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.

Contents

Chairman's Statement

I am pleased to present the 2008 Atlas Insurance PCC Limited Annual Report, my first as Chairman of the Company.

In the year to 31 December 2008, pre-tax net profits on insurance operations reached €1.92m compared to a 2007 result of €3.74m. During 2008, the Company expanded its premiums written to €18.08m (2007: €17.39m). These results were, however, impacted by slightly worse net underwriting results in the casualty and motor classes as well as the diminution in fair value of investments. A typical investment portfolio has fallen dramatically in this period but due to our relatively prudent terms of reference and thanks to the assistance of our discretionary investment managers, we managed to limit this year's loss to 4.5% of the opening investment portfolio, thereby only reducing our profits before tax to €1.76m (2007: €3.65m). I regard this result, which shows an 8.63% return on capital employed, as highly satisfactory in these markets. Profits after tax amounted to €1.12m (2007: €2.42m).

I wish to pay tribute to my predecessor, Walter Camilleri, who led the Company until last year. During his tenure, Atlas Insurance PCC Limited began underwriting on its own account and consolidated its position as a major insurer in the Maltese market. His valuable experience and wisdom, which led us through this period of transition, is thankfully still available to me and the board and we are extremely grateful for his input.

Becoming Chairman in July 2008 was probably the worst time for such an appointment in financial history, given the turmoil which ensued thereafter in the global financial markets. Despite this timing, I assure you that I am highly motivated to lead the Company through this difficult period. The turmoil is by no means over and, whilst Malta may have escaped the worst of the first phase, we must take very prudent steps to protect ourselves, as undoubtedly Malta will start to feel the effects of the global economic downturn during the current year. As more gloomy and perhaps more realistic financial and economic forecasts continue to be heard, your executive directors have placed the day to day business on a very cautious footing and are ensuring that savings are made wherever possible and prudent.

Looking forward, the Company looks to expansion overseas in a controlled manner and during 2006, we became the first company to take advantage of the new Companies Act regulation by converting the Company, Atlas Insurance Limited, into a Protected Cell Company ('PCC'). This gave us the opportunity of attracting major international companies, intent on self-insurance or the insuring of third party risks, to Malta and to Atlas in particular. I am pleased to report that this strategy has already started to repay our initiative and three cells have been created to date, with further significant interest, despite the global economic situation, being expressed.

Whilst, obviously, times are very difficult, I and your board regard this is a moment of opportunity and we believe a strategy which offers a spread of services to our clients is the way forward. Accordingly, whilst we expect to add to our number of cells, during the coming year we anticipate that we will continue to widen and improve our other service offerings to our clients.

As highlighted in our previous Annual Reports, Corporate Social Responsibility has always been taken very seriously by the Group. We see ourselves as corporate members of the community who have a duty to support the social, cultural and particularly the environmental development of our nation. More detail is given in our separate Corporate Responsibility Statement but projects supported in 2008 included the installation of CCTV cameras in the Garden of Serenity in Santa Lucija and various social activities, many of which are spearheaded by our social club and typically include staff involvement. Environmental and cultural projects were also undertaken including the sponsorship of the Malta Philharmonic Orchestra, the introduction of waste separation and recycling projects and the usual support of Fondazzjoni Patrimonju Malti.

I must of course thank the board of directors and members of the various board committees who have worked hard in difficult times to ensure these successful results. During 2008, board committees focussed on various areas of corporate governance particularly relating to risk management, business continuity and the upcoming 'Solvency 2' regime. We believe that board committees, whilst enhancing good corporate governance, also play an important role in innovation and improving the level of information to the board in general, so that long term, profitable strategic direction is taken.

Finally I must pay tribute to our executive team and indeed all our employees who have contributed so magnificently to this year's achievement. It is extremely easy to bypass their substantial contribution but I, in particular, would like to thank everyone most sincerely for their help and contribution in these difficult times.

We now look forward to a year in which markets will be difficult but with our resolution and ability, will be a background for proving the quality of our employees and our dedicated strategy.

Richard Clough
Chairman

CEO's Report

During 2008, the Company continued to write business prudently across the business lines notwithstanding an increasingly competitive market environment. The positive underwriting results helped the Company weather the downturn in fair value movement on its investment portfolio as a result of the turmoil that hit the global financial markets. A strong focus on marketing and distribution while keeping in mind this prudent underwriting stance during the year resulted in a satisfactory 4% increase in premium across the business lines.

The Company remained well above the required regulatory levels in terms of capital and solvency margins under the current Solvency 1 regime. Atlas Insurance PCC Limited has continued to participate in Quantitative Impact Studies coordinated by CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors) by fully participating in the QIS4 exercise during the Spring of 2008. The Company has considered this exercise to be its first self assessment of its solvency position under a Solvency 2 regime. We are committed to carry on investing as necessary to ensure that we are fully prepared for the 2012 implementation of the new risk based pan-European solvency regime.

We have slowly started reaping rewards from our innovative decision to convert to a Protected Cell Company in late 2006 and during the year under review, the Company obtained a license to establish 2 new cells. We hope to maintain this momentum in 2009 despite the financial crisis.

Profits before tax for the Company amounted to a satisfactory €1.76m compared to €3.65m in 2007, as was to be expected in the current global financial market turmoil.

2008 saw an increase in written premiums from €17.39m to €18.08m, which includes €0.2m written through the Company's cells. Profit from the technical account of €1.92m was down on the previous year's €3.74m mainly due to higher net claims incurred, increased pressure on rates as well as substantial allocation of the diminution in fair value of the investment portfolio charged to insurance operations.

The Company continued to expand its distribution lines by setting up a branch in Qormi in 2008 following upon the satisfactory performance of the Paola Regional Office which was opened in 2007. We will be further strengthening our branch network in the future and a branch in Zurrieq has already been opened this year in May.

The Company continues to invest in the development of our staff members. Learning and career development, both in-house and external, were provided during the year as we firmly believe that personal and professional development of staff is a necessary investment for future growth. The staff complement for the Company at the end of the year stood at 119.

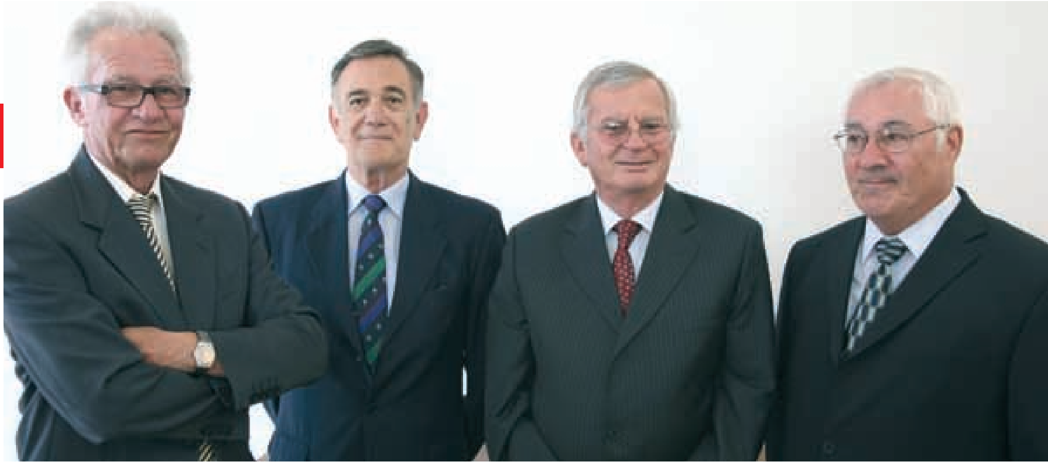
Our staff remains our greatest asset and our traditional Atlas values of commitment to service, empowerment and ambition will be instrumental in helping us overcome the challenges the global financial crisis is posing. As always I wish to thank each and every member of staff for their hard work and dedication throughout the year, much of it beyond the call of duty. It is only through the efforts of our staff that we can reach our goals to exceed customers' expectations, which is not an easy feat during periods such as these.

I must not fail to thank our loyal and varied client base and intermediaries. We continue to make every effort to listen to them and respond to the changing needs of our developing economy. Our efforts to make buying insurance and making claims an uncomplicated experience have continued during 2008, not least through our innovative e-commerce facilities which continue to be a priority for the Company.

Information technology is another keystone of our successful formula. In these difficult times, our continued investment in efficiency is crucial and during the period the Company continued to strengthen its in house programming team as well as its hardware infrastructure. A commitment to business process reengineering as part of a group-wide cost control programme has been under way over the past year in order to maximise shareholder value during the economic slowdown.

2009 will be an even more challenging year as no doubt the recession in many parts of the world is bound to be felt more here in Malta as the year draws to a close. Margins will be tighter until such time that the global financial markets and business in general returns to better times. This notwithstanding, I firmly believe that at Atlas we are well placed to meet future challenges.

Michael Gatt
Managing Director and CEO




Board Members & Board/Executive Committees

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

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

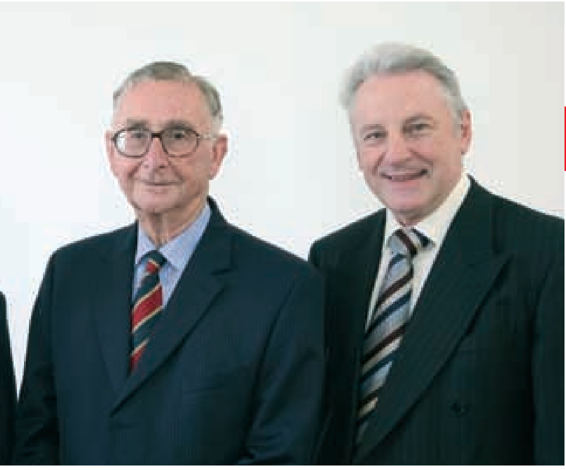
Investments Committee
John P Bonett
Mark Camilleri
Walter G Camilleri
Richard Clough FCA
Michael Gatt
Robert von Brockdorff

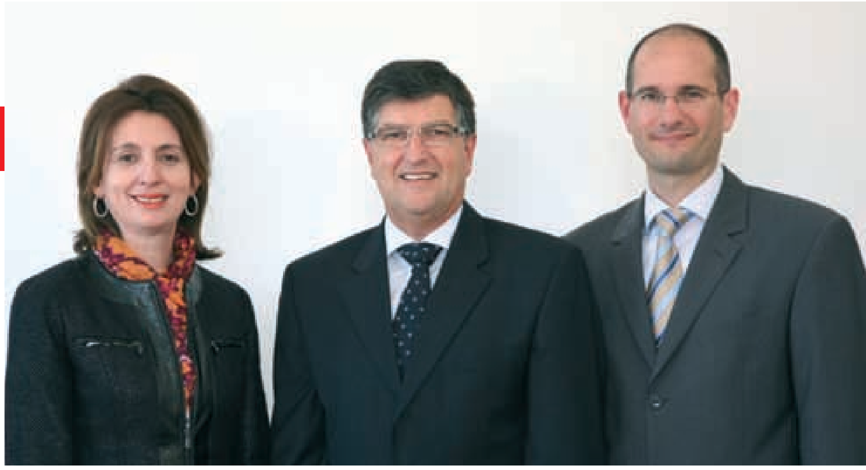
Remuneration Committee
Walter G Camilleri
Richard Clough FCA
Albert Formosa
Bryan Gera DBA
Robert von Brockdorff

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 ACII MIRM
Ian-Edward Stafrace ACII MIRM
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

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

Żurrieq Branch
29, Blue Grotto Avenue,
Żurrieq ZRQ 4015

Professional Services

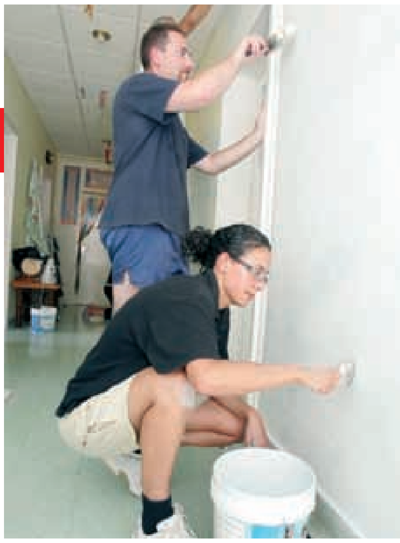
Legal Advisors
SDC Advocates
Prof J M Ganado & Associates
Cefai and Associates
Zammit McKeon & Zammit Advocates

Auditors
PricewaterhouseCoopers

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

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

CSR Statement



Taking our corporate social responsibility seriously at Atlas and abiding by our Atlas Corporate Social Responsibility Guiding Principles is now nothing new. The Company continues to review its responsibilities to our staff, our public and the wider social context on a regular basis, also as part of our monthly dress down days which we use to take our social responsibility 'one step further'. Our activities in this context typically involve our staff and we are convinced that conducting our business in this socially responsible manner develops further a meaningful relationship with our staff and the general public enabling us to call on our strengths, including our dedicated staff, during more challenging periods. We remind ourselves regularly of our vision that our stakeholders must be provided with value with 'a purpose beyond profit' and that being socially responsible is crucial to this end.

Indeed a recent European Commission sponsored 'CSR Laboratory' found that companies that actively manage and measure social and environmental issues outperformed their peers throughout the period 2002 to 2007. This makes a strong business case even without the financial advantages which have become recently more immediately apparent of conserving energy and acting responsibly towards the environment.

Our business strategy continues to focus towards the reduction of our carbon footprint and reduction of the consumption of our only real 'raw material' – paper. During 2008 we have drawn up detailed plans for a document management system and are close to implementation in some areas in 2009. This should significantly reduce our consumption of paper and files. As well as further steps towards separation of waste and recycling during the year, we have implemented energy saving measures as well as submitting an application for a grant to install photovoltaic electricity generating equipment.

We have continued our project to improve recreational facilities in the South where we have opened three branches in the last two years and have sponsored the installation of CCTV cameras in the Garden of Serenity in Santa Lucija.

Various other initiatives were supported, mostly with the involvement of our staff members including our annual blood donation drive, support for the children from St Joseph's Home and St Rita's Home, as well as a major event refurbishing Angela House in Gwardamangia with the active participation of several staff members over Summer afternoons.

We were also involved in cultural and other environmental initiatives such as the Clean up the Seas Campaign, the sponsorship of the Malta Philharmonic Orchestra and of Patrimonju Malti. Additionally the Company is proud to continue to take part in the ETC Bridging the Gap scheme which provides employment for persons with disabilities.

Financial Statements

Atlas Insurance

The directors present their report and the audited financial statements for the year ended 31 December 2008.

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. The Company was licensed to transact general insurance business in April 2004 and in accordance with the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations 2004 was subsequently granted a license to act as a cell Company in November 2006.

Review of the business

The board of directors report that 2008 was another positive year for the Company. Atlas Insurance PCC Limited registered a net profit before tax for the year of €1,755,705 (2007: €3,647,200) and a net profit after tax of €1,118,457 (2007: €2,418,737).

The Company's pre-tax profit on insurance has been maintained at positive levels for the year under review at €1,916,999, compared to the results for 2007 of €3,735,421. However, the results were achieved after its profitability was materially reduced due to the world economic crisis causing substantial weakening of both international market prices and foreign currency.

The directors view the outlook for the future positively with due caution being given to its technical and investment operations in the light of the continuing global crisis. The Company expects to maintain its market position by reacting constructively to local market forces and by further developing its protected cell operation.

Core assets, cellular assets and share capital

The core assets comprise the assets of the Company which are non-cellular assets relating to the core operation.

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

During the year, the Malta Financial Services Authority licensed the Company's second and third cells. The PerfectHome Cell was licensed to operate as a direct writing insurer on 26 June 2008 and the Company's shareholders approved by extraordinary resolution on 23 June 2008 the issue of 120,000 cell shares of €2.50 each to Coleshill Holdings Limited.

The Travelodge Cell was authorised by the MFSA to operate as a direct writing insurer on 17 December 2008 and the shareholders of the Company approved by extraordinary resolution dated 10 December 2008 the issue of 155,000 cell shares of €2.50 each to Travelodge Holdings (Malta) Limited.

The MFSA has agreed to a capital reduction in the Zopa Cell, as the cell has not undertaken any insurance risk and subject to Companies Act regulation on reduction of capital being adhered to. Consequently the Registrar of Companies has published due notice on 30 January 2009 of such capital reduction.

In restructuring the paid up share capital to €2.50 per share from €2.329373 as converted under regulation, the shareholders resolved on 30 April 2008 to increase the paid up share capital by €511,880.

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

Richard Clough – appointed Chairman on 23 July 2008
Walter Camilleri – retired from his appointment as Chairman on 23 July 2008
Catherine Calleja
Albert Formosa
John Formosa
Michael Gatt – Managing Director
Bryan Gera
Brian Valenzia
Matthew von Brockdorff
Robert von Brockdorff

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

Results and dividends

The profit and loss account is set out on pages 17 and 18. Interim ordinary dividends of €1,186,885 (2007: €1,793,618) and preference dividends of €13,976 (2007: €13,976) were declared during the year.

Auditors

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

On behalf of the board

Richard Clough
Chairman

Michael Gatt
Managing Director

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

3 June 2009

The board of directors adopts various principles of stewardship in accordance with the Principles of Good Corporate Governance for Public Interest Companies, under the Insurance Business Act (Cap 403), as well as other recognised models.

The Board of Directors

In July 2008, Richard Clough, a non-executive independent director replaced Walter Camilleri as Chairman of Atlas Insurance PCC Limited. Michael Gatt is Managing Director. The Atlas Holdings board has appointed a mix of independent non-executive directors as well as shareholding directors to make up the remainder of the Atlas Insurance PCC Limited board.

The board of directors schedules board and committee 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.

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

Audit

The audit committee meets quarterly to monitor the audit function as well as to review and assess the effectiveness of the internal control systems, this year with a focus on increasing efficiency during these difficult economic times as well as risk mitigation and control. Martin Gauci, the internal auditor, prepares quarterly presentations for the audit committee. The internal auditor also sits on the risk management committee.

The audit committee is also actively involved in reviewing the financial statements prior to approval by the board. Furthermore, it liaises with the external and internal audit functions.

Remuneration

This committee meets biannually to set the remuneration of the senior management team including the executive directors as well as to oversee the overall remuneration strategy and budget for any given financial year.

Investments

During the period under review, the investment committee responded to the world financial crisis by meeting on a regular basis to review detailed investment parameters and regularly meet three different discretionary investment managers to discuss and formulate the Company's risk appetite and make recommendations to the board of directors.

Group Compliance

This committee oversees compliance with the Insurance Business Act (1998). The committee is chaired by the Group Financial Controller and Compliance Officer, Mark Camilleri and generally reviews and gives feedback on new directives under the abovementioned legislation and sets up training and awareness sessions where relevant.

Risk Management

During 2008, the risk management committee continued to set direction for the risk management function within the organisation. The committee, chaired by the Deputy Managing Director Matthew von Brockdorff, focused on the development of guiding principles and accountabilities within a corporate risk management structure. Various workshops during the year were held to disseminate risk management principles and a wide ranging exercise was done involving all functional areas of the organisation to come up with the Risk Register and Top 10 Risks. Information sessions on Solvency 2 were also held throughout the organisation and at board level.

Protected Cells

This committee meets regularly to analyse and recommend new cell prospects to the board of directors of Atlas Insurance PCC Limited as well as to monitor and report on the performance of the three cells which the Company manages so far.

Relations with Shareholders

The level of disclosure to shareholders has traditionally been far beyond statutory requirements under the Companies Act. An Annual General Meeting for shareholders is held each year and besides the statutory business of the Annual General Meeting as laid down in the memorandum and articles of the Company, results and reports are presented.

Approved by the board of directors on 3 June 2009 and signed on its behalf by:

Richard Clough Chairman	**Michael Gatt** Managing Director

Statement of Directors' Responsibilities

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

In preparing the financial statements, the directors are responsible for:

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

The directors are also responsible for designing, implementing and maintaining internal control 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 Maltese Insurance Business Act, 1998 and with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The financial statements of Atlas Insurance PCC Limited for the year ended 31 December 2008 are included in the Annual Report 2008, which is published in hard-copy printed form and made available on the group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

To the Shareholders of Atlas Insurance PCC Limited

Report on the Financial Statements

We have audited the financial statements of Atlas Insurance PCC Limited on pages 17 to 59 which comprise the balance sheet as at 31 December 2008 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 (IFRSs) as adopted by the EU and with 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 15, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 2008, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995.

Report on Other Legal and Regulatory Requirements

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

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

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

PRICEWATERHOUSECOOPERS

167 Merchants Street, Valletta, Malta

Joseph A. Camilleri
Partner

3 June 2009

Profit and Loss Account - Technical Account - General Business

	Notes	Year ended 31 December 2008 €	2007 €
Earned premiums, net of reinsurance			
Gross premiums written	3	**18,082,451**	17,393,508
Outward reinsurance premiums		**(8,150,958)**	(7,434,174)
Net premiums written		**9,931,493**	9,959,334
Change in the provision for unearned premiums			
- gross amount	23	**(250,245)**	(479,548)
- reinsurers' share	23	**469,751**	259,588
		219,506	(219,960)
Earned premiums, net of reinsurance		**10,150,999**	9,739,374
Total technical income		**10,150,999**	9,739,374
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**7,221,454**	7,126,723
- reinsurers' share	23	**(2,381,513)**	(1,957,289)
		4,839,941	5,169,434
Change in the provision for claims			
- gross amount	23	**(110,401)**	(567,065)
- reinsurers' share	23	**161,091**	(617,277)
		50,690	(1,184,342)
Claims incurred, net of reinsurance		**4,890,631**	3,985,092
Net operating expenses	4	**2,550,043**	1,715,901
Allocated investment expenses and charges transferred from the non-technical account	5	**793,326**	302,960
Total technical charges		**8,234,000**	6,003,953
Balance on the technical account for general business (page 18)		**1,916,999**	3,735,421

Profit and Loss Account - Non-Technical Account

	Notes	Year ended 31 December 2008 €	2007 €
Balance on technical account - general business (page 17)		**1,916,999**	3,735,421
Investment income	5	**692,281**	786,874
Investment expenses and charges	5	**(1,485,607)**	(1,095,539)
Allocated investment expenses and charges transferred to the general business technical account	5	**793,326**	302,960
Administration expenses	6	**(161,294)**	(82,516)
Profit before tax		**1,755,705**	3,647,200
Tax expense	8	**(637,248)**	(1,228,463)
Profit for the financial year		**1,118,457**	2,418,737
Earnings per share	10	**0.37**	0.84

The accounting policies and notes on pages 22 to 59 are an integral part of these financial statements.

Balance Sheet

	Notes	As at 31 December 2008 €	2007 €
ASSETS			
Intangible assets	12	**194,735**	256,231
Tangible assets:			
- land, buildings and improvements	13	**2,968,393**	2,722,867
- plant and equipment	13	**846,300**	741,666
Investments:			
- land and buildings	14	**197,997**	384,347
- investment in subsidiary undertaking	15	**2,562**	2,562
- other financial investments	16	**17,396,584**	18,587,151
Deferred taxation	17	**215,206**	283,243
Reinsurers' share of technical provisions	23	**5,322,024**	5,013,364
Deferred acquisition costs	18	**750,477**	732,472
Stock - property for development	19	**1,308,825**	-
Debtors:			
- debtors arising out of direct insurance operations	20	**2,929,157**	2,873,406
- other debtors	20	**390,147**	435,244
Taxation recoverable		**712,838**	-
Prepayments and accrued income	20	**664,959**	930,541
Cash and cash equivalents	27	**789,762**	1,119,075
Total assets		**34,689,966**	34,082,169
EQUITY			
Capital and reserves			
Share capital	21	**8,192,937**	7,221,057
Profit and loss account	22	**4,315,693**	4,398,097
Other reserves	22	**448,713**	516,338
Total equity		**12,957,343**	12,135,492
LIABILITIES			
Technical provisions	23	**18,745,918**	18,611,475
Creditors:			
- interest bearing borrowings	24	**9,917**	-
- creditors arising out of direct insurance operations	25	**393,386**	1,553,550
- creditors arising out of reinsurance operations	25	**869,946**	285,558
- other creditors	25	**415,757**	253,268
Current taxation		**-**	41,223
Accruals and deferred income	25	**1,297,699**	1,201,603
Total liabilities		**21,732,623**	21,946,677
Total equity and liabilities		**34,689,966**	34,082,169

The accounting policies and notes on pages 22 to 59 are an integral part of these financial statements.

The financial statements on pages 17 to 59 were authorised for issue by the board on 3 June 2009 and were signed on its behalf by:

Richard Clough
Chairman

Michael Gatt
Managing Director

Statement of Changes in Equity

	Notes	Share capital €	Other reserves €	Profit and loss account €	Total €
Balance at 1 January 2007		5,823,433	516,338	3,786,954	10,126,725
Profit for the financial year		-	-	2,418,737	2,418,737
Total recognised income for 2007		-	-	2,418,737	2,418,737
Increase in share capital		1,164,687	-	-	1,164,687
Issue of cell shares	21	232,937	-	-	232,937
Dividends	11	-	-	(1,807,594)	(1,807,594)
Balance at 31 December 2007		**7,221,057**	**516,338**	**4,398,097**	**12,135,492**
Balance at 1 January 2008		7,221,057	516,338	4,398,097	12,135,492
Net reporting currency difference arising on translation from functional currency to presentation currency	22	-	(99,720)	-	(99,720)
Movement in deferred tax relating to property, plant and equipment	17	-	32,095	-	32,095
Net movements recognised directly in equity		-	(67,625)	-	(67,625)
Profit for the financial year		-	-	1,118,457	1,118,457
Total recognised income for 2008		-	(67,625)	1,118,457	1,050,832
Increase in share capital		511,880	-	-	511,880
Issue of cell shares	21	460,000	-	-	460,000
Dividends	11	-	-	(1,200,861)	(1,200,861)
Balance at 31 December 2008		**8,192,937**	**448,713**	**4,315,693**	**12,957,343**

The accounting policies and notes on pages 22 to 59 are an integral part of these financial statements.

Cash Flow Statement

	Notes	Year ended 31 December 2008 €	2007 €
Operating activities			
Cash generated from operations	26	**3,085,068**	3,570,207
Tax paid		**(1,291,177)**	(1,504,340)
Net cash from operating activities		**1,793,891**	2,065,867
Investing activities			
Purchase of property, plant and equipment		**(484,500)**	(386,396)
Disposal of property, plant and equipment		**12,344**	22,129
Purchase of stock - property for development		**(1,308,825)**	-
Investment in subsidiary undertaking		**-**	(1,398)
Net cash used in investing activities		**(1,780,981)**	(365,665)
Financing activities			
Dividends paid		**(1,200,861)**	(1,807,594)
Issue of share capital		**971,880**	1,397,624
Net cash used in financing activities		**(228,981)**	(409,970)
Movement in cash and cash equivalents		**(216,071)**	1,290,232
Cash and cash equivalents at beginning of year		**1,119,075**	(161,600)
Exchange losses on cash and cash equivalents		**(123,159)**	(9,557)
Cash and cash equivalents at end of year	27	**779,845**	1,119,075

The accounting policies and notes on pages 22 to 59 are an integral part of these financial statements.

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) as adopted by the EU and the requirements of the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, 1995.

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

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.

Standards, interpretations and amendments to published standards effective in 2008

In 2008, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2008. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, but are mandatory for the Company's accounting periods beginning after 1 January 2008. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Company'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 16 dealing with insurance contracts.

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

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

(a) Functional and presentation currency

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

Following Malta's adoption of the euro as its national currency on 1 January 2008, the entity's functional currency was changed from Maltese lira to euro. The effects of the change in functional currency have been accounted for prospectively and all items have been translated into the new functional currency using the exchange rate at the date of the change.

In view of the redenomination of the Company's share capital from Maltese lira to euro, the Company's presentation currency also changed to euro. Accordingly, the results and financial position relating to the comparative financial period were translated and are presented in these financial statements at the Irrevocably Fixed Conversion Rate of €1:Lm0.4293 as at 1 January 2008.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

All foreign exchange gains and losses are presented in the profit and loss account within 'investment expenses and charges'.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
(ii) income and expenses for each profit and loss account are translated at average exchange rates.

All resulting exchange differences are recognised as a component of equity and are accounted for in the functional currency exchange reserve (Note 22).

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.

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

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.

(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 been 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.

8. Financial assets - *continued*

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

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

9. Investment in subsidiary undertaking

Investment in subsidiary undertaking, is accounted for at cost. The results of subsidiary undertaking 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.

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.

10. Impairment of assets - *continued*

(a) Impairment of financial assets carried at amortised cost - *continued*

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 financial assets carried at fair value

The Company assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not subsequently reversed.

(c) 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. Stock – Property for development

Property held for development is intended in the main for resale purposes, and is accordingly classified in the financial statements as stock. Any elements of the project which are identified for business operation or long-term investment properties are transferred at their carrying amount or fair value to Property, plant and equipment or Investment properties when such identification is made and the cost thereof can be reliably segregated.

The development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property, expenses incidental to acquisition, development costs together with any borrowing costs attributable to the development phases of the project. The purchase cost of acquiring the property represents the cash equivalent value of the contracted price.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Gains and losses on disposal of development property are determined by reference to their carrying amount and are taken into account in determining gross profit.

13. Debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the debtor is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

14. 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 other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are included in borrowings.

15. Deferred income tax

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

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

16. 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.

16. Insurance contracts - classification - *continued*

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

Reinsurance contracts held

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

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 recognise 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.

17. Provisions

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

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

18. Borrowing costs

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

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

19. Dividends

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

1. Critical accounting estimates and judgements in applying accounting policies

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

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

In reporting claims incurred and balance sheet provisions the Company takes all reasonable steps to curtail any future deviations in establishing its liabilities by ensuring that it has appropriate information regarding its claims exposures and related future liabilities from the outset, the results of which are elaborated in the claims cost progression tables disclosed in Note 23.

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.

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 Malta Financial Services Authority authorised and issued licences to two cells which have been registered in accordance with the Company's Memorandum and Articles.

PerfectHome Cell, a direct writing insurer which was authorised on 26 June 2008 to write business under classes of business 8 – Fire and natural forces, 9 – Other damage to property and 16 – Miscellaneous financial loss, started operating on 1 September 2008 and markets a weekly premium Theft and Accidental Damage insurance product covering domestic appliances and home furniture.

2.1. Insurance risk - *continued*

A second cell, Travelodge Cell, was also licensed during the year under review on 17 December 2008. The cell was authorised to write business for class 16 – Miscellaneous financial loss as a direct writing insurer and as from the 16 January 2009 underwrites a hotel accommodation cancellation insurance cover.

As part of cells' licence conditions each cell is to maintain at all times its own solvency margin and the Minimum Guarantee Fund is afforded by the core capital.

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 2008 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.

Miscellaneous financial risk

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

The Company manages all the above via:

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

(a) Underwriting strategy

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

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.

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 incurred but not reported (IBNR) 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. Atlas will take pessimistic scenarios based on legal precedent (of particular relevance to motor and liability class) and similar cases while taking note of 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.

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 27 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:

	2008	2007
	€	€
Assets at floating interest rates – bank balances	**618,767**	1,119,075
Assets at fixed interest rates		
- Listed debt securities	**10,070,742**	7,234,608
- Deposits with banks or financial institutions	**4,237,432**	4,732,607
	14,926,941	13,086,290
Liabilities at floating interest rates – bank balances overdrawn	**9,917**	-

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.

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

At 31 December 2008 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 150 basis points (2007: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €640,056 (2007 - €173,322) higher. An increase of 150 basis points (2007: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €572,458 (2007 - €164,988) lower.

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.

(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

2.2.1. Market risk - *continued*

(b) Equity price risk - *continued*

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:

	2008	2007
	€	€
Assets subject to equity price risk		
- Equity securities	**1,300,026**	2,370,030
- Units in unit trusts	**824,807**	1,155,239
	2,124,833	3,525,269

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 large volatility in the capital markets during 2008, 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% (2007: 10%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €212,483 (2007: €352,527).

(c) Currency risk

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

The board of directors implements a policy of currency matching rules thus minimising the Company's exposure to such risk.

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

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

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

At 31 December 2008, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €836,478 (2007: €4,088,052). If the above currencies had weakened/strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €147,614 (2007: €721,421) / higher by €109,106 (2007: €729,751).

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. 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.

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

The following table illustrates the assets that expose the Company to credit risk as at the balance sheet date and includes the Standard and 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.

2.2.2. Credit risk - *continued*

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

	As at 31 December 2008				
	AAA to AA	A to A-	BBB	Not rated	Total
	€	€	€	€	€
Investments					
Debt securities – listed fixed interest rate	2,557,921	4,761,283	191,966	1,054,906	8,566,076
Deposits with banks or financial institutions	-	827,862	-	3,409,570	4,237,432
Treasury bills	-	1,504,666	-	-	1,504,666
	2,557,921	7,093,811	191,966	4,464,476	14,308,174
Loans and receivables					
Debtors and prepayments and accrued income	-	-	-	3,984,263	3,984,263
Cash equivalents	-	107,075	-	511,692	618,767
	-	107,075	-	4,495,955	4,603,030
Reinsurance share of technical provisions	345,932	4,976,092	-	-	5,322,024
Total assets bearing credit risk	2,903,853	12,176,978	191,966	8,960,431	24,233,228

	As at 31 December 2007				
	AAA to AA	A to A-	BBB	Not rated	Total
	€	€	€	€	€
Investments					
Debt securities – listed fixed interest rate	2,599,483	2,578,931	616,681	1,076,152	6,871,247
Deposits with banks or financial institutions	-	1,318,866	-	3,413,741	4,732,607
Treasury bills	-	363,361	-	-	363,361
	2,599,483	4,261,158	616,681	4,489,893	11,967,215
Loans and receivables					
Debtors and prepayments and accrued income	-	-	-	4,239,189	4,239,189
Cash equivalents	65,250	12,688	-	812,798	890,736
	65,250	12,688	-	5,051,987	5,129,925
Reinsurance share of technical provisions	2,832,548	2,180,815	-	-	5,013,363
Total assets bearing credit risk	5,497,281	6,454,661	616,681	9,541,880	22,110,503

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 23)) 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 2008	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other creditors	1,651,137	27,952	-	-	1,679,089
Accruals and deferred income	1,297,699	-	-	-	1,297,699
	2,948,836	27,952	-	-	2,976,788

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions					
- Claims outstanding	6,950,039	1,845,664	1,818,488	876,265	11,490,456

As at 31 December 2007	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other creditors	1,568,267	524,109	-	-	2,092,376
Accruals and deferred income	1,201,603	-	-	-	1,201,603
	2,769,870	524,109	-	-	3,293,979

	Expected undiscounted cash outflows				
Technical provisions					
- Claims outstanding	7,347,943	1,890,047	1,590,226	777,992	11,606,208

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		**Gross premium earned**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Direct insurance				
Motor (third party liability)	**2,275,798**	1,961,894	**2,281,074**	1,931,617
Motor (other classes)	**5,515,665**	5,883,380	**5,530,823**	5,792,548
Fire and other damage to property	**5,610,677**	5,448,784	**5,498,151**	5,295,444
Other classes	**4,680,311**	4,099,450	**4,522,158**	3,894,351
	18,082,451	17,393,508	**17,832,206**	16,913,960

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

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

	Gross claims incurred	**Gross operating expenses**	**Reinsurance balance**
	2008	**2008**	**2008**
	€	**€**	**€**
Direct insurance			
Motor (third party liability)	**2,009,918**	**611,589**	**92,352**
Motor (other classes)	**2,415,172**	**1,532,948**	**223,923**
Fire and other damage to property	**1,255,794**	**1,765,016**	**1,874,853**
Other classes	**1,430,169**	**1,426,945**	**487,625**
	7,111,053	**5,336,498**	**2,678,753**

	Gross claims incurred	Gross operating expenses	Reinsurance balance
	2007	2007	2007
	€	€	€
Direct insurance			
Motor (third party liability)	973,906	462,106	140,755
Motor (other classes)	2,926,914	1,406,231	421,868
Fire and other damage to property	2,163,699	1,433,659	699,255
Other classes	495,139	888,658	863,389
	6,559,658	4,190,654	2,125,267

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

Included in the net profit before taxation stated in the profit and loss account on page 18 are net profit results accruing to the cell shareholders totaling €10,433 (2007 – Nil).

4. Net operating expenses

	2008	2007
	€	€
Acquisition costs	**2,950,631**	2,529,080
Change in deferred acquisition costs (Note 18)	**(18,005)**	(51,428)
Administrative expenses	**2,623,396**	2,251,668
Reinsurance commissions earned	**(2,786,455)**	(2,474,754)
Other net technical income	**(219,524)**	(538,665)
	2,550,043	1,715,901

Total commissions included in acquisition costs and accounted for in the financial period amounted to €1,950,365 (2007: €1,696,618).

5. Investment return

	2008	2007
	€	€
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	**240,696**	196,422
Income from financial assets at fair value through profit or loss:		
- interest income	**366,525**	425,481
- dividend income	**77,368**	153,732
Rental income	**7,692**	11,239
	692,281	786,874
Investment expenses and charges		
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**23,447**	18,353
Net fair value losses on financial assets at fair value through profit or loss (Note 16)	**1,270,953**	981,966
Investment expenses	**136,236**	42,513
Exchange differences	**54,971**	52,707
	1,485,607	1,095,539
Total investment return	**(793,326)**	(308,665)
Allocated as follows:		
Allocated investment expenses and charges transferred to the general business technical account	**(793,326)**	(302,960)
Investment expenses and charges included in the non-technical account	**-**	(5,705)
	(793,326)	(308,665)

6. Expenses by nature

	2008	2007
	€	€
Staff costs and directors' fees	**2,270,766**	1,878,195
Commissions payable	**1,950,365**	1,696,618
Change in deferred acquisition costs	**(18,005)**	(51,428)
Commissions earned	**(2,786,454)**	(2,474,754)
Depreciation of property, plant and equipment (Note 13)	**320,690**	310,178
Auditor's fees	**51,961**	49,695
Other expenses	**922,014**	389,913
Total operating expenses and administration expenses	**2,711,337**	1,798,417

Allocated to:		
Technical account	**2,550,043**	1,715,901
Non-technical account	**161,294**	82,516

Auditor's fees

Fees charged by the auditor for services rendered during the financial year ended 31 December 2008 and 2007 relate to the following:

	2008	2007
	€	€
Annual statutory audit	**31,750**	27,000
Other assurance services	**8,400**	7,100
Tax advisory and consultancy services	**5,311**	11,752
Other non-audit services	**6,500**	3,843
	51,961	49,695

7. Staff costs

	2008	2007
	€	€
Salaries (including directors' salaries)	**2,513,547**	2,178,840
Social security costs	**150,347**	135,903
	2,663,894	2,314,743
Inter-Company payroll charge	**(92,263)**	(90,102)
	2,571,631	2,224,641

7. Staff costs - *continued*

The average number of persons employed during the year was:

	2008	2007
Directors	**8**	6
Managerial	**13**	12
Managerial – part time	**3**	3
Clerical	**76**	79
Clerical – part time	**16**	14
	116	114

8. Tax expense

	2008	2007
	€	€
Current income tax expense	**545,060**	1,658,265
Deferred income tax credit (Note 17)	**100,132**	(431,591)
(Over)/underprovision in previous years	**(7,944)**	1,789
	637,248	1,228,463

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

	2008	2007
	€	€
Profit before income tax	**1,755,705**	3,647,200
Tax on profit at 35%	**614,497**	1,276,520
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(35,563)**	(61,600)
Income subject to reduced rates of tax	**(4,615)**	(2,744)
Expenses not deductible for tax purposes	**66,138**	36,837
Other movements	**4,735**	(22,339)
(Over)/underprovision in previous years	**(7,944)**	1,789
Tax charge	**637,248**	1,228,463

9. Directors' emoluments

	2008	2007
	€	€
Directors' fees	**118,325**	22,595
Salaries and other emoluments	**228,811**	241,342
	347,136	263,937
Recharged to group undertakings	**(3,354)**	(3,242)
	343,782	260,695

During the year, benefits in kind valued at €11,987 (2007: €9,511) were provided to the directors.

10. Earnings per share

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

	2008	2007
Net profit attributable to shareholders (€)	**1,104,502**	2,418,737
Weighted average number of ordinary shares in issue	**2,997,000**	2,869,603
Earnings per share (€)	**0.37**	0.84

11. Dividends declared

	2008 €	2007 €
To the ordinary shareholders:		
Net	**1,186,885**	1,793,618
Dividends per ordinary share	**0.40**	0.68
To the preference shareholders:		
Net	**13,976**	13,976
Dividends per preference share	**4.66**	4.66
Total dividends	**1,200,861**	1,807,594

12. Intangible assets

	Customer relationships €
Year ended 31 December 2007	
Opening cost and net book amount	-
Additions	256,231
Closing cost and net book amount	**256,231**
Year ended 31 December 2008	
Opening cost and net book amount	256,231
Decrease in customer relationships	(61,496)
Closing cost and net book amount	**194,735**

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

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

13. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Furniture, equipment and motor vehicles €	Total €
At 1 January 2007				
Cost or revaluation	2,471,065	382,777	2,156,045	5,009,887
Accumulated depreciation	-	(152,989)	(1,464,391)	(1,617,380)
Net book amount	2,471,065	229,788	691,654	3,392,507
Year ended 31 December 2007				
Opening net book amount	2,471,065	229,788	691,654	3,392,507
Additions	-	83,536	302,860	386,396
Disposals	-	-	(52,690)	(52,690)
Depreciation charge	(20,266)	(41,256)	(248,656)	(310,178)
Depreciation released on disposal	-	-	48,498	48,498
Closing net book amount	**2,450,799**	**272,068**	**741,666**	**3,464,533**
At 31 December 2007				
Cost or revaluation	2,471,065	466,313	2,406,215	5,343,593
Accumulated depreciation	(20,266)	(194,245)	(1,664,549)	(1,879,060)
Net book amount	**2,450,799**	**272,068**	**741,666**	**3,464,533**
Year ended 31 December 2008				
Opening net book amount	2,450,799	272,068	741,666	3,464,533
Additions	-	133,510	350,990	484,500
Transfer from investment property	186,350	-	-	186,350
Disposals	-	-	(53,130)	(53,130)
Depreciation charge	(17,400)	(56,934)	(246,356)	(320,690)
Depreciation released on disposal	-	-	53,130	53,130
Closing net book amount	**2,619,749**	**348,644**	**846,300**	**3,814,693**
At 31 December 2008				
Cost or revaluation	2,657,415	599,823	2,704,075	5,961,313
Accumulated depreciation	(37,666)	(251,179)	(1,857,775)	(2,146,620)
Net book amount	**2,619,749**	**348,644**	**846,300**	**3,814,693**

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:

	2008	2007
	€	€
Cost	**2,414,340**	2,274,577
Accumulated depreciation	**(72,035)**	(45,492)
Net book amount	**2,342,305**	2,229,085

14. Land and buildings – investment property

	2008	2007
	€	€
Year ended 31 December		
At beginning of year	**384,347**	384,347
Transfer to property, plant and equipment	**(186,350)**	-
	197,997	384,347
At 31 December		
Cost	**106,569**	246,331
Fair value gains	**91,428**	138,016
Net book amount	**197,997**	384,347

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:

	2008	2007
	€	€
Cost	**106,569**	246,331
Accumulated depreciation	**(5,328)**	(9,853)
Net book amount	**101,241**	236,478

15. Investment in subsidiary undertaking

	2008	2007
	€	€
Year ended 31 December		
At beginning of year	**2,562**	1,165
Additions	**-**	1,397
At end of year	**2,562**	2,562

The subsidiary undertaking at 31 December 2008 and 2007 is shown below:

Name of subsidiary undertaking	Registered office	Class of shares	Percentage of shares held 2008	2007
Stuart Property Development Limited	48-50, Ta' Xbiex Seafront, Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	**45.8%**	45.8%

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

As ordinary 'A' shareholders, Atlas Insurance PCC Limited is entitled to elect the Chairman of the board. The Chairman has a casting vote both in the case of a tie during board meetings, as well as in case of a tie during general meetings.

Accordingly, such investment is being considered as a subsidiary since Atlas Insurance PCC Limited 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.

	2008	2007
	€	€
Fair value through profit or loss	**12,195,575**	13,336,536
Loans and receivables	**5,201,009**	5,250,615
	17,396,584	18,587,151

16. Investments - *continued*

(a) Investment at fair value through profit or loss

	2008	2007
	€	€
At 31 December		
Equity securities and units in unit trusts	**2,124,833**	6,101,928
Debt securities – listed fixed interest rate	**8,566,076**	6,871,247
Treasury bills	**1,504,666**	363,361
	10,070,742	7,234,608
Total investments at fair value through profit or loss	**12,195,575**	13,336,536

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

Maturity of fixed income debt securities and treasury bills:

	2008	2007
	€	€
Within 1 year	**2,024,026**	754,906
Between 1 and 2 years	**710,043**	387,838
Between 2 and 5 years	**2,190,912**	1,867,918
Over 5 years	**5,145,761**	4,223,946
	10,070,742	7,234,608
Weighted average effective interest rate	**4.87%**	4.90%

The movements for the year are summarised as follows:

	2008	2007
	€	€
Year ended 31 December		
At beginning of year	**13,336,536**	14,406,017
Additions	**15,886,546**	5,179,592
Disposals	**(15,756,554)**	(5,267,107)
Net fair value losses (Note 5)	**(1,270,953)**	(981,966)
At end of year	**12,195,575**	13,336,536
As at 31 December		
Cost	**12,823,826**	14,118,628
Accumulated net fair value losses	**(628,251)**	(782,092)
	12,195,575	13,336,536

16. Investments - *continued*

(b) Loans and receivables

	2008	2007
	€	€
At 31 December		
Deposits with banks or financial institutions	**4,237,432**	4,732,614
Loan to subsidiary Company	**963,577**	518,001
	5,201,009	5,250,615

The loan to subsidiary Company is classified as non-current. Included in the loan is an amount of €709,908 which bears interest at 6% p.a.

Maturity of deposits with banks or financial institutions:

	2008	2007
	€	€
Within 3 months	**3,589,699**	3,080,636
Within 1 year but exceeding 3 months	**647,733**	1,651,978
	4,237,432	4,732,614

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

	2008	2007
	€	€
At fixed rates	**4,237,432**	4,732,614
Weighted average effective interest rate	**3.38%**	4.22%

Deposits with banks maturing within 3 months include an amount of €552,486 relating to cellular operations.

17. Deferred income tax

	2008	2007
	€	€
Year ended 31 December		
At beginning of year	**283,243**	(148,348)
Charged to equity (Note 22)	**32,095**	-
Credited to profit and loss account (Note 8)	**(100,132)**	431,591
At end of year	**215,206**	283,243

Net deferred tax asset amounting to €215,206 (2007: €283,243) is not expected to fall due within 12 months.

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2007: 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 (2007: 12%).

17. Deferred income tax - *continued*

The balance at 31 December represents temporary differences on:

	2008	2007
	€	€
Land and buildings – tangible assets	**(24,649)**	(51,152)
Land and buildings – investment property	**(23,760)**	(29,350)
Financial investments at fair value through profit or loss	**245,728**	323,077
Fixed assets	**(6,571)**	16,210
Provisions	**24,458**	24,458
	215,206	283,243

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

	2008	2007
	€	€
Year ended 31 December		
At beginning of year	**732,472**	681,044
Net amount credited to profit and loss account (Note 4)	**18,005**	51,428
At end of year	**750,477**	732,472
Current portion	**750,477**	732,472

19. Stock – property for development

	2008	2007
	€	€
Development property	**1,308,825**	-

20. Debtors and prepayments and accrued income

	2008	2007
	€	€
Debtors arising from direct insurance operations		
Due from policyholders	**1,380,364**	1,350,962
Due from agents, brokers and intermediaries	**1,548,529**	1,482,679
Due from reinsurers	**264**	39,765
	2,929,157	2,873,406
Other debtors		
Receivable from group undertakings	**250,798**	287,289
Receivable from related parties	**104,580**	13,634
Other debtors	**34,769**	134,321
	390,147	435,244
Prepayments and accrued income		
Prepayments	**403,722**	700,471
Accrued interest	**261,237**	230,070
	664,959	930,541
Total debtors and prepayments and accrued income	**3,984,263**	4,239,191
Current portion	**3,984,263**	4,239,191

Debtors are presented net of an allowance for impairment of €69,881 (2007: €69,881). As at 31 December 2008, total debtors amounting to €2,517,918 (2007: €2,585,536) were fully performing, whereas debtors amounting to €801,386 (2007: €723,114) 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:

	2008	2007
	€	€
Less than 6 months but more than 3 months	**487,117**	411,393
Less than 12 months but more than 6 months	**270,912**	83,086
More than 12 months	**43,357**	228,635
	801,386	723,114

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

21. Share capital

	2008	2007
	€	€
Authorised share capital:		
4,997,000 'A' ordinary voting shares of €2.50		
(2007: €2.329373) each	**12,492,500**	11,639,877
3,000 'B' cumulative preference shares of €2.50		
(2007: €2.329373) each	**7,500**	6,988
3,000,000 cell shares of €2.50 (2007: €2.329373) each	7,500,000	6,988,119
	20,000,000	18,634,984
Issued and fully paid up share capital:		
2,997,000 'A' ordinary voting shares of €2.50		
(2007: €2.329373) each	**7,492,500**	6,981,132
3,000 'B' cumulative preference shares of €2.50		
(2007: €2.329373) each	**7,500**	6,988
	7,500,000	6,988,120
Issued and 50% paid up share capital:		
306,350 cell shares of €2.50 each		
(2007: 200,000 cell shares of €2.329373 each)	**382,937**	232,937
Issued and 80% paid up share capital:		
155,000 cell shares of €2.50 each	**310,000**	-
	8,192,937	7,221,057

The denomination and value of the Company's nominal share capital was translated at the Irrevocably Fixed Conversion Rate of €1 : Lm0.4293 from 1 January 2008 as a result of Malta's adoption of the euro.

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 €8,192,937.

During 2008, the shareholders denominated 200,000 50% paid-up cell shares of €2.329373 each to 186,350 50% paid-up cell shares of €2.50 each. The shareholders increased the issued share capital by 120,000 cell shares of €2.50 each which are 50% paid-up and by 155,000 cell shares of €2.50 each which are 80% paid-up. Cell shares are issued as redeemable preference shares.

22. Reserves

	2008	2007
	€	€
Revaluation reserve	**279,223**	206,131
Functional currency exchange reserve	**(99,720)**	-
General reserve	**201,542**	201,542
Investment property reserve	**67,668**	108,665
Total other reserves	**448,713**	516,338

22. Reserves - *continued*

Revaluation reserve

	€
At beginning and end of 2007	206,131
At beginning of 2008	206,131
Transfer of fair value gains on investment property	40,997
Movement in deferred tax relating to property, plant and equipment	32,095
At end of 2008	279,223

Functional currency exchange reserve	€
At beginning of 2008	-
Exchange differences resulting from translation to presentation currency	(99,720)
At end of 2008	(99,720)

Investment property reserve	€
At beginning and end of 2007	108,665
At beginning of 2008	108,665
Transfer of fair value gains on investment property	(40,997)
At end of 2008	67,668

Revaluation reserve represents the revaluation surplus on freehold and other property, net of deferred tax. Functional currency exchange reserve represents movements in the exchange to the reporting currency of those assets and liabilities held by cellular operations in the currency it operates in, the functional currency. 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.

	2008	2007
	€	€
Profit and loss account	**4,315,693**	4,398,097

The profit and loss account balance represents the amount available for dividend distribution to the non-preference 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.

23. Technical provisions and reinsurance assets

	2008	2007
	€	€
Gross technical provisions		
Claims reported and loss adjustment expenses	**10,107,082**	10,229,488
Claims incurred but not reported	**1,388,472**	1,376,720
Unearned premiums	**7,250,364**	7,005,267
Total insurance liabilities, gross	**18,745,918**	18,611,475
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	**2,230,171**	2,393,809
Claims incurred but not reported	**268,645**	266,098
Unearned premiums	**2,823,208**	2,353,457
Total reinsurers' share of insurance liabilities	**5,322,024**	5,013,364
Net technical provisions		
Claims reported and loss adjustment expenses	**7,876,911**	7,835,679
Claims incurred but not reported	**1,119,827**	1,110,622
Unearned premiums	**4,427,156**	4,651,810
	13,423,894	13,598,111
Current portion	**13,423,894**	13,598,111

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 gross technical provisions shown above include liabilities accruing to cell shareholders:

	2008	2007
	€	€
Technical provisions		
Claims incurred but not reported	**5,098**	-
Unearned premiums	**37,043**	-
	42,141	-

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.

23. Technical provisions and reinsurance assets - *continued*

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:

Core Operation:

Accident year	2001	2002	2003	2004	2005	2006	2007	2008	Total
	€	€	€	€	€	€	€	€	€
Estimate of ultimate claims costs:									
- at end of year	5,445,404	4,915,262	9,463,748	6,177,817	6,467,477	9,150,864	8,047,207	7,990,595	57,658,374
- one year later	4,998,565	4,910,585	8,941,279	6,138,199	5,683,096	8,769,573	7,611,020	-	
- two years later	4,942,164	4,835,649	8,301,640	5,293,774	5,376,344	8,053,417	-	-	
- three years later	4,923,909	4,800,804	7,948,181	4,620,124	5,396,822	-	-	-	
- four years later	4,878,355	4,734,300	7,734,971	4,588,986	-	-	-	-	
- five years later	4,794,852	4,673,275	7,673,138	-	-	-	-	-	
- six years later	4,728,137	4,677,767	-	-	-	-	-	-	
- seven years later	4,686,629	-	-	-	-	-	-	-	
Current estimate of cumulative claims	4,686,629	4,677,767	7,673,138	4,588,986	5,396,822	8,053,417	7,611,020	7,990,595	50,678,374
Cumulative payments to date	(4,661,522)	(4,281,223)	(7,456,924)	(4,365,936)	(4,786,807)	(6,975,860)	(5,458,903)	(3,783,549)	(41,770,724)
Liability recognised in the balance sheet	25,107	396,544	216,214	223,050	610,015	1,077,557	2,152,117	4,207,046	8,907,650
Reserve in respect of prior years									2,582,806
Total reserve included in balance sheet									11,490,456

The above claims costs progression table of the core operation 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.

23. Technical provisions and reinsurance assets – *continued*

(a) Claims and loss adjustment expenses

	Year ended 31 December 2008		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	10,229,488	(2,393,809)	7,835,679
Incurred but not reported	1,376,720	(266,098)	1,110,622
Total at beginning of year	11,606,208	(2,659,907)	8,946,301
Increase in liabilities:			
- arising from current year claims	7,995,945	(2,694,234)	5,301,711
- arising from prior year claims	(1,301,985)	473,812	(828,173)
Claims settled during the year	(6,804,361)	2,381,513	(4,422,848)
Other movements	(253)	-	(253)
Total at the end of year	**11,495,554**	**(2,498,816)**	**8,996,738**
Notified claims still outstanding	10,107,082	(2,230,171)	7,876,911
Incurred but not reported	1,388,472	(268,645)	1,119,827
Total at the end of year	**11,495,554**	**(2,498,816)**	**8,996,738**

	Year ended 31 December 2007		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	10,712,292	(1,825,891)	8,886,401
Incurred but not reported	1,460,978	(216,739)	1,244,239
Total at beginning of year	12,173,270	(2,042,630)	10,130,640
Increase in liabilities:			
- arising from current year claims	8,478,572	(2,746,553)	5,732,019
- arising from prior year claims	(2,293,149)	171,987	(2,121,162)
Claims settled during the year	(6,752,485)	1,957,289	(4,795,196)
Total at the end of year	**11,606,208**	**(2,659,907)**	**8,946,301**
Notified claims still outstanding	10,229,488	(2,393,809)	7,835,679
Incurred but not reported	1,376,720	(266,098)	1,110,622
Total at the end of year	**11,606,208**	**(2,659,907)**	**8,946,301**

23. Technical provisions and reinsurance assets – *continued*

(b) Unearned premiums

	Year ended 31 December 2008		
	Gross	Reinsurance	Net
	€	€	€
At beginning of year	7,005,267	(2,353,457)	4,651,810
Net charge/(credit) to profit and loss	250,245	(469,751)	(219,506)
Other movements	(5,148)	-	(5,148)
At the end of year	**7,250,364**	**(2,823,208)**	**4,427,156**

	Year ended 31 December 2007		
	Gross	Reinsurance	Net
	€	€	€
At beginning of year	6,525,719	(2,093,869)	4,431,850
Net charge/(credit) to profit and loss	479,548	(259,588)	219,960
At the end of year	**7,005,267**	**(2,353,457)**	**4,651,810**

24. Borrowings

	2008	2007
	€	€
Bank balance overdrawn (Note 27)	**9,917**	-

As at 31 December 2008, the balance was subject to floating rates of interest which stood at 8%.

The Company has the following undrawn borrowing facilities:

	2008	2007
	€	€
Floating rate and expiring within one year	**1,385,842**	1,348,621

25. Creditors and accruals and deferred income

	2008	2007
	€	€
Creditors arising out of direct insurance operations		
- Current	**365,434**	1,029,441
- Non current	**27,952**	524,109
	393,386	1,553,550
Creditors arising out of reinsurance operations	**869,946**	285,558
Payable to related parties	**38,441**	-
Other creditors	**377,316**	253,268
	415,757	253,268
Accruals and deferred income		
Accrued expenses and deferred income	**1,297,699**	1,201,603
Total creditors and accruals and deferred income	**2,976,788**	3,293,979
Current portion	**2,948,836**	2,769,870
Non current portion	**27,952**	524,109

26. Cash generated from operations

	2008	2007
	€	€
Insurance premiums received	**18,026,700**	17,231,558
Reinsurance premium paid	**(8,726,734)**	(7,649,278)
Claims paid	**(7,221,454)**	(7,126,723)
Reinsurance claims received	**2,381,513**	1,957,289
Commission and other income	**2,882,551**	2,737,873
Cash paid to employees, related parties and other suppliers for services and goods	**(5,100,409)**	(4,112,073)
Interest received	**838,227**	367,736
Dividends received	**77,368**	153,732
Rental Income	**7,692**	11,239
Net (purchase)/disposal of operating assets:		
- loans and receivables	**49,606**	(88,661)
- financial assets at fair value through profit or loss	**(129,992)**	87,515
Cash generated from operations	**3,085,068**	3,570,207

27. Cash and cash equivalents

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

	2008	2007
	€	€
Cash at bank and in hand	**789,762**	1,119,075
Bank balance overdrawn	**(9,917)**	-
	779,845	1,119,075

The effective interest rate on bank balances was 0.9% (2007: 1.9%).

The balances as at the year-end include cash at bank amounting to €38,708 relating to the cellular operations.

28. 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:

	2008	2007
	€	€
Income		
Payroll costs charged	**95,617**	90,102
Charge for use of office premises	**59,772**	55,344
Expenditure		
Commissions	**8,061**	7,072
Management fees	**32,969**	-

Year end balances owed by or to group undertakings and other related parties are disclosed in Notes 20 and 25 to these financial statements respectively.

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

29. Capital management

The Company's objectives when managing capital are:

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

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

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

As at 31 December the Company's admissible assets covering the core operation and the cellular operations were calculated by the directors to be €33.6m (2007: €32m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2008 and 2007.

30. Commitments

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

	2008	2007
	€	€
Authorised but not contracted	**1,100,000**	930,000

As at the year end, the Company had a commitment to lend funds to its subsidiary amounting to €804,000 (2007: €1,250,000).

Operating lease commitments where the Company is the lessee

As at year-end in terms of an agreement expiring in 2013, the Company had total commitments under non-cancellable operating leases where the Company is the lessee for a total amount of €42,860.

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

	2008	2007
	€	€
No later than 1 year	**10,715**	-
Later than 1 year and no later than 5 years	**32,145**	-
	42,860	-

31. Contingent liabilities

As at 31 December 2008, the Company had issued special bank guarantees of €11,545 (2007: €49,001) in favour of third parties.

32. 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 2008 and 2007, the carrying amount of the Company's other financial assets and liabilities approximate their fair value.

33. 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.

34. Comparative Information

All comparative financial information has been converted into euro using the Irrevocably Fixed Conversion Rate of €1 : Lm0.4293. This change in comparative presentation has been made for information purposes only. Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of fairer presentation.

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