GlobalCapital plc

Annual Report & Financial Statements

2010

Contents

trust

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Nicholas Ashford-Hodges
Chairman

Chairman's Statement
Stqarijja taċ-Chairman

In any journey there are different routes to the desired destination. Ensuring that an enterprise like GlobalCapital p.l.c. is in the right place at the right time has been the major endeavour of the Board, with the challenges that presented themselves in 2010 being faced with vigour, foresight and courage.

While the financial results for the year do not prima facie represent progress from 2009, we have made some tough decisions and as a result are better placed to set our course back to profitability and shareholder return. The large proportion of the negative results that emerged in 2010 were solely on paper, and these have allowed us to stabilise our balance sheet and be ready to achieve our goals, focusing back on our core financial services business, especially that of long-term insurance.

During the year, we took the decision to significantly reduce our exposure to the property sector. Given current market conditions, not just in Malta but internationally, it was decided that large-scale property development no longer suits the Group's risk appetite or capacity. As a result of this, we divested ourselves of a major exposure in a local property development. We also wrote down the value of our international real estate investments to better reflect their realisable value.

In Malta, demonstrating our commitment to the productivity of our key human capital, we completed and in early 2011 have moved into new head office premises, providing a centralised operational base for our core activities. Another development in a high value residential area was also completed in 2010, with 50% of the units sold to date.

Furthermore, we felt the need to bring fresh ideas and impetus to the core operations and, to lead change that will impact positively on the business in the next three to five years, we brought on board a new CEO from overseas. The appointment of Mr. Bashar Khatib, who brings his professional qualifications and a long multinational experience in the financial services sector, has enabled us to remodel and refocus our senior management team.

F'kull vjaġġ jeżistu diversi toroq li wieħed jista' jgħaddi minnhom biex jasal fid-destinazzjoni tiegħu. L-isforz ewlieni tal-Bord kien dak li jiżgura li impriża bħalma hi GlobalCapital p.l.c. tkun fl-aħjar post fl-aħjar waqt. L-isfidi li feġġew fl-2010 intlaqgħu b'enerġija, bi previżjoni u b'kuraġġ.

Filwaqt li mal-ewwel ħarsa wieħed ma jara ebda progress mill-2009 fir-riżultati finanzjarji għal din is-sena, ħadna deċiżjonijiet iebsin u b'riżultat ta' dan issa ninsabu f'qagħda aħjar biex nerġgħu lura lejn it-triq tal-profittibiltà u r-redditu lill-azzjonisti. Il-parti l-kbira tar-riżultati negattivi li dehru fl-2010 kienu biss fuq il-karta, iżda dawn għamluha possibbli li nistabilizzaw il-karta tal-bilanċ tagħha u nkunu mħejjija biex nilħqu l-miri tagħna. Issa nistgħu nerġgħu niffukaw fuq in-negozju ewlieni tagħna tas-servizzi finanzjarji, l-aktar fil-qasam tal-assigurazzjoni fit-tul.

Matul is-sena, ħadna d-deċiżjoni li nnaqsu sew is-sehem tagħna fis-settur tal-propjetà. Fid-dawl tal-kundizzjonijiet attwali fis-suq, mhux biss f'Malta iżda madwar id-dinja kollha, iddeċidejna li l-iżvilupp ta' propjetà fuq skala kbira m'għadux jgħodd għar-riskju li l-Grupp lest jieħu u għall-kapaċità tiegħu. B'riżultat ta' din id-deċiżjoni, warrabna mal-ġenb is-sehem sħiħ tagħna fil-qasam lokali tal-iżvilupp tal-propjetà. Naqqasna l-valur tal-investimenti li l-Grupp għandu fi swieq internazzjonali biex jirrifletti aħjar il-valur realizzabbli tagħhom.

B'turija tal-impenn tagħna lejn il-produttività tal-kapital uman tagħna, temmejna l-bini tal-uffiċċji ewlenin tagħna f'Malta u mxejna fihom fil-bidu tal-2011. Issa noffru bażi ċentralizzata għall-ħidma fl-attivitajiet ewlenin tagħna. Żvilupp ieħor f'żona residenzjali ta' valur għoli ntemm ukoll fl-2010, u sal-lum inbiegħu 50% tal-postijiet.

Għandna bżonn ukoll indaħħlu ideat ġodda u impetu fl-operat ewlieni tagħna, u sabiex imexxi l-bidla li se tħalli effett pożittiv fuq l-attività kummerċjali tagħna sa bejn tlieta u ħames snin mil-lum, ġibna Kap Uffiċjal Eżekuttiv ġdid minn barra minn Malta. Il-ħatra tas-sur Bashar Khatib, li jġib miegħu kwalifiċi professjonali u esperjenza multinazzjonali twila fis-settur tas-servizzi finanzjarji, poġġietna f'qagħda li nistgħu nsawwru u niffukaw mill-ġdid it-tim tal-ogħla livell tat-tmexxija.

The Maltese market will remain the Group's primary focus. The environment has stabilised since the 2008-2009 downturn, and we are confident that new opportunities will continue to emerge. The management team has identified market gaps, which we will be seeking to tap with new and exciting products and services.

Under the leadership already being demonstrated by our new CEO, we are positioning the organisation to capitalise on synergies that can be gained both locally and internationally thanks also to the broader reach of our major shareholder, British American. We will build capacity so we can act as a gateway for new investment and distribution opportunities.

Meanwhile, we have to maintain vigilance to ensure costs are justified and unnecessary expenditure is eliminated. At the same time we are making the necessary investment to ensure the Group complies with the Solvency II regime that comes into effect in 2013. We shall be introducing new IT infrastructure to enable rapid product launch turnaround and enhanced customer service, as well as assisting cost containment.

The performance indicators of our operations for the first part of 2011 are encouraging and I look forward to a promising two to three years in which the Group will concentrate on adding value to our clients through quality products and services, our employees through advancement and job security, and our shareholders through a return to growth and profitability. We will concentrate our resources in a sector we know well and broaden the base of professionals who are experts in the business.

I take this opportunity to thank my fellow members of the Board of Directors for their diligence and counsel. Thanks are also due to our highly valued customers, partners, business associates, brokers, intermediaries, regulators and shareholders as well as our loyal staff. The support and commitment of all are highly valued as we chart our way forward.

Nicholas Ashford-Hodges
Chairman

Is-suq Malti se jibqa' jkun fil-qofol tal-ħidma tal-Grupp. Ix-xenarju sar aktar stabbli wara d-daqqa ta' ħarta li sofra fl-2008-2009, u ninsabu fiduċjużi li se jkomplu jfeġġu opportunitajiet ġodda. It-tim tat-tmexxija identifika opportunitajiet fis-suq u min-naħa tagħna se nkunu qed nippruvaw nippenetraw bi prodotti u servizzi ġodda u eċitanti.

Taħt it-tmexxija għaqlija tal-Kap Uffiċjal Eżekuttiv il-ġdid tagħna, qegħdin nippożizzjonaw l-organizzazzjoni b'mod li tkun tista' tikkapitalizza fuq is-sinerġiji li jistgħu jinkisbu lokalment kif ukoll internazzjonalment, grazzi wkoll għall-ilħuq usa' tal-azzjonist ewlieni tagħna, British American. Se nibnu l-kapaċità sabiex inkunu nistgħu naġixxu bħala bieb għal investiment ġdid u opportunitajiet ta' distribuzzjoni.

Intant, irridu nżommu għajnejna miftuħin biex niżguraw li l-ispejjeż huma ġustifikati u biex l-ispiża mhux meħtieġa tiġi eliminata. Fl-istess waqt, qed nagħmlu l-investiment meħtieġ biex niżguraw li l-Grupp ikun konformi mar-reġim ta' Solvenza II li se jidħol fis-seħħ fl-2013. Se nkunu qed nintroduċu infrastruttura ġdida tat-teknoloġija tal-informatika biex tgħinna fit-tnedija aktar mgħaġġla tal-prodotti u f'servizz aħjar lill-klijenti, kif ukoll fil-konteniment tal-ispejjeż.

L-indikaturi tal-prestazzjoni tal-operat tagħna għall-ewwel parti tal-2011 huma inkoraġġanti u ninsab ottimist għas-sentejn jew tlieta li ġejjin, li matulhom il-Grupp se jkun qed jikkonċentra fuq li jżid il-valur lill-klijenti tagħna permezz ta' prodotti u servizzi ta' kwalità, lill-impjegati tagħna permezz t'avvanz u sigurtà fix-xogħol, u lill-azzjonisti tagħna billi nerġgħu lura għal tkabbir u profittibiltà. Se nikkonċentraw ir-riżorsi tagħna f'settur li nafu sewwa u se nwessgħu l-bażi ta' professjonisti li huma esperti f'dan il-qasam.

Nieħu din l-opportunità biex inrodd ħajr lil sħabi l-membri tal-Bord tad-Diretturi għall-għaqal u l-pariri tagħhom. Grazzi wkoll lill-klijenti, imsieħba, soċji kummerċjali, brokers, intermedjarji, regolaturi u azzjonisti mill-aktar stmati tagħna, kif ukoll lill-impjegati leali tagħna. L-appoġġ u l-impenn ta' kulħadd huwa mill-aktar apprezzat hekk kif qed infasslu it-triq tagħna lejn il-ġejjieni.

“Since the Board of Directors entrusted me with the stewardship of GlobalCapital p.l.c. in November 2010, my prerogative has been to devise the best strategy to steer the Company towards the path of recovery, growth and profitability. Our focus will be on organic growth, which will be attained from core business activity.

Sa minn meta l-Bord tad-Diretturi inkarigani biex nieħu ħsieb lil GlobalCapital p.l.c. f'Novembru 2010, xogħoli kien li nibni l-aħjar strateġija biex tmexxi 'l-Kumpanija fit-triq tal-irkupru, it-tkabbir u l-profittibiltà. Se nkunu qed niffukaw fuq it-tkabbir organiku li jista' jinkiseb mill-attività kummerċjali ewlenija tagħna.”

Bashar Khatib
Chief Executive Officer

Chief Executive Officer's Review

Rapport tal-Kap Uffiċjal Eżekuttiv

The financial and property markets globally have continued to experience the aftershocks of the 2008 economic tsunami. While financial markets have shown a steady, albeit weak recovery, the demand, sentiment and value of property has yet to recover to pre-financial crisis levels. Countries where economic prosperity was directly related to the property boom have continued to experience difficulties and some had to resort to a bail-out to prevent financial collapse. The expectation is that the pace of recovery will indeed be slower than one has anticipated and if economic activity in a powerhouse such as Japan slows down, this will certainly be translated into lower growth forecasts for 2011 and beyond.

FINANCIAL RESULTS 2010

Results for 2010 reflect a total loss after tax of €8.25 million. The majority are attributable to paper losses of €5.8 million, consisting of €2.4 million in goodwill impairments from various lines of business; €2.5 million in property devaluations; and the remaining in write-offs on fixed assets as a result of relocation to our new corporate offices. The balance of almost €2.5 million cash losses are at par with 2009 losses, reflecting no detectible improvement in performance.

Our total assets were marginally affected as they declined from €99 million to €98 million, however what we have now is a stronger balance sheet. The Company's position merely reflects the current environment in the financial and property sectors, and the action that has been taken to address the situation in the final quarter of 2010 have ensured that far better results can now be expected.

RE-BUILDING FOR 2011 AND BEYOND

Since the Board of Directors entrusted me with the stewardship of GlobalCapital p.l.c. in November 2010, my prerogative has been to devise the best strategy to steer the Company towards the path of recovery, growth and profitability. Our focus will be on organic growth, which will be attained from core business activity.

Madwar id-dinja, is-swieq finanzjarji u dawk tal-propjetà komplew jesperjenzaw l-effetti fit-tul tat-tsunami ekonomiku tal-2008. Filwaqt li l-iswieq finanzjarji wrew irkupru stabbli għalkemm dgħajjef, id-domanda, is-sentiment u l-valur tal-propjetà għad fadlilhom biex jerġgħu lura għal dak li kienu qabel bdiet il-kriżi finanzjarja. Dawk il-pajjiżi fejn il-prosperità ekonomika kienet marbuta direttament mat-tkabbir fil-qasam tal-propjetà komplew għaddejjin minn diffikultajiet u xi wħud minnhom kellhom jirrikorru għal garanziji biex jipprevjenu l-kollass finanzjarju. Huwa mistenni li l-pass tal-irkupru se jkun tabilħaqq aktar kajman minn dak li kien qed jiġi antiċipat, u jekk l-attività ekonomika f'pajjiż b'saħħtu bħall-Ġappun tnaqqas il-pass, dan żgur se jissarraf fi tbassir ta' tkabbir f'livell aktar baxx għas-sena 2011 u lil hinn minnha.

RIŻULTATI FINANZJARJI 2010

Ir-riżultati finanzjarji għall-2010 juru telf totali wara t-taxxa ta' €8.25 miljuni. Il-parti l-kbira ta' dan it-telf huwa dovut għal telf fuq il-karta ta' €5.8 miljuni, li jikkonsistu f'€2.4 miljuni f'avvjament ikkanċellat minn diversi oqsma tan-negozju; €2.5 million fi żvalutar tal-propjetà; u l-bqija f'kanċellazzjonijiet fuq assi fissi b'riżultat tar-rilokazzjoni tal-uffiċċji l-ġodda tal-kumpanija tagħna. Il-bilanċ ta' kważi €2.5 miljuni f'telf fi flus huwa fl-istess livell tat-telf fl-2009, li jirrifletti li ma kien hemm ebda titjib sinjifikattiv fil-prestazzjoni.

L-assi totali tagħna inltaqtu marġinalment hekk kif naqsu minn €99 miljun għal €98 miljun, iżda li għandna issa hija karta tal-bilanċ aktar b'saħħitha. Il-qagħda tal-Kumpanija m'hi xejn għajr waħda li tirrifletti l-ambjent li jinsabu fih bħalissa s-setturi finanzjarji u tal-propjetà, u l-azzjoni li ttieħdet fl-aħħar kwart tal-2010 biex tindirizza s-sitwazzjoni żgurat li issa nistgħu nistennew riżultati ferm aħjar.

NIBNU MILL-ĠDID GĦALL-2011 U 'L QUDDIEM

Sa minn meta l-Bord tad-Diretturi inkarigani biex nieħu ħsieb lil GlobalCapital p.l.c. f'Novembru 2010, xogħoli kien li nibni l-aħjar strateġija biex tmexxi 'l-Kumpanija fit-triq tal-irkupru, it-tkabbir u l-profittibiltà. Se nkunu qed niffukaw fuq it-tkabbir organiku li jista' jinkiseb mill-attività kummerċjali ewlenija tagħna.

GlobalCapital has a mix of high quality, well-positioned businesses which will help us to achieve our aspirations of re-establishing the Group as a preferred financial services provider in Malta. We intend to achieve this by focusing on our core businesses where we believe we can excel through the delivery of quality service and value. Our Investment and Insurance businesses will drive the Company's growth at least in the short-term.

Growing our business through the availability of quality products and services has already begun in earnest. We have established sales and services teams with experienced leadership to enable us to be best placed in our quest towards recovery and profitability through productivity. Growth in sales and stability in cash-flow generation continue to remain our top prerogatives.

EFFECTIVE AND EFFICIENT USE OF RESOURCES

Our IT systems are pivotal to support the growth that we envisage for our business. We have started a new drive to upgrade our supporting technology through the acquisition of new systems that will help us introduce innovative products and services more quickly and efficiently. By engaging more frequently and effectively with the market through diversified distribution channels and reducing the time it takes to take a product/service from design to launch will contribute positively towards organic growth.

Our most valuable asset is our human resources as we continue to streamline our operations by redeploying resources to support the generation of revenue. We are introducing training and development programmes that will support all of our initiatives and provide us with talent and leadership with the knowledge and skills necessary to accomplish our goals and targets.

Managing our resources and efforts in the most effective and efficient manner is essential if we are to succeed in the goals we have set. We are committed to attract and develop the best talent throughout all our businesses. We are also committed to deliver core value to our customers while managing our expenses and enhancing our productivity further.

Il-grupp GlobalCapital għandu taħlita t'attivitajiet kummerċjali ta' kwalità għolja u f'qagħda tajba, u dan se jgħinna nilħqu l-mira tagħna biex il-Grupp jerġa' jsir il-fornitur tas-servizzi finanzjarji favorit f'Malta. Bi ħsiebna niksbu dan billi niffukaw fuq l-attivitajiet kummerċjali ewlenin tagħna, fejn nemmnu li nistgħu neċċellaw billi nipprovdu servizz ta' kwalità u ta' valur għoli. Fil-ġejjieni qrib, se tkun l-attività tagħna fl-oqsma tal-Investiment u tal-Assigurazzjoni li se tmexxi 'l Kumpanija 'l quddiem.

Diġà' bdejna nkabbru bis-sħiħ l-impriża tagħna permezz tad-disponibbiltà ta' prodotti u servizzi tal-kwalità. Waqqafna timijiet tal-bejgħ u tas-servizzi mmexxija minn nies b'esperjenza twila, biex jgħinuna nkunu fl-aħjar qagħda fil-mixja tagħna lejn l-irkupru u l-profittibiltà permezz tal-produttività. Iż-żieda fil-bejgħ u t-tkabbir f'termini ta' stabbilità fil-ġenerazzjoni tal-fluss finanzjarju jibqgħu fuq quddiemnett fil-lista tal-għanijiet tagħna.

UŻU EFFETTIV U EFFIĊJENTI TAR-RIŻORSI

Is-sistemi tagħna tat-Teknoloġija tal-Informatika għandhom rwol vitali biex jappoġġjaw it-tkabbir li qed nippjanaw. Bdejna naħdmu fuq it-titjib u l-aġġornament tat-teknoloġija t'appoġġ tagħna permezz tal-akkwist ta' sistemi ġodda li se jgħinuna nintroduċu prodotti u servizzi innovattivi aktar malajr u b'mod aktar effiċjenti. B'hekk se jkun possibbli li nirrelataw mas-suq aktar ta' spiss u b'mod aktar effettiv permezz ta' kanali ta' distribuzzjoni diversifikati, u se nkunu nistgħu nnaqqsu ż-żmien bejn l-istadju tad-disinn tal-prodott jew tas-servizz u t-tnedija tiegħu. Dan jikkontribwixxi b'mod pożittiv għat-tkabbir organiku.

L-aktar ħaġa prezzjuża għalina huma r-riżorsi umani li għandna. Se nkomplu ntejjbu l-operat tagħna billi nużaw ir-riżorsi tagħna bl-aħjar mod biex nappoġġjaw il-ġenerazzjoni tad-dħul. Qed nintroduċu programmi ta' taħriġ u żvilupp biex jgħinu fl-inizjattivi kollha tagħna u biex jipprovdulna talent u tmexxija, b'nies li għandhom l-għarfien u l-ħiliet meħtieġa biex iwettqu l-miri u l-għanijiet tagħna.

Our investment portfolio has received and will continue to receive our primary attention. We are realigning our investments to give us the financial strength and flexibility to grow this business and meet the challenges that improved regulation will bring about in the years to come. Strong capital and liquidity is a prerequisite which will allow us to take advantage of expansion opportunities too.

We remain committed to differentiate ourselves and stand out from the competition by continuously providing quality services and products. By doing business the right way we reinforce the trust and confidence of our customers while adhering to ethical behaviour, which is integral to the financial services industry.

Our efforts throughout 2011 will be aimed at establishing a healthy business. We recognise the challenges that we face, but we are confident that, as a result of the healthy mix of talent, expertise and strength, we will overcome these obstacles and move on.

Finally, I wish to thank our stakeholders and shareholders for their continued support and confidence in our Company. I look forward to report to you on our success in the years ahead.

Jekk irridu nilħqu l-għanijiet li poġġejna quddiemna, huwa essenzjali li nħaddmu r-riżorsi u l-isforzi tagħna bl-aktar mod effiċjenti u effettiv. Aħna impenjati biex nattiraw u niżviluppaw l-aħjar talent fl-oqsma kollha li noperaw fihom. Aħna impenjati wkoll li nagħtu l-aħjar valur lill-klijenti tagħna, filwaqt li nirregolaw l-ispejjeż u nkomplu ntejjbu l-produttività tagħna.

L-attenzjoni ewlenija tagħna kienet, u se tibqa', iffukata fuq il-portafoll tal-investiment. Qed naġġustaw l-investimenti tagħna sabiex ikollna s-saħħa finanzjarja u l-flessibilità meħtieġa biex inkabbru l-kummerċ u nilqgħu għall-isfidi li t-titjib fir-regolamentazzjoni se jkun qed iġib miegħu fis-snin li ġejjin. Kapital b'saħħtu u likwidità huma rekwiżiti importanti biex inkunu nistgħu nieħdu l-aħjar vantaġġ miż-żieda fl-opportunitajiet.

Nibqgħu impenjati biex inkunu differenti u nispikkaw fost il-kompetituri tagħna billi kontinwament nipprovdu servizzi u prodotti ta' kwalità. Billi noperaw bl-aħjar mod, nistgħu nsaħħu l-fiduċja tal-klijenti tagħna filwaqt li naderixxu mal-imġieba etika li hija parti integrali mill-industrija tas-servizzi finanzjarji.

L-isforzi tagħna matul l-2011 se jkunu maħsuba biex jistabilixxu attività kummerċjali b'saħħitha. Aħna konxji tal-isfidi li qed naffaċċjaw, iżda persważi li b'riżultat tat-taħlita tajba ta' talent, għarfien u saħħa se nkunu nistgħu negħlbu dawn l-ostakli u nimxu 'l quddiem.

Fl-aħħarnett, nixtieq inrodd ħajr lill-partijiet interessati u lill-azzjonisti kollha tagħna tal-appoġġ u l-fiduċja li dejjem urew fil-Kumpanija. Fiduċjuż li se nkun f'qagħda li nirrapporta lura lilkom dwar is-suċċess tagħna fis-snin li ġejjin.

Bashar Khatib
Chief Executive Officer

peace of mind

Group Financial Highlights

	2010			2009		
	EUR	**GBP**	**USD**	**EUR**	**GBP**	**USD**
Commission and fees receivable	**2,998,022**	**2,580,697**	**4,005,957**	2,948,502	2,618,565	4,247,612
Commission payable and direct marketing costs	**(199,041)**	**(171,334)**	**(265,959)**	(264,319)	(234,742)	(380,778)
Balance on the long term business of insurance technical account	**(1,164,246)**	**(1,002,183)**	**(1,555,666)**	324,228	287,947	467,083
Increment / (decline) in value of in-force business	**16,923**	**14,567**	**22,613**	(221,538)	(196,748)	(319,148)
Administrative expenses	**(5,085,913)**	**(4,377,954)**	**(6,795,797)**	(4,327,185)	(3,842,973)	(6,233,743)
Investment income, net of allocation to the insurance technical account	**1,449,567**	**1,247,787**	**1,936,911**	2,517,622	2,235,900	3,626,886
Investment charges and expenses, net of allocation to the insurance technical account	**(3,628,471)**	**(3,123,388)**	**(4,848,363)**	(1,157,546)	(1,028,017)	(1,667,561)
Impairment of goodwill	**(2,442,591)**	**(2,102,582)**	**(3,263,790)**	(541,027)	(480,486)	(779,403)
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)**	(79,385)	(70,502)	(114,362)
Loss before tax	**(7,702,911)**	**(6,630,666)**	**(10,292,630)**	(800,648)	(711,055)	(1,153,414)
Tax income/(expense)/credit	**(548,364)**	**(472,032)**	**(732,724)**	39,904	35,439	57,486
Loss for the financial year	**(8,251,275)**	**(7,102,698)**	**(11,025,354)**	(760,744)	(675,616)	(1,059,928)
Earnings per share	**(0.62)**	**(0.54)**	**(0.83)**	(0.06)	(0.05)	(0.08)
Net dividends proposed	**-**	**-**	**-**	-	-	-
Share capital	**3,845,668**	**3,310,347**	**5,138,575**	3,845,668	3,415,333	5,540,062
Technical reserves - life business	**58,546,436**	**50,396,772**	**78,229,748**	52,196,887	46,356,055	75,194,835
Shareholders' funds	**13,085,768**	**11,264,218**	**17,485,186**	21,269,034	18,889,029	30,640,170
Net asset value per share	**0.99**	**0.85**	**1.32**	1.61	1.43	2.32

All figures have been converted at rates of exchange ruling at 31 December 2010

wealth

Overview of 2010

GLOBAL CAPITAL INSURANCE BROKERS FOR DAR TAL-PROVIDENZA

GLOBAL CAPITAL RENEWS 3-YEAR AGREEMENT WITH THE MARSA SPORTS CLUB

GLOBAL CAPITAL BRANDED GIVEAWAYS

GLOBALCAPITAL CLIENTS WIN GREAT PRIZES

GLOBALCAPITAL RADIO ADVERTS ON MALTA'S RADIO STATIONS

MALTA'S MAGIC (91.7 FM)

89.7 BAY (89.7 FM)

VIBE FM (88.7 FM)

CALYPSO (101.8 FM)

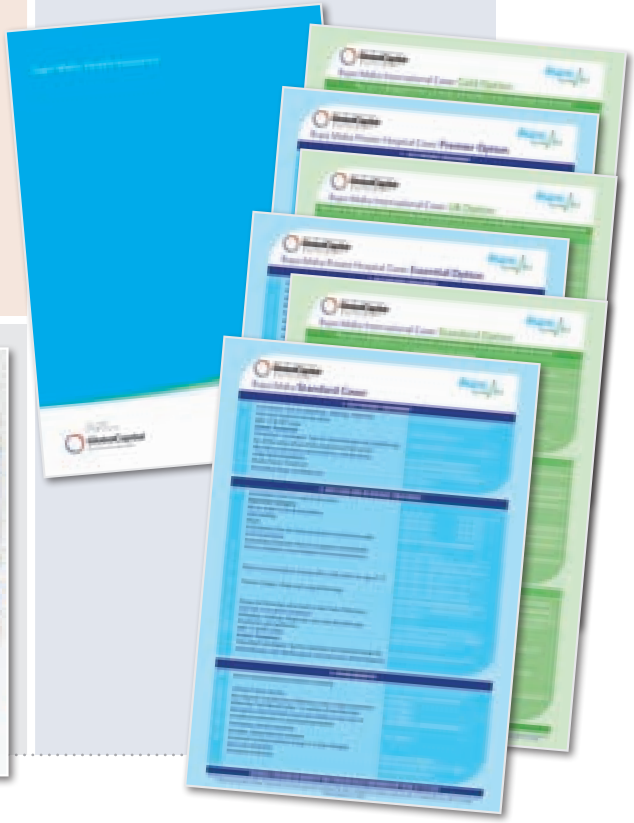
SMASH RADIO (104.6 FM)

GLOBALCAPITAL OPEN DAYS AT THE FGURA & GZIRA BRANCHES

GLOBALCAPITAL RED DAY

Bupa HELPS DAR TAL-PROVIDENZA PURCHASE A TAILLIFT COACH

Bupa NEW SALES BROCHURE



GLOBALCAPITAL'S REVAMPED WEBSITE

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) Limited, a United Kingdom based representative office for the British American Investment Group of Companies and sits on several of the subsidiary boards of the British American Investment Group. He is Vice-Chairman of British American Investment Co. (Mtius) Limited and also Chairman of British American Investments Company (Kenya) Limited.

DEPUTY CHAIRMAN – MUNI KRISHNA T. REDDY, GOSK was appointed to the Board of Directors in March 2003 and Deputy Chairman of the Company in December 2004. He has over 40 years of experience in financial services. Mr. Reddy has been re-elected Chairman, State Bank of Mauritius in 2011, a leading financial services group in Mauritius after acting already as Chairman till 31 December 2007 and Group Chief Executive of State Bank of Mauritius Limited for over 16 years until October 2003. He is a Director of a number of other companies and is a member of various 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 38 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.

ANDREW BORG CARDONA LL.D., M.A. (BUSINESS LAW) is a practising lawyer and has been a member of the Board of Directors since 1995. Through his membership of the Group's various standing committees his main role has been and remains to oversee legal, compliance and regulatory issues. Dr. Borg Cardona served as President of the Malta Chamber of Advocates between 2007 and 2011, and is to date still a member of the Council of the Chamber of Advocates.

PROF. THOMAS ST. JOHN NEVILLE BATES was appointed to the Board of GlobalCapital p.l.c. in June 2010. He has also been appointed a director on 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 Limited, 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.

DAWOOD A. RAWAT was appointed to the Board of Directors in March 2003. He is Chairman of the British American Investment Group of Companies, founded in 1920. He sits on the Boards of all the principal, subsidiary and associated companies of the British American Investment Group. Operations span from Mauritius to Kenya, Malta, France and the United Kingdom. He 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. During his time in Mauritius, 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 British American Investment Group.

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.

EXECUTIVE

JAMES BLAKE has been a member of the Board since its incorporation. He has been closely involved in the development of the Group since its origin having held various directorships within the Group, including that of Managing Director and Deputy Chairman of the Group as well as Chairman of GlobalCapital Health Insurance Agency Limited. Until December 2010 he served as the Chairman of GlobalCapital Funds SICAV p.l.c. He is currently the Chief Operating Officer, Acting Chief Finance Officer and a member of the Group's Executive Committee. Until April 2008 he was the Chairman of the College of Stockbroking Firms after which, till April 2011, he served as Deputy Chairman of that body.

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. 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 an Associate in the Commercial Law and Financial Services Department of the legal firm Guido de Marco & Associates. He also serves as Board Secretary to the main operating subsidiaries of the Company.

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
Andrew Borg Cardona

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for making recommendations for appointment to the Board and for reviewing the constitution of the Group's Board, in order to ensure that appointment to the Board is 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
Muni Krishna T. Reddy, GOSK
Dawood Rawat

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 executive directors and other members of the senior executive team.

The Committee comprises:

Prof. Thomas St. John Neville Bates - Chairman
Nicholas Ashford-Hodges
Andrew Borg Cardona

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
Dawood A. Rawat

Principal Companies within GlobalCapital

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
Prof. Thomas St. John Neville Bates
Ayoob Rawat
Joseph R. Aquilina
Joseph M. Zrinzo

COMPANY SECRETARY

Clinton V. Calleja

GLOBALCAPITAL HEALTH INSURANCE AGENCY LTD

The company is authorised to act as an insurance agent for Bupa Insurance Limited (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
Prof. Thomas St. John Neville Bates
Nicholas Portelli
Joseph R. Aquilina

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 Malta Financial Services Authority 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

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.

BOARD OF DIRECTORS

Nicholas Ashford-Hodges – Chairman
Prof. Thomas St. John Neville Bates

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.

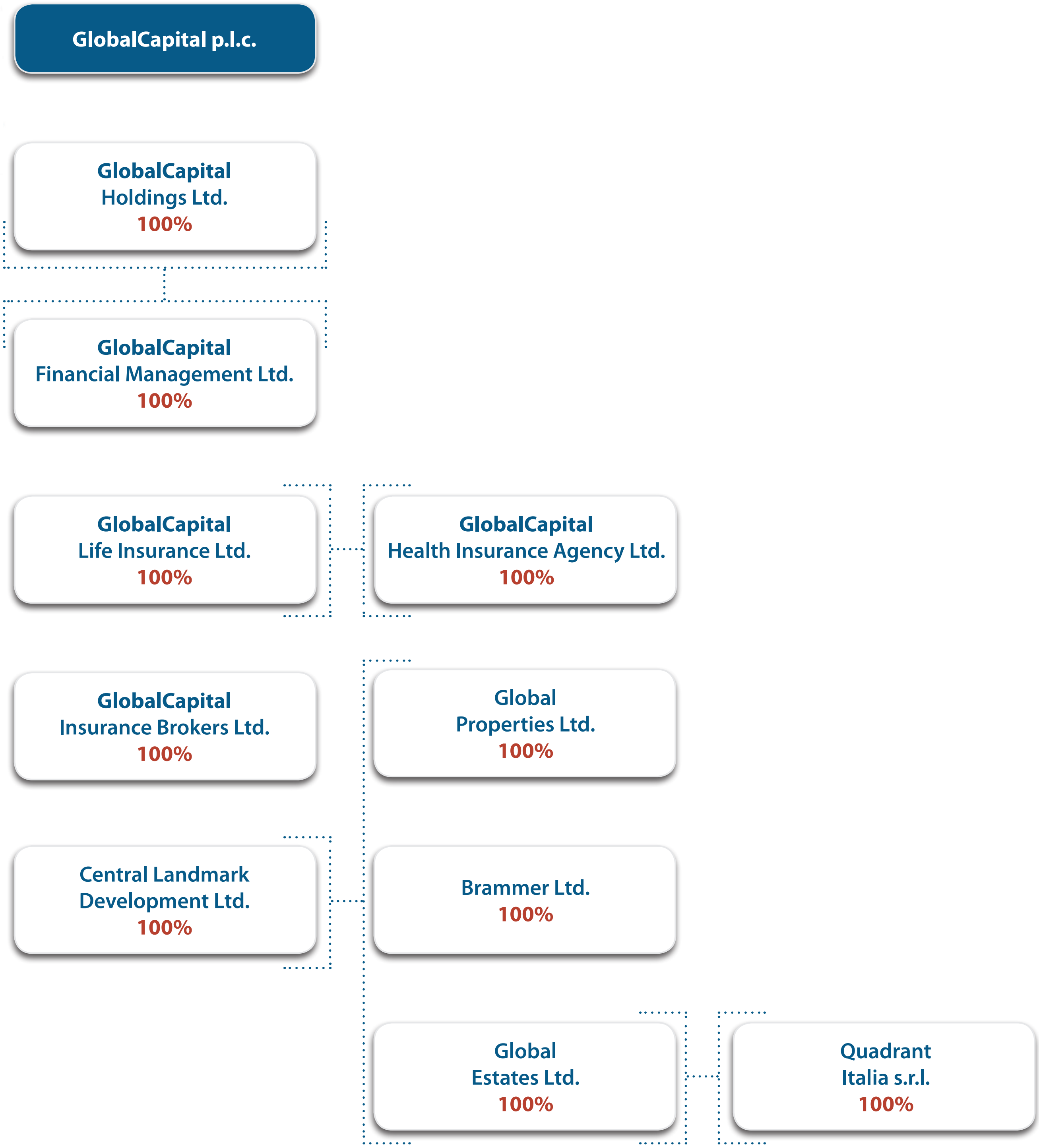
BOARD OF DIRECTORS

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

COMPANY SECRETARY

Clinton V. Calleja

GlobalCapital Group Structure


GlobalCapital p.l.c.
GlobalCapital Holdings Ltd. 100%
GlobalCapital Financial Management Ltd. 100%
GlobalCapital Life Insurance Ltd. 100%
GlobalCapital Health Insurance Agency Ltd. 100%
GlobalCapital Insurance Brokers Ltd. 100%
Global Properties Ltd. 100%
Central Landmark Development Ltd. 100%
Brammer Ltd. 100%
Global Estates Ltd. 100%
Quadrant Italia s.r.l. 100%

Annual Report & Consolidated Financial Statements

31 December 2010

Contents

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

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

The Group registered a loss after tax for the year ended 31 December 2010 of €8,251,275 compared to a loss after tax of €760,744 for the year ended 31 December 2009.

Results for 2010 were adversely affected by a number of non-cash/non-recurrent items totalling €5.8 million, including write-offs of goodwill, computer software and tangible assets as well as negative fair value movements on investment property. Furthermore financial investments experienced a slowdown, with net unrealised fair value gains of €621,921 in 2010 compared to net gains of €2,606,856 in 2009.

Within the investment property impairment charge is a write down of €1.5 million specific to a Group property of an exceptional nature, as more fully described in Notes 1 and 14 to the financial statements.

As part of the Group's effort to create efficiencies and cost savings, two clusters of operational entities were merged into two companies reducing the number of subsidiaries by five.

Within the Group's core operational activity, the business of insurance registered a loss before tax during 2010 amounting to €118,869 compared to a pre-tax profit of €1,974,278 in 2009. The agency and brokerage business generated a combined pre-tax profit of €298,640 compared to the €352,687 achieved during 2009. On the other hand, during 2010 the investment services division incurred a loss amounting to €557,836 compared to a loss of €1,306,301 in 2009. Activity from the property division was scaled down during 2010, as the Group restructured its senior management as a key element of its continued effort to grow revenue, manage expenses and create value for shareholders within its core financial services business.

Rapport tad-Diretturi

Id-Diretturi jippreżentaw ir-rapport tagħhom u l-istqarrijiet finanzjarji verifikati għas-sena li ntemmet fil-31 ta' Diċembru 2010.

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 tal-Assigurazzjoni (Kap. 403 tal-Liġijiet ta' Malta);*
- *jaġixxu bħala aġenti tal-assigurazzjoni fuq mard u inċidenti skont l-Att dwar l-Intermedjarji fl-Assigurazzjoni (Kap. 487 tal-Liġijiet ta' Malta);*
- *imexxu attivitajiet ta' broking tal-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 tal-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-ATTIVITA' KUMMERĊJALI

Għas-sena li ntemmet fil-31 ta' Diċembru 2010, il-Grupp irreġistra telf wara t-taxxa ta' €8,251,275, meta mqabbel ma' telf wara t-taxxa ta' €760,744 għas-sena li ntemmet fil-31 Diċembru 2009.

Numru ta' fatturi mhux monetarji/rikorrenti affetwaw hazin ir-riżultat għall-2010 b'total ta' €5.8 miljun. Dawn kienu jinkludu telf fil-valur tal-avjament, software tal-kompjuter u assi tanġibli maqtuha, kif ukoll telf ta' valur fuq propjeta għall-investment. Investimenti finanzjarji esperjenzaw tnaqqis, bi qliegħ ekwu mhux realizzat ta' €621,921 fl-2010, meta mqabbel ma qliegħ nett ta' €2,606,856 fl-2009.

L-ispiża tat-tnaqqis fil-valur fil-propjetà t'investiment tinkludi svalutar ta' €1.5 miljun b'rabta ma' propjetà tal-Grupp ta' natura eċċezzjonali, kif spjegat f'aktar dettall f'Noti 1 u 14 tal-istqarrijiet finanzjarji.

Bħala parti mill-isforzi tal-Grupp biex tinħoloq aktar effiċjenza u jitnaqqsu l-ispejjeż, żewġ gruppi t'entitajiet tal-operat ġew magħquda f'żewġ kumpaniji, biex b'hekk in-numru ta' sussidjarji naqas b'ħamsa.

Fir-rigward tal-attività ewlenija tal-operat, matul l-2010 in-negozju tal-assigurazzjoni rreġistra telf qabel it-taxxa ta' €118,869, meta mqabbel ma' profitt qabel it-taxxa ta' €1,974,278 fl-2009. L-attivitajiet tal-aġenzija u brokerage flimkien għamlu profitt ta' qabel it-taxxa ta' €298,640, meta mqabbel ma' €352,687 fl-2009. Min-naħa l-oħra, matul l-2010 id-diviżjoni tas-servizzi t'investiment sofriet telf ta' €557,836, meta mqabbel ma' telf ta' €1,306,301 fl-2009. L-attività tad-diviżjoni tal-propjetà tnaqqset matul l-2010, wara li l-Grupp nieda eżerċizzju ta' ristrutturar fit-tmexxija tal-għola ġestjoni bħala element ewlieni fl-isforzi kontinwi tiegħu biex ikabbar id-dħul, jikkontrolla l-ispejjeż u joħloq valur għall-azzjonisti fi ħdan l-attività kummerċjali ewlenija tas-servizzi finanzjarji.

Directors’ Report (continued)

RESULTS AND DIVIDENDS

The statements of comprehensive income are set out on pages 47 and 48. In view of the results for 2010, the Directors do not recommend the declaration of a dividend (2009 - Nil).

DIRECTORS

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

Nicholas Ashford-Hodges - Chairman
Muni Krishna T. Reddy, GOSK - Deputy Chairman
Christopher J. Pace
Dawood A. Rawat
James Blake
Andrew Borg Cardona LL.D.
Gary R. Marshall - Retired 24 June 2010
Thomas St. John Neville Bates - Appointed 24 June 2010

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

Following an internal restructuring of the Deloitte Malta firm a resolution to appoint Deloitte Audit Limited, a company forming part of the same firm in Malta, will be proposed at the forthcoming annual general meeting.

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

Rapport tad-Diretturi (ikompli)

RIŻULTATI U DIVIDENDS

L-istqarrijiet tad-dħul komprensiv huma murija f’paġni 47 u 48. Fid-dawl tar-riżultati għall-2010, id-Diretturi ma jirrikmandawx id-dikjarazzjoni ta’ dividend (2009 – Xejn).

DIRETTURI

Id-Diretturi tal-Kumpanija li kienu fil-kariga matul is-sena kienu:

Nicholas Ashford-Hodges - Chairman
Muni Krishna T. Reddy, GOSK - Deputat Chairman
Christopher J. Pace
Dawood A. Rawat
James Blake
Andrew Borg Cardona LL.D.
Gary R. Marshall - Irtira fl-24 ta’ Ġunju 2010
Thomas St. John Neville Bates - Inħatar fl-24 ta’ Ġunju 2010

Skont id-dispożizzjonijiet tal-iStatut t’Assoċjazzjoni tal-Kumpanija, id-Diretturi huma mitluba jirtiraw fil-Laqgħa Ġenerali Annwali li jmiss, sakemm il-ħatra tagħhom ma kinitx għal perijodu iqsar jew itwal, u jistgħu jikkandidaw lilhom infushom għal ħatra jew elezzjoni mill-ġdid.

AWDITURI

Wara ristrutturar intern fid-ditta Deloitte Malta, ġiet mgħoddija riżoluzzjoni sabiex Deloitte Audit Limited, kumpanija li tagħmel parti mill-istess ditta f’Malta, tiġi proposta fil-laqgħa ġenerali annwali li jmiss.

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

NICHOLAS ASHFORD-HODGES
Chairman

JAMES BLAKE
Director

Registered office:
Testaferrata Street
Ta’ Xbiex
Malta

20 April 2011

Corporate Governance - statement of compliance

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. The reference to the Principles refers to such Principles prior to their amendment on 16 November 2010 which amendments do not apply to the annual report of the Company for the financial year ended 31 December 2010.

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 one executive and six 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 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 seven 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. COMMITEES

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

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 4 times and is composed of Mr. Muni Krishna T. Reddy, GOSK as chairman, and Dr. Andrew Borg Cardona and Prof. Thomas St. John Neville Bates as members.

3. COMMITEES (continued)

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.

The Group's Head of Internal Audit attends Audit Committee meetings. 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 3 times and is composed of Mr. Nicholas Ashford-Hodges as Chairman, and Mr. Muni Krishna T. Reddy, GOSK, and Mr. Dawood A. Rawat as members. The Chief Executive Officer is invited to attend meetings of the Nominations Committee.

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 2010, the Remuneration Committee met 4 times and is composed of Prof. Thomas St. John Neville Bates as Chairman (who replaced Muni Krishna T. Reddy in December 2010), and Mr. Nicholas Ashford-Hodges and Dr. Andrew Borg Cardona 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 4 times during 2010 and is composed of Mr. Nicholas Ashford-Hodges as Chairman, and Mr. Dawood A. Rawat (who replaced Mr. Christopher J. Pace in June 2010) and Mr. Muni Krishna T. Reddy, GOSK, 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
Mr. Adrian Galea - Executive Head - Office of the Chief Executive Officer

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 2010, Mr. Christopher J. Pace acquired, directly or indirectly, 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.

6. 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. Currently Dr. Andrew Borg Cardona is the sole committee member.

7. ANNUAL GENERAL MEETING AND COMMUNICATION WITH SHAREHOLDERS

Business at the Company's Annual General Meeting to be held on 24 June 2011, will cover the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2010, 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.

8. 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.

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

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 20 April 2011 and signed on its behalf by:

NICHOLAS ASHFORD-HODGES
Chairman

JAMES BLAKE
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 Prof. Thomas St. John Neville Bates. The other members are Mr. Nicholas Ashford-Hodges and Dr. Andrew Borg Cardona. All of the members are non-executive Directors. During the financial year under review, four meetings of the Remuneration Committee were held. The attendance at the meetings was as follows:

Remuneration Committee Member	Committee meetings attended
Prof. Thomas St. John Neville Bates – Chairman (appointed 16 December 2010)	1
Mr. Nicholas Ashford-Hodges	4
Dr. Andrew Borg Cardona	4
Mr. Muni Krishna T. Reddy, GOSK – Chairman (resigned 26 August 2010)	3

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

An executive Director, Mr. James Blake, is employed with the Company in an executive capacity on an indefinite contract basis. Senior management remuneration packages consist of basic salary, benefits and performance-linked bonuses. A bonus scheme has been in place for the executives and senior managers since 2004. This scheme is linked to performance of the individual units and the Group's overall performance and the Company's share price.

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 (2010):

Fees	€275,918
Remuneration	€134,002
Total emoluments	**€409,920**

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 Principal
in the name and on behalf of

Deloitte.
Registered auditor

Deloitte Place
Mriehel Bypass
Mriehel
Malta

20 April 2011

Statement of Directors' responsibilities

The Directors are required by the Companies Act (Chap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each financial year and of the profit or loss for that year.

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

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

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Chap. 386). They 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 20 April 2011 and signed on its behalf by :

NICHOLAS ASHFORD-HODGES
Chairman

JAMES BLAKE
Director

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2010**	2009	**2010**	2009
		€	€	**€**	€
Commission and fees receivable	*3*	**2,998,022**	2,948,502	**-**	-
Commission payable and direct marketing costs	*4*	**(199,041)**	(264,319)	**-**	-
Balance on the long term business of insurance technical account before tax (page 48)		**(1,164,246)**	324,228	**-**	-
Increment/(decline) in the value of in force business	*7, 11*	**16,923**	(221,538)	**-**	-
Staff costs	*4, 5*	**(1,729,714)**	(2,785,010)	**(121,623)**	-
Fixed asset write-off		**(808,284)**	-	**-**	-
Other administrative expenses	*4*	**(2,547,915)**	(1,542,175)	**(580,616)**	(206,528)
Investment income, net of allocation to the insurance technical account	*6*	**1,449,567**	2,517,622	**1,183,771**	520,766
Investment charges and expenses, net of allocation to the insurance technical account	*6*	**(3,628,471)**	(1,157,546)	**(1,707,993)**	(1,068,530)
Impairment of goodwill on consolidation	*11*	**(2,442,591)**	(541,027)	**-**	-
Impairment of investment in subsidiary		**-**	-	**(8,000,000)**	-
Gain on sale of investment in associate		**1,143,792**	-	**-**	-
Share of loss of associated undertaking	*16*	**(790,953)**	(79,385)	**-**	-
Loss before tax		**(7,702,911)**	(800,648)	**(9,226,461)**	(754,292)
Tax (expense)/credit	*7*	**(548,364)**	39,904	**17,880**	(29,353)
Loss for the financial year		**(8,251,275)**	(760,744)	**(9,208,581)**	(783,645)
Other comprehensive income					
Net gain on available-for-sale financial assets		**68,004**	-	**-**	-
Total comprehensive loss for the year, net of tax		**(8,183,271)**	(760,744)	**(9,208,581)**	(783,645)
Loss per share (cents)	*9*	**(62c0)**	(5c8)		

Technical account - long term business of insurance

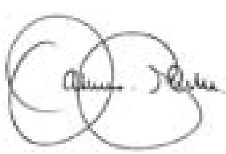
		Year ended 31 December	
		Group	
	Notes	**2010**	2009
		€	€
Earned premiums, net of reinsurance			
Gross premiums written		**9,354,593**	10,117,050
Outward reinsurance premiums		**(502,481)**	(562,266)
Earned premiums, net of reinsurance		**8,852,112**	9,554,784
Investment income	*6*	**2,144,980**	1,888,204
Fair value gains on investments	*6*	**1,020,543**	1,683,296
Investment contract fee income		**61,702**	54,271
Total technical income		**12,079,337**	13,180,555
Claims incurred, net of reinsurance			
Claims paid			
■ gross amount		**(4,526,763)**	(10,152,044)
■ reinsurers' share		**96,020**	286,646
		(4,430,743)	(9,865,398)
Change in the provision for claims			
■ gross amount		**(9,383)**	42,338
■ reinsurers' share		**(18,207)**	(39,909)
	18	**(27,590)**	2,429
Claims incurred, net of reinsurance		**(4,458,333)**	(9,862,969)
Change in other technical provisions, net of reinsurance			
Insurance contracts			
■ gross amount		**(4,147,449)**	(3,576,275)
■ reinsurers' share		**153,000**	67,530
		(3,994,449)	(3,508,745)
Investment contracts with DPF - gross		**(1,687,587)**	2,511,248
Change in other technical provisions, net of reinsurance	*18*	**(5,682,036)**	(997,497)
Claims incurred and change in other technical provisions, net of reinsurance		**(10,140,369)**	(10,860,466)
Net operating expenses	*4*	**(2,925,031)**	(1,961,114)
Unrealised loss on investments	*6*	**(106,744)**	(15,098)
Other investment charges and expenses	*6*	**(71,439)**	(19,649)
Total technical charges		**(13,243,583)**	(12,856,327)
Balance on the long term business of insurance technical account before tax		**(1,164,246)**	324,228

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2010**	2009	**2010**	2009
		€	€	**€**	€
ASSETS					
Intangible assets	*11*	**3,582,973**	6,233,789	**-**	-
Property, plant & equipment	*13*	**3,286,229**	1,267,446	**-**	-
Investment property	*14*	**25,719,589**	28,729,196	**1,213,890**	1,412,258
Investment in group undertakings	*15*	**-**	-	**13,151,553**	21,151,553
Investment in associated undertakings	*16*	**-**	3,453,357	**-**	-
Deferred income tax	*12*	**217,548**	1,139,453	**-**	-
Other investments	*17*	**44,124,737**	40,618,103	**12,542,282**	8,551,260
Reinsurers' share of technical provisions	*18*	**1,167,112**	1,032,319	**-**	-
Taxation receivable		**1,833,125**	809,916	**8,839**	6,084
Property held for development	*19*	**2,469,554**	2,805,117	**-**	-
Trade and other receivables	*20*	**3,243,681**	3,937,244	**238,916**	6,430,654
Cash and cash equivalents	*27*	**12,832,003**	9,517,207	**4,071,774**	67,115
Total assets		**98,476,551**	99,543,147	**31,227,254**	37,618,924
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*	**1,936,512**	1,857,508	**-**	-
Profit and loss account		**(9,667,053)**	(1,404,778)	**(11,169,217)**	(1,960,636)
Total equity		**13,085,768**	21,269,039	**9,647,092**	18,855,673
Technical provisions	*18*	**59,976,017**	53,229,206	**-**	-
Interest bearing borrowings	*24*	**19,246,269**	19,482,903	**16,811,101**	17,128,170
Deferred tax	*12*	**2,626,370**	2,376,410	**93,834**	110,580
Trade and other payables	*25*	**3,301,873**	3,185,589	**4,675,227**	1,524,501
Current tax liabilities		**240,254**	-	**-**	-
Total liabilities		**85,390,783**	78,274,108	**21,580,162**	18,763,251
Total equity and liabilities		**98,476,551**	99,543,147	**31,227,254**	37,618,924

The financial statements on pages 47 to 108 were authorised for issue by the Board on 20 April 2011 and were signed on its behalf by:

NICHOLAS ASHFORD-HODGES
Chairman



JAMES BLAKE
Director

Statements of changes in equity

Group

	Attributable to the company's shareholders				
	Share capital	Share premium account	Other reserves	Profit and loss account	Total
	€	€	€	€	€
Balance at 1 January 2009	3,845,668	16,970,641	1,999,356	(788,034)	22,027,631
Loss for the financial year/total comprehensive loss for the year	-	-	-	(760,744)	(760,744)
Decline in value of in-force business, transferred to other reserves	-	-	(144,000)	144,000	-
Investment compensation scheme	-	-	2,152	-	2,152
	-	-	(141,848)	(616,744)	(758,592)
Balance at 31 December 2009	**3,845,668**	**16,970,641**	**1,857,508**	**(1,404,778)**	**21,269,039**
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**

Company

	Share capital	Share premium account	Profit and loss account	Total
	€	€	€	€
Balance at 1 January 2009	3,845,668	16,970,641	(1,176,991)	19,639,318
Loss for the financial year/total comprehensive loss for the year	-	-	(783,645)	(783,645)
Balance at 31 December 2009	**3,845,668**	**16,970,641**	**(1,960,636)**	**18,855,673**
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**

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2010**	2009	**2010**	2009
		€	€	**€**	€
Cash generated from/(used in) operations	*26*	**2,307,927**	(3,808,279)	**950,577**	(743,211)
Dividends received		**465,594**	462,155	**3,674**	10,093
Interest received		**1,671,679**	1,882,561	**1,086,097**	352,464
Interest paid		**(1,049,725)**	(1,127,031)	**(1,214,187)**	(12,048)
Net tax (paid)/refund		**(159,455)**	500,668	**-**	304,076
Net cash from/(used in) operating activities		**3,236,020**	(2,089,926)	**826,161**	(88,626)
Cash flows from investing activities					
Purchase of intangible assets	*11*	**-**	(65,304)	**-**	-
Purchase of property, plant and equipment	*13*	**(100,808)**	(187,124)	**-**	-
Proceeds from sale of property, plant and equipment		**17,758**	3,706	**-**	-
Purchase of investment property	*14*	**(2,220,239)**	(825,728)	**-**	(654,171)
Proceeds from sale of investment property		**-**	-	**-**	282,618
Purchase of financial assets at fair value through profit or loss	*17*	**(4,551,175)**	(4,224,003)	**(3,841,611)**	-
Purchase of held-to-maturity financial assets	*17*	**(3,590,912)**	-	**-**	-
Purchase of available-for-sale financial assets	*17*	**(699,279)**	-	**-**	-
Proceeds from disposal of investments at fair value through profit or loss	*17*	**10,088,001**	6,257,277	**449,345**	-
Proceeds from disposal of investment in associated undertakings	*16*	**3,806,196**	-	**-**	-
Purchase of cash instrument	*17*	**(2,347,546)**	(687,034)	**-**	-
Net movement on other investments					
■ loans and receivables	*17*	**(37,390)**	(26,259)	**(504,848)**	(224,892)
Net cash from/(used in) investing activities		**364,606**	245,531	**(3,897,114)**	(596,445)
Cash flows from financing activities					
Repayment of bank loans in connection with investment properties	*24*	**(286,574)**	(336,848)	**-**	-
Movement in shareholder's loan		**-**	-	**7,441,877**	(478,301)
Net cash (used in)/from financing activities		**(286,574)**	(336,848)	**7,441,877**	(478,301)
Net movement in cash and cash equivalents		**3,314,052**	(2,181,243)	**4,370,924**	(1,163,372)
Cash and cash equivalents at the beginning of the year		**8,909,160**	11,090,403	**(299,150)**	864,222
Cash and cash equivalents at the end of the year	*27*	**12,223,212**	8,909,160	**4,071,774**	(299,150)

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 2010 the Group reported a loss before tax of €7,702,911 (2009 – loss of €800,648). The Group's business units which can be broadly categorised into the business of insurance, investment and advisory services and property, have all been negatively affected by the recent global financial crisis and the Group has yet to recover from the impact that this has had on its operations. Results for 2010 were further adversely affected by one-off items such as the write off of goodwill, computer software and tangible assets and negative fair value movement on investment property totalling €5,788,347. The Group has undergone extensive management restructuring during late 2010 which the Directors are confident will reap the desired results of growth in business operations as a result of the more clearly defined management roles and responsibilities, as well as a continued focused cost containment through the restructuring and renegotiation of agreements both with internal and external service providers.

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 21) and cash flows, 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, 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.

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 Group and the company 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.

1. BASIS OF PREPARATION (continued)

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

IFRS 9 – Financial Instruments (continued)

- 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.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. This standard had not yet been endorsed by the EU at the date of authorisation of these financial statements.

IAS 24 (revised) - Related Party Disclosures

The revised IAS 24 is mandatory for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities.

Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets

The amendments provide an exception to the general principles of IAS 12 Income Taxes for investment property measured using the fair value model in IAS 40 Investment Property. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset 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 exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model. The amendments also incorporate the requirements of SIC-21 Income Taxes- Recovery of Revalued Non-Depreciable Assets into IAS 12. The effective date of the amendments is for annual periods beginning on or after 1 January 2012. Earlier application is permitted. These amendments had not yet been endorsed by the EU at the date of authorisation of these financial statements.

Amendments to IAS 34 – Interim Financial Reporting

The amendments to IAS 34 form part of the May 2010 Improvements to IFRSs. These amendments emphasise the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report, and clarify how to apply this principle in respect of financial instruments and their fair values. These amendments are effective for annual periods beginning on or after 1 January 2011 with earlier application permitted.

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.

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.

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.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting. The Group's investment in associates is initially recognised at cost and includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal associate is set out in Note 16.

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. DEFFERED 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	1
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. 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.

7. INVESTMENT IN GROUP AND ASSOCIATED UNDERTAKINGS

In the Company's financial statements, shares in group and associated 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 9(a). The impairment loss is measured in accordance with accounting policy 9(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.

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.

8. 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.

8. OTHER FINANCIAL ASSETS (continued)

(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 recognized 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.

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.

9. 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.

9. IMPAIRMENT OF ASSETS (continued)

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

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.

(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 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, and 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.

Goodwill arising on associates accounted for using the equity method is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

10. 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.

11. 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.

12. 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:

- 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.

12. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF (continued)

(b) Recognition and measurement - continued

(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.

(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.

12. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF (continued)

(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)).

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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:

(a) Rendering of services

Premium recognition dealing with insurance contracts and investments contracts with DPF is described in accounting policy 12. 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.

21. 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.

22. 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 profit or loss on a basis which takes into account the yield earned on the investments held with the excess return above a pre-established threshold being transferred to the non-technical account.

23. 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.

24. 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.

25. 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) 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.

(b) 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.

(c) 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.

(d) Fair valuation of investment properties

The determination of the fair value of investment properties at the statement of financial position requires the use of significant management estimates. Details of key assumptions are disclosed in Note 14 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.

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.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Insurance risk – continued

(a) Frequency and severity of claims – continued

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.

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.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk – continued

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 rates. 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.

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

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Assets attributable to policyholders				
Assets at floating interest rates	**7,435,686**	6,658,209	**-**	-
Assets at fixed interest rates	**31,762,797**	28,730,272	**-**	-
	39,198,483	35,388,481	**-**	-
Assets attributable to shareholders				
Assets at floating interest rates	**332,369**	977,809	**-**	3,539
Assets at fixed interest rates	**3,824,484**	120,145	**3,807,205**	-
	4,156,853	1,097,954	**3,807,205**	3,539
	43,355,336	36,486,435	**3,807,205**	3,539
Liabilities				
Liabilities at floating interest rates	**2,435,167**	2,741,241	**-**	366,265
Technical provisions	**57,455,467**	51,611,049	**-**	-
	59,890,634	54,352,290	**-**	366,265

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 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.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk – continued

Market risk - continued

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

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 principally exposed to price risk in respect of equity investments listed on the Malta Stock Exchange. A significant holding accounted for 10.6% of the Group's total assets as at 31 December 2010 (2009 - 6.5%).

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

	Group		**Company**	
	2010	2009	**2010**	2009
	€	€	**€**	€
Assets attributable to policyholders	**7,532,284**	6,762,632	**-**	-
Assets attributable to shareholders	**5,149,265**	5,034,806	**3,614,363**	128,188
	12,681,549	11,797,438	**3,614,363**	128,188

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk – continued

Market 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 statement of financial position date increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/- €1,268,000 in 2010 (2009 - +/-€1,180,000) and the impact on the Company's pre-tax profit would be +/- €361,000 in 2010 (2009 - +/-€13,000). 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 2010, the Group's exposure to foreign currency investments (principally comprising a mix of US Dollar and UK pound) represented 9% of the Group's total investments in Note 17 (2009 - 13%).

5% (2009 - 5%) of the Group's cash and cash equivalents, at 31 December 2010, 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 2010 or 31 December 2009.

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 and the Company'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 +/-€407,000 in 2010 (2009 - +/-€600,000).

Financial risk – continued

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.

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 2010.

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)

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 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**

	As at 31 December 2009					
	AAA to AA	A+ to A	A-	BBB+ to B-	Unrated	Total
	€	€	€	€	€	€
Investments						
Debt securities at fair value through profit or loss	630,818	16,052,748	1,211,082	4,754,219	3,745,833	26,394,700
Loans and receivables						
Loans secured on policies	-	-	-	-	120,759	120,759
Terms deposits held for investment purposes	-	-	-	687,044	-	687,044
Trade and other receivables	-	-	-	-	3,470,044	3,470,044
Cash and cash equivalents	2,358,954	-	5,426,256	1,004,399	727,598	9,517,207
	2,358,954	-	5,426,256	1,691,443	4,318,401	13,795,054
Reinsurance share of technical provisions	1,032,319	-	-	-	-	1,032,319
Total assets bearing credit risk	**4,022,091**	**16,052,748**	**6,637,338**	**6,445,662**	**8,064,234**	**41,222,073**

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk – continued

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 2010 and 2009 the Group had significant exposure with the Government of Malta through investments in debt securities. In 2010 these were equivalent to 17% (2009 - 15%) 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.

The Directors consider opportunities from time to time, including business acquisitions, for further strengthening the Group's market presence in the financial services and ancillary industries.

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 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**

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk – continued

Liquidity risk - continued

Group

As at 31 December 2009

	Contracted undiscounted cash outflows					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
Bank loans	380,932	380,932	1,142,797	380,932	2,285,593	2,112,951
Bank overdraft	608,047	-	-	-	608,047	608,047
5.6% bonds 2014/2016	952,000	952,000	19,380,000	-	21,284,000	16,761,905
Trade and other payables	3,185,589	-	-	-	3,185,589	3,185,589
	5,126,568	**1,332,932**	**20,522,797**	**380,932**	**27,363,229**	**22,668,492**

	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	**16,219,000**	**10,386,000**	**9,978,000**	**14,774,964**	**51,357,964**	**51,357,964**

Company

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**

As at 31 December 2009

	Contracted undiscounted cash outflows					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
5.6% bonds 2014/2016	952,000	952,000	19,380,000	-	21,284,000	16,761,905
Bank overdraft	628,290	-	-	-	628,290	366,265
Trade and other payables	1,224,071	-	-	-	1,224,071	1,224,071
	2,804,361	**952,000**	**19,380,000**	**-**	**23,136,361**	**18,352,241**

3. SEGMENTAL ANALYSIS

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 following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2009.

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2009							
Segment income							
Earned premiums net of reinsurance	-	9,609,055	-	-	-	-	9,609,055
Commission and other fees receivable	903,042	-	2,036,983	6,033	-	(54,904)	2,891,154
Disposal of property held for development	240,067	-	-	-	-	-	240,067
Investment income	66,168	2,367,268	16,907	880,456	328,014	(276,226)	3,382,587
Net gains on investments at fair value through profit and loss	65,354	2,411,586	-	-	116,370	-	2,593,310
Net fair value movement on investment property	-	-	-	402,773	-	-	402,773
Total revenue	**1,274,631**	**14,387,909**	**2,053,890**	**1,289,262**	**444,384**	**(331,130)**	**19,118,946**
Revenue from external customers	1,092,005	14,341,405	2,053,890	1,187,262	444,384	-	19,118,946
Intersegment revenues	8,400	46,504	-	102,000	174,226	-	331,130
Segment expenses							
Net claims incurred	-	9,862,969	-	-	-	-	9,862,969
Net change in technical provisions	-	997,497	-	-	-	-	997,497
Net operating expenses	2,626,213	2,161,859	1,700,415	614,669	102,614	(156,904)	7,048,866
Net losses on investments at fair value through profit and loss	-	-	797	-	-	-	797
Investment expenses	319,413	-	-	279,433	-	(174,226)	424,620
Total expenses	**2,945,626**	**13,022,325**	**1,701,212**	**894,102**	**102,614**	**(331,130)**	**18,334,749**

3. SEGMENTAL ANALYSIS (continued)

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Segment profit/(loss)	(1,670,995)	1,365,584	352,678	395,160	341,770	-	784,197
Unallocated items							
Finance costs	-	-	-	-	-	-	(964,433)
Share of losses of associates	-	-	-	-	-	-	(79,385)
Impairment of goodwill	-	-	-	-	-	-	(541,027)
Total unallocated items	-	-	-	-	-	-	(1,584,845)
Group loss							(800,648)
Tax credit							39,904
Loss after tax							**(760,744)**
Segment assets	9,361,079	67,385,323	2,548,769	27,925,518	50,567,266	(60,036,169)	97,751,786
Unallocated assets							1,791,356
							99,543,142
Segment liabilities	4,614,572	55,991,278	1,619,260	23,651,978	4,051,966	(28,528,625)	61,400,429
Unallocated liabilities							16,873,679
							78,274,108
Other segment items							
Impairment of receivables	-	9,013	-	-			
Capital expenditure	(593,225)	(3,570,107)	(50,417)	(181,117)			
Amortisation	(33,220)	(35,406)	(17,984)	(4,389)			
Depreciation	(279,505)	(104,878)	(15,853)	(12,651)			

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 €1,421,979 (2009 - €331,130).

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 €8,523,607 and other countries amounting to €2,366,980.

4. EXPENSES BY NATURE

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Staff costs (Note 5)	**2,790,152**	3,705,369	**121,623**	-
Commission and direct marketing costs	**790,246**	595,096	**-**	-
Amortisation of computer software (Note 11)	**30,113**	116,556	**-**	-
Depreciation of property, plant and machinery (Note 13)	**99,262**	332,537	**-**	-
Fixed asset write-off	**822,462**	-	**-**	-
Operating lease rentals payable	**242,081**	292,274	**-**	-
Amortisation of bond issue costs	**49,197**	49,197	**49,197**	49,197
Other expenses	**3,554,154**	1,614,479	**531,419**	157,331
	8,377,677	6,705,508	**702,239**	206,528
Allocated as follows:				
Long term business technical account				
■ claims incurred	**167,682**	152,890	**-**	-
■ staff costs	**1,060,438**	920,359	**-**	-
■ net operating expenses	**1,864,593**	1,040,755	**-**	-
Non-technical account				
■ staff costs	**1,729,714**	2,785,010	**121,623**	-
■ commission and direct marketing costs	**199,041**	264,319	**-**	-
■ fixed asset write-off	**808,284**	-	**-**	-
■ other administrative expenses	**2,547,915**	1,542,175	**580,616**	206,528
	8,377,667	6,705,508	**702,239**	206,528

Actuarial valuation fees for the current financial year amounted to €246,220 (2009 - €130,326) for the Group.

Auditor's remuneration for the current financial year amounted to €67,650 (2009 - €61,500) for the Group and €19,800 (2009 - €18,000) for the Company. Other fees payable to the auditor comprise €17,200 (2009 - €7,500) for other assurance services, €14,450 (2009 - €2,850) for tax advisory service and €23,000 (2009 - €32,150) for other non-audit services.

5. STAFF COSTS

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Staff costs:				
Wages and salaries	**2,637,009**	3,530,877	**2,637,009**	3,530,877
Social security costs	**153,143**	174,492	**153,143**	174,492
	2,790,152	3,705,369	**2,790,152**	3,705,369
Recharged to group undertakings	**-**	-	**(2,668,529)**	(3,705,369)
	2,790,152	3,705,369	**121,623**	-

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

	2010	2009
	Number	Number
Managerial	**27**	32
Sales	**6**	15
Administrative	**90**	87
	123	134

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

6. INVESTMENT RETURN

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Investment income				
Rental income from investment property	**686,240**	588,407	**-**	-
Dividends received from investments at fair value through profit or loss	**449,763**	462,155	**3,674**	10,093
Dividends received from available-for-sale investments	**15,832**	-	**-**	-
Interest receivable from				
■ investments at fair value through profit or loss	**1,485,056**	1,653,451	**-**	-
■ held-to-maturity investments	**118,442**	-	**-**	-
■ group undertakings	**-**	-	**1,080,314**	345,517
■ other loans and receivables	**155,700**	193,531	**5,783**	6,947
■ associates	**10,375**	12,255	**-**	-
Net exchange gains	**18,415**	127,067	**98**	41,839
Net gains on investment property	**-**	407,807	**-**	-
Gain on sale of property held for development	**277,331**	240,067	**-**	-
Net gains on financial investments at fair value through profit or loss	**1,403,362**	2,329,372	**93,902**	116,370
Other income	**-**	59,912	**-**	-
	4,620,516	6,074,024	**1,183,771**	520,766
Investment charges and expenses				
Net losses on financial investments at fair value through profit or loss	**-**	-	**276,802**	104,098
Net fair value losses on investment property	**2,524,368**	-	**198,368**	-
Impairment loss on property held for development	**10,142**	-	**-**	-
Investment management charges	**72,335**	38,930	**18,636**	1,748
Interest payable on:				
■ Group undertakings	**-**	-	**254,156**	-
■ Interest-bearing borrowings	**1,162,324**	1,112,543	**960,031**	962,684
Amortisation charge on held-to-maturity investments	**5,426**	-	**-**	-
Other charges	**37,485**	25,722	**-**	-
	3,812,080	1,177,195	**1,707,993**	1,068,530
Total investment return/(loss)	**808,436**	4,896,829	**(524,222)**	(547,764)
Allocated as follows:				
Long term business technical account	**2,987,340**	3,536,753	**-**	-
Non-technical account	**(2,178,904)**	1,360,076	**(524,222)**	(547,764)
	808,436	4,896,829	**(524,222)**	(547,764)

7. INCOME TAX

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Current tax (credit)/expense	**(629,424)**	(144,627)	**(1,134)**	46,692
Deferred tax expense/(credit) (Note 12)	**1,171,865**	182,261	**(16,746)**	(17,339)
Tax relating to value of in-force business	**5,923**	(77,538)	**-**	-
Tax charge/(credit)	**548,364**	(39,904)	**(17,880)**	29,353

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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Loss before tax	**(7,702,911)**	(800,648)	**(9,226,461)**	(754,292)
Tax on loss at 35%	**(2,696,019)**	(280,227)	**(3,229,261)**	(264,002)
Tax effect of:				
Non - deductible expenditure	**934,573**	317,324	**246,760**	266,870
Additional allowances available under S.15 of the Income Tax Act	**-**	(7,184)	**-**	-
Impairment of investment in subsidiary	**-**	-	**2,800,000**	-
Exempt income and income subject to a reduced rate of tax	**(14,160)**	(17,225)	**(1,687)**	(54,643)
Deferred tax asset not recognised	**1,132,162**	111,404	**-**	-
Impairment of goodwill	**867,299**	-	**-**	-
Other differences	**324,509**	(163,996)	**166,308**	81,128
Total expense/(income)	**548,364**	(39,904)	**(17,880)**	29,353

8. DIRECTORS' EMOLUMENTS

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Fees	**275,918**	203,235	**275,918**	203,235
Salaries	**134,002**	132,115	**134,002**	132,115
	409,920	335,350	**409,920**	335,350
Recharged to group undertakings	**-**	-	**(314,370)**	(235,713)
	409,920	335,350	**95,550**	99,637

Two of the Directors availed themselves of the use of a company car during the year and the estimated value of these benefits has been included within Directors' remuneration. The Directors are also entitled to participate in a health insurance scheme subsidised by the Group.

The charge for professional indemnity insurance acquired on behalf of the Directors and officers of the Group amounted to €115,775 (2009 - €119,625). 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	
	2010	2009
	€	€
Net loss attributable to shareholders	**(8,183,271)**	(760,744)
Weighted average number of ordinary shares in issue	**13,207,548**	13,207,548
Loss per share (cents)	**(62c0)**	(5c8)

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 2010. No dividend was paid in 2009.

11. INTANGIBLE ASSETS

Group	Goodwill €	Value of in-force business €	Computer software €	Total €
At 1 January 2009				
Cost or valuation	3,742,031	2,981,000	1,101,292	7,824,323
Accumulated amortisation	-	-	(818,848)	(818,848)
Carrying amount	3,742,031	2,981,000	282,444	7,005,475
Year ended 31 December 2009				
Opening carrying amount	3,742,031	2,981,000	282,444	7,005,475
Additions	-	-	65,304	65,304
Decline in value in-force business	-	(144,000)	-	(144,000)
Amortisation charge	-	-	(116,556)	(116,556)
Impairment charge	(576,434)	-	-	(576,434)
Closing carrying amount	**3,165,597**	**2,837,000**	**231,192**	**6,233,789**
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 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 31 December 2010				
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**

Amortisation of computer software amounting to €30,113 (2009 - €116,556) is included in administrative expenses (Note 4).

11. INTANGIBLE ASSETS (continued)

Computer software written off during the year

During the year, 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 (2009 - Nil), which has been recognised in profit or loss.

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

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) Limited 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 €232,937 was reflected during 2010 (2009 - €232,938). The balance of this component of goodwill, which amounted to €340,655 as at 31 December 2010 (2009 - €573,592), is expected to continue to yield economic benefits over the next one and a half years. 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.

Goodwill amounting to €935,226 at 31 December 2009 related to the business of insurance carried on by GlobalCapital Life Insurance Limited. The goodwill allocated to this segment was established with reference to profit projections for the business acquired at the time of the merger. The recoverable amount is reassessed annually based on estimates of future expected maintainable earnings. In assessing expectations of future maintainable earnings from insurance operations, management has given cognisance to the inherent uncertainties surrounding any long term projections by discounting approved forecasts by 25%. A valuation of expected future cash flows discounted to net present values did not support the carrying amount of this goodwill component and therefore this was written off in full during 2010.

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% (2009 - 3.4%) 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 €100,000 (2009 - €97,000);
- a decrease in the projected investment return by 10% reduces the VOIFB by €449,000 (2009 - €376,000); and
- an increase in the discount factor by 10% reduces the VOIFB by €103,000 (2009 - €99,000).

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

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% (2009 - 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% (2009 - 12%) of the carrying amount. Deferred tax on temporary differences on investment properties situated outside Malta has been calculated using rates that are reasonably expected to be applicable on crystallisation of the temporary differences.

The movement on the deferred tax account is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**(1,236,957)**	(1,054,696)	**(110,580)**	(127,919)
Credited/(charged) to profit or loss (Note 7)	**(1,171,865)**	(182,261)	**16,746**	17,339
At end of year	**(2,408,822)**	(1,236,957)	**(93,834)**	(110,580)

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

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Arising on:				
Accelerated tax depreciation	**3,831**	4,152	**-**	-
Unabsorbed tax credits	**552,631**	1,135,301	**-**	-
Capitalisation of bond issue costs	**(93,834)**	(110,580)	**(93,834)**	(110,580)
Fair value adjustments	**(2,871,450)**	(2,265,830)	**-**	-
	(2,408,822)	(1,236,957)	**(93,834)**	(110,580)

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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Deferred tax asset	**217,548**	1,139,453	**-**	-
Deferred tax liability	**(2,626,370)**	(2,376,410)	**(93,834)**	(110,580)
	(2,408,822)	(1,236,957)	**(93,834)**	(110,580)

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 2010 the Group had unutilised tax credits amounting to €6,331,914 (2009 - €3,430,357) available for relief against future taxable income. These losses give rise to a further deferred tax asset of €2,216,170 (2009 - €1,200,625) 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 2009				
Cost	448,813	4,183,900	677,433	5,310,146
Accumulated depreciation	(207,462)	(3,031,464)	(596,708)	(3,835,634)
Carrying amount	**241,351**	**1,152,436**	**80,725**	**1,474,512**
Year ended 31 December 2009				
Opening carrying amount	241,351	1,152,436	80,725	1,474,512
Additions	55,402	60,742	-	116,144
Transferred from investment property (Note 14)	70,980	-	-	70,980
Disposals	-	(35,160)	(162,615)	(197,775)
Depreciation charge	(11,865)	(308,027)	(12,645)	(332,537)
Depreciation released on disposals	-	6,781	129,341	136,122
Closing carrying amount	**355,868**	**876,772**	**34,806**	**1,267,446**
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
Transferred from investment property (Note 14)	2,706,552	-	-	2,706,552
Disposals	-	(24,771)	(15,005)	(39,776)
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 disposal	-	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 31 December 2010				
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**

Assets written off during the year

During the year, 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 (2009 - Nil), which has been recognised in profit or loss.

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

14. INVESTMENT PROPERTY

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**28,729,196**	23,960,021	**1,412,258**	758,087
Additions	**2,220,239**	896,708	**-**	654,171
Transferred from property held for development (Note19)	**-**	4,141,943	**-**	-
Property reclassified as property, plant and equipment (Note 13)	**(2,706,552)**	(70,980)	**-**	-
Property reclassified as property held for development	**-**	(470,142)	**-**	-
Disposals	**-**	(139,743)	**-**	-
Fair value (losses)/gains	**(2,523,294)**	411,389	**(198,368)**	-
At end of year	**25,719,589**	28,729,196	**1,213,890**	1,412,258
At 31 December				
Cost	**18,957,380**	19,443,693	**1,412,258**	1,412,258
Accumulated fair value gains	**6,762,209**	9,285,503	**(198,368)**	-
Net book amount	**25,719,589**	28,729,196	**1,213,890**	1,412,258

The additions to investment properties in 2010 related to additional costs incurred on properties held by the Group at 1 January 2010.

Fair value in relation to those properties which are leased out was determined by reference to rental income earned and updated 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.

The Group's investment property portfolio includes a property of an exceptional nature - a Baronial castle situated outside Rome. In accordance with the Group's accounting policy, this property was revalued by an independent qualified valuer during the financial year ended 31 December 2009. In the context of the continuing volatility of property markets, the Directors decided to obtain further independent professional valuations of the property during 2010. Due to the exceptional nature of the property, and the lack of relevant market information, in particular the paucity of evidence of the sale of similar assets of a comparable nature, the ranges of fair value attributed to the property by the valuers varied significantly. Having considered the independent valuations obtained and the methodologies adopted, the carrying value of the property at 31 December 2010 was reduced by €1.5M to €8.1M. On the basis of the information obtained from the valuers, the Directors are of the view that the adjusted carrying amount is the fair value of the property at that date. Taking into account the nature of the property and its alternative uses, the Directors are of the view that the volatility of the fair value to realisable value may range by plus or minus 20–25%.

No payments on account of property commitments where title had not transferred to the Group existed as at 31 December 2010 (2009 – nil).

As at December 2010 investment property amounting to €1,822,858 (2009 - €1,822,858) were hypothecated in connection with bank finance obtained by the Group.

15. INVESTMENT IN GROUP UNDERTAKINGS

	2010 €	2009 €
Opening cost and net book amount	**21,151,553**	21,151,553
Impairment charge	**(8,000,000)**	-
Closing net book amount	**13,151,553**	21,151,553

The principal group undertakings at 31 December are shown below:

Group undertakings	Registered Office	Class of shares held	Percentage of shares held 2010	2009
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	120 The Strand Gzira	Ordinary shares	**100%**	100%
Global Estates Limited	120 The Strand Gzira	Ordinary 'A' shares	**100%**	100%
Global Properties Limited	26/A/3 Gunduliceva Split Croatia	Ordinary shares	**100%**	100%
GlobalCapital Financial* Management Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Fund Advisors Limited	120 The Strand Gzira	Ordinary shares	**Merged**	100%
GlobalCapital Health* Insurance Agency Limited	120 The Strand Gzira	Ordinary 'A' shares	**100%**	100%
GlobalCapital Holdings Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Insurance* Brokers Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Investments Limited	120 The Strand Gzira	Ordinary shares	**Merged**	100%
GlobalCapital Life Insurance* Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Property Advisors Limited	120 The Strand Gzira	Ordinary shares	**Merged**	100%
GlobalCapital Property Management Limited	120 The Strand Gzira	Ordinary shares	**Merged**	100%
Globe Properties Limited	120 The Strand Gzira	Ordinary shares	**Merged**	100%
Quadrant Italia Srl	Via Bruxelles 34 Cap 00100 Rome RM Italy	Ordinary shares	**100%**	100%

15. INVESTMENT IN GROUP UNDERTAKINGS (continued)

By virtue of a resolution passed on the 23 December 2009, by the Board of Directors of GlobalCapital Fund Advisors Limited ("GCFA"), GlobalCapital Investments Limited ("GCI") and GlobalCapital Financial Management Limited ("GCFM"), GCFA and GCI have been amalgamated into GCFM. The effective date for accounting purposes is 1 January 2010.

Additionally, by virtue of a resolution passed on the 9 August 2010 by the Board of Directors of Globe Properties Limited ("GPL"), GlobalCapital Property Advisors Limited ("GCPA"), GlobalCapital Property Management Limited ("GCPM") and Central Landmark Development Limited ("CLD"), GPL, GCPA and GCPM have been amalgamated into CLD. The effective date for accounting purposes is 1 January 2010.

* 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).

As disclosed in Note 29, the Group no longer holds an interest in the International Growth Opportunities Fund (2009 - 66%) as the fund was redeemed in specie on 17 December 2010. This equity holding was not consolidated on the basis of materiality.

16. INVESTMENT IN ASSOCIATED UNDERTAKING

Group	**2010**	2009
	€	€
Year ended 31 December		
At beginning of year	**3,453,357**	3,532,742
Proceeds from disposal of investment	**(3,806,196)**	-
Share of loss of associated undertaking	**(790,953)**	(79,385)
Gain on disposal	**1,143,792**	-
At end of year	**-**	3,453,357
At 31 December		
Cost	**-**	3,806,196
Accumulated losses	**-**	(352,839)
Carrying amount	**-**	3,453,357

The associated undertaking at 31 December:

Associate	**Registered Office**	**Class of shares held**	**Percentage of shares held**	
			2010	2009
Metropolis Developments Limited	Metropolis Enrico Mizzi Street Gzira Malta	Ordinary 'A' shares	**-**	41%

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

At 31 December 2009, Metropolis Developments Limited Group assets amounted to €12,944,814 and liabilities amounted to €6,300,333. The Metropolis Developments Limited Group registered a loss during the year ended 31 December 2009 of €1,971,952.

17. OTHER INVESTMENTS

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

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Fair value through profit or loss	**36,579,236**	39,810,300	**3,614,363**	128,188
Available-for-sale investments	**767,283**	-	**-**	-
Held-to-maturity investments	**3,585,486**	-	**-**	-
Loans and receivables	**3,192,732**	807,803	**8,927,919**	8,423,072
Total other investments	**44,124,737**	40,618,103	**12,542,282**	8,551,260

Included in the Group total investments are €2,520,548 of assets held to cover linked liabilities (2009 - €1,618,156). 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

	2010	2009	**2010**	2009
	€	€	**€**	€
Equity securities and collective investments schemes:				
- listed shares	**10,998,242**	10,191,825	**3,614,363**	47,561
- collective investment schemes	**3,436,574**	3,223,775	**-**	80,627
	14,434,816	13,415,600	**3,614,363**	128,188
Debt securities				
- listed	**22,144,420**	26,108,140	**-**	-
- unlisted	**-**	286,560	**-**	-
	22,144,420	26,394,700	**-**	-
Total investments at fair value through profit or loss	**36,579,236**	39,810,300	**3,614,363**	128,188

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.

Group	2010 €	2009 €
Within 1 year	**788,353**	1,027,713
Between 1 and 2 years	**521,706**	2,176,984
Between 2 and 5 years	**3,765,358**	2,846,406
Over 5 years	**17,069,003**	20,343,597
	22,144,420	26,394,700
Weighted average effective interest rate at the end of the reporting period date	**6%**	6%

Group investments amounting to €3,683,836 (2009 - €3,920,308) 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	
	2010 €	2009 €	**2010 €**	2009 €
Year ended 31 December				
At beginning of year	**39,810,300**	38,399,483	**128,188**	398,534
Additions	**5,181,123**	4,482,451	**3,841,611**	-
Disposals (sale and redemption)	**(9,401,192)**	(6,028,353)	**(449,338)**	(386,716)
Net fair value gains	**989,005**	2,956,719	**93,902**	116,370
At end of year	**36,579,236**	39,810,300	**3,614,363**	128,188
At 31 December				
Cost	**35,221,941**	39,442,010	**3,816,996**	424,723
Accumulated fair value gains/(losses)	**1,357,295**	368,290	**(202,633)**	(296,535)
Carrying amount	**36,579,236**	39,810,300	**3,614,363**	128,188

17. OTHER INVESTMENTS (continued)

(b) Held-to-maturity investments

Group	2010 €	2009 €
Debt securities		
Government bonds	**2,785,312**	-
Listed corporate bonds	**800,174**	-
	3,585,486	-

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

	2010 €	2009 €
Between 2 and 5 years	**98,188**	-
Over 5 years	**3,487,298**	-
	3,585,486	-
Weighted average effective interest rate at the balance sheet date	**6%**	-

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

	2010 €	2009 €
Year ended 31 December		
At beginning of year	**-**	-
Additions	**3,590,912**	-
Amortised cost	**(5,426)**	-
At end of year	**3,585,486**	-
At 31 December		
Cost	**3,590,912**	-
Accumulated amortisation	**(5,426)**	-
Carrying amount	**3,585,486**	-

17. OTHER INVESTMENTS (continued)

(c) Available-for-sale investments

	2010	2009
	€	€
Equity securities:		
■ listed shares	**767,283**	-

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

	2010	2009
	€	€
Year ended 31 December		
At beginning of year	**-**	-
Additions	**699,279**	-
Net fair value gains	**68,004**	-
At end of year	**767,283**	-
At 31 December		
Cost	**699,279**	-
Accumulated fair value gains	**68,004**	-
Carrying amount	**767,283**	-

(d) Loans and receivables

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Loans to group undertakings	**-**	-	**8,927,919**	8,423,072
Loans secured on policies	**158,149**	120,769	**-**	-
Term deposits held for investment purposes	**3,034,583**	687,034	**-**	-
	3,192,732	807,803	**8,927,919**	8,423,072

Group

Loans secured on policies are substantially non-current in nature. They are charged interest at the rate of 8% (2009 - 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 (2009 - 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

	2010	2009
	€	€
Insurance contracts	**30,537,404**	26,513,785
Investment contracts with DPF	**25,750,953**	24,064,946
	56,288,357	50,578,731
Investment contracts without DPF	**2,520,548**	1,618,156
Total technical provisions	**58,808,905**	52,196,887

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 2009			
At beginning of year	23,036,633	26,547,030	49,583,663
Charged to technical account			
■ change in the provision for claims	(31,593)	29,164	(2,429)
■ change in other technical provisions	3,508,745	(2,511,248)	997,497
At end of year	**26,513,785**	**24,064,946**	**50,578,731**
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**

Insurance contracts are further analysed as follows:

	2010	2009
	€	€
Gross technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**42,364**	29,928
other provisions	**94,460**	122,295
Long term insurance contracts		
claims outstading	**162,152**	163,625
long term business provision	**31,405,540**	27,230,256
	31,704,516	27,546,104

18. TECHNICAL PROVISIONS (continued)

	2010 €	2009 €
Reinsurers' share of technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**(13,465)**	(8,378)
other provisions	**(28,295)**	(39,782)
Long term insurance contracts		
claims outstading	**(11,647)**	(34,941)
long term business provision	**(1,113,705)**	(949,218)
	(1,167,112)	(1,032,319)

	2010 €	2009 €
Net technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**28,899**	21,550
other provisions	**66,165**	82,513
Long term insurance contracts		
claims outstading	**150,505**	128,684
long term business provision	**30,291,835**	26,281,038
	30,537,404	26,513,785

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 contacts. The table below indicates the level of the respective adjustment that would be required.

18. TECHNICAL PROVISIONS (continued)

	Increase in liability	
	2010	2009
	€	€
10% loading applied to mortality assumptions	**129,000**	110,000
Lowering of investment return by 25 basis points	**1,195,000**	622,000

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	
	2010	2009
	€	€
At cost		
Year ended 31 December		
At beginning of year	**2,805,117**	5,897,283
Additions	**474,113**	1,297,732
Disposals	**(799,534)**	(718,097)
Transferred from investment property	**-**	470,142
Transferred to investment property	**-**	(4,141,943)
Impairment loss	**(10,142)**	-
At end of year	**2,469,554**	2,805,117

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Trade receivables - third parties	**1,163,548**	1,537,055	**-**	-
Less: impairment of receivables	**(28,600)**	(57,160)	**-**	-
Trade receivables - net	**1,134,948**	1,479,895	**-**	-
Other loans and receivables:				
receivables from group undertakings	**-**	-	**16,928**	6,154,416
receivables from associated undertaking	**-**	225,295	**-**	-
receivables from related parties	**88,997**	323,614	**49,077**	163,975
other taxation receivable	**370,925**	370,925	**-**	-
prepayments	**282,552**	342,155	**6,370**	6,205
accrued investment income	**579,544**	845,510	**3,780**	240
other accrued income	**125,046**	107,951	**-**	-
other receivables	**661,669**	241,899	**162,761**	105,818
	3,243,681	3,937,244	**238,916**	6,430,654

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

	Group	
	2010	2009
	€	€
Year ended 31 December		
At beginning of year	**57,160**	66,173
Decrease in provision	**(28,560)**	(9,013)
At end of year	**28,600**	57,160

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 2010 (2009 – None).

As at 31 December 2010, trade receivables amounting to €334,422 (2009 - €659,905) were fully performing and trade receivables amounting to €800,526 (2009 - €819,990) 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:

	2010	2009
	€	€
Between 3 to 6 months	**209,219**	140,450
More than 6 months	**591,307**	679,540
	800,526	819,990

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. Amounts owed by associated undertakings are unsecured and bear interest of 6% per annum.

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	
	2010	2009
	€	€
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.

	2010 Minimum Own Fund Requirements €	**2010 Actual Own Funds €**	**2009 Minimum Own Fund Requirements €**	**2009 Actual Own Funds €**
GlobalCapital Health Insurance Agency Limited	**374,984**	**655,188**	371,136	381,719
GlobalCapital Insurance Brokers Limited	**58,234**	**206,972**	72,847	196,051
GlobalCapital Life Insurance Limited	**3,500,000**	**9,687,931**	3,200,000	9,999,513
GlobalCapital Financial Management Limited	**1,422,851**	**3,488,060**	3,457,931	3,539,144

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 1.51 times cover at 31 December 2010 (2009 - 1.77 times cover). The company's shareholders are committed to further strengthening the company's capital base though an increase in the company's issued share capital during 2011.

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. 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 €17,460,439 (31 December 2009 - €20,921,629). Management are continuously monitoring this position to ensure that the bond covenant requirements are complied with.

22. SHARE PREMIUM ACCOUNT

	2010 €	2009 €
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 2009				
At beginning of year	1,993,346	-	6,010	1,999,356
Decline in value in-force business, transferred from profit or loss account (Note 11)	(144,000)	-	-	(144,000)
Investment compensation scheme	-	-	2,152	2,152
At end of year	**1,849,346**	**-**	**8,162**	**1,857,508**
Year ended 31 December 2010				
At beginning of year	1,849,346	-	8,162	1,857,508
Increase in value in-force business, transferred from profit or 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**

The above reserves are not distributable.

24. INTEREST-BEARING BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Bank overdraft (Note 27)	**608,791**	608,047	**-**	366,265
Bank loans	**1,826,377**	2,112,951	**-**	-
5.6% bonds 2014/2016	**16,811,101**	16,761,905	**16,811,101**	16,761,905
Total borrowings	**19,246,269**	19,482,903	**16,811,101**	17,128,170

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 2010 was €85.00 (2009 - €82.50).

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

	Group and Company	
	2010	2009
	€	€
Proceeds		
€17,000,000, 5.6% bonds 2014/2016	**17,079,199**	17,079,199
Less:		
Issue cost	**493,326**	493,326
Accumulated amortisation	**(225,228)**	(176,032)
	268,098	317,294
Net proceeds	**16,811,101**	16,761,905

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 4.79% (2009 - 4.5%) per annum.

The bank overdraft facility is secured by a pledge on investments, and bears interest at a floating interest rate of 4.08% (2009 - 4.3%) per annum.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Trade payables	**1,675,052**	1,407,453	**657,963**	616,818
Amounts due to group undertakings	**-**	-	**1,491,272**	249,110
Amounts due to associates	**-**	1,677	**-**	-
Amounts due to related parties	**-**	49,642	**-**	51,319
Other taxation	**12,100**	23,334	**-**	-
Accruals and deferred income	**1,333,348**	1,572,669	**701,664**	584,833
Other payables	**281,373**	130,814	**1,824,328**	22,421
	3,301,873	3,185,589	**4,675,227**	1,524,501

All of the above amounts are payable within one year.

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

26. CASH GENERATED FROM/(USED IN) OPERATIONS

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

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Cash flows from operating activities				
Loss before tax	**(7,702,911)**	(800,648)	**(9,226,461)**	(754,292)
Adjustments for:				
Net (gain)/loss on investments	**1,119,932**	(3,124,462)	**104,466**	12,272
Impairment of investment in subsidiary	**-**	-	**8,000,000**	-
Share of loss of associated undertaking (Note 16)	**790,953**	79,385	**-**	-
(Increment)/decline in value in-force business	**(11,000)**	144,000	**-**	-
Impairment/amortisation	**2,572,872**	740,835	**49,197**	49,197
Depreciation (Note 13)	**99,262**	332,537	**-**	-
Net movement in technical provisions (Note 18)	**5,709,626**	995,068	**-**	-
Impairment of receivables (Note 20)	**(28,560)**	(9,013)	**-**	-
Loss on disposal of fixed assets	**2,803**	57,947	**-**	-
Tangible asset write-off	**668,754**	-	**-**	-
Intangible asset write-off	**153,708**	-	**-**	-
Gain on sale of property held for development	**(277,336)**	(240,067)	**-**	-
Gain on sale of investment in associated undertakings	**(1,143,792)**	-	**-**	-
Increase in investment compensation scheme	**-**	2,152	**-**	-
Dividend income	**(465,594)**	(462,155)	**(3,674)**	(10,093)
Interest income	**(1,769,573)**	(1,859,237)	**(1,086,097)**	(352,464)
Interest expense	**1,094,289**	1,112,543	**1,214,187**	12,048
Operating profit/(loss) before working capital movements	**813,433**	(3,031,115)	**(948,382)**	(1,043,332)
Movement of property held for development	**602,757**	(339,587)	**-**	-
Movement in trade and other receivables	**820,017**	(148,021)	**(60,646)**	(33,652)
Movement in trade and other payables	**71,720**	(289,556)	**1,959,605**	333,773
Net cash flow generated from/(used in) operating activities	**2,307,927**	(3,808,279)	**950,577**	(743,211)

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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Cash at bank and on hand	**12,832,003**	9,517,207	**4,071,774**	67,115
Bank overdraft	**(608,791)**	(608,047)	**-**	(366,265)
	12,223,212	8,909,160	**4,071,774**	(299,150)

Cash at bank earns interest at a weighted average floating interest rate of 1.06% (2009 - 1.69%).

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 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.

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

At 31 December 2010 and 2009, the carrying amounts of other financial assets and liabilities approximated their fair values, with the exception of investment in group and associated 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:

	2010	2009
	€	€
Commission receivable from related parties	**50,995**	172,761
Commission receivable on investments made by related funds (see note below)	**1,823**	4,751
Fees receivable in respect of advice provided to related funds (see note below)	**94,279**	106,422
Rental income from Director	**66,000**	-

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 and performance 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 during the year under review, are also Directors of GlobalCapital Funds SICAV p.l.c. Adrian Galea sits on the board of Global Fund SICAV p.l.c.

During 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 2010 and 2009 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:

	2010	2009
	€	€
Global Bond Fund Plus	**135,077**	120,322
Malta Privatisation & Equity Fund	**493,411**	460,204
Melita International Equity Fund	**79,772**	71,585
International Growth Opportunities Fund	**-**	210,932
The Property Fund	**-**	65,188
Other related Funds	**540,230**	258,093
	1,248,490	1,186,324

29. RELATED PARTY TRANSACTIONS (continued)

The above investments as at 31 December 2010 were represented by the following holdings held by the Group directly in each fund:-

	2010	2009
	%	%
Global Bond Fund Plus	**7**	6
Malta Privatisation & Equity Fund	**12**	11
Melita International Equity Fund	**10**	11
International Growth Opportunities Fund	**-**	66
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:-

	2010	2009
	%	%
Global Bond Fund Plus	**50**	57
Malta Privatisation & Equity Fund	**20**	21
Melita International Equity Fund	**31**	41
International Growth Opportunities Fund	**-**	4
The Property Fund	**45**	45

As at the end of the reporting date, there were €143,310 in bonds held by related parties (2009 - €525,700). The compensation to Directors in 2010 and 2009 is disclosed in Note 8 to the financial statements.

Other related party transactions

The Group rented out one of its properties to a Director for €66,000 per annum (2009 - nil). The board of Directors deem this transaction to be on an arm's length basis.

29. RELATED PARTY TRANSACTIONS (continued)

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

	2010	2009
	€	€
International Growth Opportunities Fund	-	80,627

The above investments as at 31 December 2010 were represented by the following holdings held by the Company directly in each fund:-

	2010	2009
	%	%
International Growth Opportunities Fund	-	26

The Group no longer holds an interest in the International Growth Opportunities Fund (2009 – 66%) as the fund was redeemed in specie on 17 December 2010.

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:

	2010	2009
	€	€
Not later than one year	**8,081**	109,875
Later than one year and not later than five years	**33,938**	155,149
	42,019	265,024

30. COMMITMENTS (continued)

Operating lease commitments - where the Group is a lessor

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

	2010	2009
	€	€
Not later than one year	**356,958**	347,928
Later than one year and not later than five years	**185,953**	403,173
	542,911	751,101

Other commitments

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

	2010	2009
	€	€
Authorised and contracted:		
■ computer software	**46,395**	-
■ property development	**600,979**	633,136
	647,374	633,136
Authorised but not contracted:		
■ computer software	**800,000**	172,220
■ property development	**-**	2,007,000
	800,000	2,179,220

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 financial statements of GlobalCapital p.l.c. and its group set out on pages fourty-seven to one hundred and eight, which comprise the statements of financial position of the company and the group as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As also described in the statement of directors' responsibilities on page fourty-five, the directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GlobalCapital p.l.c. and its group as at 31 December 2010, and of its company's and its group's 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 Principal
in the name and on behalf of

Deloitte.
Registered auditor

20 April 2011

Five year summary

Statement of Comprehensive income

	Group 2010 €	Group 2009 €	Group 2008 €	Group 2007 €	Group 2006 €
Turnover - commission and fees receivable	**2,998,022**	2,948,502	3,677,410	4,821,449	11,247,400
Gross premiums written	**9,354,593**	10,117,050	7,078,502	12,634,260	9,713,138
(Loss)/profit before tax	**(7,702,911)**	(800,648)	(7,554,426)	353,743	7,388,039
Tax income/(expense)	**(548,364)**	39,904	668,264	226,192	(2,637,668)
(Loss)/profit for the financial year	**(8,251,275)**	(760,744)	(6,886,162)	579,935	4,750,371

Statement of Financial Position

	Group 2010 €	Group 2009 €	Group 2008 €	Group 2007 €	Group 2006 €
ASSETS					
Intangible assets	**3,582,973**	6,233,789	7,005,475	7,561,570	7,998,812
Property, plant and equipment	**3,286,229**	1,267,446	1,474,512	5,223,445	5,436,045
Investment property	**25,719,589**	28,729,196	23,960,021	21,062,835	15,104,086
Investments	**44,124,737**	44,071,460	42,026,735	53,356,926	53,914,191
Property held for development	**2,469,554**	2,805,117	5,897,283	4,710,324	3,491,002
	79,183,082	**83,107,008**	**80,364,026**	**91,915,100**	**85,944,136**
Other non current assets	**3,217,785**	2,981,688	2,949,356	2,064,836	1,533,340
Current assets	**16,075,684**	13,454,451	16,048,845	11,080,531	9,064,847
Total assets	**98,476,551**	**99,543,147**	**99,362,227**	**105,060,467**	**96,542,323**
EQUITY & LIABILITIES					
Capital and reserves	**13,085,768**	21,269,039	22,027,626	28,913,793	29,533,704
Provisions for liabilities and charges	**59,976,017**	53,229,206	53,206,754	50,944,390	41,526,499
Interest-bearing borrowings	**19,246,269**	19,482,903	20,458,529	20,917,340	20,217,333
Other liabilities	**6,168,497**	5,561,999	3,669,318	4,284,944	5,264,787
Total equity and liabilities	**98,476,551**	**99,543,147**	**99,362,227**	**105,060,467**	**96,542,323**

Accounting ratios

	Group 2010 €	Group 2009 €	Group 2008 €	Group 2007 €	Group 2006 €
Commission, fees receivable and gross premium written to total assets	**12%**	13%	11%	17%	22%
Net operating expenses to total assets	**6%**	5%	6%	7%	7%
Net (loss)/profit to commission, fees receivable and gross premium written	**(70%)**	(6%)	(64%)	3%	23%
(Loss)/profit before tax to commission, fees receivable and gross premium written	**(65%)**	(6%)	(48%)	11%	30%
Pre-tax return on capital employed	**(59%)**	(4%)	(34%)	1%	25%
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)	**99.1**	161.0	166.8	218.9	223.6
Earnings per share (cents)	**(62.47)**	(5.76)	(52.14)	4.4	35.9
Dividend cover (times)	**-**	-	-	-	3.0

Share register information

	Number of Shares 31 December 2010	Number of Shares 30 April 2011
Total Shares in issue	13,207,548	13,207,548

Directors' interest in issued share capital of the Company

	Number of Shares 31 December 2010	Number of Shares 30 April 2011
James Blake	277,000	277,000
Andrew Borg Cardona LL.D.	10,000	10,000
Christopher J. Pace	1,508,245	1,508,245

Shareholders holding 5% or more of the equity

	Number of Shares 31 December 2010	% Holding 31 December 2010
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%
Provident Real Estate Fund Ltd.	750,534	5.68%

	Number of Shares 30 April 2011	% Holding 30 April 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%
Provident Real Estate Fund Ltd.	750,534	5.68%

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

	Number of Shareholders 31 December 2010	Number of Shareholders 30 April 2011
One class of shares carrying equal voting rights	1473	1464

Distribution of Shareholding

	Number of Shareholders 31 December 2010	Shares 31 December 2010
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 2011	Shares 30 April 2011
Range:		
1 – 1,000	1288	427,745
1,001 – 5,000	138	284,947
5,001 and over	38	12,494,856

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