GlobalCapital plc

Annual Report & Financial Statements

2011

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Nicholas Ashford-Hodges
Chairman

Chairman's Statement
Stqarrija taċ-Chairman

GlobalCapital's performance for 2011 reflects the uncertain economic environment in which we operated, following the macroeconomic shocks of the previous financial year and the business challenges that accompanied them. The overall operating environment improved marginally towards the end of the year as economic growth began to recover in some markets, though Southern Europe remained weak. As investors stuck to the perceived safest asset classes we experienced restrained investment demand and there was weakness in all the main asset classes to which the Company is exposed - property and bonds as well as equities.

Within that context, the loss of €4.2M for 2011, whilst disappointing, is an overall improvement over the loss of €8.25M for 2010. The results primarily reflect continuing depressed performance in the group's investment portfolios, mitigated by key operational improvement measures taken.

BUSINESS FUNDAMENTALS

The drive to develop new products and expand the front office capabilities together with the restructuring of management and continued cost rationalisation have started to bear fruit. The most significant changes have been made in the life insurance business. The impact of these actions will however

Il-prestazzjoni ta' GlobalCapital fl-2011 tirrifletti l-ambjent ekonomiku inċert li ħdimna fih wara t-theżżiżiet makroekonomiċi tas-sena finanzjarja preċedenti u l-isfidi kummerċjali li dawn ġabu magħhom. Il-qagħda ġenerali ta' l-operat tjiebet marġinalment lejn l-aħħar tas-sena wara li t-tkabbir ekonomiku beda jirkupra f'xi swieq, għalkemm fin-nofsinhar ta' l-Ewropa s-sitwazzjoni baqgħet waħda dgħajfa. Hekk kif l-investituri baqgħu marbutin ma' dawk li jitqiesu bħala l-klassijiet ta' l-assi l-aktar protetti, rajna trażżin fid-domanda għall-investiment u dgħjufija fil-klassijiet ta' l-assi ewlenin kollha li l-Kumpanija hija esposta għalihom - propjetà u bonds kif ukoll ishma.

F'dan il-kuntest, it-telf ta' €4.2 miljuni fl-2011, għalkemm diżappuntanti, juri titjib ġenerali fuq it-telf ta' €8.25 miljuni fl-2010. Ir-riżultati jirriflettu, qabel kollox, l-prestazzjoni tal-portafolji ta' l-investiment tal-grupp, li baqgħet waħda ħażina iżda li xorta ġiet immitigata mill-miżuri ta' titjib fl-operat li ttieħdu.

PRINĊIPJI FUNDAMENTALI TAN-NEGOZJU

L-isforzi biex jiġu żviluppati prodotti ġodda u jiżdiedu l-ħiliet ta' front office flimkien mar-ristrutturar tal-maniġment u r-razzjonalizzazzjoni ta' l-ispiża bdew jagħtu l-frott. L-aktar bidliet importanti seħħew fil-qasam ta' l-assigurazzjoni fuq il-ħajja. Madankollu, l-impatt ta' dawn l-inizjattivi jeħtieġ iż-żmien biex take time to flow through to operating results, as improving sales performance causes what is known as 'front end strain', where the cost of acquiring new business which will deliver recurring cashflows in the years ahead is borne up front. This is effectively an investment in the future and, on a cumulative basis, the VIF (Value of In-Force business) is expected to become notably more significant and a major contributor to the financial performance of the Company,in line with accelerating growth of the recurring premium portfolio and reduced emphasis on single premium products. The API (Annualised Premium Income) of new regular premium written increased from €424,000 in 2010 to €889,000 in 2011 and the number of qualified sales representatives rose from 15 in 2010 to 28 by the end of 2011. Emphasis on growth of the sales force and product diversification will continue in 2012.

The weaknesses in the international financial markets were reflected in the local stock market with the MSE Index falling almost 18% over the course of the year. A net €781,000 was recognised in fair value losses in 2011 compared to a net gain of €622,000 in 2010. It is hoped that these paper losses will be reversed in the near to medium term as market fundamentals and local equity valuations improve. The Company through its investment committee will continue to adopt a cautious approach in its investment strategy.

A similar pattern of depressed demand was experienced in the Group's foreign property portfolio. We have taken measures as announced in 2011 to dispose of all the overseas properties owned by the Group. The disposal process is however lengthy given the market conditions. The results reflect a further write down of the valuation of the baronial castle near Rome following a re-assessment of the property's value by the directors.

The local property portfolio continues to deliver strong value and is an important component of the asset base of the life insurance business. Most of the properties in the portfolio are rented, providing attractive yields of 7.43% to cost and 6.23% to market value, at an occupancy rate above 80%.

The Group registered encouraging results from GlobalCapital Health Insurance Agency. The relationship with Bupa International is a very positive one which has led to an enhancement in our agency arrangements. The investment services and insurance broking arms had a challenging year

jibda jinħass fir-riżultati ta' l-operat, hekk kif it-titjib fil-prestazzjoni tal-bejgħ jikkawża dak li huwa magħruf bħala 'front end strain', fejn l-ispiża biex jinbeda negozju ġdid li għandu jagħti fluss finanzjarju rikorrenti fil-ġejjieni ssir fil-bidu. Dan huwa filfatt investiment fil-futur u, fuq bażi kumulattiva, in-negozju VIF (Value of In-Force) huwa mistenni li jikber notevolment u jsir kontributur ewlieni tal-prestazzjoni finanzjarja tal-Kumpanija, paripassu maż-żieda fit-tkabbir tal-portafoll ta' primjums rikorrenti u t-tnaqqis fl-enfażi fuq prodotti bi primjum ta' darba. L-API (Annualised Premium Income) minn primjums regolari ġodda li nbdew żdied minn €424,000 fl-2010 għal €889,000 fl-2011 u n-numru ta' rappreżentanti tal-bejgħ kwalifikati żdied minn ħmistax fl-2010 għal tmienja u għoxrin sa tmiem l-2011. L-enfażi fuq it-tkabbir fin-numru ta' impjegati tal-bejgħ u fuq id-diversifikazzjoni tal-prodotti se tkompli matul l-2012.

Id-dgħjufija fis-swieq finanzjarji internazzjonali kienet riflessa fis-suq ta' l-ishma lokali, bl-indiċi tal-Borża ta' Malta jinżel bi kważi 18% matul is-sena li għaddiet. Fl-2011, ekwu mhux realizzat kien ta' €781,000, meta mqabbel ma' qligħ nett ta' €622,000 fl-2010. Huwa ttamat li dan it-telf jiġi rkuprat fuq terminu ta' żmien qasir sa medju, hekk kif jitjiebu kemm is-suq kif ukoll il-valutazzjonijiet ta' l-ishma lokali. Il-Kumpanija, permezz tal-kumitat ta' l-investiment tagħha, se tibqa' kawta fl-istrateġija ta' l-investiment tagħha.

Rajna mudell simili ta' tnaqqis fid-domanda fil-portafoll tal-propjetà barranija tal-Grupp. Kif ħabbarna fl-2011, ħadna miżuri biex niddisponu mill-propjetajiet kollha tal-Grupp barra minn Malta. Madankollu, fil-kundizzjonijiet tas-suq ta' bħalissa, dan il-proċess ta' disponiment huwa wieħed twil. Ir-riżultati jirriflettu wkoll it-tnaqqis fil-valur tal-kastell barunali biswit Ruma, wara r-rievalwazzjoni tal-valur tal-propjetà mid-diretturi.

Il-portafoll tal-propjetà lokali għadu qed jagħti valur qawwi u huwa element importanti tal-bażi ta' l-assi tan-negozju ta' l-assigurazzjoni fuq il-ħajja. Il-biċċa l-kbira tal-propjetajiet f'dan il-portafoll qed jinkrew u dan qed jipprovdi dħul attraenti ta' 7.43% fuq l-ispiża u 6.23% fuq il-valur tas-suq, b'rata ta' okkupanza ogħla minn 80%.

Il-Grupp irreġistra riżultati nkoraġġanti minn GlobalCapital Health Insurance Agency. Ir-relazzjoni ma' Bupa International hija waħda pożittiva ħafna u wasslet għat-tisħiħ ta' l-arranġamenti ta' aġenzija tagħna. Is-servizzi ta' l-investiment u t-taqsima tal-broking ta' l-assigurazzjoni kellhom sena diffiċli u ntlaqtu minn swieq volatili u kompetizzjoni qalila. Dawn iż-żewġ linji tan-negozju għandhom

affected by volatile markets and fierce competition. Both these lines of business require added stimulus to return them to profitability, and their turnaround is a key performance measure for management during 2012.

Expense management remains a focal point of the strategy of the Company with the overall cost base reduced to €6.59 million in 2011 from €8.37 million in 2010. Further cost efficiencies are planned in 2012.

LOOKING AHEAD

As the recovery picks up, we are now better placed to grow and to achieve our imperative goal of returning GlobalCapital to profitability.

Our priorities are clear. We have a long term plan and it needs to be effectively executed. The Board will concentrate on an enabling culture so our executive team can drive this strategy forward. We also remain very mindful of the obligations that new regulations such as Solvency II will have on the Company. The Board is consistently monitoring the capital and liquidity levels of the Company to ensure that appropriate action is taken if and when necessary.

In difficult times, our core values of Trust, Reward, Peace of Mind and Wealth, matter more than ever to our customers. These values remain at the heart of our strategy.

We saw some changes in the composition of the Board following the AGM in June 2011 and I would like to take this opportunity to express our appreciation to the outgoing Directors, Dr Andrew Borg Cardona and Mr James Blake for their many years of valued service to the Company.

My gratitude and sincere appreciation for their efforts and diligence goes to all the continuing Directors of the various Boards of the Group, the management team and all members of staff. I would also like to thank all the stakeholders, shareholders and bondholders for their ongoing support.

Nicholas Ashford-Hodges
Chairman

bżonn ta' stimulu aktar qawwi biex jerġgħu lura għall-profittibiltà, u għall-maniġment bidla pożittiva bħal din hija kejl ewlieni tal-prestazzjoni matul l-2012.

Il-kontroll ta' l-ispiża jibqa' punt ewlieni fl-istrateġija tal-Kumpanija, wara li fl-2011 l-ispiża globali tnaqqset għal €6.9 miljuni minn €8.37 miljuni fl-2010. Aktar effiċjenza fl-ispiża hija ppjanata għal matul l-2012.

INĦARSU 'L QUDDIEM

Hekk kif beda jitħaffef il-pass ta' l-irkupru, aħna ninsabu f'qagħda aħjar biex nikbru u nilħqu l-għan ewlieni tagħna li nreġġgħu lil GlobalCapital għal profittibiltà.

Il-prijoritajiet tagħna huma ċari. Għandna pjan fit-tul u dan irid jiġi eżegwit b'mod effettiv. Il-Bord se jikkonċentra fuq kultura li toħloq possibiltajiet sabiex it-tim eżekuttiv tagħna jkun jista' jmexxi din l-istrateġija 'l quddiem. Nibqgħu wkoll konsapevoli ta' l-obbligi li regolamenti ġodda bħal Solvency II se jimponu fuq il-Kumpanija. Il-Bord qiegħed kontinwament iżomm għajnejh fuq il-livelli tal-kapital u tal-likwidità tal-Kumpanija biex jiżgura li tittieħed azzjoni xierqa jekk u meta dan ikun meħtieġ.

Fi żminijiet diffiċli, il-valuri bażiċi tagħna ta' Fiduċja, Rikonoxximent, Serħan il-Moħħ u Ġid huma importanti aktar minn qatt qabel għall-klijenti tagħna. Dawn il-valuri jibqgħu fil-qalba ta' l-istrateġija tagħna.

Kellna xi bidliet fil-kompożizzjoni tal-Bord wara l-LĠA ta' Ġunju 2011, u nixtieq nieħu din l-opportunità biex nesprimi l-apprezzament tiegħi lejn id-Diretturi uxxenti, Dott. Andrew Borg Cardona u s-Sur James Blake, għall-ħafna snin ta' servizz siewi li taw lill-Kumpanija.

Il-ħajr u l-apprezzament sinċier tiegħi jmur lid-Diretturi li għadhom iservu fuq id-diversi bordijiet tal-Grupp, lit-tim maniġerjali u lill-impjegati kollha għall-isforzi u l-għaqal tagħhom. Nixtieq inrodd ħajr ukoll lil dawk kollha li jagħtu s-sehem tagħhom u lill-azzjonisti kollha għall-appoġġ kontinwu tagħhom.

“We are positioned to differentiate ourselves by providing quality services and products. We are implementing new rules of engagement with our clients to continue to earn their confidence and trust by acting in their best interests.

Ninsabu f'qagħda fejn nistgħu niddistingwu lilna nfusna billi nipprovdu servizzi u prodotti ta' kwalità. Qed nimplimentaw regoli ġodda għar-relazzjonijiet mal-klijenti biex b'hekk inkomplu niksbu l-fiduċja tagħhom billi naħdmu fl-aħjar interess tagħhom.”

Bashar Khatib
Chief Executive Officer

Chief Executive Officer's Review
Rapport tal-Kap Eżekuttiv

The past twelve months marked another year of uncertainty and challenges in the local and international financial and property markets. While global financial markets have fluctuated throughout the year and ended up mixed, property markets continued to be either flat or declining depending on the specific markets.

On the other hand Malta's financial markets declined almost 18% in 2011 on the back of a decline of 13% in 2010, while property markets slowed down considerably in both rental and sales areas due to excess offerings in the commercial and residential sectors.

The debt crisis in Europe and the slowdown in the USA continued to dominate the financial news creating doubts about the soundness of the financial markets and their instruments. This was apparent in investors' movement towards conservatism in investment and spending.

FINANCIAL RESULTS 2011

GlobalCapital results in 2011 registered a loss of €4.3 million compared to a loss of €8.25 million in 2010. The decline in the local financial markets impacted our results heavily as our assets are mostly invested in the local bond, equity and property markets. Our equity investments suffered losses of €705,272 while our property values suffered a decline of €737,000 due to special property impairment. Cash losses declined by over 20% compared to the prior year, from €2.6 million to €2 million.

Our total assets were impacted negatively as they declined from €98 million to €94 million. The Company's position is a reflection of the ongoing environment in the financial and property sectors. We continue to be diligent and monitor the markets in order to optimize return on capital and investment assets to both shareholders and clients.

RE-BUILDING

Year 2011 witnessed a drive to restructure various lines of business and streamline revenues and expenses accordingly. We grew our distribution capabilities in GlobalCapital Life Insurance

L-aħħar tnax-il xahar immarkaw sena oħra ta' inċertezza u sfidi fis-swieq finanzjarji u tal-propjetà f'Malta u madwar id-dinja. Filwaqt li s-swieq finanzjarji internazzjonali esperjenzaw ċaqliq matul is-sena kollha u spiċċaw b'riżultati mħallta, is-swieq tal-propjetà komplew mingħajr ċaqliq jew inkella rreġistraw tnaqqis, skont is-swieq partikolari.

Min-naħa l-oħra, matul l-2011 is-swieq finanzjarji f'Malta raw tnaqqis ta' kważi 18%, wara t-tnaqqis ta' 13% fl-2010, waqt li s-swieq tal-propjetà komplew jistagħnaw kemm fil-qasam tal-kiri kif ukoll f'dak tal-bejgħ minħabba offerta eċċessiva fis-setturi kummerċjali u residenzjali.

Il-kriżi tad-dejn fl-Ewropa u l-istaġnar fl-Istati Uniti komplew jiddominaw l-aħbarijiet finanzjarji u joħolqu dubji dwar is-saħħa tas-swieq finanzjarji u l-istrumenti tagħhom. Dan deher biċ-ċar fid-direzzjoni konservattiva li ħadu l-investituri fl-investiment u fin-nefqa tagħhom.

RIŻULTATI FINANZJARJI 2011

Ir-riżultati ta' GlobalCapital għall-2011 juru telf ta' €4.3 miljuni meta mqabbel ma' telf ta' €8.25 miljuni fl-2010. Il-waqgħa fis-swieq finanzjarji Maltin ħalliet impatt qawwi fuq ir-riżultati tagħna minħabba li l-assi tagħna huma investiti l-aktar fis-swieq tal-bonds, l-ishma u l-propjetà lokali. L-investimenti tagħna f'ishma sofrew telf ta' €705,272 filwaqt li l-valur tal-propjetà tagħna ra tnaqqis ta' €737,000 minħabba l-isvalutar ta' propjetà speċjali. It-telf monetarju naqas b'aktar minn 20% meta mqabbel mas-sena ta' qabel, minn €2.6 miljuni fl-2010 għal €2 miljuni.

L-assi totali tagħna sofrew impatt negattiv hekk kif naqsu minn €98 miljun għal €94 miljuni. Il-qagħda tal-Kumpanija tirrifletti l-andament kontinwu fis-setturi finanzjarji u tal-propjetà. Aħna nkomplu mexjin bl-għaqal u nkomplu nżommu għajnejna fuq is-swieq sabiex nagħtu l-aħjar renditu fuq assi kapitali u assi ta' l-investiment kemm lill-azzjonisti kif ukoll lill-klijenti.

NIBNU MILL-ĠDID

Is-sena 2011 rat sforz sabiex jiġu ristrutturati diversi linji kummerċjali u biex dan iwassal għal titjib fid-dħul u kontroll ta' l-ispiża. Kabbarna

(GCLI) doubling our sales force and establishing a clearly structured career path. We re-engineered some of our products to deliver better value to our clients and to the company, providing solutions to different types of needs. GCLI acts as a principal whereby it recognises premium and settles claims distributing any resulting profit. The new business, specifically insurance contracts, carries a high new business strain in the form of acquisition cost but will over the long term increase the company's embedded value and future profitability.

Annual Premium Income (API) from GCLI focusing on regular premium continued to grow compared to previous years and almost doubled compared to 2010 figures. GCLI 2011 financial results were impacted by the downturn in the financial markets especially locally where most of the assets are invested. This resulted in a negative €703,326 on comprehensive income, a negative swing of €2,125,854 from 2010. Technical provisions as well as increased depreciation on the new head office premises added an additional €180,928 and €384,235 respectively. These results impacted GCLI's performance and resulted in a loss of €1,146,133 before tax. On the other hand GCLI expenses (€2,591,213) in 2011 decreased by 4.98% compared to 2010 (€2,727,131).

The Group's revenues from other lines of business being the Investment (GCFM), brokerage (GCIB) & Agency (GCHIA) divisions were flat. Revenues achieved were below expectations as sales recruitment plans fell below target but were offset by increased productivity and lower costs at both GCFM and GCIB respectively. Direct and indirect expenses in the companies were reduced from 2010 by 3.41%.

EFFECTIVE AND EFFICIENT USE OF RESOURCES

During 2011 extensive time and effort were utilised to develop our own in-house Health IT system that was implemented during the first quarter of 2012 and is currently running parallel to our old system. It is expected that our new system will pay dividends in the form of higher productivity, efficiency and effectiveness.

Our intended new life system was postponed as priority was

l-ħiliet tad-distribuzzjoni tagħna fi GlobalCapital Life Insurance (GCLI) billi rduppjajna t-tim tal-bejgħ tagħna u ħloqna triq għall-karriera ċara u strutturata. Aġġustajna xi wħud mill-prodotti tagħna biex nagħtu valur aħjar lill-klijenti tagħna u lill-kumpanija, u dan billi nipprovdu soluzzjonijiet għal tipi differenti ta' ħtiġijiet. GCLI jaġixxu bħala prinċipal, fejn jirrikonoxxu l-primjum, jindirizzaw it-talbiet u jqassmu kull profitt li jista' jirriżulta. In-negozju l-ġdid, jiġifieri dak tal-kuntratti ta' l-assigurazzjoni, iġorr miegħu sforz kummerċjali kbir ġdid f'dik li hija l-ispiża ta' l-akkwist iżda fuq medda twila ta' żmien għandu jżid il-valur intrinsiku tal-kumpanija u l-profittibiltà tagħha fil-ġejjieni.

Il-fatt li GCLI iffukaw fuq prodotti bi primjum regolari wassal sabiex l-API (Annual Premium Income) kompla jikber meta mqabbel mas-snin ta' qabel, u kważi rdoppja meta mqabbel maċ-ċifri ta' l-2010. Ir-riżultati ta' GCLI fl-2011 sofrew l-impatt tad-daqqa ta' ħarta li ħadu s-swieq finanzjarji, speċjalment f'Malta, fejn huma investiti l-parti l-kbira ta' l-assi. Dan irriżulta f'telf ta' €703,326 fuq dħul komprensiv, li jfisser ċaqliq negattiv ta' €2,125,854 mill-2010. Servizzi tekniċi u żieda fuq id-deprezzament tal-bini ta' l-uffiċċju ewlieni l-ġdid wasslu biex it-telf jiżdied għal €180,928 u €384,235 rispettivament. Dawn ir-riżultati ħallew impatt fuq il-prestazzjoni ta' GCLI u rriżultaw f'telf ta' €1,146,133 qabel it-taxxa. Min-naħa l-oħra, l-ispiża ta' GCLI fl-2011 (€2,591,213) naqset b'4.98% meta mqabbla ma' l-2010 (€2,727,131).

Id-dħul tal-Grupp minn linji kummerċjali oħra, jiġifieri mit-taqsimiet ta' l-investiment (GCFM), tas-senserija (GCIB) u ta' l-aġenzija (GCHIA) baqgħu fl-istess livelli. Id-dħul li ġie ġġenerat kien anqas minn dak li kien mistenni minħabba li l-pjanijiet tal-bejgħ ma laħqux il-miri li kienu stabbiliti. Iżda għal dan għamlu tajjeb iż-żieda fil-produttività u t-tnaqqis fl-ispiża kemm f'GCFM kif ukoll f'GCIB. Meta mqabbel ma' l-2010, l-ispejjeż diretti u indiretti fil-kumpaniji tnaqqsu bi 3.41%.

UŻU EFFETTIV U EFFIĊJENTI TAR-RIŻORSI

Matul l-2011, għamilna sforz kbir u ddedikajna ħafna ħin biex niżviluppaw sistema ta' l-informatika interna fil-qasam tas-saħħa. Din ġiet implimentata fl-aħħar kwart ta' l-2012 u bħalissa qed titħaddem flimkien mas-sistema l-antika. Huwa mistenni li s-sistema l-ġdida tagħna tagħti l-frott permezz ta' produttività ogħla, aktar effiċjenza u aktar effettività.

given to re-engineering our product portfolio. We are confident that 2012 will see the introduction and implementation of our new life and investment software system that will enhance the introduction and administration of new life insurance products.

We continue to believe that our IT systems are pivotal to support the growth that we envisage for our business. The acquisition of new systems has already been initiated and implementation will proceed during the first half of 2012 to help us introduce innovative products and services more quickly and efficiently. The introduction of new systems and products will help us engage more frequently and effectively with the market through diversified distribution channels and contribute positively towards growth.

We continue to streamline our operations by redeploying resources to support the generation of revenue. We have introduced new training and development programmes and will continue to do so to ensure achievement of our goals and provide our staff with the necessary knowledge and skill. We are also committed to continue to deliver the best service to our customers by adopting technologies and modern tools improving efficiency and effectiveness.

We continue to align our investment portfolio to give us the best return possible while adhering and managing our assets to match our liabilities accordingly. The financial markets have not cooperated in both years of 2010 and 2011 but we feel we are positioned well when the markets turn positive to improve our returns. Strong capital and liquidity continue to be a prerequisite to growth and expansion.

We are positioned to differentiate ourselves by providing quality services and products. We are implementing new rules of engagement with our clients to continue to earn their confidence and trust by acting in their best interests. We have developed new products and services to be delivered with latest professional tools available that will help our clients identify their financial needs and obtain the best solutions to help achieve their goals.

Our efforts throughout 2011 were focused on restructuring our operations, growing revenue and managing expense. Our results were mixed as we faced a tremendous challenge by the

Id-dħul ta' sistema ġdida fis-settur tal-ħajja ġie pospost hekk kif ingħatat prijorità lill-aġġustament tal-portafoll tal-prodotti tagħna. Ninsabu fiduċjużi li matul l-2012 se tkun tista' tiddaħħal u tiġi implimentata s-sistema ġdida ta' software fl-oqsma tal-ħajja u ta' l-investiment li se tgħin fl-introduzzjoni u l-amministrazzjoni ta' prodotti ġodda ta' l-assigurazzjoni fuq il-ħajja.

Għadna nemmnu li s-sistemi tat-teknoloġija ta' l-informatika għandhom rwol mill-aktar importanti biex jappoġjaw it-tkabbir li għandna f'moħħna għan-negozju tagħhna. Ix-xiri ta' sistemi ġodda diġa' beda u l-implimentazzjoni se tkompli matul l-ewwel kwart ta' l-2012 biex b'hekk tgħinna nintroduċu prodotti u servizzi innovattivi b'aktar ħeffa u effiċjenza. Id-dħul ta' sistemi u prodotti ġodda għandu jgħinna biex nirrelataw aktar spiss u b'mod aktar effettiv mas-suq permezz ta' kanali ta' distribuzzjoni diversifikati, u dan għandu jagħti kontribut pożittiv għat-tkabbir.

Għadna qed inkomplu ntejjbu l-operat tagħna billi nutilizzaw riżorsi b'mod differenti sabiex b'hekk niġġeneraw aktar dħul. Daħħalna programmi ġodda ta' taħriġ u żvilupp u se nkomplu nagħmlu dan sabiex niżguraw li l-miri tagħna jintlaħqu u sabiex nipprovdu lill-impjegati tagħna bl-għarfien u l-ħiliet meħtieġa. Aħna mpenjati wkoll biex inkomplu nagħtu l-aħjar servizz lill-klijenti tagħna billi nagħmlu użu minn teknoloġiji u għodod moderni biex intejjbu l-effiċjenza u l-effettività.

Qed inkomplu nallinjaw il-portafoll ta' l-investiment tagħna biex dan ikompli jagħtina l-aħjar redditu possibbli, filwaqt li nżommu u nimmaniġjaw l-assi li għandna b'kunsiderazzjoni tar-responsabiltajiet tagħna. Is-swieq finanzjarji m'għenu xejn la fl-2010 u lanqas fl-2011 iżda nħossu li qegħdin f'qagħda tajba biex intejjbu r-redditu tagħna ladarba s-swieq jirpiljaw. Kapital b'saħħtu u likwidità għandhom rekwiżiti neċessarji biex nikbru u nespandu.

Ninsabu f'qagħda fejn nistgħu niddistingwu lilna nfusna billi nipprovdu servizzi u prodotti ta' kwalità. Qed nimplimentaw regoli ġodda għar-relazzjonijiet mal-klijenti biex b'hekk inkomplu niksbu l-fiduċja tagħhom billi naħdmu fl-aħjar interess tagħhom. Żviluppajna prodotti u servizzi ġodda li jitwasslu bl-aħħar għodod professjonali disponibbli u li għandhom jgħinu lill-klijenti tagħna jidentifikaw il-ħtiġijiet finanzjarji tagħhom u jiksbu l-aħjar soluzzjonijiet biex jgħinuhom jilħqu l-miri tagħhom.

L-isforzi tagħna matul l-2011 kienu ffukati fuq ir-ristrutturar

deepening uncertainty in the markets. Some of our revenues were flat but others grew and we managed our expenses down by 11% excluding one off items totalling €822,000. We are confident that measures taken have put GlobalCapital on the path of recovery and growth and we will continue to exert every effort towards returning to profitability despite challenging and persistently negative financial and property markets.

Finally, I wish to thank our stakeholders and shareholders for their continued support and confidence in our Company.

BASHAR KHATIB
Chief Executive Officer

ta' l-operat, iż-żieda fid-dħul u l-kontroll ta' l-ispiża. Ir-riżultati tagħna kienu mħallta, hekk kif ġejna wiċċ imb'wiċċ ma' l-isfida enormi li ġabet magħha ż-żieda ta' l-inċertezza fis-swieq. F'ċerti oqsma d-dħul tagħna baqa' fl-istesss livell iżda f'oħrajn dan kiber u rnexxielna nnaqsu l-ispejjeż bi 11%, bl-eċċezzjoni ta' oġġetti ta' darba għal total ta' €822,000. Ninsabu fiduċjużi li l-miżuri ttieħdu poġġew lil GlobalCapital fuq it-triq tal-irkupru u t-tkabbir u se nkomplu nagħmlu kull sforz possibbli biex nerġgħu lura għall-profittibiltà minkejja l-isfidi fis-swieq finanzjarji u tal-propjetà, li baqgħu negattivi.

Fl-aħħarnett, nixtieq inrodd ħajr lil kull min jagħti sehmu u lill-azzjonisti tagħna ta' l-appoġġ kontinwu u tal-fiduċja tagħhom fil-Kumpanija tagħna.

Peace of Mind

GlobalCapital plc

Group Financial Highlights

GlobalCapital p.l.c.

	2011			2010		
	EUR	**GBP**	**USD**	**EUR**	**GBP**	**USD**
Commission and fees receivable	**2,951,837**	**2,465,669**	**3,819,382**	2,998,022	2,580,697	4,005,957
Commission payable and direct marketing costs	**(215,583)**	**(180,076)**	**(278,943)**	(199,041)	(171,334)	(265,959)
Balance on the long term business of insurance technical account	**(1,666,144)**	**(1,391,730)**	**(2,155,824)**	(1,164,246)	(1,002,183)	(1,555,666)
Increment / (decline) in value of in-force business	**15,385**	**12,851**	**19,907**	16,923	14,567	22,613
Administrative expenses	**(3,661,682)**	**(3,058,603)**	**(4,737,850)**	(5,085,913)	(4,377,954)	(6,795,797)
Investment income, net of allocation to the insurance technical account	**1,199,605**	**1,002,030**	**1,552,169**	1,449,567	1,247,787	1,936,911
Investment charges and expenses, net of allocation to the insurance technical account	**(2,698,533)**	**(2,254,085)**	**(3,491,632)**	(3,628,471)	(3,123,388)	(4,848,363)
Impairment of goodwill	**(232,938)**	**(194,573)**	**(301,398)**	(2,442,591)	(2,102,582)	(3,263,790)
Gain on sale of investment in associate	**-**	**-**	**-**	1,143,792	984,576	1,528,335
Share of loss of associated undertaking	**-**	**-**	**-**	(790,953)	(680,852)	(1,056,871)
Loss before tax	**(4,308,053)**	**(3,598,517)**	**(5,574,190)**	(7,702,911)	(6,630,666)	(10,292,630)
Tax income/(expense)/credit	**114,383**	**95,544**	**148,000**	(548,364)	(472,032)	(732,724)
Profit for the financial year	**(4,193,670)**	**(3,502,973)**	**(5,426,190)**	(8,251,275)	(7,102,698)	(11,025,354)
Loss per share	**(0.32)**	**(0.27)**	**(0.41)**	(0.62)	(0.54)	(0.83)
Net dividends proposed	**-**	**-**	**-**	-	-	-
Share capital	**3,845,668**	**3,212,282**	**4,975,903**	3,845,668	3,310,347	5,138,575
Technical reserves - life business	**59,329,940**	**49,558,299**	**76,767,009**	58,546,436	50,396,772	78,229,748
Shareholders' funds	**8,861,833**	**7,402,289**	**11,466,326**	13,085,768	11,264,229	17,485,203
Net asset value per share	**0.67**	**0.56**	**0.87**	0.99	0.85	1.32

All current year figures have been converted at rates of exchange ruling at 31 December 2011.

Wealth

GlobalCapital plc

Overview of 2011

GLOBALCAPITAL EMPLOYEES CELEBRATE 11-11-11 WITH DONUTS & A DRESS DOWN DAY IN AID OF L-ISTRINA

GLOBALCAPITAL INSURANCE BROKERS BRANDED GIVEAWAYS

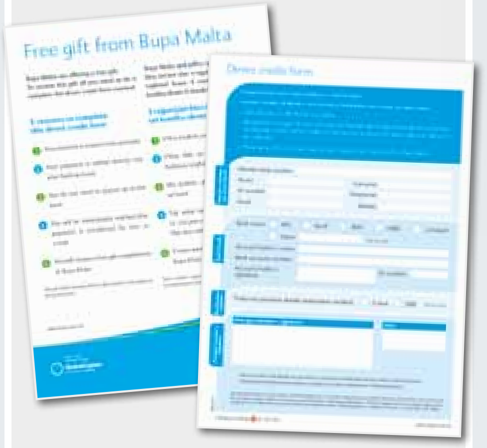
45 YEARS OF MUTUAL TRUST BETWEEN GLOBALCAPITAL LIFE INSURANCE LIMITED (PREVIOUSLY BRITISH AMERICAN INSURANCE) AND OUR CLIENT

GLOBALCAPITAL INAUGURATION OF THE NEW OFFICE IN TA' XBIEX

MANAGEMENT TEAM FROM BUPA INTERNATIONAL DURING THEIR VISIT IN JULY

GLOBALCAPITAL FACEBOOK COMPETITION LUCKY WINNER

BUPA INTRODUCES DIRECT CREDIT SYSTEM FOR CLAIMS PAYMENTS



BUPA BRANDED GIVEAWAYS

GLOBALCAPITAL BRANDED GIVEAWAYS

CARNIVAL DRESS DOWN DAY IN AID OF CHARITY

GLOBALCAPITAL HELP OUT RTK4CHARITY WITH A DONATION

BUPA CAMPAIGN – BILLBOARDS WERE PLACED ALL AROUND THE ISLAND

GLOBALCAPITAL EMPLOYEE PRESENTED WITH AN AWARD BY THE CHAIRMAN TO COMMEMORATE 43 YEARS OF SERVICE TO GLOBALCAPITAL LIFE INSURANCE LIMITED (PREVIOUSLY BRITISH AMERICAN INSURANCE)

trust • peace of mind • wealth • reward

Board of Directors

Non-Executive

CHAIRMAN – NICHOLAS ASHFORD-HODGES was appointed to the Board of Directors in March 2003 and was appointed Chairman of GlobalCapital p.l.c. in July 2008. He is also the chairman of each of the main operating subsidiaries of the Company. A U.K. Chartered Accountant by profession, he is the President of British-American (UK) Ltd, a United Kingdom based representative office for the British American Group of Companies and sits on a number of the subsidiary boards of the British American Group. He is Chairman of British American Investment Co. (Mtius) Ltd and of Bramer Corporation Ltd, the holding company of the British American Group's financial services interests. He is also Chairman of British American Investments Company (Kenya) Ltd, listed on the Nairobi Securities Exchange.

DEPUTY CHAIRMAN – MUNI KRISHNA T. REDDY, GOSK was appointed as a member and Vice Chairman of the Board of Directors of GlobalCapital p.l.c. in March 2003. He was appointed as Chairman of State Bank of Mauritius Ltd, a leading financial services group in Mauritius, in October 2003 for over 4 years, when he stepped down from the Group Chief Executive Officer position after 16 years. He has over 41 years of experience in financial services. Mr. Reddy was re-elected Chairman of State Bank of Mauritius in December 2010. He is a Director of a number of other companies and is a member of various Board Committees and Boards including Chairman of Arcelor Mittal Steel Point Lisas Limited, Trinidad and Director of Arcelor Mittal Steel USA Inc. He worked in the banking sector in India, Singapore, and in Mauritius for over 39 years. He was awarded the Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK) in 1993, the second highest Government of Mauritius National Awards for meritorious and excellent services to the banking industry and for significant contribution to the economic development of Mauritius.

CHRISTOPHER J. PACE founded Globe Financial Investments Limited, GlobalCapital's predecessor in 1987 and has been the driving force behind the development and growth of the Group where he was principally responsible for overseeing the implementation of the Group's strategy and the identification and establishment of new Group initiatives. In July 2008 he retired from his post as Executive Chairman of the Group, a post he had held since the Group's foundation. He continues to hold a non-executive directorship role.

DAWOOD A. RAWAT was appointed to the Board of Directors in March 2003. He is the Chairman Emeritus of the British American Group of Companies, founded in 1920. He sits on a number of Boards of the principal subsidiary and associated companies of the British American Group. Operations span from Mauritius to Kenya, Malta and the United Kingdom. Mr Rawat moved to the United States in 1984 as a senior officer and was made President of the worldwide group in 1988 and Chairman in 1990. He was Head of the Mauritius Employer's Federation in 1981 and a member of the Commission of the Prerogative of Mercy from 1982 to 1983. He was also a member of the Mauritius Chamber of Commerce for a number of years and was instrumental in the establishment of the Mauritian Insurance Association. He is involved mainly in strategic issues and the development of new business ventures in new markets for the British American Group.

JOSEPH M. ZRINZO was appointed to the Board of Directors of GlobalCapital p.l.c. in June 2011. Mr Zrinzo is also a Non-Executive Director on one of the Group's subsidiary Boards, namely GlobalCapital Life Insurance Limited. He has also served as a Director on other GlobalCapital Group Companies and as a Non-Executive Director on the Board of Bank of Valetta p.l.c. At present he is the Managing Director of C.I.P. Limited and serves as a Director to various locally and overseas registered Companies.

JOSEPH R. AQUILINA was appointed to the Board of Directors of GlobalCapital p.l.c. in June 2011. His first exposure to the Group was as start-up Chairman of GlobalCapital Sicav p.l.c., fourteen years ago. He also serves as director on a number of the Group's regulated subsidiaries, including GlobalCapital Life Insurance Limited, and is a member of the Remuneration Committee and the Ethics Committee of the Company. Mr Aquilina is an alumnus of the Cranfield School of Business Management. He has served in high office in the public sector, including service at the Office of the Prime Minister. Later as a consultant in private industry he served for three years as an external advisor to Cabinet on civil service reform. He has many years experience as CEO of various private sector ventures, mainly foreign owned or with major foreign shareholding. He was also vice-president of the Federation of Malta Industries and in that capacity chaired the first corporate governance group in Malta. He lectured Economics and Management students on Business Strategy at the University of Malta. Mr Aquilina serves on the Boards of various Finance companies, Fund Managers, Hedge Funds, UCITS and non-UCITS and Commodity Traders (mostly as Chairman), as well as serving as a member of the Investment Committees of many of these companies. In some instances he is also the MLRO Director of these companies. Mr. Aquilina was the first court-appointed "Company Administrator" in a landmark court case.

PROF THOMAS ST. JOHN NEVILLE BATES was appointed to the Board of Directors of GlobalCapital p.l.c. in June 2010. He has also been appointed a director of GlobalCapital Life Insurance Limited, GlobalCapital Insurance Brokers Limited, GlobalCapital Health Insurance Agency Limited and GlobalCapital Financial Management Limited. Prof Bates is the managing director of Bates Enterprises Ltd, a consultancy company which provides strategic legal and parliamentary advice and training internationally; he is also a director of a number of other companies, mainly in the insurance sector. For twenty years, he taught public and EU law full-time, latterly as the first John Millar Professor of Law at the University of Glasgow; he still teaches part-time, as a Professor of Law at the University of Strathclyde. He left full-time law teaching to become for fourteen years the legal adviser to Tynwald, the Parliament of the Isle of Man, and resigned from that appointment to pursue business interests. He lives in the Isle of Man and in Malta.

Company Secretary

CLINTON V. CALLEJA B.A., LL.M., LL.D. is a practising lawyer and was appointed Company Secretary of GlobalCapital p.l.c. and the main operating subsidiaries of the Group in 2008. He holds a Masters of Law degree (Adv. LL.M.) in European Business Law from the Pallas Consortium of Universities, Amsterdam and a Doctor of Laws degree from the University of Malta. Dr. Calleja is a Senior Associate in the Commercial Law and Financial Services Department of the legal firm Guido de Marco & Associates.

Reward

Board Committees

Audit Committee

The Audit Committee provides assurance that financial disclosures made by management reasonably portray the Company's financial condition, results of operations and plans and long term commitments. This Committee is responsible for reviewing the Group's interim and annual financial statements and considers any matters raised by the auditors. The responsibilities include the consideration of the effectiveness of the Group's internal controls as well as risk management.

The Committee comprises:
Muni Krishna T. Reddy, GOSK - Chairman
Prof. Thomas St. John Neville Bates
Joseph M. Zrinzo

Remuneration Committee

The Remuneration Committee is responsible for recommending and reviewing the Group's remuneration policy and, within that policy, determining the remuneration packages of members of the senior executive team.

The Committee comprises :
Prof. Thomas St. John Neville Bates - Chairman
Nicholas Ashford-Hodges
Joseph R. Aquilina

Investment Committee

The Investment Committee is responsible for formulating, monitoring and reviewing the Company's investment strategy, policies and investment processes.

The Committee comprises:
Nicholas Ashford-Hodges – Chairman
Muni Krishna T. Reddy, GOSK
Christopher J. Pace
Dawood A. Rawat

Nominations Committee

The Nominations Committee is responsible for making recommendations for appointment to the Board and for reviewing the constitution of the Group's Boards, in order to ensure that appointments to Boards are conducted in a systematic, objective and consistent manner. The Nominations Committee is also responsible for the review of performance of the Group's Board members and Committees, the appointment of senior executives and management and the development of a succession plan for senior executives and management.

The Committee comprises:
Nicholas Ashford-Hodges – Chairman
Prof. Thomas St. John Neville Bates
Dawood A. Rawat

Ethics Committee

The Board of Directors approved the introduction of a Code of Ethics and Anti-Fraud Policy for all its employees in 2007. This has also led to the establishment of the Ethics Committee.

The Committee comprises:
Prof. Thomas St. John Neville Bates - Chairman
Joseph R. Aquilina
Joseph M. Zrinzo

Principal Companies within GlobalCapital

GlobalCapital Financial Management Ltd

The company is licensed to conduct investment services under its Category 2 licence, issued by the Malta Financial Services Authority and is licensed to provide fund management and fund administration services in respect of collective investment schemes.

Through its stockbroking services, it provides clients with access to equities, bonds, funds and other financial instruments on both local and international markets. It also provides tailor-made income and capital guaranteed investment products, portfolio management services, investment advice and corporate guidance.

The Company is also licensed by the Malta Financial Services Authority to provide investment advice in respect of collective investment schemes.

BOARD OF DIRECTORS
Nicholas Ashford-Hodges – Chairman
Muni Krishna T. Reddy, GOSK
Prof. Thomas St. John Neville Bates

COMPANY SECRETARY
Clinton V. Calleja

GlobalCapital Life Insurance Ltd

The company is authorised by the Malta Financial Services Authority to carry on long-term business of insurance in Malta as a principal under Class I (Life and Annuity) and Class III (Linked Long Term Contracts of Insurance) in terms of the Insurance Business Act, 1998. GlobalCapital Life Insurance Limited is engaged principally in ordinary life assurance business (interest sensitive and term), industrial life assurance business (home service) and linked long term contracts of insurance.

It provides both single premium and regular premium saving products and a range of life assurance products, including term, interest-sensitive endowment and group life policies.

BOARD OF DIRECTORS
Nicholas Ashford-Hodges – Chairman
Muni Krishna T. Reddy, GOSK
Prof. Thomas St. John Neville Bates
Joseph R. Aquilina
Joseph M. Zrinzo
Ayoob Rawat

COMPANY SECRETARY
Clinton V. Calleja

GlobalCapital Health Insurance Agency Ltd

The company is authorised to act as an insurance agent for Bupa Insurance Ltd (UK) in relation to sickness insurance in accordance with the Insurance Intermediaries Act, 2006. As the exclusive agent in Malta for BUPA, the company is engaged in the promotion, administration and provision of health insurance cover for individuals and groups in Malta.

BOARD OF DIRECTORS
Nicholas Ashford-Hodges – Chairman
Muni Krishna T. Reddy, GOSK
Prof. Thomas St. John Neville Bates
Joseph R. Aquilina
Adriana Zarb Adami

COMPANY SECRETARY
Clinton V. Calleja

GlobalCapital Insurance Brokers Ltd

The company is enrolled in the Brokers List and is authorised to carry on the business of insurance brokerage by the MFSA in terms of the Insurance Intermediaries Act, 2006. The Company was established with a view to complementing the Group's core insurance activities. Through GlobalCapital Insurance Brokers Limited, the Group offers a complete range of insurance services ranging from personal insurance to commercial and industrial insurance cover.

BOARD OF DIRECTORS
Nicholas Ashford-Hodges – Chairman
Prof. Thomas St. John Neville Bates
Joseph R. Aquilina
Ian Zammit

COMPANY SECRETARY
Clinton V. Calleja

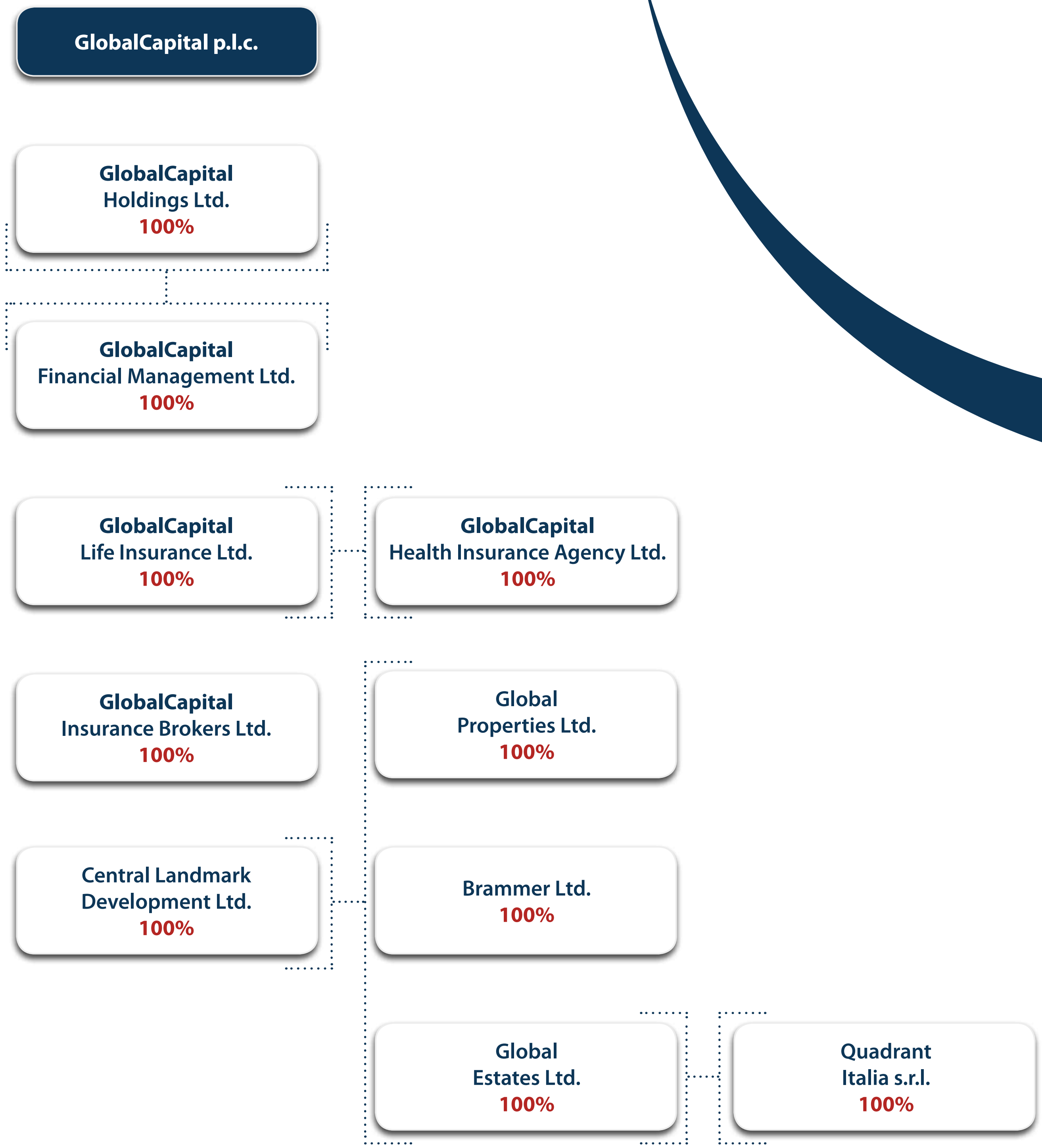
Central Landmark Development Ltd

The company provides real estate services to third parties complementing the Group's property division. The company provides advice to clients on a wide range of residential and commercial properties.

BOARD OF DIRECTORS
Nicholas Ashford-Hodges – Chairman
Muni Krishna T. Reddy, GOSK
Prof. Thomas St. John Neville Bates

COMPANY SECRETARY
Clinton V. Calleja

GlobalCapital Group Structure



Annual Report & Consolidated Financial Statements

31 December 2011

Contents

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

GlobalCapital p.l.c. (the "Company") together with its subsidiaries (the "Subsidiaries" and together with the Company the "Group") is involved in:

- the carrying on of long term business of insurance under the Insurance Business Act (Cap. 403 of the Laws of Malta);
- acting as an agent for sickness and accident insurance in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta);
- insurance broking activities in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta);
- the provision of investment services and advice in terms of the Investment Services Act (Cap. 370 of the Laws of Malta);
- money broking and trading in foreign exchange in terms of the Financial Institutions Act (Cap. 376 of the Laws of Malta); and
- the provision on behalf of Group undertakings of property management and consultancy services, including property acquisitions, disposals and development projects.

REVIEW OF BUSINESS

GlobalCapital p.l.c. (the "Group") registered a loss after tax for the year ended 31 December 2011 of €4,193,670 compared to a loss after tax of €8,251,275 for the year ended 31 December 2010.

The Group's 2011 operational performance was dampened by the continued volatility in the financial and property markets. The prevailing economic uncertainty and unfavourable market conditions create additional challenges for the Group hampering the turnaround of the operating results.

The Group registered unrealised fair value losses on its investment portfolio of €0.8 million compared to an unrealised fair value gain of €0.6 million in the prior year. Furthermore, the Group registered an impairment charge amounting to €0.7 million (2010 - €1.5 million) related to a property of an exceptional nature, as more fully described in note 14 to the financial statements.

The 2011 reported loss is also inclusive of other non-cash items, including goodwill impairment, depreciation and amortisation charge totalling in aggregate €0.7 million compared to non-cash items totalling €4.3 million in 2010 which also included other non-recurring non-cash items.

Notwithstanding the above, management's determination to create operational improvements has resulted in some positive outcomes which augur well for the future. The life insurance business registered a substantial growth in new regular premium, the mainstay line of business of the company, over new business written in 2010. The health insurance income grew by 8% over the prior year despite a heavily competitive market. Other lines of business were flat or declined slightly. The Group achieved operational cost savings of €0.6 million, and further cost management will be pursued and implemented in 2012.

Rapport tad-Diretturi

Id-Diretturi jippreżentaw ir-rapport tagħhom u d-dikjarazzjonijiet finanzjarji verifikati għas-sena li ntemmet fil-31 ta' Diċembru 2011.

ATTIVITAJIET EWLENIN

GlobalCapital p.l.c. (il-"Kumpanija") flimkien mal-kumpaniji sussidjarji tagħha (is-"Sussidjarji" u flimkien mal-Kumpanija, il-"Grupp"):

- *jinnegozjaw fl-assigurazzjoni fit-tul skont l-Att dwar il-Kummerċ ta' l-Assigurazzjoni (Kap. 403 tal-Liġijiet ta' Malta);*
- *jaġixxu bħala aġenti ta' l-assigurazzjoni fuq mard u inċidenti skont l-Att dwar l-Intermedjarji fl-Assigurazzjoni (Kap. 487 tal-Liġijiet ta' Malta);*
- *imexxu attivitajiet ta' broking ta' l-assigurazzjoni skont l-Att dwar l-Intermedjarji fl-Assigurazzjoni (Kap. 487 tal-Liġijiet ta' Malta);*
- *jipprovdu servizzi t'investiment u pariri dwar investimenti skont l-Att dwar is-Servizzi ta' l-Investiment (Kap. 370 tal-Liġijiet ta' Malta);*
- *jipprovdu broking ta' flus u negozju f'kambju barrani skont l-Att dwar Istituzzjonijiet Finanzjarji (Kap. 376 tal-Liġijiet ta' Malta); u*
- *jipprovdu f'isem l-impriżi tal-Grupp immaniġjar ta' propjetà u servizzi ta' konsulenza, inkluż ix-xiri ta' propjetà, disponimenti u proġetti ta' żvilupp.*

ĦARSA LEJN L-ATTIVITÀ KUMMERĊJALI

Fis-sena li ntemmet fil-31 ta' Diċembru 2011, GlobalCapital p.l.c. (il-"Grupp") irreġistra telf wara t-taxxa ta' €4,193,670, meta mqabbel ma' telf wara t-taxxa ta' €8,251,275 fis-sena li ntemmet fil-31 ta' Diċembru 2010.

Il-prestazzjoni ta' l-operat tal-Grupp fl-2011 kienet imnaqqsa mill-volatilità kontinwa fis-swieq finanzjarji u tal-propjetà. L-inċertezza ekonomika prevalenti u l-kundizzjonijiet xejn favorevoli tas-suq joħolqu aktar sfidi għall-Grupp u jagħmluha aktar diffiċli biex ir-riżultati jinġiebu lura f'livelli pożittivi.

Il-Grupp irreġistra telf mhux realizzat tal-valur ġust ta' €0.8 miljun fuq il-portafoll ta' l-investiment tiegħu, meta mqabbel ma' qligħ mhux realizzat tal-valur ġust ta' €0.6 miljun fis-sena ta' qabel. Minbarra dan, il-Grupp irreġistra telf ta' €0.7 miljun b'riżultat ta' l-isvalutar fuq propjetà ta' natura eċċezzjonali (2010 - €1.5 miljun), kif spjegat b'mod aktar dettaljat fin-nota 14 tad-dikjarazzjonijiet finanzjarji.

It-telf irrappurtat għall-2011 jinkludi wkoll oġġetti mhux monetarji, bħal telf fuq il-valur ta' l-avvjament, deprezzament u ammortizzament għal total komplessiv ta' €0.7 miljun, meta mqabbel ma' oġġetti mhux monetarji għal total ta' €4.3 miljuni fl-2010, li kienu jinkludu wkoll oġġetti oħra mhux monetarji u mhux rikorrenti.

Minkejja dan kollu, id-determinazzjoni tal-maniġment biex isir titjib fl-operat tat xi riżultati pożittivi li jawguraw tajjeb għall-ġejjieni. Il-qasam ta' l-assigurazzjoni fuq il-ħajja rreġistra tkabbir notevoli fin-numru ta' primjums regolari ġodda, li jikkostitwixxu l-linja kummerċjali ewlenija tal-kumpanija, meta mqabbel mal- kummerċ ġdid li kien sar fl-2010. Id-dħul mill-assigurazzjoni tas-saħħa żdied bi 8% fuq is-sena ta' qabel minkejja suq mill-aktar kompetittiv. Linji oħra tan-negozju baqgħu fl-istess livell jew irreġistraw tnaqqis marġinali. Il-Grupp irnexxielu jnaqqas l-ispejjeż ta' l-operat b'€0.6 miljun, u l-kontroll ta' l-ispiża se jkompli matul fl-2012.

Directors' Report (continued)

Within the Group's core operational activity, insurance business registered a loss before tax during 2011 amounting to €1,146,135 compared to a pre-tax loss of €216,258 in 2010. This result reflects new business strain from the improved sales performance during the year as well as the underperforming investment market. The investment services division incurred a loss amounting to €449,981 compared to a loss of €550,786 in 2010. On the other hand, the agency and brokerage business generated a combined pre-tax profit of €320,494 compared to the €298,683 achieved during 2010.

Going forward the Group's priority is managing expenses, growing revenues substantially, and creating value for shareholders.

RESULTS AND DIVIDENDS

The statements of comprehensive income are set out on pages 47 and 48. In view of the results for 2011, the Directors do not recommend the declaration of a dividend (2010 - Nil) as the company did not have any distributable reserves at 31 December 2011.

DIRECTORS

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

Nicholas Ashford-Hodges - Chairman
Muni Krishna T. Reddy, GOSK - Deputy Chairman
Christopher J. Pace
Dawood A. Rawat
Thomas St. John Neville Bates
Joseph R. Aquilina - Appointed 24th June 2011
Joseph M. Zrinzo - Appointed 24th June 2011
James Blake - Resigned 24th June 2011
Andrew Borg Cardona LL.D. - Resigned 24th June 2011

The Directors are required in terms of the Company's Articles of Association to retire at the forthcoming Annual General Meeting, unless they have been appointed for a shorter or longer term, and may offer themselves for re-appointment or re-election.

AUDITORS

A resolution to reappoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

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

NICHOLAS ASHFORD-HODGES
Chairman

Registered office: Testaferrata Street, Ta' Xbiex, Malta
23 March 2012

Rapport tad-Diretturi (ikompli)

Fi ħdan l-attività ewlenija ta' l-operat tal-Grupp, in-negozju ta' l-assigurazzjoni irreġistra telf qabel it-taxxa ta' €1,146,135, meta mqabbel ma' telf qabel it-taxxa ta' €216,258 fl-2010. Dan ir-riżultat jirrifletti l-ispiża li saret matul din is-sena biex tittejjeb il-prestazzjoni tal-bejgħ kif ukoll il-prestazzjoni ħażina fis-suq ta' l-investiment. It-taqsima tas-servizzi ta' l-investiment għamlet telf ta' €449,981 meta mqabbel ma' telf ta' €550,786 fl-2010. Min-naħa l-oħra, l-oqsma ta' aġenzija u senserija flimkien iġġeneraw qligħ qabel it-taxxa ta' €320,494 meta mqabbel ma' €298,683 fl-2010.

Fil-ġejjieni, il-prijorità tal-Grupp se tkun it-tnaqqis ta' l-ispejjeż, it-tkabbir sostanzjali tad-dħul u l-ħolqien ta' valur għall-azzjonisti.

RIŻULTATI U DIVIDENDS

Id-dikjarazzjonijiet tad-dħul komprensiv jidhru f'paġni 47 u 48. Fid-dawl tar-riżultati għall-2011, id-Diretturi ma jirrikmandawx id-dikjarazzjoni ta' dividend (2010 - Xejn) hekk kif sal-31 ta' Diċembru 2011 il-kumpanija ma kellha ebda riservi distribwibbli.

DIRETTURI

Id-Diretturi tal-Kumpanija li kienu fil-kariga matul dan il-perijodu kienu:

Nicholas Ashford-Hodges - Chairman
Muni Krishna T. Reddy, GOSK - Deputat Chairman
Christopher J. Pace
Dawood A. Rawat
Thomas St. John Neville Bates
Joseph R. Aquilina - Inħatar fl-24 ta' Ġunju 2011
Joseph M. Zrinzo - Inħatar fl-24 ta' Ġunju 2011
James Blake - Irriżenja fl-24 ta' Ġunju 2011
Andrew Borg Cardona LL.D. - Irriżenja fl-24 ta' Ġunju 2011

Skont id-dispożizzjonijiet tal-Istatut ta' Assoċjazzjoni tal-Kumpanija, id-Diretturi għandhom jirtiraw mill-kariga tagħhom fil-Laqgħa Ġenerali Annwali li jmiss, sakemm il-ħatra tagħhom ma kinitx għal perijodu iqsar jew itwal, u jistgħu jkunu kandidati għall-ħatra jew għall-elezzjoni mill-ġdid.

AWDITURI

Riżoluzzjoni sabiex Deloitte Audit Limited jerġgħu jinħatru bħala awdituri tal-kumpanija se titressaq quddiem il-laqgħa ġenerali annwali li jmiss.

Approvat mill-Bord tad-Diretturi u ffirmat f'ismu minn:

JOSEPH R. AQUILINA
Director

In accordance with the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority ("MFSA"), GlobalCapital p.l.c. (the "Company") reports on the extent of its adoption of the Code of Principles of Good Corporate Governance (the "Principles"), and the relevant measures undertaken.

1. ADOPTION OF THE PRINCIPLES

The responsibility for ensuring good corporate governance vests in the Board of Directors. The Board of Directors of GlobalCapital p.l.c. remains committed to the adoption of the Principles and best practices established by international codes on corporate governance. The Board of Directors also believes strongly in the importance of appropriate disclosures to ensure transparency and protection of the Company's stakeholders.

2. BOARD OF DIRECTORS

The Board of Directors consists of seven non-executive Directors, who bring to the Company a wide range of expertise. The appointment of Directors is made at an Annual General Meeting in accordance with the Company's Memorandum & Articles of Association. Any member holding at least fourteen per cent (14%) of all voting rights of the Company shall have the right to appoint a Director for each and every complete fourteen per cent (14%) thereof. Also, any voting rights, or part thereof, remaining unused by such member in the appointment of a Director, may be aggregated to form the percentage required to appoint a Director directly. The process by which a Director may be appointed on the Board is set out in the Company's Articles of Association. Details of the attendance of Board Members will be available for inspection at the forthcoming Annual General Meeting.

The Board of Directors meets in accordance with a regular schedule of meetings and reviews and evaluates the Group's strategy, major operational and financial plans, as well as new material initiatives to be undertaken by the Group. The Board meets at least once every quarter. During the period under review the Board of Directors met eight (8) times.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows between the Board and its committees and between senior management and the Directors as well as ensuring that the Board's procedures are followed. In addition, the Directors may also seek external professional advice on their duties and responsibilities, at the Company's expense. The Company's Articles of Association also provide for adequate controls and procedures in so far as the treatment of conflicts of interest during Board Meetings are concerned.

The Company's organisational structure includes the position of Chief Executive Officer, currently held by Mr. Bashar Khatib. The roles of Chief Executive Officer and Chairman are separate and distinct. The Board has delegated specific authorities to the Chief Executive Officer to manage the Group's activities within the strategy and parameters set by it.

3. COMMITTEES

3.1. The Board of Directors delegates a number of specific duties to the following Board Committees:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investment Committee
- Ethics Committee

3.1.1. Audit Committee

The Audit Committee is composed entirely of non-executive Directors and assists the Board in monitoring and reviewing the Group's financial statements, accounting policies and internal control mechanisms in accordance with the Committee's terms of reference. The responsibilities of the Audit Committee also include the review of the Group's risk management processes and the review and approval of related party transactions in accordance with the Listing Rules.

The Audit Committee also approves and reviews the Group's Compliance Plan, Internal Audit Plan and Risk Management Plan prior to the commencement of every financial year and monitors the implementation of these plans. During the financial year under review, the Audit Committee met eight (8) times and is composed of Mr. Muni Krishna T. Reddy, GOSK as chairman, and Joseph M. Zrinzo and Professor Thomas St. John Neville Bates as members.

Mr. Muni Krishna T. Reddy, GOSK is a non-executive director, who the board considers as independent and having the necessary competence in financial and accounting matters for the purposes of the Listing Rules.

3. COMMITTEES (continued)

The Group's Internal Auditors, the Company's External Auditors and Group Financial Controller are invited to attend Audit Committee Meetings on a regular basis as deemed appropriate.

3.1.2. Nominations Committee

The Nominations Committee is responsible for recommending Directors for election by shareholders at the Annual General Meeting, for planning the structure, size, performance and composition of the Group's subsidiary boards, for the appointment of senior executives and management and for the development of a succession plan for senior executives and management.

During the financial year under review, the Nominations Committee met four (4) times and is composed of Mr. Nicholas Ashford-Hodges as Chairman, Professor Thomas St. John Neville Bates and Mr. Dawood A. Rawat as members. The Chief Executive Officer is invited to attend meetings of the Nominations Committee as deemed appropriate.

3.1.3. Remuneration Committee

The Remuneration Committee monitors, reviews and advises on the Group's remuneration policy as well as approves the remuneration packages of senior executives and management. At the end of every financial year, the Remuneration Committee draws up a report which is included in the Group's Annual Report. A performance management system has been implemented across the Group. This system is intended to:

a. enhance the existing systems used to define key performance indicators; and
b. improve the assessment of performance for all the Group's employees including senior management and members of the Executive Committee.

During 2011, the Remuneration Committee met four (4) times and is composed of Professor Thomas St. John Neville Bates as Chairman and Mr. Nicholas Ashford-Hodges and Joseph R. Aquilina as members.

3.1.4. Investment Committee

The Investment Committee is responsible for developing investment strategies and policies with respect to investments that may be made by the Group. It is also responsible for the formulation, monitoring and review of Group's Investment processes.

The Investment Committee met four (4) times during 2011 and is composed of Mr. Nicholas Ashford-Hodges as Chairman, Mr. Dawood A. Rawat, Mr. Muni Krishna T. Reddy, GOSK, and Mr. Christopher J. Pace as members.

3.1.5. Ethics Committee

In 2007, the Board of Directors approved the introduction of a Code of Ethics and Anti-Fraud Policy for all its employees. This has also led to the establishment of an Ethics Committee which meets as necessary. Following the Annual General Meeting held in 2011, the Board appointed three members to the Committee, with Professor Thomas St. John N. Bates as Chairman and Mr. Joseph R. Aquilina and Mr Joseph M. Zrinzo as members.

3.2. Executive Committee

The Executive Committee manages the Group's day-to-day business and the implementation of the strategy established by the Board of Directors. The Executive Committee meets at least once every month and is chaired by Mr. Bashar Khatib, the Chief Executive Officer. The members of the Executive Committee are:

Mr. Bashar Khatib - Chief Executive Officer and Chairman of the Executive Committee
Mr. James Blake - Chief Operating Officer and Acting Chief Financial Officer (resigned as Acting Chief Financial Officer as from 1 August 2011)
Mr. Adrian Galea - Executive Head - Office of the Chief Executive Officer (resigned as from 8 July 2011)
Mr. Reuben Zammit - Group Financial Controller

Corporate Governance - statement of compliance (continued)

4. DIRECTORS' DEALINGS

The Directors are informed of their obligations on dealing in GlobalCapital p.l.c. shares in accordance with the parameters, procedures and reporting requirements established in terms of applicable law and the Group's Dealing Rules.

During the financial year ended 31 December 2011, Mr. Christopher J. Pace acquired, directly or indirectly, 4,787 (2010 - 56,586) of the ordinary shares of GlobalCapital p.l.c.

No other material transactions in the Company's shares were effected in which any director had a beneficial or non-beneficial interest.

5. INTERNAL CONTROLS

GlobalCapital p.l.c. encompasses different licensed activities regulated by the Malta Financial Services Authority. These activities include investment services business under the Investment Services Act, business of insurance under the Insurance Business Act and insurance intermediaries` activities under the Insurance Intermediaries Act, as well as business of a financial institution under the Financial Institutions Act. The Board of Directors has continued to ensure that effective internal controls and processes are maintained to support sound operations.

The Internal Audit department monitors and reviews the Group's compliance with policies, standards and best practice in accordance with an internal audit plan approved by the Audit Committee. During the year under review, the Company appointed KPMG as internal auditors.

6. ANNUAL GENERAL MEETING AND COMMUNICATION WITH SHAREHOLDERS

Business at the Company's Annual General Meeting to be held on 14 June 2012, will cover the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2011, the election/re-election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors` remuneration.

Apart from the Annual General Meeting, the Group communicates with its shareholders through the Annual Report and Financial Statements, the publication of preliminary statements of interim and annual results, the Interim Directors` Statements issued bi-annually, updates and articles on the Group's website, the publication of Group announcements and press releases.

7. CORPORATE SOCIAL RESPONSIBILITY

During the financial year under review, the Group pursued its corporate social responsibility by supporting and contributing to a number of charitable causes.

8. STATEMENT OF GOING CONCERN AS REQUIRED BY LISTING RULE 5.62

As further described in Note 1 to the financial statements on page 52, the Directors are satisfied that, having taken into account the Group's statement of financial position, solvency margins and profitability, it is reasonable to assume that the Company and the Group have adequate resources to continue operating for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Approved by the Board of Directors on 23 March 2012 and signed on its behalf by:

NICHOLAS ASHFORD-HODGES
Chairman

JOSEPH R. AQUILINA
Director

Remuneration Committee Report

The composition and terms of reference of the GlobalCapital p.l.c. Remuneration Committee are in accordance with the recommendations set out in the Malta Financial Services Authority Listing Rules.

The Committee is chaired by Professor Thomas St. John Neville Bates. The other members are Mr. Nicholas Ashford-Hodges and Mr. Joseph R. Aquilina. All of the members are non-executive Directors. During the financial year under review, three meetings of the Remuneration Committee were held. The attendance at the meetings was as follows:

Remuneration Committee Member	Committee meetings attended
Professor Thomas St. John Neville Bates – Chairman	4
Mr. Nicholas Ashford-Hodges	4
Dr. Andrew Borg Cardona (resigned 24 June 2011)	1
Mr. Joseph R. Aquilina (appointed 24 June 2011)	2

The main activities of the Remuneration Committee include devising of appropriate policies and remuneration packages to attract, retain and motivate Directors and senior management of a high calibre in order to well position the Group within the financial services market and its areas of business.

REMUNERATION STATEMENT

Senior management remuneration packages consist of basic salary and benefits.

In accordance with the Company's Articles of Association, the total emoluments payable to Directors, whether as fees and/or salaries by virtue of holding employment with the Company, shall be subject to Shareholder approval in General Meetings. The following is the total of the Directors` emoluments for the financial year under review (2011):

Fees	€287,032
Remuneration	€102,502
Total emoluments	**€389,534**

Directors` remuneration and fees are disclosed in aggregate.

Independent Auditor's Report on the Corporate Governance Statement of Compliance

To the Shareholders of GlobalCapital p.l.c. pursuant to Listing Rule 5.98 issued by the Listing Authority.

Listing Rule 5.97 issued by the Listing Authority requires the Company's Directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with those Principles.

Our responsibility, as auditors of the Company, is laid down by Listing Rule 5.98 which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this Statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's Corporate Governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 40 to 42 has been properly prepared in accordance with the requirements of Listing Rule 5.97 issued by the Listing Authority.

SARAH CURMI as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor

Deloitte Place
Mriehel Bypass
Mriehel
Malta
23 March 2012

Statement of Directors' responsibilities

The Directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit or loss of the Company and the Group for the year then ended. In preparing the financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the Directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining 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. The Directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Directors pursuant to Listing Rule 5.68

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the requirements of the Companies Act (Chap. 386), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. the Directors' report includes a fair review of the performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors on 23 March 2012 and signed on its behalf by:

NICHOLAS ASHFORD-HODGES
Chairman

JOSEPH R. AQUILINA
Director

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2011**	2010	**2011**	2010
		€	€	**€**	€
Commission and fees receivable	*3*	**2,951,837**	2,998,022	**-**	-
Commission payable and direct marketing costs	*4*	**(215,583)**	(199,041)	**-**	-
Balance on the long term business of insurance technical account before tax (page 48)		**(1,666,144)**	(1,164,246)	**-**	-
Increment in the value of in force business	*7, 11*	**15,385**	16,923	**-**	-
Staff costs	*4, 5*	**(1,635,065)**	(1,729,714)	**(30,000)**	(121,623)
Fixed asset write-off	*11, 13*	**-**	(808,284)	**-**	-
Other administrative expenses	*4*	**(2,026,617)**	(2,547,915)	**(458,704)**	(580,616)
Investment income, net of allocation to the insurance technical account	*6*	**1,199,605**	1,449,567	**792,487**	1,183,771
Investment charges and expenses, net of allocation to the insurance technical account	*6*	**(2,698,533)**	(3,628,471)	**(1,069,957)**	(1,707,993)
Impairment of goodwill on consolidation	*11*	**(232,938)**	(2,442,591)	**-**	-
Impairment of investment in subsidiary	*15*	**-**	-	**(4,200,000)**	(8,000,000)
Gain on sale of investment in associate	*16*	**-**	1,143,792	**-**	-
Share of loss of associated undertaking	*16*	**-**	(790,953)	**-**	-
Loss before tax		**(4,308,053)**	(7,702,911)	**(4,966,174)**	(9,226,461)
Tax credit/(expense)	*7*	**114,383**	(548,364)	**17,529**	17,880
Loss for the financial year		**(4,193,670)**	(8,251,275)	**(4,948,645)**	(9,208,581)
Other comprehensive income					
Net (loss)/gain on available-for-sale financial assets		**(33,177)**	68,004	**-**	-
Total comprehensive loss for the year, net of tax		**(4,226,847)**	(8,183,271)	**(4,948,645)**	(9,208,581)
Loss per share (cents)	*9*	**(32c0)**	(62c0)		

Technical account - long term business of insurance

	Notes	Year ended 31 December Group 2011 €	2010 €
Earned premiums, net of reinsurance			
Gross premiums written		**8,827,318**	9,354,593
Outward reinsurance premiums		**(538,257)**	(502,481)
Earned premiums, net of reinsurance		**8,289,061**	8,852,112
Investment income	6	**2,210,042**	2,144,980
Fair value gains on investments	6	**22,979**	1,020,543
Investment contract fee income		**84,870**	61,702
Total technical income		**10,606,952**	12,079,337
Claims incurred, net of reinsurance			
Claims paid			
■ gross amount		**(8,419,064)**	(4,526,763)
■ reinsurers' share		**165,590**	96,020
		(8,253,474)	(4,430,743)
Change in the provision for claims			
■ gross amount		**(111,950)**	(9,383)
■ reinsurers' share		**45,279**	(18,207)
	18	**(66,671)**	(27,590)
Claims incurred, net of reinsurance		**(8,320,145)**	(4,458,333)
Change in other technical provisions, net of reinsurance			
Insurance contracts			
■ gross amount		**(3,036,036)**	(4,147,449)
■ reinsurers' share		**4,512**	153,000
		(3,031,524)	(3,994,449)
Investment contracts with DPF - gross		**2,258,646**	(1,687,587)
Change in other technical provisions, net of reinsurance	18	**(772,878)**	(5,682,036)
Claims incurred and change in other technical provisions, net of reinsurance		**(9,093,023)**	(10,140,369)
Net operating expenses	4	**(2,505,988)**	(2,925,031)
Unrealised loss on investments	6	**(637,867)**	(106,744)
Other investment charges and expenses	6	**(36,218)**	(71,439)
Total technical charges		**(12,273,096)**	(13,243,583)
Balance on the long term business of insurance technical account before tax		**(1,666,144)**	(1,164,246)

Statements of financial position

	Notes	As at 31 December Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
ASSETS					
Intangible assets	11	**3,304,955**	3,582,973	**6,712**	-
Property, plant & equipment	13	**3,966,672**	3,286,229	**23,244**	-
Investment property	14	**24,226,776**	25,719,589	**508,906**	1,213,890
Non-current assets held-for-sale	14	**704,984**	-	**704,984**	-
Investment in group undertakings	15	**-**	-	**8,951,553**	13,151,553
Deferred income tax	12	**48,165**	217,548	**-**	-
Other investments	17	**50,864,949**	44,124,737	**13,464,906**	12,542,282
Reinsurers' share of technical provisions	18	**1,216,903**	1,167,112	**-**	-
Taxation receivable		**688,106**	1,833,125	**55,667**	8,839
Stock-property held for development	19	**1,455,048**	2,469,554	**-**	-
Trade and other receivables	20	**2,929,728**	3,243,681	**113,524**	238,916
Cash and cash equivalents	27	**4,620,988**	12,832,003	**402,594**	4,071,774
Total assets		**94,027,274**	98,476,551	**24,232,090**	31,227,254
EQUITY AND LIABILITIES					
Capital and reserves attributable to the company's shareholders					
Share capital	21	**3,845,668**	3,845,668	**3,845,668**	3,845,668
Share premium account	22	**16,970,641**	16,970,641	**16,970,641**	16,970,641
Other reserves	23	**1,916,247**	1,936,512	**-**	-
Profit and loss account		**(13,870,723)**	(9,667,053)	**(16,117,862)**	(11,169,217)
Total equity		**8,861,833**	13,085,768	**4,698,447**	9,647,092
Technical provisions	18	**60,921,263**	59,976,017	**-**	-
Interest bearing borrowings	24	**18,538,073**	19,246,269	**16,859,045**	16,811,101
Deferred tax	12	**2,353,458**	2,626,370	**76,615**	93,834
Trade and other payables	25	**3,112,518**	3,301,873	**2,597,983**	4,675,227
Current tax liabilities		**240,129**	240,254	**-**	-
Total liabilities		**85,165,441**	85,390,783	**19,533,643**	21,580,162
Total equity and liabilities		**94,027,274**	98,476,551	**24,232,090**	31,227,254

The financial statements on pages 47 to 108 were authorised for issue by the Board on 23 March 2012 and were signed on its behalf by:

NICHOLAS ASHFORD-HODGES
Chairman

JOSEPH R. AQUILINA
Director

Statements of changes in equity

Group

	Share capital €	Share premium account €	Other reserves €	Accumulated losses €	Total €
	Attributable to the company's shareholders				
Balance at 1 January 2010	3,845,668	16,970,641	1,857,508	(1,404,778)	21,269,039
Loss for the financial year	-	-	-	(8,251,275)	(8,251,275)
Other comprehensive income for the year	-	-	68,004	-	68,004
Total comprehensive income/(loss) for the year	-	-	68,004	(8,251,275)	(8,183,271)
Increase in value of in-force business, transferred to other reserves	-	-	11,000	(11,000)	-
	-	-	11,000	(11,000)	-
Balance at 31 December 2010	3,845,668	16,970,641	1,936,512	(9,667,053)	13,085,768
Balance at 1 January 2011	3,845,668	16,970,641	1,936,512	(9,667,053)	13,085,768
Loss for the financial year	-	-	-	(4,193,670)	(4,193,670)
Other comprehensive loss for the year	-	-	(33,177)	-	(33,177)
Total comprehensive loss for the year	-	-	(33,177)	(4,193,670)	(4,226,847)
Increase in value of in-force business, transferred to other reserves	-	-	10,000	(10,000)	-
Investment compensation scheme	-	-	2,912	-	2,912
	-	-	12,912	(10,000)	2,912
Balance at 31 December 2011	**3,845,668**	**16,970,641**	**1,916,247**	**(13,870,723)**	**8,861,833**

Company

	Share capital €	Share premium account €	Accumulated losses €	Total €
Balance at 1 January 2010	3,845,668	16,970,641	(1,960,636)	18,855,673
Loss for the financial year/total comprehensive loss for the year	-	-	(9,208,581)	(9,208,581)
Balance at 31 December 2010	3,845,668	16,970,641	(11,169,217)	9,647,092
Balance at 1 January 2011	3,845,668	16,970,641	(11,169,217)	9,647,092
Loss for the financial year/total comprehensive loss for the year	-	-	(4,948,645)	(4,948,645)
Balance at 31 December 2011	**3,845,668**	**16,970,641**	**(16,117,862)**	**4,698,447**

Statements of cash flows

	Notes	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
		Year ended 31 December			
Cash (used in)/generated from operations	26	**(709,974)**	2,307,927	**(2,107,030)**	950,577
Dividends received		**462,045**	465,594	**145,814**	3,674
Interest received		**1,675,228**	1,671,679	**778,610**	1,086,097
Interest paid		**(1,049,725)**	(1,049,725)	**(1,069,957)**	(1,214,187)
Net tax refund/(paid)		**1,155,748**	(159,455)	**(46,518)**	-
Net cash from/(used in) operating activities		**1,533,322**	3,236,020	**(2,299,081)**	826,161
Cash flows (used in)/generated from investing activities					
Purchase of intangible assets	11	**(8,390)**	-	**(8,390)**	-
Purchase of property, plant and equipment	13	**(824,493)**	(100,808)	**(29,055)**	-
Proceeds from sale of property, plant and equipment		**-**	17,758	**-**	-
Purchase of investment property	14	**(175,958)**	(2,220,239)	**-**	-
Purchase of financial assets at fair value through profit or loss	17	**(3,508,212)**	(4,551,175)	**(300)**	(3,841,611)
Purchase of held-to-maturity financial assets		**(4,555,843)**	(3,590,912)	**-**	-
Purchase of available-for-sale financial assets		**(666,143)**	(699,279)	**-**	-
Proceeds from disposal of investments at fair value through profit or loss	17	**1,488,590**	10,088,001	**-**	449,345
Proceeds from disposal of investment in associated undertakings		**-**	3,806,196	**-**	-
Purchase of cash instrument	17	**(745,649)**	(2,347,546)	**-**	-
Net movement on other investments					
■ loans and receivables	17	**7,901**	(37,390)	**-**	(504,848)
Net cash (used in)/generated from investing activities		**(8,988,197)**	364,606	**(37,745)**	(3,897,114)
Cash flows (used in)/generated from financing activities					
Repayment of bank loans in connection with investment properties	24	**(303,636)**	(286,574)	**-**	-
Movement in shareholder's loan		**-**	-	**(1,332,354)**	7,441,877
Net cash (used in)/generated from financing activities		**(303,636)**	(286,574)	**(1,332,354)**	7,441,877
Movement in cash and cash equivalents		**(7,758,511)**	3,314,052	**(3,669,180)**	4,370,924
Cash and cash equivalents at the beginning of the year		**12,223,212**	8,909,160	**4,071,774**	(299,150)
Cash and cash equivalents at the end of the year	27	**4,464,701**	12,223,212	**402,594**	4,071,774

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.

1. BASIS OF PREPARATION

During 2011 the Group reported a loss before tax of €4,308,053 (2010 – loss of €7,702,911). The Group's net assets at 31 December 2011 amounted to €8,983,699 (2010 – €13,085,768). The Directors recognise that the current global and local economic landscape presents a challenging environment within which to turn around the operating performance of the Group and has approved a strategy which is focused on aggressive cost reduction and revenue growth.

In December 2011, the Directors approved budgets which target significant cost reductions as well as setting increased revenue targets in the Group's various business units. A new insurance product has been developed, which is expected to be launched in the second quarter of 2012 and which it is anticipated will be well received by consumers. Growth in revenue is expected through an increased sales force, who under the training and guidance of a recently appointed sales manager, will be focused on achieving the Group's objectives. Certain measures to curtail costs have translated into cost reductions between 2010 and 2011. Further cost reductions are expected to flow through as a result of action taken throughout 2011 together with further planned initiatives, some of which have already been implemented in the first quarter of 2012. The budgets indicate a return to profitability on the basis of the cost reductions and increased revenues, in particular the life insurance products which have a direct impact on the Group's value of in force calculation and release to future profits. No estimate of possible fair value movements on FVTPL investments or investment properties has been taken into account in the preparation of the budgets as these are not accurately predictable.

The Directors have also initiated a process to dispose of the Group's overseas investment properties as well as certain local properties in the near future and have engaged reputable global estate agents to assist in this process. Promise of sale agreements have already been entered into in relation to some of these properties.

The Group's forecast cash flows, prepared in line with the budgeted operating performance, which take account of the receipt of funds from the imminent sale of the investment properties noted above, indicate that the Group will have sufficient funds to meet its obligations in the near term. The budgets and cash flow forecasts have been prepared on the basis of planned strategies and initiatives, however, as with all forward looking estimates they are inherently uncertain and actual results are likely to be different from those estimated due to external influences which are beyond the Group's control. Should the need arise, if the Group performance is below that forecasted, the funds required for the Group to meet its commitments will be generated by raising additional finance including the potential for an increase in capital .

The Company's bond is due for repayment at the latest on 2 June 2016, as further described in Note 25. The Directors have initiated a full review including the potential for roll-over or new bond issuance and/or a process of identifying those assets which will be liquidated in order to finance the bond redemption, which may include a disposal of investment properties, other investments and, if required, additional capital.

The Directors are satisfied that, having taken into account the Group's current and forecasted statement of financial position, its capital adequacy (as detailed in Note 22), its forecast cash flows, and scenarios for raising additional finance should the need arise, it is reasonable to assume that the Company and the Group have adequate resources to continue operating for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs), and with the Companies Act (Chap. 386). The consolidated financial statements include the financial statements of GlobalCapital p.l.c. and its subsidiary undertakings. They also consider the requirements of the Insurance Business Act (Chap. 403) in consolidating the results of GlobalCapital Life Insurance Limited, where appropriate. The financial statements are prepared under the historical cost convention, as modified by the fair valuation of investment property, financial assets and financial liabilities at fair value through profit or loss, available for sale investments and the value of in-force business.

The preparation of financial statements in conformity with EU IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's and the company's accounting policies. The areas involving a higher degree of judgement and estimates or complexity are disclosed in Note 1 to these financial statements.

The statements of financial position are presented in increasing order of liquidity, with additional disclosures on the current or non-current nature of the assets and liabilities provided within the notes to the financial statements.

1. BASIS OF PREPARATION (continued)

International Financial Reporting Standards in issue but not yet effective

Certain new standards and amendments, revisions and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not mandatory for the current accounting period.

The Company and the Group have not early adopted these new standards or these amendments, revisions and interpretations to existing standards.

IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Under IFRS 9, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost unless the entity applies the fair value option. All other financial assets, including equity investments are measured at their fair values at the end of subsequent accounting periods.

- Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Following an amendment in December 2011, IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 10 – Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (that is, whether an entity is controlled through voting rights of the investors or otherwise). IFRS 10 supersedes SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IAS 27 – Separate Financial Statements

The revised IAS 27 was issued concurrently with IFRS 10. Together, the two IFRSs supersede IAS 27 Consolidated and Separate Financial Statements (as amended in 2008).

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities; and

- the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

1. BASIS OF PREPARATION (continued)

International Financial Reporting Standards in issue but not yet effective (continued)

IFRS 13 – Fair Value Measurement

This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

The amendments retain the option to present profit or loss and other comprehensive income in either a single comprehensive continuous statement or in two separate but consecutive statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.

The amendments are effective from 1 July 2012 and are to be applied on a full retrospective basis.

Amendments to IAS 12 – Income Taxes

The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The amendments are effective as from 1 January 2012.

Amendments to IAS 32 and IFRS 7 - Offsetting Financial Assets and Financial Liabilities

These Amendments are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The amendments to IAS 32 and IFRS 7 are applicable on 1 January 2014 and 1 January 2013 respectively.

The Group's Directors are assessing the potential impact, if any, of the above IFRSs on the financial statements of the Company and the Group in the period of initial application. These IFRS had not yet been endorsed by the EU at the date of authorisation of these financial statements.

2. CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from the entities' activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised in the profit and loss as incurred, except for costs to issue debt or equity securities.

2. CONSOLIDATION (continued)

(a) Subsidiaries (continued)

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of:

a. The aggregate of:
   i. the consideration transferred;
   ii. the amount of any non-controlling interest in the acquiree; and
   iii. in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree.

b. The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
A listing of the Group's principal subsidiaries is set out in Note 15.

3. INTANGIBLE ASSETS

(a) Goodwill

Goodwill on acquisition of group undertakings is included in intangible assets. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Value of in-force business

On acquisition of a portfolio of long term contracts, the net present value of the Shareholders' interest in the expected after-tax cash flows of the in-force business is capitalised in the statement of financial position as an asset. The value of in-force business is subsequently determined by the Directors on an annual basis, based on the advice of the approved actuary. The valuation represents the discounted value of projected future transfers to Shareholders from policies in force at the year end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending on the mix of investments held and expected market conditions. All movements in the in-force business valuation are credited or debited to the profit or loss. They are subsequently transferred out of retained earnings to other reserves.

(c) Computer software

Acquired computer software licences are 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 estimated useful lives (five years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

4. DEFERRED INCOME TAX

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates or those that are substantively enacted by the end of the reporting period are used in the determination of deferred income tax.

Deferred income tax related to the fair value re-measurement of investments is allocated between the technical and non-technical account depending on whether the temporary differences are attributed to policyholders or shareholders respectively.

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.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising land and buildings, office furniture, fittings and equipment and motor vehicles, are initially recorded at cost and are subsequently shown at cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Buildings	2
Office furniture, fittings and equipment	20 - 25
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

6. NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss. Non-current assets are not depreciated (or amortised) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

7. INVESTMENT PROPERTIES

Freehold and leasehold properties treated as investments principally comprise buildings that are held for long term rental yields or capital appreciation or both, and that are not occupied by the Group. Investment properties are initially measured at cost including related transaction costs. Investment properties are subsequently carried at fair value, representing open market value determined annually by external valuers, or by virtue of a Directors' valuation. 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 Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Unrealised gains and losses arising from changes in fair value (net of deferred taxation) are recognised in the profit or loss.

8. INVESTMENT IN GROUP UNDERTAKINGS

In the Company's financial statements, shares in group undertakings are accounted for by the cost method of accounting, net of impairment loss. The Company gathers objective evidence that an investment is impaired using the same process adopted for financial assets held at amortised cost and available for sale assets. These processes include but are not limited to those disclosed in accounting policy 10(a). The impairment loss is measured in accordance with accounting policy 10(b). On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

8. INVESTMENT IN GROUP UNDERTAKINGS (continued)

The dividend income from such investments is included in profit or loss in the accounting year in which the Company's right to receive payment of any dividend is established.

9. OTHER FINANCIAL ASSETS

The Group classifies its other financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Directors determine the appropriate classification of the Group's financial assets at initial recognition, and re-evaluate such designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A non-derivative financial asset is classified into this category at inception if acquired principally for the purpose of selling in the near-term, if it forms part of a portfolio of financial assets that are managed together and for which there is evidence of short term profit-taking, if the financial asset is part of a group of financial assets that is managed on a portfolio basis and whose performance is evaluated and reported internally to the Group's key management personnel on a fair value basis in accordance with a documented financial assets strategy or if this designation eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that upon initial recognition are designated as at fair value through profit or loss, those that are designated as available-for-sale financial assets and those that meet the definition of loans and receivables are classified as held-to-maturity investments.

(c) 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 are held for trading or that are designated as at fair value through profit or loss or as available for sale or those for which the Group may not recover substantially all of its investment other than because of credit deterioration. They include, inter alia, debtors, interest bearing deposits and advances.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the Group or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss

All purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. All financial assets are initially recognised at fair value, plus in the case of 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 where they have been transferred and the transfer qualifies for de-recognition.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in profit or loss.

Available-for-sale financial assets are measured at their fair value. Gains and losses arising from a change in fair value are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method is recognised in profit or loss.

9. OTHER FINANCIAL ASSETS (continued)

(d) Available-for-sale financial assets (continued)

The fair value of quoted financial assets is based on quoted market prices at the end of the reporting period. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

10. IMPAIRMENT OF ASSETS

(a) Impairment of financial assets at amortised cost and available-for-sale investments

The Group assesses at each end of the reporting period 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) has 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 Group about the following events:

i. significant financial difficulty of the issuer or debtor;
ii. a breach of contract, such as a default or delinquency in payments;
iii. it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
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.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered and/or a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For financial assets at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group 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 individually assessed 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 financial assets 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 or loss.

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 or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

10. IMPAIRMENT OF ASSETS (continued)

(b) Impairment of other financial assets

At each end of the reporting period, the carrying amount of other financial assets is reviewed to determine whether there is an indication of impairment and if any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is the amount by which the amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less the costs to sell and value in use. Impairment losses and reversals are recognised in profit or loss.

(c) Impairment of non-financial assets

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, principally comprise property, plant and equipment and computer software. 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). An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment losses and reversals are recognised in profit or loss.

Goodwill arising on the acquisition of subsidiaries is tested for impairment at least annually. Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

11. OFFSETTING FINANCIAL INSTRUMENTS

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

12. PROPERTY HELD FOR DEVELOPMENT

When the main object of a property project is the development for resale purposes, the asset is classified in the financial statements as property held for development. The development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property together with other costs incurred during its subsequent development including:

i. The costs incurred on development works, including demolition, site clearance, excavation, construction, etc.
ii. The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.
iii. Any borrowing costs attributable to the development phases of the project.

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

13. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

(a) Classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a DPF ("Discretionary participation feature"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

(a) Classification (continued)

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are based on realised and/or unrealised investment returns on underlying assets held by the Group.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders, also considering the advice of the approved actuary.

(b) Recognition and measurement

Insurance contracts and investment contracts with DPF are categorised depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short term insurance contracts

These contracts are short duration life insurance contracts. They protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

(ii) Long term contracts

Insurance contracts without DPF

These contracts insure events associated with human life (mainly for death) over a long and fixed duration. The guaranteed and fixed element for these contracts relates to the sum assured, i.e. the benefit payable on death.

Insurance contracts with DPF

In addition to the guaranteed amount payable on death, these products combine a savings element whereby a portion of the premium receivable, and declared returns, are accumulated for the benefit of the policyholder. Annual returns may combine a guaranteed rate of return and a discretionary element.

Investment contracts with DPF

These long term contracts are substantially savings products since they do not transfer significant insurance risk. Annual returns may combine a guaranteed rate of return and a discretionary element.

The Group does not recognise the guaranteed element separately from the DPF for any of the contracts that it issues. As permitted by IFRS 4, it continues to apply accounting policies existing prior to this standard in respect of such contracts, further summarised as follows:

(i) Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission, and are inclusive of policy fees receivable.

(ii) Maturity claims are charged against revenue when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the liability. Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs.

(b) Recognition and measurement (continued)

(ii) Long term contracts (continued)

(iii) Bonuses charged to the long term business technical account in a given year comprise:

(a) new reversionary bonuses declared in respect of that year, which are provided within the calculation of the respective liability;

(b) terminal bonuses paid out to policyholders on maturity and included within claims paid; and

(c) terminal bonuses accrued at the Group's discretion, and included within the respective liability.

(iv) A liability for long term contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. This liability is determined by the approved actuary following his annual investigation of the financial condition of the Group's long term business as required under the Insurance Business Act (Chap. 403). It is calculated in accordance with the relevant legislation governing the determination of liabilities for the purposes of statutory solvency. The calculation uses a prospective valuation method, unless a retrospective calculation results in a higher liability, and makes explicit provision for vested reversionary bonuses. Provision is also made, explicitly or implicitly, for future reversionary bonuses. The prospective method is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, maintenance expenses and investment income that are established at the time the contract is issued, subject to solvency restrictions set out in the Insurance Business Act (Chap. 403). The retrospective method is based on the insurance premium credited to the policyholder's account, together with explicit provision for vested bonuses accruing as at the end of the reporting period, and adjustment for mortality risk and other benefits.

This long term liability is recalculated at each statement of financial position date. The above method of calculation satisfies the minimum liability adequacy test required by IFRS 4. The liability in respect of short term insurance contracts is based on statistical analysis for the claims incurred but not reported, estimates of the expected ultimate cost of more complex claims that may be effected by external factors (such as court decisions), and further includes the portion of premiums received on in-force contracts that relate to unexpired risks at the statement of financial position date.

(c) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in accounting policy 12(a) are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurers' share of technical provisions or receivables from reinsurers (unless netted off against amounts payable to reinsurers). These assets consist of short term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified as reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss. The Group gathers 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. These processes are described in accounting policy 9(a).

(d) 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 the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss in a similar manner to the process described above for reinsurance contracts held (also see accounting policy 9(a)).

14. INVESTMENTS CONTRACTS WITHOUT DPF

The Group issues investment contracts without DPF. Premium arising on these contracts is classified as a financial liability – investments contracts without DPF. Investments contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, and are designated at inception as at fair value through profit or loss. The fair value of a unit linked financial liability is determined using the current unit values that reflect the fair values of the financial assets linked to the financial liability multiplied by the number of units attributed to the contract holder at the statement of financial position date. If the investment contract is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender, where applicable. Other benefits payable are also accrued as appropriate.

15. CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and time deposits maturing within three months (unless these are held specifically for investment purposes). They are net of the bank overdraft, which is included with liabilities.

16. BORROWINGS AND TRADE PAYABLES

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 profit or loss over the period of the borrowings using the effective interest method. Trade payables are stated at their nominal value unless the effect of discounting is material.

Borrowing costs are capitalised within property held for development in so far as they relate to the specific external financing of assets under development. Such borrowing costs are capitalised during the development phase of the project. Other borrowing costs are recognised as an expense in the year to which they relate.

17. SHARE CAPITAL

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

18. DIVIDEND DISTRIBUTION

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared.

19. FIDUCIARY ACTIVITIES

Client monies are held by the Group as a result of clients' trades that have not yet been fulfilled. They are not included in the financial statements as these assets are held in a fiduciary capacity.

20. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

21. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue also includes interest, dividend and rental income and is recognised as follows:

21. REVENUE RECOGNITION (continued)

(a) Rendering of services

Premium recognition dealing with insurance contracts and investments contracts with DPF is described in accounting policy 13. Revenue arising from the issue of investment contracts without DPF is recognised in the accounting period in which the services are rendered.

Other turnover arising on rendering of services represents commission, consultancy and advisory fees receivable in respect of the Group's activities in providing insurance agency, brokerage or investment services. Performance fees are recognised in the financial statements on the date when the advisor's entitlement to the income is established.

(b) Sale of property held for development

Revenue from the sale of property held for development is recognised when the significant risks and rewards of ownership of property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the date of contract of sale and the date when all the Company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the Company, are treated as deposits on contracts and are included with creditors.

(c) Dividend income

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

(d) Interest income

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

(e) Rent receivable

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

22. FOREIGN CURRENCIES

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date 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 or loss. Translation differences on non-monetary items that are measured at fair value, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

23. INVESTMENT RETURN

Investment return includes dividend income, net fair value movements on financial assets at fair value through profit or loss (including interest income from financial assets classified as fair value through profit or loss), interest income from financial assets not classified as fair value through profit or loss, rental receivable, net fair value movements on investment property and is net of investment expenses, charges, and interest.

The investment return is allocated between the insurance technical account and the non-technical account on the basis of the investment return as recommended by the approved actuary.

24. LEASES

Rentals payable under operating leases are charged to the profit or loss as incurred over the lease term. Group assets leased out under operating leases are included in investment property. Rental income is recognised in the profit or loss over the period of the lease to which it relates.

25. EMPLOYEE BENEFITS

The Company and the Group contribute towards the state pension in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the period in which they are incurred.

26. CURRENT TAX

Current tax is charged or credited to profit or loss except when it relates to items recognised in other comprehensive income or directly in equity. The charge/credit for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items which are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, unless further described below.

(a) Fair valuation of investment properties

The determination of the fair value of investment properties at the end of the reporting period requires the use of significant management estimates.

Fair valuation of Baronial Castle in Italy

The Group's investment property includes a Baronial Castle situated outside of Rome. Given the specialised nature of this property the uncertainties in the estimation of its fair value are inherently more significant than for the remaining portfolio of investment property. Details of the valuation methodology and key assumptions are disclosed in Note 14 to the financial statements.

(b) Impairment assessment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with accounting policy 3(a). The assessment of the recoverable amount is based on estimates of future cash flow projections. A summary of the key estimates applied in making this assessment, and the degree of sensitivity, is provided in Note 11 to the financial statements.

(c) Value of in-force business

The value of in-force business is a projection of future Shareholders' profit expected from insurance policies in force at the year end, appropriately discounted and adjusted for the effect of taxation. This valuation requires the use of assumptions relating to future mortality, persistence, levels of expenses and investment returns over the longer term (see accounting policy 3(b)). Details of key assumptions and sensitivity for this intangible asset are provided in Note 11 to the financial statements.

(d) Technical provisions

The Group's technical provisions at year end are determined in accordance with accounting policy 12. Details of key assumptions and sensitivities to the valuation are disclosed in Note 18 to the financial statements.

(e) Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deferred tax assets can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets is disclosed in Note 12.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group holds or issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them. The Group's risk management strategy has remained unchanged from the prior year.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, resulting in earlier or more claims than expected.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. Investment contracts with DPF ("Discretionary participation feature") carry negligible insurance risk.

The Group manages these risks through its underwriting strategy and reinsurance agreements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and lifestyle of the applicants.

The Group has retention limits on any single life assured for term business or risk premium business. The Group reinsures the excess of the insured benefits over approved retention limits under a treaty reinsurance arrangement. Facultative reinsurance is selectively sought for non-standard risks that are not covered by the treaty reinsurance arrangement where the Group has decided to accept the insurance risk. Short term insurance contracts are also protected through a combination of selective quota share and surplus reinsurance. Further, the Group has a "CAT XL" reinsurance arrangement to cover its exposure in the case of an event affecting more than three lives.

In general, all large sums assured are facultatively reinsured on terms that substantially limit the Group's maximum net exposure. The Directors consider that all other business is adequately protected through treaty reinsurance with a reasonable spread of benefits payable according to the age of the insured, and the size of the sum assured. The Group is largely exposed to insurance risk in one geographical area, Malta. Single event exposure is capped through the "CAT XL" reinsurance arrangement as referred above.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in contract holder behaviour. The Group uses appropriate base tables of standard mortality according to the type of contract being written. The Group does not take credit for future lapses in determining the liability for long term contracts in accordance with the insurance rules regulating its calculation.

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets, and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts with DPF. The Group is also exposed to significant liquidity risk in relation to obligations arising on the bonds issued in 2006. The most important components of financial risk are market risk (including currency risk, cash flow, fair value interest rate risk and price risk), credit risk and liquidity risk.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk (continued)

These risks partly arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions through adherence to an investment policy. The policy adopted is modelled to take into account actuarial recommendations, and is developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts with DPF. The principal technique underlying the Group's framework is to broadly match assets to the liabilities arising from insurance and investment contracts with DPF by reference to the type of benefits payable to contract holders, and the recommended portfolio mix as advised by the approved actuary.

The Group's investment policy is formally approved by the Board of Directors. Portfolio review processes and investment decisions are generally delegated to a dedicated Sub-Investment Committee or the Chief Executive Officer. Transactions in excess of pre-established parameters are subject to Board approval. The procedures consider, inter alia, a recommended portfolio structure, authorisation parameters, asset and counterparty limits and currency restrictions. Management reports to the Investment Committee on a regular basis. The Committee meets regularly to consider, inter alia, investment prospects, liquidity, the performance of the portfolio and the overall framework of the Group's investment strategy. Solvency considerations as regulated by the relevant Authority are also taken into account as appropriate.

Market risk

(a) Cash flow and fair value interest rate risk

The Group and the Company are exposed to the risk of fluctuating market interest rate. Assets/liabilities with variable rates expose the Group and the Company to cash flow interest risk. Assets/liabilities with fixed rates expose the Group and the Company to fair value interest rate risk to the extent that they are measured at fair value.

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

	Group		**Company**	
	2011	2010	**2011**	2010
	€	€	**€**	€
Assets attributable to policyholders				
Assets at floating interest rates	**5,877,096**	7,435,686	**-**	-
Assets at fixed interest rates	**36,739,353**	31,762,797	**-**	-
	42,616,449	39,198,483	**-**	-
Assets attributable to shareholders				
Assets at floating interest rates	**863,918**	332,369	**-**	-
Assets at fixed interest rates	**-**	3,824,484	**-**	3,807,205
	863,918	4,156,853	**-**	3,807,205
	43,480,367	43,355,336	**-**	3,807,205
Liabilities				
Liabilities at floating interest rates	**1,679,027**	2,435,167	**-**	-
Technical provisions	**58,344,809**	57,455,467	**-**	-
	60,023,836	59,890,634	**-**	-

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Market risk (continued)

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

As disclosed in Note 24 the Company issued a bond with a nominal value of €17,000,000 at a fixed rate of interest. As further disclosed in Note 17 the Company is exposed to loans to group undertakings that are subject to a fixed rate of interest. This exposure does not give rise to fair value interest rate risk since the bond and loans to group undertakings are carried at amortised cost in the financial statements.

Interest rate risk is monitored by the Board on an ongoing basis. This risk is mitigated through the distribution of fixed interest investments over a range of maturity dates, and the definition of an investment policy as described earlier, which limits the amount of investment in any one interest earning asset or towards any one counterparty. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting or restructuring its investment or financing structure and by maintaining an appropriate mix between fixed and floating rate instruments. As at the statement of financial position date, the Directors considered that no hedging arrangements were necessary to address interest rate risk.

Insurance and investment contracts with DPF have benefit payments that are fixed and guaranteed at the inception of the contract (for example, sum assured), or as bonuses are declared. The financial component of these benefits is usually a guaranteed fixed interest rate set at the inception of the contract, or the supplemental benefits payable. The Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The supplemental benefits payable to holders of such contracts are based substantially on historic and current rates of return on fixed income securities held as well as the Group's expectations for future investment returns. The impact of interest rate risk is mitigated by the presence of the DPF. Guaranteed benefits increase as supplemental benefits are declared and allocated to contract holders.

All insurance and investment contracts with a DPF feature can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is either lower than or at least equal to the carrying amount of the contract liabilities as a result of the application of surrender penalties set out in the contracts. The Group is not required to, and does not, measure this embedded derivative at fair value.

The sensitivity 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. The Group's interest rate risk arises primarily on fixed-income and floating rate financial assets held to cover policyholder liabilities. Interest-bearing assets or liabilities attributable to the Shareholders are not significant, or they mainly mature in the short term, and as a result the Group's income and operating cash flows are substantially independent of changes in market interest rates in this regard. An indication of the sensitivity of insurance results to a variation of investment return on policyholders' assets is provided in Note 11 to the financial statements in relation to the value of in-force business. Further sensitivity to investment return variations in relation to technical provisions is provided in Note 18 to the financial statements.

(b) Price risk

The Group and the Company are exposed to market price risk arising from the uncertainty about the future prices of investments held that are classified in the statement of financial position as at fair value through profit or loss or as available for sale. This risk is mitigated through the adherence to an investment policy geared towards diversification as described earlier. The Group is exposed to price risk in respect of listed equity investment. A significant holding accounted for 6.2% of the Group's total assets as at 31 December 2011 (2010 – 10.6%).

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

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Assets attributable to policyholders	**7,668,969**	7,532,284	**-**	-
Assets attributable to shareholders	**3,979,989**	5,149,265	**3,481,658**	3,614,363
	11,648,958	12,681,549	**3,481,658**	3,614,363

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Price risk (continued)

The sensitivity analysis for price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

The sensitivity analysis measures the change in the fair value of the instruments for a hypothetical change of 10% in the market price of financial assets at fair value through profit or loss. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. Should market prices at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/- €1,165,000 in 2011 (2010 - +/-€1,268,000) and the impact on the Company's pre-tax profit would be +/- €348,165 in 2011 (2010 - +/-€361,000). This sensitivity analysis is based on a change in an assumption while holding all assumptions constant and does not consider, for example, the mitigating impact of the DPF element on policyholder liabilities for contracts with a DPF.

(c) Currency risk

The Group's and the Company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. As at 31 December 2011, the Group's exposure to foreign currency investments (principally comprising a mix of US Dollar and UK pound) represented 7% of the Group's total investments in Note 17 (2010 - 9%).

17% (2010 - 5%) of the Group's cash and cash equivalents, at 31 December 2011, are denominated in foreign currency (principally comprising a mix of US Dollar and UK pound). The Company was not significantly exposed to foreign exchange risk as at 31 December 2011 or 31 December 2010.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto. In addition, currency exposure is regulated by the Regulations underlying the Insurance Business Act (Chap. 403), in so far as life assurance business is concerned.

For financial instruments held or issued, a sensitivity analysis technique that measures the change in the fair value and the cash flows of the Group's financial instruments at the reporting date for hypothetical changes in exchange rates has been used. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

Should exchange rates at the statement of financial position date differ by +/-10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/-€341,805 in 2011 (2010 - +/-€407,000).

Credit risk

The Group and the Company have exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial assets that potentially subject the Group to concentrations of credit risk consist principally of:

- investments (including counterparty risk);
- reinsurers' share of technical provisions;
- trade and other receivables; and
- cash and cash equivalents.

The Company was not exposed to significant credit risk as at the financial year end since exposure was principally in respect of amounts due from subsidiary undertakings, which are tested for impairment whenever there is any such indication and which are closely monitored by the Company, and cash at bank balances, which are placed with reliable financial institutions.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty. Limits on the level of credit risk by category are defined within the Group's investment policy as described earlier. This policy also considers regulatory restrictions on asset and counterparty exposures. Further detail on the content of the Group's investment portfolio is provided in Note 17 to these financial statements.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Credit risk (continued)

Credit risk in respect of receivables is not deemed to be significant after considering the range of underlying debtors, and their creditworthiness. Receivables are stated net of impairment. Further detail in this regard is provided in Note 20 to the financial statements.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis and by reviewing their financial strength prior to finalisation of any contract. The Group's reinsurer retained its Standard and Poor's rating of AA- as at 31 December 2011 (2010 – AA-).

The credit risk in respect of cash at bank is mitigated by placing such balances with reliable financial institutions.

The following table illustrates the assets that expose the Group to credit risk as at the statement of financial position date and includes the Bloomberg's composite rating for debt securities at fair value through profit or loss, when available, and the Fitch long term issuer default rating for deposits with banks and cash and cash equivalents, when available.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Credit risk (continued)

Assets bearing credit risk at the statement of financial position date are analysed as follows:

	As at 31 December 2011					
	AAA to AA €	A+ to A €	A- €	BBB+ to B- €	Unrated €	Total €
Investments						
Debt securities at fair value through profit or loss	657,653	15,795,656	1,814,174	3,725,897	2,588,095	24,581,475
Debt securities held-to-maturity	-	7,606,267	-	-	521,305	8,127,572
	657,653	23,401,923	1,814,174	3,725,897	3,109,400	32,709,047
Loans and receivables						
Loans secured on policies	-	-	-	-	150,248	150,248
Terms deposits held for investment purposes	-	-	-	2,000,000	1,780,232	3,780,232
Trade and other receivables	-	-	-	-	2,407,261	2,407,261
Cash and cash equivalents	729,430	-	3,359,241	-	495,203	4,583,874
	729,430	-	3,359,241	2,000,000	4,832,944	10,921,615
Reinsurance share of technical provisions	1,216,903	-	-	-	-	1,216,903
Total assets bearing credit risk	**2,603,986**	**23,401,923**	**5,173,415**	**5,725,897**	**7,942,344**	**44,847,565**

	As at 31 December 2010					
	AAA to AA €	A+ to A €	A- €	BBB+ to B- €	Unrated €	Total €
Investments						
Debt securities at fair value through profit or loss	511,235	14,932,382	1,443,628	3,211,250	2,045,925	22,144,420
Debt securities held-to-maturity	-	3,277,686	-	-	307,800	3,585,486
	511,235	18,210,068	1,443,628	3,211,250	2,353,725	25,729,906
Loans and receivables						
Loans secured on policies	-	-	-	-	158,149	158,149
Terms deposits held for investment purposes	-	-	2,020,444	-	1,014,139	3,034,583
Trade and other receivables	-	-	-	-	3,001,814	3,001,814
Cash and cash equivalents	5,168,098	-	6,589,362	-	1,074,622	12,832,082
	5,168,098	-	8,609,806	-	5,248,724	19,026,628
Reinsurance share of technical provisions	1,167,112	-	-	-	-	1,167,112
Total assets bearing credit risk	**6,846,445**	**18,210,068**	**10,053,434**	**3,211,250**	**7,602,449**	**45,923,646**

Credit risk (continued)

Unrated financial assets 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.

As at 31 December 2011 and 2010 the Group had significant exposure with the Government of Malta through investments in debt securities. In 2011 these were equivalent to 21% (2010 - 17%) of the Group's total assets.

Liquidity risk

Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group adopts a prudent liquidity risk management approach by maintaining a sufficient proportion of its assets in cash and marketable securities through the availability of an adequate amount of committed credit facilities and the ability to close out market positions. Senior management is updated on a regular basis on the cash position of the Group illustrating, inter alia, actual cash balance net of operational commitments falling due in the short term as well as investment commitments falling due in the medium and long term. Detailed cash flow projections covering the medium term have been prepared by management and approved by the Board, as further detailed in Note 1.

The Group is exposed to daily calls on its available cash resources in order to meet its obligations, including claims arising from contracts in issue by the Group. Other financial liabilities which expose the Group and the Company to liquidity risk mainly comprise the borrowings disclosed in Note 24 and trade and other payables disclosed in Note 25.

The tables below analyse the Group's and the Company's financial liabilities into relevant maturity groupings. The expected cash outflows for insurance and investment contracts do not consider the impact of early surrenders. Expected cash outflows on unit linked liabilities have been excluded since they are matched by expected inflows on backing assets.

Group

As at 31 December 2011	**Contracted undiscounted cash outflows**					
	Less than one year	Between one and two years	Between two and five years	Over five years	Total	Carrying amount
	€	€	€	€	€	€
Borrowings						
Bank loans	380,932	380,932	760,877	-	1,522,741	1,522,741
Bank overdraft	156,287	-	-	-	156,287	156,287
5.6% bonds 2014/2016	952,000	952,000	17,952,000	-	19,856,000	16,859,045
Trade and other payables	3,112,518	-	-	-	3,112,518	3,112,518
	4,601,737	**1,332,932**	**18,712,877**	**-**	**24,647,546**	**21,650,591**

	Expected cash outflows					
	Less than five years	Between five and ten years	Between ten and twenty years	Over twenty years	Total	Carrying amount
	€	€	€	€	€	€
Technical provisions	20,199,000	7,757,0000	15,747,000	14,343,000	58,046,000	58,046,000

Liquidity risk (continued)

Group

As at 31 December 2010	**Contracted undiscounted cash outflows**					
	Less than one year	Between one and two years	Between two and five years	Over five years	Total	Carrying amount
	€	€	€	€	€	€
Borrowings						
Bank loans	380,932	380,932	1,064,513	-	1,826,377	1,826,377
Bank overdraft	608,791	-	-	-	608,791	608,791
5.6% bonds 2014/2016	952,000	952,000	18,428,000	-	20,332,000	16,811,101
Trade and other payables	3,208,263	-	-	-	3,208,263	3,208,263
	5,149,986	**1,332,932**	**19,492,513**	**-**	**25,975,431**	**22,454,532**

	Expected cash outflows					
	Less than five years	Between five and ten years	Between ten and twenty years	Over twenty years	Total	Carrying amount
	€	€	€	€	€	€
Technical provisions	15,616,000	12,627,000	11,565,000	17,422,000	57,230,000	57,230,000

Company

As at 31 December 2011	**Contracted undiscounted cash outflows**					
	Less than one year	Between one and two years	Between two and five years	Over five years	Total	Carrying amount
	€	€	€	€	€	€
Borrowings						
5.6% bonds 2014/2016	952,000	952,000	17,476,000	-	19,380,000	16,859,045
Trade and other payables	1,381,228	-	-	-	1,381,228	1,381,228
	2,333,228	**952,000**	**17,476,000**	**-**	**20,761,228**	**18,240,273**

As at 31 December 2010	**Contracted undiscounted cash outflows**					
	Less than one year	Between one and two years	Between two and five years	Over five years	Total	Carrying amount
	€	€	€	€	€	€
Borrowings						
5.6% bonds 2014/2016	952,000	952,000	18,428,000	-	20,332,000	16,811,101
Trade and other payables	3,178,939	-	-	-	3,178,939	3,178,939
	4,130,939	**952,000**	**18,428,000**	**-**	**23,510,939**	**19,990,040**

3. SEGMENTAL ANALYSIS

The following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2011.

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2011							
Segment income							
Earned premiums net of reinsurance	-	8,289,061	-	-	-	-	8,289,061
Commission and other fees receivable	915,953	-	2,044,487	839	-	(9,442)	2,951,837
Disposal of property held for development	-	149,456	-	-	-	-	149,456
Investment income	218,922	3,180,536	4,013	280,663	830,252	(1,365,875)	3,148,511
Unrealised gains on investments at fair value through profit and loss	55,438	-	-	-	-	-	55,438
Total revenue	**1,190,313**	**11,619,053**	**2,048,500**	**281,502**	**830,252**	**(1,375,317)**	**14,594,303**
Revenue from external customers	903,241	8,827,318	2,029,254	280,662	-	-	12,040,475
Intersegment revenues	161,241	521,715	33,203	32,500	665,804	-	1,414,463
Segment expenses							
Net claims incurred	-	8,320,145	-	-	-	-	8,320,145
Net change in technical provisions	-	772,878	-	-	-	-	772,878
Net operating expenses	1,302,829	2,725,439	1,715,332	337,540	493,182	(191,080)	6,383,242
Unrealised losses on investments at fair value through profit and loss	263,440	797,333	-	-	133,005	-	1,193,778
Realised losses on investments at fair value through profit and loss	-	94,007	-	-	-	-	94,007
Unrealised losses on investment property	-	-	-	736,070	-	-	736,070
Investment expenses	74,025	55,386	12,674	985,697	79,680	(999,634)	207,828
Total expenses	**1,640,294**	**12,765,188**	**1,728,006**	**2,059,307**	**705,867**	**(1,190,714)**	**17,707,948**

3. SEGMENTAL ANALYSIS (continued)

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2011							
Segment profit/(loss)	(449,981)	(1,146,135)	320,494	(1,777,805)	124,385	(184,603)	(3,113,645)
Unallocated items							
Finance costs	-	-	-	-	-	-	(961,470)
Impairment of goodwill	-	-	-	-	-	-	(232,938)
Total unallocated items	-	-	-	-	-	-	(1,194,408)
Group loss							(4,308,053)
Tax credit							114,383
Loss after tax							**(4,193,670)**
Segment assets	369,856	71,819,921	1,554,160	14,361,650	21,770,702	(42,567,939)	67,308,350
Unallocated assets							26,718,924
							94,027,274
Segment liabilities	350,472	62,718,236	316,026	1,650,283	1,384,284	(21,528,496)	44,890,805
Unallocated liabilities							40,274,636
							85,165,441
Other segment items							
Impairment of receivables	-	-	81,605	-	-		
Capital expenditure	-	217,019	-	62,654	-		
Amortisation	16,058	10,328	-	-	50,875		
Depreciation	1,505	338,501	5,596	-	5,811		

3. SEGMENTAL ANALYSIS (continued)

The following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2010.

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2010							
Segment income							
Earned premiums net of reinsurance	-	8,852,112	-	-	-	-	8,852,112
Commission and other fees receivable	1,094,971	-	1,933,067	5,959	-	(35,975)	2,998,022
Disposal of investment in associates	-	-	-	-	1,143,792	-	1,143,792
Disposal of property held for development	-	277,331	-	-	-	-	277,331
Investment income	1,465,960	2,921,960	17,430	349,041	843,647	(1,386,004)	4,212,034
Unrealised gains on investments at fair value through profit and loss	-	1,422,528	-	-	96,067	-	1,518,595
Total revenue	**2,560,931**	**13,473,931**	**1,950,497**	**355,000**	**2,083,506**	**(1,421,979)**	**19,001,886**
Revenue from external customers	1,087,921	9,378,304	1,880,785	269,440	1,143,792	-	13,760,242
Intersegment revenues	74,077	420,769	35,975	65,000	826,158	-	1,421,979
Segment expenses							
Net claims incurred	-	4,458,332	-	-	-	-	4,458,332
Net change in technical provisions	-	5,682,036	-	-	-	-	5,682,036
Net operating expenses	2,187,907	3,184,850	1,629,732	628,946	695,800	(124,615)	8,202,620
Unrealised losses on investments at fair value through profit and loss	883,014	-	11,495	-	-	-	894,509
Unrealised losses on investment property	-	135,564	-	2,185,578	198,368	15,000	2,534,510
Investment expenses	40,796	229,407	10,587	1,130,206	344,656	(1,024,004)	731,648
Total expenses	**3,111,717**	**13,690,189**	**1,651,814**	**3,944,730**	**1,238,824**	**(1,133,619)**	**22,503,655**

3. SEGMENTAL ANALYSIS (continued)

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2010							
Segment profit/(loss)	(550,786)	(216,258)	298,683	(3,589,730)	844,682	(288,360)	(3,501,769)
Unallocated items							
Finance costs	-	-	-	-	-	-	(967,598)
Share of losses of associates	-	-	-	-	-	-	(790,953)
Impairment of goodwill	-	-	-	-	-	-	(2,442,591)
Total unallocated items	-	-	-	-	-	-	(4,201,142)
Group loss							(7,702,911)
Tax charge							(548,364)
Loss after tax							**(8,251,275)**
Segment assets	565,825	68,820,174	1,592,423	15,168,324	31,342,954	(47,326,013)	70,163,687
Unallocated assets							28,312,864
							98,476,551
Segment liabilities	760,521	61,973,735	348,766	1,847,836	1,530	(22,045,927)	42,886,461
Unallocated liabilities							42,504,322
							85,390,783
Other segment items							
Impairment of receivables	-	35,291	-	-	-		
Capital expenditure	-	2,242,383	-	450,888	-		
Amortisation	8,555	16,917	4,638	-	49,197		
Depreciation	31,215	73,292	6,325	-	-		

3. SEGMENTAL ANALYSIS (continued)

The Group's reportable segments under IFRS 8 are identified as follows:

- Investment and advisory services – the provision of services in terms of the Investment Services Act (Chap. 370);
- Business of insurance – to carry on long term business of insurance under the Insurance Business Act (Chap. 403);
- Agency and brokerage services – provision of agency or brokerage services for health or other general insurance in terms of the Insurance Intermediaries Act (Chap.487) and money broking and trading in foreign exchange in terms of the Financial Institutions Act (Chap. 387);
- Property services – to provide property management and consultancy services, and to handle property acquisitions, disposals and development projects both long and short term; and
- Other.

The other operating segment includes corporate expenses and other activities not related to the core business segments and which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit or loss represents the results generated by each segment without the allocation of certain finance costs, share of loss in associates, impairment of goodwill and taxation. This is the measure reported to the Group's chief executive officer for the purpose of resource allocation and assessment of segment performance.

All the Group's turnover is primarily generated in and from Malta. The above turnover includes inter segment sales amounting to €1,414,463 (2010 - €1,421,979).

Segment assets consist primarily of investments, receivables, intangible assets, property, plant and equipment and operating cash. Segment liabilities comprise insurance technical provisions and other operating liabilities. Capital expenditure comprises additions to computer software and to property, plant and equipment. Unallocated assets comprise investments that are not allocated to policyholders, taxation and intra group receivables. Unallocated liabilities mainly comprise borrowings, taxation and intra group payables.

All non-current assets (other than financial instruments, deferred tax assets and rights under insurance contracts) are held in Malta with the exception of investment property located in Italy amounting to €7,787,539 (2010 - €8,523,607) and other countries amounting to €2,596,980 (2010 - €2,596,980).

4. EXPENSES BY NATURE

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Staff costs (Note 5)	**2,453,009**	2,790,152	**30,000**	121,623
Commission and direct marketing costs	**434,553**	790,246	**-**	-
Amortisation of computer software (Note 11)	**28,064**	30,113	**-**	-
Depreciation of property, plant and machinery (Note 13)	**351,413**	99,262	**-**	-
Fixed asset write-off	**-**	822,462	**-**	-
Operating lease rentals payable	**185,566**	242,081	**-**	-
Amortisation of bond issue costs	**49,197**	49,197	**49,197**	49,197
Other expenses	**3,089,045**	3,554,154	**409,507**	531,419
	6,590,847	8,377,667	**488,704**	702,239
Allocated as follows:				
Long term business technical account				
■ claims incurred	**207,594**	167,682	**-**	-
■ staff costs	**817,944**	1,060,438	**-**	-
■ net operating expenses	**1,688,044**	1,864,593	**-**	-
Non-technical account				
■ staff costs	**1,635,065**	1,729,714	**30,000**	121,623
■ commission and direct marketing costs	**215,583**	199,041	**-**	-
■ fixed asset write-off	**-**	808,284	**-**	-
■ other administrative expenses	**2,026,617**	2,547,915	**458,704**	580,616
	6,590,847	8,377,667	**488,704**	702,239

Actuarial valuation fees for the current financial year amounted to €148,864 (2010 - €246,220) for the Group.

Auditor's remuneration for the current financial year amounted to €147,391 (2010 - €119,180) for the Group and €65,490 (2010 - €55,224) for the Company. Other fees payable to the auditor comprise €17,700 (2010 - €17,700) for other assurance services, €10,030 (2010 - €10,591) for tax advisory service and €6,136 (2010 - €23,000) for other non-audit services.

5. STAFF COSTS

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Staff costs:				
Wages and salaries	**2,315,378**	2,637,009	**2,315,378**	2,637,009
Social security costs	**137,631**	153,143	**137,631**	153,143
	2,453,009	2,790,152	**2,453,009**	2,790,152
Recharged to group undertakings	**-**	-	**(2,423,009)**	(2,668,529)
	2,453,009	2,790,152	**30,000**	121,623

The average number of persons employed by both the Group and the Company during the year are analysed below:

	2011	2010
	Number	Number
Managerial	**18**	27
Sales	**5**	6
Administrative	**75**	90
	98	123

The table above represents salaried staff and does not include self employed Tied Insurance Intermediaries.

6. INVESTMENT RETURN

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Investment income				
Rental income from investment property	**632,673**	686,240	**-**	-
Dividends received from investments at fair value through profit or loss	**440,101**	449,763	**145,814**	3,674
Dividends received from available-for-sale investments	**21,944**	15,832	**-**	-
Interest receivable from				
■ investments at fair value through profit or loss	**1,281,247**	1,485,056	**-**	-
■ held-to-maturity investments	**281,074**	118,442	**-**	-
■ group undertakings	**-**	-	**774,291**	1,080,314
■ other loans and receivables	**232,439**	155,700	**4,319**	5,783
■ associates	**-**	10,375	**-**	-
Net exchange gains	**45,534**	18,415	**1,068**	98
Gain on sale of property held for development	**149,456**	277,331	**-**	-
Net gains on financial investments at fair value through profit and loss	**-**	1,403,362	**-**	93,902
Other income	**37,540**	-	**-**	-
	3,122,008	4,620,516	**925,492**	1,183,771
Investment charges and expenses				
Net losses on financial investments at fair value through profit or loss	**1,156,632**	-	**133,005**	276,802
Net fair value losses on investment property	**736,070**	2,524,368	**-**	198,368
Impairment loss on property held for development	**-**	10,142	**-**	-
Investment management charges	**67,476**	72,335	**-**	18,636
Interest payable on:				
■ Group undertakings	**-**	-	**108,487**	-
■ Interest-bearing borrowings	**1,088,064**	1,162,324	**961,470**	960,031
Amortisation charge on held-to-maturity investments	**13,758**	5,426	**-**	-
Other charges	**-**	37,485	**-**	-
	3,062,000	3,812,080	**1,202,962**	1,707,993
Total investment return/(loss)	**60,008**	808,436	**(277,470)**	(524,222)
Allocated as follows:				
Long term business technical account	**1,558,936**	2,987,340	**-**	-
Non-technical account	**(1,498,928)**	(2,178,904)	**(277,470)**	(524,222)
	60,008	808,436	**(277,470)**	(524,222)

7. INCOME TAX

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Current tax (credit)/expense	**(16,239)**	(629,424)	**(310)**	(1,134)
Deferred tax (credit)/expense (Note 12)	**(103,529)**	1,171,865	**(17,219)**	(16,746)
Tax relating to value of in-force business	**5,385**	5,923	**-**	-
Tax (credit)/charge	**(114,383)**	548,364	**(17,529)**	(17,880)

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

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Loss before tax	**(4,308,053)**	(7,702,911)	**(4,966,174)**	(9,226,461)
Tax on loss at 35%	**(1,507,819)**	(2,696,019)	**(1,738,161)**	(3,229,261)
Tax effect of:				
Non - deductible expenditure	**730,035**	934,573	**268,068**	246,760
Impairment of investment in subsidiary	**-**	-	**1,470,000**	2,800,000
Exempt income and income subject to a reduced rate of tax	**42,328**	(14,160)	**(217)**	(1,687)
Deferred tax asset not recognised	**374,521**	1,132,162	**-**	-
Deferred tax asset written off	**132,627**	-	**-**	-
Impairment of goodwill	**81,528**	867,299	**-**	-
Other differences	**32,397**	324,509	**(17,219)**	166,308
Tax (income)/expense	**(114,383)**	548,364	**(17,529)**	(17,880)

8. DIRECTORS' EMOLUMENTS

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Fees	**287,032**	275,918	**287,032**	275,918
Salaries	**102,502**	134,002	**102,502**	134,002
	389,534	409,920	**389,534**	409,920
Recharged to group undertakings	**-**	-	**(320,014)**	(314,370)
	389,534	409,920	**69,520**	95,550

During the year under review, one (2010 – two) Director availed of the use of a company car and the estimated value of these benefits has been included within Directors' remuneration.

In 2010, the Directors were also entitled to participate in a health insurance scheme subsidised by the Group. This benefit is not available to the Directors during the year under review.

The above information for the Company for 2011 and 2010 includes salaries and emoluments amounting to €320,014 (2010: €314,370) that were recharged to group undertakings.

The charge for professional indemnity insurance acquired on behalf of the Directors and Officers of the Group amounted to €125,950 (2010: €115,775). These amounts are included with professional fees.

9. LOSS PER SHARE

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

	Group	
	2011	2010
	€	€
Net loss attributable to shareholders	**4,226,847**	8,183,271
Weighted average number of ordinary shares in issue	**13,207,548**	13,207,548
Loss per share (cents)	**(32c0)**	(62c0)

There is no difference between basic and diluted earnings per share as the Company has no potential dilutive ordinary shares.

10. DIVIDENDS

The Directors do not recommend the payment of a dividend for 2011. No dividend was paid in 2010.

11. INTANGIBLE ASSETS

Group	Goodwill €	Value of in-force business €	Computer Software €	Total €
At 1 January 2010				
Cost or valuation	3,165,597	2,837,000	1,166,596	7,169,193
Accumulated amortisation	-	-	(935,404)	(935,404)
Carrying amount	3,165,597	2,837,000	231,192	6,233,789
Year ended 31 December 2010				
Opening carrying amount	3,165,597	2,837,000	231,192	6,233,789
Increment in value of in-force business	-	11,000	-	11,000
Computer software write-off	-	-	(636,405)	(636,405)
Amortisation charge	-	-	(30,113)	(30,113)
Impairment charge	(2,477,995)	-	-	(2,477,995)
Accumulated amortisation released on fixed asset write-off	-	-	482,697	482,697
Closing carrying amount	687,602	2,848,000	47,371	3,582,973
At 1 January 2011				
Cost or valuation	687,602	2,848,000	530,191	4,065,793
Accumulated amortisation	-	-	(482,820)	(482,820)
Carrying amount	687,602	2,848,000	47,371	3,582,973
Year ended 31 December 2011				
Opening carrying amount	687,602	2,848,000	47,371	3,582,973
Additions	-	-	8,390	8,390
Increment in value of in-force business	-	10,000	-	10,000
Amortisation charge	-	-	(28,064)	(28,064)
Impairment charge	(268,344)	-	-	(268,344)
Closing carrying amount	**419,258**	**2,858,000**	**27,697**	**3,304,955**
At 31 December 2011				
Cost or valuation	419,258	2,858,000	538,581	3,815,839
Accumulated amortisation	-	-	(510,884)	(510,884)
Carrying amount	**419,258**	**2,858,000**	**27,697**	**3,304,955**

Amortisation of computer software amounting to €28,064 (2010 - €30,113) is included in administrative expenses (Note 4).

Computer software written off

In 2010, the Group carried out a review of the recoverable amount of its computer software. The review led to a write-off (net of accumulated amortisation) of €153,708, which has been recognised in profit or loss.

The impairment losses have been included with the line item fixed asset write-off in the statement of comprehensive income and with net operating expenses in the long term business technical account.

11. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

The goodwill arising on consolidation relates to the merger by acquisition of the local operations of British American Insurance Co. (Mtius) Ltd in 2004.

In part, goodwill relates to synergies and specific investment opportunities which were created as a result of the merger. These elements of goodwill are not expected to have an indefinite life. The significance and measurability of business synergies is diluted as a business evolves, and on this basis an impairment charge of €232,938 was reflected during 2011 (2010 - €232,937). The balance of this component of goodwill, which amounted to €107,717 as at 31 December 2011 (2010 - €340,655), is expected to continue to yield economic benefits over the 6 months. In making this assessment the Directors have taken into account projected profitability based on the approved budgets. This assessment is to be revisited on an annual basis in accordance with the Group's accounting policy.

Another component of goodwill related to a specific investment project enabled by the merger. The Group disposed of its interest in this investment project during 2010. On this basis it was deemed appropriate to derecognise this goodwill which amounted to €1,193,205 in 2010.

Goodwill related to the business of insurance carried on by GlobalCapital Life Insurance Limited amounting to €935,226 which was established with reference to profit projections for the business acquired at the time of merger was also written off in full during 2010. The valuation of expected future cash flows discounted to net present values did not support the carrying amount of this goodwill component and was the basis of the write-off.

Value of in-force business – assumptions, changes in assumptions and sensitivity

The value of in-force business ("VOIFB") represents the net present value of projected future transfers to Shareholders from policies in force at the year end, after making provision for taxation. The value of in-force business is determined by the Directors on an annual basis, based on the advice of the approved actuary.

The valuation assumes a margin of 3.8% (2010 - 3.8%) between the weighted average projected investment return and the discount factor applied. The calculation also assumes lapse rates varying from 5% to 15%, and expenses are implicitly inflated.

Sensitivity of the main assumptions underlying the valuation is applied as follows:

- a 10% increase in the assumption for policy maintenance expenses reduces the VOIFB by €108,000 (2010 - €100,000);
- a decrease in the projected investment return by 10% reduces the VOIFB by €490,000 (2010 - €449,000); and
- an increase in the discount factor by 10% reduces the VOIFB by €90,000 (2010 - €103,000).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant.

Company	Computer Software €
At 1 January 2010 & 2011	
Cost	-
Accumulated depreciation	-
Carrying amount	**-**
Year ended 31 December 2011	
Opening carrying amount	-
Additions	8,390
Depreciation charge	(1,678)
Closing carrying amount	**6,712**
At 31 December 2011	
Cost	8,390
Accumulated depreciation	(1,678)
Carrying amount	**6,712**

12. DEFERRED TAX

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate ranging between 12% and 35% (2010 - 12%-35%). In particular temporary differences on investment properties situated in Malta that have been owned by the Group for more than seven years are calculated under the liability method using a principal tax rate of 12% (2010 - 12%) of the carrying amount. Deferred tax on temporary differences on investment properties situated outside Malta has been calculated based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The movement on the deferred tax account is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**(2,408,822)**	(1,236,957)	**(93,834)**	(110,580)
Charged/(credited) to profit or loss (Note 7)	**103,529**	(1,171,865)	**17,219**	16,746
At end of year	**(2,305,293)**	(2,408,822)	**(76,615)**	(93,834)

Deferred taxation at the year end is in respect of the following temporary differences:

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Arising on:				
Accelerated tax depreciation	**2,155**	3,831	**-**	-
Unabsorbed tax credits	**97,946**	552,631	**-**	-
Capitalisation of bond issue costs	**(76,615)**	(93,834)	**(76,615)**	(93,834)
Fair value adjustments	**(2,328,779)**	(2,871,450)	**-**	-
	(2,305,293)	(2,408,822)	**(76,615)**	(93,834)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off a current tax asset against a current tax liability and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Deferred tax asset	**48,165**	217,548	**-**	-
Deferred tax liability	**(2,353,458)**	(2,626,370)	**(76,615)**	(93,834)
	(2,305,293)	(2,408,822)	**(76,615)**	(93,834)

The Directors consider that the above temporary differences are substantially non-current in nature.

The deferred tax asset has been recognised to the extent that realisation of the related tax benefit through future taxable income is probable. In making this assessment the Directors have taken into account projected taxable income based on approved budgets as well as the nature of the temporary differences giving rise to the deferred tax asset. As at 31 December 2011 the Group had unutilised tax credits amounting to €6,548,926 (2010 - €5,099,931) available for relief against future taxable income. These losses give rise to a further deferred tax asset of €2,292,124 (2010 - €1,784,976) that has not been recognised in these financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Office furniture, fittings and equipment	Motor vehicles	Total
	€	€	€	€
At 1 January 2010				
Cost	575,195	4,209,482	514,818	5,299,495
Accumulated depreciation	(219,327)	(3,332,710)	(480,012)	(4,032,049)
Carrying amount	355,868	876,772	34,806	1,267,446
Year ended 31 December 2010				
Opening carrying amount	355,868	876,772	34,806	1,267,446
Additions	-	64,308	36,500	100,808
Disposals	-	(24,771)	(15,005)	(39,776)
Transferred from investment property (Note 14)	2,706,552	-	-	2,706,552
Fixed asset write-off	(55,136)	(3,217,792)	(301,529)	(3,574,457)
Depreciation charge	(27,425)	(48,884)	(22,953)	(99,262)
Accumulated depreciation released on disposals	-	12,376	6,839	19,215
Accumulated depreciation released on fixed asset write-off	36,693	2,572,224	296,786	2,905,703
Closing carrying amount	3,016,552	234,233	35,444	3,286,229
At 1 January 2011				
Cost	3,226,611	1,031,227	234,784	4,492,622
Accumulated depreciation	(210,059)	(796,994)	(199,340)	(1,206,393)
Carrying amount	3,016,552	234,233	35,444	3,286,229
Year ended 31 December 2011				
Opening carrying amount	3,016,552	234,233	35,444	3,286,229
Additions	5,199	819,294	-	824,493
Transferred from investment property (Note 14)	-	227,717	-	227,717
Reclassification of property, plant and equipment	(240,496)	240,496	-	-
Disposals	-	(92,526)	-	(92,526)
Fixed asset write-off	-	(315)	(41,928)	(42,243)
Depreciation charge	(25,466)	(312,404)	(13,543)	(351,413)
Accumulated depreciation released on disposal	-	72,172	-	72,172
Accumulated depreciation released on fixed asset write-off	-	315	41,928	42,243
Closing carrying amount	**2,755,789**	**1,188,982**	**21,901**	**3,966,672**
At 31 December 2011				
Cost	2,991,314	2,225,893	192,856	5,410,063
Accumulated depreciation	(235,525)	(1,036,911)	(170,955)	(1,443,391)
Carrying amount	**2,755,789**	**1,188,982**	**21,901**	**3,966,672**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets written off

In 2010, the Group carried out a review of the recoverable amount of its property, plant and equipment. The review led to the write-off of office furniture and fittings and motor vehicles amounting to €668,754, which has been recognised in profit or loss.

The fixed asset write-offs have been included with the line item fixed asset write-off in the statement of comprehensive income and with net operating expenses in the long term business technical account.

Company	**Office furniture, fittings and equipment €**
At 1 January 2010 & 2011	
Cost	-
Accumulated depreciation	-
Carrying amount	**-**
Year ended 31 December 2011	
Opening carrying amount	-
Additions	29,055
Depreciation charge	(5,811)
Closing carrying amount	**23,244**
At 31 December 2011	
Cost	29,055
Accumulated depreciation	(5,811)
Carrying amount	**23,244**

14. INVESTMENT PROPERTY

	Group		**Company**	
	2011 €	2010 €	**2011 €**	2010 €
Year ended 31 December				
At beginning of year	**25,719,589**	28,729,196	**1,213,890**	1,412,258
Additions	**175,958**	2,220,239	**-**	-
Property reclassified as property, plant and equipment (Note 13)	**(227,717)**	(2,706,552)	**-**	-
Property reclassified as non-current assets held-for-sale	**(704,984)**	-	**(704,984)**	-
Fair value losses	**(736,070)**	(2,523,294)	**-**	(198,368)
At end of year	**24,226,776**	25,719,589	**508,906**	1,213,890
At 31 December				
Cost	**18,200,637**	18,957,380	**508,906**	1,213,890
Accumulated fair value gains	**6,026,139**	6,762,209	**-**	-
Net book amount	**24,226,776**	25,719,589	**508,906**	1,213,890

The additions to investment properties in 2011 related to additional costs incurred on properties held by the Group.

Fair value in relation to those properties which are leased out was determined by reference to rental income earned and recent architects' valuations. Fair value in relation to the remaining investment properties was determined on the basis of market value by reference to recent valuations obtained from independent qualified valuers.

In accordance with the Group's accounting policy, the valuation of investment properties is assessed by the Board of Directors at the end of every reporting period. The Group's investment property portfolio includes a property of an exceptional nature - a Baronial castle situated outside Rome, which accounts for over 8% of the Group's total assets. The specialised nature of this property and the limited market information of similar properties make such an assessment particularly judgmental. During the year under review the property was put on the market for sale and the Group has engaged two reputable international real estate agencies to market the property and identify potential buyers. The marketing efforts to date have started to yield some interest which is expected to increase in the coming months as a result of the additional marketing initiatives planned for the spring of 2012. The carrying value of the property is a reflection of the expected sales value as indicated by the realtors. A fair value decrease of €736,070 was recorded in 2011 (2010 – decrease of €1,500,000). The Directors are of the view that the adjusted carrying value is the best estimation of the fair value of the property as at the end of the reporting period but remain cognisant of the fact that given the nature of this property its fair value is highly sensitive to the demand and offers in a very niche market. The Directors will closely monitor any activity in respect of the sale of the property and reflect any changes in the carrying value based on additional information obtained from this process. Although the book value at year end is a best estimate of the property's fair value based on the information currently available and taking account of advice received from experts within the market, the final selling price may be materially different from its carrying amount at 31 December 2011. Taking into account the nature of the property and the information currently available, it is considered that the realisable value of this property could vary by as much as 20%.

The company entered into a promise of sale agreement for two of its investment properties which had a book value of €704,984 as at the end of the reporting period. These have been classified as non-current assets held-for-sale in the statement of financial position.

As at December 2011 investment property amounting to €1,822,858 (2010 - €1,822,858) were hypothecated in connection with bank finance obtained by the Group.

15. INVESTMENT IN GROUP UNDERTAKINGS

	2011 €	2010 €
Opening cost and net book amount	**13,151,553**	21,151,553
Impairment charge	**(4,200,000)**	(8,000,000)
Closing net book amount	**8,951,553**	13,151,553

During the period, the company carried out a review of the recoverable amount of its investment in group undertakings in view of the losses incurred by group undertakings during the financial year. This led to the recognition of an impairment loss of €4,200,000 (2010 - €8,000,000).

The recoverable amount of the relevant asset has been determined by reference to the net asset value of the group undertakings.

The principal group undertakings at 31 December are shown below:

Group undertakings	Registered Office	Class of shares held	Percentage of shares held 2011	Percentage of shares held 2010
Bammer Limited	City of Sofia, Region of Mladost H.E. "Mladost" Bl. 434 Floor 5 App 114 Bulgaria	Ordinary shares	**100%**	100%
Central Landmark Development Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary shares	**100%**	100%
Global Estates Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary 'A' shares	**100%**	100%
Global Properties Limited	26/A/3 Gunduliceva Split Croatia	Ordinary shares	**100%**	100%
GlobalCapital Financial* Management Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary shares	**100%**	100%
GlobalCapital Health* Insurance Agency Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary 'A' shares	**100%**	100%
GlobalCapital Holdings Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary shares	**100%**	100%
GlobalCapital Insurance* Brokers Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary shares	**100%**	100%
GlobalCapital Life Insurance* Limited	Testaferrata Street, Ta' Xbiex Malta	Ordinary shares	**100%**	100%
Quadrant Italia Srl	Via Bruxelles 34 Cap 00100 Rome RM Italy	Ordinary shares	**100%**	100%

* The distribution of dividends by these subsidiary undertakings is restricted by the solvency requirements of relevant legislation, mainly the Insurance Business Act (Chap. 403), the Insurance Intermediaries Act (Chap. 487) and the Investment Services Act (Chap. 376).

16. INVESTMENT IN ASSOCIATED UNDERTAKING

Group	2011 €	2010 €
Year ended 31 December		
At beginning of year	**-**	3,453,357
Disposal of investment	**-**	(3,806,196)
Share of loss of associated undertaking	**-**	(790,953)
Accumulated losses released on disposal	**-**	1,143,792
At end of year	**-**	-
At 31 December		
Cost	**-**	-
Accumulated losses	**-**	-
Carrying amount	**-**	-

During 2010, the company disposed of its holding in Metropolis Developments Limited.

17. OTHER INVESTMENTS

The Group's and Company's other investments are summarised by measurement category in the table below:

	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Fair value through profit or loss	**37,406,649**	36,579,236	**3,481,658**	3,614,363
Available-for-sale investments	**1,400,249**	767,283	**-**	-
Held-to-maturity investments	**8,127,571**	3,585,486	**-**	-
Loans and receivables	**3,930,480**	3,192,732	**9,983,248**	8,927,919
Total other investments	**50,864,949**	44,124,737	**13,464,906**	12,542,282

Included in the Group total investments are €2,576,454 of assets held to cover linked liabilities (2010 - €2,520,548). These relate to collective investment schemes which are classified as investments at fair value through profit or loss as described in accounting policy number 13.

(a) Investments at fair value through profit or loss

	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Equity securities and collective investments schemes:				
- listed shares	**9,438,893**	10,998,242	**3,481,658**	3,614,363
- collective investment schemes	**3,386,271**	3,436,574	**-**	-
	12,825,164	14,434,816	**3,481,658**	3,614,363
Debt securities				
- listed	**24,581,485**	22,144,420	**-**	-
Total investments at fair value through profit or loss	**37,406,649**	36,579,236	**3,481,658**	3,614,363

17. OTHER INVESTMENTS (continued)

(a) Investments at fair value through profit or loss (continued)

Maturity of debt securities classified as fair value through profit or loss.

	2011 €	2010 €
Within 1 year	**501,431**	788,353
Between 1 and 2 years	**1,551,247**	521,706
Between 2 and 5 years	**4,780,572**	3,765,358
Over 5 years	**17,748,235**	17,069,003
	24,581,485	22,144,420
Weighted average effective interest rate at the balance sheet date	**5%**	6%

Group investments amounting to €3,486,310 (2010 - €3,683,836) were pledged in favour of third parties at the financial year end.

The movements in investments classified at fair value through profit or loss are summarised as follows:

	Group		Company	
	2011 €	2010 €	2011 €	2010 €
Year ended 31 December				
At beginning of year	**36,579,236**	39,810,300	**3,614,363**	128,188
Additions	**3,982,293**	5,181,123	**300**	3,841,611
Disposals (sale and redemption)	**(2,182,308)**	(9,401,192)	**-**	(449,338)
Net fair value (losses)/gains	**(972,572)**	989,005	**(133,005)**	93,902
At end of year	**37,406,649**	36,579,236	**3,481,658**	3,614,363
At 31 December				
Cost	**38,379,221**	35,221,941	**3,817,296**	3,816,996
Accumulated fair value (losses)/gains	**(972,572)**	1,357,295	**(335,638)**	(202,633)
Carrying amount	**37,406,649**	36,579,236	**3,481,658**	3,614,363

17. OTHER INVESTMENTS (continued)

(b) Held-to-maturity investments

Group	2011 €	2010 €
Debt securities		
Government bonds	**5,336,335**	2,785,312
Listed corporate bonds	**2,791,236**	800,174
	8,127,571	3,585,486

Maturity of debt securities classified as held-to-maturity.

	2011 €	2010 €
Between 2 and 5 years	**1,242,499**	98,188
Over 5 years	**6,885,072**	3,487,298
	8,127,571	3,585,486
Weighted average effective interest rate at the balance sheet date	**5%**	6%

The movements in investments classified as held-to-maturity are summarised as follows:

	2011 €	2010 €
Year ended 31 December		
At beginning of year	**3,585,486**	-
Additions	**4,555,843**	3,590,912
Amortised cost	**(13,758)**	(5,426)
At end of year	**8,127,571**	3,585,486
At 31 December		
Cost	**8,146,755**	3,590,912
Accumulated amortisation	**(19,184)**	(5,426)
Carrying amount	**8,127,571**	3,585,486

17. OTHER INVESTMENTS (continued)

(c) Available-for-sale investments

	2011 €	2010 €
Equity securities:		
■ listed shares	**1,400,249**	767,283

The movements in investments classified as available-for-sale are summarised as follows:

	2011 €	2010 €
Year ended 31 December		
At beginning of year	**767,283**	-
Additions	**666,143**	699,279
Net fair value (losses)/gains	**(33,177)**	68,004
At end of year	**1,400,249**	767,283
At 31 December		
Cost	**1,365,422**	699,279
Accumulated fair value gains	**34,827**	68,004
Carrying amount	**1,400,249**	767,283

(d) Loans and receivables

	Group		Company	
	2011 €	2010 €	2011 €	2010 €
Loans to group undertakings	**-**	-	**9,983,248**	8,927,919
Loans secured on policies	**150,248**	158,149	**-**	-
Term deposits held for investment purposes	**3,780,232**	3,034,583	**-**	-
	3,930,480	3,192,732	**9,983,248**	8,927,919

Group

Loans secured on policies are substantially non-current in nature. They are charged interest at the rate of 8% (2010 - 8%) per annum.

The term deposits mature within 3 to 10 months and have an effective interest rate of 2.17% per annum.

Company

Loans to group undertakings are unsecured, bear interest of 8% per annum (2010 - 8%) and are repayable on demand but are not expected to be realised within twelve months after the end of the reporting period.

None of the above financial assets are either past due or impaired.

18. TECHNICAL PROVISIONS - INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

	2011 €	2010 €
Insurance contracts	**33,546,875**	30,537,404
Investment contracts with DPF	**23,581,031**	25,750,953
	57,127,906	56,288,357
Investment contracts without DPF	**2,576,454**	2,520,548
Total technical provisions	**59,704,360**	58,808,905

The movements in technical provisions relating to insurance contracts and investment contracts with DPF net of reinsurance are analysed below:

	Insurance contracts €	Investment contracts with DPF €	Total €
Year ended 31 December 2010			
At beginning of year	26,513,785	24,064,946	50,578,731
Charged to technical account			
■ change in the provision for claims	29,170	(1,580)	27,590
■ change in other technical provisions	3,994,449	1,687,587	5,682,036
At end of year	30,537,404	25,750,953	56,288,357
Year ended 31 December 2011			
At beginning of year	30,537,404	25,750,953	56,288,357
Charged to technical account			
■ change in the provision for claims	(22,053)	88,724	66,671
■ change in other technical provisions	3,031,524	(2,258,646)	772,878
At end of year	**33,546,875**	**23,581,031**	**57,127,906**

Insurance contracts are further analysed as follows:

	2011 €	2010 €
Gross technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**79,896**	42,364
other provisions	**121,911**	94,460
Long term insurance contracts		
claims outstanding	**147,846**	162,152
long term business provision	**34,414,125**	31,405,540
	34,763,778	31,704,516

18. TECHNICAL PROVISIONS (continued)

	2011 €	2010 €
Reinsurers' share of technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**(29,627)**	(13,465)
other provisions	**(41,123)**	(28,295)
Long term insurance contracts		
claims outstading	**(40,764)**	(11,647)
long term business provision	**(1,105,389)**	(1,113,705)
	(1,216,903)	(1,167,112)
Net technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**(50,269)**	(28,899)
other provisions	**(80,788)**	(66,165)
Long term insurance contracts		
claims outstading	**(107,082)**	(150,505)
long term business provision	**(33,308,736)**	(30,291,835)
	(33,546,875)	(30,537,404)

Long term contracts – assumptions, changes in assumptions and sensitivity

(a) Assumptions

For long term contracts, estimates are determined by reference to expected future deaths, investment return and policy maintenance expenses. Mortality estimates are based on standard mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. A weighted average rate of investment return is applied in accordance with the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2007, reflecting current investment yields, adjusted by a margin of contingency. Allowance is made for policy maintenance expenses at a rate determined by reference to the insurance Company's cost base. The calculation assumes the continuation of existing tax legislation and rates.

(b) Changes in assumptions

During the year, there were no changes in mortality assumptions for permanent assurance, interest- sensitive and unit linked business.

Sensitivity analysis

The following table presents the sensitivity of the value of liabilities variable that will trigger an adjustment and the liability disclosed in this note to movements in the assumptions used in the estimation of liabilities for long term contracts. The table below indicates the level of the respective adjustment that would be required.

18. TECHNICAL PROVISIONS (continued)

	Increase in liability	
	2011 €	2010 €
10% loading applied to mortality assumptions	**134,000**	129,000
Lowering of investment return by 25 basis points	**1,240,000**	1,195,000

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

19. PROPERTY HELD FOR DEVELOPMENT

	Group	
	2011 €	2010 €
At cost		
Year ended 31 December		
At beginning of year	**2,469,554**	2,805,117
Additions	**102,298**	474,113
Disposals	**(1,116,804)**	(799,534)
Impairment loss	**-**	(10,142)
At end of year	**1,455,048**	2,469,554

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Trade receivables - third parties	**1,162,010**	1,163,548	**-**	-
Less: impairment of receivables	**(22,351)**	(28,600)	**-**	-
Trade receivables - net	**1,139,659**	1,134,948	**-**	-
Other loans and receivables:				
receivables from group undertakings	**-**	-	**12,591**	16,928
receivables from related parties	**92,170**	88,997	**19,050**	49,077
other taxation receivable	**370,925**	370,925	**-**	-
prepayments	**286,344**	282,552	**6,524**	6,370
accrued investment income	**750,090**	579,544	**-**	3,780
other accrued income	**115,073**	125,046	**-**	-
other receivables	**175,467**	661,669	**75,359**	162,761
	2,929,728	3,243,681	**113,524**	238,916

Movement in the Group provision for impairment of trade receivables is as follows:

	Group	
	2011	2010
	€	€
Year ended 31 December		
At beginning of year	**28,600**	57,160
Decrease in provision	**(6,249)**	(28,560)
At end of year	**22,351**	28,600

The movement in the provision for impairment of trade receivables is included in 'administrative expenses' in the profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The Group does not hold any collateral as security in respect of receivables. No trade receivables were written off as bad debts in 2011 and 2010.

As at 31 December 2011, trade receivables amounting to €350,172 (2010 - €334,422) were fully performing and trade receivables amounting to €789,487 (2010 - €800,526) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of default. The ageing analysis of the trade receivables that are past due but not impaired is as follows:

	2011	2010
	€	€
Between 3 to 6 months	**184,554**	209,219
More than 6 months	**604,933**	591,307
	789,487	800,526

20. TRADE AND OTHER RECEIVABLES (continued)

Amounts owed by related parties are unsecured and interest free. Amounts owed by group undertakings are unsecured and bear interest of 8% per annum. These balances are payable on demand.

Interest-bearing automatic premium loans are classified as investments in Note 17 to the financial statements.

All of the above amounts are current in nature.

21. SHARE CAPITAL

	Company	
	2011	2010
	€	€
Authorised		
30,000,000 ordinary shares of €0.291172 each	**8,735,160**	8,735,160
Issued and fully paid		
13,207,548 ordinary shares of €0.291172 each	**3,845,668**	3,845,668

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or additional debt or sell assets to reduce debt.

The Directors consider that capital management is of particular relevance in the areas of the Group that are subject to regulatory supervision. GlobalCapital Life Insurance Limited, which is authorised by the Malta Financial Services Authority to carry out long term business of insurance, is required to hold regulatory capital to support its long term insurance business as determined in accordance with the Insurance Business (Assets and Liabilities) Regulations. The capital of GlobalCapital Financial Management Limited is regulated by rules issued under the Investment Services Act and by the Financial Institutions Act. The capital of GlobalCapital Insurance Brokers Limited and GlobalCapital Health Insurance Agency Limited is regulated by rules issued under the Insurance Intermediaries Act.

The above regulations set out the required minimum capital that must be maintained at all times throughout the year. Each company monitors capital on a regular basis at least once a month through detailed reports compiled with management accounts. Such reports are circulated to senior management. Any transactions that may potentially affect a company's regulatory position are immediately reported to the Directors for resolution prior to notifying the Malta Financial Services Authority.

21. SHARE CAPITAL (continued)

The table below summarises the minimum own funds required across the Group's regulated subsidiaries and the regulatory capital held against each of them. Non-regulated entities are financed by items presented within equity in the statement of financial position and long-term borrowings.

	2011 Minimum Own Fund Requirements €	2011 Actual Own Funds €	2010 Minimum Own Fund Requirements €	2010 Actual Own Funds €
GlobalCapital Health Insurance Agency Limited	**331,843**	**986,201**	374,984	655,188
GlobalCapital Insurance Brokers Limited	**58,234**	**141,577**	58,234	206,972
GlobalCapital Life Insurance Limited	**3,500,000**	**12,786,068**	3,500,000	13,187,931
GlobalCapital Financial Management Limited	**2,146,559**	**3,057,356**	1,422,851	3,488,060

At both year ends, all subsidiaries subject to regulatory supervision satisfied minimum prudential capital requirements. The current year amounts are, in general, estimates that are updated if necessary once statutory submissions are made to the Malta Financial Services Authority.

GlobalCapital Life Insurance Limited's margin of solvency stood at 1.82 times cover at 31 December 2011 (2010 - 1.51 times cover). The current year amount is an estimate that is updated if necessary once statutory submissions are made to the Malta Financial Services Authority.

The Group made further capital injections of €1,250,000 and €100,000 in two of its existing components, GlobalCapital Life Insurance Limited and GlobalCapital Insurance Brokers Limited. The group's equity interest in these components remained unchanged following these transactions.

In 2006, the Group also raised capital through the issue for subscription to the general public of €17,000,000 bonds, carrying a rate of interest of 5.6% per annum (note 24). Such issue was raised for the general financing requirements of the Group and proceeds have been invested in a number of assets, in line with the strategic requirements of the Group. The conditions outlined in the offering document to the issue contain restrictions as to the amount of secured borrowing which can be entered into by the Group. Management monitors such requirement on a regular basis, at least once a month, to ensure ongoing compliance with these requirements. As at the date of this report, according to management's best estimates, the Group had surplus net assets over the maximum permitted secured borrowing limit of €8,839,532 (31 December 2010 - €14,036,528). Management are continuously monitoring this position to ensure that the bond covenant requirements are complied with.

22. SHARE PREMIUM ACCOUNT

	2011 €	2010 €
Share premium	**16,970,641**	16,970,641

23. OTHER RESERVES

Group	Value of in-force business €	Other unrealised gains €	Investment compensation scheme €	Total €
Year ended 31 December 2010				
At beginning of year	1,849,346	-	8,162	1,857,508
Increase in value of in-force business, transferred from profit and loss account (Note 11)	11,000	-	-	11,000
Net gain on available-for-sale financial assets	-	68,004	-	68,004
At end of year	1,860,346	68,004	8,162	1,936,512
Year ended 31 December 2011				
At beginning of year	1,860,346	68,004	8,162	1,936,512
Increase in value of in-force business, transferred from profit and loss account (Note 11)	10,000	-	-	10,000
Net loss on available-for-sale financial assets	-	(33,177)	-	(33,177)
Investment compensation scheme	-	-	2,912	2,912
At end of year	**1,870,346**	**34,827**	**11,074**	**1,916,247**

The above reserves are not distributable.

24. INTEREST-BEARING BORROWINGS

	Group		Company	
	2011 €	2010 €	**2011 €**	2010 €
Bank overdraft (Note 27)	**156,287**	608,791	**-**	-
Bank loans	**1,522,741**	1,826,377	**-**	-
5.6% bonds 2014/2016	**16,859,045**	16,811,101	**16,859,045**	16,811,101
Total borrowings	**18,538,073**	19,246,269	**16,859,045**	16,811,101

By virtue of the offering memorandum dated 10 May 2006, the Company issued for subscription to the general public €17,000,000 bonds. The bonds were effectively issued on 26 May 2006 at the bond offer price of €100 per bond.

24. INTEREST-BEARING BORROWINGS (continued)

The bonds are subject to a fixed interest rate of 5.6% per annum payable yearly on 2 June.

All bonds are redeemable at par and at the latest are due on 2 June 2016.

The bonds were admitted to the official list of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2011 was €79.00 (2010 - €85.00).

The bonds are disclosed at the value of the proceeds less the net book amount of the issue costs as follows:

	Group and Company	
	2011	2010
	€	€
Proceeds		
€17,000,000, 5.6% bonds 2014/2016	**17,079,199**	17,079,199
Less:		
Issue cost	**493,326**	493,326
Accumulated amortisation	**(273,172)**	(225,228)
	220,154	268,098
Net proceeds	**16,859,045**	16,811,101

The bank loans carry interest at a floating rate and are secured by pledges on investments, hypothecs on the Group's property, and by a letter of undertaking from the Group. The bank loans bear interest at an average rate of 4.71% (2010 - 4.79%) per annum.

The bank overdraft facility of €1,455,050 is secured by a pledge on investments, and bears interest at a floating interest rate of 5.5% (2010 - 4.08%) per annum.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Trade payables	**1,292,147**	1,675,052	**424,347**	657,963
Amounts due to group undertakings	**-**	-	**1,216,755**	1,491,272
Other taxation	**13,200**	12,100	**-**	-
Accruals and deferred income	**1,408,467**	1,333,348	**740,260**	701,664
Other payables	**398,704**	281,373	**216,621**	1,824,328
	3,112,518	3,301,873	**2,597,983**	4,675,227

All of the above amounts are payable within one year.

Amounts owed to group undertakings are unsecured and bear interest of 8% per annum. These balances are payable on demand.

26. CASH (USED IN)/GENERATED FROM OPERATIONS

Reconciliation of operating loss to cash (used in)/generated from operations:

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Cash flows from operating activities				
Loss before tax	**(4,308,053)**	(7,702,911)	**(4,966,174)**	(9,226,461)
Adjustments for:				
Net gain on investments	**1,984,185**	1,119,932	**133,005**	104,466
Impairment of investment in subsidiary	**-**	-	**4,200,000**	8,000,000
Investment compensation scheme	**2,912**	-	**-**	-
Share of loss of associated undertaking	**-**	790,953	**-**	-
Increment in value in-force business	**(10,000)**	(11,000)	**-**	-
Impairment/amortisation	**358,110**	2,572,872	**50,875**	49,197
Depreciation (Note 13)	**351,413**	99,262	**5,811**	-
Net movement in technical provisions (Note 18)	**839,549**	5,709,626	**-**	-
Impairment of receivables (Note 20)	**(6,249)**	(28,560)	**-**	-
Loss on disposal of fixed assets	**20,354**	2,803	**-**	-
Tangible asset write-off	**-**	668,754	**-**	-
Intangible asset write-off	**-**	153,708	**-**	-
Gain on sale of property held for development	**(149,956)**	(277,336)	**-**	-
Gain on sale of investment in associated undertakings	**-**	(1,143,792)	**-**	-
Dividend income	**(462,045)**	(465,594)	**(145,814)**	(3,674)
Interest income	**(1,794,760)**	(1,769,573)	**(778,610)**	(1,086,097)
Interest expense	**1,094,289**	1,094,289	**1,069,957**	1,214,187
Operating (loss)/profit before working capital movements	**(2,080,251)**	813,433	**(430,950)**	(948,382)
Movement of property held for development	**1,164,462**	602,757	**-**	-
Movement in trade and other receivables	**439,734**	820,017	**127,900**	(60,646)
Movement in trade and other payables	**(233,919)**	71,720	**(1,803,980)**	1,959,605
Net cash flow (used in)/generated from operating activities	**(709,974)**	2,307,927	**(2,107,030)**	950,577

27. CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Cash at bank and on hand	**4,620,988**	12,832,003	**402,594**	4,071,774
Bank overdraft	**(156,287)**	(608,791)	**-**	-
	4,464,701	12,223,212	**402,594**	4,071,774

Cash at bank earns interest on current and term deposits at fixed and floating rates that range between 0.25% and 3.6% (2010 – 0.25% and 2.2%).

28. FAIR VALUES

All financial instruments that are measured subsequent to initial recognition at fair value through profit or loss or as available-for-sale are grouped into the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the end of the reporting period, all the group's and the company's financial instruments that are measured subsequent to initial recognition at fair value through profit or loss and all available-for-sale investments were measured using Level 1 inputs with the exception of collective investment schemes that are measured using Level 2 inputs.

The fair value of the bonds issued by the company, based on quoted prices is disclosed in Note 24.

At 31 December 2011 and 2010, the carrying amounts of other financial assets and liabilities approximated their fair values, with the exception of investment in group undertakings and financial liabilities emanating from investment contracts with DPF. It is impracticable to determine the fair value of these contracts due to the lack of a reliable basis to measure the future discretionary return that is a material feature of these contracts.

29. RELATED PARTY TRANSACTIONS

Group

Transactions during the year with related parties were as follows:

	2011	2010
	€	€
Commission receivable from related parties	**58,028**	50,995
Commission receivable on investments made by related funds (see note below)	**3,446**	1,823
Fees receivable in respect of advice provided to related funds (see note below)	**84,554**	94,279

GlobalCapital Financial Management Limited, a group undertaking, acts as Investment Advisor and Fund Manager to Global Funds SICAV p.l.c. and GlobalCapital Funds SICAV p.l.c. The advisory fees earned by this group undertaking from its activity as Investment Advisor and Fund Manager are included in turnover. The Chief Operating Officer of the Group is also a Director of GlobalCapital Funds SICAV p.l.c.. Joseph M. Zrinzo and Joseph R. Aquilina, who sat on the board of GlobalCapital Financial Management Limited, are also Directors of GlobalCapital Funds SICAV p.l.c.

In 2010 the Group incurred expenses amounting to €184,489 in liquidation costs in relation to GlobalCapital Fund SICAV p.l.c.

Interest receivable and payable from and to related parties is disclosed in Note 6. Amounts owed by or to related parties are disclosed in Notes 20 and 25 to these financial statements. No impairment loss has been recognised in 2011 and 2010 in respect of receivables from related parties. The terms and conditions of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received in relation to these balances.

The following financial assets were held by the Group in related entities as at 31 December:

	2011	2010
	€	€
Global Bond Fund Plus	**128,037**	135,077
Malta Privatisation & Equity Fund	**397,263**	493,411
Melita International Equity Fund	**64,982**	79,772
Other related Funds	**599,542**	540,230
	1,189,824	1,248,490

29. RELATED PARTY TRANSACTIONS (continued)

The above investments as at 31 December 2011 were represented by the following holdings held by the Group directly in each fund:-

	2011 %	2010 %
Global Bond Fund Plus	**9**	7
Malta Privatisation & Equity Fund	**13**	12
Melita International Equity Fund	**11**	10
The Property Fund	**16**	16

The above disclosures do not include investments in related collective investment schemes held to cover linked liabilities.

In addition the Group held the following holdings in each fund in a nominee capacity:-

	2011 %	2010 %
Global Bond Fund Plus	**49**	50
Malta Privatisation & Equity Fund	**20**	20
Melita International Equity Fund	**25**	31
The Property Fund	**46**	46

As at the end of the reporting date, there were €108,625 in bonds held by related parties (2010 - €143,310). The compensation to Directors in 2011 and 2010 is disclosed in Note 8 to the financial statements.

Other related party transactions

During the year under review, the Group did not rent out its properties to any Directors (2010 - €66,000 per annum). The board of Directors deem this transaction to be on an arm's length basis.

The company entered into an agreement with one of the directors for the provision of real estate brokerage and related consultancy services in respect of the Group's investment properties for a period of two years commencing on 1 January 2012. The director will be remunerated on a commission basis and will not receive any director's fees during the period of time that this agreement stays in force.

Company

All companies forming part of the GlobalCapital Group are considered by the Directors to be related parties as these companies are also ultimately owed by GlobalCapital p.l.c. Related parties that do not form part of the consolidated group include entities related by way of common Directors and ultimate Shareholders.

Dividends and interest receivable from group undertakings are disclosed in Note 6. Amounts owed by or to group undertakings and related parties are disclosed in Notes 17, 20 and 25. The terms and conditions of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received in relation to these balances.

The ultimate controlling party is British American Insurance Co. (Mtius) Ltd.

30. COMMITMENTS

Operating lease commitments - where the Group is a lessee

Future minimum lease payments due by the Group under non-cancellable operating leases are as follows:

	2011 €	2010 €
Not later than one year	**8,081**	8,081
Later than one year and not later than five years	**35,554**	33,938
	43,635	42,019

Operating lease commitments - where the Group is a lessor

Future minimum lease payments due by the Group under non-cancellable operating leases are as follows:

	2011 €	2010 €
Not later than one year	**289,143**	356,958
Later than one year and not later than five years	**203,986**	185,953
	493,129	542,911

Operating leases relate to the investment properties owned by the company with lease terms of up to 4 years. The lessees do not have an option to purchase the properties at the expiry of the lease period.

Other commitments

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

	2011 €	2010 €
Authorised and contracted:		
■ computer software	**-**	46,395
■ property development	**-**	600,979
	-	647,374
Authorised but not contracted:		
■ computer software	**1,000,000**	800,000
	1,000,000	800,000

31. STATUTORY INFORMATION

GlobalCapital Group p.l.c. is a limited liability company and is incorporated in Malta.

Independent auditor's report

To the members of
GlobalCapital p.l.c.

We have audited the accompanying consolidated financial statements of GlobalCapital p.l.c. and its subsidiaries set out on pages 47 to 108, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

As explained more fully in the statement of directors' responsibilities on page 45, the directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Chap. 386), and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated 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 consolidated financial statements.

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

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 consolidated financial statements are free from material misstatement.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of GlobalCapital p.l.c. and its subsidiaries as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Chap. 386).

SARAH CURMI as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor

Deloitte Place
Mriehel Bypass
Mriehel
Malta
23 March 2012

Five year summary

Statement of Comprehensive income

	Group 2011 €	Group 2010 €	Group 2009 €	Group 2008 €	Group 2007 €
Turnover - commission and fees receivable	**2,951,837**	2,998,022	2,948,502	3,677,410	4,821,449
Gross premiums written	**8,827,318**	9,354,593	10,117,050	7,078,502	12,634,260
(Loss)/profit before tax	**(4,308,053)**	(7,702,911)	(800,648)	(7,554,426)	353,743
Tax income/(expense)	**114,383**	(548,364)	39,904	668,264	226,192
(Loss)/profit for the financial year	**(4,193,670)**	(8,251,275)	(760,744)	(6,886,162)	579,935

Statement of Financial Position

	Group 2011 €	Group 2010 €	Group 2009 €	Group 2008 €	Group 2007 €
ASSETS					
Intangible assets	**3,304,955**	3,582,973	6,233,789	7,005,475	7,561,570
Property, plant and equipment	**3,966,672**	3,286,229	1,267,446	1,474,512	5,223,445
Investment property	**24,226,776**	25,719,589	28,729,196	23,960,021	21,062,835
Investments	**50,864,949**	44,124,737	44,071,460	42,026,735	53,356,926
Property held for development	**1,455,048**	2,469,554	2,805,117	5,897,283	4,710,324
	83,818,400	79,183,082	83,107,008	80,364,026	91,915,100
Other non current assets	**2,658,158**	3,217,785	2,981,688	2,949,356	2,064,836
Current assets	**7,550,716**	16,075,684	13,454,451	16,048,845	11,080,531
Total assets	**94,027,274**	98,476,551	99,543,147	99,362,227	105,060,467
EQUITY & LIABILITIES					
Capital and reserves	**8,861,833**	13,085,768	21,269,039	22,027,626	28,913,793
Provisions for liabilities and charges	**60,921,263**	59,976,017	53,229,206	53,206,754	50,944,390
Interest-bearing borrowings	**18,538,073**	19,246,269	19,482,903	20,458,529	20,917,340
Other liabilities	**5,706,105**	6,168,497	5,561,999	3,669,318	4,284,944
Total equity and liabilities	**94,027,274**	98,476,551	99,543,147	99,362,227	105,060,467

Accounting ratios

	Group 2011 €	Group 2010 €	Group 2009 €	Group 2008 €	Group 2007 €
Commission, fees receivable and gross premium written to total assets	**12%**	12%	13%	11%	17%
Net operating expenses to total assets	**4%**	6%	5%	6%	7%
Net (loss)/profit to commission, fees receivable and gross premium written	**(37%)**	(70%)	(6%)	(64%)	3%
(Loss)/profit before tax to commission, fees receivable and gross premium written	**(38%)**	(65%)	(6%)	(48%)	11%
Pre-tax return on capital employed	**(49%)**	(59%)	(4%)	(34%)	1%
Shares in issue at year end	**13,207,548**	13,207,548	13,207,548	13,207,548	13,207,548
Weighted number of shares in issue during the year (1)	**13,207,548**	13,207,548	13,207,548	13,207,548	13,207,548
Net assets per share (cents)	**67.1**	99.1	161.0	166.8	218.9
Earnings per share (cents)	**(31.75)**	(62.47)	(5.76)	(52.14)	4.4
Dividend cover (times)	**-**	-	-	-	-

Share register information

	Number of Shares 31 December 2011	Number of Shares 30 April 2012
Total Shares in issue	13,207,548	13,207,548

Directors' interest in issued share capital of the Company

	Number of Shares 31 December 2011	Number of Shares 30 April 2012
Joseph M. Zrinzo	400	400
Christopher J. Pace	1,508,245	1,508,245

Shareholders holding 5% or more of the equity

	Number of Shares 31 December 2011	% Holding 31 December 2011
BAI Co. (Mtius) Ltd.	6,399,092	48.45%
Christopher J. Pace	1,508,245	11.42%
Aberdeen Asset Management p.l.c.	1,180,000	8.93%
Bramer Property Fund Ltd.	750,534	5.68%

	Number of Shares 30 April 2012	% Holding 30 April 2012
BAI Co. (Mtius) Ltd.	6,399,092	48.45%
Christopher J. Pace	1,508,245	11.42%
Aberdeen Asset Management p.l.c.	1,180,000	8.93%
Bramer Property Fund Ltd.	750,534	5.68%

Dawood Rawat has a 63.51% beneficial interest in BAI Co. (Mtius) Ltd.

	Number of Shareholders 31 December 2011	Number of Shareholders 30 April 2012
One class of shares carrying equal voting rights	1473	1476

Distribution of Shareholding

	Number of Shareholders 31 December 2011	Shares 31 December 2011
Range:		
1 – 1,000	1296	430,545
1,001 – 5,000	139	286,347
5,001 and over	38	12,490,656

	Number of Shareholders 30 April 2012	Shares 30 April 2012
Range:		
1 – 1,000	1294	436,099
1,001 – 5,000	143	297,346
5,001 and over	39	12,474,103

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