2,020,913	0.16	2,420,058
					2,420,058

(iii) Loan to subsidiary company

The loan to subsidiary company is classified as non-current. The amount is stated net of a provision for impairment of €175,183 (2013: €175,183). In 2013, the balance outstanding included an interest-bearing loan of €131,504 subject to interest of 6% per annum which has been fully paid during the year under review.

17. Deferred taxation

	2014	2013
	€	€
Year ended 31 December		
At beginning of year	**(335,677)**	(236,524)
Charged to other comprehensive income (Note 21)	**(37,035)**	(21,801)
Charged to profit and loss account (Note 9)	**(487,073)**	(77,352)
At end of year	**(859,785)**	(335,677)

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

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2013: 35%) with the exception of investment property and freehold and other property, for which deferred income taxes are calculated using a principal tax rate of 12% of the carrying amount (2013: 12%).

The balance at 31 December represents temporary differences on:

	2014	2013
	€	€
Revaluation of land and buildings		
Temporary differences on:	**(124,128)**	(86,901)
– Financial investments at fair value through profit or loss	**(667,087)**	(307,088)
– Fixed assets	**(93,028)**	33,854
– Provisions	**24,458**	24,458
	(859,785)	(335,677)

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

18. Deferred acquisition costs

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**654,085**	756,433	**108,263**	75,737	**762,348**	832,170
Net amount credited/(charged) to profit and loss account (Note 5)	**77,135**	(102,348)	**3,779**	32,821	**80,914**	(69,527)
Exchange differences resulting from translation to presentation currency	**-**	-	**7,292**	(295)	**7,292**	(295)
At end of year	**731,220**	654,085	**119,334**	108,263	**850,554**	762,348
Current portion	**731,220**	654,085	**119,334**	108,263	**850,554**	762,348

19. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Debtors arising from direct Insurance operations						
Due from policyholders	**1,248,896**	1,427,976	**-**	-	**1,248,896**	1,427,976
Due from agents, brokers and intermediaries	**2,315,524**	1,770,710	**-**	-	**2,315,524**	1,770,710
Due from reinsurers	**9,975**	15,569	**-**	-	**9,975**	15,569
	3,574,395	3,214,255	**-**	-	**3,574,395**	3,214,255
Other debtors						
Receivable from parent	**78,011**	199,306	**-**	-	**78,011**	199,306
Receivable from subsidiaries	**199,739**	63,246	**-**	-	**199,739**	63,246
Receivable from fellow subsidiaries	**117,314**	121,919	**-**	-	**117,314**	121,919
Receivable from related parties	**14,964**	12,907	**4,821,271**	3,319,167	**4,836,235**	3,332,074
Amounts owed by Directors/shareholders	**-**	4,111	**-**	-	**-**	4,111
Other debtors	**149,694**	62,592	**1,243,237**	936,159	**1,392,931**	998,751
	559,722	464,081	**6,064,508**	4,255,326	**6,624,230**	4,719,407
Prepayments and accrued income						
Prepayments	**105,545**	58,237	**30,711**	36,689	**136,256**	94,926
Accrued interest	**212,324**	232,436	**-**	-	**212,324**	232,436
	317,869	290,673	**30,711**	36,689	**348,580**	327,362
Total debtors and prepayments and accrued income	**4,451,986**	3,969,009	**6,095,219**	4,292,015	**10,547,205**	8,261,024
Current portion	**4,451,986**	3,969,009	**6,095,219**	4,292,015	**10,547,205**	8,261,024

Core debtors are presented net of an allowance for impairment of €69,881 (2013: €69,881). As at 31 December 2014, total debtors amounting to €3,168,735 (2013: €2,791,251) were fully performing, whereas debtors amounting to €965,382 (2013: €887,085) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of significant default. The ageing analysis of amounts past due but not impaired
is as follows:

	2014	2013
	€	€
Up to 3 months	**540,404**	638,551
3 to 9 months	**421,512**	220,497
More than 9 months	**3,466**	28,037
	965,382	887,085

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

20. Share capital

	2014	2013
	€	€
Authorised share capital:		
4,997,000 'A' ordinary voting shares of €2.50 each	**12,492,500**	12,492,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
3,000,000 cell shares of €2.50 each	**7,500,000**	7,500,000
	20,000,000	20,000,000
Core		
Issued and fully paid up share capital:		
3,276,200 'A' ordinary voting shares of €2.50 each	**8,190,500**	8,190,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
	8,198,000	8,198,000
Cells		
Cell 1		
Issued and 100% paid up share capital: 663,600 cell shares	**1,659,000**	1,659,000
Cell 2		
Issued and 80% paid up share capital: 155,000 cell shares	**310,000**	310,000
Cell 4		
Issued and 85.5% (2013: 77.5%) paid up share capital: 503,980 cell shares	**1,077,257**	976,461
Cell 6		
Issued and 100% paid up share capital: 49,500 cell shares	**123,750**	123,750
Cell 7		
Issued and 67.5% paid up share capital: 320,000 cell shares	**540,000**	540,000
Cell 8		
Issued and 44.5% paid up share capital: 900,000 cell shares	**1,000,125**	-
	4,710,132	3,609,211
Total share capital	**12,908,132**	11,807,211

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

Core

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

Cells

Cell shares are issued as non-participating redeemable preference shares.

In terms of a resolution dated 10 December 2013, the shareholders resolved to increase the issued share capital of the Company by the issue of 52,000 cell shares of €2.50 each, in relation to Cell 1.

In terms of a resolution dated 26 September 2013, the shareholders resolved to increase the paid up share capital of Cell 4 to 77.5% for a consideration of €220,491. In terms of a further resolution dated 28 January 2014, the shareholders resolved to increase the paid up share capital to 85.5% for a consideration of €100,796, in respect of the same cell.

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

In terms of a resolution dated 25 February 2013, the shareholders resolved to increase the issued share capital of the Company by the issue of 320,000 cell shares of €2.50 each 67.5% paid up in relation to Cell 7. In terms of a resolution dated 15 December 2014, the shareholders resolved to increase the issued share capital of the Company by the issue of 900,000 cell shares of €2.50 each 44.5% paid up in relation to Cell 8. In terms of a resolution dated 14 April 2015, the shareholders resolved to increase the issued share capital

20. Share capital - continued

of the Company by the issue of 412,000 cell shares of €2.50 each, fully paid up in relation to Cell 4.

In terms of the same resolution, the authorised share capital of the company was increased to €27,500,000 in the form of an additional 3,000,000 cell shares of €2.50 each.

21. Reserves

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Revaluation reserve	**771,826**	696,883	**-**	-	**771,826**	696,883
Functional currency exchange reserve	**-**	-	**499,157**	85,074	**499,157**	85,074
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Total other reserves	**973,368**	898,425	**499,157**	85,074	**1,472,525**	983,499

Revaluation reserve

	Core	
	2014	2013
	€	€
Year ended 31 December		
At beginning of year	**696,883**	651,016
Revaluation increase on land and buildings (Note 13)	**111,978**	-
Movement in deferred tax relating to property, plant and equipment (Note 17)	**(37,035)**	(21,801)
Transfer from investment property reserve	**-**	67,668
At end of year	**771,826**	696,883

Functional currency exchange reserve

	Cells	
	2014	2013
	€	€
Year ended 31 December		
At beginning of year	**85,074**	260,806
Exchange differences resulting from translation to presentation currency	**414,083**	(175,732)
At end of year	**499,157**	85,074

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

Investment property reserve

	Core	
	2014	2013
	€	€
Year ended 31 December		
At beginning of year	**-**	67,668
Transfer to revaluation reserve	**-**	(67,668)
At end of year	**-**	-

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

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

21. Reserves - continued

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

The Directors consider other reserves to be non-distributable.

Profit and loss account

	2014	2013
	€	€
Core	**11,613,084**	9,812,393
Cells		
Cell 1	**2,354,348**	1,377,739
Cell 2	**407,594**	279,358
Cell 4	**222,464**	81,370
Cell 6	**(100,413)**	(66,499)
Cell 7	**138,063**	18,132
Cell 8	**(5,078)**	-
	3,016,978	1,690,100
Total profit and loss account	**14,630,062**	11,502,493

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 under the Insurance Business (Assets and Liabilities), Regulations 2007 and any amount that is not distributable under the Maltese Companies Act, 1995, as it represents unrealised profits.

22. Technical provisions and reinsurance assets

Gross technical provisions	Core		Cells		Total	
	2014	2013	2014	2013	2014	2013
	€	€	€	€	€	€
Claims reported and loss adjustment expenses	**11,483,839**	9,591,091	**9,219,280**	8,282,577	**20,703,119**	17,873,668
Claims incurred but not reported	**1,296,570**	1,045,743	**1,731,862**	1,130,690	**3,028,432**	2,176,433
Unearned premiums	**8,487,478**	7,660,724	**3,499,498**	2,237,789	**11,986,976**	9,898,513
Total insurance liabilities, gross	**21,267,887**	18,297,558	**14,450,640**	11,651,056	**35,718,527**	29,948,614
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	**3,310,096**	1,865,842	**7,778,628**	7,293,161	**11,088,724**	9,159,003
Claims incurred but not reported	**430,788**	205,688	**-**	-	**430,788**	205,688
Unearned premiums	**3,443,085**	2,803,838	**589,447**	387,805	**4,032,532**	3,191,643
Total reinsurers' share of insurance liabilities	**7,183,969**	4,875,368	**8,368,075**	7,680,966	**15,552,044**	12,556,334
Net technical provisions						
Claims reported and loss adjustment expenses	**8,173,743**	7,725,249	**1,440,652**	989,416	**9,614,395**	8,714,665
Claims incurred but no reported	**865,782**	840,055	**1,731,862**	1,130,690	**2,597,644**	1,970,745
Unearned premiums	**5,044,393**	4,856,886	**2,910,051**	1,849,984	**7,954,444**	6,706,870
	14,083,918	13,422,190	**6,082,565**	3,970,090	**20,166,483**	17,392,280

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

22. Technical provisions and reinsurance assets - continued

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

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

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

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

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

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

The reasonableness of the estimation processes on claims is monitored using claims' cost progression tables.

22. Technical provisions and reinsurance assets - continued

These are reproduced below:
Estimate of the ultimate Gross claims costs for the Core:

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	€	€	€	€	€	€	€	€	€	€	€
– at end of reporting year	6,467,477	9,150,864	8,047,207	7,990,595	10,233,170	10,031,590	8,302,389	9,790,944	10,344,366	11,283,117	91,641,719
– one year later	5,683,096	8,769,573	7,611,020	7,164,318	9,374,647	9,005,458	7,276,342	8,583,139	9,373,332		
– two years later	5,376,344	8,053,417	7,090,024	6,907,429	8,673,410	8,345,563	6,581,449	8,062,640			
– three years later	5,396,822	7,918,791	6,420,626	6,827,888	8,389,139	7,882,614	6,138,583				
– four years later	5,379,192	7,751,403	6,395,977	7,011,852	8,320,524	8,018,995					
– five years later	5,246,340	7,612,015	6,436,422	6,734,033	8,238,753						
– six years later	5,155,170	7,567,799	6,414,682	6,699,496							
– seven years later	5,132,566	7,548,165	6,404,881								
– eight years later	5,102,474	7,513,745									
– nine years later	5,094,903										
Current estimates of:											
Cumulative claims	5,094,903	7,513,745	6,404,881	6,699,496	8,238,753	8,018,995	6,138,583	8,062,640	9,373,332	11,283,117	76,828,445
Cumulative payments to date	(4,955,138)	(7,277,020)	(6,185,957)	(6,187,938)	(7,949,584)	(7,653,807)	(5,815,357)	(7,193,684)	(7,002,386)	(4,476,099)	(64,696,970)
Liability recognised in the balance sheet	139,765	236,725	218,924	511,558	289,169	365,188	323,226	868,956	2,370,946	6,807,018	12,131,475
Reserve in respect of prior years											648,934
Total reserve included in the balance sheet											12,780,409

Estimate of the ultimate Net claims costs for the Core:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	€	€	€	€	€	€	€	€	€	€
– at end of reporting year	6,684,758	5,411,727	5,738,975	6,478,050	6,736,170	6,822,148	7,278,905	8,039,367	7,768,761	60,958,860
– one year later	6,277,653	4,983,702	5,244,482	5,806,238	5,993,703	5,964,826	6,476,751	7,258,996		
– two years later	5,548,068	4,570,697	5,094,412	5,259,385	5,678,373	5,494,455	6,056,331			
– three years later	5,428,170	4,486,886	5,033,480	5,027,885	5,328,498	5,088,202				
– four years later	5,272,624	4,483,513	5,131,648	4,998,718	5,470,410					
– five years later	5,136,321	4,520,014	4,945,626	4,929,275						
– six years later	5,087,166	4,497,787	4,916,553							
– seven years later	5,067,222	4,487,480								
– eight years later	5,050,686									
Current estimates of:										
Cumulative claims	5,050,686	4,487,480	4,916,553	4,929,275	5,470,410	5,088,202	6,056,331	7,258,996	7,768,761	51,026,694
Cumulative payments to date	(4,815,391)	(4,275,987)	(4,560,369)	(4,787,496)	(5,110,243)	(4,778,911)	(5,403,695)	(5,264,990)	(3,748,713)	(42,745,795)
Liability recognised in the balance sheet	235,295	211,493	356,184	141,779	360,167	309,291	652,636	1,994,006	4,020,048	8,280,899
Reserve in respect of prior years										758,626
Total reserve included in the balance sheet										9,039,525

22. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Gross claims costs for the Cells:

Cells	2008	2009	2010	2011	2012	2013	2014	Total
	€	€	€	€	€	€	€	€
– at end of reporting year	6,608	436,538	750,960	2,097,027	2,128,125	10,125,682	4,535,651	20,080,591
– one year later	10,596	422,616	876,294	1,921,989	1,929,797	10,664,268		
– two years later	10,596	422,616	655,087	1,640,648	1,938,163			
– three years later	10,596	422,616	676,499	1,681,901				
– four years later	10,596	422,616	675,860					
– five years later	10,596	422,616						
– six years later	10,596							
Current estimates of:								
Cumulative claims	10,596	422,616	675,860	1,681,901	1,938,163	10,664,268	4,535,651	19,929,055
Cumulative payments to date	(10,352)	(421,954)	(644,682)	(1,703,275)	(1,665,108)	(2,195,266)	(2,744,880)	(9,385,517)
Other movements	(244)	(662)	9,038	218,011	121,258	27,285	32,918	407,604
Liability recognised in the balance sheet	-	-	40,216	196,637	394,313	8,496,287	1,823,689	10,951,142

Estimate of the ultimate Net claims costs for the Cells:

Cells	2008	2009	2010	2011	2012	2013	2014	Total
	€	€	€	€	€	€	€	€
– at end of reporting year	6,608	436,538	750,960	2,097,027	2,128,125	2,895,624	4,536,006	12,850,888
– one year later	10,596	422,616	876,294	1,921,989	1,929,797	2,886,026		
– two years later	10,596	422,616	655,087	1,640,648	1,938,399			
– three years later	10,596	422,616	676,499	1,681,934				
– four years later	10,596	422,616	675,860					
– five years later	10,596	422,616						
– six years later	10,596							
Current estimates of:								
Cumulative claims	10,596	422,616	675,860	1,681,934	1,938,399	2,886,026	4,536,006	12,151,437
Cumulative payments to date	(10,352)	(421,954)	(644,682)	(1,703,275)	(1,665,108)	(2,195,266)	(2,744,880)	(9,385,517)
Other movements	(244)	(662)	9,038	217,979	121,021	26,899	32,563	406,594
Liability recognised in the balance sheet	-	-	40,216	196,638	394,312	717,659	1,823,689	3,172,514

22. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjusment expenses - Core

	Year ended 31 December 2014			Year ended 31 December 2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	**9,591,091**	**(1,865,842)**	**7,725,249**	10,369,558	(2,283,147)	8,086,411
Incurred but not reported	**1,045,743**	**(205,688)**	**840,055**	1,241,963	(198,722)	1,043,241
Total at beginning of year	**10,636,834**	**(2,071,530)**	**8,565,304**	11,611,521	(2,481,869)	9,129,652
Increase in liabilities:						
– arising from current year claims	**11,283,117**	**(3,514,356)**	**7,768,761**	10,344,366	(2,304,999)	8,039,367
– arising from prior year claims	**(2,047,078)**	**379,742**	**(1,667,336)**	(3,226,340)	943,253	(2,283,087)
Claims settled during the year	**(7,092,464)**	**1,465,260**	**(5,627,204)**	(8,092,713)	1,772,085	(6,320,628)
Total at end of year	**12,780,409**	**(3,740,884)**	**9,039,525**	10,636,834	(2,071,530)	8,565,304
Notified claims still outstanding	**11,483,839**	**(3,310,096)**	**8,173,743**	9,591,091	(1,865,842)	7,725,249
Incurred but not reported	**1,296,570**	**(430,788)**	**865,782**	1,045,743	(205,688)	840,055
Total at end of year	**12,780,409**	**(3,740,884)**	**9,039,525**	10,636,834	(2,071,530)	8,565,304

(a) Claims and loss adjustment expenses - Cells

	Year ended 31 December 2014			Year ended 31 December 2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	**8,282,577**	**(7,293,161)**	**989,416**	1,131,833	-	1,131,833
Incurred but not reported	**1,130,690**	**-**	**1,130,690**	916,120	-	916,120
Total at beginning of year	**9,413,267**	**(7,293,161)**	**2,120,106**	2,047,953	-	2,047,953
Increase in liabilities:						
– arising from current year claims	**4,535,651**	**355**	**4,536,006**	10,125,682	(7,230,058)	2,895,624
– arising from prior year claims	**588,132**	**(547,915)**	**40,217**	(458,257)	-	(458,257)
Claims settled during the year	**(3,642,301)**	**-**	**(3,642,301)**	(2,295,713)	-	(2,295,713)
Other movements	**56,393**	**62,093**	**118,486**	(6,398)	(63,103)	(69,501)
Total at end of year	**10,951,142**	**(7,778,628)**	**3,172,514**	9,413,267	(7,293,161)	2,120,106
Notified claims still outstanding	**9,219,280**	**(7,778,628)**	**1,440,652**	8,282,577	(7,293,161)	989,416
Incurred but not reported	**1,731,862**	**-**	**1,731,862**	1,130,690	-	1,130,690
Total at end of year	**10,951,142**	**(7,778,628)**	**3,172,514**	9,413,267	(7,293,161)	2,120,106

22. Technical provisions and reinsurance assets - continued

(b) Gross and Net unearned premiums - Core

	Year ended 31 December 2014			Year ended 31 December 2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	**7,660,724**	**(2,803,838)**	**4,856,886**	7,733,118	(3,039,088)	4,694,030
Net charge/(credit) to profit and loss	**826,754**	**(639,247)**	**187,507**	(72,394)	235,250	162,856
At end of year	**8,487,478**	**(3,443,085)**	**5,044,393**	7,660,724	(2,803,838)	4,856,886

(b) Gross and Net unearned premiums - Cell

	Year ended 31 December 2014			Year ended 31 December 2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	**2,237,789**	**(387,805)**	**1,849,984**	1,737,538	(275,475)	1,462,063
Net charge/(credit) to profit and loss	**1,168,769**	**(186,903)**	**981,866**	565,367	(123,600)	441,767
Other movements	**92,940**	**(14,739)**	**78,201**	(65,116)	11,270	(53,846)
At end of year	**3,499,498**	**(589,447)**	**2,910,051**	2,237,789	(387,805)	1,849,984

23. Borrowings

	2014	2013
	€	€
Bank balance overdrawn (Note 26)	**5,771**	56,880
The Company has the following undrawn borrowing facilities:		
Floating rate and expiring within one year	**464,933**	477,202

24. Creditors and accruals and deferred income

	Core		Cells		Total	
	2014	2013	2014	2013	2014	2013
	€	€	€	€	€	€
Creditors arising out of direct insurance operations						
Trade creditors	**972,280**	734,384	**592,161**	474,871	**1,564,441**	1,209,255
Payable to reinsurers	**956,650**	370,205	**-**	-	**956,650**	370,205
	1,928,930	1,104,589	**592,161**	474,871	**2,521,091**	1,579,460
Creditors arising out of reinsurance operations	**-**	-	**749,863**	440,580	**749,863**	440,580
Other creditors						
Payable to related parties	**68,795**	31,130	**751,577**	748,083	**820,372**	779,213
Dividends payable	**-**	-	**-**	32,896	**-**	32,896
Other creditors	**67,014**	167,176	**-**	-	**67,014**	167,176
	135,809	198,306	**751,577**	780,979	**887,386**	979,285
Accruals and deferred income	**1,848,001**	1,552,651	**138,714**	181,463	**1,986,715**	1,734,114
Total creditors and accruals and deferred income	**3,912,740**	2,855,546	**2,232,315**	1,877,893	**6,145,055**	4,733,439
Current portion	**3,912,740**	2,855,546	**2,232,315**	1,877,893	**6,145,055**	4,733,439

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

25. Cash generated from operations

	Core		Cells		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Insurance premiums received	**20,105,424**	18,875,799	**20,055,738**	15,644,038	**40,161,162**	34,519,837
Reinsurance premiums paid	**(7,918,253)**	(6,917,388)	**(728,736)**	(421,766)	**(8,646,989)**	(7,339,154)
Claims paid	**(7,785,406)**	(8,735,837)	**(3,642,301)**	(2,295,713)	**(11,427,707)**	(11,031,550)
Reinsurance claims received	**1,465,260**	1,772,085	**-**	-	**1,465,260**	1,772,085
Commission and other income	**3,386,233**	2,612,352	**(42,749)**	(72,426)	**3,343,484**	2,539,926
Cash paid to employees, related parties and other suppliers for services and goods	**(6,017,172)**	(5,354,017)	**(13,213,449)**	(11,489,116)	**(19,230,621)**	(16,843,133)
Interest received	**612,222**	512,740	**53,037**	40,511	**665,259**	553,251
Dividends received	**464,027**	428,918	**-**	-	**464,027**	428,918
Rental Income	**112,675**	104,300	**-**	-	**112,675**	104,300
Net (purchase)/disposal of operating assets:						
– loans and receivables	**149,151**	3,436,256	**(1,408,869)**	(181,781)	**(1,259,718)**	3,254,475
– financial assets at fair value through profit or loss	**(1,269,109)**	(5,068,072)	**-**	-	**(1,269,109)**	(5,068,072)
Cash generated from operations	**3,305,052**	1,667,136	**1,072,671**	1,223,747	**4,377,723**	2,890,883

26. 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	
	2014	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**1,339,809**	1,427,090	**6,484,542**	3,765,675	**7,824,351**	5,192,765
Held with investment managers	**1,480,027**	558,122	**-**	-	**1,480,027**	558,122
Bank balance overdrawn	**(5,771)**	(56,880)	**-**	-	**(5,771)**	(56,880)
At end of year	**2,814,065**	1,928,332	**6,484,542**	3,765,675	**9,298,607**	5,694,007

The weighted average interest rate on bank balances as at year-end was 0.08% p.a. (2013: 0.07% p.a.). Included in cash at bank and in hand is an amount of €55,608 (2013: €55,608) which is pledged as guarantees to third parties.

27. Related party transactions

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

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

Income	**2014**	2013
	€	€
Parent company: Interest charged	**-**	6,600
Fellow subsidiaries: Payroll costs charged	**37,779**	26,294
Subsidiaries: Payroll costs charged	**213,238**	161,591
Other related entities: Payroll costs charged	**32,905**	20,098

Dividend receivable from subsidiary is disclosed in Note 6. Dividends payable to the parent company are disclosed in Note 11.

Expenditure	**2014**	2013
	€	€
Fellow subsidiaries: Commissions	**61,962**	27,069
Other related entities: Management fees	**89,339**	61,696

27. Related party transactions - continued

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

Year end balances owed by or to group undertakings and other related parties are disclosed in Notes 19 and 24 to these financial statements respectively.

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

28. Capital management

The Company's objectives when managing capital are:

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

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

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

As at 31 December the Company's admissible assets covering the core operation and the cellular operations were calculated by the Directors to be €71.2m (2013: €59.8m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2014 and 2013.

The Company's unaudited calculations are indicative of it being sufficiently capitalised in terms of the forthcoming Solvency II regime.

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.

29. Operating lease commitments

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

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

	2014	2013
	€	€
Not later than 1 year	**79,431**	77,203
Later than 1 year and not later than 5 years	**211,789**	235,342
Later than 5 years	**210,565**	250,421
	501,785	562,966

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €77,373 (2013: €68,918) were recognised as an operating expense in profit or loss.

30. 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.

31. Comparative information

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

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