Atlas Insurance PCC Limited
Annual Report & Audited Financial Statements

2015

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Atlas Insurance

atlas.com.mt

2015

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Annual Report & Audited Financial Statements

31 December 2015

Cover Image - Underwater Photography by Matthew Farrugia

Matthew Farrugia was the featured artist for the Atlas Calendar 2016

atlas.com.mt

OUR VISION

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

OUR MISSION

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

OUR CORE VALUES

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

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Chairman's Statement


Lawrence Zammit

The results for Atlas Insurance PCC for 2015 showed satisfactory performance with increases in revenues, and profit before tax similar to that registered in 2014.

Throughout the year we have sought to strengthen the customer experience by enhancing our retail distribution channels, creating technology-aided services that improve efficiency and play a leading role in implementing regulations and risk standards in the insurance sector.

Economic Environment

The Maltese economy continued to perform well with growth in the gross domestic product of 6.3% in real terms. Unemployment remained among the lowest in the European Union at 5.2%. Total employment has continued to rise and in 2015 increased by 3% over 2014. Household consumption rose by 6.2% over 2014. The inflation rate has remained low with a rate of 1.2% in December 2015. The current account balance stood at 9.9% of the gross domestic product.

Gross value added of financial and insurance activities increased by 10.4% to €550m.

In spite of the positive macro-economic environment, the local insurance market still presents a number of challenges as a result of increased competition. There has been an element of consolidation in the market, which is expected to continue in 2016.

Financial Results

Gross premiums written have increased by 8.09% in 2015 over 2014 to €22.13m, while net earned premiums increased by 6.27% to €12.26m. The balance on the Technical Account for the Core decreased by 7.34% and is reported at €3.73m. The balance on the Technical Account of the cells remained stable and amounted to €1.84m.

Operating and administrative expenses excluding reinsurance commission income and inclusive of acquisition costs, remained tightly controlled and increased marginally by 2.57% over 2014 to €5.95m.

The investment income accruing to the Core policy holders and shareholders, net of investment costs, for the year reflected the same cautious and diversified investment strategy used in previous years, with further fair value gains and realised income amounting to €2.98m.

Profit before tax accruing to the Core decreased by 7.12% from €4.37m in 2014 to €4.06m in 2015. Total assets were €50.48m in 2015 rising by 7.71% compared to €46.87m in 2014.

Earnings per share for the Core shareholders amounted to €1.24, and the return on capital employed for the PCC as a whole stood at 18.07%.

Dividends amounting to €1.25m were paid to the Core shareholders in 2015. An interim dividend was proposed by the board of directors and paid to the Core shareholders amounting to €0.56m in January 2016 and at the forthcoming Annual General Meeting, a final dividend of €0.65m after tax is being proposed by the directors to the Core shareholders. Furthermore dividends totalling €2.71m were paid to the cell shareholders during 2015.

I am pleased to report that, as in past years, the Company continues to show a strong balance sheet which maintains high levels of capital surplus over regulatory requirements. The capital ratio stood at 5.71 times the capital requirement for the Core.

Under Solvency II interim measure regulation, periodic tests to the Balance Sheet, to ensure capital adequacy under the new regime, were also carried out and this continues to be well above the Solvency II Capital Requirements.

Management and Staff

Our management and staff have worked with enthusiasm to meet our customers' and shareholders' expectations. The team led by the CEO, Michael Gatt, has shown dedication and commitment in the discharge of its duties, ensuring quality service delivery that has placed us in a position of prestige in the insurance sector. On behalf of the Board, I thank them for their efforts and the results they have delivered.

The Board, through the remuneration committee, is also involved in succession planning and this year spearheaded a review of the remuneration policy of the group which included bringing the policy in line with Solvency II requirements.

Regulatory Environment

Atlas Insurance PCC continued with its preparation for the introduction of the Solvency II regime on the 1st January 2016. The Board and its committees were heavily involved in many areas of preparation for the new capital adequacy framework. The quantitative aspects of Pillars 1 and 2 of the regime and the relationship with the Company's actuaries were reviewed closely by the Board and the Executive Committee. This included improvements to our Own Risk Solvency Assessment (ORSA) process that has been further embedded throughout our business planning.

The risk appetite statement of the Company was reviewed and fine-tuned and the quarterly risk appetite status report has now become a useful tool for strategy review. Likewise, Board policies and charters of Board committees were reviewed during the year in line with Pillar 2 of Solvency II and the latest EU and MFSA regulations and guidance issued throughout the year. All Board policies and charters are tailored to fall in line with Group Supervision requirements. The structure of the cell shareholding was also converted from preference to ordinary shareholding in order to fulfil capital requirements of the new regime.

The Board is also involved in preparation for the new disclosure requirements under Pillar 3 and has ensured that the Company's systems and human resources are fully capable of delivering the granular data and other requirements of the quarterly and annual reporting templates. The Board understands the central importance of the Company's IT systems and data. The Risk and Compliance committee has been very focused on business continuity and on mitigating cyber risks during the period.

Board of Directors

The Board of Directors has continued to adopt best practice in corporate governance, while evaluating its performance on an annual basis. There has been constant communication between the non-executive directors and the executive directors.

During 2015, the Board created more opportunities to meet with the Executive Committee to discuss various areas including the formulation of strategy particularly in the areas of formulation of risk appetite parameters and the Own Risks and Solvency Assessment.

Board members also chair four committees, set up to enhance the corporate governance structure. These four committees are the Audit Committee, the Risk and Compliance Committee, the Remuneration, Nominations and Related Parties Transactions Committee and the Investments Committee. The charters of the various committees as well as the various policies of the Company are formally reviewed annually to ensure that these policies reflect best practice.

Our Contribution to Society

As a responsible business, Atlas Insurance PCC and indeed the Atlas Group of companies, seeks to make an important contribution to Maltese society. The focus of our corporate social responsibility strategy has continued to be towards contributing to the nation's health. The promotion of health, sport and fitness is seen holistically and the Company starts from within, organising activities for its staff first and involving staff members in events sponsored and supported by the Company in these areas. Staff are actively encouraged to suggest areas of focus and we have various programmes including circuit training, yoga, half marathon and walkathon coaching, and more recently, a nutrition course which aims to improve the wellbeing of our most important resource. Our mental health awareness programme in 2015 included presentations to staff by the Richmond Foundation and a fundraising effort spearheaded by our Social Club which culminated in a sizeable donation being made to this very worthy cause. We also supported the Pink October campaign with our staff kitted out appropriately.

We continued to support the *Saħħtek* initiative of the University of Malta, a major health and wellbeing study, which is in its second year. This sponsorship included initiatives for clients including a talk on diabetes. We continued to support Melita FC during the year under review as well as contributing to the Alive Charity Foundation. We also launched a major sponsorship of Pitch 22, a web-based application developed to assist youth and amateur football clubs to improve communication with players and parents. A tournament and other events to support the sponsorship were also held.

During 2015, the Company also sponsored *Fondazzjoni Patrimonju Malti* as well as Young Enterprise, organisations which we believe continue to add depth and value to our society. We also supported SPCA.

Outlook

The Company has successfully continued to improve sales performance throughout 2015 in spite of the continued challenges in the market. It remains our priority in 2016 to continue to improve the overall performance of the Company and put it firmly in position for further development.

On a final note, I thank our customers for their patronage and their continued trust in the Atlas brand. I also thank the shareholders for the trust they have shown in the Board of Directors and their invaluable support for the Company.

Lawrence Zammit
Chairman

Chief Executive Officer's Report


Michael Gatt

Similar to previous years, 2015 was another challenging year for Atlas in an environment where the market seemed to be driven by market share rather than writing business based on solid fundamentals and insurance underwriting criteria. This was mostly evident in the motor insurance classes of business which account for 45% of the non-life premiums written on risks based in Malta. Changing weather patterns also had a negative effect with hailstorm damages running into millions for a second time in three years. Underwriters and risk managers are asking if similar events will become more frequent when, up to the recent past, hailstorms of such proportion were only events that happened in other countries and never experienced in Malta. Whilst 2015 continued to be a difficult year as far as the investments market is concerned with low interest rates being the order of the day, I am pleased to say that Atlas still managed to post very satisfactory investment returns thanks also to our investment managers who realise how crucial investment income is to insurance companies to help mitigate any adverse underwriting results.

I am therefore pleased to report another satisfactory year for Atlas with a profit before tax pertaining to the Core of €4.06m and after tax profits of €2.60m. Net profit before tax accruing to the cell shareholders decreased slightly to €1.86m so that overall the Company registered a net profit before tax of €5.92m (2014: 6.43m). Earnings per share before tax attributable to Core shareholders decreased slightly from €1.33 to €1.24. The profit attributed to Core shareholders reduced as a result of a drop in profits in the technical account which came about as a result of a continued worsening motor underwriting performance mainly caused by a sharp increase in bodily injury claims which was fortunately compensated for by the strong investment returns experienced in 2015. During the course of 2015, the Company has taken appropriate action to address the motor losses and will continue to address this issue in our efforts to achieve an improvement in results in the medium term. It is no coincidence that a few long established overseas insurers have withdrawn from the motor market during 2015 which business will now be placed with local insurers. Allcare Insurance Limited's portfolio has also been transferred to another major player and it now remains to be seen if the market will adjust itself in an effort to improve deteriorating performance which cannot be sustained in the long term.

Premiums written in our Core operation have increased by 8% to reach a record high of €22.13m whilst premiums written by the cells grew by 13% to €22.71m resulting in a total premium written of €44.84m compared to €40.53m in 2014.

We currently host 7 protected cells all writing premiums on risks situated outside Malta. During 2015, the Company registered two new cells whilst another cell which was in run-off has since been unwound. We are confident that premiums in this area will continue to develop and grow and that we will continue to attract new cells to Malta.

Operating and administrative expenses gross of reinsurance commissions earned of €5.95m were €0.15m higher when compared to the previous year. The increase was mainly due to additional compliance and regulatory costs, including the increased costs of outsourced services, associated with preparation for the formal start date of the new regime on the 1 January 2016.

Over the years, the Company's risk and compliance functions have embedded in Atlas a robust and resilient risk culture that ensures all significant uncertainties are consistently and effectively managed within our risk appetite. This has helped us view the evolving regulatory environment as an opportunity, particularly in our cells operation, rather than just a challenge to be met. In 2015 we strived to make all Solvency II governance requirements part of business-as-usual, freeing the board and management to focus on our clients while taking decisions with more risk-based information.

"Over the years, the Company's risk and compliance functions have embedded in Atlas a robust and resilient risk culture that ensures all significant uncertainties are consistently and effectively managed within our risk appetite."

We have improved our Own Risk Solvency Assessment (ORSA) process taking into consideration feedback from various stakeholders and further integrating it into our business planning cycle. The ORSA also helps the board review various stress scenarios. The process engages all risk owners who then use the outcome to better access effectiveness and efficiency of risk mitigations and the return on risk.

Through our ORSA and modelling of solvency capital positions, we have guided and helped the cells we are hosting to improve their risk profiles and ensure they meet solvency positions that are within both the respective cell's and our Core's risk appetite. Our latest assessments also continue to confirm that we maintain substantial surplus funds over European regulatory requirements.

We continue to invest in and leverage the already extensive use of information and communication technologies. During the past twelve months, a number of programmes were successfully completed. This included, among others, further development and roll-out of our Customer Relationship Management System, and significant enhancements to our cash and debtor management systems. Our investment in and utilisation of business intelligence and data analytics continues to grow and is central to our strategy. We maintain robust recovery plans that are frequently tested and updated. In 2015, we widened the scope of our continuity plans beyond technology to improve our resilience and servicing of clients.

We continue to focus on the needs of all our clients and strive to keep building good relations with brokers and our tied insurance intermediaries in Malta and Gozo, both of whom I am pleased to say have increased business placed with Atlas, as has our branch network throughout the islands which serves the needs of our clients more locally.

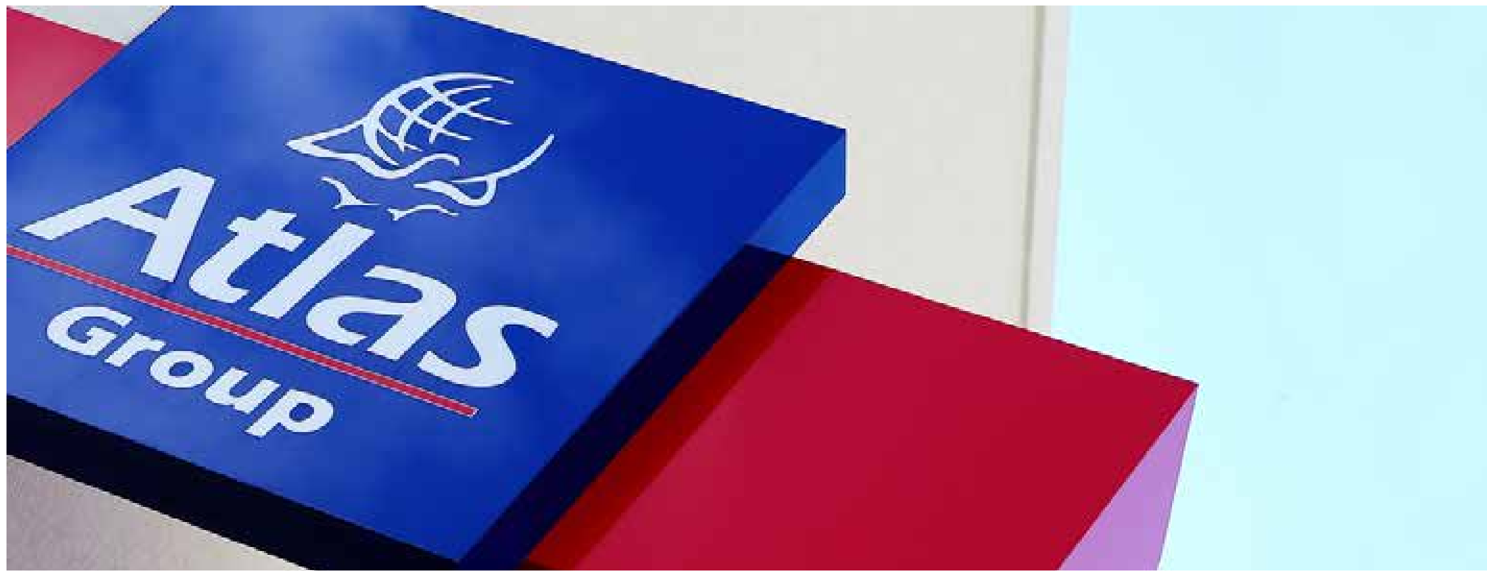
With both customers and employees as the focus of our attention, we have refurbished our Ta' Xbiex offices in Abate Rigord Street which house our daughter companies Atlas Healthcare Insurance Agency Limited and Ark Insurance Management PCC Limited as well as some back office operations. This year we will also be refurbishing our motor claims and personal lines front offices at our Head Office on Ta'Xbiex Sea Front, Ta'Xbiex. We also continue to invest in initiatives that help reduce the carbon footprint by installing PV panels where possible and upgrading to more cost efficient and environmentally friendly electrical supplies.

As a highly client centric, service oriented organisation, we continue to acknowledge our people as the drivers of success. To this end, in 2015 we continued investing heavily in training to consolidate our technical, customer care and management skills. Our values have been central to our performance management system for several years, and in 2015 we strengthened our recruitment, talent management, employee engagement, succession planning and wellness programmes.

It is positive to note that our qualified people have increased to 58% of our workforce, and we continue to have a good gender balance, with 24% availing themselves of family friendly measures. We are also satisfied that during 2015, with employers from all sectors finding recruitment a challenge, to have been able to retain our talent with 60% of our people being employed with Atlas for over 5 years.

The positive performance that we are reporting this year would not have been achieved without the dedication and commitment of the whole Atlas team. I therefore wish to thank my colleagues on the Executive Committee and all the management and staff for their unwavering commitment to achieve the goals set out at the start of the year. I would also like to thank my fellow board members for their guidance and commitment to Atlas and finally I must thank all our clients and intermediaries who continue, over the years, to put their trust in Atlas.

Michael Gatt
Managing Director and CEO



Board Members & Board/ Executive Committees

Board of Directors

Franco Azzopardi MSc (Leicester), FIA, CPA – Non Executive
Michael Gatt – Managing & Chief Executive Officer
Lawrence Zammit MA (Econ) – Chairman
Andre Camilleri LLD, Dip Econ & Ind Law (Milan) – Non Executive
Catherine Calleja BA (Hons), ACII – Executive and Company Secretary
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick) – Non Executive
Matthew von Brockdorff FCII – Deputy Managing

Audit Committee

Franco Azzopardi MSc (Leicester), FIA, CPA
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)
Lawrence Zammit MA (Econ)

Risk and Compliance Committee

Franco Azzopardi MSc (Leicester), FIA, CPA – Chairman until March 2016
Andre Camilleri LLD, Dip Econ & Ind Law (Milan) – Chairman from April 2016
Catherine Calleja BA(Hons), ACII
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)
Matthew von Brockdorff FCII

Remuneration, Nominations and Related Parties Committee

Lawrence Zammit MA (Econ) – Chairman
Andre Camilleri LLD, Dip Econ & Ind Law (Milan)
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick)

Investments Committee

Lawrence Zammit MA (Econ) – Chairman
Franco Azzopardi MSc (Leicester), FIA, CPA
John P Bonett
Andre Camilleri LLD, Dip Econ & Ind Law (Milan)
Mark Camilleri
Michael Gatt

Executive Committee

Michael Gatt Chairman
Catherine Calleja BA (Hons), ACII
Mark Camilleri
Robert Micallef
David Mifsud FCII
Ian-Edward Stafrace MSc (Risk Management) FIRM FCII PIOR – from July 2015
Matthew von Brockdorff FCII

Protected Cells Committee

Michael Gatt Chairman
John P Bonett
Catherine Calleja BA(Hons), ACII
Mark Camilleri
David Mifsud FCII
Ian-Edward Stafrace MSc (Risk Management) FIRM FCII PIOR
Matthew von Brockdorff FCII

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Offices & Branches, Cells & Professional Services

Head Office
48-50, Ta' Xbiex Seafront,
Ta' Xbiex XBX 1021

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

Birkirkara Branch
1, Psaila Street,
Birkirkara BKR 9070

Paola Regional Office
Valletta Road,
Paola PLA 1517

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

Bormla Branch
55, Gavino Gulia Square,
Bormla BML 1800

Qormi Branch
Triq Manwel Dimech,
Qormi QRM 9061

SkyParks Branch
Malta International
Airport, Luqa LQA 3290

Mosta Branch
94, Constitution Street,
Mosta MST 9055

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

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

Cells

Perfecthome Cell
Ocado Cell
TVIS Cell
Gemini Cell (from October 2015)
Travelodge Cell
Totemic Cell 2 (until December 2015)
Amplifon Cell
L'AMIE Cell (from November 2015)

Professional Services

Actuaries
KPMG

Auditors
PricewaterhouseCoopers

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

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

Legal Advisors
Ganado & Associates
Mamo TCV Advocates
SDC Advocates
Vella Zammit McKeon

Atlas Corporate Social Responsibility Highlights 2015

Alive 2015 Presentation

Pitch 22 Tournament

Saħħtek Diabetes Talk

Pink October

Richmond Foundation Presentation

2015

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Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Principal activities

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

Review of the business

The Board of Directors reports that the Company registered very satisfactory results for 2015 for both the Non-Cellular shareholders (Core) and the Cellular shareholders with the PCC reporting similar results to the previous year. An excellent return arising from the Core's investment portfolio bolstered reasonably good technical results.

The Company registered an aggregate net profit before tax for the year of €5.92m (2014: €6.43m) and a net profit after tax of €3.78m (2014: €4.03m). Profits accruing to the non-cellular shareholders amounted to €4.06m (2014: €4.37m) before taxation.

The Board of Directors continues to apply its relatively prudent underwriting and reinsurance policies as well as a balanced dividend policy which has resulted in consistent profitability as well as growing the Company's reserves and consolidating its balance sheet strength. The Company's regulated solvency position as at 31 December 2015 stood at 342% of the minimum Solvency requirement under Solvency I and remains also well above solvency requirements for Solvency II. During the year under review, the Company expects to continue to grow in both the core local business as well as internationally through the protected cell operation. It will continue to focus on improving the profitability of the motor account, the prudent management of core operating costs and will continue with its cautious investment strategy.

The Company fully owns two licensed subsidiaries Atlas Healthcare Insurance Agency Limited, agents for AXA PPP healthcare Limited and Ark Insurance Management PCC Limited, a licensed insurance manager and protected cell company. Atlas Healthcare's increased growth and profitability has continued to contribute to the Company's success during the period under review through increased dividend income.

The operating cells have continued to contribute to the Company's aggregated profitability. Such portion of profitability accrues to cell shareholders.

During the year under review, the Company registered two new cells, the Gemini and L'AMIE cells which were licensed by the MFSA on 15 October 2015 and 20 November 2015 respectively.

Core assets, cellular assets and share capital

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

During the year, the cells carried on operations registering continued positive results with a combined profit before tax at €1.86m (2014: €2.06m) and after tax at €1.18m (2014: €1.33m) accruing to the cell shareholders.

Board of Directors

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

Lawrence Zammit MA (Econ) – Chairman
Franco Azzopardi MSc (Leicester), FIA , CPA – Non Executive
Andre Camilleri LLD, Dip Econ & Ind Law (Milan) – Non Executive
Catherine Calleja BA (Hons), ACII – Executive and Company Secretary
Michael Gatt – Managing and Chief Executive Officer
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA (Warwick) – Non Executive
Matthew von Brockdorff FCII – Deputy Managing

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

Results and dividends

The profit and loss account is set out on pages 19 and 20. During 2015 Ordinary dividends of €1,250,000 net of tax were declared and paid to the non-cellular shareholders and dividends of €2,714,406 net of tax were declared and paid to the cellular shareholders.

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Furthermore, on 27 January 2016, the Board approved the payment of a net interim dividend of €555,000 to the non-cellular shareholders.

The directors propose the payment of a final dividend of €650,000 net of tax to the non-cellular shareholders.

Statement of Directors' responsibilities for the financial statements

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

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

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

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

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

The financial statements of Atlas Insurance PCC Limited for the year ended 31 December 2015 are included in the Annual Report 2015, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the Board

Lawrence Zammit
Chairman

Michael Gatt
Managing Director and CEO

Registered office
48-50 Ta' Xbiex Seafront
Ta' Xbiex
Malta
18 May 2016

Corporate Governance – Statement of Compliance

Atlas Insurance PCC Limited is a large private, public interest company and as such adopts the Malta Financial Services Authority (MFSA) Principles of Good Corporate Governance for Public Interest Companies. As a licensed insurance undertaking it is also regulated by Chapter 6 -System of Governance of the Insurance Rule Book applicable from 2016 issued under the Insurance Business Act (Cap 403). It is also guided by other international models of best practice.

The Board

The Board of Directors is appointed at the Annual General Meeting as per statute. It is composed of a majority of four Non-Executive Independent Directors and three Executive Directors. The Board considers that the number of Board members and composition of the Board is the right mix for the size and complexity of the Company. As required by the Insurance Business Act, the Board of Directors is ultimately responsible for the compliance by the Company with the Act, regulations, and Insurance Rules issued thereunder, including any other obligations pursuant to the Solvency II Directive.

The Chairman of the Board is independent and non-executive and, together with the three other independent Non-Executive Directors, he provides the necessary objective appraisal and guidance. Independent Directors also contribute their experience, skills and knowledge to the development of the strategy and governance of the Company. The full board also communicates regularly with members of the Executive Committee of the Company. One of the Non-Executive Directors is appointed Senior Independent Director, whose role is to provide a sounding board for the Chairman, be a trusted intermediary for the Non-Executive Directors and be available to address the concerns of shareholders if normal channels are inappropriate. He is also responsible for board evaluation. Non-executive board members are chosen for their diverse and complementary backgrounds in the fields of law and regulation, risk, finance and accounting, international business, human resources management and Information technology.

The Chairman's main responsibility is to lead the board of Directors and more specifically to create the right conditions for the board to function efficiently and play an effective part in the ongoing development and determination of the Company's strategy and overall commercial objectives. Accordingly, he sets the agenda, liaising with the Company Secretary, to ensure that the board takes full account of the important issues facing the Company and the concerns of all board members. The Chairman also ensures that the board focuses primarily on strategy, risk, performance, value creation and accountability. To this end the board receives accurate, timely and clear information including financial and non-financial key performance indicators well in advance of every board meeting. The Atlas board also focuses on Directors' development needs and this has been a priority during the past and current periods due to the implementation of the new risk based Solvency II regime. The Board, through the Senior Independent Director conducts annual board evaluation process thereby encouraging a culture of openness and transparency at board meetings.

The separation of roles of the Chairman and Managing Director/CEO provides independent oversight and enhances the independence of the board. The CEO is responsible for the executive management of the Company's operations. Other Executive Directors, being the Deputy Managing Director and Company Secretary, bring further elements of balance and extra information to the board while the CEO is finally answerable to the board for the performance of the business. The CEO also chairs the Executive Committee made up of the three Executive Directors, the Chief Underwriting Officer, the Chief Financial Officer, the Chief Commercial Officer, and the Chief Risk Officer (the latter appointed to the Committee in July 2015).

Board and Board Committees meetings are scheduled at the start of the year. During 2015 the board met eight times but the board was also convened together with the Executive Committee on other occasions to discuss business strategy and to review various risk related matters including the Forward Looking Assessment of Own Risks (FLAOR) process.

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

Board and Executive Committees

The Board of Directors has established the Audit Committee, the Remuneration, Nominations and Related Parties Committee, the Risk and Compliance Committee, the Investment Committee, the Protected Cells Committee and the Executive Committee. The Board has delegated specific responsibilities to these Committees, and it may, from time to time, establish other Committees. Members of these Committees are listed on page 8. These Committees have terms of reference which are set and annually reviewed by the board. Committee meeting progress and matters arising from minutes of meetings are regularly discussed at board level. The members of these Committees are appointed by the Board of Directors.

Audit

The Audit Committee met five times during the period under review. The Committee is composed entirely of Non-Executive Directors and is chaired by Mr Franco Azzopardi who is considered competent by the board in this field as having the relevant qualifications in accounting and/or auditing. Other members of the Committee are Mr Lawrence Zammit and Mr Philip Micallef.

The Committee oversees the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the performance of the accounting firm engaged as the Company's auditor to prepare and issue an audit report on the financial statements of the Company. The Committee also reviews and assesses the qualitative aspects of financial reporting to shareholders and meets with external auditors as and when required.

The Committee also has oversight of the Internal Audit Function including the setting of risk based annual Internal Audit plans. Regular liaison with the Risk function and indeed the collaboration with the Risk and Compliance committee enables the Internal Audit function to function according to priorities aligned with the company's top risks and risk appetite.

The Committee is responsible to appoint the Internal Auditor and review findings from the Internal Auditor's work and management's response thereto. The Internal Audit function is independent from the operations of the Company and through the Audit committee and its Chairman, has direct access to the Board of Directors. The Internal Auditor, Mr Martin Gauci, prepares regular presentations to the Audit Committee and attends relevant meetings. During the period under review the committee was very involved in the development of the Assistant Internal Auditor's role and succession planning for the Internal Auditor position. Key performance indicators for both the Internal Auditor and the Assistant Internal Auditor, Mr Ivan Distefano were set and approved by this Committee, who was also involved in setting training and development goals for Mr Distefano. Other key senior executives are also invited to appropriate meetings of the Committee. The Chairman of the Committee also regularly meets the Internal Auditor and Assistant Internal Auditor to give guidance and receive feedback on a regular basis outside the regular Audit Committee meetings.

Remuneration, Nominations and Related Parties

The Remuneration, Nominations and Related Parties Committee, composed entirely of non-executive directors, met three times during 2015. It is chaired by Mr Lawrence Zammit, who is considered by the board to have very relevant experience for this position. Dr Andre Camilleri, the Senior Independent Director, and Mr Philip Micallef are the other two non-executive Directors on the Committee. Executive Directors attend meetings by invitation as and when required.

The Committee's role is to determine and agree with the board the policy for the overall remuneration system of the company including performance related pay structures as well as the remuneration of the Company's Chief Executive, Executive Directors, members of the Executive Committee and the Internal Auditor. The Committee also reviews the remuneration levels across the Company, performs benchmarking exercises against the industry and ensures that all disclosures regarding remuneration are fulfilled. No director or manager is involved in deciding his or her own remuneration. During the period under review, the Committee was involved in reviewing the Company's remuneration policy in various areas including compliance with new Solvency II regulations and guidelines.

The Committee identifies nominees qualified to fill board vacancies for recommendation to the board and shareholders, as well as assessing their independence and relevant fitness and properness. The Committee also relates to succession planning issues.

Finally the Committee also agrees with the board the related party transaction policy of the Company and approves any related party transactions.

Risk and Compliance

This Committee's primary objectives are to ensure that an appropriate risk management and compliance framework is in place within the insurance undertaking and gives support to the risk oversight function of the Board of Directors.

Together with the Chief Risk Officer, Mr Ian-Edward Stafrace, the Committee performs the Risk Management Support function in the risk management framework so that it coordinates, facilitates and has oversight of the function including the development of the risk management policy and methodology. The Committee also carries out risk management at corporate level monitoring developments in the Company's policies, strategy, operations, and environment that may significantly affect uncertainties faced by the organisation. The Committee has taken and will continue to develop its important role in developing the assumptions underlying the Forward Looking Assessment of Own Risks and now the ORSA (Own Risk and Solvency Assessment Reports under the new Solvency II regime) reports whenever such are carried out as well as the final development of the reports. The Committee also reviews quarterly status reports on the Company's risk appetite in the major risk categories, provided by the Chief Risk Officer as well as regular reports relating to the various risk areas of accountability assigned across the organisation.

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

The Committee also has oversight of the compliance function through the Group Compliance Officer, Ms Elaine Scerri, and its systems to ensure regulatory compliance and readiness for anticipated regulatory changes including the review of MFSA consultation papers.

The Committee also ensures that training in the various areas of regulatory compliance is regularly carried out for new and existing staff members as well as the Company's tied insurance intermediaries. Regular reporting on compliance with the various areas of legislation assigned across the organisation is also made to the Committee.

The Committee, chaired by Mr Franco Azzopardi, met four times during 2015. Dr Andre Camilleri, Mr Philip Micallef, Mr Matthew von Brockdorff and Ms Catherine Calleja continued to form part of the Committee. In April 2016, Dr Andre Camilleri assumed the chair of the Committee while Mr Franco Azzopardi remained a Committee member. The Chief Risk Officer and Group Compliance Officer are regularly invited to the meetings to present detailed reports. Senior management members such as the Group Information Systems Manager, are also sometimes invited to review various aspects of internal controls.

Investment

The Board of Directors has appointed an Investment Committee responsible for the formulating and proposing investment policy to the board and issuing guidelines to management. The Committee acts in accordance with the Prudent Person Principle as stipulated in Chapter 5 of the Insurance Rule Book – Valuation of Assets and Liabilities Technical Provisions, Own Funds, Solvency Capital Requirement, Minimum Capital Requirement and Investment Rules.

The Investment Committee also sets parameters to be adopted with regard to the Company's investments and ensures that the investment of Company funds is in accordance with the Investment Policy. The committee also sets investment mandates with discretionary managers, scrutinises material related transactions and asset allocations in line with the Investment Policy, Asset Liability Management Policy and the Board's Risk Appetite Statement. It may also recommend changes to the board in respect of the Asset Liability Management Policy and Risk Appetite statement relating to relevant risks.

During the year under review, Mr Lawrence Zammit acted as Chair of the Committee while members included Dr Andre Camilleri, Mr Franco Azzopardi and Mr Michael Gatt, CEO, as directors on the Committee. The CFO, Mr Mark Camilleri and Mr John Bonett are also appointed as additional members. Ms Elaine Scerri, Group Compliance Officer acts as secretary to the Committee which met four times in the year under review. The Company's three discretionary investment managers are regularly asked to address the Committee and report on their performance.

Protected Cells

The Protected Cells Committee is chaired by the Chief Executive Officer of the Company. This Committee is responsible for the oversight of the protected cells cost centre of the Company. This is a specialised area of the business which is increasing in size and complexity and was also very much involved in the preparations for the challenges of Solvency II. The Committee analyses new cell prospects and monitors cell performance. It reports quarterly to the board on the performance of the existing cells as regards profitability and solvency. The Committee also oversees the liaison with insurance managers and cell owners and ensures that regular cell inspections occur. The Chief Underwriting Officer and Chief Financial Officer, as representatives of the Committee, form part of the investment and underwriting Committees of the relative cells, which also review risk management and compliance issues relating to cells together with cell owners and managers. The Committee is delegated with the responsibility to approve charters of the said cell Committees. Apart from the Chairman, the Committee is composed of the two other Executive Directors of the Company as well as the Chief Underwriting Officer, the Chief Risk Officer and the Chief Financial Officer as well as Mr John Bonett.

Executive Committee

While supporting and assisting the board in setting corporate strategy and budgeting, the Executive Committee implements the strategy through the development and execution of annual business plans with the senior management team setting direction for various areas of development of the organisation from sales and marketing to information systems as well as finance and human resources.

Chaired by the CEO, the Committee was made up of the three Executive Directors and the Chief Financial Officer, the Chief Underwriting Officer and the Chief Commercial Officer of the Company with the Chief Risk Officer joining the Committee in July 2015. Minutes of the EXCO meetings are copied to board members and matters arising regularly discussed.

Relations with Shareholders

Recognising the importance of keeping open communication with shareholders, the level of disclosure with these important stakeholders within the group continues to be in excess of statutory requirements under the Companies Act. An Annual General Meeting for shareholders of Atlas Holdings Ltd. is held each year and, besides the statutory business of the Annual General Meeting as laid down in the memorandum and articles of the Company, information on group performance is presented.

Atlas Holdings Limited holds one hundred per cent of the non cell shares ('Core Shareholders') in Atlas Insurance PCC Limited and appoints all the Directors of the Company. Mr Lawrence Zammit is also Chairman of the Atlas Holdings Board, where directors are appointed by the main Core Shareholders. This structure also ensures that Directors of the Company are kept aware of the priorities of the ultimate Core Shareholders.

Directors' and Officers' Liability Insurance

Directors and officers of the Company are covered by Directors and Officers Liability insurance purchased by the Company. Atlas Healthcare Insurance Agency and Ark Insurance Management PCC Limited as subsidiaries of the Company and fellow subsidiaries of Atlas Holdings are also covered by the same policy.

Approved by the Board of Directors on 18 May 2016 and signed on its behalf by:

Lawrence Zammit	**Michael Gatt**
Chairman	Managing Director and CEO

Independent Auditor's Report

pwc

To the Shareholders of Atlas Insurance PCC Limited

Report on the Financial Statements for the year ended 31 December 2015

We have audited the financial statements of Atlas Insurance PCC Limited, as a standalone company, on pages 19 to 65, which comprise the balance sheet as at 31 December 2015, the profit and loss account and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the company, as a standalone company, as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU as modified by Article 174 of the Maltese Companies Act, 1995; and
- have been properly prepared in accordance with the requirements of the said Act and of the Maltese Insurance Business Act, 1998.

Report on Other Legal and Regulatory Requirements for the year ended 31 December 2015

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Simon Flynn
Partner
18 May 2016

Profit and loss account

Technical account - General business

Year ended 31 December

		Core		Cells		Total	
	Notes	**2015 €**	2014 €	**2015 €**	2014 €	**2015 €**	2014 €
Earned premiums, net of reinsurance							
Gross premiums written	4	**22,127,732**	20,471,158	**22,706,228**	20,055,738	**44,833,960**	40,526,896
Outward reinsurance premiums		**(9,426,721)**	(8,748,188)	**(963,626)**	(728,736)	**(10,390,347)**	(9,476,924)
Net premiums written		**12,701,011**	11,722,970	**21,742,602**	19,327,002	**34,443,613**	31,049,972
Change in the provision for unearned premiums							
- gross amount	22	**(891,669)**	(826,754)	**(1,358,109)**	(1,168,769)	**(2,249,778)**	(1,995,523)
- reinsurers' share	22	**449,340**	639,247	**164,333**	186,903	**613,673**	826,150
		(442,329)	(187,507)	**(1,193,776)**	(981,866)	**(1,636,105)**	(1,169,373)
Earned premiums, net of reinsurance		**12,258,682**	11,535,463	**20,548,826**	18,345,136	**32,807,508**	29,880,599
Allocated investment return transferred from the non-technical account	6	**2,511,939**	1,874,454	**2,995**	4,391	**2,514,934**	1,878,845
Total technical income		**14,770,621**	13,409,917	**20,551,821**	18,349,527	**35,322,442**	31,759,444
Claims incurred, net of reinsurance							
Claims paid							
- gross amount		**12,154,055**	7,785,406	**5,374,787**	3,642,301	**17,528,842**	11,427,707
- reinsurers' share	22	**(4,117,742)**	(1,465,260)	**(314,635)**	-	**(4,432,377)**	(1,465,260)
		8,036,313	6,320,146	**5,060,152**	3,642,301	**13,096,465**	9,962,447
Change in the provision for claims							
- gross amount	22	**742,646**	2,143,575	**7,797,559**	887,041	**8,540,205**	3,030,616
- reinsurers' share	22	**(145,684)**	(1,669,354)	**(7,092,526)**	-	**(7,238,210)**	(1,669,354)
		596,962	474,221	**705,033**	887,041	**1,301,995**	1,361,262
Claims incurred, net of reinsurance		**8,633,275**	6,794,367	**5,765,185**	4,529,342	**14,398,460**	11,323,709
Net operating expenses	5	**2,404,351**	2,586,954	**12,947,846**	11,778,816	**15,352,197**	14,365,770
Total technical charges		**11,037,626**	9,381,321	**18,713,031**	16,308,158	**29,750,657**	25,689,479
Balance on the technical account for general business (page 20)		**3,732,995**	4,028,596	**1,838,790**	2,041,369	**5,571,785**	6,069,965

Profit and loss account

Non-technical account
Year ended 31 December

		Core		Cells		Total	
	Notes	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Balance on technical account – general business (page 19)		3,732,995	4,028,596	1,838,790	2,041,369	5,571,785	6,069,965
Investment income	6	3,333,061	2,656,292	80,892	55,696	3,413,953	2,711,988
Investment expenses and charges	6	(353,571)	(320,187)	(23,501)	(5,505)	(377,072)	(325,692)
Allocated investment return transferred to the general business technical account	6	(2,511,939)	(1,874,454)	(2,995)	(4,391)	(2,514,934)	(1,878,845)
Administrative expenses	7	(142,153)	(120,822)	(33,334)	(24,821)	(175,487)	(145,643)
Profit before tax		4,058,393	4,369,425	1,859,852	2,062,348	5,918,245	6,431,773
Tax expense	9	(1,458,943)	(1,668,734)	(682,178)	(735,470)	(2,141,121)	(2,404,204)
Profit for the year		2,599,450	2,700,691	1,177,674	1,326,878	3,777,124	4,027,569

Statement of comprehensive income

		Core		Cells		Total	
	Notes	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Profit for the year		2,599,450	2,700,691	1,177,674	1,326,878	3,777,124	4,027,569
Other comprehensive income: Items that will not be reclassified to profit or loss							
Net reporting currency differences arising on translation from functional currency to presentation currency	21	-	-	390,636	414,083	390,636	414,083
Revaluation surplus	21	-	111,978	-	-	-	111,978
Movement in deferred tax relating to property, plant and equipment	17	3,840	(37,035)	-	-	3,840	(37,035)
Total other comprehensive income, net of tax		3,840	74,943	390,636	414,083	394,476	489,026
Total comprehensive income for the year		2,603,290	2,775,634	1,568,310	1,740,961	4,171,600	4,516,595

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

The notes on pages 25 to 65 are an integral part of these financial statements.

Balance Sheet

as at 31 December

		Core		Cells		Total	
	Notes	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
ASSETS							
Intangible assets	12	52,383	70,017	-	-	52,383	70,017
Tangible assets:							
- land, buildings and improvements	13	3,901,460	3,775,452	-	-	3,901,460	3,775,452
- plant and equipment	13	660,407	632,203	-	-	660,407	632,203
Investments:							
- land and buildings	14	2,778,108	2,777,275	-	-	2,778,108	2,777,275
- investment in subsidiaries	15	698,000	698,000	-	-	698,000	698,000
- other financial investments	16	24,387,751	23,728,585	5,179,104	5,599,976	29,566,855	29,328,561
Reinsurers' share of technical provisions	22	7,778,993	7,183,969	15,910,183	8,368,075	23,689,176	15,552,044
Deferred acquisition costs	18	749,708	731,220	228,162	119,334	977,870	850,554
Receivables:							
- debtors arising out of direct insurance operations	19	3,419,683	3,564,420	-	-	3,419,683	3,564,420
- receivables from reinsurers	19	-	9,975	-	-	-	9,975
- other debtors	19	603,649	559,722	4,849,617	6,064,508	5,453,266	6,624,230
Taxation recoverable		101,851	-	-	-	101,851	-
Prepayments and accrued income	19	289,034	317,869	138,431	30,711	427,465	348,580
Cash and cash equivalents	26	5,060,422	2,819,836	13,187,248	6,484,542	18,247,670	9,304,378
Total assets		50,481,449	46,868,543	39,492,745	26,667,146	89,974,194	73,535,689
EQUITY							
Capital and reserves							
Share capital	20	8,198,000	8,198,000	8,106,509	4,710,132	16,304,509	12,908,132
Other reserves	21	977,208	973,368	885,433	499,157	1,862,641	1,472,525
Profit and loss account	21	12,962,534	11,613,084	1,618,356	3,016,978	14,580,890	14,630,062
Total equity		22,137,742	20,784,452	10,610,298	8,226,267	32,748,040	29,010,719
LIABILITIES							
Technical provisions	22	22,902,202	21,267,887	24,965,651	14,450,640	47,867,853	35,718,527
Payables:							
- borrowings	23	6,337	5,771	-	-	6,337	5,771
- creditors arising out of direct insurance operations	24	1,102,715	972,280	440,790	592,161	1 ,543,505	1,564,441
- creditors arising out of reinsurance operations	24	-	-	150,965	749,863	150,965	749,863
- balances payable to reinsurers	24	963,205	956,650	794,501	-	1,757,706	956,650
- other creditors	24	128,237	135,809	957,688	751,577	1,085,925	887,386
Deferred taxation	17	1,258,781	859,785	-	-	1,258,781	859,785
Taxation payable		-	37,908	1,417,649	1,757,924	1,417,649	1,795,832
Accruals and deferred income	24	1,982,230	1,848,001	155,203	138,714	2,137,433	1,986,715
Total liabilities		28,343,707	26,084,091	28,882,447	18,440,879	57,226,154	44,524,970
Total equity and liabilities		50,481,449	46,868,543	39,492,745	26,667,146	89,974,194	73,535,689

The notes on pages 25 to 65 are an integral part of these financial statements.
The financial statements on pages 19 to 65 were authorised for issue by the board on 18 May 2016 and were signed on its behalf by:

Lawrence Zammit
Chairman

Michael Gatt
Managing Director and CEO

Statement of changes in equity

		Core			
		Share Capital	Other Reserves	Profit & Loss Account	Total
	Notes	€	€	€	€
Balance at 1 January 2014		8,198,000	898,425	9,812,393	18,908,818
Comprehensive income					
Profit for the year		-	-	2,700,691	2,700,691
Other comprehensive income					
Net reporting currency differences arising on translation from functional currency to presentation currency	21	-	-	-	-
Revaluation surplus	21	-	111,978	-	111,978
Movement in deferred tax relating to property, plant and equipment	17, 21	-	(37,035)	-	(37,035)
Total other comprehensive Income		-	74,943	-	74,943
Total comprehensive income		-	74,943	2,700,691	2,775,634
Transactions with owners					
Increase in share capital	20	-	-	-	-
Issue of cell shares on incorporation	20	-	-	-	-
Dividends	11	-	-	(900,000)	(900,000)
Total transactions with owners		-	-	(900,000)	(900,000)
Balance at 31 December 2014		8,198,000	973,368	11,613,084	20,784,452
Balance at 1 January 2015		8,198,000	973,368	11,613,084	20,784,452
Comprehensive income					
Profit for the year		-	-	2,599,450	2,599,450
Other comprehensive income					
Net reporting currency differences arising on translation from functional currency to presentation currency	21	-	-	-	-
Movement in deferred tax relating to property, plant and equipment	17, 21	-	3,840	-	3,840
Total other comprehensive Income		-	3,840	-	3,840
Total comprehensive Income		-	3,840	2,599,450	2,603,290
Transactions with owners					
Increase in share capital	20	-	-	-	-
Decrease in share capital	20	-	-	-	-
Issue of cell shares on incorporation	20	-	-	-	-
Assignment of reserves	21	-	-	-	-
Dividends	11	-	-	(1,250,000)	(1,250,000)
Total transactions with owners		-	-	(1,250,000)	(1,250,000)
Balance at 31 December 2015		8,198,000	977,208	12,962,534	22,137,742

The notes on pages 25 to 65 are an integral part of these financial statements.

Statement of changes in equity - continued

	Cells				Total			
	Share Capital	Other Reserves	Profit & Loss Account	Total	Share Capital	Other Reserves	Profit & Loss Account	Total
	€	€	€	€	€	€	€	€
Balance at 1 January 2014	3,609,211	85,074	1,690,100	5,384,385	11,807,211	983,499	11,502,493	24,293,203
Comprehensive income								
Profit for the year	-	-	1,326,878	1,326,878	-	-	4,027,569	4,027,569
Other comprehensive income								
Net reporting currency differences arising on translation from functional currency to presentation currency	-	414,083	-	414,083	-	414,083	-	414,083
Revaluation surplus	-	-	-	-	-	111,978	-	111,978
Movement in deferred tax relating to property, plant and equipment	-	-	-	-	-	(37,035)	-	(37,035)
Total other comprehensive Income	-	414,083	-	414,083	-	489,026	-	489,026
Total comprehensive income	-	414,083	1,326,878	1,740,961	-	489,026	4,027,569	4,516,595
Transactions with owners								
Increase in share capital	100,796	-	-	100,796	100,796	-	-	100,796
Issue of cell shares on incorporation	1,000,125	-	-	1,000,125	1,000,125	-	-	1,000,125
Dividends	-	-	-	-	-	-	(900,000)	(900,000)
Total transactions with owners	1,100,921	-	-	1,100,921	1,100,921	-	(900,000)	200,921
Balance at 31 December 2014	4,710,132	499,157	3,016,978	8,226,267	12,908,132	1,472,525	14,630,062	29,010,719
Balance at 1 January 2015	4,710,132	499,157	3,016,978	8,226,267	12,908,132	1,472,525	14,630,062	29,010,719
Comprehensive income								
Profit for the year	-	-	1,177,674	1,177,674	-	-	3,777,124	3,777,124
Other comprehensive income								
Net reporting currency differences arising on translation from functional currency to presentation currency	-	390,636	-	390,636	-	390,636	-	390,636
Movement in deferred tax relating to property, plant and equipment	-	-	-	-	-	3,840	-	3,840
Total other comprehensive Income	-	390,636	-	390,636	-	394,476	-	394,476
Total comprehensive Income	-	390,636	1,177,674	1,568,310	-	394,476	3,777,124	4,171,600
Transactions with owners								
Increase in share capital	2,479,127	-	-	2,479,127	2,479,127	-	-	2,479,127
Decrease in share capital	(133,750)	-	133,750	-	(133,750)	-	133,750	-
Issue of cell shares on incorporation	1,051,000	-	-	1,051,000	1,051,000	-	-	1,051,000
Assignment of reserves	-	(4,360)	4,360	-	-	(4,360)	4,360	-
Dividends	-	-	(2,714,406)	(2,714,406)	-	-	(3,964,406)	(3,964,406)
Total transactions with owners	3,396,377	(4,360)	(2,576,296)	815,721	3,396,377	(4,360)	(3,826,296)	(434,279)
Balance at 31 December 2015	8,106,509	885,433	1,618,356	10,580,298	16,304,509	1,862,641	14,580,890	32,748,040

Statement of cash flows
Year ended 31 December

		Core		Cells		Total	
	Notes	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Cash flows from operating activities							
Cash generated from operations	25	5,051,749	3,305,052	5,473,356	1,072,671	10,525,105	4,377,723
Income tax paid		(1,034,328)	(1,077,951)	(945,750)	(181,782)	(1,980,078)	(1,259,733)
Net cash from operating activities		4,017,421	2,227,101	4,527,606	890,889	8,545,027	3,117,990
Cash flows from investing activities							
Purchase of property, plant and equipment		(534,554)	(452,569)	-	-	(534,554)	(452,569)
Disposal of property, plant and equipment		3,250	1,290	-	-	3,250	1,290
Purchase of investment property		(833)	(15,000)	-	-	(833)	(15,000)
Net cash used in investing activities		(532,137)	(466,279)	-	-	(532,137)	(466,279)
Cash flows from financing activities							
Dividends paid		(1,250,000)	(900,000)	(2,714,406)	-	(3,964,406)	(900,000)
Issue of share capital		-	-	3,530,127	1,100,921	3,530,127	1,100,921
Net cash (used in)/generated from financing activities		(1,250,000)	(900,000)	815,721	1,100,921	(434,279)	200,921
Movement in cash and cash equivalents		2,235,284	860,822	5,343,327	1,991,810	7,578,611	2,852,632
Cash and cash equivalents at beginning of year		2,814,065	1,928,332	6,484,542	3,765,675	9,298,607	5,694,007
Exchange gains on cash and cash equivalents		4,736	24,911	1,359,379	727,057	1,364,115	751,968
Cash and cash equivalents at end of year	26	5,054,085	2,814,065	13,187,248	6,484,542	18,241,333	9,298,607

The notes on pages 25 to 65 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

As at 31 December 2015, the Company had seven Cells, the Perfect Home Cell, the Travelodge Cell, the Ocado Cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell and the L'AMIE Cell referred to in these financial statements as Cell 1, Cell 2, Cell 4, Cell 7, Cell 8, Cell 9 and Cell 10 respectively. The Totemic Cell 2, referred to as Cell 6 in these financial statements, was wound up through a share capital reduction as authorised by the Malta Financial Services Authority on 29 December 2015. The Company maintains separate accounts for each Cell. Cellular assets and liabilities are separate and separately identifiable from Core and Cellular assets attributable to other Cells. Separate balance sheets, profit and loss accounts and statements of comprehensive income, changes in equity and cash flows have accordingly been prepared for the Cells.

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

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

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

Standards, interpretations and amendments to published standards effective in 2015

In 2015, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2015. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an

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

1.1 Basis of preparation - continued

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

economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

1.2 Revenue recognition

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

(a) Rendering of services

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

1.3 Investment return

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

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

1.4 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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

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

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

1.5 Intangible assets

(a) Customer relationships

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

(b) Computer software

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

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

1.6 Tangible assets - Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

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

1.7 Land and buildings - Investment property

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

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

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

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

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

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

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

1.8 Investment in subsidiaries

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

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

1.9 Financial assets

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

1.9.1 Classification

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

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

(b) Loans and receivables

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

1.9.2 Recognition and measurement

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

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

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

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

1.10 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

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

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

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

1. **Summary of significant accounting policies** - continued
1.10 **Impairment of assets** - continued
(a) Impairment of financial assets carried at amortised cost - continued

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

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

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

(b) Impairment of other non-financial assets

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

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

1.11 Operating leases

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

1.12 Cash and cash equivalents

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

1.13 Share capital

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

1.14 Current and deferred tax

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

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

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

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

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

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

1.15 Insurance contracts - classification

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

Insurance contracts – General business

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

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

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

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

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

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

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

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

Reinsurance contracts held

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

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

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

1. **Summary of significant accounting policies** - continued
1.15 **Insurance contracts - classification** - continued

Receivables and payables related to insurance contracts

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

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

1.16 Provisions

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

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

1.17 Borrowings

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

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

1.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.19 Dividend distribution

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

2. Critical accounting estimates and judgements in applying accounting policies

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

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

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

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

3. Management of insurance and financial risk

3.1 Insurance risk

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

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

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

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

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

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

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

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

During the year the Company concluded the process of licensing

- Gemini Cell, which was authorised by the MFSA on 15th October 2015 to write general insurance risk under classes of business – 8 – Fire and Other Natural Forces, 9 - Other Damage to Property and 16 - Miscellaneous Financial Loss; and
- L'AMIE Cell, which was authorised by the MFSA on 20th November 2015 to write general insurance risk under classes of business – 8 – Fire and Other Natural Forces and 9 - Other Damage to Property.

Either Cell maintains its own solvency with the Minimum Guarantee Fund being afforded by the core capital. Totemic Cell 2 was unwound in December 2015 and PerfectHome Cell, Travelodge Cell, Ocado Cell, Amplifon Cell and TVIS Cell carried on business during the year in accordance with their licence conditions, where, as determined by their authorisation, each cell is to maintain at all times its own solvency margin while the Minimum Guarantee Fund is afforded by the core capital.

The insurance business written by the Gemini Cell emanates from Belgium and the Netherlands and that of L'AMIE Cell relates to risks situated in Austria. The reinsurance business written by Amplifon Cell relates to risks originally written in the Netherlands. The other cells all write property, accident, sickness, motor, general liability and motor liability and miscellaneous financial risks in the United Kingdom. The property risks are equally well-spread geographically. The cells' results are amply reflected in these financial statements.

3.1.1 Frequency and severity of claims

Motor and liability

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

(i) the long lifetime which motor and other liability claims tend to have and which can lead to:
   a. negative effects of inflation on claim amounts;
   b. increased court awards arising from increased sensitivity of courts to the plight of accident victims spurred also by EU directives and "pro-victim" court/ legislative tendencies in other EU jurisdictions; and

   c. increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and

(ii) the latent effect of disease claims on the employers liability and products liability portfolio
(iii) the effect of inflation on motor repair costs
(iv) the effect of natural hazards affecting comprehensive motor results.

The Company's 2015 gross motor result was affected by the combination of bodily injury losses, a hailstorm in October and underlying attritional losses on motor own damage.

The review of Maltese law on civil damages in tort is not yet concluded and no untoward trends have been observed in legal judgements in the interim.

Property

From the property point of view, climatic changes give rise to the more frequent and severe extreme weather "catastrophe" events e.g. flash floods and their consequences. The October hailstorm had a relatively negligible effect on property losses with the bulk of the damage being sustained by automobiles. The gross property result was impacted by two large property losses.

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 2015 year showed no extraordinary experience in this respect. Travel as a class is more volatile and the result was impacted by a large medical expenses claim.

Marine

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

Miscellaneous Financial Risk

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

The Company manages all the above via:

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

(a) Underwriting strategy

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

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

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

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

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

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

3. Management of insurance and financial risk - continued
3.1 Insurance Risk - continued
3.1.1 Frequency and severity of claims - continued
(a) Underwriting strategy - continued

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

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

(b) Reinsurance

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

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

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

(c) Claims techniques

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

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

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

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

3.1.2 Sources of uncertainty in estimation of future claims payments

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

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

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

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

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

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

3. Management of insurance and financial risk - continued
3.1 Insurance Risk - continued
3.1.2 Sources of uncertainty in estimate of future claims payments - continued

The Company also makes a provision for the unexpired period of cover of policies running at the time of the balance sheet date. Like all claims, large claims are assessed on a case by case basis and accurately analysed, and Atlas will take pessimistic scenarios based on legal precedent (of particular relevance to motor and liability class) and similar cases. The Company will also note current trends.

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

IBNR percentages are taken as a factor on outstanding claims provision and are arrived at on the basis of an annual historical analyses of different classes' performance vis-a-vis actual IBNR experienced since 2005.

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

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

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

3.2 Financial risk management

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

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

3.2.1 Market risk

(a) Cash flow and fair value interest rate risk

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

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

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

	2015	2014
	€	€
Assets at floating interest rates - bank balances	17,866,469	8,992,860
Assets at fixed interest rates		
- Listed debt securities	13,905,885	15,287,686
- Deposits with banks or financial institutions	830,854	849,844
- Amounts owed from related parties	4,261,338	4,357,708
	36,864,546	29,488,098
Liabilities at floating interest rates - bank balance overdrawn	6,337	5,771

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

3. Management of insurance and financial risk - continued
3.2 Financial risk management - continued
3.2.1 Market risk - continued
(a) Cash flow and fair value interest rate risk - continued

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

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

At 31 December 2015 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 (2014: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €473,323 higher (2014: €497,726 higher). An increase of 50 basis points (2014: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €470,338 lower (2014: €484,283 lower). Up to the end of the reporting period the Company did not have any hedging policy with respect to interest rate risk on other financial instruments as exposure to such risks was not deemed to be significant by the directors.

(b) Equity price risk

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

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

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

	Core		Cells		Total	
	2015	2014	**2015**	2014	**2015**	2014
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**4,198,164**	3,486,233	**-**	-	**4,198,164**	3,486,233
Units in unit trusts	**5,887,661**	4,893,827	**482,953**	453,263	**6,370,614**	5,347,090
	10,085,825	8,380,060	**482,953**	453,263	**10,568,778**	8,833,323

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. A 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase or a decrease of 10% (2014: 10%) in equity prices, with all other variables held constant, would result in an impact on the Core pre-tax profit for the year of €1,008,583 (2014: €838,007). An increase or a decrease of 10% (2014: 10%) in equity prices, with all other variables held constant, would result in an impact on the Cells pre-tax profit for the year of €48,295 (2014: €45,326).

(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.

3. Management of insurance and financial risk - continued
3.2 Financial risk management - continued
3.2.1 Market risk - continued
(c) Currency risk - continued

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

At 31 December 2015, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,233,059 (2014: €2,214,022). If the above currencies had weakened or strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €394,069 (2014: €395,474) or higher by €291,269 (2014: €292,307).

3.2.2 Credit risk

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

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

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

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

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

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

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

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

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

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

3. Management of insurance and financial risk - continued
3.2 Financial risk management - continued
3.2.2 Credit risk - continued

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

As at 31 December 2015

	AAA to AA Core	A to A- Core	BBB to B Core	Not rated Core	A to A- Cells	Not rated Cells	Total
	€	€	€	€	€	€	€
Investments							
Debt securities - listed fixed interest rate	824,386	5,879,113	2,509,084	4,693,302	-	-	13,905,885
Deposits with banks or financial institutions	-	-	350,000	-	-	480,854	830,854
	824,386	5,879,113	2,859,084	4,693,302	-	480,854	14,736,739
Loans and receivables							
Amounts receivable from related parties	-	-	-	46,041	-	-	46,041
Discounted securities to cell owners	-	-	-	-	-	4,215,297	4,215,297
Debtors and prepayments and accrued income	-	-	-	4,312,366	-	4,988,048	9,300,414
Cash equivalents	-	-	2,673,853	2,005,368	5,439,723	7,747,525	17,866,469
	-	-	2,673,853	6,363,775	5,439,723	16,950,870	31,428,221
Reinsurers' share of technical provisions	3,258,777	4,520,216	-	-	15,910,183	-	23,689,176
Total assets bearing credit risk	4,083,163	10,399,329	5,532,937	11,057,077	21,349,906	17,431,724	69,854,136

As at 31 December 2014

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

3. Management of insurance and financial risk - continued
3.2 Financial risk management - continued

3.2.3 Liquidity risk

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

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

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

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

As at 31 December 2015	Contracted undiscounted cash outflows				
	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	€	€	€	€	€
Core					
Trade and other creditors	2,194,157	-	-	-	2,194,157
Accruals and deferred income	1,982,230	-			1,982,230
Cells					
Trade and other creditors	2,343,944	-	-	-	2,343,944
Accruals and deferred income	155,203	-	-	-	155,203
	6, 675,534	-	-	-	6,675,534

As at 31 December 2015	Expected undiscounted cash outflows				
	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	€	€	€	€	€
Core					
Technical provisions - Claims outstanding	8,492,636	2,809,415	1,386,816	834,188	13,523,055
Cells					
Technical provisions - Claims outstanding	3,165,447	955,916	15,708,608	-	19,829,971
	11,658,083	3,765,331	17,095,424	834,188	33,353,026

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

3. Management of insurance and financial risk - continued
3.2 Financial risk management - continued
3.2.3 Liquidity risk - continued

As at 31 December 2014 — **Expected undiscounted cash outflows**

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

3.3 Fair value estimation

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015 and 2014:

	Core		Cells		Total	
	2015	2014	2015	2014	2015	2014
	Level 1		Level 1		Level 1	
	€	€	**€**	€	**€**	€
Assets						
Financial assets at fair value through profit or loss						
- Equity securities and units in unit trusts	**10,085,825**	8,380,060	**482,953**	453,263	**10,568,778**	8,833,323
- Debt securities	**13,905,885**	15,287,686	**-**	-	**13,905,885**	15,287,686
Total assets	**23,991,710**	23,667,746	**482,953**	453,263	**24,474,663**	24,121,009

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 2015 and 2014, the carrying amount of the Company's other financial assets and liabilities approximate their fair value in view of their short-term maturity.

4. Segmental analysis

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

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

(a) Gross premiums written	Core		Cells		Total	
	2015	2014	**2015**	2014	**2015**	2014
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**5,190,347**	4,911,256	**78,010**	378,933	**5,268,357**	5,290,189
Motor (other classes)	**4,078,129**	3,829,225	**3,172,390**	3,258,822	**7,250,519**	7,088,047
Fire and other damage to property	**8,187,348**	7,560,599	**13,924,044**	13,345,234	**22,111,392**	20,905,833
Other classes	**4,671,908**	4,170,078	**3,361,642**	3,072,749	**8,033,550**	7,242,827
Reinsurance acceptances – Fire and other damage to property	-	-	**2,170,142**	-	**2,170,142**	-
	22,127,732	20,471,158	**22,706,228**	20,055,738	**44,833,960**	40,526,896

(b) Gross premiums earned	Core		Cells		Total	
	2015	2014	**2015**	2014	**2015**	2014
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**5,005,908**	4,788,405	**366,324**	264,540	**5,372,232**	5,052,945
Motor (other classes)	**3,933,213**	3,733,418	**3,204,425**	2,275,046	**7,137,638**	6,008,464
Fire and other damage to property	**7,697,183**	6,807,267	**13,946,626**	13,334,846	**21,643,809**	20,142,113
Other classes	**4,599,759**	4,315,314	**3,301,512**	3,012,537	**7,901,271**	7,327,851
Reinsurance acceptances – Fire and other damage to property	**-**	-	**529,232**	**-**	**529,232**	-
	21,236,063	19,644,404	**21,348,119**	18,886,969	**42,584,182**	38,531,373

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	
	2015	2014	**2015**	2014	**2015**	2014
	€	€	**€**	€	**€**	€
Direct insurance						
Motor (third party liability)	**4,527,697**	3,186,688	**9,234,285**	2,164,101	**13,761,982**	5,350,789
Motor (other classes)	**3,579,192**	2,509,079	**142,153**	(460,839)	**3,721,345**	2,048,240
Fire and other damage to property	**3,943,599**	2,923,236	**1,993,414**	1,649,889	**5,937,013**	4,573,125
Other classes	**846,213**	1,309,978	**1,440,832**	1,176,191	**2,287,045**	2,486,169
Reinsurance acceptances – Fire and other damage to property	**-**	-	**361,662**	-	**361,662**	-
	12,896,701	9,928,981	**13,172,346**	4,529,342	**26,069,047**	14,458,323

4. Segmental analysis - continued

d) Gross operating expenses

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Direct insurance						
Motor (third party liability)	1,655,227	1,393,725	218,093	166,933	1,873,320	1,560,658
Motor (other classes)	1,223,277	1,030,144	15,750	11,927	1,239,027	1,042,071
Fire and other damage to property	1,785,857	2,096,825	11,233,558	10,220,825	13,019,415	12,317,650
Other classes	1,141,413	1,157,143	1,397,055	1,374,422	2,538,468	2,531,565
Reinsurance acceptances – Fire and other damage to property	-	-	83,390	4,709	83,390	4,709
	5,805,774	5,677,837	12,947,846	11,778,816	18,753,620	17,456,653

e) Reinsurance balance

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Direct insurance						
Motor (third party liability)	(35,342)	193,202	(6,683,015)	486,802	(6,718,357)	680,004
Motor (other classes)	(27,768)	142,801	74,485	54,089	46,717	196,890
Fire and other damage to property	566,708	1,019,381	40	-	566,748	1,019,381
Other classes	808,934	528,060	605	942	809,539	529,002
	1,312,532	1,883,444	(6,607,885)	541,833	(5,295,353)	2,425,277

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	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Acquisition costs	3,151,438	3,076,502	12,250,825	11,314,642	15,402,263	14,391,144
Change in deferred acquisition costs (Note 18)	(18,488)	(77,135)	(100,484)	(3,779)	(118,972)	(80,914)
Administrative expenses	3,082,790	2,956,207	487,955	281,751	3,570,745	3,237,958
Reinsurance commission earned	(3,401,423)	(3,090,883)	(17)	-	(3,401,440)	(3,090,883)
Other net technical (income)/expense	(409,966)	(277,737)	309,567	186,202	(100,399)	(91,535)
	2,404,351	2,586,954	12,947,846	11,778,816	15,352,197	14,365,770

Total commissions included in acquisition costs and accounted for in the financial period amounted to €1,793,332 in respect of the core operations (2014: €1,797,052) and €12,250,825 in respect of the cell operations (2014: €11,314,642).

6. Investment return

	Core		Cells		Total	
Investment income	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Interest receivable from financial assets that are not at fair value through profit or loss	2,709	4,100	80,892	55,696	83,601	59,796
Net gains from financial assets at fair value through profit or loss:						
- dividend income	249,880	204,027	-	-	249,880	204,027
- net fair value gains	2,508,991	1,910,579	-	-	2,508,991	1,910,579
Dividend from subsidiary undertaking	461,538	400,000	-	-	461,538	400,000
Exchange differences	4,736	24,911	-	-	4,736	24,911
Rental income from investment property	105,207	112,675	-	-	105,207	112,675
	3,333,061	2,656,292	80,892	55,696	3,413,953	2,711,988

	Core		Cells		Total	
Investment expenses and charges	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	78,069	65,799	3,196	2,659	81,265	68,458
Investment expenses	275,502	254,388	-	-	275,502	254,388
Exchange differences	-	-	20,305	2,846	20,305	2,846
	353,571	320,187	23,501	5,505	377,072	325,692
Total investment return	2,979,490	2,336,105	57,391	50,191	3,036,881	2,386,296
Allocated investment return transferred to:						
general business technical account	2,511,939	1,874,454	2,995	4,391	2,514,934	1,878,845
non-technical account	467,551	461,651	54,396	45,800	521,947	507,451

7. Expenses by nature

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Employee benefit expense and directors' fees	2,719,755	2,574,618	-	-	2,719,755	2,574,618
Commissions payable	1,793,332	1,797,052	12,250,825	11,314,642	14,044,157	13,111,694
Change in deferred acquisition costs	(18,488)	(77,135)	(100,484)	(3,779)	(118,972)	(80,914)
Reinsurance commissions earned	(3,401,423)	(3,090,883)	(17)	-	(3,401,440)	(3,090,883)
Amortisation of intangible assets (Note 12)	27,378	24,163	-	-	27,378	24,163
Impairment of intangible assets (Note 12)	-	32,848	-	-	-	32,848
Depreciation of property, plant and equipment (Note 13)	370,600	328,534	-	-	370,600	328,534
Profit on disposal of fixed assets	-	(1,290)	-	-	-	(1,290)
Auditor's fees	40,555	40,130	35,850	30,750	76,405	70,880
Other expenses	1,014,795	1,079,649	795,006	462,024	1,809,801	1,541,673
Total operating and administrative expenses	2,546,504	2,707,776	12,981,180	11,803,637	15,527,684	14,511,413
Allocated to:						
Technical account	2,404,351	2,586,954	12,947,846	11,778,816	15,352,197	14,365,770
Non-technical account	142,153	120,822	33,334	24,821	175,487	145,643

Auditor's fees
Fees charged by the auditor for services rendered during the financial years ended 31 December 2015 and 2014 relate to the following:

	2015 €	2014 €
Annual statutory audit	61,840	56,740
Other assurance services	6,000	3,000
Tax advisory	8,565	11,140
	76,405	70,880

8. Employee benefit expense

	2015 €	2014 €
Salaries and related costs (including directors' salaries)	3,487,610	3,263,551
Social security costs	206,397	196,835
	3,694,007	3,460,386
Inter-company payroll charge	(238,962)	(283,922)
	3,455,045	3,176,464

The average number of persons employed during the year was:	2015	2014
Directors	7	7
Managerial	15	16
Clerical	98	92
	120	115

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9. Tax expense

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Current tax expense	1,057,342	1,184,848	682,178	735,470	1,739,520	1,920,318
Deferred tax charge (Note 17)	402,836	487,073	-	-	402,836	487,073
Over provision in previous years	(1,235)	(3,187)	-	-	(1,235)	(3,187)
	1,458,943	1,668,734	682,178	735,470	2,141,121	2,404,204

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

	2015 €	2014 €
Profit before tax	5,918,245	6,431,773
Tax on profit at 35%	2,071,386	2,251,121
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	(60,038)	(68,149)
Income subject to reduced rates of tax	(7,309)	(9,376)
Expenses not deductible for tax purposes	46,350	58,004
Over provision in previous years	(1,235)	(3,187)
Temporary differences relating to prior years	-	128,068
Unrecognised temporary differences	18,036	13,647
Other movements	73,931	34,076
Tax charge in the accounts	2,141,121	2,404,204

10. Directors' emoluments

	2015 €	2014 €
Directors' fees	77,194	66,096
Salaries and other emoluments	344,456	328,090
	421,650	394,186

During the year, benefits in kind valued at €25,937 (2014: €22,879) were provided to the directors.

11. Dividends declared

	2015 €	2014 €
To the ordinary shareholders:		
Net	1,250,000	900,000
Dividends per ordinary share	0.38	0.27
To the cell shareholders:		
Cell 1	2,354,339	-
Cell 4	222,004	-
Cell 7	138,063	-
Net	2,714,406	-
Dividends per preference share		
Cell 1	1.61	-
Cell 4	0.20	-
Cell 7	0.34	-
Total dividends	3,964,406	900,000

On 27 January 2016, the Board approved the payment of a net interim dividend of €555,000 to the non-cellular shareholders.

At the forthcoming Annual General Meeting a net dividend in respect of 2015 amounting to €650,000 is to be proposed.

These financial statements do not recognise these dividends paid and proposed during 2016, which will be accounted for in shareholders' equity as an apportionment of retained earnings in the year ending 31 December 2016.

As disclosed in Note 20, the share capital of Cell 6 was reduced to nil on 29 December 2015.

12. Intangible assets

	Customer relationships €	Computer software €	Total €
At 1 January 2014			
Cost	194,735	479,706	674,441
Accumulated amortisation and impairment	(161,887)	(427,486)	(589,373)
Net book amount	32,848	52,220	85,068
Year ended 31 December 2014			
Opening net book amount	32,848	52,220	85,068
Additions	-	41,960	41,960
Impairment charge	(32,848)	-	(32,848)
Amortisation charge	-	(24,163)	(24,163)
Closing net book amount	-	70,017	70,017
At 31 December 2014			
Cost	194,735	521,666	716,401
Accumulated amortisation and impairment	(194,735)	(451,649)	(646,384)
Net book amount	-	70,017	70,017

12. Intangible assets - continued

	Customer relationships €	Computer software €	Total €
Year ended 31 December 2015			
Opening net book amount	-	70,017	70,017
Additions	-	9,744	9,744
Amortisation charge	-	(27,378)	(27,378)
Closing net book amount	-	52,383	52,383
At 31 December 2015			
Cost	194,735	531,410	726,145
Accumulated amortisation and impairment	(194,735)	(479,027)	(673,762)
Net book amount	-	52,383	52,383

13. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Furniture, equipment and motor vehicles €	Total €
At 1 January 2014				
Cost or revaluation	3,298,022	976,508	3,227,673	7,502,203
Accumulated depreciation	(173,246)	(589,316)	(2,526,039)	(3,288,601)
Net book amount	3,124,776	387,192	701,634	4,213,602
Year ended 31 December 2014				
Opening net book amount	3,124,776	387,192	701,634	4,213,602
Additions	-	281,812	131,357	413,169
Revaluation surplus	111,978	-	-	111,978
Disposals	-	-	(27,860)	(27,860)
Depreciation charge	(36,033)	(94,273)	(198,228)	(328,534)
Depreciation released on disposal	-	-	25,300	25,300
Closing net book amount	3,200,721	574,731	632,203	4,407,655
At 31 December 2014				
Cost or revaluation	3,200,721	1,258,320	3,331,170	7,790,211
Accumulated depreciation	-	(683,589)	(2,698,967)	(3,382,556)
Net book amount	3,200,721	574,731	632,203	4,407,655
Year ended 31 December 2015				
Opening net book amount	3,200,721	574,731	632,203	4,407,655
Additions	-	282,401	242,411	524,812
Disposals	-	-	(40,106)	(40,106)
Depreciation charge	(34,101)	(122,292)	(214,207)	(370,600)
Depreciation released on disposal	-	-	40,106	40,106
Closing net book amount	3,166,620	734,840	660,407	4,561,867
At 31 December 2015				
Cost or revaluation	3,200,721	1,540,721	3,533,475	8,274,917
Accumulated depreciation	(34,101)	(805,881)	(2,873,068)	(3,713,050)
Net book amount	3,166,620	734,840	660,407	4,561,867

13. Property, plant and equipment - continued

Fair value of property

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

The Company is required to disclose fair value measurements by level of the following fair value measurement hierarchy for non-financial assets carried at fair value. These have been defined in Note 3.3 to the financial statements.

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

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

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

Valuation process and techniques

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

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

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

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

	2015	2014
	€	€
Cost	**2,644,340**	2,644,340
Accumulated depreciation	**(278,379)**	(225,493)
Net book amount	**2,365,961**	2,418,847

14. Land and buildings - investment property

	2015	2014
	€	€
Year ended 31 December		
At beginning of year	**2,777,275**	2,762,275
Additions	**833**	15,000
At end of year	**2,778,108**	2,777,275
At 31 December		
Cost and net book amount	**2,778,108**	2,777,275

The valuation process and techniques are included under Note 13.

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

	2015	2014
	€	€
Cost	**2,778,108**	2,777,275
Accumulated depreciation	**(110,789)**	(83,008)
Net book amount	**2,667,319**	2,694,267

15. Investment in subsidiaries

	2015	2014
	€	€
Year ended 31 December		
At beginning and end of year	**698,000**	698,000

The subsidiaries at 31 December 2015 and 2014 are shown below:

Name of subsidiary	Registered office	Class of shares	Percentage of shares held	
			2015	2014
Atlas Healthcare Insurance Agency Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	**100.0%**	100.0%
Ark Insurance Management PCC Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	**100.0%**	100.0%
Stuart Property Development Limited	48-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	**45.8%**	45.8%

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

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

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

16. Investments

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

	2015 €	2014 €
Fair value through profit or loss	24,474,663	24,121,009
Loans and receivables	5,092,192	5,207,552
	29,566,855	29,328,561

(a) Investments at fair value through profit or loss

	Core 2015 €	Core 2014 €	Cells 2015 €	Cells 2014 €	Total 2015 €	Total 2014 €
At 31 December						
Equity securities and units in unit trusts	10,085,825	8,380,060	482,953	453,263	10,568,778	8,833,323
Debt securities – listed fixed interest rate	13,905,885	15,287,686	-	-	13,905,885	15,287,686
Total investments at fair value through profit or loss	23,991,710	23,667,746	482,953	453,263	24,474,663	24,121,009

Equity securities and units in unit trusts are classified as non-current. After the year end the Company invested €13m as seed capital in the Merill Total Return Income Fund following a transfer of existing investments held under a discretionary management agreement.

Maturity of fixed income debt securities:

	2015 €	2014 €
Within 1 year	204,910	866,343
Between 1 and 2 years	777,798	505,839
Between 2 and 5 years	3,812,233	4,458,664
Over 5 years	9,110,944	9,456,840
	13,905,885	15,287,686
Weighted average effective interest rate	4.19%	4.19%

The movements for the year are summarised as follows:

	Core 2015 €	Core 2014 €	Cells 2015 €	Cells 2014 €	Total 2015 €	Total 2014 €
Year ended 31 December						
At beginning of year	23,667,746	21,076,068	453,263	421,970	24,121,009	21,498,038
Additions	8,352,839	12,382,223	-	-	8,352,839	12,382,223
Disposals	(9,893,811)	(11,113,114)	-	-	(9,893,811)	(11,113,114)
Fair value gains	1,864,936	1,322,569	-	-	1,864,936	1,322,569
Other movements	-	-	29,690	31,293	29,690	31,293
At end of year	23,991,710	23,667,746	482,953	453,263	24,474,663	24,121,009
As at 31 December						
Cost	21,178,801	21,659,796	429,640	429,640	21,608,441	22,089,436
Accumulated net fair value gains	2,812,909	2,007,950	53,313	23,623	2,866,222	2,031,573
	23,991,710	23,667,746	482,953	453,263	24,474,663	24,121,009

16. Investments - continued

(b) Loans and receivables

	2015 €	2014 €
At 31 December		
Deposits with banks or financial institutions (i)	830,854	849,844
Discounted securities (ii)	4,215,297	4,296,869
Loan to subsidiary company (iii)	46,041	60,839
	5,092,192	5,207,552

(i) Deposits with banks or financial institutions

	Core 2015 €	Core 2014 €	Cells 2015 €	Cells 2014 €	Total 2015 €	Total 2014 €
Within 3 months	350,000	-	480,854	849,844	830,854	849,844

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

	2015 €	2014 €
At fixed rates	830,854	849,844
Weighted average effective interest rate	0.1%	0.1%

(ii) Discounted securities

These consist of discounted securities issued by related parties which are not subject to interest, were issued at a discount and are redeemable at par upon maturity. No guarantees have been given or received in respect of these notes and the amounts outstanding will be settled in cash.

Details for their redemption dates and values and effective interest rates are as follows:

As at 31 December 2015	Original note value	Redemption date	Redemption value	Effective interest rate %	Value in Balance Sheet €
Redemption period calculated from the balance sheet date:					
Within one year					
Cell 1	GBP2,832,510	15/01/2016	GBP2,836,400	0.13	3,673,489
Cell 2	GBP390,878	31/12/2015	GBP397,660	1.71	541,808
					4,215,297

As at 31 December 2014	Original note value	Redemption date	Redemption value	Effective interest rate %	Value in Balance Sheet €
Redemption period calculated from the balance sheet date:					
Within one year					
Cell 1	GBP3,120,954	15/01/2015	GBP3,124,869	0.13	3,795,860
Cell 2	GBP385,000	1/02/2015	GBP390,878	1.50	501,009
					4,296,869

(iii) Loan to subsidiary company

The loan to subsidiary company is classified as non-current. The amount is stated net of a provision for impairment of €175,183 (2014: €175,183).

17. Deferred taxation

	2015 €	2014 €
Year ended 31 December		
At beginning of year	(859,785)	(335,677)
Charged to other comprehensive income (Note 21)	3,840	(37,035)
Charged to profit and loss account (Note 9)	(402,836)	(487,073)
At end of year	(1,258,781)	(859,785)

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

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2014: 35%) with the exception of investment property and freehold and other property, for which deferred taxes are calculated using a tax rate of 8% or 10% of the carrying amount (2014: 12%) depending on acquisition dates.

The balance at 31 December represents temporary differences on:

	2015 €	2014 €
Revaluation of land and buildings	(120,036)	(124,128)
Temporary differences on:		
- Financial investments at fair value through profit or loss	(975,317)	(667,087)
- Fixed assets	(187,886)	(93,028)
- Provisions	24,458	24,458
	(1,258,781)	(859,785)

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

18. Deferred acquisition costs

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Year ended 31 December						
At beginning of year	731,220	654,085	119,334	108,263	850,554	762,348
Net amount credited to profit and loss account (Note 5)	18,488	77,135	100,484	3,779	118,972	80,914
Exchange differences resulting from translation to presentation currency	-	-	8,344	7,292	8,344	7,292
At end of year	749,708	731,220	228,162	119,334	977,870	850,554
Current portion	749,708	731,220	228,162	119,334	977,870	850,554

19. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Debtors arising from direct Insurance operations						
Due from policyholders	1,756,743	1,248,896	-	-	1,756,743	1,248,896
Due from agents, brokers and intermediaries	1,662,940	2,315,524	-	-	1,662,940	2,315,524
Due from reinsurers	-	9,975	-	-	-	9,975
	3,419,683	3,574,395	-	-	3,419,683	3,574,395
Other debtors						
Receivable from parent	88,648	78,011	-	-	88,648	78,011
Receivable from subsidiaries	150,912	199,739	-	-	150,912	199,739
Receivable from fellow subsidiaries	170,898	117,314	-	-	170,898	117,314
Receivable from related parties	225	14,964	4,167,053	4,821,271	4,167,278	4,836,235
Amounts owed by directors/ shareholders	488	-	-	-	488	-
Other debtors	192,478	149,694	682,564	1,243,237	875,042	1,392,931
	603,649	559,722	4,849,617	6,064,508	5,453,266	6,624,230
Prepayments and accrued income						
Prepayments	84,659	105,545	138,431	30,711	223,090	136,256
Accrued interest	204,375	212,324	-	-	204,375	212,324
	289,034	317,869	138,431	30,711	427,465	348,580
Total debtors and prepayments and accrued income	4,312,366	4,451,986	4,988,048	6,095,219	9,300,414	10,547,205
Current portion	4,312,366	4,451,986	4,988,048	6,095,219	9,300,414	10,547,205

Core debtors are presented net of an allowance for impairment of €69,881 (2014: €69,881). As at 31 December 2015, total debtors amounting to €3,013,427 (2014: €3,168,735) were fully performing, whereas debtors amounting to €1,009,905 (2014: €965,382) 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:

	2015 €	2014 €
Up to 3 months	664,562	540,404
3 to 9 months	274,174	421,512
More than 9 months	71,169	3,466
	1,009,905	965,382

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

20. Share capital

	2015 €	2014 €
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
6,000,000 (2014: 3,000,000) cell shares of €2.50 each	15,000,000	7,500,000
	27,500,000	20,000,000
Core		
Issued and fully paid up share capital:		
3,276,200 'A' ordinary voting shares of €2.50 each	8,190,500	8,190,500
3,000 'B' cumulative preference shares of €2.50 each	7,500	7,500
	8,198,000	8,198,000
Cells		
Cell 1		
Issued and 100% paid up share capital: 1,466,240 (2014: 663,600) cell shares	3,665,600	1,659,000
Cell 2		
Issued and 80% paid up share capital: 155,000 cell shares	310,000	310,000
Cell 4		
Issued and 50% (2014: 85.5%) paid up share capital: 1,121,377 (2014: 503,980) cell shares	1,401,721	1,077,257
Cell 6		
Issued and 100% paid up share capital: nil (2014: 49,500) cell shares	-	123,750
Cell 7		
Issued and 67.5% paid up share capital: 401,815 (2014: 320,000) cell shares	678,063	540,000
Cell 8		
Issued and 44.5% paid up share capital: 900,000 cell shares	1,000,125	1,000,125
Cell 9		
Issued and 55% paid up share capital: 328,000 cell shares	451,000	-
Cell 10		
Issued and 100% paid up share capital: 240,000 cell shares	600,000	-
	8,106,509	4,710,132
Total share capital	16,304,509	12,908,132

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

On 10 November 2015 the cell shares were converted from non-participating redeemable preference shares to non-participating ordinary shares.

In terms of resolution dated 14 April 2015, the authorised share capital of the Company was increased to €27,500,000 in the form of an additional 3,000,000 cell shares of €2.50 each.

In terms of a resolution dated 18 December 2015, the shareholders of the Company resolved to redenominate the 503,980 cell shares of €2.50 each 85.5% paid up to 861,806 cell shares of €2.50 each 50% fully paid up by the issue of a further 357,826 cell shares of €2.50 each 50% paid up in relation to Cell 4.

In terms of a resolution dated 22 September 2015, the issued share capital of the Company was increased by 4,000 cell shares of €2.50 each fully paid up in relation to Cell 6. Following the closure and winding up of Cell 6 in terms of an extraordinary resolution dated 25 September 2015, the issued share capital was reduced by the cancellation of 53,500 cell shares of €2.50 each, fully paid up. Such cancellation became effective on 29 December 2015.

During the year, the shareholders of the various cells resolved the following resolutions relating to increases in cell shares:

20. Shared capital - continued

Cell	Resolution date	Nature of increase	Nominal value	Paid up
Cell 1	18 December 2015	Issue of 390,460 cell shares	€2.50	Fully paid up
Cell 4	14 April 2015	Issue of 412,000 cell shares	€2.50	Fully paid up
Cell 4	18 December 2015	Issue of 259,571 cell shares	€2.50	50% paid up
Cell 7	18 December 2015	Issue of 81,815 cell shares	€2.50	67.5% paid up
Cell 9	29 September 2015	Issue of 328,000 cell shares	€2.50	55% paid up
Cell 10	18 November 2015	Issue of 240,000 cell shares	€2.50	Fully paid up

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

21. Reserves

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Revaluation reserve	775,666	771,826	-	-	775,666	771,826
Functional currency exchange reserve	-	-	885,433	499,157	885,433	499,157
General reserve	201,542	201,542	-	-	201,542	201,542
Total other reserves	977,208	973,368	885,433	499,157	1,862,641	1,472,525

Revaluation reserve	Core	
	2015 €	2014 €
Year ended 31 December		
At beginning of year	771,826	696,883
Revaluation increase on land and buildings (Note 13)	-	111,978
Movement in deferred tax relating to property, plant and equipment (Note 17)	3,840	(37,035)
At end of year	775,666	771,826

Functional currency exchange reserve	Cells	
	2015 €	2014 €
Year ended 31 December		
At beginning of year	499,157	85,074
Exchange differences resulting from translation to presentation currency	386,276	414,083
At end of year	885,433	499,157

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

21. Reserves - continued

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.

The directors consider other reserves to be non-distributable.

Profit and loss account

	2015 €	2014 €
Core	12,962,534	11,613,084
Cells		
Cell 1	501,183	2,354,348
Cell 2	413,806	407,594
Cell 4	471,219	222,464
Cell 6	-	(100,413)
Cell 7	240,308	138,063
Cell 8	48,450	(5,078)
Cell 9	(34,704)	-
Cell 10	(21,906)	-
	1,618,356	3,016,978
Total profit and loss account	14,580,890	14,630,062

The profit and loss account balance represents the amount available for dividend distribution to the respective shareholders, except any amount that is not distributable in terms of the solvency capital requirements under the Insurance Business (Assets and Liabilities), Regulations 2007 and any amount that is not distributable under the Maltese Companies Act, 1995, as it represents unrealised profits.

22. Technical provisions and reinsurance assets

	Core		Cells		Total	
Gross technical provisions	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Claims reported and loss adjustment expenses	12,407,684	11,483,839	16,757,593	9,219,280	29,165,277	20,703,119
Claims incurred but not reported	1,115,371	1,296,570	3,072,378	1,731,862	4,187,749	3,028,432
Unearned premiums	9,379,147	8,487,478	5,135,680	3,499,498	14,514,827	11,986,976
Total insurance liabilities, gross	22,902,202	21,267,887	24,965,651	14,450,640	47,867,853	35,718,527
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	3,570,755	3,310,096	15,107,618	7,778,628	18,678,373	11,088,724
Claims incurred but not reported	315,813	430,788	-	-	315,813	430,788
Unearned premiums	3,892,425	3,443,085	802,565	589,447	4,694,990	4,032,532
Total reinsurers' share of insurance liabilities	7,778,993	7,183,969	15,910,183	8,368,075	23,689,176	15,552,044
Net technical provisions						
Claims reported and loss adjustment expenses	8,836,929	8,173,743	1,649,975	1,440,652	10,486,904	9,614,395
Claims incurred but no reported	799,558	865,782	3,072,378	1,731,862	3,871,936	2,597,644
Unearned premiums	5,486,722	5,044,393	4,333,115	2,910,051	9,819,837	7,954,444
	15,123,209	14,083,918	9,055,468	6,082,565	24,178,677	20,166,483

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

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.

22. 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.

22. Technical provisions and reinsurance assets - continued

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

Estimate of the ultimate Gross claims costs for the Core:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	€	€	€	€	€	€	€	€	€	€	€
- at end of reporting year	9,150,864	8,047,207	7,990,595	10,233,170	10,031,590	8,302,389	9,790,944	10,344,366	11,283,117	15,231,792	100,406,03
- one year later	8,769,573	7,611,020	7,164,318	9,374,647	9,005,458	7,276,342	8,583,139	9,373,332	9,022,726		
- two years later	8,053,417	7,090,024	6,907,429	8,673,410	8,345,563	6,581,449	8,062,640	8,761,064			
- three years later	7,918,791	6,420,626	6,827,888	8,389,139	7,882,614	6,138,583	7,686,076				
- four years later	7,751,403	6,395,977	7,011,852	8,320,524	8,018,995	6,014,570					
- five years later	7,612,015	6,436,422	6,734,033	8,238,753	7,923,623						
- six years later	7,567,799	6,414,682	6,699,496	8,276,002							
- seven years later	7,548,165	6,404,881	6,777,428								
- eight years later	7,513,745	6,398,177									
- nine years later	7,626,488										
Current estimates of :											
Cumulative claims	7,626,488	6,398,177	6,777,428	8,276,002	7,923,623	6,014,570	7,686,076	8,761,064	9,022,726	15,231,792	83,717,946
Cumulative payments to date	(7,332,883)	(6,187,038)	(6,584,934)	(7,958,328)	(7,760,912)	(5,852,971)	(7,317,199)	(7,670,613)	(6,692,755)	(7,704,257)	(71,061,890)
Liability recognised in the balance sheet	293,605	211,139	192,494	317,674	162,711	161,599	368,877	1,090,451	2,329,971	7,527,535	12,656,056
Reserve in respect of prior years											866,999
Total reserve included in the balance sheet											13,523,055

Estimate of the ultimate Net claims costs for the Core:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	€	€	€	€	€	€	€	€	€	€	€
- at end of reporting year	6,684,758	5,411,727	5,738,975	6,478,050	6,736,170	6,822,148	7,278,905	8,039,367	7,768,761	9,431,033	70,389,894
- one year later	6,277,653	4,983,702	5,244,482	5,806,238	5,993,703	5,964,826	6,476,751	7,258,996	6,881,159		
- two years later	5,548,068	4,570,697	5,094,412	5,259,385	5,678,373	5,494,455	6,056,331	6,642,433			
- three years later	5,428,170	4,486,886	5,033,480	5,027,885	5,328,498	5,088,202	5,808,076				
- four years later	5,272,624	4,483,513	5,131,648	4,998,718	5,470,410	4,971,888					
- five years later	5,136,321	4,520,014	4,945,626	4,929,275	5,378,238						
- six years later	5,087,166	4,497,787	4,916,553	5,026,195							
- seven years later	5,067,222	4,487,480	4,957,882								
- eight years later	5,050,686	4,484,735									
- nine years later	5,161,701										
Current estimates of :											
Cumulative claims	5,161,701	4,484,735	4,957,882	5,026,195	5,378,238	4,971,888	5,808,076	6,642,433	6,881,159	9,431,033	58,743,340
Cumulative payments to date	(4,869,462)	(4,277,068)	(4,787,033)	(4,795,997)	(5,218,772)	(4,815,899)	(5,519,862)	(5,718,029)	(5,393,315)	(4,549,201)	(49,944,638)
Liability recognised in the balance sheet	292,249	207,667	170,849	230,198	159,466	155,989	288,214	924,404	1,487,844	4,881,832	8,798,702
Reserve in respect of prior years											837,785
Total reserve included in the balance sheet											9,636,487

22. **Technical provisions and reinsurance assets** - continued

Estimate of the ultimate Gross claims costs for the Cells:

Cells	2008	2009	2010	2011	2012	2013	2014	2015	Total
	€	€	€	€	€	€	€	€	€
- at end of reporting year	6,608	436,538	750,960	2,097,027	2,128,125	10,125,682	4,535,651	6,775,987	26,856,578
- one year later	10,596	422,616	876,294	1,921,989	1,929,797	10,664,268	4,479,656		
- two years later	10,596	422,616	655,087	1,640,648	1,938,163	18,018,955			
- three years later	10,596	422,616	676,499	1,681,901	1,747,566				
- four years later	10,596	422,616	675,860	1,636,471					
- five years later	10,596	422,616	635,644						
- six years later	10,596	422,616							
- seven years later	10,596								
Current estimates of:									
Cumulative claims	10,596	422,616	635,644	1,636,471	1,747,566	18,018,955	4,479,656	6,775,987	33,727,491
Cumulative payments to date	(10,352)	(421,954)	(668,684)	(1,790,506)	(1,815,228)	(2,776,939)	(3,690,633)	(3,705,048)	(14,879,344)
Other movements	(244)	(662)	33,040	267,824	210,822	209,643	166,893	94,508	981,824
Liability recognised in the balance sheet	-	-	-	113,789	143,160	15,451,659	955,916	3,165,447	19,829,971

Estimate of the ultimate Net claims costs for the Cells:

Cells	2008	2009	2010	2011	2012	2013	2014	2015	Total
	€	€	€	€	€	€	€	€	€
- at end of reporting year	6,608	436,538	750,960	2,097,027	2,128,125	2,895,624	4,536,006	6,775,987	19,626,875
- one year later	10,596	422,616	876,294	1,921,989	1,929,797	2,886,026	4,479,656		
- two years later	10,596	422,616	655,087	1,640,648	1,938,399	2,596,706			
- three years later	10,596	422,616	676,499	1,681,934	1,747,566				
- four years later	10,596	422,616	675,860	1,636,471					
- five years later	10,596	422,616	635,644						
- six years later	10,596	422,616							
- seven years later	10,596								
Current estimates of:									
Cumulative claims	10,596	422,616	635,644	1,636,471	1,747,566	2,596,706	4,479,656	6,775,987	18,305,242
Cumulative payments to date	(10,352)	(421,954)	(668,684)	(1,790,506)	(1,815,228)	(2,462,304)	(3,690,633)	(3,705,048)	(14,564,709)
Other movements	(244)	(662)	33,040	267,824	210,822	209,643	166,893	94,504	981,820
Liability recognised in the balance sheet	-	-	-	113,789	143,160	344,045	955,916	3,165,443	4,722,353

(a) Claims and loss adjustment expenses - Core

	Year ended 31 December 2015			Year ended 31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	11,483,839	(3,310,096)	8,173,743	9,591,091	(1,865,842)	7,725,249
Incurred but not reported	1,296,570	(430,788)	865,782	1,045,743	(205,688)	840,055
Total at beginning of year	12,780,409	(3,740,884)	9,039,525	10,636,834	(2,071,530)	8,565,304
Increase in liabilities:						
- arising from current year claims	15,231,792	(5,800,759)	9,431,033	11,283,117	(3,514,356)	7,768,761
- arising from prior year claims	(3,141,117)	1,537,333	(1,603,784)	(2,047,078)	379,742	(1,667,336)
Claims settled during the year	(11,348,029)	4,117,742	(7,230,287)	(7,092,464)	1,465,260	(5,627,204)
Total at end of year	13,523,055	(3,886,568)	9,636,487	12,780,409	(3,740,884)	9,039,525
Notified claims still outstanding	12,407,684	(3,570,755)	8,836,929	11,483,839	(3,310,096)	8,173,743
Incurred but not reported	1,115,371	(315,813)	799,558	1,296,570	(430,788)	865,782
Total at end of year	13,523,055	(3,886,568)	9,636,487	12,780,409	(3,740,884)	9,039,525

22. **Technical provisions and reinsurance assets** - continued

(a) Claims and loss adjustment expenses - Cells

	Year ended 31 December 2015			Year ended 31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
Notified claims still outstanding	9,219,280	(7,778,628)	1,440,652	8,282,577	(7,293,161)	989,416
Incurred but not reported	1,731,862	-	1,731,862	1,130,690	-	1,130,690
Total at beginning of year	10,951,142	(7,778,628)	3,172,514	9,413,267	(7,293,161)	2,120,106
Increase in liabilities:						
- arising from current year claims	6,775,987	-	6,775,987	4,535,651	355	4,536,006
- arising from prior year claims	7,347,506	(7,329,372)	(306,923)	588,132	(547,915)	40,217
Claims settled during the year	(5,374,787)	314,635	(5,060,152)	(3,642,301)	-	(3,642,301)
Other movements	455,018	(314,253)	140,927	56,393	62,093	118,486
Total at end of year	19,829,971	(15,107,618)	4,722,353	10,951,142	(7,778,628)	3,172,514
Notified claims still outstanding	16,757,593	(15,107,618)	1,649,975	9,219,280	(7,778,628)	1,440,652
Incurred but not reported	3,072,378	-	3,072,378	1,731,862	-	1,731,862
Total at end of year	19,829,971	(15,107,618)	4,722,353	10,951,142	(7,778,628)	3,172,514

(b) Gross and Net unearned premiums - Core

	Year ended 31 December 2015			Year ended 31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	8,487,478	(3,443,085)	5,044,393	7,660,724	(2,803,838)	4,856,886
Net charge/(credit) to profit and loss	891,669	(449,340)	442,329	826,754	(639,247)	187,507
At end of year	9,379,147	(3,892,425)	5,486,722	8,487,478	(3,443,085)	5,044,393

(b) Gross and Net unearned premiums - Cells

	Year ended 31 December 2015			Year ended 31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€	€	€	€	€	€
At beginning of year	3,499,498	(589,447)	2,910,051	2,237,789	(387,805)	1,849,984
Net charge/(credit) to profit and loss	1,358,109	(164,333)	1,193,776	1,168,769	(186,903)	981,866
Other movements	278,073	(48,785)	229,288	92,940	(14,739)	78,201
At end of year	5,135,680	(802,565)	4,333,115	3,499,498	(589,447)	2,910,051

23. Borrowings

	2015	2014
	€	€
Bank balance overdrawn (Note 26)	6,337	5,771

The Company has the following undrawn borrowing facilities:

	2015	2014
	€	€
Floating rate and expiring within one year	964,933	464,933

24. Creditors, accruals and deferred income

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Creditors arising out of direct insurance operations						
Trade creditors	1,102,715	972,280	440,790	592,161	1,543,505	1,564,441
Payable to reinsurers	963,205	956,650	794,501	-	1,757,706	956,650
	2,065,920	1,928,930	1,235,291	592,161	3,301,211	2,521,091
Creditors arising out of reinsurance operations	-	-	150,965	749,863	150,965	749,863
Other creditors						
Payable to related parties	39,977	68,795	957,688	751,577	997,665	820,372
Other creditors	88,260	67,014	-	-	88,260	67,014
	128,237	135,809	957,688	751,577	1,085,925	887,386
Accruals and deferred income	1,982,230	1,848,001	155,203	138,714	2,137,433	1,986,715
Total creditors and accruals and deferred income	4,176,387	3,912,740	2,499,147	2,232,315	6,675,534	6,145,055
Current portion	4,176,387	3,912,740	2,499,147	2,232,315	6,675,534	6,145,055

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

25. Cash generated from operations

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Insurance premiums received	22,272,469	20,105,424	22,706,228	20,055,738	44,978,697	40,161,162
Reinsurance premiums paid	(9,279,756)	(7,918,253)	(963,626)	(728,736)	(10,243,382)	(8,646,989)
Claims paid	(12,154,055)	(7,785,406)	(5,374,787)	(3,642,301)	(17,528,842)	(11,427,707)
Reinsurance claims received	4,117,742	1,465,260	314,635	-	4,432,377	1,465,260
Commission and other income	3,535,653	3,386,233	16,490	(42,749)	3,552,143	3,343,484
Cash paid to employees, related parties and other suppliers for services and goods	(5,955,874)	(6,017,172)	(11,724,153)	(13,213,449)	(17,680,027)	(19,230,621)
Interest received	654,712	612,222	77,696	53,037	732,408	665,259
Dividends received	549,880	464,027	-	-	549,880	464,027
Rental Income	105,207	112,675	-	-	105,207	112,675
Net (purchase)/disposal of operating assets:						
- loans and receivables	(335,202)	149,151	420,873	(1,408,869)	85,671	(1,259,718)
- financial assets at fair value through profit or loss	1,540,973	(1,269,109)	-	-	1,540,973	(1,269,109)
Cash generated from operations	5,051,749	3,305,052	5,473,356	1,072,671	10,525,105	4,377,723

26. Cash and cash equivalents

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

	Core		Cells		Total	
	2015 €	2014 €	2015 €	2014 €	2015 €	2014 €
Cash at bank and in hand	1,610,806	1,339,809	13,187,248	6,484,542	14,798,054	7,824,351
Held with investment managers	3,449,616	1,480,027	-	-	3,449,616	1,480,027
Bank balance overdrawn	(6,337)	(5,771)	-	-	(6,337)	(5,771)
At end of year	5,054,085	2,814,065	13,187,248	6,484,542	18,241,333	9,298,607

The weighted average interest rate on interest bearing bank balances as at year-end was 0.04% p.a. (2014: 0.08% p.a.). Included in cash at bank and in hand is an amount of €55,608 (2014: €55,608) which is pledged as guarantees to third parties.

27. Related party transactions

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

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

	2015 €	2014 €
Income		
Fellow subsidiaries:		
Payroll costs charged	37,020	37,779
Subsidiaries:		
Payroll costs charged	181,316	213,238
Other related entities:		
Payroll costs charged	20,626	32,905

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

	2015 €	2014 €
Expenditure		
Fellow subsidiaries:		
Commissions	55,797	61,962
Other related entities:		
Management fees	103,632	89,339

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

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

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

28. Capital management

The Company's objectives when managing capital are:

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

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

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

As at 31 December the Company's admissible assets covering the core operation and the cellular operations were calculated by the directors to be €85.3m (2014: €71.2m). The capital of the Company has been maintained in excess of regulatory requirements at all times during both 2015 and 2014.

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

Liabilities arising from cell operations

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

(a) the cellular assets attributable to that cell shall be primarily used to satisfy the liability;
(b) the Company's core assets shall be secondarily used to satisfy the liability, provided that the cellular assets attributable to the relevant cell have been exhausted; and
(c) any cellular assets not attributable to the relevant cell shall not be used to satisfy the liability.

The Company has taken the following safeguards in this respect:

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

(b) in the event that the Cellular Assets of the Cell are exhausted, the Cell Owner agrees to indemnify the Company for any assets paid or otherwise transferred to creditors of the Cell asset of the non-cellular assets of the Company.

29. Operating lease commitments

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

29. Operating lease commitments - continued

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

	2015	2014
	€	€
Not later than 1 year	**62,203**	79,431
Later than 1 year and not later than 5 years	**191,506**	211,789
Later than 5 years	**167,501**	210,565
	421,210	501,785

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €82,708 (2014: €77,373) were recognised as an operating expense in profit or loss.

30. Statutory information

Atlas Insurance PCC Limited is a limited liability company and is incorporated in Malta. The immediate and ultimate parent company of Atlas Insurance PCC Limited is Atlas Holdings Limited, a company registered in Malta, with its registered address at 48-50, Ta' Xbiex Seafront, Ta' Xbiex, which prepares consolidated financial statements.

31. Comparative information

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

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