Atlas Insurance PCC Limited

Atlas
Insurance

Atlas 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.

Atlas 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.

Atlas Values

Ambition

We have a strong work ethic and are passionate about what we do in order to maintain our competitive advantage and provide security for our stakeholders. Our strong work ethic requires us to create accountability, identify each other's strengths and to reward performance. A positive attitude is essential to develop our potential to the full.

Commitment to Service

We respond to each client as an individual while also providing the best possible products and services. We also provide excellent service to internal clients. We enjoy the challenge of responding to changing market needs and believe that professionalism in presentation and timeliness as well as consistency in approach are also paramount.

Creating Value for all stakeholders

Including clients, shareholders, staff and suppliers – we recognise that a win/win situation must exist between stakeholders as a win/lose situation will not stand the test of time. We commit to research and measure value on an ongoing basis.

Empowerment and Innovation

We create new opportunities by investing in continuous learning and we support innovation so that we can be constantly moving ahead. This includes empowerment of employees so that staff feel happy to suggest change and are supported when they take risks and it does not always work out. We value our staff and celebrate their successes and are proud to be Equal Opportunity Employers. We want our people to look forward to coming to work so that our clients will look forward to their dealings with them!

Respect

We foster a respectful environment between staff at all levels, clients, intermediaries and suppliers. This means that we endeavour to create an honest, sincere and communicative atmosphere in our dealings to ensure trust so that these relationships will endure. Regardless of position or career goals, compensation must be fair and commensurate with performance and working conditions orderly and safe. Atlas management and staff must foster this atmosphere of trust and integrity between themselves first.

Atlas Insurance

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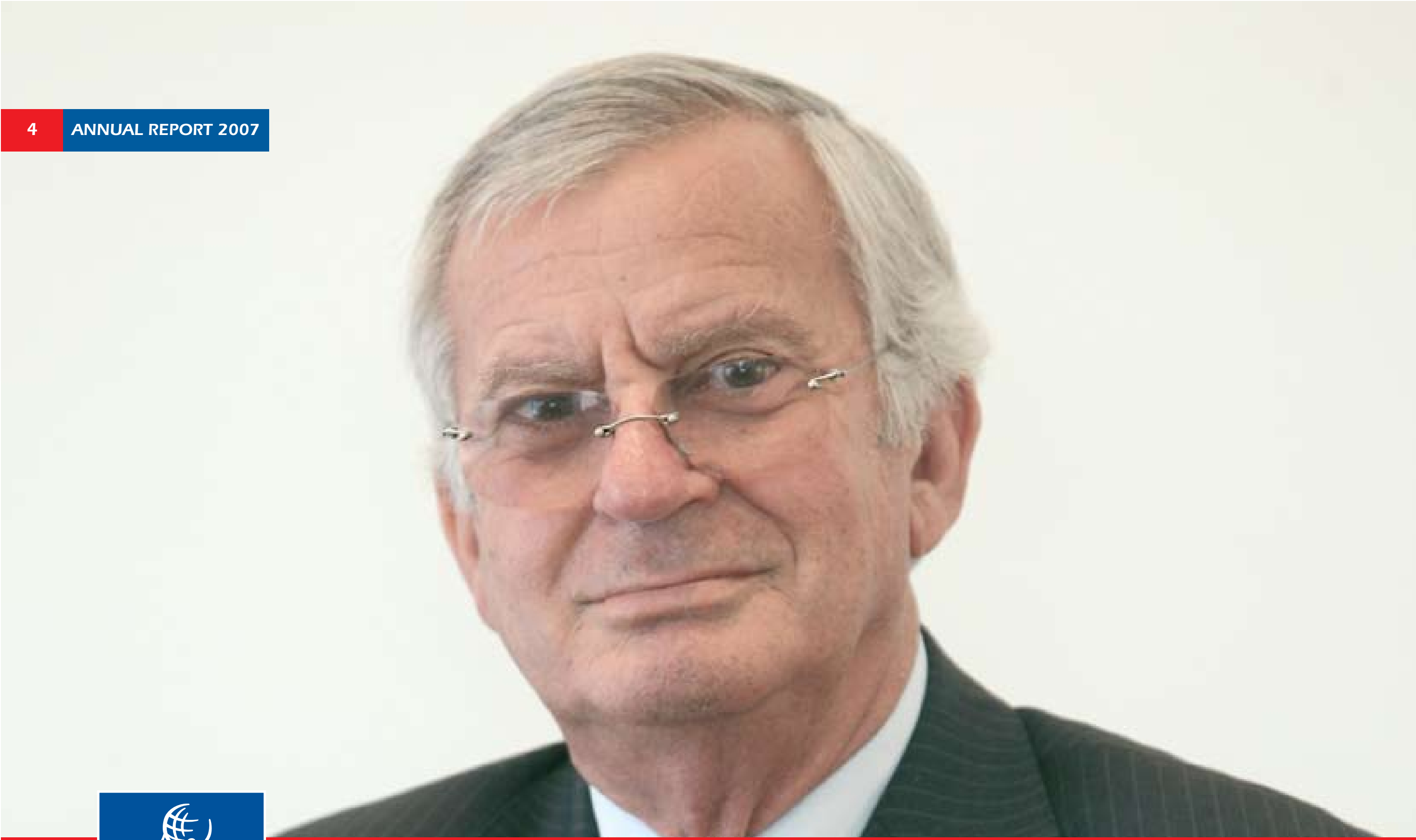
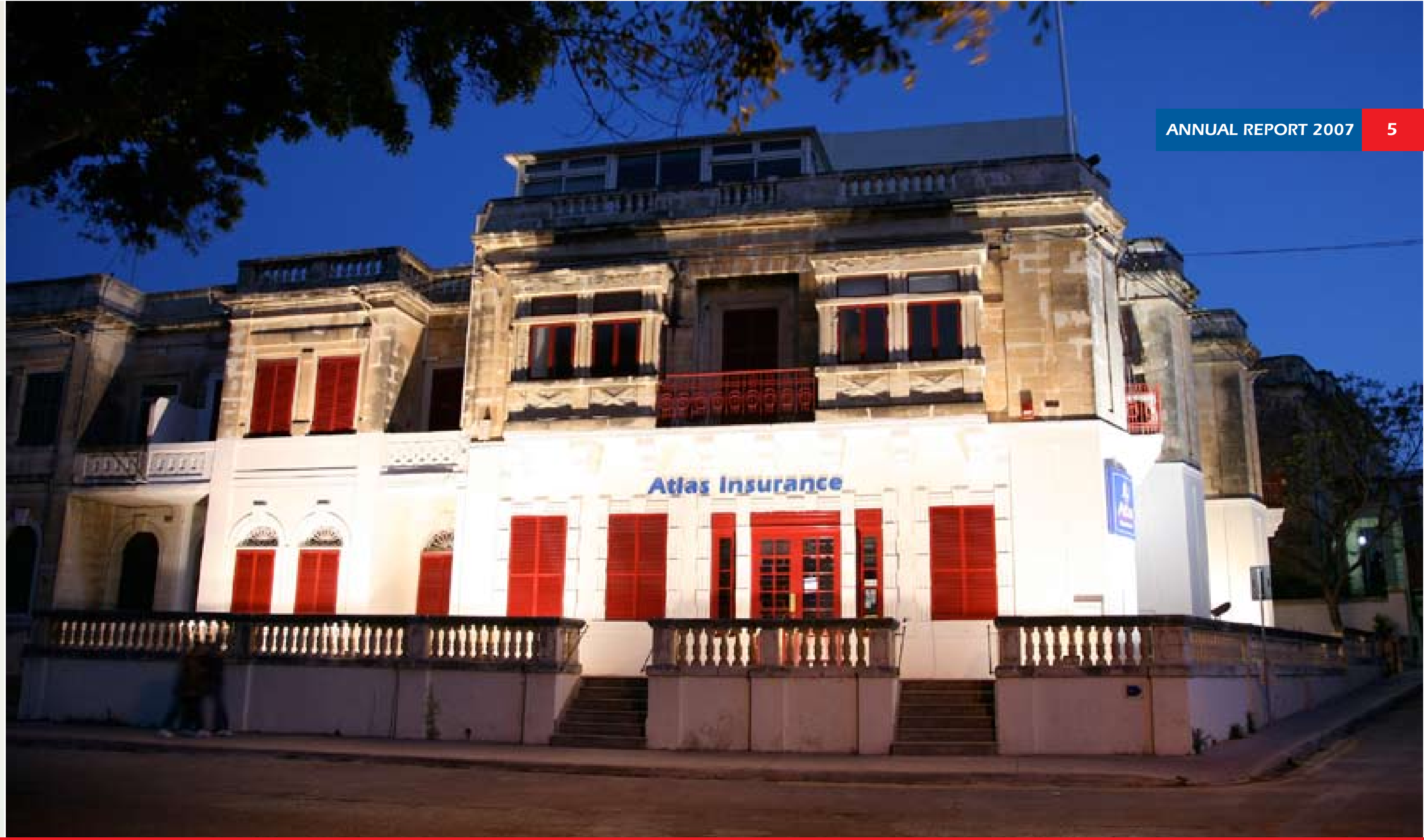




Atlas Insurance

Chairman's Statement

Favourable underwriting results produced excellent operating returns for the Company for 2007. This has led to a 20% increase in profits in the technical account over the previous year totalling Lm1.60m (2006 – Lm1.34m). I am pleased to report that, notwithstanding a substantial downturn on the international markets, which impacted on the Company's investment return, the Company has improved on previous year profits and closed the year with a pre-tax profit of Lm1.57m (2006 – Lm1.32m).

Had it not been for the loss on fair value on our investment portfolio, the Company would have repeated the results achieved in 2005. Earnings per share increased from Lm0.34c in 2006 to Lm0.36c and return on capital employed was 19.93% (2006 – 19.95%). The downturn in local and international stock values, and not less in US Dollar and Sterling exchange rates, produced worldwide turmoil which, sadly, seems likely to continue in 2008. We look forward to the bottoming out of the trough that some are hopefully forecasting for the later part of 2008.

Much has been achieved in the past four years since Atlas Insurance PCC Limited converted from its agency beginnings to a general business insurer in 2004. Given the size of the Maltese insurance market, the Company is now embarking on a new phase of expansion overseas, following its being licensed as a Protected Cell Company at the end of 2006. Malta's membership of the European Union has allowed a cell of the newly formed PCC to enjoy passporting rights in any of the other 26 EU member countries. There is a huge market out there waiting to be tapped and I look forward to the future with optimism with the hope of expanding our business into new markets. We have had a number of interesting enquiries and the first cell was registered in January 2008, with prospects for further registrations during the year. These enquiries take time to develop and the Company is investing further in the development of the professional resources required to provide the necessary infrastructure to deal with these new developments.

Despite facing various challenges in 2007, including the PCC conversion and the Euro changeover, a major focus on new distribution channels was continued. In a highly competitive and difficult market we succeeded to increase our turnover by 5.4% from Lm7.09m in 2006 to Lm7.47m. This is in no small way due to the extreme effort put in by all levels of the Company's management and staff to keep the operation moving in new directions. Following the opening of the Paola Regional Office in November 2006 and expanding to offer a wide range of services including claims and commercial lines, preparations were well in hand for the opening of another Branch Office in Qormi.

As part of our commitment to the community and our corporate social responsibility, the Company has entered into an agreement with the Local Council of Santa Lucija to sponsor improvements at the Garden of Serenity, which is an important 'lung' for the residents of this densely populated area. We have also sponsored a 20th Anniversary Concert of the National Orchestra and other environment-oriented projects supported by the Company in 2007 included a substantial donation to the 34U campaign and sponsorship of the Today Public Policy Institute.

Further work was done in 2007 to enhance the Company's Corporate Governance structure to enable it to adopt a more strategically oriented risk management stance. The new risk management committee is developing well and coordinating activity with the internal audit function as well as disseminating information throughout the organisation. The board is giving much importance to European developments with regard to a single pan-Europe solvency regime (Solvency II). These rules introduce methods of ensuring insurance solvency through a company's exposure to risk being covered by supporting capital. While Atlas Insurance is adequately capitalised and complies sufficiently with current regulated solvency requirements, the management has been instructed to prepare for the introduction of the Solvency II regime, which is to be implemented under European Union Regulation and Directive by January 2013. The Company is actively consulting experts participating in the development of this regime and has so far actively taken part in European calls for consultation from the various member state markets.

Following an increase in issued and paid up ordinary share capital in April 2007 by Lm500,000 to Lm3,000,000, in December 2007, in preparation for the registration of a new cell in 2008, a call for shares was made which were paid up to Lm100,000. In April 2008, as part of the restructuring of the share capital following the Euro conversion, the shareholders increased the issued and paid up capital by smoothing the effects of the Euro conversion on the statutory capital. The authorised share capital was increased to €20,000,000 with a paid up share capital of €7,965,875.

While thanking each member of our dedicated, hardworking staff for their contribution throughout the year, I extend my heartfelt thanks to the members of the Board of Directors, who assist me in providing the strategic direction that is taking the Company forward. With the backing of the various Board committees and the Company's senior management group we are continuing to fulfil our vision to be trusted, long term suppliers of insurance in Malta and overseas in the years ahead.

Walter G Camilleri
Chairman

CEO's Report

I am pleased to be able to report that 2007 was another positive year for the Company. Profits before tax for the year increased to Lm1.57m, a very satisfactory increase of 19% over the previous year despite diminution in fair value on investments. This was achieved through further consolidation of the Company's activities and local reach during the year, as well as improved underwriting performance.

Despite the continuing soft operating environment, the Company managed to retain its local market share, with Gross Written Premiums increasing by just over 5% over 2006 figures. Market share in the personal lines sector of our business actually continued to strengthen, in line with the Company's strategy, mainly due to branch development. Overall gross loss ratios improved satisfactorily from 44% to 38%. We continue to be supported by a panel of A rated reinsurers, many of which formed part of the original reinsurance line-up in 2005.

Profit from the technical account for general business increased from Lm1.34m in 2006 to Lm1.60m in 2007, supported also by a positive claims run-off. Expenses of management continued to increase in 2007, mainly due to increased pressure on salaries. The number of insurance managers and insurance companies licensed to carry on business outside Malta continues to grow, thereby increasing the demand for experienced and qualified staff. This is expected to continue in 2008 and beyond.

Another reason for increasing operating expenses continues to be our heavy investment in Information Systems. The Company's strong IS focus allows it added flexibility to meet changing market needs. At the same time, our Internet platform now offers various new services, including on-line sales and quotations for various classes of business in real time. Our strategy has been to develop largely in-house IT systems and during 2007 investment in several new areas was undertaken. Specific to 2007 was the conversion from our national currency to the Euro. This entailed a companywide effort which paid off in our extremely smooth conversion and implementation on the 2nd of January 2008.

The Company continued to focus on distribution during 2007, with further investment in the new Regional Office in Paola, which is fully set up to handle all classes of business, including commercial lines, and also offers a claims service for clients in the south of the island. In line with our strategy to improve distribution and penetrate new markets, particularly in the southern areas of the Maltese Islands, an increased investment in advertising was allocated. During 2007, an updating of the Company's branding was launched, which was reflected in all the Company's visual messages.

Atlas has always had a strong focus on our human resources. Our heavy investment in training and career development continues and is seen as a major component of our commitment to exceed customers' expectations. The transmission of the Company's vision, mission and values to staff and intermediaries is crucial. Atlas Insurance employs close to 120 staff members, many of them holding Chartered Insurance Institute (CII) qualifications and many more in the process of obtaining these and other qualifications. Further resources have been and will continue to be devoted to compliance and development in technical areas, such as Solvency II.

Another area of investment, development and resourcing has and continues to be related to the recent conversion to a Protected Cell Company in November 2006, with our first cell being registered in January 2008. The commitment of resources to this sector has not been small and the research involved in the processing of each enquiry has meant a serious commitment, which will pay off in the medium term. An encouragingly large number of enquiries have been received, a smaller number of which are being actively pursued and should result in new cells during 2008.

I must also express my thanks to our management team and staff who have worked hard to successfully exploit our changing environment and deliver what our customers want despite the challenges we continually face. Finally without the continued trust and loyalty of our customer base, we would not be reporting these results today and I must end by showing our sincere appreciation to our clients and intermediaries and by making a renewed commitment to continue to build upon our service promise – to exceed your expectations.

Michael Gatt
Managing Director and CEO

Euro converted financial highlights

	2007 €	2006 €
Gross premiums written	**17,393,508**	16,508,004
Profit for the financial year	**2,418,737**	2,020,624
Total equity	**12,135,493**	10,126,725
Total assets	**34,082,166**	31,728,938
Dividends	**1,807,594**	712,788
Cash flows from/(used in):		
Operating activities	**2,065,867**	68,190
Investing activities	**(365,665)**	(581,808)
Financing activities	**(409,970)**	(712,788)

All figures have been translated using the Irrevocably Fixed Conversion Rate of €1 = Lm0.4293.

Board Members & Board/Executive Committees

Board of Directors
Walter G Camilleri (Chairman)
Richard Clough FCA
Catherine Calleja BA (Hons) ACII (Company Secretary)
Albert Formosa
John Formosa
Michael Gatt (Managing)
Bryan Gera DBA
Brian Valenzia
Matthew von Brockdorff FCII
Robert von Brockdorff

Audit Committee
Walter G Camilleri
Albert Formosa
Bryan Gera DBA
Robert von Brockdorff

Investments Committee
John P Bonett
Mark Camilleri
Walter G Camilleri
Richard Clough FCA
Henry C de Gabriele FCIB
Michael Gatt
Robert von Brockdorff

Remuneration Committee
Walter G Camilleri
Richard Clough FCA
Albert Formosa
Bryan Gera DBA
Robert von Brockdorff

Group Compliance Committee
John Bonett
Mark Camilleri
Catherine Calleja BA (Hons) ACII
Michelle Lundquist ACII

Protected Cells Committee
John Bonett
Catherine Calleja BA (Hons) ACII
Mark Camilleri
Michael Gatt
David Mifsud FCII
Ian Stafrace ACII
Matthew von Brockdorff FCII

Risk Management Committee
Catherine Calleja BA (Hons) ACII
Martin Gauci
Ian Stafrace ACII
Matthew von Brockdorff FCII

Offices and Branches

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

Finance and Compliance/Branch Office
Abate Rigord Street
Ta' Xbiex XBX 1121

28 GB Buildings
Triq il-Watar
Ta' Xbiex XBX 1301

Paola Regional Office
Valletta Road
Paola PLA 1517

Qormi Branch
PAVI Shopping Complex
Triq Manwel Dimech
Qormi QRM 9061

Rabat Branch
45 Vjal il-Ħaddiem
Rabat RBT 1769

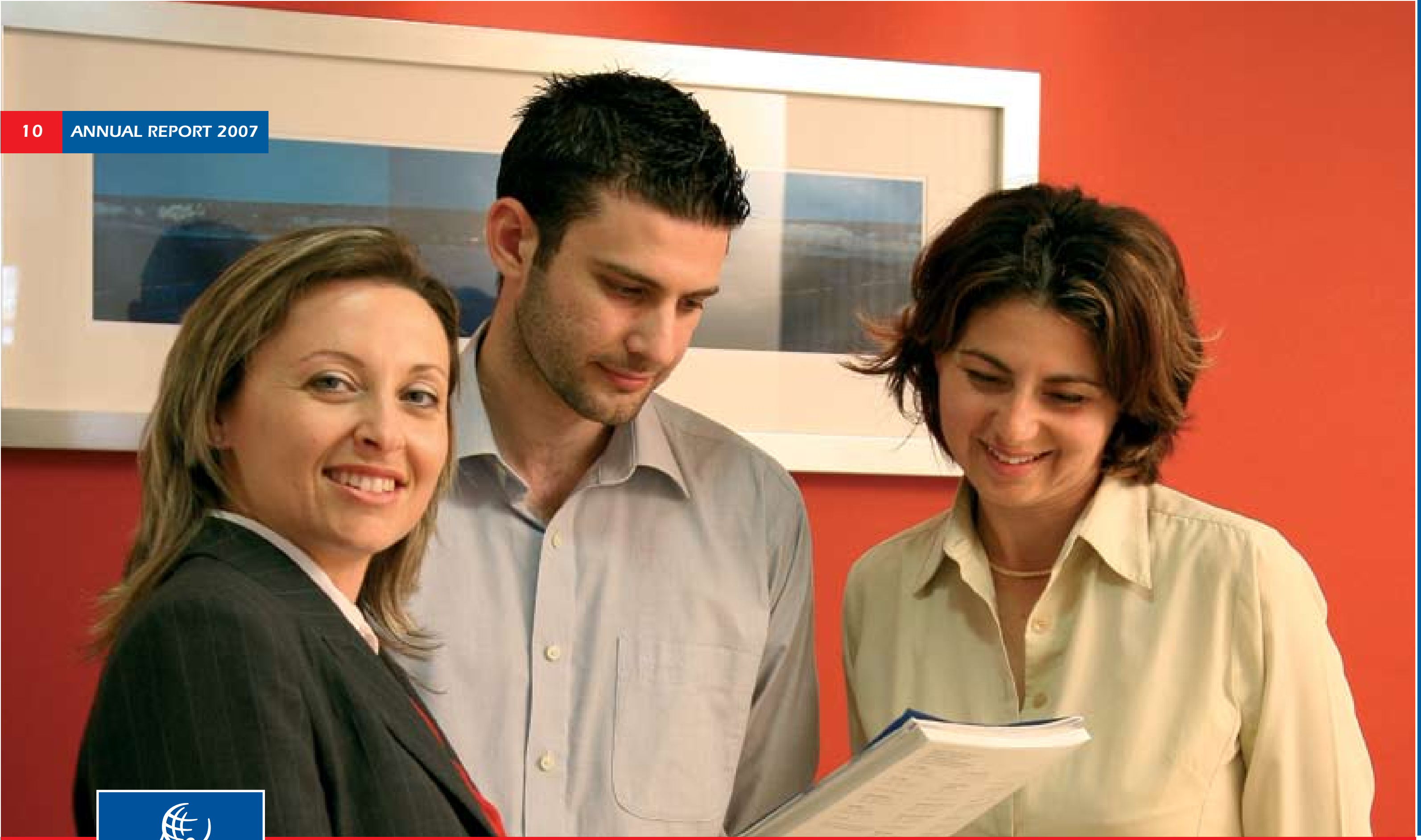
Professional Services

Legal Advisors
Jos A Schembri & Associates
Prof J M Ganado & Associates
Cefai and Associates
Zammit McKeon & Zammit

Auditors
PricewaterhouseCoopers

Bankers
HSBC Bank Malta plc
Bank of Valletta plc
Lombard Bank Malta plc
APS Bank Limited
Volksbank Malta Limited

Investment Managers
Atlas Investment Services Limited
HSBC Fund Management (Malta) Limited
Rizzo Farrugia & Co (Stockbrokers) Limited



Corporate Social Responsibility Statement

The Atlas Group of Companies continues to abide by a set of Corporate Social Responsibility guiding principles which reflect a growing concern to give back something to society as well as a belief that it is our duty to take on commitments which go beyond common regulatory or compliance requirements.

In this ever more competitive environment we are conscious of the importance of being a listening organisation and aware of the concerns and expectations of our staff members, consumers, public authorities and investors. Indeed social criteria are increasingly influencing the purchasing decisions of individuals and institutions both as consumers and investors – and we are aware that our business decisions should be transparent and make full use of modern media and information and communications technology. In addition, our stakeholders are becoming ever more concerned about the damage caused by economic activity to the environment.

Furthermore we have an understanding that Corporate Social Responsibility principles must be at the forefront of most of our Company decisions. We strongly believe in the principles brought forward in the EU March 2006 CSR Communication by the European Commission which aims to make Europe a pole of excellence on CSR. Indeed awareness of our social responsibility permeates all areas of our business including but of course not restricted to Advertising and Communications, Socially Responsible Investment, Human Resources Management including the promotion of equality and diversity in the workplace as well as a strong health and safety culture, the contribution to environmental initiatives promoting sustainable development and other environment friendly projects as well as the participation in various Social and Cultural initiatives.

We believe that the involvement of our staff in most of our corporate social responsibility initiatives is crucial also to their sense of the organisation's having a purpose beyond profit. The retention of skilled employees requires the investment into more than simply the skills for the job but into fulfilment and training of the whole person – including the encouragement of various sporting and social events. A long term view of career development at Atlas and an investment in internal as well as external comprehensive training programmes will ensure career paths for our promising staff and develop our managers of the future.

During 2007 a number of projects were continued or commenced, the largest being the long term agreement with the Santa Lucija Local Council to sponsor the renovation of the Garden of Serenity, including the provision of CCTV cameras and a significant maintenance sum to be provided for four years into the future. This was very much in line with the environmental focus of the Group's CSR policy as well as the strategy of increasing our presence in the south of the island. Members of staff also participated in a tree planting ceremony in November as part of the Foresta 2000 afforestation project and 34U campaigns. The Company also sponsored the Today Public Policy Institute think tank which also is committed to study environmental issues in depth and give constructive and impartial feedback to society. Other charity events were organised, often in conjunction with the Atlas Social Club and many of which were in the South of the island, such as the donation of a projector to Centru Tbexbix in Cospicua that aims to promote literacy amongst disadvantaged children, participation in the Bay Kids event and refurbishment works in Dar Sacra Familja in Zabbar, and further donations for the children of St Rita Home in Paola. The Company is also proud to continue to take part in the ETC Bridging the Gap scheme which provides employment for persons with disabilities.

Financial Statements

Corporate Governance - Statement of Compliance

The Atlas Insurance PCC board of directors ensures that the Company strongly endorses the acceptance of principles of good corporate governance in accordance with the various recognised models to ensure accountability, transparency and the safeguarding of the interests of the various stakeholders of the Company.

The Board of Directors

As per the memorandum and articles of association of the Company as well as corporate governance principles, the board of directors of the Company has been selected to include persons nominated by Atlas Holdings Limited, the holding Company of the group which represents the shareholders, but also independent non executive directors. Mr Walter Camilleri chairs the board while Mr Michael Gatt is the Managing Director.

Appointed independent non executive directors bring together a mix of financial and management experience which add to the diversity of knowledge, experience and judgement which is so important for the effective running of an insurance Company in today's changing and competitive climate. The full list of directors is listed on page 8.

The board of directors schedules monthly meetings at the start of the year and generally is involved in the strategic planning and budgeting process as well as the regular monitoring of management performance and development. Monthly management reports to the board of directors include detailed financial information as well as non financial key performance indicators. Information sessions and presentations on developments are held for board members on a regular basis. The board also commissions independent professional advice regularly on various topics.

The CEO, executive directors and board committees are delegated specific areas of responsibility, the latter described briefly hereunder:

Board and Executive Committees

Members of these committees are listed on page 8.

Audit Committee

The audit committee meets once a quarter to monitor the external audit function as well as to review and assess the effectiveness of the internal control systems in various functional areas in the Company through the internal audit function. Mr Martin Gauci, the internal auditor, reports directly to this committee and attends relevant meetings. During 2007, the internal auditor was involved in claims audits and the purchasing function as well as being heavily involved in due diligence and internal control systems relating to acquisitions and intermediaries mainly related to the requirements of the new Insurance Intermediaries Act 2006. The Internal Auditor is also involved in the monitoring of intermediary training and development.

The audit committee is also actively involved in the approval of the financial statements and the liaison between the external and internal audit functions.

Remuneration Committee

This committee meets biannually to set the remuneration of the senior management team including the executive directors. Furthermore, the board actively considers schemes to retain, motivate, and recruit where necessary, high quality members of the senior management team. No director is involved in deciding his or her own remuneration. Remuneration of all the senior management team is linked to corporate and individual performance.

Investments Committee

The investments committee meets monthly to advise the main board on strategy and parameters for the investment managers appointed by the board to operate under. Committee members include Mr Henry C de Gabriele, ex-Governor of the Central Bank of Malta and Mr John P Bonett, ex-Regulator of the Insurance Unit of the Malta Financial Services Authority, who both have extensive experience in the field.

Corporate Governance - Statement of Compliance - continued

Group Compliance Committee

This committee meets quarterly or more frequently where relevant and is a group committee which oversees compliance issues affecting group companies regulated by the Insurance Business Act (1998) and the Insurance Intermediaries Act 2006. The committee is chaired by the Group Financial Controller and Compliance Officer, Mr Mark Camilleri and generally reviews and gives feedback on new directives under the abovementioned legislation as well as ensuring that group companies continue to comply with current obligations.

Risk Management Committee

During 2007, the risk management committee continued to set direction for the new risk management function within the organisation. The committee, chaired by the Deputy Managing Director Mr Matthew von Brockdorff, focused on the development of guiding principles and accountabilities within a corporate risk management structure. Board and senior management presentations, awareness and training sessions were held and the groundwork for the compilation of a risk register detailing the mitigation strategies and reporting procedures for top corporate risks was laid. The framework being developed is in line with Solvency 2 risk categories and the internal audit role is a central pivot in the monitoring of the risk management structure of the organisation.

Protected Cells Committee

This committee set up in 2006 to analyse and propose new cell applications to the board of directors as well as to monitor and report on the performance of the cells has been extremely active. The committee is largely made up of the directors of Ark Insurance Management (Malta) Limited, a licenced insurance manager and a sister Company to Atlas Insurance PCC Limited.

Relations with Shareholders

As has been the case in the past, the level of disclosure to shareholders within the group has been far beyond statutory requirements under the Companies Act. Atlas Insurance PCC Limited is fully owned by Atlas Holdings Limited and Annual General Meetings for shareholders of the Group are held formally each year. Besides the statutory business of the Annual General Meeting as laid down in the memorandum and articles of the Company, results and reports for all group companies are presented.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2007.

Principal activities

The principal activities of the Company are that of an insurance Company licensed in terms of section 7 of the Insurance Business Act 1998 by the Malta Financial Services Authority to write general business in Malta.

Review of the business

The board of directors report that 2007 was another positive year for the Company.

Atlas Insurance PCC Limited registered a net profit before tax for the year of Lm1,565,743 (2006: Lm1,317,365) and a net profit after tax of Lm1,038,364 (2006: Lm867,454).

The Company's income on insurance operations showed a substantial increase on the previous year from Lm1,339,238 in 2006 to Lm1,603,616 for the year under review and this notwithstanding the results achieved from its investing activity which were very much affected by diminutions in value of its investment portfolio due to the weakening of both international market prices and foreign currency standing.

The directors view the outlook for the future positively with the Company maintaining its market position and indeed increasing its market position in some sectors as well as its development overseas through the protected cell operation especially in the light of the interest shown in the Company in international markets since its conversion to a protected cell Company.

The Malta Financial Services Authority licensed the Company's first cell as a direct writing insurance provider on the 22 January 2008 and in preparation for this the shareholders of the Company approved by an extraordinary resolution dated 27 December 2007 the issue of 200,000 Lm1 cell shares to Zopa Limited with a paid up value of 50%.

On the 4 April 2007 the shareholders increased the paid up capital of the Company by Lm500,000 to Lm3,000,000. Furthermore, by another extraordinary resolution the shareholders increased the Company's paid up share capital by €511,880 on 30 April 2008 as part of a restructuring of the authorised, issued and paid up capital by smoothing the effect of the euro conversion on its statutory capital. All authorised and issued shares have now been denominated at €2.50 per share with a total authorised share capital of €20,000,000 and total paid up share capital of €7,965,875.

Results and dividends

The profit and loss account is set out on pages 18 and 19. An interim ordinary dividend of Lm770,000 (2006: Lm300,000) and preference dividends of Lm6,000 (2006: Lm6,000) were declared during the year. The directors recommend the payment of a final net dividend of Lm290,000 (2006: Lm270,000).

Directors

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

Walter Camilleri – Chairman
Michael Gatt – Managing Director
Robert von Brockdorff
Matthew von Brockdorff
Catherine Calleja
Brian Valenzia
Albert Formosa
John Formosa
Bryan Gera
Richard Clough

In accordance with the Articles of Association, the present directors remain in office.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Walter Camilleri
Chairman

Michael Gatt
Managing Director

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

3 June 2008

Statement of Directors' Responsibilities

The directors are required by the Insurance Business Act, 1998 and the 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;
- 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 relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Insurance Business Act, 1998 and 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.

The directors are responsible for the maintenance and integrity of the Annual Report on the Company's website. Access to information published on the 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.

Independent Auditor's Report

To the Shareholders of Atlas Insurance PCC Limited

We have audited the financial statements of Atlas Insurance PCC Limited on pages 18 to 58 which comprise the balance sheet as at 31 December 2007 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 16, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free of 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 judgment, 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 and fair presentation of the financial statements 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 at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

3 June 2008

Profit and Loss Account
Technical Account - General Business

	Notes	Year ended 31 December 2007 Lm	2006 Lm
Earned premiums, net of reinsurance			
Gross premiums written	3	**7,467,033**	7,086,886
Outward reinsurance premiums		**(3,191,491)**	(2,925,968)
Net premiums written		**4,275,542**	4,160,918
Change in the provision for unearned premiums			
- gross amount	22	**(205,870)**	(208,522)
- reinsurers' share	22	**111,441**	13,246
		(94,429)	(195,276)
Earned premiums, net of reinsurance		**4,181,113**	3,965,642
Allocated investment return transferred from the non-technical account	5	**(130,061)**	191,612
Total technical income		**4,051,052**	4,157,254
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**3,059,502**	3,180,166
- reinsurers' share	22	**(840,264)**	(655,723)
		2,219,238	2,524,443
Change in the provision for claims			
- gross amount	22	**(243,441)**	(130,336)
- reinsurers' share	22	**(264,997)**	(325,239)
		(508,438)	(455,575)
Claims incurred, net of reinsurance		**1,710,800**	2,068,868
Net operating expenses	4	**736,636**	749,148
Total technical charges		**2,447,436**	2,818,016
Balance on the technical account for general business (page 19)		**1,603,616**	1,339,238

Profit and Loss Account
Non-Technical Account

	Notes	Year ended 31 December 2007 Lm	2006 Lm
Balance on technical account - general business (page 18)		**1,603,616**	1,339,238
Investment income	5	**337,805**	368,974
Investment expenses and charges	5	**(470,315)**	(164,519)
Allocated investment return transferred to the general business technical account	5	**130,061**	(191,612)
Administration expenses	6	**(35,424)**	(34,716)
Profit before tax		**1,565,743**	1,317,365
Tax expense	8	**(527,379)**	(449,911)
Profit for the financial year		**1,038,364**	867,454
Earnings per share	10	**0.36**	0.34

Balance Sheet

	Notes	2007 Lm	As at 31 December 2006 Lm
ASSETS			
Intangible assets	12	**110,000**	-
Tangible assets:			
- land, buildings and improvements	13	**1,168,927**	1,159,476
- plant and equipment	13	**318,397**	296,927
Investments:			
- land and buildings	14	**165,000**	165,000
- investment in subsidiary undertaking	15	**1,100**	500
- other financial investments	16	**7,979,464**	8,400,530
Deferred taxation	17	**121,596**	-
Reinsurers' share of technical provisions	22	**2,152,237**	1,775,799
Deferred acquisition costs	18	**314,450**	292,372
Debtors:			
- debtors arising out of direct insurance operations	19	**1,233,553**	1,164,028
- other debtors	19	**186,850**	55,476
Taxation recoverable		**-**	49,152
Prepayments and accrued income	19	**399,481**	138,408
Cash and cash equivalents	26	**480,419**	123,565
Total assets		**14,631,474**	13,621,233
EQUITY			
Capital and reserves			
Share capital	20	**3,100,000**	2,500,000
Profit and loss account	21	**1,888,103**	1,625,739
Other reserves	21	**221,664**	221,664
Total equity		**5,209,767**	4,347,403
LIABILITIES			
Technical provisions	22	**7,989,906**	8,027,476
Provisions for other risks:			
- deferred taxation	17	**-**	63,686
Creditors:			
- interest bearing borrowings	23	**-**	192,940
- creditors arising out of direct insurance operations	24	**666,939**	206,480
- creditors arising out of reinsurance operations	24	**122,590**	225,393
- other creditors	24	**108,728**	98,297
Current taxation		**17,696**	-
Accruals and deferred income	24	**515,848**	459,558
Total liabilities		**9,421,707**	9,273,830
Total equity and liabilities		**14,631,474**	13,621,233

The financial statements on pages 18 to 58 were authorised for issue by the board on 3 June 2008 and were signed on its behalf by:

Walter Camilleri
Chairman

Michael Gatt
Managing Director

Statement of Changes in Equity

	Notes	Share capital Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2006		2,500,000	104,813	1,092,644	3,697,457
Revaluation surplus on freehold and other property, net of tax	21	-	88,492	-	88,492
Net income recognised directly in equity		-	88,492	-	88,492
Profit for the financial year		-	-	867,454	867,454
Transfer of fair value gains, net of deferred tax, on investment property	21	-	28,359	(28,359)	-
Total recognised income for 2006		-	116,851	839,095	955,946
Dividends	11	-	-	(306,000)	(306,000)
Balance at 31 December 2006		**2,500,000**	**221,664**	**1,625,739**	**4,347,403**
Balance at 1 January 2007		2,500,000	221,664	1,625,739	4,347,403
Profit for the financial year		-	-	1,038,364	1,038,364
Total recognised income for 2007		-	-	1,038,364	1,038,364
Increase in share capital		500,000	-	-	500,000
Issue of cell shares	20	100,000	-	-	100,000
Dividends	11	-	-	(776,000)	(776,000)
Balance at 31 December 2007		**3,100,000**	**221,664**	**1,888,103**	**5,209,767**

Cash Flow Statement

	Notes	2007	2006
		Year ended 31 December	
		Lm	Lm
Operating activities			
Cash generated from operations	25	**1,532,690**	1,029,315
Tax paid		**(645,813)**	(993,736)
Interest paid		**-**	(6,305)
Net cash from operating activities		**886,877**	29,274
Investing activities			
Purchase of property, plant and equipment		**(165,880)**	(251,570)
Disposal of property, plant and equipment		**9,500**	1,800
Investment in subsidiary undertaking		**(600)**	-
Net cash used in investing activities		**(156,980)**	(249,770)
Financing activities			
Dividends paid		**(776,000)**	(306,000)
Issue of share capital		**600,000**	-
Net cash used in financing activities		**(176,000)**	(306,000)
Movement in cash and cash equivalents		**553,897**	(526,496)
Cash and cash equivalents at beginning of year		**(69,375)**	457,121
Exchange losses on cash and cash equivalents		**(4,103)**	-
Cash and cash equivalents at end of year	26	**480,419**	(69,375)

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. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Insurance Business Act, 1998 and the Companies Act, 1995.

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 1.

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.

Standards, interpretations and amendments to published standards effective in 2007

In 2007, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Company's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the Company's financial instruments and capital.

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 accounting periods beginning after 1 January 2007. The Company has not early adopted these revisions to the requirements of IFRSs and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

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 15 dealing with insurance contracts.

2. Revenue recognition - *continued*

(b) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method. When an insurance receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(c) Dividend income

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

(d) Rental income

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

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.

4. Foreign currencies

Transactions in foreign currencies have been converted into Maltese Liri at the rates of exchange ruling on the date of the transaction. 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. Translation differences on non-monetary items, mainly arising on equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

5. 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. 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.

5. Land and buildings – Investment property - *continued*

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

6. Tangible assets – Property, plant and equipment

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

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

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

	%
Buildings	1
Improvement to leasehold premises	10
Furniture, equipment and motor vehicles	10 - 33 $^1/_3$

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.

7. Intangible assets

Customer relationships

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

8. 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.

8. Financial assets - *continued*

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

Financial assets at fair value through profit or loss comprise all securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, if so designated by the directors. These financial assets are managed and their performance is evaluated and reported on a fair value basis to the Company's key management personnel in accordance with a documented investment strategy.

(b) Loans and receivables

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

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. Investments are derecognised when the rights to receive cash flows from the investments 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 unit trusts are based on quoted market prices at the balance sheet 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.

9. Investments in subsidiaries

Investments in subsidiary undertakings, are accounted for at cost. The results of 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.

10. Impairment of assets

(a) Impairment of financial assets carried at amortised cost

The Company assesses at each balance sheet 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.

10. Impairment of assets - *continued*

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

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

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

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

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

(b) Impairment of other non-financial assets

Assets that have an indefinite useful life, such as customer relationships, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

11. Operating leases

Assets leased out under operating leases are included as investment property in the balance sheet. Rental income is recognised on a straight-line basis over the lease term.

12. Debtors

Trade debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

13. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts, and time deposits or treasury bills maturing within three months. In the balance sheet, bank overdrafts are included in borrowings.

14. Deferred income tax

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax 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, it is not accounted for. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred income 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.

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 written relate to business incepted during the year together with any differences between the booked premiums for prior years and thus previously accrued, less cancellations.

(ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

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

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

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

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

15. Insurance contracts - classification - *continued*

Insurance contracts - General business - continued

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

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

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 debtors), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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.

The Company assesses its reinsurance assets and its receivables related to insurance contracts for impairment on a regular basis. If there is objective evidence that the reinsurance asset or the insurance receivable is impaired, the Company will reduce the carrying amount 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 or insurance receivable 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. These processes are described in accounting policy 10.

16. Provisions

Provisions 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

17. Borrowing costs

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

18. Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes to the Financial Statements

1. Critical accounting estimates and judgments 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.

2. Management of insurance and financial risk

2.1. 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; manufacture; services and it is not unduly dependent on one sector alone.

2.1. Insurance risk - *continued*

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 under review the Company registered its first cell application to the Malta Financial Services Authority which cell was eventually licensed to underwrite risk under class of business 16 – Miscellaneous Financial Loss on the 22 January 2008.

2.1.1. Frequency and severity of claims

Motor and liability

The danger is that the frequency and severity of claims be seriously affected by:

(i) the long lifetime which motor and other liability claims tend to have and which can lead to:

- (a) negative effects of inflation on claim amounts;
- (b) increased court awards arising from increased sensitivity of courts to the plight of accident victims spurred also by EU directives and "pro-victim" court/ legislative tendencies in other EU jurisdictions; and
- (c) increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and

(ii) the latent effect of disease claims on the employers liability and products liability portfolio.

Property

From the property point of view, climatic changes give rise to the more frequent and severe extreme weather events e.g. flash floods and their consequences.

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 2007 year shows no extraordinary sustained phenomenon experienced in this regard.

Marine

The marine account is mainly based on cargo business which tends to produce regular patterns of claim frequency though years of increased frequency can arise owing to particular localised problems. The hull portfolio is affected by weather patterns and crime patterns.

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.

2.1.1. Frequency and severity of claims - *continued*

(a) Underwriting strategy - continued

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 areas of unlimited liability left are on Motor EU use (in line with legislation).

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

(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 inter alia "stop loss protection" which protects the Company from unexpected adverse development of claims transferred in 2004 and 2005 from AXA Insurance plc to Atlas Insurance PCC Limited.

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.

(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.

2.1.1. Frequency and severity of claims - *continued*

(c) Claims techniques - continued

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.

2.1.2. 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 loss is discovered long afterwards. 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 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

(ii) to the above provision 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 plus the Company will note current trends.

The Company takes care to ensure it is in possession of knowledge on all bodily injury claims notified and carries out active reviews of the larger/ more serious bodily injury cases on motor and liability classes.

IBNR percentages are taken as a factor on outstanding claims provision and are arrived at on the basis of historical analyses of different classes' performance vis-a-vis actual IBNR experienced over a five-year period.

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.

2.1.2. Sources of uncertainty in estimation of future claims payments - *continued*

While under the marine class doubt on value of claims can be influenced by the influx of late notifications on insured export claims, the company actually insures very few export consignments so this factor does not affect its IBNR provision. Indeed a high degree of certainty on marine claims is achieved via collection of survey evidence and value documentation.

2.2. 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.

2.2.1. Market risk

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

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

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

	2007	2006
	Lm	Lm
Assets at floating interest rates – bank balances	**480,419**	123,565
Assets at fixed interest rates		
- Listed debt securities	**3,105,817**	3,361,046
- Deposits with banks or financial institutions	**2,031,708**	2,165,349
	5,617,944	5,649,960
Liabilities at floating interest rates – bank balances overdrawn	**-**	192,940

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

Deposits with banks or financial institutions potentially expose the Company to fair value interest rate risk. However, since these instruments are not fair valued there is no exposure to the Company.

2.2.1. Market risk - *continued*

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

Up to the balance sheet date 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.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the balance sheet date to be immaterial.

(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:

	2007	2006
	Lm	Lm
Assets subject to equity price risk		
Equity securities	1,017,454	1,194,237
Units in unit trusts	495,944	1,001,201
	1,513,398	2,195,438

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. Given the investment strategy of the Company a 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes.

An increase and a decrease of 10% in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of Lm151,340 (2006: Lm219,544).

(c) Currency risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. The Company may experience losses arising from a decrease in values of its assets held in foreign currency or an increase in value of its technical reserves denominated in foreign currencies.

As the Company's technical reserves are wholly denominated in Maltese Lira due to the fact that all insurance policies are written in Maltese Lira, funds covering such liabilities are largely invested in Maltese Lira instruments. The board of directors implements a policy of currency matching rules thus minimising the Company's exposure to such risk. Owing to

2.2.1. Market risk - *continued*

(c) Currency risk - *continued*

the limited opportunities available for investment in Maltese Lira instruments, the board has also transmitted this policy to the investments committee, although allowance is given to the committee to function within a certain degree of flexibility. This flexibility is limited to the extent of not compromising the Company's financial strength in matching its liabilities, namely its insurance technical provisions.

The Maltese Lira entered the Exchange Rate Mechanism II (ERM II) effective from 2 May 2005 with the anticipation of the currency changeover scheduled for 1 January 2008. The investment committee has recognised the fact that financial instruments held in Euro currency do not constitute any material exchange risk. Currency exposure is also regulated by the Regulations underlying the Maltese Insurance Business Act, 1998.

At 31 December 2007, foreign currency exposure (other than Euro), principally comprising a mix of US Dollar, UK Pound and Australian Dollar, amounted to Lm1,755,001 (2006: Lm2,401,828). If the above currencies had weakened/strengthened by 15% against the Maltese Lira with all other variables held constant, pre-tax profit for the year would have been lower by Lm309,706 / higher by Lm228,913 (2006: lower by Lm423,852 / higher by Lm313,282).

2.2.2. 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 2.1.1 (b).

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

2.2.2. Credit risk - *continued*

The Investment Committee takes account of the credit risk inherent in the Company's investment portfolio by adopting similar cautious practices in identifying investment opportunities and monitoring portfolio performance. The investment instruments acquired are highly rated by the internationally-renowned credit rating agencies like Moody's and Standard and Poors. 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.

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

Assets bearing credit risk at the balance sheet date are analysed as follows:

	As at 31 December 2007				
	AAA to AA Lm	A to A- Lm	BBB Lm	Not rated Lm	Total Lm
Investments					
Debt securities at fair value through profit or loss	1,115,958	1,107,135	264,741	461,992	2,949,826
Deposits with banks or financial institutions	-	566,189	-	1,465,519	2,031,708
Treasury Bills	-	155,991	-	-	155,991
	1,115,958	1,829,315	264,741	1,927,511	5,137,525
Loans and receivables					
Debtors and prepayments and accrued income	-	-	-	1,819,884	1,819,884
Cash equivalents	28,012	5,447	-	348,934	382,393
	28,012	5,447	-	2,168,818	2,202,277
Reinsurance share of technical provisions	1,216,013	936,224	-	-	2,152,237
Total assets bearing credit risk	2,359,983	2,770,986	264,741	4,096,329	9,492,039

	As at 31 December 2006				
	AAA to AA Lm	A to A- Lm	BBB Lm	Not rated Lm	Total Lm
Investments					
Debt securities at fair value through profit or loss	2,433,601	256,016	362,508	308,921	3,361,046
Deposits with banks or financial institutions	-	705,494	-	1,459,855	2,165,349
	2,433,601	961,510	362,508	1,768,776	5,526,395
Loans and receivables					
Debtors and prepayments and accrued income	-	-	-	1,357,912	1,357,912
Taxation recoverable	-	49,152	-	-	49,152
Cash equivalents	13,966	9,966	-	52,428	76,360
	13,966	59,118	-	1,410,340	1,483,424
Reinsurance share of technical provisions	976,689	568,256	230,854	-	1,775,799
Total assets bearing credit risk	3,424,256	1,588,884	593,362	3,179,116	8,785,618

2.2.3. 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.

As at 31 December 2007 — **Contracted undiscounted cash outflows**

	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm
Trade and other creditors	673,257	225,000	-	-	898,257
Accruals and deferred income	515,848	-	-	-	515,848
	1,189,105	225,000	-	-	1,414,105

Expected undiscounted cash outflows

	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm
Technical provisions					
- Claims outstanding	3,154,472	811,397	682,684	333,992	4,982,545

As at 31 December 2006 — **Contracted undiscounted cash outflows**

	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm
Interest bearing borrowings	192,940	-	-	-	192,940
Trade and other creditors	530,170	-	-	-	530,170
Accruals and deferred income	459,558	-	-	-	459,558
Current taxation	35,392	-	-	-	35,392
	1,218,060	-	-	-	1,218,060

Expected undiscounted cash outflows

	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm
Technical provisions					
- Claims outstanding	2,860,839	1,244,955	738,592	381,599	5,225,985

3. 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:

	Gross premium written 2007 Lm	Gross premium written 2006 Lm	Gross premium earned 2007 Lm	Gross premium earned 2006 Lm
Direct insurance				
Motor (third party liability)	**842,241**	830,617	**829,243**	786,197
Motor (other classes)	**2,525,735**	2,491,852	**2,486,741**	2,358,590
Fire and other damage to property	**2,339,163**	2,206,931	**2,273,334**	2,225,980
Other classes	**1,759,894**	1,557,486	**1,671,845**	1,507,597
	7,467,033	7,086,886	**7,261,163**	6,878,364

All gross premiums written on general insurance business emanate from contracts concluded in Malta.

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

	Gross claims incurred 2007 Lm	Gross operating expenses 2007 Lm	Reinsurance balance 2007 Lm
Direct insurance			
Motor (third party liability)	**418,098**	**198,382**	**60,426**
Motor (other classes)	**1,256,524**	**603,695**	**181,108**
Fire and other damage to property	**928,876**	**615,470**	**300,190**
Other classes	**212,563**	**381,501**	**370,653**
	2,816,061	**1,799,048**	**912,377**

	Gross claims incurred 2006 Lm	Gross operating expenses 2006 Lm	Reinsurance balance 2006 Lm
Direct insurance			
Motor (third party liability)	435,739	181,896	45,880
Motor (other classes)	1,307,217	545,691	137,637
Fire and other damage to property	599,323	622,560	511,219
Other classes	707,551	412,626	223,399
	3,049,830	1,762,773	918,135

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

4. Net operating expenses

	2007 Lm	2006 Lm
Acquisition costs	**1,085,734**	955,433
Change in deferred acquisition costs (Note 18)	**(22,078)**	(3,199)
Administrative expenses	**966,641**	841,091
Reinsurance commissions earned	**(1,062,412)**	(1,013,625)
Other net technical income	**(231,249)**	(30,552)
	736,636	749,148

Total commissions included in acquisition costs and accounted for in the financial period amounted to Lm728,358 (2006: Lm651,563).

5. Investment return

	2007 Lm	2006 Lm
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	**84,324**	119,912
Income from financial assets at fair value through profit or loss:		
- interest income	**182,659**	160,522
- dividend income	**65,997**	41,340
Fair value gains on investment property	**-**	40,000
Rental income	**4,825**	7,200
	337,805	368,974
Investment expenses and charges		
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**7,879**	6,305
Net fair value losses on financial assets at fair value through profit or loss (Note 16)	**421,558**	116,060
Investment expenses	**18,251**	34,585
Exchange differences	**22,627**	7,569
	470,315	164,519
Total investment return	**(132,510)**	204,455
Allocated as follows:		
Allocated investment return transferred to the general business Technical account	**(130,061)**	191,612
Investment return included in the non-technical account	**(2,449)**	12,843
	(132,510)	204,455

6. Expenses by nature

	2007 Lm	2006 Lm
Staff costs and directors' fees	**806,309**	674,576
Commissions payable	**728,358**	651,563
Change in deferred acquisition costs	**(22,078)**	(3,199)
Commissions earned	**(1,062,412)**	(1,013,625)
Depreciation of property, plant and equipment (Note 13)	**133,159**	120,997
Auditors' remuneration	**9,800**	9,200
Other expenses	**178,924**	344,352
Total operating expenses and administration expenses	**772,060**	783,864

7. Staff costs

	2007 Lm	2006 Lm
Salaries (including directors' salaries)	**935,376**	823,933
Social security costs	**58,343**	50,042
	993,719	873,975
Inter-Company payroll charge	**(38,681)**	(49,091)
	955,038	824,884

The average number of persons employed during the year was:

	2007	2006
Directors	**6**	5
Managerial	**12**	10
Managerial - part time	**3**	2
Clerical	**79**	62
Clerical - part time	**14**	14
	114	93

8. Tax expense

	2007 Lm	2006 Lm
Current income tax expense	**711,893**	516,524
Deferred income tax credit (Note 17)	**(185,282)**	(66,613)
Underprovision in previous years	**768**	-
	527,379	449,911

8. Tax expense - *continued*

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

	2007 Lm	2006 Lm
Profit before income tax	1,565,743	1,317,365
Tax on profit at 35%	548,010	461,078
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	(26,445)	(16,837)
Movement in deferred tax determined on the basis applicable to tax rules	-	(9,200)
Income subject to reduced rates of tax	(1,178)	(1,049)
Expenses not deductible for tax purposes	15,814	13,655
Other movements	(9,590)	2,264
Underprovision in previous years	768	-
Tax charge	527,379	449,911

9. Directors' emoluments

	2007 Lm	2006 Lm
Directors' fees	9,700	9,700
Salaries and other emoluments	103,608	100,445
	113,308	110,145
Recharged to group undertakings	(1,392)	(1,392)
	111,916	108,753

During the year, benefits in kind valued at Lm4,083 (2006: Lm1,730) were provided to the directors.

10. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Net profit attributable to shareholders (Lm)	1,038,364	861,454
Weighted average number of ordinary shares in issue	2,869,603	2,497,000
Earnings per share (Lm)	0.36	0.34

11. Dividends declared

	2007 Lm	2006 Lm
To the ordinary shareholders:		
Gross	1,184,615	461,539
Tax at source at 35%	(414,615)	(161,539)
Net	770,000	300,000
Dividends per ordinary share	0.29	0.12
To the preference shareholders:		
Gross	9,231	9,231
Tax at source at 35%	(3,231)	(3,231)
Net	6,000	6,000
Dividends per preference share	2.00	2.00
Total dividends	776,000	306,000

In a resolution dated 30 April 2008 an interim dividend in respect of 2008 of €0.17 (7c3) per share, amounting to a total net dividend of €511,367 (Lm219,530) was declared. At the forthcoming Annual General Meeting a dividend in respect of 2007 of 9c7 per share, amounting to a total net dividend of Lm290,000, is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2008.

12. Intangible assets

	Customer relationships Lm
Year ended 31 December 2007	
Opening cost and net book amount	-
Additions	110,000
Closing cost and net book amount	110,000

The intangible asset has arisen during the year as a result of the Company entering into an agreement to acquire insurance business at a cost of Lm110,000. In the opinion of the directors, customer relationships have an indefinite useful life.

13. Property, plant and equipment

	Land and buildings Lm	Improvements to leasehold premises Lm	Furniture, equipment and motor vehicles Lm	Total Lm
At 1 January 2006				
Cost	870,000	137,484	812,338	1,819,822
Accumulated depreciation	(17,400)	(52,278)	(534,183)	(603,861)
Net book amount	852,600	85,206	278,155	1,215,961
Year ended 31 December 2006				
Opening net book amount	852,600	85,206	278,155	1,215,961
Additions	106,476	26,842	118,252	251,570
Revaluation surplus	110,452	-	-	110,452
Disposals	-	-	(5,000)	(5,000)
Depreciation charge	(8,700)	(13,400)	(98,897)	(120,997)
Depreciation released on disposal	-	-	4,417	4,417
Closing net book amount	**1,060,828**	**98,648**	**296,927**	**1,456,403**
At 31 December 2006				
Cost	1,060,828	164,326	925,590	2,150,744
Accumulated depreciation	-	(65,678)	(628,663)	(694,341)
Net book amount	**1,060,828**	**98,648**	**296,927**	**1,456,403**
Year ended 31 December 2007				
Opening net book amount	1,060,828	98,648	296,927	1,456,403
Additions	-	35,862	130,018	165,880
Disposals	-	-	(22,620)	(22,620)
Depreciation charge	(8,700)	(17,711)	(106,748)	(133,159)
Depreciation released on disposal	-	-	20,820	20,820
Closing net book amount	**1,052,128**	**116,799**	**318,397**	**1,487,324**
At 31 December 2007				
Cost or revaluation	1,060,828	200,188	1,032,988	2,294,004
Accumulated depreciation	(8,700)	(83,389)	(714,591)	(806,686)
Net book amount	**1,052,128**	**116,799**	**318,397**	**1,487,324**

In 2006 the Company commissioned an independent professionally qualified valuer to value the land and buildings, including investment property. The valuation was based on a free and open market valuation and consideration was given to the specific location of the property, the facilities included therein, the size of the site and the availability of similar properties in the area.

13. Property, plant and equipment - *continued*

The directors reviewed this valuation and the basis on which it was drawn up, and the property was accordingly revalued at 31 December 2006, with the revaluation surplus on tangible assets - land and buildings, net of deferred taxation, being credited in the revaluation reserve.

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

	2007 Lm	2006 Lm
Cost	**976,476**	976,476
Accumulated depreciation	**(34,800)**	(26,100)
Net book amount	**941,676**	950,376

14. Land and buildings - investment property

	2007 Lm	2006 Lm
At 1 January	**125,000**	125,000
Fair value gains	**40,000**	40,000
At 31 December	**165,000**	165,000

The fair value of the investment property was established in 2006 based on an independent professional valuation as described in Note 13.

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

	2007 Lm	2006 Lm
Cost	125,000	125,000
Accumulated depreciation	(5,000)	(3,750)
Net book amount	120,000	128,750

15. Investment in subsidiary undertaking

	2007 Lm	2006 Lm
Year ended 31 December		
At beginning of year	**500**	500
Additions	**600**	-
At end of year	**1,100**	500

15. Investment in subsidiary undertaking - *continued*

The subsidiary undertaking at 31 December 2007 and 2006 is shown below:

Name of subsidiary undertaking	Registered office	Class of shares	Percentage of shares held 2007	2006
Stuart Property Development Limited	48-50, Ta' Xbiex Seafront, Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	**45.8%**	33.3%

During 2005, the Company invested Lm500 in Stuart Property Development Limited to obtain 33.3% of the shares issued, representing 50% of the voting shares. In terms of the Memorandum of Association, Atlas Insurance is entitled to appoint two directors out of a board of four directors.

As ordinary 'A' shareholders, Atlas Insurance PCC Limited is entitled to elect the Chairman of the Board who shall be entitled to a casting vote in the case of a tie on the board of directors. General meetings are chaired by the Chairman of the Board who is entitled to a casting vote in case of a tie during general meetings.

Accordingly, such investment is being considered as a subsidiary since Atlas Insurance PCC Limited is in a position to govern the financial and operating policies of the Company.

In terms of a resolution dated 15 March 2007 Atlas Insurance PCC Limited increased its interest in the Company to 45.8% of shares issued. These represent 50% of the voting shares.

16. Investments

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

	2007 Lm	2006 Lm
Fair value through profit or loss	**5,725,375**	6,184,503
Loans and receivables	**2,254,089**	2,216,027
	7,979,464	8,400,530

(a) Investment at fair value through profit or loss

	2007 Lm	2006 Lm
At 31 December		
Equity securities and units in unit trusts	**2,619,558**	2,823,457
Debt securities - listed fixed interest rate	**3,105,817**	3,361,046
	5,725,375	6,184,503

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

16. Investments - *continued*

Maturity of fixed income debt securities:

	2007 Lm	2006 Lm
Within 1 year	**324,081**	4,483
Between 1 and 2 years	**166,499**	226,003
Between 2 and 5 years	**801,897**	701,588
Over 5 years	**1,813,340**	2,428,972
	3,105,817	3,361,046
Weighted average effective interest rate	**4.9%**	5.11%

The movements for the year are summarised as follows:

	2007 Lm	2006 Lm
Year ended 31 December		
At beginning of year	**6,184,503**	4,312,486
Additions	**2,223,599**	2,741,744
Disposals	**(2,261,169)**	(753,667)
Net fair value losses (Note 5)	**(421,558)**	(116,060)
At end of year	**5,725,375**	6,184,503
As at 31 December		
Cost	**6,061,127**	6,002,198
Accumulated net fair value (losses)/gains	**(335,752)**	182,305
	5,725,375	6,184,503

(b) Loans and receivables

	2007 Lm	2006 Lm
At 31 December		
Deposits with banks or financial institutions	**2,031,708**	2,165,349
Loan to subsidiary Company	**222,381**	50,678
	2,254,089	2,216,027

The loan to subsidiary Company is classified as non-current.

16. Investments - *continued*

The movements of the treasury bills for the year are summarised as follows:

	2007 Lm	2006 Lm
Year ended 31 December		
Additions	-	299,342
Accretion of discount	-	2,752
Disposals	-	(302,094)
At end of year	-	-

Maturity of deposits with banks or financial institutions:

	2007 Lm	2006 Lm
Within 3 months	1,322,517	1,004,201
Within 1 year but exceeding 3 months	709,191	1,161,148
	2,031,708	2,165,349

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

	2007 Lm	2006 Lm
At fixed rates	2,031,708	2,165,349
Weighted average effective interest rate	4.22%	3.55%

At 31 December 2007, the above financial assets included pledged investments amounting to Lm200,000. As at 31 December 2006, the above financial assets included pledged investments amounting to Lm200,000 in terms of the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2004, and Lm55,862 which had been pledged as security against a bank overdraft facility (Note 23).

17. Deferred income tax

	2007 Lm	2006 Lm
Year ended 31 December		
At beginning of year	(63,686)	(108,339)
Charged to equity (Note 21)	-	(21,960)
Credited to profit and loss account (Note 8)	185,282	66,613
At end of year	121,596	(63,686)

Net deferred tax asset amounting to Lm121,596 (2006: liability amounting to Lm63,686) is not expected to fall due within 12 months.

17. Deferred income tax - *continued*

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2006: 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 (2006: 12%).

The balance at 31 December represents temporary differences on:

	2007 Lm	2006 Lm
Land and buildings - tangible assets	(21,960)	(21,960)
Land and buildings - investment property	(12,600)	(12,600)
Financial investments at fair value through profit or loss	138,697	(40,386)
Fixed assets	6,959	760
Provisions	10,500	10,500
	121,596	(63,686)

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

	2007 Lm	2006 Lm
Year ended 31 December		
At beginning of year	292,372	289,173
Net amount credited to profit and loss account (Note 4)	22,078	3,199
At end of year	314,450	292,372
Current portion	314,450	292,372

19. Debtors and prepayments and accrued income

	2007 Lm	2006 Lm
Debtors arising from direct insurance operations		
Due from policyholders	579,968	542,512
Due from agents, brokers and intermediaries	636,514	594,207
Due from reinsurers	17,071	27,309
	1,233,553	1,164,028
Other debtors		
Receivable from group undertakings	123,333	42,649
Receivable from related parties	5,853	9,323
Other debtors	57,664	3,504
	186,850	55,476

19. Debtors and prepayments and accrued income - *continued*

	2007 Lm	2006 Lm
Prepayments and accrued income		
Prepayments	**300,712**	14,477
Accrued interest	**98,769**	123,931
	399,481	138,408
Total debtors and prepayments and accrued income	**1,819,884**	1,357,912
Current portion	**1,819,884**	1,357,912

Debtors are presented net of an allowance for impairment of Lm30,000 (2006: Lm30,000). As at 31 December 2007, total debtors amounting to Lm1,109,970 (2006: Lm961,806) were fully performing, whereas debtors amounting to Lm310,433 (2006: Lm257,698) 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:

	2007 Lm	2006 Lm
Less than 6 months but more than 3 months	**176,611**	115,657
Less than 12 months but more than 6 months	**35,669**	54,018
More than 12 months	**98,153**	88,023
	310,433	257,698

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

20. Share capital

	2007 Lm	2006 Lm
Authorised share capital:		
'A' ordinary voting shares of Lm1 each	**4,997,000**	4,997,000
'B' cumulative preference shares of Lm1 each	**3,000**	3,000
Cell shares of Lm1 each	**3,000,000**	3,000,000
	8,000,000	8,000,000
Issued and fully paid share capital:		
'A' ordinary voting shares of Lm1 each	**2,997,000**	2,497,000
'B' cumulative preference shares of Lm1 each	**3,000**	3,000
	3,000,000	2,500,000
Issued and 50% paid share capital:		
Cell shares of Lm1 each	**100,000**	-
	3,100,000	2,500,000

20. Share capital - *continued*

In terms of a shareholders' resolution dated 4 April 2007 the paid up share capital was increased by Lm500,000.

On 27 December 2007 the shareholders increased the issued share capital by 200,000 cell shares of Lm1 each which are 50% paid up. Cell shares are issued as redeemable preference shares.

By an extraordinary resolution the shareholders increased the Company's paid up share capital by €511,880 on 30 April 2008 as part of a restructuring of the authorised, issued and paid up capital by smoothing the effect of the Euro conversion on its statutory capital. All authorised and issued shares have now been denominated at €2.50 per share with a total authorised share capital of €20,000,000 and total paid up share capital of €7,965,875.

21. Reserves

	Revaluation reserve Lm	General reserve Lm	Investment property reserve Lm	Total Lm
Balance at 1 January 2006	-	86,522	18,291	104,813
Revaluation of freehold and other property net of deferred tax movements	88,492	-	-	88,492
Transfer of fair value gains, net of deferred tax on investment property	-	-	28,359	28,359
Balance at 31 December 2006	**88,492**	**86,522**	**46,650**	**221,664**
Balance at 31 December 2007	**88,492**	**86,522**	**46,650**	**221,664**

	2007 Lm	2006 Lm
Profit and loss account	**1,888,103**	1,625,739

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

The profit and loss account balance represents the amount available for dividend distribution to the ordinary 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 Companies Act, 1995, as it represents unrealised profits.

22. Technical provisions and reinsurance assets

	2007 Lm	2006 Lm
Gross technical provisions		
Claims reported and loss adjustment expenses	**4,391,519**	4,598,787
Claims incurred but not reported	**591,026**	627,198
Unearned premiums	**3,007,361**	2,801,491
Total insurance liabilities, gross	**7,989,906**	8,027,476
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	**1,027,662**	783,855
Claims incurred but not reported	**114,236**	93,046
Unearned premiums	**1,010,339**	898,898
Total reinsurers' share of insurance liabilities	**2,152,237**	1,775,799
Net technical provisions		
Claims reported and loss adjustment expenses	**3,363,857**	3,814,932
Claims incurred but not reported	**476,790**	534,152
Unearned premiums	**1,997,022**	1,902,593
	5,837,669	6,251,677
Current portion	**5,837,669**	6,251,677

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

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

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

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

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

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

The reasonableness of the estimation processes on claims is monitored using claims' cost progression tables. These are reproduced below:

Accident year	2001 Lm	2002 Lm	2003 Lm	2004 Lm	2005 Lm	2006 Lm	2007 Lm	Total Lm
Estimate of ultimate claims costs:								
- at end of year	2,337,712	2,110,122	4,062,787	2,652,137	2,776,488	3,928,466	3,454,666	
- one year later	2,145,884	2,108,114	3,838,491	2,635,129	2,439,753	3,764,778	-	
- two years later	2,121,671	2,075,944	3,563,894	2,272,617	2,308,065	-	-	
- three years later	2,113,834	2,060,985	3,412,154	1,983,419	-	-	-	
- four years later	2,094,278	2,032,435	3,320,623	-	-	-	-	
- five years later	2,058,430	2,006,237	-	-	-	-	-	
- six years later	2,029,789	-	-	-	-	-	-	
Current estimate of cumulative claims	2,029,789	2,006,237	3,320,623	1,983,419	2,308,065	3,764,778	3,454,666	18,867,577
Cumulative payments to date	(1,994,606)	(1,829,971)	(3,203,452)	(1,876,471)	(2,018,177)	(2,638,576)	(1,535,266)	(15,096,519)
Liability recognised in the balance sheet	35,183	176,266	117,171	106,948	289,888	1,126,202	1,919,400	3,771,058
Reserve in respect of prior years								1,211,487
Total reserve included in balance sheet								4,982,545

The above claims costs progression table is only produced showing the result gross of reinsurance.

It is pertinent to note that the result, net of reinsurance, would not represent the true consistencies of the progressions. Claims occurring from 2001 till end of April 2004 occurred when the Company still operated as an agent for AXA Insurance plc and therefore no reinsurance applied.

Furthermore from 1 May 2004 till 30 June 2005 the Company was protected by the former principal AXA Insurance plc under a close-to-100% quota share arrangement and therefore the net reserves are misleading. It is only claims occurring since July 2005 which have been protected by the Company's open market reinsurance arrangements. This does not provide sufficient historical data for progression table purposes.

22. Technical provisions and reinsurance assets - *continued*

(a) Claims and loss adjustment expenses

	Year ended 31 December 2007		
	Gross	Reinsurance	Net
	Lm	Lm	Lm
Notified claims still outstanding	4,598,787	(783,855)	3,814,932
Incurred but not reported	627,198	(93,046)	534,152
Total at beginning of year	5,225,985	(876,901)	4,349,084
Increase in liabilities	2,655,402	(1,105,261)	1,550,141
- arising from current year claims	3,639,851	(1,179,095)	2,460,756
- arising from prior year claims	(984,449)	73,834	(910,615)
Claims settled during the year	(2,898,842)	840,264	(2,058,578)
Total at the end of year	**4,982,545**	**(1,141,898)**	**3,840,647**
Notified claims still outstanding	4,391,519	(1,027,662)	3,363,857
Incurred but not reported	591,026	(114,236)	476,790
Total at the end of year	**4,982,545**	**(1,141,898)**	**3,840,647**

	Year ended 31 December 2006		
	Gross	Reinsurance	Net
	Lm	Lm	Lm
Notified claims still outstanding	4,724,870	(491,387)	4,233,483
Incurred but not reported	631,451	(60,275)	571,176
Total at beginning of year	5,356,321	(551,662)	4,804,659
Increase in liabilities	2,889,615	(980,962)	1,908,653
- arising from current year claims	3,928,466	(1,135,465)	2,793,001
- arising from prior year claims	(1,038,851)	154,503	(884,348)
Claims settled during the year	(3,019,951)	655,723	(2,364,228)
Total at the end of year	**5,225,985**	**(876,901)**	**4,349,084**
Notified claims still outstanding	4,598,787	(783,855)	3,814,932
Incurred but not reported	627,198	(93,046)	534,152
Total at the end of year	**5,225,985**	**(876,901)**	**4,349,084**

22. Technical provisions and reinsurance assets - *continued*

(b) Unearned premiums

	Year ended 31 December 2007		
	Gross	Reinsurance	Net
	Lm	Lm	Lm
At beginning of year	2,801,491	(898,898)	1,902,593
Net charge/(credit) to profit and loss	205,870	(111,441)	94,429
At the end of year	**3,007,361**	**(1,010,339)**	**1,997,022**

	Year ended 31 December 2006		
	Gross	Reinsurance	Net
	Lm	Lm	Lm
At beginning of year	2,592,969	(885,652)	1,707,317
Net charge/(credit) to profit and loss	208,522	(13,246)	195,276
At the end of year	**2,801,491**	**(898,898)**	**1,902,593**

23. Borrowings

	2007	2006
	Lm	Lm
Bank balance overdrawn (Note 26)	-	192,940

As at 31 December 2006, the balance was subject to floating rates of interest which stood at 6%.

The Company has the following undrawn borrowing facilities:

	2007	2006
	Lm	Lm
Floating rate and expiring within one year	**578,963**	84,703

In 2006, bank borrowings were secured by a cash pledge (Note 16).

24. Other creditors and accruals and deferred income

	2007 Lm	2006 Lm
Creditors arising out of direct insurance operations		
- Current	**441,939**	206,480
- Non current	**225,000**	-
	666,939	206,480
Creditors arising out of reinsurance operations	**122,590**	225,393
Other creditors		
Other creditors	**108,728**	98,297
Accruals and deferred income		
Accrued expenses and deferred income	**515,848**	459,558
Total other creditors and accruals and deferred income	**1,414,105**	989,728
Current portion	**1,189,105**	989,728
Non current portion	**225,000**	-

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

25. Cash generated from operations

	2007 Lm	2006 Lm
Insurance premiums received	**7,397,508**	7,173,796
Reinsurance premium paid	**(3,283,835)**	(3,083,019)
Claims paid	**(3,059,502)**	(3,180,166)
Reinsurance claims received	**840,264**	655,723
Commission and other income	**1,175,369**	1,129,596
Cash paid to employees, related parties and other suppliers for services and goods	**(1,765,313)**	(1,888,865)
Interest received	**157,869**	395,913
Dividends received	**65,997**	41,340
Rental Income	**4,825**	7,200
Net (purchase)/disposal of operating assets		
- loans and receivables	**(38,062)**	1,765,874
- financial assets at fair value through profit or loss	**37,570**	(1,988,077)
Cash generated from operations	**1,532,690**	1,029,315

26. Cash and cash equivalents

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

	2007 Lm	2006 Lm
Cash at bank and in hand	**480,419**	123,565
Bank balance overdrawn	**-**	(192,940)
	480,419	(69,375)

The effective interest rate on bank balances was 1.9% (2006: 1.5%).

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:

	2007 Lm	2006 Lm
Income		
Payroll costs charged	**38,681**	49,091
Charge for use of office premises	**23,759**	24,692
Expenditure		
Commissions	**3,036**	5,419
Group health policy	**5,071**	5,000

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 9 to these financial statements.

During the year ended 31 December 2006, the Company acquired locally listed securities of Lm100,000 at cost from the holding Company and Lm472,820 at cost from fellow subsidiary undertakings.

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.

28. Capital management *- continued*

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 were calculated by the directors to be Lm13.9m (2006: Lm13.1m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2007 and 2006.

29. Commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2007	2006
	Lm	Lm
Authorised but not contracted	**397,000**	450,000

30. Contingent liabilities

As at 31 December 2007, the Company had issued special bank guarantees of Lm21,036 (2006: Lm21,458) in favour of third parties.

31. Fair value estimation

The fair value of publicly traded investments classified as financial assets at fair value through profit or loss is based on quoted market prices at the balance sheet date. At 31 December 2007 and 2006, the carrying amount of the Company's other financial assets and liabilities approximate their fair value.

32. Statutory information

Atlas Insurance PCC Limited is a limited liability Company and is incorporated in Malta. The immediate parent Company of Atlas Insurance PCC Limited is Atlas Holdings Limited, a Company registered in Malta, with its registered address at 47-50, Ta' Xbiex Seafront, Ta' Xbiex, which prepares consolidated financial statements.