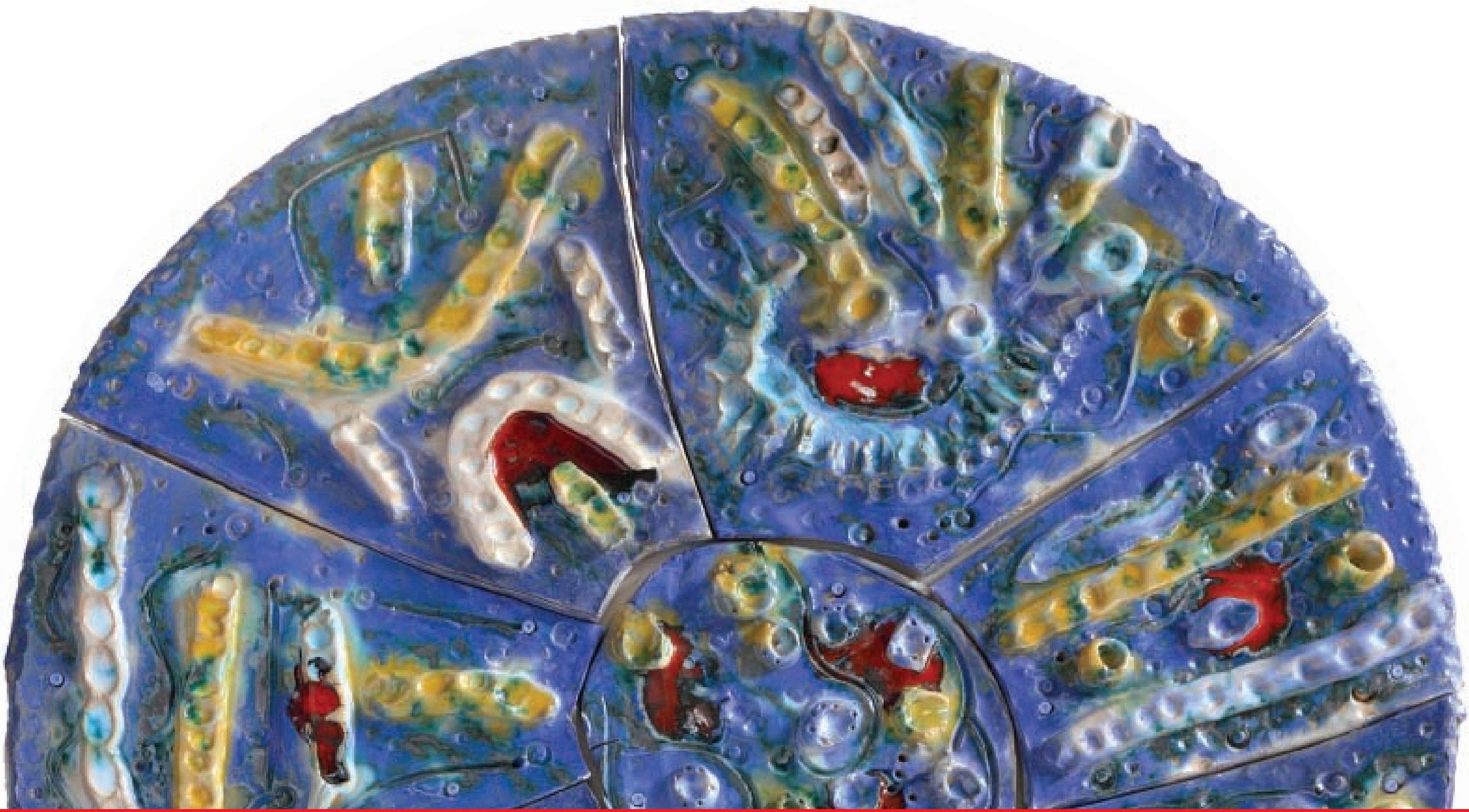

ANNUAL REPORT 09

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

We aim to create 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 very pleased to present the Annual Report and Financial Statements for Atlas Insurance PCC Limited for the year ending 31 December 2009.

The financial results show a return to higher levels of profitability in 2009, partly due to the recovery of world financial markets. In the year to 31 December 2009, Atlas Insurance PCC Limited registered a net profit before tax of €4.14m (2008: €1.76m). Included in the result is a profit before tax of €3.01m (2008: €1.75m), which after taxation of €1.10m (2008: €626,794) left €1.91m (2008: €1.12m) accruing to the core (non-cellular) shareholders, an earnings per share of 64c (2008: 37c). The core profit before tax represented a return of 21% of capital employed (2008: 14%).

Taxation on cell profits amounted to €392,485 lea ving a sum of €735,865 attributable exclusively to cell shareholders.

Despite some signs of recovery, GDP continued to decline throughout the period under review and established export earners, such as manufacturing and tourism, continued to suffer putting further pressure on the sectors within which our Company operates. This sustained slowdown impacted adversely on the Company's local growth and written core premiums increased only slightly to €17.93m (2008: €17.89m).

The board of directors adopts a prudent approach to its investment strategy and the decision to appoint three discretionary investment managers during 2008 working within parameters determined by the investment committee can be regarded as successful, given that the investment portfolio saw a recovery of €506,671 of the losses in fair value of €1.26m experienced in 2008.

Interim dividends to cell and preference shareholders were paid during the year amounting to €233,886 and €11,080 respectively.

During the period under review, no dividends were paid to the ordinary shareholders but an interim dividend of €620,000 was declared on the 7 April 2010.

No cells were registered in 2009 but this, to a large extent, was understandable, given the continuing severity of the economic downturn in the rest of the world. However, I am pleased to report that the current cells show excellent results and that, recently, we have seen a sustained amount of enquiries and are, therefore, confident that our strategy will reap the anticipated positive rewards in the medium term.

The impending Solvency 2 regime and its implications on corporate governance, including risk management, has been rigorously addressed by our executives and I am pleased to report that currently, we believe our risk profile is such that we are adequately capitalised to sustain the impact of Solvency 2 in 2013. Further investment is being undertaken to fully participate in the latest Quantitative Impact Study (QIS5) being carried out by the European Commission in the third quarter of 2010. Additional work is also being carried out to bridge any gaps between our current system of governance and that required under the Pillar 2 regime of Solvency 2.

Corporate Social Responsibility continues to be a priority for the Company. We believe that staff will be more attracted to the Company and motivated to stay with us if we act internally and publicly in a socially responsible manner.

We have an active social club and many CSR projects are spearheaded by staff themselves. Participating in various cultural, environmental and social causes has become part of our brand DNA and we are becoming associated with these initiatives by larger sections of the community.

Staff members participating in a blood donation drive in July.

Staff members and their families planting trees during the Foster the Forest campaign in November.

In our case a reduction of our carbon footprint should actually reduce costs as our only raw material usages are energy and paper. Our document management project is close to implementation and thereby we have taken significant steps to reduce our paper usage and filing requirements. Various energy saving measures are being implemented in our offices. A significant environmental initiative was the planting of 49 trees at the Foresta 2000 site, in which staff and families fully participated. We have also continued to support the Garden of Serenity in Santa Lucija as part of our efforts to support recreational facilities in the south of the islands, where we have opened three new branches in recent years.

Staff, through our Social Club, were involved in various local charitable works such as the Bay Kids initiative and maintenance works at St Joseph's Home. We support Dar tal-Providenza through a monthly salary deduction scheme and have contributed to the Red Cross appeal for Haiti and the Jesuit Refugee Service.

Sport is encouraged and our staff have their own football and bowling teams. This year we have entered into a three year agreement to sponsor the Melita Football Club Youth Nursery and continue to believe in the enormous power of sport in society and its importance for a healthier society for tomorrow.

Our Vision includes the statement that our stakeholders will be provided with 'a purpose beyond profit'. We believe that being socially responsible helps us succeed in meeting this obligation.

Finally, I must once again thank my fellow board members, members of the various board committees and particularly all staff, who have worked very hard in contributing to our results this year. It has been a particularly difficult year and one characterised by change, unstable markets and the pressure to evolve. However the organisation has faced the various challenges successfully as is proven by excellent results shown in the financial statements and the significant work carried out in the Company which will benefit our future.

Richard Clough
Chairman

CEO's Report

The Annual Report and Financial Statements for Atlas Insurance PCC Limited show the position of Atlas Insurance PCC Limited including the core operation and the two existing cells.

Profit before tax for the financial year amounted to €4.14m (2008: €1.76m) while the core operation generated profit before tax of €3.01m (2008: €1.75m).

The year under review was characterised by a continued economic slowdown and indeed a contraction in the Maltese economy accompanied by a drop in domestic demand. Although there were signs of recovery towards the end of the financial year, the local operating environment has been difficult. Growth, while relatively encouraging in the personal lines sector of the business, has been difficult to achieve overall. Premiums written in the core increased marginally from €17.89m in 2008 to €17.93m in 2009 and profits from the technical account amounted to €3.16m compared to €1.91m in 2008.

A significant contributor to the increase in overall profitability for the core has been the recovery of the international financial markets over the period, with total investment return standing at a negative €800,107 at the end of 2008, improving to a total investment return of €967,915 at the end of the period under consideration.

There was an increase in gross claims incurred by the core from €7.10m in 2008 to €9.15m in 2009 but still an overall extremely satisfactory gross loss ratio position of 52% was achieved, a reflection of the continued cautious underwriting approach of the Company. The Company's prudent approach in reserving for claims incurred once again shows positive run-off as illustrated in the progression tables.

Net operating expenses were kept under strict control during this difficult period and actually reduced slightly during 2009 from €2.41m to €2.16m. Similarly, close watch was kept on debtors arising out of direct insurance operations, which, pleasingly, remained static at €2.93m. There was no material change in the ageing profile of the debtors.

It is gratifying to note that the two cell operations set up in 2008 performed extremely well for the cell shareholders and premium written for the cell operations increased from €194,512 in 2008 to €3.57m in 2009. Underwriting performance was also excellent, with gross claims incurred by the cells amounting to merely €440,526. In total, therefore, they contributed a profit after tax of €735,865 exclusively attributable to cell shareholders.

Cell operations continue to involve a significant investment by the business to ensure adherence to our relatively cautious risk appetite for international business. Cell investment and underwriting committees regularly meet with our insurance managers and a PCC board committee continues to manage all new enquiries. The increased activity towards the end of the period should reap benefits to core shareholders as the international economic situation improves.

Our branch expansion strategy continued to be developed and was a main source of personal lines growth in 2009. The branches opened in late 2008 and the early part of 2009 in Qormi and Zurrieq continued to develop. In addition, during the year a central Birkirkara branch operation was inaugurated, with our associated investment services company, and is now well established in the area.

The local market continues to be characterised by the diversity of clients and the Company believes that efforts to improve its distribution network and overall accessibility must continue. Besides widening our branch network, development of online facilities continued during the year with various new services added, including quotations on new classes of business and payment of claims excesses. Online sales of home insurance have recently been launched, another first in the local market, and a further example of Atlas's innovation and efforts to make it easier to do business with.

Staff development and internal communication continue to be priorities. Working groups were set up to ensure widespread understanding and acceptance of the Group's core values and to maximise staff satisfaction. The development of opportunities for our staff and creating a positive and safe working environment are our overriding concerns.

Corporate Governance is taking up a growing portion of senior management time. While the structure and scope of the various

The Atlas branch office in Żurrieq.

The latest addition to the Atlas branch network in Birkirkara.

board committees has been developed and extended over the past years, the Company recognises the challenges of the implementation of Solvency 2, the new risk based pan-European solvency regime. The Company's risk management committee is cooperating with other board committees to define strategy in addressing any gaps between existing governance processes and structures and those required under Pillar 2 of Solvency 2.

Finally I must thank our stakeholders for their continued support without which our strategic direction cannot bear fruit. Staff, in particular, continue to rise to new challenges and compete well in the increasingly complex market within which we operate. A strong senior management team, excellent young and qualified middle management and other staff members fill us with hope for an exciting future for the Company and the Group. We are certain that this will continue to allow us to offer the service levels which will differentiate us in the market and allow us to continually improve our offer for our clients and intermediaries.

Michael Gatt
Managing Director and CEO

Board Members & Board/Executive Committees

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

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

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

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

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

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

Risk Management Committee
Catherine Calleja BA (Hons) ACII
Martin Gauci
Ian-Edward Stafrace MIRM ACII PIOR
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

Birkirkara Branch
1, Psaila Street, Birkirkara BKR 9070

Qormi Branch
Triq Manwel Dimech, Qormi QRM 9061

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

Żurrieq Branch
29, Blue Grotto Avenue, Żurrieq ZRQ 4015

Cells

PerfectHome Cell
Travelodge Cell

Professional Services

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

Auditors
PricewaterhouseCoopers

Bankers
APS Bank Limited
Banif Bank (Malta) Limited
Bank of Valletta plc
Deutsche Bank AG - Frankfurt
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

Financial Statements

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

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 2009 was another positive year for the Company. Atlas Insurance PCC Limited registered a net profit before tax for the year of €4,140,379 (2008: €1,755,705) and a net profit after tax of €2,648,672 (2008: €1,118,457).

The Company's pre-tax profit on insurance has been maintained at positive levels for the year under review at €4,295,860, compared to the results for 2008 of €1,916,999. These excellent results have been achieved after recognising a good recovery on the fair value of its investment portfolio and positive contributions in aggregated profitability from its two cells which profits accrue to cell shareholders.

The directors continue to view the outlook for the future positively with due caution being given to its technical and investment operations in the light of the ongoing global economic crisis. The Company expects to maintain its market position by reacting constructively to local market forces, developing further the protected cell operation while effectively managing core operating costs. The board anticipates further growth and profitability in its Cells operating in the international markets.

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 PerfectHome Cell carried on operations registering very positive results. The Travelodge Cell which started operation in January 2009 also registered good results and the two cells' combined profit before tax is being reported at €1,128,350 and after tax at €735,865 accruing to the cell shareholders.

During the year the Company saw the successful winding down of the Zopa Cell, a process that required a capital reduction equal to that of the paid up share capital of the Cell.

Directors

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

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

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 16 and 17. Interim ordinary dividends of €233,886 were declared solely to cell shareholders. In addition, preference dividends of €11,080 (2008: €13,976) were paid during the year.

On 7 April 2010, a net interim dividend of €620,000 out of 2008 profits was declared for the benefit of core shareholders. Similarly, the directors propose the payment of a final net dividend of €610,000.

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

Matthew von Brockdorff
Deputy Managing Director

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

4 June 2010

The Atlas Insurance board of directors adopts various principles of stewardship in accordance with the Principles of Good Corporate Governance for Public Interest Companies, Insurance Rule 27 of 2009 on Insurers' Internal Controls under the Insurance Business Act (Cap 403), due regard also being given to the System of Governance requirements under Pillar 2 of the fast approaching Solvency 2 regime.

The Board of Directors

The composition of the board of directors of the Company remained unchanged during the period under review.

Board and board committee meetings are scheduled at the start of the year. The directors, both executive and non executive, are involved in the strategic planning and budgeting processes as well as the regular monitoring of management performance and development. Monthly management reports to the board of directors include detailed financial information as well as non-financial key performance indicators. Various information sessions relating to committee work and other relevant subjects are held where necessary.

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

Board and Executive Committees

Members of these committees are listed on page 8.

Audit

The audit committee meets at least quarterly to monitor the external audit function as well as to plan, review and assess the effectiveness of the internal audit function.

Martin Gauci, the internal auditor, prepares quarterly presentations to the internal audit committee and attends relevant meetings. During 2009 the focus of the internal audit was on internal controls in general as well as testing of claims reserves and related payment controls in the various areas where claims are handled. The internal audit function also regularly carries out compliance visits with tied insurance intermediaries for which the Company is responsible.

The audit committee is also actively involved in planning the external audit, discussing any issues with external auditors and executive directors and reviewing the financial statements prior to approval by the board.

Remuneration

This committee meets biannually to oversee the remuneration strategy and budget for any given financial year as well as to set the remuneration of the executive directors and senior management team. No director is involved in deciding his or her own remuneration. Remuneration of all the senior management team is also linked to corporate and individual performance.

Investments

The investment committee is delegated responsibility for administering the investment portfolio of the Company and reflecting the Company's risk appetite in the guidelines given to the three discretionary investment managers appointed by the same committee. Exposure to individual holdings as well as asset classes and currencies are limited and regular reporting meetings are held with discretionary investment advisors and the board of directors.

Group Compliance

This committee oversees compliance issues affecting group companies regulated by the Insurance Business Act (Cap. 403) and the Insurance Intermediaries Act (Cap. 487). 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 as well as ensuring that group companies continue to comply with current obligations. The committee also oversees development of various company policies relating to compliance and internal control.

Risk Management

During 2009, the risk management committee further widened the scope of its activity. Major projects included assigning risk owners, assigning a risk appetite and risk management and mitigation policy to the top ten risks facing the Company; developing a pandemic action plan, further developing the Company's risk register and establishing a link with the audit committee to ensure that priorities are set for internal audit also according to the risk to the organisation.

The risk management committee is also at the forefront of the project to prepare the Company fully for the Solvency 2 process.

Protected Cells

This committee meets regularly to analyse new cell prospects on behalf of the board of directors of Atlas Insurance PCC Limited as well as to monitor and report on the performance of the existing cells. Members of this committee liaise with insurance managers and form part of the investment and underwriting committees of the relative cells.

Relations with Shareholders

The level of disclosure to shareholders within the group continues to be in excess of statutory requirements under the Companies Act. An Annual General Meeting for shareholders of Atlas Holdings Ltd. is held each year and, besides the statutory business of the Annual General Meeting as laid down in the memorandum and articles of the Company, reports for all group companies are presented.

Approved by the Board of Directors on 4 June 2010 and signed on its behalf by:

Richard Clough
Chairman

Matthew von Brockdorff
Deputy Managing Director

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 2009 are included in the Annual Report 2009, 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.

Independent Auditor's Report

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 16 to 61 which comprise the balance sheet as at 31 December 2009 and the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14, 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 2009, 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

4 June 2010

Profit and Loss Account - Technical Account - General Business

Year ended 31 December

		Core		Cells		Total	
		2009	2008	**2009**	2008	**2009**	2008
	Notes	**€**	€	**€**	€	**€**	€
Earned premiums, net of reinsurance							
Gross premiums written	4	**17,925,590**	17,887,939	**3,566,967**	194,512	**21,492,557**	18,082,451
Outward reinsurance premiums		**(7,727,171)**	(8,150,958)	**-**	-	**(7,727,171)**	(8,150,958)
Net premiums written		**10,198,419**	9,736,981	**3,566,967**	194,512	**13,765,386**	9,931,493
Change in the provision for unearned premiums							
- gross amount	23	**(170,905)**	(208,054)	**(57,248)**	(42,191)	**(228,153)**	(250,245)
- reinsurers' share	23	**120,344**	469,751	**-**	-	**120,344**	469,751
		(50,561)	261,697	**(57,248)**	(42,191)	**(107,809)**	219,506
Earned premiums, net of reinsurance		**10,147,858**	9,998,678	**3,509,719**	152,321	**13,657,577**	10,150,999
Allocated investment return transferred from the non-technical account	6	**967,915**	-	**5,009**	6,781	**972,924**	6,781
Total technical income		**11,115,773**	9,998,678	**3,514,728**	159,102	**14,630,501**	10,157,780
Claims incurred, net of reinsurance							
Claims paid							
- gross amount		**7,901,982**	7,220,197	**359,169**	1,257	**8,261,151**	7,221,454
- reinsurers' share	23	**(2,542,613)**	(2,381,513)	**-**	-	**(2,542,613)**	(2,381,513)
		5,359,369	4,838,684	**359,169**	1,257	**5,718,538**	4,839,941
Change in the provision for claims							
- gross amount	23	**1,249,192**	(115,752)	**81,357**	5,351	**1,330,549**	(110,401)
- reinsurers' share	23	**(811,750)**	161,091	**-**	-	**(811,750)**	161,091
		437,442	45,339	**81,357**	5,351	**518,799**	50,690
Claims incurred, net of reinsurance		**5,796,811**	4,884,023	**440,526**	6,608	**6,237,337**	4,890,631
Net operating expenses	5	**2,155,220**	2,408,592	**1,942,084**	141,451	**4,097,304**	2,550,043
Allocated investment expenses and charges transferred from the non-technical account	6	**-**	800,107	**-**	-	**-**	800,107
Total technical charges		**7,952,031**	8,092,722	**2,382,610**	148,059	**10,334,641**	8,240,781
Balance on the technical account for general business (page 17)		**3,163,742**	1,905,956	**1,132,118**	11,043	**4,295,860**	1,916,999

Profit and Loss Account - Non-Technical Account

Year ended 31 December

		Core		Cells		Total	
		2009	2008	2009	2008	2009	2008
	Notes	€	€	€	€	€	€
Balance on technical account - general business (page 16)		**3,163,742**	1,905,956	**1,132,118**	11,043	**4,295,860**	1,916,999
Investment income	6	**1,152,990**	678,072	**5,009**	14,209	**1,157,999**	692,281
Investment expenses and charges	6	**(185,075)**	(1,478,179)	**-**	(7,428)	**(185,075)**	(1,485,607)
Allocated (investment return)/ expenses and charges transferred to the general business technical account	6	**(967,915)**	800,107	**(5,009)**	(6,781)	**(972,924)**	793,326
Administrative expenses	7	**(151,713)**	(160,684)	**(3,768)**	(610)	**(155,481)**	(161,294)
Profit before tax		**3,012,029**	1,745,272	**1,128,350**	10,433	**4,140,379**	1,755,705
Income tax expense	9	**(1,099,222)**	(626,794)	**(392,485)**	(10,454)	**(1,491,707)**	(637,248)
Profit/(loss) for the year		**1,912,807**	1,118,478	**735,865**	(21)	**2,648,672**	1,118,457

Statement of Comprehensive Income

		Core		Cells		Total	
		2009	2008	**2009**	2008	**2009**	2008
	Notes	**€**	€	**€**	€	**€**	€
Profit/(loss) for the year		**1,912,807**	1,118,478	**735,865**	(21)	**2,648,672**	1,118,457
Other comprehensive income:							
Net reporting currency difference arising on translation from functional currency to presentation currency	22	**-**	-	**50,069**	(99,720)	**50,069**	(99,720)
Movement in deferred tax relating to property, plant and equipment	17	**2,432**	32,095	**-**	-	**2,432**	32,095
Total other comprehensive income, net of tax		**2,432**	32,095	**50,069**	(99,720)	**52,501**	(67,625)
Total comprehensive income for the year		**1,915,239**	1,150,573	**785,934**	(99,741)	**2,701,173**	1,050,832

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

The notes on pages 23 to 61 are an integral part of these financial statements.

Balance Sheet

As at 31 December

		Core		Cells		Total	
		2009	2008	**2009**	2008	**2009**	2008
	Notes	**€**	€	**€**	€	**€**	€
ASSETS							
Intangible assets	12	**264,409**	289,503	**-**	-	**264,409**	289,503
Tangible assets:							
- land, buildings and improvements	13	**2,979,343**	2,968,393	**-**	-	**2,979,343**	2,968,393
- plant and equipment	13	**831,572**	751,532	**-**	-	**831,572**	751,532
Investments:							
- land and buildings	14	**197,997**	197,997	**-**	-	**197,997**	197,997
- investment in subsidiary undertaking	15	**2,562**	2,562	**-**	-	**2,562**	2,562
- other financial investments	16	**17,403,477**	16,844,098	**881,804**	552,486	**18,285,281**	17,396,584
Deferred taxation	17	**-**	215,206	**-**	-	**-**	215,206
Reinsurers' share of technical provisions	24	**6,254,118**	5,322,024	**-**	-	**6,254,118**	5,322,024
Deferred acquisition costs	18	**707,598**	731,955	**50,992**	18,522	**758,590**	750,477
Stock – property for development	19	**1,741,524**	1,308,825	**-**	-	**1,741,524**	1,308,825
Receivables:							
- debtors arising out of direct insurance operations	20	**2,929,418**	2,929,157	**-**	-	**2,929,418**	2,929,157
- other debtors	20	**556,824**	310,647	**284,893**	79,500	**841,717**	390,147
Taxation recoverable		**884,912**	723,292	**-**	-	**884,912**	723,292
Prepayments and accrued income	20	**474,199**	655,248	**10,415**	9,711	**484,614**	664,959
Cash and cash equivalents	27	**2,105,051**	751,054	**838,080**	38,708	**2,943,131**	789,762
Total assets		**37,333,004**	34,001,493	**2,066,184**	698,927	**39,399,188**	34,700,420
EQUITY							
Capital and reserves							
Share capital	21	**7,500,000**	7,500,000	**460,000**	692,937	**7,960,000**	8,192,937
Profit and loss account	22	**6,213,689**	4,315,714	**514,430**	(21)	**6,728,119**	4,315,693
Other reserves	22	**550,865**	548,433	**(14,878)**	(99,720)	**535,987**	448,713
Total equity		**14,264,554**	12,364,147	**959,552**	593,196	**15,224,106**	12,957,343
LIABILITIES							
Technical provisions	23	**20,123,874**	18,703,777	**187,860**	42,141	**20,311,734**	18,745,918
Payables:							
- interest bearing borrowings	24	**3,600**	9,917	**-**	-	**3,600**	9,917
- creditors arising out of direct insurance operations	25	**617,987**	380,627	**114,772**	12,759	**732,759**	393,386
- creditors arising out of reinsurance operations	25	**533,589**	869,946	**-**	-	**533,589**	869,946
- other creditors	25	**275,661**	377,316	**362,131**	38,441	**637,792**	415,757
Deferred taxation	17	**21,091**	-	**-**	-	**21,091**	-
Taxation payable		**-**	-	**392,226**	10,454	**392,226**	10,454
Accruals and deferred income	25	**1,492,648**	1,295,763	**49,643**	1,936	**1,542,291**	1,297,699
Total liabilities		**23,068,450**	21,637,346	**1,106,632**	105,731	**24,175,082**	21,743,077
Total equity and liabilities		**37,333,004**	34,001,493	**2,066,184**	698,927	**39,399,188**	34,700,420

The notes on pages 23 to 61 are an integral part of these financial statements.

The financial statements on pages 16 to 61 were authorised for issue by the board on 4 June 2010 and were signed on its behalf by:

Richard Clough
Chairman

Matthew von Brockdorff
Deputy Managing Director

Statement of Changes in Equity

	Notes	Share capital €	Other reserves €	Profit and loss account €	Total €
		Core			
Balance at 1 January 2008		7,221,057	516,338	4,398,097	12,135,492
Comprehensive income					
Profit for the financial year		-	-	1,118,478	1,118,478
Other comprehensive income					
Net reporting currency Differences arising on translation currency to presentation currency	22	-	-	-	-
Movement in deferred tax relating to property plant and equipment	17	-	32,095	-	32,095
Total other comprehensive income		-	32,095	-	32,095
Total comprehensive income		-	32,095	1,118,478	1,150,573
Transactions with owners					
Increase in share capital	21	278,943	-	-	278,943
Issue of cell shares	21	-	-	-	-
Dividends	11	-	-	(1,200,861)	(1,200,861)
Total transactions with owners		278,943	-	(1,200,861)	(921,918)
Balance at 31 December 2008		**7,500,000**	**548,433**	**4,315,714**	**12,364,147**
Balance at 1 January 2009		7,500,000	548,433	4,315,714	12,364,147
Comprehensive income					
Profit for the financial year		-	-	1,912,807	1,912,807
Other comprehensive income					
Net reporting currency difference arising on translation currency to presentation currency	22	-	-	-	-
Movement in deferred tax relating to property, plant and equipment	17	-	2,432	-	2,432
Total other comprehensive Income		-	2,432	-	2,432
Total comprehensive income		-	2,432	1,912,807	1,915,239
Transactions with owners					
Repurchase of preference shares	21	-	-	(3,750)	(3,750)
Decrease in share capital	21	-	-	-	-
Release of reserves attributable to Cell 3 shareholders	22	-	-	-	-
Dividends	11	-	-	(11,080)	(11,080)
Total transactions with owners		-	-	(14,830)	(14,830)
Balance at 31 December 2009		**7,500,000**	**550,865**	**6,213,691**	**14,264,556**

The notes on pages 23 to 61 are an integral part of these financial statements.

Cells				Total			
Share capital €	Other reserves €	Profit and loss account €	Total €	Share capital €	Other reserves €	Profit and loss account €	Total €
-	-	-	-	7,221,057	516,339	4,398,097	12,135,492
-	-	(21)	(21)	-	-	1,118,457	1,118,457
-	(99,720)	-	(99,720)	-	(99,720)	-	(99,720)
-	-	-	-	-	32,095	-	32,095
-	(99,720)	-	(99,720)	-	(67,625)	-	(67,625)
-	(99,720)	(21)	(99,741)	-	(67,625)	1,118,457	1,050,832
-	-	-	-	278,943	-	-	278,943
692,937	-	-	692,937	692,937	-	-	692,937
-	-	-	-	-	-	(1,200,861)	(1,200,861)
692,937	-	-	692,937	971,880	-	(1,200,861)	(228,981)
692,937	**(99,720)**	**(21)**	**593,196**	**8,192,937**	**448,714**	**4,315,693**	**12,957,343**
692,937	(99,720)	(21)	593,196	8,192,937	448,713	4,315,693	12,957,343
-	-	735,865	735,865	-	-	2,648,672	2,648,672
-	50,069	-	50,069	-	50,069	-	50,069
-	-	-	-	-	2,432	-	2,432
-	50,069	-	50,069	-	52,501	-	52,501
-	50,069	735,865	785,934	-	52,501	2,648,672	2,701,173
-	-	-	-	-	-	(3,750)	(3,750)
(232,937)	-	-	(232,937)	(232,937)	-	-	(232,937)
-	34,773	12,470	47,243	-	34,773	12,470	47,243
-	-	(233,886)	(233,886)	-	-	(244,966)	(244,966)
(232,937)	34,773	(221,416)	(419,580)	(232,937)	34,773	(236,246)	(434,410)
460,000	**(14,878)**	**514,428**	**959,550**	**7,960,000**	**535,987**	**6,728,119**	**15,224,106**

Statement of Cash Flows

Year ended 31 December

		Core		Cells		Total	
		2009	2008	**2009**	2008	**2009**	2008
	Notes	**€**	€	**€**	€	**€**	€
Cash flows from operating activities							
Cash generated from operations	26	**3,237,150**	3,608,645	**1,184,952**	(549,108)	**4,422,102**	3,059,537
Income tax paid		**(1,022,113)**	(1,291,177)	**(10,713)**	-	**(1,032,826)**	(1,291,177)
Net cash from/(used in) operating activities		**2,215,037**	2,317,468	**1,174,239**	(549,108)	**3,389,276**	1,768,360
Cash flows from investing activities							
Purchase of property, plant and equipment		**(388,766)**	(411,835)	**-**	-	**(388,766)**	(411,835)
Purchase of intangible assets		**(21,525)**	(72,665)	**-**	-	**(21,525)**	(72,665)
Disposal of property, plant and equipment		**3,483**	12,344	**-**	-	**3,483**	12,344
Purchase of stock - property for development		**(432,699)**	(1,308,825)	**-**	-	**(432,699)**	(1,308,825)
Net cash used in investing activities		**(839,507)**	(1,780,981)	**-**	-	**(839,507)**	(1,780,981)
Cash flows from financing activities							
Dividends paid		**(11,080)**	(1,200,861)	**(233,886)**	-	**(244,966)**	(1,200,861)
(Reduction)/issue of share capital		**-**	278,943	**(232,937)**	692,937	**(232,937)**	971,880
Net cash (used in)/from financing activities		**(11,080)**	(921,918)	**(466,823)**	692,937	**(477,903)**	(228,981)
Movement in cash and cash equivalents		**1,364,450**	(385,431)	**707,416**	143,829	**2,071,866**	(241,602)
Cash and cash equivalents at beginning of year		**741,137**	1,119,075	**38,708**	-	**779,845**	1,119,075
Exchange gains/(losses) on cash and cash equivalents		**(4,136)**	7,493	**91,956**	(105,121)	**87,820**	(97,628)
Cash and cash equivalents at end of year	27	**2,101,451**	741,137	**838,080**	38,708	**2,939,531**	779,845

The notes on pages 23 to 61 are an integral part of these financial statements.

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

As at 31 December 2009, the Company had two Cells, the PerfectHome Cell and the Travelodge Cell, referred to in these financial statements as Cell 1 and Cell 2 respectively. Another Cell, the Zopa Cell, referred to in these financial statements as Cell 3, was registered during 2008 and wound up during 2009. The Company maintains separate accounts for each Cell. Cellular assets and liabilities are separate and separately identifiable from Core and Cellular assets attributable to other Cells. Separate balance sheets, profit and loss accounts, statements of comprehensive income, statements of changes in equity and cash flow statements have accordingly been prepared for Cells.

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

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

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

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2009. 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.

IAS 1 (revised), Presentation of financial statements, and IFRS 7 'Financial instruments - Disclosures' (amendment), are both effective for periods beginning on or after 1 January 2009, but do not have any impact on the classification and measurement of the Company's elements of the financial statements. IAS 1 (revised) requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income, while IFRS 7 (amendment) requires enhanced disclosures about fair value measurement. In accordance with the respective transition provisions of these standards, comparative information has been re-presented in respect of the disclosures required by IAS 1 (revised) but has not been re-presented in respect of the disclosures required by IFRS 7 (amendment).

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 2009. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of IFRS 9, Financial instruments, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 9, Financial instruments, addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2013. The Company is considering the implications of the standard and its impact on the Company's financial results and position.

1.2 Revenue recognition

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

(a) Rendering of services

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

1.3 Investment return

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

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

1.4 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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

1.5 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. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors after seeking professional advice.

1.5 Land and buildings – Investment property - *continued*

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

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

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

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

1.6 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 - 20

Freehold land is not depreciated.

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

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

1.7 Intangible assets

(a) Customer relationships

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

(b) Computer software

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

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

1.8 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.

Classification

(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.

1.8 Financial assets - *continued*

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

by the directors. These financial assets are managed and their performance is evaluated and reported on a fair value basis to the Company's key management personnel in accordance with a documented investment strategy.

(b) Loans and receivables

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

Recognition and measurement

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

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

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

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

1.9 Investment in subsidiary undertaking

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

1.10 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

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

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

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as 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

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

cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

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

(b) Impairment of 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).

1.11 Operating leases

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

1.12 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 investments 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 borrowings 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.

1.13 Cash and cash equivalents

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

1.14 Current and deferred income tax

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

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

1.14 Current and deferred income tax - *continued*

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

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

1.15 Insurance contracts - classification

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

Insurance contracts – General business

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

(i) Premiums 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.

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

1.15 Insurance contracts - classification - *continued*

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 1.10.

1.16 Provisions

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

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

1.17 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.

1.18 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.

2. Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

3. Management of insurance and financial risk

3.1. Insurance risk

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

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

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

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

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

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

3.1. Insurance risk - *continued*

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

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

During the year under review the Company successfully obtained extensions to its licence and was authorised on the 11 June 2009 by the Malta Financial Services Authority to carry on business of reinsurance for the classes of business it is authorised and furthermore on the 1 December 2009 had its authorisation to carry on business of insurance under class 17 – Legal Expenses.

During the year the Company concluded the process of deregistering the Zopa Cell from its Capital structures, which cell had been authorised by the MFSA on the 22 January 2008 to underwrite risk under class of business 16 – Miscellaneous Financial Loss. Under its authorisation the Cell did not underwrite any insurance risk.

PerfectHome Cell and Travelodge Cell carried on business during the year in accordance with their licence conditions, whereas as determined by their authorisation each cell is to maintain at all times its own solvency margin while the Minimum Guarantee Fund is afforded by the core capital. Both Cells write insurance business in the United Kingdom with an equally even geographical spread covering sectors of commerce which include primarily hotel accomodation and the domestic goods retail sectors. The cells' results are amply reflected in these accounts.

3.1.1. 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 2009 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 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.

(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.

3.1.2. Sources of uncertainty in estimation of future claims payments

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

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

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

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

(a) loss of future earnings as a result of disability percentages along with estimated rehabilitation expenses;
(b) an element of direct damages; and
(c) costs of settlement including legal and other fees and court expenses; and

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

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

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

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

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

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

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

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.

3.2 Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The key financial risk is that the proceeds from its financial assets would not be sufficient to fund the obligations arising from its insurance contracts and investing activity.

The most important components of the Company's financial risk are market risk (cash flow and fair value interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks mainly arise on open positions in interest rate, debt and equity products, and currency exposures, which are all subject to market movements.

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

3.2.1 Market risk

(a) Cash flow and fair value interest rate risk

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

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:

	2009	2008
	€	€
Assets at floating interest rates – bank balances	**2,771,859**	618,767
Assets at fixed interest rates		
- Listed debt securities	**9,580,749**	10,070,742
- Deposits with banks or financial institutions	**3,523,657**	4,237,432
- Amounts owed from related parties	**2,399,141**	709,908
	18,275,406	15,636,849
Liabilities at floating interest rates – bank balances overdrawn	**3,600**	9,917

3.2.1 Market risk - *continued*

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 2009 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points (2008: 150 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €178,176 lower (2008 - €572,458 lower). An increase of 50 basis points (2008: 150 basis points), with all other variables held constant, would have resulted in pre-tax profits being €186,597 higher (2008 - €640,056 higher).

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 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:

	2009	2008
	€	€
Assets subject to equity price risk		
Equity securities	**1,471,507**	1,300,026
Units in unit trusts	**1,056,558**	824,807
	2,528,065	2,124,833

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. A 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes.

An increase and a decrease of 10% (2008: 10%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €252,807 (2008: €212,483).

(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.

3.2.1 Market risk - *continued*

(c) Currency risk - *continued*

At 31 December 2009, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €879,715 (2008: €836,478). 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 €155,244 (2008: €147,614) / higher by €114,745 (2008: €109,106).

3.2.2 Credit risk

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

(i) reinsurers' share of insurance technical provisions;
(ii) amounts due from reinsurers in respect of claims already paid;
(iii) amounts due from insurance contract holders;
(iv) amounts due from insurance intermediaries; and
(v) investments and cash and cash equivalents.

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

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

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

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

The Company is also exposed to credit risk for its investments and its cash at bank. The Company's cash is placed with quality financial institutions. Credit risk in respect of 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.

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

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

Core

	As at 31 December 2009				
	AAA to AA	A to A-	BBB	Not rated	Total
	€	€	€	€	€
Investments					
Debt securities – listed fixed interest rate	2,183,835	4,051,168	368,563	1,782,953	8,386,519
Deposits with banks or financial institutions	-	-	773,304	2,175,066	2,948,370
Treasury bills	-	1,194,230	-	-	1,194,230
	2,183,835	5,245,398	1,141,867	3,958,019	12,529,119

Core - *continued*

	As at 31 December 2009				
	AAA to AA	A to A-	BBB	Not rated	Total
	€	€	€	€	€
Loans and receivables					
Amounts receivable from related parties	-	-	-	2,346,293	2,346,293
Debtors and prepayments and accrued income	-	-	-	3,960,441	3,960,441
Taxation recoverable	-	884,912	-	-	884,912
Cash equivalents	446,672	-	21,720	1,465,387	1,933,779
	446,672	884,912	21,720	7,772,121	9,125,425
Reinsurers' share of technical provisions	435,574	5,818,544	-	-	6,254,118
Total assets bearing credit risk	3,066,081	11,948,854	1,163,587	11,730,140	27,908,662

Cells

	As at 31 December 2009		
	Cell 1	**Cell 2**	**Total**
	Not rated	Not rated	
	€	€	€
Investments			
Deposits with banks or financial institutions	-	575,287	575,287
Loans and receivables			
Amounts receivable from related parties	306,517	-	306,517
Debtors and prepayments and accrued income	284,893	10,415	295,308
Cash equivalents	704,000	134,080	838,080
Total assets bearing credit risk	1,295,410	719,782	2,015,192

Core

	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	-	2,857,084	3,684,946
Treasury bills	-	1,504,666	-	-	1,504,666
	2,557,921	7,093,811	191,966	3,911,990	13,755,688
Loans and receivables					
Amounts receivable from related parties	-	-	-	963,577	963,577
Debtors and prepayments and accrued income	-	-	-	3,895,052	3,895,052
Taxation recoverable	-	723,292	-	-	723,292
Cash equivalents	-	107,075	-	472,984	580,059
	-	830,367	-	5,331,613	6,161,980
Reinsurers' share of technical provisions	345,932	4,976,092	-	-	5,322,024
Total assets bearing credit risk	2,903,853	12,900,270	191,966	9,243,603	25,239,692

3.2.2 Credit risk - *continued*

Cells

	As at 31 December 2008			
	Cell 1 Not rated €	**Cell 2** Not rated €	**Cell 3** Not rated €	**Total** €
Investments				
Deposits with banks or financial institutions	105,430	282,415	164,641	552,486
Loans and receivables				
Debtors and prepayments and accrued income	89,211	-	-	89,211
Cash equivalents	36,193	1,070	1,445	38,708
Total assets bearing credit risk	230,834	283,485	166,086	680,405

3.2.3 Liquidity risk

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

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

The table below analyses the Company's financial liabilities (gross of reinsurers' share of claims outstanding (note 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.

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

Core

As at 31 December 2009	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	1,427,237	-	-	-	1,427,237
Accruals and deferred income	1,492,648	-	-	-	1,492,648
	2,919,885	-	-	-	2,919,885

	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	7,326,592	2,011,558	2,684,097	717,402	12,739,648

3.2.3 Liquidity risk - *continued*

Cells

As at 31 December 2009 — **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	476,903	-	-	-	476,903
Accruals and deferred income	49,643	-	-	-	49,643
	526,546	-	-	-	526,546

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					
Cell 1	7,319	-	-	-	7,319
Cell 2	78,557	-	-	-	78,557
	85,876	-	-	-	85,876

Core

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	1,599,937	27,952	-	-	1,627,889
Accruals and deferred income	1,295,763	-	-	-	1,295,763
	2,895,700	27,952	-	-	2,923,652

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	6,944,941	1,845,664	1,818,488	876,265	11,485,358

Cells

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	51,200	-	-	-	51,200
Accruals and deferred income	1,936	-	-	-	1,936
	53,136	-	-	-	53,136

3.2.3 Liquidity risk - *continued*

Cells - *continued*

As at 31 December 2008	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					
Cell 1	5,098	-	-	-	5,098
Cell 2	-	-	-	-	-
	5,098	-	-	-	5,098

3.3 Fair value estimation

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 €
Assets	
Financial assets at fair value through profit or loss	
- Equity securities and units in unit trusts	2,528,065
- Debt securities	8,386,519
- Treasury bills	1,194,230
Total assets	**12,108,814**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. At 31 December 2009 and 2008, the carrying amount of the Compnay's other financial assets and liabilities approximate their fair value.

4. Segmental analysis

General business

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

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

(a) Gross premiums written	Core		Cells		Total	
	2009 €	2008 €	**2009 €**	2008 €	**2009 €**	2008 €
Direct insurance						
Motor (third party liability)	**2,286,332**	2,275,798	**-**	-	**2,286,332**	2,275,798
Motor (other classes)	**5,624,851**	5,515,665	**-**	-	**5,624,851**	5,515,665
Fire and other damage to property	**5,644,851**	5,610,677	**-**	-	**5,644,851**	5,610,677
Other classes	**4,369,556**	4,485,799	**3,566,967**	194,512	**7,936,523**	14,680,311
	17,925,590	17,887,939	**3,566,967**	194,512	**21,492,557**	18,082,451

(a) Gross premiums written - *continued*

Gross premiums written for the cellular operations are attributable as follows:

Gross premiums written	Cell 1		Cell 2	
	2009	2008	2009	2008
	€	€	**€**	€
Direct insurance				
Other classes	**2,204,370**	194,512	1,362,597	-

(b) Gross premiums earned	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**2,261,537**	2,281,074	**-**	-	**2,261,537**	2,281,074
Motor (other classes)	**5,563,852**	5,530,823	**-**	-	**5,563,852**	5,530,823
Fire and other damage to property	**5,540,567**	5,498,151	**-**	-	**5,540,567**	5,498,151
Other classes	**4,388,729**	4,369,836	**3,509,719**	152,322	**7,898,448**	4,522,158
	17,754,685	17,679,884	**3,509,719**	152,322	**21,264,404**	17,832,206

Gross premiums earned for the cellular operations are attributable as follows:

Gross premiums earned	Cell 1		Cell 2	
	2009	2008	**2009**	2008
	€	€	**€**	€
Direct insurance				
Other classes	**2,214,980**	152,322	**1,294,739**	-

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

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

(c) Gross claims incurred	Core		Cells		Total	
	2009	2008	2009	2008	2009	2008
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**1,505,813**	2,009,918	**-**	-	**1,505,813**	2,009,918
Motor (other classes)	**2,796,507**	2,415,172	**-**	-	**2,796,507**	2,415,172
Fire and other damage to property	**2,458,665**	1,255,794	**-**	-	**2,458,665**	1,255,794
Other classes	**2,390,189**	1,423,561	**440,526**	6,608	**2,830,715**	1,430,169
	9,151,174	7,104,445	**440,526**	6,608	**9,591,700**	7,111,053

Gross claims incurred for the cellular operations are attributable as follows:

Gross claims incurred	Cell 1		Cell 2	
	2009	2008	**2009**	2008
	€	€	**€**	€
Direct insurance				
Other classes	**95,214**	6,608	**345,312**	-

(d) Gross operating expenses	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**424,914**	611,589	**-**	-	**424,914**	611,589
Motor (other classes)	**1,065,049**	1,532,948	**-**	-	**1,065,049**	1,532,948
Fire and other damage to property	**1,226,283**	1,765,016	**-**	-	**1,226,283**	1,765,016
Other classes	**991,401**	1,310,211	**2,029,592**	116,734	**3,020,993**	1,426,945
	3,707,647	5,219,764	**2,029,592**	116,734	**5,737,239**	5,336,498

4. Segmental analysis - *continued*

(d) Gross operating expense - *continued*

Gross operating expenses incurred for the cellular operations are attributable as follows:

Gross operating expenses	**Cell 1**		**Cell 2**	
	2009	2008	**2009**	2008
	€	€	**€**	€
Direct insurance				
Other classes	**1,185,569**	116,734	**844,023**	-

(e) Reinsurance balance	**Core**		**Cells**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**65,461**	92,352	**-**	-	**65,461**	92,352
Motor (other classes)	**158,722**	223,923	**-**	-	**158,722**	223,923
Fire and other damage to property	**670,858**	1,874,853	**-**	-	**670,858**	1,874,853
Other classes	**409,726**	487,625	**-**	-	**409,726**	487,625
	1,304,767	2,678,753	**-**	-	**1,304,767**	2,678,753

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

5. Net operating expenses

	Core		**Cells**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Acquisition costs	**2,713,123**	2,855,949	**1,782,190**	97,259	**4,495,313**	2,953,208
Change in deferred acquisition costs (Note 18)	**24,357**	515	**(28,632)**	(21,097)	**(4,275)**	(20,582)
Administrative expenses	**2,630,033**	2,579,460	**115,411**	43,936	**2,745,444**	2,623,396
Reinsurance commissions earned	**(2,947,697)**	(2,786,455)	**-**	-	**(2,947,697)**	(2,786,455)
Other net technical (income)/expense	**(264,596)**	(240,877)	**73,115**	21,353	**(191,481)**	(219,524)
	2,155,220	2,408,592	**1,942,084**	141,451	**4,097,304**	2,550,043

Net operating expenses are attributable to the cellular operations as follows:

	Cell 1		**Cell 2**		**Cell 3**	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Acquisition costs	**1,102,188**	97,259	**680,002**	-	**-**	-
Change in deferred acquisition costs (Note 18)	**5,306**	(21,097)	**(33,938)**	-	**-**	-
Administrative expenses	**53,903**	19,219	**61,508**	1,398	**-**	23,319
Other net technical expense	**39,350**	21,353	**33,765**	-	**-**	-
	1,200,747	116,734	**741,337**	1,398	**-**	23,319

Total commissions included in acquisition costs and accounted for in the financial period amounted to: €1,769,289 in respect of the core operations (2008: €1,874,205), €1,102,188 in respect of Cell 1 (2008: €76,160) and €680,002 in respect of Cell 2 (2008: €Nil).

6. Investment return

Investment income	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss	**159,491**	226,487	**5,009**	14,209	**164,500**	240,696
Income from financial assets at fair value through profit or loss:						
- interest income	**415,147**	366,525	**-**	-	**415,147**	366,525
- dividend income	**63,295**	77,368	**-**	-	**63,295**	77,368
Net fair value gains on financial assets at fair value through profit or loss (Note 16)	**506,671**	-	**-**	-	**506,671**	-
Rental income	**8,386**	7,692	**-**	-	**8,386**	7,692
	1,152,990	678,072	**5,009**	14,209	**1,157,999**	692,281
Investment expenses and charges						
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**24,838**	23,447	**-**	-	**24,838**	23,447
Net fair value losses on financial assets at fair value through profit or loss (Note 16)	**-**	1,263,525	**-**	7,428	**-**	1,270,953
Investment expenses	**156,101**	136,236	**-**	-	**156,101**	136,236
Exchange differences	**4,136**	54,971	**-**	-	**4,136**	54,971
	185,075	1,478,179	**-**	7,428	**185,075**	1,485,607
Total investment return	**967,915**	(800,107)	**5,009**	6,781	**972,924**	(793,326)
Allocated as follows:						
Allocated investment return/(expenses and charges) transferred to the general business technical account	**967,915**	(800,107)	**5,009**	6,781	**972,924**	(793,326)

Investment return is attributable to the cellular operations as follows:

Investment income	Cell 1		Cell 2		Cell 3	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss:	**3,516**	3,340	**1,493**	20	**-**	10,849

Investment expenses and charges	Cell 2	
	2009	2008
	€	€
Net fair value losses on financial assets at fair value through profit or loss (Note 16)	**-**	7,428

7. Expenses by nature

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Employee benefit expense and directors' fees	**2,281,189**	2,270,766	-	-	**2,281,189**	2,270,766
Commissions payable	**1,769,289**	1,855,683	**1,782,190**	97,259	**3,551,479**	1,952,942
Change in deferred acquisition costs	**24,357**	515	**(28,632)**	(21,097)	**(4,275)**	(20,582)
Commissions earned	**(2,947,697)**	(2,786,454)	**-**	-	**(2,947,697)**	(2,786,454)
Amortisation of intangible assets (Note 12)	**46,619**	39,905	**-**	-	**46,619**	39,905
Depreciation of property, plant and equipment (Note 13)	**296,844**	280,785	**-**	-	**296,844**	280,785
Auditor's fees	**56,561**	51,961	**4,300**	-	**60,860**	51,961
Other expenses	**779,772**	856,115	**187,994**	65,899	**967,766**	922,014
Total operating expenses and administrative expenses	**2,306,933**	2,569,276	**1,945,852**	142,061	**4,252,785**	2,711,337
Allocated to:						
Technical account	**2,155,220**	2,408,592	**1,942,084**	141,451	**4,097,304**	2,550,043
Non-technical account	**151,713**	160,684	**3,768**	610	**155,481**	161,294

Net operating expenses are attributable to the cellular operations as follows:

	Cell 1		Cell2	
	2009	2008	**2009**	2008
	€	€	**€**	€
Commissions payable	**1,102,188**	97,256	**680,002**	-
Change in deferred acquisition costs	**5,306**	(21,097)	**(33,938)**	-
Other expenses	**95,895**	65,292	**96,399**	-
	1,203,389	141,451	**742,463**	-

Auditor's fees

Fees charged by the auditor for services rendered during the financial year ended 31 December 2009 and 2008 relate to the following:

	2009	2008
	€	€
Annual statutory audit	**36,050**	31,750
Other assurance services	**8,400**	8,400
Tax advisory and consultancy services	**9,810**	5,311
Other non-audit services	**6,600**	6,500
	60,860	51,961

8. Employee benefit expense

	2009	2008
	€	€
Salaries (including directors' salaries)	**2,583,936**	2,513,547
Social security costs	**151,940**	150,347
	2,735,876	2,663,894
Inter-company payroll charge	**(88,830)**	(92,263)
	2,647,046	2,571,631

The average number of persons employed during the year was:

	2009	2008
Directors	**11**	8
Managerial	**11**	13
Managerial – part time	**4**	3
Clerical	**73**	76
Clerical – part time	**20**	16
	119	116

9. Income tax expense

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Current income tax expense	**860,212**	534,606	**392,485**	10,454	**1,252,697**	545,060
Deferred income tax charge (Note 17)	**238,729**	100,132	**-**	-	**238,729**	100,132
Under/(over) provision in previous years	**281**	(7,944)	**-**	-	**281**	(7,944)
	1,099,222	626,794	**392,485**	10,454	**1,491,707**	637,248

Income tax expense is attributable to the cellular operations as follows:

	Cell 1		Cell 2	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current income tax expense	**322,607**	10,454	**69,878**	-

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

	2009	2008
	€	€
Profit before income tax	**4,140,379**	1,755,705
Tax on profit at 35%	**1,449,132**	614,497
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(30,129)**	(35,563)
Income subject to reduced rates of tax	**(1,967)**	(4,615)
Expenses not deductible for tax purposes	**84,682**	66,138
Unrecognised temporary difference relating to prior year	**(3,082)**	-
Other movements	**(7,210)**	4,735
Under/(over) provision in previous year	**281**	(7,944)
	1,491,707	637,248

10. Directors' emoluments

	2009	2008
	€	€
Directors' fees	**111,261**	118,325
Salaries and other emoluments	**239,172**	228,811
	350,433	347,136
Recharged to group undertakings	**(280)**	(3,354)
	350,153	343,782

During the year, benefits in kind valued at €13,212 (2008: €11,987) were provided to the directors.

11. Dividends declared

	2009	2008
	€	€
To the ordinary shareholders:		
Net	**-**	1,186,885
Dividends per ordinary share	**-**	0.40
To the preference shareholders:		
Net	**11,080**	13,976
Dividends per preference share	**3.69**	4.66
To the cell shareholders:		
Net	**233,886**	-
Dividends per preference share	**1.95**	-
Total dividends	**244,966**	1,200,861

On 7 April 2010, a net interim dividend of €620,000 out of 2008 profits was declared for the benefit of core shareholders.

At the forthcoming Annual General Meeting a net dividend in respect of 2009 amounting to €610,000, is to be proposed. These financial statements do not recognise this dividend payable, which will be accounted for in shareholders' equity as an apportionment of retained earnings in the year ending 31 December 2010.

12. Intangible assets

	Customer relationships	Computer software	Total
	€	€	€
At 1 January 2008			
Cost	256,231	324,978	581,209
Accumulated amortisation	-	(262,970)	(262,970)
Net book amount	256,231	62,008	318,239
Year ended 31 December 2008			
Opening net book amount	256,231	62,008	318,239
Additions	-	72,665	72,665
Reduction	(61,496)	-	(61,496)
Amortisation charge	-	(39,905)	(39,905)
Closing net book amount	194,735	94,768	289,503
At 31 December 2008			
Cost	194,735	397,643	592,378
Accumulated amortisation	-	(302,875)	(302,875)
Net book amount	194,735	94,768	289,503
Year ended 31 December 2009			
Opening net book amount	194,735	94,768	289,503
Additions	-	21,525	21,525
Amortisation charge	-	(46,619)	(46,619)
Closing net book amount	**194,735**	**69,674**	**264,409**
At 31 December 2009			
Cost	194,735	419,168	613,903
Accumulated amortisation	-	(349,494)	(349,494)
Net book amount	**194,735**	**69,674**	**264,409**

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 2008				
Cost or revaluation	2,471,065	466,313	2,081,237	5,018,615
Accumulated depreciation	(20,266)	(194,245)	(1,401,579)	(1,616,090)
Net book amount	2,450,799	272,068	679,658	3,402,525
Year ended 31 December 2008				
Opening net book amount	2,450,799	272,068	679,658	3,402,525
Additions	-	133,510	278,325	411,835
Transfer from investment property	186,350	-	-	186,350
Disposals	-	-	(53,130)	(53,130)
Depreciation charge	(17,400)	(56,934)	(206,451)	(280,785)
Depreciation released on disposal	-	-	53,130	53,130
Closing net book amount	2,619,749	348,644	751,532	3,719,925
At 31 December 2008				
Cost or revaluation	2,657,415	599,823	2,306,432	5,563,670
Accumulated depreciation	(37,666)	(251,179)	(1,554,900)	(1,843,745)
Net book amount	2,619,749	348,644	751,532	3,719,925
Year ended 31 December 2009				
Opening net book amount	2,619,749	348,644	751,532	3,719,925
Additions	-	89,039	299,727	388,766
Disposals	-	-	(18,635)	(18,635)
Depreciation charge	(20,270)	(57,819)	(218,755)	(296,844)
Depreciation released on disposal	-	-	17,703	17,703
Closing net book amount	2,599,479	379,864	831,572	3,810,915
At 31 December 2009				
Cost or revaluation	2,657,415	688,862	2,587,524	5,933,801
Accumulated depreciation	(57,936)	(308,998)	(1,755,952)	(2,122,886)
Net book amount	2,599,479	379,864	831,572	3,810,915

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.

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:

	2009 €	2008 €
Cost	**2,414,340**	2,414,340
Accumulated depreciation	**(96,178)**	(72,035)
Net book amount	**2,318,162**	2,342,305

14. Land and buildings – investment property

	2009	2008
	€	€
Year ended 31 December		
At beginning of year	**197,997**	384,347
Transfer to property, plant and equipment	**-**	(186,350)
At end of year	**197,997**	197,997
At 31 December		
Cost	**106,569**	106,569
Fair value gains	**91,428**	91,428
Net book amount	**197,997**	197,997

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:

	2009	2008
	€	€
Cost	**106,569**	106,569
Accumulated depreciation	**(6,394)**	(5,328)
Net book amount	**100,175**	101,241

15. Investment in subsidiary undertaking

	2009	2008
	€	€
Year ended 31 December		
At beginning and end of year	**2,562**	2,562

The subsidiary undertaking at 31 December 2009 and 2008 is shown below:

Name of subsidiary undertaking	**Registered office**	**Class of shares**	**Percentage of shares held 2009**	**2008**
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.

16. Investments

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

	2009	2008
	€	€
Fair value through profit or loss	**12,108,814**	12,195,575
Loans and receivables	**6,176,467**	5,201,009
	18,285,281	17,396,584

16. Investments - *continued*

(a) Investment at fair value through profit or loss

	2009	2008
	€	€
At 31 December		
Equity securities and units in unit trusts	**2,528,065**	2,124,833
Debt securities – listed fixed interest rate	**8,386,519**	8,566,076
Treasury bills	**1,194,230**	1,504,666
	9,580,749	10,070,742
Total investments at fair value through profit or loss	**12,108,814**	12,195,575

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

Maturity of fixed income debt securities and treasury bills:

	2009	2008
	€	€
Within 1 year	**2,001,908**	2,024,026
Between 1 and 2 years	**386,483**	710,043
Between 2 and 5 years	**3,776,921**	2,190,912
Over 5 years	**3,415,437**	5,145,761
	9,580,749	10,070,742
Weighted average effective interest rate	**4.62%**	4.87%

The movements for the year are summarised as follows:

	2009	2008
	€	€
Year ended 31 December		
At beginning of year	**12,195,575**	13,336,536
Additions	**10,974,410**	15,886,546
Disposals	**(11,567,842)**	(15,756,554)
Net fair value gains/(losses) (Note 6)	**506,671**	(1,270,953)
At end of year	**12,108,814**	12,195,575
At 31 December		
Cost	**12,119,185**	12,823,826
Accumulated net fair value losses	**(10,371)**	(628,251)
	12,108,814	12,195,575

(b) Loans and receivables

	2009	2008
	€	€
At 31 December		
Deposits with banks or financial institutions (i)	**3,523,657**	4,237,432
Discounted securities (ii)	**1,131,517**	-
Loan to subsidiary company (iii)	**1,521,293**	963,577
	6,176,467	5,201,009

(i) Deposits with banks or financial institutions

Deposits with banks or financial institutions are made up as follows:

	2009	2008
	€	€
Core	**2,948,370**	3,684,946
Cells	**575,287**	552,486
	3,523,657	4,237,432

16. Investments - *continued*

(i) Deposits with banks or financial institutions

Maturity of deposits with banks or financial institutions:

	2009	2008
	€	€
Within 3 months	**3,408,011**	3,589,699
Within 1 year but exceeding 3 months	**115,646**	647,733
	3,523,657	4,237,432

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

	2009	2008
	€	€
At fixed rates	**3,523,657**	4,237,432
Weighted average effective interest rate	**2.51%**	3.38%

(ii) Discounted securities

These consist in discounted securities issued by the parent and related parties. No guarantees have been given or received in respect of these notes and the amounts outstanding will be settled in cash. Details for their redemption dates and values and effective interest rates are as follows:

As at 31 December 2009

	Original note value	**Redemption date**	**Redemption value**	**Effective interest rate**	**Value in balance sheet**
				%	**€**
Redemption period calculated from the balance sheet date:					
Within one year					
Core					
- Issued to parent	€825,000	21/12/2010	€845,625	2.50	**825,000**
Cell 1					
- Issued to cell owners	GBP269,815	31/05/2010	GBP274,756	2.34	**306,517**
					1,131,517

(iii) Loan to subsidiary company

The loan to subsidiary Company is classified as non-current. Included in the loan is an amount of €1,267,624 (2008: €709,908) which bears interest at 6% p.a.

17. Deferred income tax

	2009	2008
	€	€
Year ended 31 December		
At beginning of year	**215,206**	283,243
Charged to other comprehensive income (Note 22)	**2,432**	32,095
Charged to profit and loss account (Note 9)	**(238,729)**	(100,132)
At end of year	**(21,091)**	215,206

The total deferred tax (liability)/asset 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% (2008: 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 (2008: 12%).

17. Deferred income tax - *continued*

The balance at 31 December represents temporary differences on:

	2009	2008
	€	€
Land and buildings – tangible assets	**(22,217)**	(24,649)
Land and buildings – investment property	**(23,760)**	(23,760)
Financial investments at fair value through profit or loss	**8,237**	245,728
Fixed assets	**(7,809)**	(6,571)
Provisions	**24,458**	24,458
	(21,091)	215,206

Deferred income taxes and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

18. Deferred acquisition costs

	Core		Cells		Total	
	2009	2008	2009	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**731,955**	732,470	**18,522**	-	**750,477**	732,470
Net amount credited to profit or loss account (Note 5)	**(24,357)**	(515)	**28,632**	21,097	**4,275**	20,582
Exchange differences resulting from translation to presentation currency	**-**	-	**3,838**	(2,575)	**3,838**	(2,575)
At end of year	**707,598**	731,955	**50,992**	18,522	**758,590**	750,477
Current position	**707,598**	731,955	**50,992**	18,522	**758,590**	750,477

Deferred acquisition costs are attributable to cellular operations as follows:

	Cell 1		Cell 2	
	2009	2008	**2009**	2008
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**18,522**	-	**-**	-
Net amount credited to profit and loss account (Note 5)	**(5,306)**	21,097	**33,938**	-
Exchange differences resulting from translation to presentation currency	**2,780**	(2,575)	**1,058**	-
At end of year	**15,996**	18,522	**34,996**	-

19. Stock – property for development

	2009	2008
	€	€
Year ended 31 December		
At beginning of year	**1,308,825**	-
Additions	**432,699**	1,308,825
At end of year	**1,741,524**	1,308,825

20. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Debtors arising from direct insurance operations						
Due from policyholders	**1,300,431**	1,380,364	**-**	-	**1,300,431**	1,380,364
Due from agents, brokers and intermediaries	**1,628,987**	1,548,529	**-**	-	**1,628,987**	1,548,529
Due from reinsurers	**-**	264	**-**	-	**-**	264
	2,929,418	2,929,157	-	-	**2,929,418**	2,929,157
Other debtors						
Receivable from parent undertaking	**35,963**	-	**-**	-	**35,963**	-
Receivable from group undertakings	**303,105**	250,798	**-**	-	**303,105**	250,798
Receivable from related parties	**-**	5,528	**284,893**	79,500	**284,893**	85,028
Amounts owed by directors/ shareholders	**186,351**	19,552	**-**	-	**186,351**	19,552
Other debtors	**31,405**	34,769	**-**	-	**31,405**	34,769
	556,824	310,647	**284,893**	79,500	**841,717**	390,147
Prepayments and accrued income						
Prepayments	**240,554**	394,011	**10,415**	9,711	**250,969**	403,722
Accrued interest	**233,645**	261,237	**-**	-	**233,645**	261,237
	474,199	655,248	**10,415**	9,711	**484,614**	664,959
Total debtors and prepayments and accrued income	**3,960,441**	3,895,052	**295,308**	89,211	**4,255,749**	3,984,263
Current portion	**3,960,441**	3,895,052	**295,308**	89,211	**4,255,749**	3,984,263

Debtors and prepayments and accrued income are attributable to the cellular operations as follows:-

	Cell 1		Cell 2	
	2009	2008	**2009**	2008
	€	€	**€**	€
Other debtors				
Receivable from related parties	**274,385**	79,500	**10,508**	-

	Cell 1	
	2009	2008
	€	€
Prepayments and accrued income		
Prepayments	**10,415**	9,711

Debtors are presented net of an allowance for impairment of €69,881 (2008: €69,881). As at 31 December 2009, total debtors amounting to €3,087,335 (2008: €2,517,918) were fully performing, whereas debtors amounting to €683,800 (2008: €801,386) 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:

	2009	2008
	€	€
Less than 6 months but more than 3 months	**446,738**	487,117
Less than 12 months but more than 6 months	**176,662**	270,912
More than 12 months	**60,400**	43,357
	683,800	801,386

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

21. Share capital

	2009	2008
	€	€
Authorised share capital:		
4,997,000 ‘A’ ordinary voting shares of €2.50 each	**12,492,500**	12,492,500
3,000 ‘B’ cumulative preference shares of €2.50 each	**7,500**	7,500
3,000,000 cell shares of €2.50 each	**7,500,000**	7,500,000
	20,000,000	20,000,000
Issued and fully paid up share capital:		
2,997,000 ‘A’ ordinary voting shares of €2.50 each	**7,492,500**	7,492,500
3,000 ‘B’ cumulative preference shares of €2.50 each	**7,500**	7,500
	7,500,000	7,500,000
Issued and 50% paid up share capital:		
120,000 (2008: 306,350) cell shares of €2.50 each	**150,000**	382,937
Issued and 80% paid up share capital:		
155,000 cell shares of €2.50 each	**310,000**	310,000
	7,960,000	8,192,937

Cell shares are issued as redeemable preference shares.

In terms of a resolution dated 28 December 2009, the shareholders resolved to repurchase 1,500 ‘B’ preference shares with a nominal value of €2.50 each fully paid up for a consideration equal to the nominal value of the respective shares, which is financed from distributable profits in terms of article 106(1)(e) of the Companies Act, 1995.

Following the closure and winding up of the Zopa Cell, in terms of a resolution dated 22 January 2009, the issued share capital was reduced by the cancellation of 186,350 cell shares of €2.50 each 50% paid up.

22. Reserves

	2009	2008
	€	€
Revaluation reserve	**281,655**	279,223
Functional currency exchange reserve	**(14,878)**	(99,720)
General reserve	**201,542**	201,542
Investment property reserve	**67,668**	67,668
Total other reserves	**535,987**	448,713

Revaluation reserve

Year ended 31 December 2008	**€**
At beginning of year	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 year	279,223
Year ended 31 December 2009	
At beginning of year	279,223
Movement in deferred tax relating to property, plant and equipment	2,432
At end of year	**281,655**

Functional currency exchange reserve

Year ended 31 December 2008	
At beginning of year	-
Exchange differences resulting from translation to presentation currency	(99,720)
At end of year	(99,720)

22. Reserves - *continued*

Year ended 31 December 2009

	€
At beginning of year	(99,720)
Release of losses attributable to Cell 3 shareholders	34,773
Exchange differences resulting from translation to presentation currency	50,069
At end of year	**(14,878)**

Investment property reserve

Year ended 31 December 2008	€
At beginning of year	108,665
Transfer of fair value gains on investment property	(40,997)
At end of year	67,668

Year ended 31 December 2009

At beginning and end of year	**67,668**

The reserves are split between core and cells as follows:

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Revaluation reserve	**281,655**	279,223	-	-	**281,665**	279,223
Functional currency exchange reserve	**-**	-	**(14,878)**	(99,720)	**(14,878)**	(99,720)
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Investment property reserve	**67,668**	67,668	**-**	-	**67,668**	67,668
Total other reserves	**550,865**	548,433	**(14,878)**	(99,720)	**535,987**	448,713

	Cell 1		Cell 2		Cell 3	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Functional currency exchange reserve	**(16,216)**	(26,232)	**1,338**	(19,107)	**-**	(54,381)

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.

	2009	2008
	€	€
Profit and loss account	**6,728,119**	4,315,693

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

Included in profit and loss account as at 31 December 2009 is an amount of €384,656 attributable to the Cell 1 shareholders and an amount of €129,773 attributable to the Cell 2 shareholders.

23. Technical provisions and reinsurance assets

Gross Technical provisions	Core 2009 €	Core 2008 €	Cells 2009 €	Cells 2008 €	Total 2009 €	Total 2008 €
Claims reported and loss adjustment expenses	**11,223,325**	10,107,082	**30,457**	-	**11,253,782**	10,107,082
Claims incurred but not reported	**1,516,323**	1,383,374	**55,419**	5,098	**1,571,742**	1,388,472
Unearned premiums	**7,384,226**	7,213,321	**101,984**	37,043	**7,486,210**	7,250,364
Total insurance liabilities, gross	**20,123,874**	18,703,777	**187,860**	42,141	**20,311,734**	18,745,918
Reinsurer's share of technical provisions						
Claims reported and loss adjustment expenses	**2,966,122**	2,230,171	**-**	-	**2,966,122**	2,230,171
Claims incurred but not reported	**344,444**	268,645	**-**	-	**344,444**	268,645
Unearned premiums	**2,943,552**	2,823,208	**-**	-	**2,943,552**	2,823,208
Total reinsurers' share of insurance liabilities	**6,254,118**	5,322,024	**-**	-	**6,254,118**	5,322,024
Net technical provisions						
Claims reported and loss adjustment expenses	**8,257,203**	7,876,911	**30,457**	-	**8,287,660**	7,876,911
Claims incurred but not reported	**1,171,879**	1,114,729	**55,419**	5,098	**1,227,298**	1,119,827
Unearned premiums	**4,440,674**	4,390,113	**101,984**	37,043	**4,542,658**	4,427,156
	13,869,756	13,381,753	**187,860**	42,141	**14,057,616**	13,423,894
Current portion	**13,869,756**	13,381,753	**187,860**	42,141	**14,057,616**	13,423,894

Technical provisions for the cellular operations are attributable as follows:

Gross and net technical provisions	Cell 1 2009 €	Cell 1 2008 €	Cell 2 2009 €	Cell 2 2008 €
Claims reported and loss adjustment expenses	**-**	-	**30,457**	-
Claims incurred but not reported	**7,319**	5,098	**48,100**	-
Unearned premiums	**31,993**	37,043	**69,991**	-
	39,312	42,141	**148,548**	-

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

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

23. Technical provisions and reinsurance assets - *continued*

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

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

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

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

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

Estimate of the ultimate claims costs:

	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
	€	€	€	€	€	€	€	€	€	€
At end of reporting 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	10,233,170	67,891,544
- one year later	4,998,565	4,910,585	8,941,279	6,138,199	5,683,096	8,769,573	7,611,020	7,164,318		54,216,635
- two years later	4,942,164	4,835,649	8,301,640	5,293,774	5,376,344	8,053,417	7,090,024			43,893,012
- three years later	4,923,909	4,800,804	7,948,181	4,620,124	5,396,822	7,918,791				35,608,631
- four years later	4,878,355	4,734,300	7,734,971	4,588,986	5,379,192					27,315,804
- five years later	4,794,852	4,673,275	7,673,138	4,584,692						21,725,957
- six years later	4,728,137	4,677,767	7,640,986							17,046,890
- seven years later	4,686,629	4,628,286								9,314,915
- eight years later	4,698,257									4,698,257
Current estimates of:										
Cumulative claims	4,698,257	4,628,286	7,640,986	4,584,692	5,379,192	7,918,791	7,090,024	7,164,318	10,233,170	59,337,716
Cumulative payments to date	(4,681,966)	(4,291,685)	(7,511,192)	(4,392,705)	(4,818,863)	(7,121,196)	(5,750,233)	(5,460,943)	(5,063,369)	(49,092,152)
Liability recognised in the balance sheet	16,291	336,601	129,794	191,987	560,329	797,595	1,339,791	1,703,375	5,169,801	10,245,564
Reserve in respect of prior years										2,494,084
Total reserve included in the balance sheet										12,739,648

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 Atlas Insurance PCC limited acted as agents of AXA Insurance plc until 30 June 2005 and therefore no reinsurance applied. 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

Claims and loss adjustment expenses - Core

	Year ended 31 December 2009		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	10,107,082	(2,230,171)	7,876,911
Incurred but not reported	1,383,374	(268,645)	1,114,729
Total at beginning of year	11,490,456	(2,498,816)	8,991,640
Increase in liabilities:			
- arising from current year claims	10,233,170	(3,954,248)	6,278,922
- arising from prior year claims	(1,546,834)	599,705	(947,129)
Claims settled during the year	(7,437,144)	2,542,793	(4,894,351)
Total at the end of year	**12,739,648**	**(3,310,566)**	**9,429,082**
Notified claims still outstanding	11,223,325	(2,966,122)	8,257,203
Incurred but not reported	1,516,323	(344,444)	1,171,879
Total at the end of year	**12,739,648**	**(3,310,566)**	**9,429,082**

Claims and loss adjustment expenses - Core

	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	7,990,594	(2,694,234)	5,296,360
- 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)
Total at the end of year	**11,490,456**	**(2,498,816)**	**8,991,640**
Notified claims still outstanding	10,107,082	(2,230,171)	7,876,911
Incurred but not reported	1,383,374	(268,645)	1,114,729
Total at the end of year	**11,490,456**	**(2,498,816)**	**8,991,640**

Claims and loss adjustment expenses - Cells
Gross and net

	Year ended 31 December 2009		
	Cell 1	Cell 2	Total
	€	€	€
Notified claims still outstanding	-	-	-
Incurred but not reported	5,098	-	5,098
Total at beginning of year	5,098	-	5,098
Increase in liabilities:	95,214	345,312	440,526
Claims settled during the year	(93,203)	(265,966)	(359,169)
Other movements	210	(789)	(579)
Total at the end of year	**7,319**	**78,557**	**85,876**

23. Technical provisions and reinsurance assets - *continued*

(a) Claims and loss adjustment expenses - *continued*

Claims and loss adjustment expenses - Cells
Gross and net - *continued*

	Year ended 31 December 2009		
	Cell 1	Cell 2	Total
	€	€	€
Notified claims still outstanding	-	30,457	30,457
Incurred but not reported	7,319	48,100	55,419
Total at the end of year	**7,319**	**78,557**	**85,876**

Claims and loss adjustment expenses - Cells
Gross and net

	Year ended 31 December 2008	
	Cell 1	Total
	€	€
Notified claims still outstanding	-	-
Incurred but not reported	-	-
Total at beginning of year	-	-
Increase in liabilities:	6,608	6,608
Claims settled during the year	(1,257)	(1,257)
Other movements	(253)	(253)
Total at the end of year	**5,098**	**5,098**
Notified claims still outstanding	-	-
Incurred but not reported	5,098	5,098
Total at the end of year	**5,098**	**5,098**

(b) Unearned premiums - Core

	Year ended 31 December 2009		
	Gross	Reinsurance	Net
	€	€	€
At beginning of year	7,213,321	(2,823,208)	4,390,113
Net charge/(credit) to profit and loss	170,905	(120,344)	50,561
Other movements	-	-	-
At the end of year	**7,384,226**	**(2,943,552)**	**4,440,674**

	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	208,054	(469,751)	(261,697)
Other movements	-	-	-
At the end of year	**7,213,321**	**(2,823,208)**	**4,390,113**

23. Technical provisions and reinsurance assets - *continued*

(b) Unearned premiums - Core - *continued*

Unearned premiums - Cells

Gross and net

	Year ended 31 December 2009		
	Cell 1	Cell 2	Total
	€	€	€
At beginning of year	37,043	-	37,043
Net (credit)/charge to profit and loss	(10,610)	67,858	57,248
Other movements	5,560	2,133	7,693
At the end of year	**31,993**	**69,991**	**101,984**

	Year ended 31 December 2008
	Cell 1
	€
At beginning of year	-
Net charge to profit and loss	42,191
Other movements	(5,148)
At the end of year	**37,043**

24. Borrowings

	2009	2008
	€	€
Bank balance overdrawn (Note 27)	**3,600**	9,917

The Company has the following undrawn borrowing facilities:

	2009	2008
	€	€
Floating rate and expiring within one year	**1,385,842**	1,385,842

25. Creditors and accruals and deferred income

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Creditors arising out of direct insurance operations						
- Current	**617,987**	352,675	**114,772**	12,759	**732,759**	365,434
- Non current	**-**	27,952	**-**	-	**-**	27,952
	617,987	380,627	**114,772**	12,759	**732,759**	393,386
Creditors arising out of reinsurance operations	**533,589**	869,946	**-**	-	**533,589**	869,946
Other creditors						
Payable to related parties	**-**	-	**148,191**	38,441	**148,191**	38,441
Dividends payable to cell shareholders	**-**	-	**213,940**	-	**213,940**	-
Other creditors	**275,661**	377,316	**-**	-	**275,661**	377,316
	275,661	377,316	**362,131**	38,441	**637,792**	415,757

25. Creditors and accruals and deferred income - *continued*

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Accruals and deferred income						
Accrued expenses and deferred income	**1,492,648**	1,295,763	**49,643**	1,936	**1,542,291**	1,297,699
	1,492,648	1,295,763	**49,643**	1,936	**1,542,291**	1,297,699
Total creditors and accruals and deferred income	**2,919,885**	2,923,652	**526,546**	53,136	**3,446,431**	2,976,788
Current portion	**2,919,885**	2,895,900	**526,546**	53,136	**3,446,431**	2,948,836
Non current portion	**-**	27,952	**-**	-	**-**	27,952

Creditors and accruals and deferred income are attributable to the cellular operations as follows:

	Cell 1		Cell 2	
	2009	2008	**2009**	2008
Creditors arising out of direct insurance operations	**€**	€	**€**	€
- Current	**55,964**	12,759	**58,808**	-
Other creditors				
Payable to related parties	**133,779**	37,043	**14,413**	1,398
Accruals and deferred income				
Accrued expenses and deferred income	**27,523**	1,936	**22,119**	-
Total creditors and accruals and deferred income	**217,266**	51,738	**95,340**	1,398

26. Cash generated from operations

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Insurance premiums received	**17,925,329**	17,832,188	**3,566,967**	194,512	**21,492,296**	18,026,700
Reinsurance premium paid	**(7,826,168)**	(8,739,493)	**-**	-	**(7,826,168)**	(8,739,493)
Claims paid	**(7,901,982)**	(7,220,197)	**(359,169)**	(1,257)	**(8,261,151)**	(7,221,454)
Reinsurance claims received	**2,542,613**	2,381,513	**-**	-	**2,542,613**	2,381,513
Commission and other income	**3,144,582**	2,880,615	**2,995,404**	1,936	**6,139,986**	2,882,551
Cash paid to employees, related parties and other suppliers for services and goods	**(5,171,957)**	(4,996,370)	**(4,693,941)**	(198,594)	**(9,865,898)**	(5,194,964)
Interest received	**505,760**	913,229	**5,009**	6,781	**510,769**	920,010
Dividends received	**63,295**	77,368	**-**	-	**63,295**	77,368
Rental Income	**8,386**	7,692	**-**	-	**8,386**	7,692
Net (purchase)/disposal of operating assets:						
- loans and receivables	**(646,140)**	602,092	**(329,318)**	(552,486)	**(975,458)**	49,606
- financial assets at fair value through profit or loss	**593,432**	(129,992)	**-**	-	**593,432**	(129,992)
Cash generated from/(used in) operations	**3,237,150**	3,608,645	**1,184,952**	(549,108)	**4,422,102**	3,059,537

27. Cash and cash equivalents

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

	Core		Cells		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**1,060,234**	590,410	**838,080**	38,708	**1,898,314**	629,118
Held with investment managers	**1,044,817**	160,644	**-**	-	**1,044,817**	160,644
Bank balance overdrawn	**(3,600)**	(9,917)	**-**	-	**(3,600)**	(9,917)
At end of year	**2,101,451**	741,137	**838,080**	38,708	**2,939,531**	779,845

Cash and cash equivalents are attributable to cellular operations as follows:

	Cell 1		Cell 2		Cell 3	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**704,000**	36,193	**134,080**	1,070	**-**	1,445

The effective interest rate on bank balances was 0.1% p.a. (2008: 0.9% p.a.).

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:

	2009	2008
	€	€
Income		
Payroll costs charged	**89,110**	95,617
Charge for use of office premises	**42,035**	29,531
Other expenses	**52,381**	30,241
Expenditure		
Commissions	**11,966**	8,061
Management fees	**36,656**	32,969

In relation to the Cell 1 and the Cell 2, companies ultimately owned and controlled by the Cell owners are considered as related parties in connection with the respective cells. As part of the ordinary course of business, the cells transact business with related parties including the collection of premiums, settlement of claims and payment of commissions.

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

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

29. Capital management - *continued*

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

As at 31 December the Company's admissible assets covering the core operation and the cellular operations were calculated by the directors to be €38.7m (2008: €33.6m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2009 and 2008.

Liabilities arising from Cell Operations

In terms of Legal Notice 412 of 2007 of the Companies Act, (Cell Companies carrying on business of insurance), where any liability arises which is attributable to a particular cell of a cell company –

(a) the cellular assets attributable to that cell shall be primarily used to satisfy the liability;

(b) the Company's core assets shall be secondarily used to satisfy the liability, provided that the cellular assets attributable to the relevant cell have been exhausted; and

(c) any cellular assets not attributable to the relevant cell shall not be used to satisfy the liability.

The Company has taken the following safeguards in this respect:

(a) if the assets of the cell are at any time insufficient to meet any payments, liabilities or obligations due or about to become due by the Cell, the Company shall notify the Cell owners in writing and the Cell owners shall ensure forthwith that the Cell is adequately funded to meet all payments, liabilities or other obligations due or becoming due by the cell.

(b) in the event that the Cellular Assets of the Cell are exhausted, the Cell Owner agrees to indemnify the Company for any assets paid or otherwise transferred to creditors of the Cell out of the non-cellular assets of the company or Cellular Assets not attributable to the Cell.

30. Commitments

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

	2009	2008
	€	€
Authorised but not contracted	**667,000**	1,100,000

As at the year end, the Company had a commitment to lend funds to its subsidiary amounting to €247,000 (2008: €804,000).

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 €32,145 (2008: €42,860).

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

	2009	2008
	€	€
No later than 1 year	**10,715**	10,715
Later than 1 year and no later than 5 years	**21,430**	32,145
	32,145	42,860

31. Contingent liabilities

As at 31 December 2009, the Company had issued special bank guarantees of €11,545 (2008: €11,545) in favour of third parties.

32. Comparative Information

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

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.