09

GlobalCapital p.l.c.
Annual Report & Financial Statements

GlobalCapital plc

Contents

Trust your instincts

Trust

" GlobalCapital has emerged from 2009 as a stronger Company, well positioned for further growth "

Chairman's Statement – *Annual Report 2009*
Stqarrija taċ-Chairman – Rapport Annwali 2009

I am pleased to report that the Company has achieved a substantial turnaround in 2009 as a result of the successful implementation of the revitalisation programme we announced earlier in the year.

The overall performance improved as we focused on increased staff training, improvement of management practices, streamlining processes, reducing costs and increasing our sales efforts. In the second half of 2009 we saw a reversal of previous losses, ending the year with a consolidated post-tax loss of €760,744, some 90% lower than the loss for 2008.

We also maintained long term shareholder value, unlike other typical change programmes in the financial services sector, since there were no large scale layoffs nor disposals of profitable business lines. On the contrary, after a high staff attrition rate in 2008 GlobalCapital became an employer of choice in 2009 and our sales force almost doubled. The balance sheet remained healthy as we maintained total assets at the €100 million level recorded in 2008.

Furthermore, this landmark year ended with a comprehensive review of our long term strategy setting the scene for major growth initiatives in 2010. With the full support and involvement of my fellow directors the Group has entered a new phase of diversification and expansion. We are now consolidating the financial services operations into a strong, unified, client orientated service provider under the banner of "the insurance specialists" announced in the launch of a new brand identity in April 2010. The small in-house property operation is being transformed into an integrated property development arm.

Għandi s-sodisfazzjon nirrapporta li fl-2009, il-Kumpanija irnexxielha tagħmel irkupru sostanzjali b'riżultat tal-implementazzjoni b'suċċess tal-programm ta' rivitaliżżazzjoni li ħabbarna aktar kmieni matul is-sena.

B'mod ġenerali, il-prestazzjoni tjiebet hekk kif iffukajna fuq żieda fit-taħriġ tal-impjegati, titjib fil-prattiċi tal-immaniġjar, proċess ta' koordinament, tnaqqis fin-nefqa u żieda fl-isforzi tal-bejgħ. Fit-tieni nofs tal-2009, rajna l-irkupru tat-telf preċedenti, biex b'hekk temmejna s-sena f'telf konsolidat wara t-taxxa ta' €760,744, madwar 90% anqas mit-telf irreġistrat fl-2008.

Għall-kuntrarju ta' programmi oħra implimentati fis-settur finanzjarju, irnexxielna wkoll inżommu l-valur tal-azzjonisti fit-tul, ladarba ma kien hemm ebda tkeċċijiet fuq skala kbira jew għeluq ta' linji kummerċjali li jiġġeneraw profitt. Għall-kuntrarju, wara r-rata għolja ta' żamma t'impjegati fl-2008, matul l-2009, GlobalCapital saret kumpanija favorita fost min ifittex xogħol f'dan il-qasam u n-numru tal-impjegati fit-taqsima tal-bejgħ kważi rdoppja. Il-karta tal-bilanċ baqgħet b'saħħitha hekk kif żammejna l-assi totali fil-livell ta' €100 miljun, jiġifieri bejn wieħed u ieħor fl-istess livell tal-2008.

Minbarra dan, din is-sena kruċjali ntemmet bir-reviżjoni komprensiva tal-istrateġija tagħna fuq medda twila ta' żmien, biex b'hekk ħejjejna t-triq għal inizjattivi ewlenin ta' tkabbir għall-2010. Bl-appoġġ u bl-involviment sħiħ ta' sħabi d-diretturi l-oħra, il-Grupp daħal f'fażi ġdida ta' diversifikazzjoni u espansjoni. Issa qegħdin insaħħu l-operat tas-servizzi finanzjarji f'wieħed ta' fornitur tas-servizzi b'saħħtu, magħqud u li jħares lejn il-ħtiġijiet tal-klijenti taħt it-tikketta ta' "speċjalisti tal-assigurazzjoni", li tħabret fit-tnedija tal-immaġni l-ġdida tal-kumpanija f'April 2010. It-taqsima ta' propjetà fi ħdan il-kumpanija qed tiġi mibdula f'taqsima integrata ta' żvilupp ta' propjetà.

I wish to thank all our staff and managers for their endeavours and belief in the Company in the face of very difficult times. My gratitude is also directed to all shareholders who patiently placed their trust in our board and management. In particular I wish to mention British American, the largest shareholder of GlobalCapital, who generously availed their resources, providing know how and technical support throughout the challenges we experienced in 2008 and 2009.

GlobalCapital has emerged from 2009 as a stronger company, well positioned for further growth. Fuller details of the year under review are outlined below.

The Financial Markets

The worldwide economic crisis triggered in 2008 continued to have serious after-effects on the economic performance in 2009. Whilst many stock markets performed considerably better in 2009 than in 2008, the performance was erratic with few sporadic signs of long-term recovery.

The price paid in massive bail-outs of major financial institutions may still prove to be unsustainable for many governments who over-extended themselves to keep their economies afloat. It was no surprise that in the first half of 2010 several developed countries, particularly in the Eurozone, were on the brink and facing unsustainable fiscal deficits. At the same time several developing economies notably China continued to post enviable results.

The Maltese economy fared better than many, contracting by 2.2% in 2009 which compares favourably with the 4.1% contraction within the Eurozone area and 4.8% in the UK.

Capital markets in Malta were fairly active throughout 2009, with a flurry of corporate bond issues totalling €244 million in 2009. Whilst the demand for fixed-interest securities remains high in Malta, this increase in the issuance of corporate paper continues to augur well for the activity in the Malta Stock Exchange. Investment activity picked up during the latter part of 2009 as markets started to stabilise, and this in part contributed to the improvement in overall results of the Group. It has also meant that prospective investors are spoilt for choice as they seek better returns and deliberate where to allocate their investment funds and savings.

Nixtieq inrodd ħajr lill-impjegati u lill-maniġers kollha tagħna tal-ħidma tagħhom u talli emmnu fil-kumpanija minkejja li għaddejna minn żminijiet diffiċli ħafna. Il-ħajr tiegħi jmur ukoll lejn l-azzjonisti li b'paċenzja wrew il-fiduċja tagħhom fil-bord u fit-tmexxija tagħna. B'mod partikolari, nixtieq inrodd ħajr lil British American, l-akbar azzjonisti ta' GlobalCapital, li qasmu magħna r-riżorsi tagħhom billi tawna pariri u appoġġ tekniku matul l-isfidi li ħabbatna wiċċna magħhom fl-2008 u l-2009.

Il-kumpanija GlobalCapital ħarġet mill-2009 bħala kumpanija aktar b'saħħitha u f'qagħda tajba biex tkompli miexja 'l quddiem fil-ġejjieni. Aktar dettalji dwar is-sena li qed tiġi eżaminata qed jingħataw hawn taħt.

Is-Swieq Finanzjarji

Il-kriżi ekonomika globali li bdiet fl-2008 kompliet tħalli effetti mill-aktar negattivi fuq il-prestazzjoni ekonomika fl-2009. Filwaqt li ħafna swieq tal-ishma kellhom prestazzjoni konsiderevolment aħjar fl-2009 meta mqabbel mal-2008, il-prestazzjoni kienet waħda erratika, bi ftit sinjali kultant ta' rkupru fuq il-medda t-twila taż-żmien.

Il-prezz għoli li kellu jitħallas biex jiġu salvati istituzzjonijiet finanzjarji ewlenin jista' ma jkunx sostenibbli għal ħafna gvernijiet li kellhom jagħmlu sforzi enormi biex iżommu l-ekonomiji ta' pajjiżhom għaddejjin. Ma kenitx sorpriża li fl-ewwel nofs tal-2010, ħafna pajjiżi żviluppati, speċjalment dawk fiż-Żona Ewro, spiċċaw fix-xifer u qed iħabbtu wiċċhom ma' deficits finanzjarji mhux sostenibbli. Fl-istess waqt, bosta ekonomiji li qed jiżviluppaw, speċjalment iċ-Ċina, komplew jirreġistraw riżultati tajbin.

L-ekonomija Maltija rnexxielha tmur aħjar minn ħafna oħrajn fejn ċkienet bi 2.2% fl-2009, li jitqabbel tajjeb mat-tnaqqis ta' 4.1% fiż-żona Ewro u ta' 4.8% fir-Renju Unit (sors – Il-Bank Ċentrali ta' Malta).

Is-swieq kapitali f'Malta kienu pjuttost attivi matul l-2009, b'ammont kbir ta' ħruġ ta' bonds korporattivi li daħlu fis-suq, għal total ta' €244 miljun. Filwaqt li f'Malta d-domanda għal titoli b'imgħax fiss tibqa' waħda għolja, din iż-żieda fil-ħruġ ta' bonds korporattivi tkompli tawgura tajjeb għall-attività tal-Borża. L-investiment ra rkupru fl-aħħar xhur tal-2009, hekk kif is-swieq bdew jistabilizzaw, u dan kien wieħed mill-fatturi ewlenin li kkontribwew għat-titjib fir-riżultati tal-Grupp b'mod ġenerali. Dan fisser ukoll li investituri prospettivi għandhom verament firxa wiesgħa t'għażliet, hekk kif qed ifittxu redditi aħjar u qed jaħsbu dwar fejn għandhom jallokaw il-fondi tal-investiment u t-tfaddil tagħhom.

Economic performance in 2010 remains unpredictable and potentially as challenging as in the two previous years. In anticipation of the drawn out downturn GlobalCapital initiated a number of changes aimed at increasing long-term shareholder value and protecting value creation for our clients.

The main driver for change was the revitalisation programme started in 2009 that focused on cost containment and consolidation of financial services offerings, in particular the front offices, increased sales and more effective process systems.

2009 Performance

GlobalCapital was largely successful in curtailing the loss making trend of 2008, to end the financial year with a post-tax loss of €760,744 comparing to the post-tax loss of €6,886,162 sustained during 2008.

Our balance sheet remains strong with total assets at just under €100 million, virtually identical to the end of the previous year.

Our insurance sales performed well with gross premium written for 2009 increasing by 43% over 2008. However sales of investment products continued to be dampened by the uncertainties in the investment markets. Operating expenses were reduced by 7% compared to 2008, a reduction of €467,000.

The life insurance business registered a pre-tax profit of just under €2 million compared to a pre-tax loss of €2.2 million the year before. The health insurance and insurance brokerage businesses continued to operate profitably.

The Group's property interests also continued to contribute positively to the bottom line. Metropolis Developments Ltd, in which we hold a 41% stake, finally obtained its full development permit after almost five years since the initial investment and we anticipate a positive outcome from our investment in that development and other properties in the surrounding area.

In addition to the results already visible in 2009, I am confident that the continuous effects on our core operations will be seen in 2010 as well.

Il-prestazzjoni ekonomika għall-2010 tibqa' waħda inċerta u potenzjalment bi sfidi bħal dawk tal-aħħar sentejn. Fid-dawl ta' dan, il-kumpanija GlobalCapital daħħlet fis-seħħ numru ta' bidliet maħsuba biex iżidu l-valur tal-azzjonisti fuq medda itwal ta' żmien u biex jipproteġu l-ħolqien tal-valur għall-klijenti tagħna.

Il-mutur tal-bidla kien programm ta' rivitalizzazzjoni li tnieda fl-2009 u li ffoka fuq it-tnaqqis tal-ispiża u l-konsolidament tal-offerta ta' servizzi finanzjarji, b'mod partikolari tas-servizzi li jolqtu direttament lill-klijent (front office), żieda fil-bejgħ u sistemi ta' proċessi aktar effettivi.

Il-Prestazzjoni fl-2009

Il-kumpanija GlobalCapital irnexxielha trażżan ix-xejra ta' telf li dehret fl-2008, biex temmet is-sena finanzjarja b'telf wara t-taxxa ta' €760,744, meta mqabbel ma' telf wara t-taxxa ta' €6,886,162 fl-2008.

Il-karta tal-bilanċ tagħna tibqa' waħda b'saħħitha, b'assi totali ta' ftit anqas minn €100 miljun, jiġifieri prattikament l-istess bħal dak irreġistrat fi tmiem is-sena ta' qabel.

Il-bejgħ fil-qasam ta' l-assigurazzjoni mar tajjeb, b'żieda ta' 43% fil-primjums gross meta mqabbel mal-2008. Iżda l-bejgħ ta' prodotti tal-investiment kompla jiddgħajjef minħabba fl-inċertezzi fis-swieq tal-investiment. L-ispiża tal-operat tnaqqset b'7% meta mqabbla mal-2008, li jfisser tnaqqis ta' €467,000.

In-negozju fil-qasam tal-assigurazzjoni fuq il-ħajja rreġistra profitt qabel it-taxxa ta' ftit anqas minn €2 miljuni meta mqabbel ma' telf qabel it-taxxa ta' €2.2 miljuni fis-sena ta' qabel. L-oqsma tal-assigurazzjoni tas-saħħa u ta' brokerage tal-assigurazzjoni komplew joperaw bi profitt.

It-taqsima tal-propjetà tal-Grupp ukoll kompliet tagħti kontribut pożittiv għar-riżultati ġenerali. Il-proġett ta' Metropolis Developments Ltd, li fih għandna sehem ta' 41%, fl-aħħar kiseb il-permess sħiħ għall-iżvilupp, wara kważi ħames snin mill-investiment inizzjali. Qed nantiċipaw andament pożittiv mill-investiment tagħna f'dan l-iżvilupp u fi propjetajiet oħra fil-madwar.

Minbarra r-riżultati li diġa' dehru fl-2009, jien ninsab kunfidenti li l-effetti kontinwi fuq l-operat ewlieni tagħna se jkun qed jidhru ukoll fl-2010.

Shaping the Future

As part of the critical improvements, the financial services companies are restructuring their product and service offering. Better choice of capital guaranteed savings products, and individual and family protection products, coupled with increasing ability and knowledge of our front office will result in considerable value added benefits for our clients: better planned, more balanced and prudent management of their financial future.

As financial markets recover, we expect more stringent and demanding regulation to be introduced which will certainly come at a cost. At the same time the world economic recovery and the performance of listed equities and indeed government securities remains uncertain. Therefore, the longer term strategy of GlobalCapital has also been modified. Targeted investments in property and further diversification should ensure that the return on investment is better shielded against future economic after-shocks and erratic performance of the local and international stock markets.

GlobalCapital financial services companies will continue to consolidate their management and processes and we have already re-launched the brand in April 2010 as the "insurance specialist" - providing products and services in line with the key brand pillars of Trust, Peace of Mind, Wealth and Reward. Whilst in no way underestimating the challenges of the market and the competition, we are confident that through uncompromising commitment to knowledgeable and friendly service we will be assured of growth and enhanced value for our clients and shareholders.

We also envisage rapid growth of our new investments in the property division that will scope construction management and finishing as well as property development. Through extensive acquisition of international know how and by professional in depth research and understanding of the market needs and trends, we aim to create a quality brand known for creative design and innovative building solutions that will offer a new range of unique properties in the Maltese market.

At the holdings company level we will continue to focus on efficient investment management of our shareholders funds. With access to some of best foreign and local resources we aim to explore a number of other development opportunities in a range of industries and markets.

Infasslu l-Ġejjieni

Bħala parti mit-titjib kruċjali li jeħtieġ isir, il-kumpaniji tas-servizzi finanzjarji qed jirristrutturaw il-prodotti u s-servizzi li joffru, b'għażla aħjar ta' prodotti ta' tfaddil b'kapital garantit u prodotti ta' protezzjoni għall-individwi u għall-familji, flimkien ma' żieda fil-ħiliet u l-għarfien tal-impjegati tagħna li jikkomunikaw direttament mal-klijenti. Dan kollu għandu jwassal għal benefiċċji konsiderevoli b'valur miżjud għall-klijenti tagħna: immaniġjar aktar maħsub, aktar bilanċjat u aktar prudenti tal-ġejjieni finanzjarju tagħhom.

Hekk kif is-swieq finanzjarji jirkupraw, nistgħu nistennew id-dħul ta' regolamentazzjoni aktar riġida li żgur se tiswa l-flus. Fl-istess waqt, l-irkupru fl-ekonomija globali u l-prestazzjoni tal-ishma ikkwotati kif ukoll it-titoli tal-gvernijiet għandhom inċerti. Għalhekk, l-istrateġija ta' GlobalCapital fuq medda itwal ta' żmien inbidlet ukoll. Investimenti mmirati fil-propjetà u aktar diversifikazzjoni għandhom jiżguraw li r-redditu fuq l-investiment ikun aktar protett kontra effetti ekonomiċi li jibqgħu jinħassu fil-ġejjieni kif ukoll kontra prestazzjoni erratika fis-swieq tal-ishma lokali u internazzjonali.

Il-kumpaniji tas-servizzi finanzjarji ta' GlobalCapital se jkomplu jsaħħu t-tmexxija u l-proċessi tagħhom, u f'April 2010 diġa' nedejna mill-ġdid l-immaġni tagħna bħala "speċjalisti tal-assigurazzjoni" – li noffru prodotti u servizzi skont il-pilastri ewlenin tal-Fiduċja, is-Serħan il-Moħħ, il-Ġid u r-Rikonoxximent. Mingħajr ma bl-ebda mod nissottovalutaw l-isfidi fis-suq u tal-kompetizzjoni, aħna fiduċjużi li permezz tal-impenn tagħna, bla kompromess, biex nipprovdu servizz infurmat tajjeb u amikevoli, nistgħu niżguraw tkabbir u valur miżjud għall-klijenti u għall-azzjonisti tagħna.

Qed nantiċipaw ukoll it-tkabbir mill-investimenti tagħna fit-taqsima tal-propjetà, li se jkopru l-immaniġjar tal-kostruzzjoni u finishing kif ukoll żvilupp ta' propjetà. Permezz tat-tagħrif li ksibna, tar-riċerka professjonali u l-għarfien profond tal-ħtiġijiet u tax-xejriet tas-suq, qed nimmiraw li noħolqu tikketta ta' kwalità magħrufa għal diżinn kreattiv u għal soluzzjonijiet tal-bini innovattivi, li toffri firxa ġdida ta' propjetajiet uniċi fis-suq Malti.

Għal dak li għandu x'jaqsam mal-kumpanija tal-investiment, se nkomplu niffukaw fuq immaniġjar tal-investiment effiċjenti tal-fondi tal-azzjonisti tagħna. B'aċċess għal xi wħud mill-aqwa riżorsi lokali u barranin, qed nimmiraw li nesploraw numru t'opportunitajiet oħra ta' żvilupp f'firxa ta' industriji u swieq.

In conclusion, we remain determined to build on the renewed strengths of 2009 so as to ensure growth and positive performance for the years to come.

Last year's progress would not have been possible without the tremendous support and goodwill of all our stakeholders: esteemed customers, strategic alliance partners, business associates, brokers, intermediaries, regulators, shareholders, GlobalCapital management and staff, and my fellow directors. We greatly value and appreciate this support which we do not take for granted. It is therefore our aim to endeavour to build on the trust created by exceeding expectations.

Fl-aħħarnett, għandna rieda sħiħa li nibnu fuq is-saħħa ġdida li ksibna fl-2009 sabiex niżguraw tkabbir u prestazzjoni pożittiva fis-snin li ġejjin.

Il-progress li rreġistrajna fis-sena li għaddiet ma kienx ikun possibbli mingħajr l-appoġġ enormi u r-rieda tajba tal-klijenti kollha tagħna, tal-imsieħba strateġiċi tagħna, tas-sħab fin-negozju, tal-brokers, tal-intermedjarji, tar-regolaturi, tal-azzjonisti, tal-maniġment u tal-impjegati ta' GlobalCapital, u ta' sħabi d-diretturi. Napprezzaw u ngħożżu ħafna dan l-appoġġ iżda ma neħduhx bħala ovvju: il-mira tagħna hi li nkomplu naħdmu bis-sħiħ biex nibnu fuq il-fiduċja li teżisti billi niżbqu l-aspettattivi.

Nicholas Ashford-Hodges
Chairman

I am pleased to be able to report that as a result of the upturn experienced in the international financial markets and of the actions taken by the Board and Management the losses registered in the securities portfolio in 2008 are gradually being reversed.

Chief Executive's Review
Rapport tal-Kap Uffiċjal Eżekuttiv

Market review

In my review of last year I had dedicated a considerable amount of time to the prevailing financial market situation. Clearly this was necessary because our business is extremely susceptible to the volatility in the financial markets, not only because of the impact that such movements have on the financial portfolio of the Group, but also because such movements bring about uncertainty amongst investors. This uncertainty is probably the most harmful aspect of any financial crisis for organisations like ours, because the resulting lack of liquidity creates a downward spiral effect on the markets, pulling all players down.

The negative situation began in the second half of 2007 and only started to improve slightly towards June of 2009. During this period many companies, both financial and non financial, experienced reductions in asset valuations, to the point that some approached insolvency and even went into liquidation. Individual investors both small and large similarly experienced big swings in the valuations of their portfolio.

As I am sure we all recall, GlobalCapital p.l.c. was no exception and in 2008 the Group reported weak results on the back of the conditions in the international financial market place which can only be described as dire. We however also reported that the Company held a strong portfolio of investment securities and property, which was not spared by the downward pressure on valuations, but when compared to the market fared reasonably well, falling less than 10% throughout 2008.

Ħarsa lejn is-Suq

Fir-rapport tiegħi tas-sena l-oħra, kont tajt ħarsa kemmxejn fit-tul lejn il-qagħda prevalenti fis-swieq finanzjarji. Ovvjament, dan kien meħtieġ minħabba li l-attività kummerċjali tagħna hija suxxettibbli ħafna għall-volatilità fis-swieq finanzjarji, mhux biss minħabba fl-impatt li dawn il-movimenti jħallu fuq il-portafoll finanzjarju tal-Grupp, imma anki għaliex dawn iġibu magħhom inċertezza fost l-investituri. X'aktarx li għal kumpanija bħal tagħna din l-inċertezza hija l-aktar ħaġa li tagħmel ħsara f'kull kriżi finanzjarja, minħabba li n-nuqqas ta' likwidità li toħloq twassal għal effett negattiv fis-swieq, li jkaxkar lil kulħadd miegħu.

Is-sitwazzjoni negattiva bdiet fit-tieni nofs tal-2007 u bdiet turi titjib biss lejn Ġunju 2009. Matul dan il-perjodu, ħafna kumpaniji, kemm finanzjarji kif ukoll oħrajn li mhumiex, raw tnaqqis fil-valutazzjonijiet tal-assi, tant li xi wħud minnhom resqu qrib falliment jew saħansitra kellhom jgħalqu. Bl-istess mod, investituri individwali żgħar u kbar għaddew minn taqlib kbir fil-valutazzjonijiet tal-portafoll tagħhom.

Kif jiena ċert li lkoll niftakru, GlobalCapital p.l.c. ma kienetx eċċezzjoni u fl-2008 il-Grupp irrapporta riżultati dgħajfin fid-dawl tal-qagħda tas-swieq finanzjarju internazzjonali, li ma tista' ssejjħilha xejn għajr waħda imwiegħra. Iżda konna rrappurtajna wkoll li l-Kumpanija kellha portafoll b'saħħtu ta' titoli ta' investiment u propjetà. Minkejja li dawn ukoll intlaqtu minn pressjoni negattiva, meta mqabbel ma' l-andament tas-swieq internazzjonali, irnexxielhom imorru aħjar u rreġistraw tnaqqis ta' anqas minn 10% matul l-2008.

I am pleased to be able to report that as a result of the upturn experienced in the international financial markets and of the actions taken by the Board and Management, the losses registered in the securities portfolio in 2008 are gradually being reversed. This recovery started becoming evident in the second half of 2009 and is still underway.

Huwa bi pjaċir li ngħid li b'riżultat tal-bidla għall-aħjar fis-swieq finanzjarji internazzjonali u tal-azzjonijiet li ttieħdu mill-Bord u mit-Tmexxija, it-telf rreġistrat fil-portafoll tat-titoli matul l-2008 qiegħed jiġi rkuprat gradwalment. Dan l-irkupru beda jidher ċar fit-tieni nofs tal-2009 u għadu għaddej bħalissa.

We have seen most equity indices such as the FTSE 100, CAC 40, Nikkei and Dow Jones register positive performance in 2009, mainly driven by the positive movements in the equity markets between July and December 2009. The Malta Stock Exchange Index was no exception, as it opened the year at 3,223.40 and closed the year at 3,460.55, an increase of 7% when compared to 2008, when the same index had fallen by 36%.

Rajna li matul l-2009 il-biċċa l-kbira tal-indiċijiet tal-ishma, bħal FTSE 100, CAC 40, Nikkei u Dow Jones, kellhom prestazzjoni tajba, l-iktar minħabba fil-movimenti pożittivi fis-swieq tal-ishma bejn Lulju u Diċembru 2009. L-indiċi tal-Borża ta' Malta ma kienx eċċezzjoni, hekk kif fetaħ is-sena bi 3,223.40 u għalaq bi 3,460.55, li jfisser żieda ta' 7% fuq l-2008, meta l-istess indiċi kien naqas b'36%.

Group Financial Review

Rapport Finanzjarju tal-Grupp

The Group is reporting a loss after tax of €760,744 for the financial year that ended on the 31st December 2009. This compares favourably to the loss after tax of €6,886,162 reported in the financial year ended 31st December 2008.

Il-Grupp qed jirrapporta telf wara t-taxxa ta' €760,744 għas-sena finanzjarja li ntemmet fil-31 ta' Diċembru 2009. Dan jitqabbel tajjeb mat-telf wara t-taxxa ta' €6,886,162 irrappurtat għas-sena finanzjarja li ntemmet fil-31 ta' Diċembru 2008.

As I pointed out above, the improved results are largely due to the improvement of the performance of the securities portfolio that the Group owns through its subsidiaries. This combined with the revitalisation programme launched by the Board in early 2009, which I will describe further down. In 2008 the losses registered in relation to fair value movements in the Group's investment portfolio amounted to €5,862,008, whilst in 2009 the Group recorded a net unrealised fair value gain of €3,010,926. The performance of the investment portfolio of the Group is testimony to the fact that the recovery is actual, albeit very gradual and still fragile.

Kif għidt aktar 'il fuq, it-titjib fir-riżultati huwa dovut l-aktar għat-titjib fil-prestazzjoni tal-portafoll tat-titoli li għandu l-Grupp permezz tal-kumpaniji sussidjarji tiegħu, flimkien mal-programm ta' rivitalizzazzjoni mniedi mill-Bord kmieni fl-2009, li dwaru ngħid xi ħaġa aktar 'il quddiem. Fl-2008, it-telf irreġistrat b'rabta mal-movimenti fil-valur ġust fil-portafoll tal-investiment tal-Grupp ammonta għal €5,862,008, filwaqt li fl-2009 il-Grupp irreġistra qligħ nett mhux realizzat fil-valur ġust ta' €3,010,926. Il-prestazzjoni tal-portafoll tal-investiment tal-Grupp hija xhieda tal-fatt li l-irkupru qed iseħħ, minkejja li dan għadu gradwali u fraġli.

The balance sheet of the Group remains strong with an asset base of €99,543,142 as at 31st December 2009 compared to €99,362,227 as at 31st December 2008.

Il-karta tal-bilanċ tal-Grupp tibqa' waħda b'saħħitha, b'bażi t'assi ta' €99,543,142 fil-31 ta' Diċembru 2009 meta mqabbel ma' €99,362,227 fil-31 ta' Diċembru 2008.

Revitalisation Programme

Programm ta' Rivitalizzazzjoni

The revitalisation programme launched in 2009 was a Group-wide programme that focused mainly on efficiency. In the language of physics, "efficiency" is usually associated with energy and typically scientists strive to use less energy to provide the same amount of energy service. The same meaning can be used in the business world and this was the first task that management set itself to accomplish. A review of every line of business and every process was carried out with the aim of reducing the cost associated with that process. This review was further extended to the Company's products and to the corporate structure itself.

Il-programm ta' rivitalizzazzjoni li tnieda fl-2009 kien programm mifrux mal-Grupp kollu li ffoka l-aktar fuq l-effiċjenza. Fil-lingwaġġ tal-fiżika, il-kelma "effiċjenza" ħafna drabi hija marbuta mal-enerġija, u ġeneralment ix-xjenzati jagħmlu mill-aħjar li jistgħu sabiex jużaw anqas enerġija biex jipprovdu l-istess ammont ta' servizz ta' enerġija. L-istess tifsira nistgħu nużawha fid-dinja kummerċjali, u din kienet l-ewwel mira li l-maniġment ried jikseb. Saret reviżjoni dettaljata ta' kull linja tan-negozju u ta' kull proċess, bl-għan li titnaqqas l-ispiża marbuta ma' kull proċess partikolari. Din ir-reviżjoni ġiet estiża wkoll għall-prodotti tal-Kumpanija u għall-istruttura korporativa nfisha.

We have rationalised on both human and financial resources, leading to cost savings, and we have also begun a process of rationalisation of the corporate structure in order to create a leaner organisation. The Board has agreed that the Group should be composed of 2 main divisions: the financial services division and the property division. These two pillars are being designed to be distinct from one another, with the aim of ensuring clarity of structure and operation.

Irrazzjonalizzajna fuq ir-riżorsi umani u finanzjarji, biex b'hekk iffrankajna fuq l-ispejjeż, u bdejna wkoll proċess ta' razzjonalizzazzjoni tal-istruttura korporattiva sabiex noħolqu organizzazzjoni anqas kumplessa u aktar effettiva. Il-Bord qabel li l-Grupp għandu jkun magħmul minn żewġ taqsimiet ewlenin: it-taqsima tas-servizzi finanzjarji u t-taqsima tal-propjetà. Dawn iż-żewġ pilastri qed jiġu ddiżinjati b'mod li jkunu distinti minn xulxin, bl-għan li tiġi żgurata ċarezza fl-istruttura u fl-operat.

The second phase of the revitalisation plan which is currently underway, involves the front office of the business.

It-tieni fażi tal-pjan ta' rivitalizzazzjoni, li qed titqiegħed fis-seħħ bħalissa, tinvolvi l-front office tal-kumpanija.

Clearly, creating efficiency by producing the same with less does not provide for growth, but the process provides the business with a stronger platform from which it will seek to grow.

M'hemmx dubju li l-ħolqien ta' effiċjenza billi nipproduċu l-istess b'anqas ma jwassalx għal tkabbir; iżda l-dan il-proċess jagħti lill-kumpanija bażi aktar b'saħħitha li minnha nistgħu naslu għal tkabbir.

We have therefore invested in training, product development and marketing with the aim of growing our lines of business and as can be seen with the launch of the evolved identity of the financial services division, we will be focused predominantly on the insurance sector, while maintaining a material presence in the sector of investments. This strategic move is a result of a study of the market and our business objectives which took into account factors such as the opportunities available in both the investment and the insurance market together with their respective limitations.

Għalhekk, investejna fit-taħriġ, fl-iżvilupp tal-prodott u fl-immarkitjar, bl-għan li nkabbru l-linji tan-negozju tagħna. Kif jidher ċar mit-tnedija tal-identità evoluta tat-taqsima tas-servizzi finanzjarji, se nkunu qed niffukaw l-aktar fuq is-settur tal-assigurazzjoni, filwaqt li nżommu preżenza materjali fis-settur tal-investimenti. Din il-mossa strateġika hija riżultat ta' studju tas-suq u tal-miri kummerċjali tagħna, li qies fatturi bħal ma huma l-opportunitajiet u l-limitazzjonijiet li jeżistu kemm fis-suq tal-investiment kif ukoll f'dak tal-assigurazzjoni.

Review of Operations

Rendikont tal-Operat

As described above, the Group's business can be divided into two, namely financial services and property services. In this and previous financial statements we further segment these two divisions into Investment and Advisory Services, Business of Insurance, Agency and Brokerage Services and Property Services.

Kif fissirt aktar 'il fuq, l-attività kummerċjali tal-Grupp tista' tinqasam fi tnejn, jiġifieri s-servizzi finanzjarji u s-servizzi tal-propjetà. F'dawn l-istqarrijiet finanzjarji u f'dawk ta' qabilhom, inkomplu naqsmu dawn iż-żewġ taqsimiet f'servizzi ta' investiment u konsulenza, negozju tal-assigurazzjoni, servizzi ta' aġenzija u brokerage.

Investment and Advisory Services

Servizzi ta' Investment u Konsulenza

This segment of the business has reported better results when compared to the previous year but the results are still disappointing. The loss of €3,056,121 reported in 2008 has been partly reversed but a loss of €1,670,995 has been reported. Aside from the fair value movement that impact the results of this division, the main income earner of the investment division remains the commissions earned on the sale of investment products followed by the management fees earned on the portfolio of investments that are held on behalf of clients. Despite the initial signs of recovery that are being shown in the stock markets, investor appetite for investment products other than locally issued bonds remains weak. This resulted in a fall in commissions and other fees receivable of 43% in 2009 over 2008. On the other hand,

Dan is-settur tan-negozju wera riżultati aħjar meta mqabbla mas-sena li għaddiet, iżda r-riżultati għadhom xorta waħda diżappuntanti. It-telf ta' €3,056,121 rrappurtat fl-2008 kien parzjalment rkuprat iżda xorta ġie rrappurtat telf ta' €1,670,995. Minbarra l-moviment tal-valur ġust li ħalla impatt fuq ir-riżultati f'dan is-settur, id-dħul prinċipali għas-settur tal-investiment jibqgħu il-kummissjonijiet li l-kumpanija taqla' mill-bejgħ ta' prodotti ta' investiment, kif ukoll mit-tariffi għall-immaniġjar fuq il-protafoll tal-investimenti li jinżammu f'isem il-klijenti. Minkejja sinjali bikrija ta' rkupru li qed jidhru fis-swieq tal-ishma, l-interess tal-investituri fi prodotti finanzjarji għajr bonds maħruġin lokalment jibqa' wieħed dgħajjef. Dan wassal għal tnaqqis ta' 43% fil-kummissjonijiet u tariffi oħra bejn l-2008 u l-2009. Min-naħa l-oħra, il-fatt li l-valur nett tal-assi ta' parti kbira the fact that the net asset value of a large part of the investments held on behalf of clients has gone up has resulted in the Company increasing its revenue from management fees.

The revitalisation process included the Investment Division and most efficiencies and cost rationalisation programmes were centred on this particular line of business. I am pleased to note that the results of the plan started to show across the Group, but the full extent of this programme will be felt in 2010 and 2011.

Business of Insurance, Agency and Brokerage Services

The Group's Insurance Division performed well throughout 2009, with the life insurance company registering net earned premiums of €9.6M in 2009, an increase of 51% over 2008 (2008 net earned premiums: €6.4M).

The return on the underlying investment portfolio of this company was also encouraging, allowing the Board to allocate a bonus rate of 3.25% to policy holders who held interest sensitive policies with the company throughout 2009. This positive performance was dampened by the increase in redemptions and claims. This was mostly experienced in the first half of 2009 and was mainly driven by the instability of the financial markets and the uncertainty that it brings to clients. The company took measures to monitor these claims more closely by ensuring that clients are fully aware of the features of the products that they purchased.

This action together with the stabilisation of the stock markets brought the level of claims closer to the figures of the previous years. The Life Company is reporting a profit before tax of €1,974,278 compared to the loss before tax of €2,215,761 reported in the preceding year.

The other two companies that form part of the insurance division are the GlobalCapital Health Insurance Agency, exclusive agents for Bupa International, and GlobalCapital Insurance Brokers Limited, a general broking insurance company. The combined revenue of these companies increased slightly over the period under review whilst the segment profit fell from €622,810 to €352,678.

tal-investimenti miżmuma f'isem il-klijenti rreġistra żieda wassal biex il-Kumpanija żżid id-dħul tagħha mit-tariffi tal-immaniġjar.

Il-proċess ta' rivitalizzazzjoni jinkludi t-Taqsima tal-Investiment u l-parti l-kbira tal-programmi ta' razzjonalizazzjoni tal-ispiża u l-effiċjenzi ffukaw l-aktar fuq din il-linja tan-negozju partikolari. Huwa bi pjaċir li ninnota li r-riżultati ta' dan il-pjan bdew jidhru mal-Grupp kollu, iżda r-riżultati sħaħ ta' dan il-programm mistennija jinħassu fl-2010 u l-2011.

Negozju tal-Assigurazzjoni, Servizzi ta' Aġenzija u Brokerage

It-Taqsima tal-Assigurazzjoni tal-Grupp kellha prestazzjoni tajba matul l-2009, bil-kumpanija tal-Assigurazzjoni fuq il-Ħajja tirreġistra bejgħ ta' primjums għall-ammont nett ta' €9.6M fl-2009, li jfisser żieda ta' 51% fuq l-2008 (ammont nett minn bejgħ ta' primjums għall-2008: €6.4M).

Ir-redditu mill-portafoll ta' investiment sottostanti ta' din il-kumpanija kien ukoll wieħed inkoroġġanti u li għamilha possibbli biex il-Bord jalloka rata ta' bonus ta' 3.25% lis-sidien ta' poloz sensittivi għall-imgħax miżmuma mal-kumpanija matul l-2009. Din il prestazzjoni pożittiva ċċajpret biż-żieda fil-fidwiet. Dan inħass l-aktar fl-ewwel nofs tal-2009 u seħħ l-aktar b'riżultat tal-instabbiltà tas-swieq finanzjarji u l-inċertezza li din tħalli fost il-klijenti. Il-kumpanija ħadet miżuri sabiex tissorvelja dawn it-talbiet aktar mill-qrib billi żgurat li l-klijenti jkollhom it-tagħrif sħiħ dwar il-karatteristiċi tal-prodotti li xtraw.

Din l-azzjoni, flimkien mal-istabilizzazzjoni tas-swieq tal-ishma, qarrbet il-livelli ta' talbiet lejn iċ-ċifri tas-snin l-imgħoddija. Il-kumpanija tal-Assigurazzjoni fuq il-Ħajja qed tirrapporta profitt qabel it-taxxa ta' €1,974,278 meta mqabbel mat-telf qabel it-taxxa ta' €2,215,761 li kien ġie rrappurtat fis-sena ta' qabel.

Iż-żewġ kumpaniji l-oħra li jiffurmaw parti mit-taqsima tal-assigurazzjoni huma GlobalCapital Health Insurance Agency, aġenti esklussivi ta' Bupa International, u GlobalCapital Insurance Brokers Limited, kumpanija ta' broking tal-assigurazzjoni ġenerali. Id-dħul ta' dawn iż-żewġ kumpaniji flimkien irreġistra żieda żgħira matul dan il-perijodu filwaqt li l-profitt f'dan is-settur niżel minn €622,810 għal €352,678.

Property Services

The Property Division remains a key component of the Group's operation.

With a portfolio of properties valued at €31,534,313, the outlook for the division is promising. The results achieved in 2009 refer mainly to fair value gains on some of the properties owned by the Group, though the division managed to retain a healthy occupancy rate in excess of 90% in the properties that were available for leasing.

Currently there are 2 property developments underway. One is a residential development in Madliena, Malta, where we have begun to register sales, and the other is an office block of 2,500 square meters in Gzira, Malta. The Madliena property is expected to be completed by the end of May 2010 and the office block in Gzira is scheduled to be finished by the end of 2010.

Priorities for 2010

In the first few months of 2010 we launched the new image of the financial services division of GlobalCapital.

This year we will continue to strengthen the core operations and where necessary, further streamline our activities in order to ensure that we deliver our products and services efficiently. The Company will keep on investing in people and technology in order to maintain its strength in the market as insurance specialists, and we will be further investing in the property arm to ensure that it carries on adding value to the Group.

GlobalCapital's performance in 2009 confirms the effectiveness of the programme that we embarked on. Our revitalisation programme was and remains the driving force behind the financial, client and staff morale momentum which allowed us to come through the recent period of unprecedented industry change.

I firmly believe that thanks to our forward looking approach and dedicated team we are well equipped to succeed in the new financial environment.

Nicholas Portelli
Chief Executive Officer

Servizzi ta' Propjetà

It-Taqsima tal-Propjetà tibqa' komponent ewlieni fl-operat tal-Grupp.

B'portafoll ta' propjetajiet stmat għal €31,534,313, il-previżjonijiet għal din it-taqsima huma nkoraġġanti. Ir-riżultati miksuba fl-2009 jirreferu l-aktar għall-qligħ fil-valur ġust fuq xi wħud mill-propjetajiet li għandu l-Grupp, għalkemm it-taqsima rnexxielha żżomm rata tajba ta' okkupanza, li kienet ogħla minn 90% f'dawk il-propjetajiet li kienu disponibbli għall-kiri.

Bħalissa hemm żewġ proġetti ta' żvilupp li qed isir xogħol fuqhom. L-ewwel proġett huwa żvilupp residenzjali fil-Madliena, Malta, fejn diġa' bdejna nirreġistraw xi bejgħ, u l-ieħor huwa blokk ta' uffiċini ta' 2,500 metru kwadru fil-Gżira , Malta. Il-propjetà fil-Madliena mistennija titlesta sal-aħħar ta' Mejju 2010 u l-blokk ta' uffiċini fil-Gżira mistenni jitlesta sat-tmiem tal-2010.

Prijoritajiet għall-2010

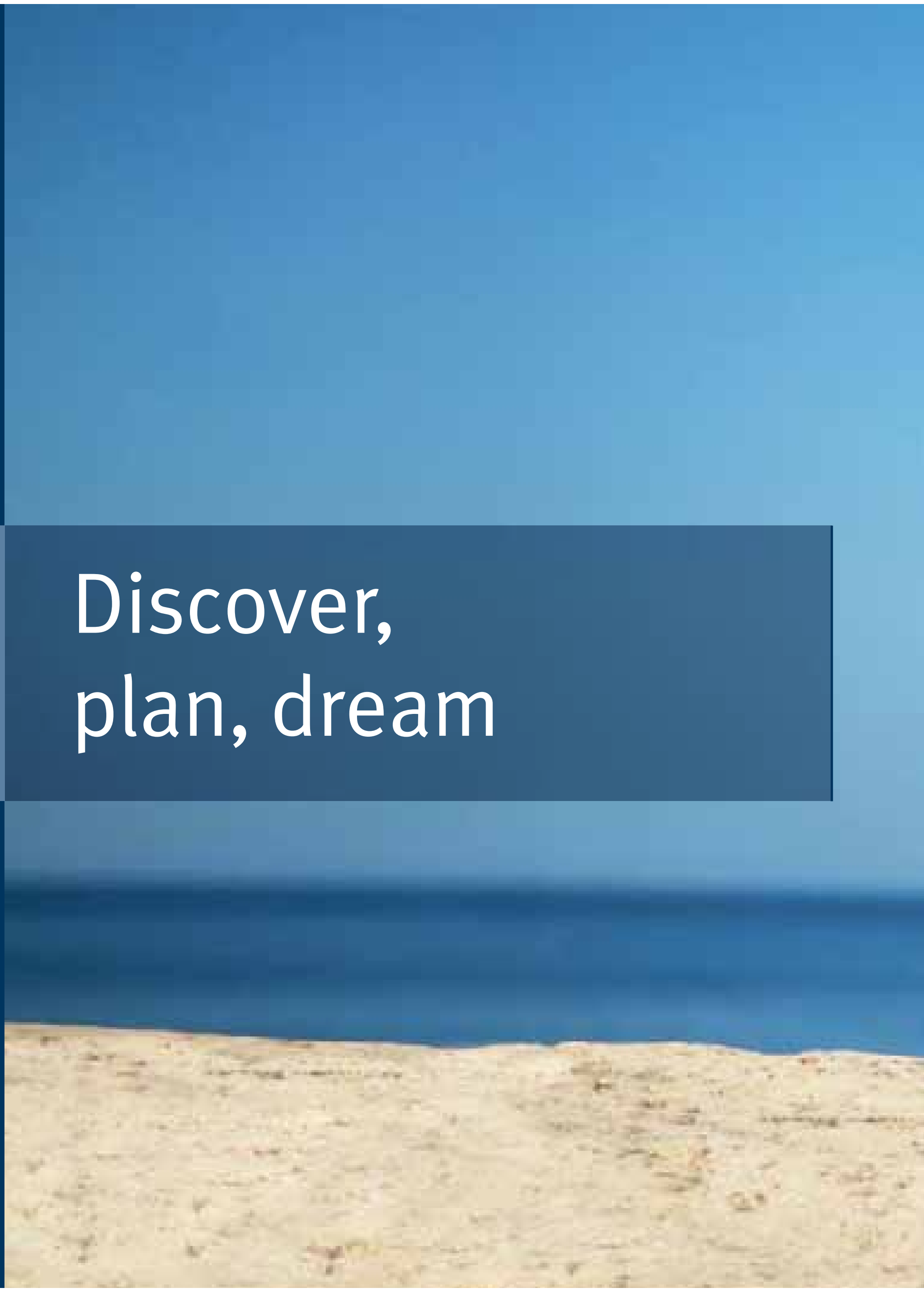
Fl-ewwel ftit xhur tal-2010 nedejna d-dehra l-ġdida tat-taqsima tas-servizzi finanzjarja ta' GlobalCapital.

Din is-sena se nkomplu nsaħħu l-operat ċentrali tagħna u fejn ikun meħtieġ se nkomplu ntejjbu u nżidu l-effiċjenza fl-attivitajiet tagħna sabiex niżguraw li dejjem inwasslu l-prodotti u s-servizzi tagħna b'mod effiċjenti. Il-Kumpanija se tkompli tinvesti f'nies u f'teknoloġija sabiex tkompli ssaħħaħ il-pożizzjoni tagħha fis-suq bħala speċjalista tal-assigurazzjoni, u se nkomplu nżidu l-investiment fit-taqsima tal-propjetà biex niżguraw li din tkompli żżid mal-valur tal-Grupp.

Il-prestazzjoni ta' GlobalCapital fl-2009 tikkonferma kemm il-programm li fassalna u li qed nimplementaw huwa wieħed effettiv. Il-programm ta' rivitalizzazzjoni kien u jibqa' l-mutur li jimmotiva 'l-wirja finanzjarja, 'il-klijenti u 'l-impjegati tagħna. Dan kollu wassal biex stajna noħorġu minn dan il-perijodu reċenti ta' bidla mingħajr preċedent fl-industrija.

Nemmen bis-sħiħ li grazzi għall-viżjoni tagħna li tħares 'il quddiem u għat-tim dedikat li għandna, aħna lkoll għandna dak kollu li hu meħtieġ biex nagħmlu suċċess fl-ambjent finanzjarju ġdid li qed naħdmu fih.

Discover, plan, dream



Peace

# of Mind

Group Financial Highlights

	2009			2008		
	EUR	**GBP**	**USD**	**EUR**	**GBP**	**USD**
Turnover - commission and fees receivable	**2,891,154**	**2,567,634**	**4,164,996**	3,595,991	3,425,181	5,004,541
Performance fees receivable	**-**	**-**	**-**	81,419	77,552	113,311
Balance on the long term business of insurance technical account	**324,228**	**287,947**	**467,083**	(3,767,833)	(3,588,861)	(5,243,693)
(Decrease)/Increase in value of in-force business	**(221,538)**	**(196,748)**	**(319,148)**	1,271,282	1,210,896	1,769,244
Gains on investment property	**404,070**	**358,855**	**582,103**	651,310	620,373	906,430
Profit on disposal of property held for development	**240,067**	**213,204**	**345,841**	293,241	279,312	408,103
Other operating income	**57,348**	**50,931**	**82,616**	36,913	35,160	51,372
Administrative expenses	**(4,327,185)**	**(3,842,973)**	**(6,233,743)**	(5,257,900)	(5,008,150)	(7,317,422)
Commission payable and direct marketing costs	**(264,319)**	**(234,742)**	**(380,778)**	(543,295)	(517,488)	(756,104)
Impairment of goodwill	**(541,027)**	**(480,486)**	**(779,403)**	(1,228,715)	(1,170,351)	(1,710,003)
Share of loss of associated undertaking	**(79,385)**	**(70,502)**	**(114,362)**	(265,317)	(252,714)	(369,243)
Operating loss	**(1,516,587)**	**(1,346,880)**	**(2,184,795)**	(5,132,904)	(4,889,091)	(7,143,463)
(Loss)/Profit before tax	**(800,648)**	**(711,055)**	**(1,153,414)**	(7,554,426)	(7,195,591)	(10,513,495)
Tax income/(expense)	**39,904**	**35,439**	**57,486**	668,264	636,521	930,023
Loss for the financial year	**(760,744)**	**(675,616)**	**(1,095,928)**	(6,886,162)	(6,559,069)	(9,583,472)
Earnings per share	**(0.06)**	**(0.05)**	**(0.08)**	(0.52)	(0.50)	(0.73)
Net dividends proposed	**-**	**-**	**-**	-	-	-
Share capital	**3,845,663**	**3,415,333**	**5,540,062**	3,845,663	3,662,994	5,352,010
Technical reserves - life business	**52,196,887**	**46,356,055**	**75,194,835**	50,470,801	48,073,438	70,240,214
Shareholders' funds	**21,269,034**	**18,889,029**	**30,640,170**	22,027,626	20,981,314	30,655,850
Net asset value per share	**1.61**	**1.43**	**2.32**	1.67	1.59	2.32

All figures have been converted at rates of exchange ruling at 31 December 2009

Wealth beyond measure

Wealth

Overview of 2009

GlobalCapital
new corporate logo

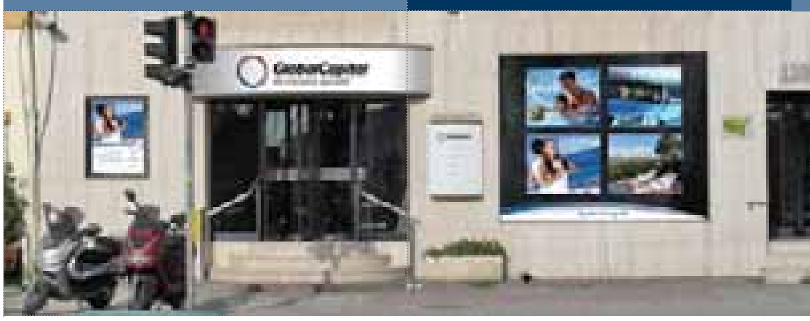
GlobalCapital
new website design

GlobalCapital
launch press ads

GlobalCapital
produces new TV commercial

GlobalCapital
new corporate stationery

GlobalCapital
office branding



Bupa bumper stickers were distributed throughout Malta

Bupa Malta
new website design

The **Bupa** marketing campaign launched in 2009

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 a director of each of the main operating subsidiaries of the Company. A U.K. Chartered Accountant by profession, he is the President of British-American (U.K.) Ltd, 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) Ltd and also Chairman of British American Investments Company (Kenya) Ltd.

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 38 years of experience in financial services and till 31 December 2007 was the Chairman of the State Bank of Mauritius Ltd Group, a leading financial services group in Mauritius, after being Group Chief Executive of State Bank of Mauritius Ltd 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. 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. Apart from his legal practice, he currently acts as Chief Executive for the Tobacco Industry Council. In February 2007, Dr. Borg Cardona was elected as President of the Malta Chamber of Advocates.

Gary R. Marshall was appointed to the Board of Directors in July 2002. A fellow of the faculty of Actuaries, he is a member of Aberdeen's Group Management Board, currently serving as Head of Americas for the Aberdeen Group. He sits on the Boards of several of the Group's operating companies and on the Boards of several of the fund structures which Aberdeen manages and promotes. He is Chief Executive of Aberdeen Asset Management Inc. in US and President of Aberdeen's US mutual fund range, Aberdeen Funds.

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 the British American Investment Group.

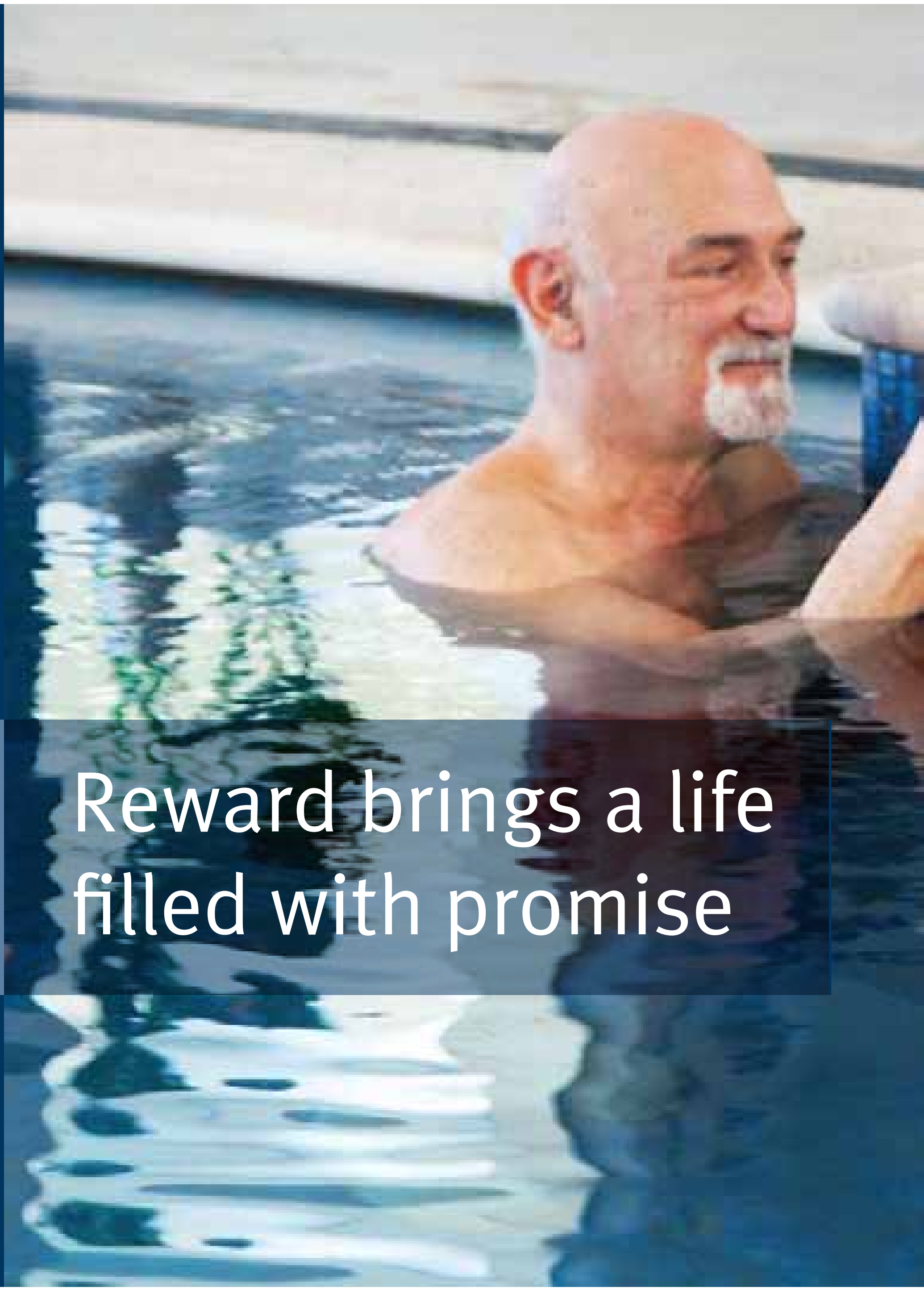
Christopher J. Pace founded Globe Financial Investments Limited, GlobalCapital's predecessor in 1987 and has been the driving force behind the development and growth of the Group where he was principally responsible for overseeing the implementation of the Group's strategy and the identification and 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 Ltd. He is currently the Acting Chief Finance Officer of the Group, a member of the Executive Committee, a Director of GlobalCapital Insurance Brokers Ltd and is also Chairman of GlobalCapital Funds SICAV p.l.c. Up to April 2008 he also served as the Chairman of the College of Stockbroking Firms and is currently the 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 Corporate and Commercial Law Department of the law firm Guido de Marco & Associates. He also serves as Board Secretary to the main operating subsidiaries of the Company.



Reward brings a life filled with promise

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:
Gary R. Marshall – Chairman
Muni Krishna T. Reddy, GOSK
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
Christopher J. Pace

Remuneration Committee

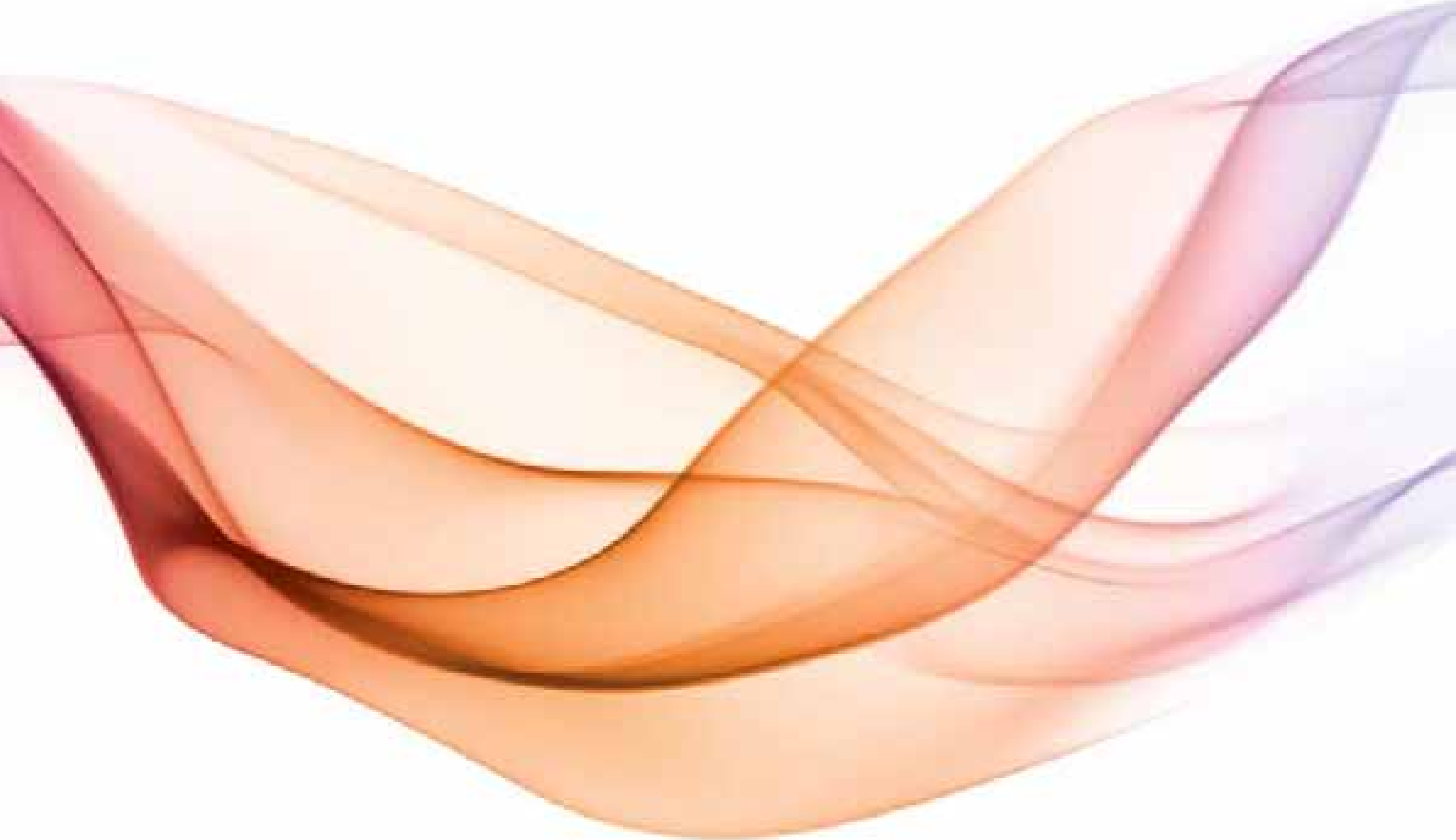
The Remuneration Committee is responsible for recommending and reviewing the Group's remuneration policy and, within that policy, determining the remuneration packages of executive directors and other members of the senior executive team.

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



Principal Companies within GlobalCapital

GlobalCapital Financial Management Ltd

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

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

Board of Directors

Nicholas Ashford-Hodges – Chairman
Nicholas Portelli
Joseph R. Aquilina
Joseph M. Zrinzo
Saleem R. Beebeejaun

Company Secretary

Clinton V. Calleja

GlobalCapital Fund Advisors Ltd

The company is licensed by the Malta Financial Services Authority to provide investment advice in respect of collective investment schemes.
It is the appointed advisor to Global Funds Sicav p.l.c. and GlobalCapital Funds Sicav p.l.c.

Board of Directors

Nicholas Ashford-Hodges – Chairman
Nicholas Portelli
Joseph R. Aquilina
Joseph M. Zrinzo
Saleem R. Beebeejaun

Company Secretary

Clinton V. Calleja

GlobalCapital Life Insurance Ltd

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

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

Board of Directors

Nicholas Ashford-Hodges – Chairman
Nicholas Portelli
Ian Zammit
Saleem R. Beebeejaun
Ayoob Rawat

Company Secretary

Clinton V. Calleja

GlobalCapital Health Insurance Agency Ltd

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

Board of Directors
Nicholas Ashford-Hodges – Chairman
Nicholas Portelli
Joseph R. Aquilina
Saleem R. Beebeejaun
Ian Zammit

Company Secretary
Clinton V. Calleja

GlobalCapital Insurance Brokers Ltd

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

Board of Directors
Nicholas Ashford-Hodges – Chairman
Nicholas Portelli
James Blake
Ian Zammit
Joseph R. Aquilina

Company Secretary
Clinton V. Calleja

GlobalCapital Investments Ltd

The company is authorised to provide the services of a financial institution in terms of the Financial Institutions Act, 1994. As a result of this licence, the company trades for its own account in money market instruments, exchange rate and interest rate instruments, trades for its own account or for the account of customers in foreign exchange, and carries out money broking services.

Board of Directors
Nicholas Ashford-Hodges – Chairman
Nicholas Portelli

Company Secretary
Clinton V. Calleja

GlobalCapital Property Advisors 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
Nicholas Portelli
Joseph R. Aquilina

Company Secretary
Clinton V. Calleja

GlobalCapital Group Structure

Annual Report and Consolidated Financial Statements

31 December 2009

Contents

Directors' Report

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

PRINCIPAL ACTIVITIES

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

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

REVIEW OF BUSINESS

The Group registered a loss after tax for the year ended 31 December 2009 of €760,744 compared to a loss after tax of €6,886,162 for year ended 31 December 2008.

The Group's investment portfolio has returned a better performance throughout 2009, in comparison to the losses sustained during 2008. The Group's gains arising from unrealised fair value movements during 2009 totalled €2,606,856 which compares favourably with the loss of €6,513,318 during 2008. Furthermore, the Group's goodwill impairment charge amounted to €541,027 for 2009 compared to €1,228,715 for the prior year. During the year under review, the Group has continued to experience a slowdown in the sale of investment products primarily as a result of the cautious attitude towards investing adopted by investors and the shift towards local investments particularly local Corporate Bonds which reduces the average weighting of the commission earned from such sales.

The operating results of the Group's business of insurance has mitigated for the further losses in the investment services business with a profit of €1,974,278 for the year under review. This compares positively to the negative balance of €2,215,761 which resulted in 2008. On the other hand, the value of in-force business in 2009 decreased by €221,538 compared to the increase of €1,271,282 in 2008.

The Group's agency and brokerage business contributed to the results of the Group and by generating a pre-tax profit of €352,687, compared to €622,810 of 2008. These businesses continue to support the Group's activity as it becomes more focused on insurance business.

Rapport tad-Diretturi

Id-Diretturi qegħdin jippreżentaw ir-rapport tagħhom u d-dikjarazzjonijiet finanzjarji awditjati għas-sena li għalqet fil-31 ta' Diċembru 2009.

ATTIVITAJIET EWLENIN

GlobalCapital p.l.c. ("il-Kumpanija") flimkien mas-sussidjarji ("il-Grupp") tagħha huma involuti f'dan li ġej :

- *il-provvediment ta' servizzi u pariri dwar investiment skond l-Att dwar is-Servizzi tal-Investiment (Kap. 370);*
- *in-negozju fit-tul ta' assigurazzjoni fuq il-ħajja skond l-Att dwar il-Kummerċ tal-Assigurazzjoni (Kap 403);*
- *bħala aġent għall-assigurazzjoni tal-mard u inċidenti skond l-Att dwar l-Intermedjarji fl-Assigurazzjoni (Kap. 487);*
- *f'servizzi ta' broking ta' l-assigurazzjoni skond l-Att dwar l-Intermedjarji fl-Assigurazzjoni (Kap 487);*
- *f'servizzi ta' money broking u ta' kambju skond l-Att dwar l-Istituzzjonijiet Finanzjarji (Kap. 376); u*
- *il-provvediment ta' servizzi ta' immaniġjar u konsulenza dwar propjeta', ix-xiri u bejgħ ta' propjeta, u proġetti ta' żvilupp ta' propjeta'.*

HARSA LEJN L-ATTIVITA' KUMMERĊJALI

Il-Grupp irreġġistra telf wara t-taxxa għall-perjodu li ntemm fil-31 ta' Diċembru 2009 li jammonta għal €760,744 meta mqabbel mat-telf li kien irreġistrat fis-sena ta' qabel, li ntemmet fil-31 ta' Diċembru 2008 u li kien jammonta għal €6,886,162.

Matul l-2009, il-portafoll ta' investimenti li l-Grupp iħaddan tjieb fl-andament tiegħu meta mqabbel mat-telf li ġarrab matul l-2008. Il-gwadann li għamel il-Grupp mill-valur ekwu mhux irrealiżżat matul l-2009 tela' għal €2,606,856 meta mqabbel mat-tnaqqis ta' €6,513,318 ta' l-2008. Ta' min jgħid li t-telf fil-valur tal-avjament kien ta' €541,027 matul l-2009 li wkoll huwa inqas minn dak tas-sena ta' qabel li kien jammonta għal €1,228,715. Il-kawtela li wrew investituri Maltin minħabba is-sitwazzjoni finanzjarja li ddominat l-2009 kif wkoll iż-żieda fid-domanda li kien hemm għall-bonds maħruġin minn kumpaniji kkontribwew mhux ftit sabiex il-Grupp jkompli jara tnaqqis ta' qligħ mill-bejgħ ta' prodotti ta' l-investiment.

Ir-riżultati mill-attivita' operattiva ta' l-assigurazzjoni mħaddma mill-kumpanija taffew mhux ftit l-effett tat-telf li ġarrab il-Grupp mill-bejgħ ta' prodotti ta' l-investiment, u l-profitt għal matul is-sena 2009 tela' għal €1,974,278. Dan jitqies bħala andament pożittiv meta mkejjel ma' l-andament negattiv li rriżulta matul l-2008. Madankollu, il-valur tan-negozju fis-seħħ matul l-2008 naqas b' €221,538 meta mqabbel maż-żieda ta €1,271,282 is-sena precedenti.

Il-qligħ qabel it-taxxa li l-Grupp iġġenera min-negozju ta' l-aġenzija kif wkoll tal-brokerage matul l-2009 kien ta' €352,687 meta mqabbel ma' €622,810 ta' l-2008, u għalkemm il-qligħ niżel, kellu sehem importanti mir-riżultati tal-Grupp. Dan il-qasam tan-negozju qed jingħata l-attenzjoni kollha meħtieġa hekk kif il-Kumpanija tkompli tiffoka r-riżorsi tagħha lejn n-negozju ta' l-assigurazzjoni.

The Property division contributed favourably to the Group results during 2009 and the Board of Directors is satisfied with the activity that has taken place during the year which is aimed at building and strengthening this division. The Board continues to give this division the focus and resources it requires to contribute positively towards the Group's overall profitability. A number of projects have reached their final stages and their value is expected to be realised throughout 2010.

The Board of Directors has remained vigilant throughout 2009 and has directed management towards focusing on the Group's core activities in order to derive higher efficiency levels which result in added value to the shareholder.

RESULTS AND DIVIDENDS

The statements of comprehensive income are set out on page 49 and 50. In view of the results for 2009, the Directors do not recommend the declaration of a dividend (2008: 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

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

Deloitte have expressed their interest to continue in office.

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

NICHOLAS ASHFORD-HODGES
Chairman

Registered office
120 The Strand, Gzira, Malta

18 March 2010

Is-settur tal-propjeta wkoll kellu sehem ewlieni mir-riżultati li l-Grupp kellu matul l-2009, tant li l-Bord tad-Diretturi kien sodisfatt bl-attivita' li seħħet matul is-sena li kienet immirata li tkompli ssaħħaħ l-istrutturi ta' dan is-settur. Il-Bord se jkompli jagħti l-attenzjoni kif ukoll ir-riżorsi kollha li dan is-settur tan-negozju għandu bżonn sabiex tkompli twettaq sehemha lejn il-profittabilità tal-kumpanija. Għadd ta' proġetti waslu fi stadju avvanzat u mistennija jitlestew matul l-2010.

Il-Bord tad-Direttur baqa viġilanti matul l-2009 filwaqt li ddiriġa lil Management sabiex jkompli jagħti aktar attenzjoni lil dawk l-oqsma ewlenin fil-kumpanija li għandhom bżonn itejbu l-effiċjenza sabiex ikunu ta' valur miżjud għall-azzjonisti tal-kumpanija.

RIZULTATI U DIVIDENDS

Il-kontijiet ta' qligħ komprensiv jidhru f'pagni 49 u 50. Fid-dawl tar-riżultati miksuba għall-2009, id-Diretturi ma jirrikmandawx il-ħlas ta' dividend finali. (2008 : Xejn).

DIRETTURI

Id-Diretturi tal-Kumpanija li servew matul is-sena kienu:

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

L-Artikoli ta' Assoċjazzjoni tal-Kumpanija jeħtieġu li d-Diretturi jirtiraw fil-Laqgħa Ġenerali Annwali, sakemm ma jkunux ġew maħtura għal perjodu iqsar jew itwal, u jistgħu jikkontestaw mill-ġdid u jiġu maħtura mill-ġdid bħala Diretturi fuq il-Bord.

L-AWDITURI

Deloitte urew ix-xewqa li jkomplu bil-ħatra tagħhom.

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

JAMES BLAKE
Director

Corporate Governance – statement of compliance

In accordance with Listing Rules 8.37 and 8.38 issued by the Malta Financial Services Authority (MFSA), GlobalCapital p.l.c. (the 'Company') reports on the extent of its adoption of the Code of Principles of Good Corporate Governance (the 'Principles'), and the relevant measures undertaken.

1. ADOPTION OF THE PRINCIPLES

The responsibility of 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 of GlobalCapital p.l.c. includes a mix of Directors from different areas of expertise, and is currently composed of one executive Director and six non-executive Directors. The appointment of Directors is made at an Annual General Meeting in accordance with the Company's Memorandum and 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 elaborated 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 six times.

The Directors have access to the advice and professional services of the Company Secretary, who is responsible to ensure that Board procedures are followed. In addition to such services, the Board may also make use of external professional advice, 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.

Regular updates, in connection with changes in law affecting the duties and responsibilities of Directors and developments in the local and European Union regulatory framework are submitted.

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

3. COMMITTEES

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

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

3.1.1. Audit Committee

The Audit Committee comprises entirely 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 systems and the scrutiny and approval of related party transactions.

The Audit Committee also approves and reviews the Group's Compliance Plan, Internal Audit Plan and Risk Management Plan prior to the commencement of every financial year and monitors the implementation of these plans. During the financial year under review, the Audit Committee met eight times and is composed of Mr. Gary Marshall as Chairman, and Dr. Andrew Borg Cardona and Mr. Muni Krishna T. Reddy, GOSK. The Group Head of Internal Audit attends Audit Committee Meetings.

The Group's Head of Internal Audit, the Company's External Auditors and Chief Finance Officer are invited to attend Audit Committee Meetings on a regular basis as deemed appropriate, and are entitled to convene a meeting of the Committee if they consider it necessary.

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.

An evaluation process of the performance of the individual Directors of the Board was carried out in 2009.

During the financial year under review, the Nominations Committee met three 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 Board of Directors has established the Remuneration Committee in order to monitor, review and advise on the Group's remuneration policy as well as to approve 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 2009, the Remuneration Committee met three times and is composed of Mr. Muni Krishna T. Reddy, GOSK as Chairman, 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 four times during 2009 and is composed of Mr. Nicholas Ashford-Hodges as Chairman, and Mr. Christopher J. Pace and Mr. Muni Krishna T. Reddy, GOSK as members.

3.2 Executive Committee

The Executive Committee is vested with the commitment to manage 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 fortnight and is chaired by Mr. Nicholas Portelli, the Chief Executive Officer. The Executive Committee currently includes the following members:

Mr. Nicholas Portelli	– Chief Executive Officer and Chairman of the Executive Committee
Mr. James Blake	– Acting Chief Finance Officer
Mr. Ian Zammit	– Chief Officer - Property Services
Mr. Adrian Galea	– Chief Operating Officer
Mr. Ramon Mizzi	– President Insurance Business (as from 4 May 2009)

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 by the applicable legislation, and the Group's Dealing Rules. These Dealing Rules were amended in October 2007 in order to fall in line with the amendments to the Investment Services Licence Conditions brought into effect in November 2007.

During the financial year ended 31 December 2009, Mr. Christopher J. Pace directly or indirectly disposed of 1,000 of the GlobalCapital 5.6% 2014/16 Bonds.

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 August 2007, the Group's 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 in June 2010, will cover the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2009, the election/re-election of 2010 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 and the proposed amendments to the Articles of Association of the Company to bring them in line with the Listing Rules following the transposition of Directive 2007/36/EC (the "Shareholders' Rights Directive").

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 annual results and interim 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 whilst also providing assistance to members of staff whenever the need arose.

9. **STATEMENT OF GOING CONCERN**
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 18 March 2010 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 Mr. Muni Krishna T. Reddy, GOSK. 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, three meetings of the Remuneration Committee were held. The attendance at the meetings was as follows:-

Remuneration Committee Member	Committee meetings attended
Muni Krishna T. Reddy, GOSK – Deputy Chairman	3
Nicholas Ashford-Hodges	3
Andrew Borg Cardona	2

The main activities of the Remuneration Committee include:

(a) The devising of appropriate policies and 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
(b) The review and evaluation of performance of Directors and senior management.

REMUNERATION STATEMENT

An executive director Mr. James Blake is employed with the Company in an executive capacity on a contract basis. Senior management remuneration packages consist of the 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 (2009):

Fees	€ 203,235
Remuneration	€ 132,115
Total emoluments	**€ 335,350**

Directors' remuneration and fees are being disclosed in aggregate rather than as separate figures as required by the Principles.

The Company's Directors have voluntarily decreased their fees by €137,360 being 25% of their entitlement.

Independent auditor's report on the corporate governance statement of compliance

To the Shareholders of GlobalCapital p.l.c. pursuant to Listing Rule 8.39 issued by the Listing Authority.

Listing Rules 8.37 and 8.38 issued by the Listing Authority require 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 8.39 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 3 to 7 has been properly prepared in accordance with the requirements of Listing Rules 8.37 and 8.38 issued by the Listing Authority.

Sarah Curmi
Partner for, and on behalf of,
Deloitte.

Deloitte Place
Mriehel Bypass
Mriehel
Malta

18 March 2010

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 9.44c

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 18 March 2010 and signed on its behalf by:

Nicholas Ashford-Hodges
Chairman

James Blake
Director

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2009**	2008	**2009**	2008
		€	€	**€**	€
Commission and fees receivable		**2,891,154**	3,595,991	**-**	-
Performance fees receivable		**-**	81,419	**-**	-
Balance on the long term business of insurance technical account before tax (page 50)		**324,228**	(3,767,833)	**-**	-
(Decline)/increment in the value of in force business	*8,12*	**(221,538)**	1,271,282	**-**	-
Net gains on investment property, net of allocation to the insurance technical account	*7*	**404,070**	651,310	**-**	-
Profit on disposal of property held for development	*6*	**240,067**	293,241	**-**	-
Other operating income		**57,348**	36,913	**-**	-
Administrative expenses	*4*	**(4,327,185)**	(5,257,900)	**(206,528)**	(73,575)
Commission payable and direct marketing costs	*4*	**(264,319)**	(543,295)	**-**	-
Impairment of goodwill on consolidation	*12*	**(541,027)**	(1,228,715)	**-**	-
Share of loss of associated undertaking	*17*	**(79,385)**	(265,317)	**-**	-
Operating loss		**(1,516,587)**	(5,132,904)	**(206,528)**	(73,575)
Investment income, net of allocation to the insurance technical account	*7*	**1,873,485**	722,165	**520,766**	299,341
Investment charges and expenses, net of allocation to the insurance technical account	*7*	**(1,157,546)**	(3,143,687)	**(1,068,530)**	(1,373,378)
Loss before tax		**(800,648)**	(7,554,426)	**(754,292)**	(1,147,612)
Tax credit/(expense)	*8*	**39,904**	668,264	**(29,353)**	2,630
Loss for the financial year		**(760,744)**	(6,886,162)	**(783,645)**	(1,144,982)
Earnings per share (cents)	*10*	**(5c8)**	(52c1)		

Technical account – long term business of insurance

	Notes	Group 2009 €	Group 2008 €
		Year ended 31 December	
Earned premiums, net of reinsurance			
Gross premiums written		**10,117,050**	7,078,502
Outward reinsurance premiums		**(562,266)**	(759,375)
Earned premiums, net of reinsurance		**9,554,784**	6,319,127
Investment income	*7*	**1,766,297**	2,662,383
Unrealised gains on investments	*7*	**1,805,203**	241,704
Investment contract fee income		**54,271**	54,942
Total technical income		**13,180,555**	9,278,156
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**(10,152,044)**	(4,636,808)
- reinsurers' share		**286,646**	381,110
		(9,865,398)	(4,255,698)
Change in the provision for claims			
- gross amount		**42,338**	152,793
- reinsurers' share		**(39,909)**	(1,193)
	19	**2,429**	151,600
Claims incurred, net of reinsurance		**(9,862,969)**	(4,104,098)
Change in other technical provisions, net of reinsurance			
Insurance contracts			
- gross amount		**(3,576,275)**	(3,487,180)
- reinsurers' share		**67,530**	138,800
		(3,508,745)	(3,348,380)
Investment contracts with DPF - gross		**2,511,248**	958,544
Change in other technical provisions, net of reinsurance	*19*	**(997,497)**	(2,389,836)
Claims incurred and change in other technical provisions, net of reinsurance		**(10,860,466)**	(6,493,934)
Net operating expenses	*4*	**(1,961,114)**	(1,497,182)
Unrealised loss on investments	*7*	**(15,098)**	(4,945,428)
Other investment charges and expenses	*7*	**(19,649)**	(109,445)
Total technical charges		**(12,856,327)**	(13,045,989)
Balance on the long term business of insurance technical account before tax (page 49)		**324,228**	(3,767,833)

Statements of financial position

	Notes	As at 31 December			
		Group		**Company**	
		2009	2008	**2009**	2008
		€	€	**€**	€
ASSETS					
Intangible assets	*12*	**6,233,789**	7,005,475	**-**	-
Deferred tax	*13*	**1,139,453**	676,559	**-**	-
Property, plant and equipment	*14*	**1,267,446**	1,474,512	**-**	-
Investment properties	*15*	**28,729,196**	23,960,021	**1,412,258**	758,087
Investment in group undertakings	*16*	**-**	-	**21,151,553**	21,151,553
Investment in associated undertakings	*17*	**3,453,357**	3,532,742	**-**	-
Other investments	*18*	**40,618,103**	38,493,993	**8,551,260**	8,621,258
Reinsurers' share of technical provisions	*19*	**1,032,319**	1,004,698	**-**	-
Taxation receivable		**809,911**	1,268,099	**6,079**	421,467
Property held for development	*20*	**2,805,117**	5,897,283	**-**	-
Trade and other receivables	*21*	**3,937,244**	3,663,772	**6,430,654**	5,967,764
Cash and cash equivalents	*28*	**9,517,207**	12,385,073	**67,115**	1,429,946
Total assets		**99,543,142**	99,362,227	**37,618,919**	38,350,075
EQUITY AND LIABILITIES					
Capital and reserves attributable to the company's shareholders					
Share capital	*22*	**3,845,663**	3,845,663	**3,845,663**	3,845,663
Share premium account	*23*	**16,970,641**	16,970,641	**16,970,641**	16,970,641
Other reserves	*24*	**1,857,508**	1,999,356	**-**	-
Profit and loss account		**(1,404,778)**	(788,034)	**(1,960,636)**	(1,176,991)
Total equity		**21,269,034**	22,027,626	**18,855,668**	19,639,313
Technical provisions	*19*	**53,229,206**	51,475,499	**-**	-
Interest bearing borrowings	*25*	**19,482,903**	20,458,529	**17,128,170**	17,279,784
Deferred tax	*13*	**2,376,410**	1,731,255	**110,580**	127,919
Trade and other payables	*26*	**3,185,589**	3,489,633	**1,524,501**	1,303,059
Current tax liabilities		**-**	179,685	**-**	-
Total liabilities		**78,274,108**	77,334,601	**18,763,251**	18,710,762
Total equity and liabilities		**99,543,142**	99,362,227	**37,618,919**	38,350,075

The financial statements on pages 49 to 107 were authorised for issue by the Board on 18 March 2010 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 2008	3,845,663	16,970,641	1,173,026	6,924,458	28,913,788
Loss for the financial year/ total comprehensive loss for the year	-	-	-	(6,886,162)	(6,886,162)
Increment in value of in-force business, transferred to other reserves	-	-	826,330	(826,330)	-
	-	-	826,330	(7,712,497)	(6,886,162)
Balance at 31 December 2008	3,845,663	16,970,641	1,999,356	(788,034)	22,027,626
Balance at 1 January 2009	3,845,663	16,970,641	1,999,356	(788,034)	22,027,626
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	**3,845,663**	**16,970,641**	**1,857,508**	**(1,404,778)**	**21,269,034**

Company

	Share capital €	Share premium account €	Profit and loss account €	Total €
Balance at 1 January 2008	3,845,663	16,970,641	(32,013)	20,784,291
Loss for the financial year/ total comprehensive loss for the year	-	-	(1,144,978)	(1,144,978)
Balance at 31 December 2008	3,845,663	16,970,641	(1,176,991)	19,639,313
Balance at 1 January 2009	3,845,663	16,970,641	(1,176,991)	19,639,313
Loss for the financial year/ total comprehensive loss for the year	-	-	(783,645)	(783,645)
Balance at 31 December 2009	**3,845,663**	**16,970,641**	**(1,960,636)**	**18,855,668**

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2009**	2008	**2009**	2008
		€	€	**€**	€
Cash used in operations	*27*	**(3,808,279)**	(771,924)	**(743,211)**	(4,179,931)
Dividends received		**462,155**	461,376	**10,093**	6,724
Interest received		**1,882,561**	963,604	**352,464**	224,745
Interest paid		**(1,127,031)**	(1,260,769)	**(12,048)**	(20,632)
Tax refund/ (paid)		**500,668**	101,022	**304,076**	(2,768)
Net cash used in operating activities		**(2,089,926)**	(506,691)	**(88,626)**	(3,971,862)
Cash flows from investing activities					
Purchase of intangible assets	*12*	**(65,304)**	(39,393)	**-**	-
Purchase of property, plant and equipment	*14*	**(187,124)**	(71,493)	**-**	-
Proceeds from sale of property, plant and equipment		**3,706**	49,789	**-**	-
Purchase of investment property	*15*	**(825,728)**	(599,129)	**(654,171)**	(78,190)
Proceeds from sale of investment property		**-**	2,626,042	**282,618**	-
Purchase of financial assets at fair value through profit or loss	*18*	**(4,224,003)**	(8,100,814)	**-**	(333,612)
Proceeds from disposal of investments at fair value through profit or loss	*18*	**6,257,277**	12,005,715	**-**	4,669,662
Purchase of cash instrument	*18*	**(687,034)**	(6,538,844)	**-**	-
Proceeds on maturity of cash instruments		**-**	6,658,747	**-**	-
Net movement on other investments - loans and receivables	*18*	**(26,259)**	(3,643)	**(224,892)**	(143,099)
Increase/(decrease) in borrowings	*25*	**-**	64,698	**-**	-
Net cash from/(used in) investing activities		**245,531**	6,051,675	**(596,445)**	4,114,761
Cash flows from financing activities					
Repayment of bank loans in connection with investment properties	*25*	**(336,848)**	(1,080,847)	**-**	-
Movement in shareholders' loans		**-**	-	**(478,301)**	64,698
Net cash (used in)/from financing activities		**(336,848)**	(1,080,847)	**(478,301)**	64,698
Net movement in cash and cash equivalents		**(2,181,243)**	4,464,137	**(1,163,372)**	207,597
Cash and cash equivalents at the beginning of year		**11,090,403**	6,626,266	**864,222**	656,625
Cash and cash equivalents at the end of year	*28*	**8,909,160**	11,090,403	**(299,150)**	864,222

Accounting policies

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

1. BASIS OF PREPARATION

The Group operates in industries which have been adversely affected by the recent global financial crisis, and has reported a loss before tax of €800,648 for 2009 (2008 – loss of €7,554,426). The directors continue to monitor the current economic and business environment, and have initiated a comprehensive review of the business in order to identify and implement process efficiencies and business re-alignment. The directors are closely observing developments in order to ensure that the Group is well positioned to ride out the downturn and exploit opportunities in the markets. The directors are satisfied that, having taken into account the Group's statement of financial position, capital adequacy (as detailed in Note 22) and operating performance, 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.

Initial Application of an International Financial Reporting Standard

In the current year, the company has applied the following:

- International Accounting Standard 1 (as revised in 2007) Presentation of Financial Statements. The revised Standard is applicable for annual periods beginning on or after 1 January 2009, with earlier application being permitted. IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements, together with certain additional presentation and disclosure requirements.

- The May 2008 Amendments to IAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. The Amendments, which are applicable prospectively for annual periods beginning on or after 1 January 2009, with earlier application being permitted, delete the definition of the cost method in IAS 27 and require all dividends from investments that fall within the scope of the Amendments and that are measured at cost in the investor's financial statements to be recognised in profit or loss. The Amendments also introduce certain requirements in relation to reorganisations that meet specified criteria and that therefore fall within the scope of these Amendments. These new requirements are applicable prospectively to reorganisations occurring in annual periods beginning on or after 1 January 2009, with earlier application being permitted. These new requirements were not relevant to the company during the year under review.

- IAS 23 (as revised in 2007) Borrowing Costs. The revised Standard is applicable for annual periods beginning on or after 1 January 2009, with earlier application being permitted. The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. The application of the revised Standard has constituted a change in the company's accounting policy in relation to borrowing costs incurred on qualifying assets. The Standard has been applied to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.

1. BASIS OF PREPARATION (continued)

Initial Application of an International Financial Reporting Standard (continued)

- The March 2009 Amendments to IFRS 7, Improving Disclosures about Financial Instruments. The Amendments, which are applicable for annual periods beginning on or after 1 January 2009, with earlier application being permitted, require enhanced disclosures about fair value measurements and liquidity risk. The company has elected not to provide comparative information for these disclosures in the current year in accordance with the transitional reliefs offered in these Amendments.

- The Amendments to IAS 40, Investment Property resulting from the May 2008 Improvements to IFRSs. The Amendments, which are applicable prospectively for annual periods beginning on or after 1 January 2009, with earlier application being permitted, include within the scope of IAS 40 properties in the course of construction for future use as investment property. Following the adoption of the Amendments and in line with the company's accounting policy for investment properties, investment property under construction is measured at fair value, where that fair value is reliably determinable, with changes in fair value recognised in profit or loss. During 2009 the Group changed the intended use for a property currently under construction previously held for development and resale, and therefore classified as property held for development. This property is now held for future use as investment property. Prior to the application of the revision to the standard this would have been reclassified to property, plant and equipment and accounted for under IAS 16 and would then be reclassified to investment property once the construction was complete. The Amendments have resulted in a reclassification from property held for development to investment property of assets with a carrying amount of €2,653,280. This has not resulted in any adjustment in profit or loss.

- IFRS 8, *Operating Segments* - IFRS 8 replaces IAS 14 *Segment Reporting*. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. IFRS 8 is applicable for periods beginning on or after 1 January 2009 with earlier application permitted.

Standards, interpretations and amendments to published standards that are 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.

In November 2009, the following IFRS and amendments to IFRS were issued by the IASB:

- IAS 24 *Related Party Disclosures* – IAS24 was amended to clarify the definition of a related party and simplifies the disclosure requirements for entities that are controlled, jointly controlled or significant influenced by a government. The revised IAS24 is effective for annual periods beginning on or after 1 January 2011 and requires retrospective application.

- IFRS 9 *Financial Instruments* – IFRS 9 was issued as part of a three-part project to replace IAS39 *Financial Instruments: (Recognition and Measurement)*. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied for annual periods beginning on or after 1 January 2013.

The Group's Directors are of the opinion that the amendments to the above IFRSs that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements of 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

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 16.

(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 statement of comprehensive income, 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 17.

3. INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired group or business concern at the date of the acquisition. 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. Gains and losses on the disposal of an entity take into consideration the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3. INTANGIBLE ASSETS (continued)

(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 statement of comprehensive income. 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 (ranging from four to eight years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

4. DEFERRED INCOME TAX

Deferred income tax is provided using the 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 statement of financial position date 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 statement of comprehensive income 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:

	%
Land	0
Buildings	1
Office furniture, fittings and equipment	71/2 - 25
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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 statement of comprehensive income 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 statement of comprehensive income.

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. These processes are 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 statement of comprehensive income.

The dividend income from such investments is included in the statement of comprehensive income 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 and loans and receivables. 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. Financial assets classified as held for trading mainly comprise derivatives.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that are held for trading or that are designated as at fair value through profit or loss 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)

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 Group has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. 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 the statement of comprehensive income.

The fair value of quoted financial assets is based on quoted market prices at the statement of financial position date. 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.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative instruments entered into by the Group, principally equity contracts for differences (CFD's), do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are reflected in the carrying amount of the Group's held for trading instruments included in investments at fair value through profit or loss.

9. IMPAIRMENT OF ASSETS

(a) Impairment of financial assets at amortised cost

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) 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.

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

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

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 statement of comprehensive income.

9. IMPAIRMENT OF ASSETS (continued)

(b) Impairment of other financial assets

At each statement of financial position date, 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.

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

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.

(ii) Long term contracts

<u>Insurance contracts without DPF</u>

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.

<u>Insurance contracts with DPF</u>

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.

<u>Investment contracts with DPF</u>

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.

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

(b) *Recognition and measurement (continued)*

(ii) *Long term contracts(continued)*

Investment contracts with DPF (continued)

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

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

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

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

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

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

(c) *Reinsurance contracts held*

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

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

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. 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).

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

(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 statement of comprehensive income 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 the statement of comprehensive income 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 approved by the Company's Shareholders.

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 statement of comprehensive income. 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 statement of comprehensive income 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 statement of comprehensive income as incurred over the lease term. Group assets leased out under operating leases are included in investment property. Rental income is recognised in the statement of comprehensive income 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 charged or credited directly to 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 statement of financial position date.

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 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 12 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 12 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 19 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 15 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 13.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group 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.

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.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Insurance risk (continued)

(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, fair value interest rate risk, cash flow 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. On average the Committee meets once a month 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	
	2009	2008	**2009**	2008
	€	€	**€**	€
Assets attributable to policyholders				
Assets at floating interest rates	**6,658,209**	9,347,166	**-**	-
Assets at fixed interest rates	**28,730,272**	24,498,380	**-**	-
	35,388,481	33,845,546	**-**	-
Assets attributable to shareholders				
Assets at floating interest rates	**977,809**	3,043,958	**3,539**	1,417,549
Assets at fixed interest rates	**120,145**	124,233	**-**	-
	1,097,954	3,168,191	**3,539**	1,417,549
	36,486,435	37,013,737	**3,539**	1,417,549
Liabilities				
Liabilities at floating interest rates	**2,741,241**	3,744,469	**366,265**	565,724
Technical provisions	**51,611,049**	50,098,264	**-**	-
	54,352,290	53,842,733	**366,265**	565,724

As disclosed in Note 25 the Group and the Company issued a bond with a nominal value of €17,000,000 at a fixed rate of interest. As further disclosed in Note 18 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)

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 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 12 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 19 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. 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 6.5% of the Group's total assets as at 31 December 2009 (2008: 7%).

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

	Group		**Company**	
	2009	2008	**2009**	2008
	€	€	**€**	€
Assets attributable to policyholders	**6,762,632**	7,020,952	**-**	-
Assets attributable to shareholders	**5,034,806**	5,952,297	**128,188**	398,534
	11,797,438	12,973,249	**128,188**	398,534

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

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk (continued)

The sensitivity analysis measures the change in the fair value of the instruments for a hypothetical change of 10% in the market price. 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 +/-€1,180,000 in 2009 (2008: +/-€1,400,000) and the impact on the Company's pre-tax profit would be +/-€13,000 in 2009 (2008: +/-€40,000). 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, the Group's exposure to foreign currency investments (principally comprising a mix of US Dollar and UK pound) represented 13% of the Group's total investments in Note 18 (2008: 19%).

5% (2008: 35%) of the Group's cash and cash equivalents, at 31 December 2009, 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 2009 or 31 December 2008.

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 +/-€600,000 in 2009 (2008: +/-€1,000,000).

Credit risk

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

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

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

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty. Limits on the level of credit risk by category are defined within the Group's investment policy as described earlier. This policy also considers regulatory restrictions on asset and counterparty exposures. Further detail on the content of the Group's investment portfolio is provided in Note 18 to these financial statements.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk (continued)

Credit risk in respect of receivables is not deemed to be significant after considering the range of underlying debtors, and their creditworthiness. Receivables are stated net of impairment. Further detail in this regard is provided in Note 21 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 & Poor's rating of AA- as at 31 December 2009.

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)

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

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
Term 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	1,765,765	10,555,374
	2,358,954	-	5,426,256	1,691,443	5,356,568	14,833,221
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	9,102,401	42,260,240

As at 31 December 2008

	AAA to AA	A+ to A	A-	BBB+ to B-	Unrated	Total
	€	€	€	€	€	€
Investments						
Debt Securities at fair value through profit or loss	1,161,358	14,555,504	554,075	3,329,347	5,022,328	24,622,612
Loans and receivables						
Loans secured on policies	-	-	-	-	94,510	94,510
Trade and other receivables	-	-	-	-	3,569,725	3,569,725
Cash and cash equivalents	1,301,287	314,961	6,011,831	3,605,290	1,157,755	12,391,124
	1,301,287	314,961	6,011,831	3,605,290	4,821,990	16,055,359
Reinsurance share of technical provisions	1,004,698	-	-	-	-	1,004,698
Total assets bearing credit risk	3,467,343	14,870,465	6,565,906	6,934,637	9,844,318	41,682,669

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 2009 and 2008 the Group had significant exposure with the Government of Malta through investments in debt securities. In 2009 these were equivalent to 15% (2008: 13%) of the Group's total assets.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk (continued)

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 25 and trade and other payables disclosed in Note 26.

The tables below analyse the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the maturity date. 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 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 year €	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

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

Financial risk (continued)

Group

As at 31 December 2008

	Contracted undiscounted cash outflows					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
Bank loans	380,932	380,932	1,200,990	761,865	2,724,719	2,449,799
Bank overdraft	1,294,670	-	-	-	1,294,670	1,294,670
5.6% bonds 2014/2016	952,000	952,000	2,856,000	17,476,000	22,236,000	16,714,060
Trade and other payables	3,496,147	-	-	-	3,496,147	3,423,456
	6,123,749	1,332,932	4,056,990	18,237,865	29,751,536	23,881,985

	Expected cash outflows					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Technical provisions	12,862,000	15,876,000	7,890,000	13,664,937	50,292,937	50,292,937

Company

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

As at 31 December 2008

	Contracted undiscounted cash outflows					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
5.6% bonds 2014/2016	952,000	952,000	2,856,000	17,476,000	22,236,000	16,714,060
Bank overdraft	565,724	-	-	-	565,724	565,724
Trade and other payables	1,303,059	-	-	-	1,303,059	1,303,059
	2,820,783	952,000	2,856,000	17,476,000	24,104,783	18,582,843

3. SEGMENTAL ANALYSIS

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							
Net earned premiums	-	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	2,053,89	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 €
Year ended 31 December 2009							
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 profit/(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 following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2008.

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2008							
Segment income							
Net earned premiums	-	6,374,069	-	-	-	-	6,374,069
Commission and other fees receivable	1,602,080	62,622	1,955,455	93,914	-	(118,080)	3,595,991
Disposal of property held for development	293,241	-	-	-	-	-	293,241
Investment income	346,882	4,454,805	29,670	236,491	320,386	-	5,388,234
Net gains on investments at fair value through profit and loss	-	-	5,137	-	-	-	5,137
Net fair value movement on investment property	-	241,704	-	33,609	-	-	275,313
Total revenue	2,242,203	11,133,200	1,990,262	364,014	320,386	(118,080)	15,931,985
Revenue from external customers	2,233,803	11,125,520	1,990,262	262,014	320,386	-	15,931,985
Intersegment revenues	8,400	7,680	-	102,000	-	-	118,080
Segment expenses							
Net claims incurred	-	4,104,098	-	-	-	-	4,104,098
Net change in technical provisions	-	2,389,836	-	-	-	-	2,389,836
Net operating expenses	3,557,800	1,629,416	1,367,452	301,901	114,635	(118,080)	6,853,124
Net losses on investments at fair value through profit and loss	1,663,887	5,024,540	-	-	450,309	-	7,138,736
Investment expenses	76,637	109,445	-	321,232	-	-	507,314
Total expenses	5,298,324	13,257,335	1,367,452	623,133	564,944	(118,080)	20,993,108

3. SEGMENTAL ANALYSIS (continued)

	Investment and advisory services	Business of insurance	Agency and brokerage services	Property services	Other	Eliminations	Group
	€	€	€	€	€	€	€
Year ended 31 December 2008							
Segment profit/(loss)	(3,056,121)	(2,124,135)	622,810	(259,119)	(244,558)	-	(5,061,123)
Unallocated items							
Finance costs	-	-	-	-	-	-	(999,272)
Share of losses of associates	-	-	-	-	-	-	(265,317)
Impairment of goodwill	-	-	-	-	-	-	(1,228,715)
Total unallocated items	-	-	-	-	-	-	(2,493,304)
Group profit/(loss)							(7,554,426)
Tax Credit							668,264
Loss after tax							(6,886,162)
Segment assets	12,537,167	64,426,330	706,858	22,643,820	52,113,609	(55,279,165)	97,148,619
Unallocated assets							2,213,608
							99,362,227
Segment liabilities	6,200,435	54,863,419	1,596,103	18,265,643	1,987,783	(22,626,701)	60,286,682
Unallocated liabilities							17,047,919
							77,334,601
Other segment items							
Capital expenditure	(80,448)	(13,926)	(5,288)	(11,224)			
Amortisation	(53,444)	(58,353)	(5,436)	(13,460)			
Depreciation	(315,008)	(171,154)	(24,211)	(12,611)			

3. **SEGMENTAL ANALYSIS** (continued)

Following the adoption of IFRS 8, the Group's reportable segments have not changed and the business segments reported to the executive committee follow clear business lines with distinct risk and rewards which formed the basis of IAS 14.

The Group's reportable segments under IFRS 8 are therefore 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 €331,130 (2008: €118,080).

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 and taxation. Unallocated liabilities mainly comprise borrowings and taxation.

Since the adoption of IFRS 8 has no effect on the statement of financial position as at the beginning of the earliest comparative period presented, the company has concluded that, based on all the relevant facts and circumstances, it need not present a third statement of financial position and related notes in this respect.

4. EXPENSES BY NATURE

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Staff cost (Note 5)	**3,705,369**	3,075,643	**-**	-
Commission and direct marketing costs	**595,096**	1,036,971	**-**	-
Amortisation of computer software (Note 12)	**116,556**	130,693	**-**	-
Depreciation of property, plant and equipment (Note 14)	**332,537**	522,984	**-**	-
Operating lease rentals payable	**292,274**	320,655	**-**	-
Amortisation of bond issue costs	**49,197**	49,197	**49,197**	49,197
Other expenses	**1,614,479**	2,337,507	**157,331**	24,378
	6,705,508	7,473,650	**206,528**	73,575
Allocated as follows:				
Long term business technical account				
- claims incurred	**152,890**	175,273	**-**	-
- net operating expenses	**1,961,114**	1,497,182	**-**	-
Administrative expenses	**4,591,504**	5,801,195	**206,528**	73,575
	6,705,508	7,473,650	**206,528**	73,575

Actuarial valuation fees for the current financial year amounted to €130,326 (2008: €88,500) for the Group.

Auditor's remuneration for the current financial year amounted to €61,500 (2008: €61,500) for the Group and €18,000 (2008: €18,000) for the Company. Other fees payable to the auditor comprise €7,500 (2008: €9,499) for other assurance services, and €35,000 (2008: €60,652) for other non-audit services.

5. STAFF COSTS

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Staff costs:				
Wages and salaries	**3,530,877**	2,888,309	**3,530,877**	2,888,309
Social security costs	**174,492**	187,334	**174,492**	187,334
	3,705,369	3,075,643	**3,705,369**	3,075,643
Recharged to group undertakings	**-**	-	**(3,705,369)**	(3,075,643)
	3,705,369	3,075,643	**-**	-

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

	Group	
	2009	2008
Managerial	**32**	27
Sales	**15**	16
Administrative	**87**	91
	134	134

6. PROFIT ON DISPOSAL OF PROPERTY HELD FOR DEVELOPMENT

	Group	
	2009	2008
	€	€
Proceeds	**958,164**	974,384
Costs	**(718,097)**	(681,143)
Profit on disposal	**240,067**	293,241

7. INVESTMENT RETURN

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Investment income				
Rental income from investment property	**588,407**	493,403	**-**	-
Dividends received from investments				
at fair value through profit or loss	**462,155**	461,376	**10,093**	6,724
Interest received from investments				
at fair value through profit or loss	**1,653,451**	1,441,364	**-**	-
Interest receivable from:				
- group undertakings	**-**	-	**345,517**	135,423
- other loans and receivables	**193,531**	676,034	**6,947**	102,032
- associates	**12,255**	6,782	**-**	-
Net exchange gains	**127,067**	-	**41,839**	55,162
Net gains on investment property	**407,807**	1,155,933	**-**	-
Net gains on financial investments				
at fair value through profit or loss	**2,329,372**	327,848	**116,370**	-
Other income	**59,912**	-	**-**	-
	5,833,957	4,562,740	**520,766**	299,341
Investment charges and expenses				
Net losses on financial investments				
at fair value through profit or loss	**-**	6,723,224	**104,098**	374,102
Net fair value losses on investment property	**-**	124,228	**-**	-
Investment management charges	**38,930**	104,873	**1,748**	10,316
Interest payable and other charges	**1,112,543**	1,227,500	**962,684**	988,960
Net exchange losses	**-**	289,030		
Other charges	**25,722**	14,888	**-**	-
	1,177,195	8,483,743	**1,068,530**	1,373,378
Net investment return/(loss)	**4,656,762**	(3,921,003)	**(547,764)**	(1,074,037)
Allocated as follows:				
Long term business technical account	**3,536,753**	(2,150,786)	**-**	-
Statement of comprehensive income	**1,120,009**	(1,770,217)	**(547,764)**	(1,074,037)
	4,656,762	(3,921,003)	**(547,764)**	(1,074,037)

8. INCOME TAX

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current tax (credit)/expense	**(144,627)**	(405,729)	**46,692**	14,469
Deferred tax (credit)/expense (Note 13)	**182,261**	(707,484)	**(17,339)**	(17,099)
Tax relating to value of in-force business	**(77,538)**	444,949	**-**	-
Tax (credit)/expense	**(39,904)**	(668,264)	**29,353**	(2,630)

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	
	2009	2008	**2009**	2008
	€	€	**€**	€
Loss before tax	**(800,648)**	(7,554,426)	**(928,518)**	(1,147,608)
Tax at 35%	**(280,227)**	(2,644,049)	**(324,981)**	(401,663)
Tax effect of:				
Non-deductible expenditure	**317,324**	622,284	**327,849**	298,968
Additional allowances available under S.15 of the Income Tax Act	**(7,184)**	(59,189)	**-**	-
Exempt income and income subject to a reduced rate of tax	**(17,225)**	(49,034)	**(54,643)**	(39,713)
Other differences, including unrecognised deferred tax movement	**(52,592)**	1,461,724	**81,128**	139,778
Tax (income)/expense	**(39,904)**	(668,264)	**29,353**	(2,630)

9. DIRECTORS' EMOLUMENTS

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Fees	**203,235**	253,710	**203,235**	206,353
Salaries	**132,115**	201,369	**61,903**	201,369
	335,350	455,079	**265,138**	407,722

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 above information for the Company for 2009 and 2008 includes salaries and emoluments amounting to €165,501 (2008: €407,722) that were recharged to group undertakings.

The charge for professional indemnity insurance acquired on behalf of the Directors and officers of the Group amounted to €119,625 (2008: €86,300). These amounts are included with professional fees.

10. EARNINGS PER SHARE

Earnings 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	
	2009	2008
	€	€
Net loss attributable to shareholders	**(760,744)**	(6,886,167)
Weighted average number of ordinary shares in issue	**(13,207,548)**	(13,207,548)
Earnings per share	**(5c8)**	(52c1)

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

11. DIVIDENDS

The Directors do not recommend the payment of a dividend for 2009. No dividend was paid in 2008.

12. INTANGIBLE ASSETS

Group	Goodwill €	Value of in-force business €	Computer Software €	Total €
At 1 January 2008				
Cost or valuation	5,006,152	2,154,670	1,088,903	8,249,725
Accumulated amortisation	-	-	(688,155)	(688,155)
Carrying amount	5,006,152	2,154,670	400,748	7,561,570
Year ended 31 December 2008				
Opening carrying amount	5,006,152	2,154,670	400,748	7,561,570
Additions	-	-	39,393	39,393
Write-off	-	-	(27,004)	(27,004)
Increment in value of in-force business	-	826,330	-	826,330
Amortisation charge	-	-	(130,693)	(130,693)
Impairment charge	(1,264,121)	-	-	(1,264,121)
Closing carrying amount	3,742,031	2,981,000	282,444	7,005,475
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 of 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 31 December 2009				
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**

Amortisation of computer software amounting to €116,556 (2008:€130,693) is included in administrative expenses (Note 4).

Impairment tests for goodwill

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

In part, goodwill relates to synergies and specific investment opportunities which were created as a result of the merger. These elements of goodwill are not expected to have an indefinite life. The significance and measurability of business synergies is diluted as a business evolves, and on this basis an impairment charge of €232,937 was reflected during 2009 (2008: €232,937). The balance of this component of goodwill, which amounted to €573,595 as at 31 December 2009 (2008: €806,532), is expected to continue to yield economic benefits over the next 2 years.

12. INTANGIBLE ASSETS (continued)

The Directors have considered that the performance of the investment and advisory services segment in 2009, which continued to be negatively influenced by the current investment climate, is not representative of future returns. This assessment is to be revisited on an annual basis in accordance with the Group's accounting policy.

One component of goodwill relates to a specific investment project enabled by the merger. An assessment of the recoverable amount of this goodwill has been made by reference to the expected cash flows to be derived from the investment concerned. On this basis it was deemed appropriate to impair this goodwill component by €220,881 during 2009 (2008 – nil), leaving a carrying amount of €1,193,207 at 31 December 2009.

Another component, which amounted to €935,226 at 31 December 2009 (2008: €935,226), of the acquired goodwill relates 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 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, and to the impact of sensitivity analyses performed. In 2009, estimates of future maintainable earnings were based on forecasts approved by management for the next three years where the profits projected expected revenue trends discounted by 50% to cater for attendant uncertainties in the light of the current market conditions and the impact that this may have on the Company's ability to achieve forecasted figures. The Directors have considered the long term nature of the underlying life insurance business by extending internal conservative forecasts at a rate of 10% for a further six years, to also reflect the impact of additional returns expected on new projects and revenues. The assessment of the recoverable amount for this component of goodwill further considered capitalisation at 5% (2008: 5%) and a growth rate of 3% beyond management's approved forecasts. No impairment charge (2008 – €995,813) was allocated to this segment.

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 3.4% (2008: 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 €97,000 (2008: €208,000);
- a decrease in the projected investment return by 10% reduces the VOIFB by €376,000 (2008: €350,000); and
- an increase in the discount factor by 10% reduces the VOIFB by €99,000 (2008: €101,000).

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

13. DEFERRED TAX

Deferred taxes are calculated on temporary differences under the liability method using a principal tax rate ranging between 12% and 35% (2008: 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% (2008: 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	
	2009	2008	**2009**	2008
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**(1,054,696)**	(1,762,180)	**(127,919)**	(145,018)
Charged/(credited) to profit or loss (Note 8)	**182,261**	707,484	**17,339**	17,099
At end of year	**(1,236,957)**	(1,054,696)	**(110,580)**	(127,919)

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Arising on:				
Accelerated tax depreciation	**4,152**	1,564	**-**	-
Unabsorbed tax credits	**1,135,301**	674,995	**-**	-
Capitalisation of bond issue costs	**(110,580)**	(127,919)	**(110,580)**	(127,919)
Fair value adjustments	**(2,265,830)**	(1,603,336)	**-**	-
	(1,236,957)	(1,054,696)	**(110,580)**	(127,919)

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	
	2009	2008	**2009**	2008
	€	€	**€**	€
Deferred tax asset	**1,139,453**	676,559	**-**	-
Deferred tax liability	**(2,376,410)**	(1,731,255)	**(110,580)**	(127,919)
	(1,236,957)	(1,054,696)	**(110,580)**	(127,919)

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

13. DEFERRED TAX (continued)

The deferred tax asset on unutilised tax losses 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 2009 the Group had unutilised tax losses amounting to €3,430,357 (2008: €4,730,397) available for relief against future taxable income. These losses give rise to a further deferred tax asset of €1,200,625 (2008: €1,655,639) that has not been recognised in these financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €	Office furniture, fittings and equipment €	Motor vehicles €	Total €
At 1 January 2008				
Cost	3,682,220	4,244,921	677,433	8,604,574
Accumulated depreciation	(197,817)	(2,720,854)	(462,458)	(3,381,129)
Carrying amount	3,484,403	1,524,067	214,975	5,223,445
Year ended 31 December 2008				
Opening carrying amount	3,484,403	1,524,067	214,975	5,223,445
Additions	2,831	68,662	-	71,493
Disposals	(33,811)	(129,683)	-	(163,494)
Transferred to investment property (Note 15)	(3,202,427)	-	-	(3,202,427)
Depreciation charge	(11,090)	(377,644)	(134,250)	(522,984)
Depreciation released on disposals	1,445	67,034	-	68,479
Closing carrying amount	241,351	1,152,436	80,725	1,474,512
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 15)	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 31 December 2009				
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**

15. INVESTMENT PROPERTY

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**23,960,021**	21,062,835	**758,087**	679,898
Additions	**896,708**	599,129	**654,171**	78,189
Transferred from property, plant and equipment (Note 14)	**-**	3,202,427	**-**	-
Transferred from property held for development (Note 20)	**4,141,943**	-	**-**	-
Property reclassified as property, plant and equipment (Note 14)	**(70,980)**	-	**-**	-
Property reclassified as property held for development	**(470,142)**	-	**-**	-
Disposals	**(139,743)**	(1,797,384)	**-**	-
Fair value gains	**411,389**	893,014	**-**	-
At end of year	**28,729,196**	23,960,021	**1,412,258**	758,087
At 31 December				
Cost	**19,443,693**	15,085,907	**1,412,258**	758,087
Accumulated fair value gains	**9,285,503**	8,874,114	**-**	-
Net book amount	**28,729,196**	23,960,021	**1,412,258**	758,087

The additions to investment properties in 2009 related to additional costs incurred on properties held by the Group at 1 January 2009.

The investment properties are professionally valued on 31 December at fair value comprising open market value by independent professionally qualified valuers.

The value of the Group's property in Rome, was valued at €9,535,973 at 31 December 2009 (2008: €9,337,540) by a leading independent global residential and commercial property consultancy firm on the basis of the comparative sales method. Despite the recent experience of a decreasing trend in real estate prices, professional advice obtained indicates that the property in question has retained its value particularly due to the upgrading of the interior of the property, the purchase of additional land and the attainment of planning permission for the construction of new residential units. The valuation of a property of this nature is inherently subject to uncertainty particularly due to the lack of market transparency and limited evidence of similar sales. Despite these limitations and on the basis of professional consultation as referred above, the Directors consider that sufficient evidence has been obtained in order to determine an appropriate valuation.

The evidence indicates that the valuation is sensitive to market circumstances. The market values of similar properties in the area ranged from prices that were 15% lower to 30% higher than the fair valuation that is reflected in the Group's statement of financial position as at 31 December 2009. Applying sensitivity analysis to a similar range of values would result in the profit before tax reported for the year being reduced by €1,430,000 or being increased by €2,860,000 respectively.

Payments on account of property commitments where title had not been transferred to the Group as at 31 December 2009 amounted to nil (2008: €758,086).

As at 31 December 2009 investment property amounting to €1,822,858 (2008: €1,869,468) were hypothecated in connection with bank finance obtained by the Group.

16. INVESTMENT IN GROUP UNDERTAKINGS

Company	2009	2008
	€	€
Year ended 31 December		
Opening and closing cost and carrying amount	**21,151,553**	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 2009	2008
Brammer 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%
GFSG (UK) Limited	138 Piccadilly London UK	Ordinary shares	**0%**	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	**100%**	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	**100%**	100%
GlobalCapital Life Insurance Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Property Advisors Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Property Management Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
Globe Properties Limited	120 The Strand Gzira	Ordinary shares	**100%**	99%
Quadrant Italia Srl	Via Bruxelles 34 Cap 00100 Rome RM Italy	Ordinary shares	**100%**	100%

The distribution of dividends by most 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 30, the Group held 66% (2008 – 66%) of the International Growth Opportunities Fund as at 31 December 2009. This equity holding was not consolidated on the basis of immateriality.

17. INVESTMENT IN ASSOCIATED UNDERTAKING

Group	2009	2008
	€	€
Year ended 31 December		
At beginning of year	**3,532,742**	3,798,059
Share of loss of associated undertaking	**(79,385)**	(265,317)
At end of year	**3,453,357**	3,532,742
At 31 December		
Cost	**3,806,196**	3,806,196
Accumulated losses	**(352,839)**	(273,454)
Carrying amount	**3,453,357**	3,532,742

The associated undertaking at 31 December:

Associate	Registered office	Class of shares held	Percentage of shares held 2009	Percentage of shares held 2008
Metropolis Developments Limited	Metropolis Enrico Mizzi Street Gzira Malta	Ordinary 'A' shares	**41%**	41%

At 31 December 2009, Metropolis Developments Limited's assets amounted to €14,312,855 (2008: €14,325,568) and liabilities amounted to €5,890,034 (2008: €5,709,135). The Metropolis Developments Limited Group registered a loss during the year ended 31 December 2009 of €193,609 (2008: €681,215).

18. OTHER INVESTMENTS

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Fair value through profit or loss	**39,810,300**	38,399,483	**128,188**	398,534
Loans and receivables	**807,803**	94,510	**8,423,072**	8,222,724
Total investments	**40,618,103**	38,493,993	**8,551,260**	8,621,258

(a) Investments at fair value through profit or loss

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Equity securities and collective investments schemes:				
- listed shares	**10,191,825**	11,149,931	**47,561**	349,153
- collective investment schemes	**3,223,775**	2,626,939	**80,627**	49,381
	13,415,600	13,776,870	**128,188**	398,534
Debt securities				
- listed	**26,108,140**	24,184,633	**-**	-
- unlisted	**286,560**	437,980	**-**	-
	26,394,700	24,622,613	**-**	-
Total investments at fair value through profit or loss	**39,810,300**	38,399,483	**128,188**	398,534

In 2009 collective investment schemes include €1,618,156 (2008: €887,138) that are held to cover linked liabilities.

18. OTHER INVESTMENTS (continued)

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

Maturity of debt securities

	2009 €	2008 €
Within 1 year	**1,027,713**	328,043
Between 1 and 2 years	**2,176,984**	1,576,450
Between 2 and 5 years	**2,846,406**	4,227,642
Over 5 years	**20,343,597**	18,490,478
	26,394,700	24,622,613
Weighted average effective interest rate at the statement of financial position date	**6%**	6%

Group investments amounting to €3,920,308 (2008: €1,883,065) 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	
	2009 €	2008 €	**2009 €**	2008 €
Year ended 31 December				
At beginning of year	**38,399,483**	45,220,473	**398,534**	5,110,685
Additions	**4,482,451**	8,100,814	**-**	331,612
Disposals (sale and redemption)	**(6,028,353)**	(8,238,514)	**(386,716)**	(4,593,455)
Net fair value gains/(losses)	**2,956,719**	(6,683,290)	**116,370**	(450,308)
At end of year	**39,810,300**	38,399,483	**128,188**	398,534
At 31 December				
Cost	**39,442,010**	40,987,912	**424,723**	811,439
Accumulated fair value gains/(losses)	**368,290**	(2,588,429)	**(296,535)**	(412,905)
Carrying amount	**39,810,300**	38,399,483	**128,188**	398,534

18. OTHER INVESTMENTS (continued)

(b) Loans and receivables

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Loans to group undertakings	**-**	-	**8,423,072**	8,222,724
Loans secured on policies	**120,759**	94,510	**-**	-
Term deposits held for investment purpose	**687,044**	-	**-**	-
	807,803	94,510	**8,423,072**	8,222,724

Group
Loans secured on policies are substantially non-current in nature. They are charged with interest at the rate of 8% (2008: 8%) per annum.

Company
Loans to group undertakings are unsecured, charged with interest at a rate of 8% (2008: 8%) and are repayable on demand but are not expected to be realised within twelve months after the statement of financial position date. The interest charge for 2009 and 2008 was waived by the Company.

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

19. TECHNICAL PROVISIONS – INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

	2009	2008
	€	€
Insurance contracts (net of reinsurance)	**26,513,785**	23,036,633
Investment contracts with DPF	**24,064,946**	26,547,030
	50,578,731	49,583,663
Investment contracts without DPF	**1,618,156**	887,138
Total technical provisions	**52,196,887**	50,470,801

The movements in technical provisions are analysed below:

	Insurance contracts	**Investment contracts with DPF**	**Total**
	€	**€**	**€**
Year ended 31 December 2008			
At beginning of year	19,827,773	27,517,654	47,345,427
Charged to technical account			
-change in the provision for claims	(139,520)	(12,080)	(151,600)
-change in other technical provisions	3,348,380	(958,544)	2,389,836
Year ended 31 December 2009	23,036,633	26,547,030	49,583,663
At beginning of year			
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

19. TECHNICAL PROVISIONS (continued)

Insurance contracts are further analysed as follows:

	2009	2008
	€	€
Gross technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**29,928**	78,919
other provisions	**122,295**	288,690
Long term insurance contracts		
claims outstanding	**163,625**	186,136
long term business provision	**27,230,256**	23,487,586
	27,546,104	24,041,331
Reinsurers' share of technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**(8,378)**	(26,158)
other provisions	**(39,782)**	(97,980)
Long term insurance contracts		
claims outstanding	**(34,941)**	(57,070)
long term business provision	**(949,218)**	(823,490)
	(1,032,319)	(1,004,698)
Net technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**21,550**	52,761
other provisions	**82,513**	190,710
Long term insurance contracts		
claims outstanding	**128,684**	129,066
long term business provision	**26,281,038**	22,664,096
	26,513,785	23,036,633

Investment contracts with DPF include claims outstanding amounting to €59,533 (2008: €30,369). The above liabilities are non-current in nature.

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.

19. TECHNICAL PROVISIONS (continued)

(b) Changes in assumptions

During the year, there were changes in mortality assumptions for permanent assurance, interest- sensitive and unit linked business. A new reserve was added for unit linked and interest sensitive policies becoming paid up. The amount of this reserve is €686,000.

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.

	Increase in liability	
	2009	2008
	€	€
10% loading applied to mortality assumptions	**110,000**	104,000
Lowering of investment return by 25 basis points	**622,000**	246,000

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.

20. PROPERTY HELD FOR DEVELOPMENT

	Group	
	2009	2008
	€	€
At cost		
Year ended 31 December		
At beginning of year	**5,897,283**	4,710,324
Additions	**1,297,732**	1,868,102
Disposals	**(718,097)**	(681,143)
Transferred from investment property	**470,142**	-
Transferred to investment property	**(4,141,943)**	-
At end of year	**2,805,117**	5,897,283

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Trade receivables - third parties	**1,537,055**	1,583,164	**-**	-
Less: impairment of receivables	**(57,160)**	(66,173)	**-**	-
Trade receivables - net	**1,479,895**	1,516,991	**-**	-
Other loans and receivables:				
receivables from group undertakings	**-**	-	**6,154,416**	5,887,134
receivables from associated undertaking	**225,295**	211,032	**-**	-
receivables from related parties	**323,614**	150,181	**163,975**	2,019
other taxation receivable	**370,925**	8,339	**-**	-
prepayments	**342,155**	330,554	**6,205**	1,700
accrued investment income	**953,461**	1,005,857	**240**	6,180
other receivables	**241,899**	440,818	**105,818**	70,731
	3,937,244	3,663,772	**6,430,654**	5,967,764

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

	Group	
	2009	2008
	€	€
Year ended 31 December		
At the beginning of year	**66,173**	95,835
Decrease in provision	**(9,013)**	(29,662)
At end of year	**57,160**	66,173

The movement in the provision for impairment of trade receivables is included in 'administrative expenses' in the statement of comprehensive income. 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 2009 (2008 – trade receivables of €10,017 that were long outstanding for more than 12 months were written off).

As at 31 December 2009, trade receivables amounting to €1,480,295 (2008: €966,328) were fully performing and trade receivables amounting to €819,590 (2008: €550,663) 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:

	2009	2008
	€	€
Between 3 to 6 months	**140,450**	27,167
More than 6 months	**679,540**	523,496
	819,990	550,663

Amounts owed by group undertakings and related parties are unsecured and are repayable on demand. All balances due from group undertakings are interest-free with the exception of balances amounting to €3,170,149 at 31 December 2009, which bear interest at 6% per annum (2008 – nil).

Interest-bearing automatic premium loans are classified as investments in Note 18 to the financial statements.

All of the above amounts are current in nature.

22. SHARE CAPITAL

	Group and Company	
	2009	2008
	€	€
Authorised		
30,000,000 ordinary shares of €0.291172 each	**8,735,150**	8,735,150
Issued and fully paid		
13,207,548 Ordinary shares of €0.291172 each	**3,845,663**	3,845,663

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 and GlobalCapital Fund Advisors Limited is regulated by rules issued under the Investment Services Act. The capital of GlobalCapital Insurance Brokers Limited and GlobalCapital Health Insurance Agency Limited is regulated by rules issued under the Insurance Intermediaries Act, whereas the capital of GlobalCapital Investments Limited is regulated by the Financial Institutions 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.

22. 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.

	2009 Minimum Capital Resources / Own Funds €	**2009 Actual Own Funds €**	2008 Minimum Capital Resources / Own Funds €	2008 Actual Own Funds €
GlobalCapital Health Insurance Agency Limited	**371,136**	**381,719**	389,807	572,866
GlobalCapital Investments Limited	**116,469**	**146,345**	116,469	121,986
GlobalCapital Insurance Brokers Limited	**72,847**	**196,051**	64,803	100,230
GlobalCapital Life Insurance Limited	**3,200,000**	**9,999,513**	3,200,000	10,162,846
GlobalCapital Fund Advisors Limited	**741,462**	**252,630**	536,774	1,205,270
GlobalCapital Financial Management Limited	**3,457,931**	**3,539,144**	3,491,176	4,916,882

At both year ends, all subsidiaries subject to regulatory supervision satisfied the minimum prudential capital requirements with the exception of GlobalCapital Fund Advisors Limited (GCFA). GCFA will be merged into a fellow subsidiary after year end and will cease to exist. 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 was above the minimum required by law at all times throughout 2008 but fell short of the 1.5 times asset cover recommended by the Regulator as at 31 December 2008. The Directors took the necessary remedial action after year end through the issue of preference share capital and a subordinated loan in order to ensure continuous adherence with both internal risk management processes and external regulatory requirements.

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 €20,921,629 (31 December 2008 - €25,176,886). Management are continuously monitoring this position to ensure that the bond covenant requirements are complied with.

23. SHARE PREMIUM ACCOUNT

	2009 €	2008 €
Share premium	**16,970,641**	16,970,641

24. OTHER RESERVES

Group	Value of in-force business €	Investment compensation scheme €	Total €
Year ended 31 December 2008			
At beginning of year	1,167,016	6,010	1,173,026
Increment in value in-force business, transferred from profit and loss account (Note 12)	826,330	-	826,330
At end of year	1,993,346	6,010	1,999,356
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 and loss account (Note 12)	(144,000)	-	(144,000)
Investment compensation scheme	-	2,152	2,152
At end of year	1,849,346	8,162	1,857,508

The above reserves are not distributable. Comparative figures have been revised in relation to unrealised fair value movements on investment property not related to the policyholders. In prior years, these movements, net of tax, which are initially recognised in profit or loss, were previously transferred out of revenue reserves and into other reserves. These fair value movements are now retained in revenue reserves. Comparative figures have been amended to reflect this change, however the impact of this change was not deemed to be material and therefore the Group was not required to present a third statement of financial position.

25. INTEREST-BEARING BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Bank overdraft (Note 28)	**608,047**	1,294,670	**366,265**	565,724
Bank loans	**2,112,951**	2,449,799	**-**	-
5.6% bonds 2014/2016	**16,761,905**	16,714,060	**16,761,905**	16,714,060
Total borrowings	**19,482,903**	20,458,529	**17,128,170**	17,279,784

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.

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 2009 was €82.00 (2008: €74.50).

25. INTEREST-BEARING BORROWINGS (continued)

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

	Group and Company	
	2009	2008
	€	€
Proceeds		
€ 17,000,000, 5.6% bonds 2014/2016	**17,079,199**	17,079,199
Less:		
Issue cost	**493,326**	491,974
Accumulated amortisation	**(176,032)**	(126,835)
	317,294	365,139
Net proceeds	**16,761,905**	16,714,060

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 a rate of 4.5% (2008: 5.1%) per annum.

The bank overdraft facility is secured by a pledge on investments, and bears interest at a floating interest rate (2009 4.3% per annum) (2008: 6.3% per annum).

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Trade payables	**1,407,453**	1,070,617	**616,818**	145,586
Amounts due to group undertakings	**-**	-	**249,110**	411,101
Amounts due to associates	**1,677**	163,410	**-**	-
Amounts due to related parties	**49,642**	297,709	**51,319**	1,660
Other taxation and social security	**23,334**	72,691	**-**	-
Accruals and deferred income	**1,572,669**	1,484,676	**584,833**	735,481
Other payables	**130,814**	400,530	**22,421**	9,231
	3,185,589	3,489,633	**1,524,501**	1,303,059

All of the above amounts are payable within one year.

Amounts owed to group undertakings and related parties are unsecured, interest free and are repayable on demand.

27. CASH GENERATED FROM/(USED IN) OPERATIONS

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

	2009	2008	2009	2008
	€	€	€	€
Cash flows from operating activities				
Profit before tax	**(800,648)**	(7,554,431)	**(754,292)**	(1,147,612)
Adjustments for:				
Net (gain)/losses on investments	**(3,124,462)**	5,342,528	**12,272**	605,570
Share of loss in associated undertaking (Note 17)	**79,385**	265,317	**-**	-
Decline/(Increment) in value in-force business	**144,000**	(1,271,282)	**-**	-
Impairment/amortisation	**740,835**	1,471,015	**49,197**	49,197
Depreciation (Note 14)	**332,537**	522,984	**-**	-
Net movement in Technical provisions (Note 19)	**995,068**	2,238,236	**-**	-
Impairment of receivables (Note 21)	**(9,013)**	(29,662)	**-**	-
Loss on disposal of fixed assets	**57,947**	45,226	**-**	-
Profit on sale of property held for development	**(240,067)**	(293,241)	**-**	-
Increase in investment compensation scheme	**2,152**	-	**-**	-
Dividends received	**(462,155)**	(461,376)	**(10,093)**	(6,724)
Interest income	**(1,859,237)**	(1,169,437)	**(352,464)**	(224,745)
Interest expense	**1,112,543**	1,260,769	**12,048**	(20,632)
Operating (loss)/profit before working capital movements	**(3,031,115)**	366,646	**(1,043,332)**	(744,946)
Movement in property held for development	**(339,587)**	(893,718)	**-**	-
Movement in trade and other receivables	**(148,021)**	275,293	**(33,652)**	(3,313,096)
Movement in trade and other payables	**(289,556)**	(520,145)	**333,773**	(121,889)
Net cash flow used in operating activities	**(3,808,279)**	(771,924)	**(743,211)**	(4,179,931)

28. 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	
	2009	2008	2009	2008
	€	€	€	€
Cash at bank and on hand	**9,517,207**	12,385,073	**67,115**	1,429,946
Bank overdraft	**(608,047)**	(1,294,670)	**(366,265)**	(565,724)
	8,909,160	11,090,403	**(299,150)**	864,222

Cash at bank earns interest at a weighted average floating interest rate of 1.69% (2008: 0.95%).

29. FAIR VALUES

All financial instruments that are measured subsequent to initial recognition at fair value through profit or loss may be measured using level 1 to 3 inputs.

- 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 were measured using Level 1 inputs.

The fair value of the bonds issued by the company, based on quoted prices is disclosed in Note 25.

At 31 December 2009 and 2008, the carrying amounts of other financial assets and liabilities, with the exception of investment in group and associated undertakings, approximated their fair values with the exception of the 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. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost since the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of these financial assets within twelve months of the end of the reporting period.

30. RELATED PARTY TRANSACTIONS

Group

Transactions during the year with related parties were as follows:

	2009	2008
	€	€
Commission receivable from related parties	**172,761**	90,761
Commission receivable on investments made by related funds (see note below)	**4,751**	22,451
Fees receivable in respect of advice provided to related funds (see note below)	**106,422**	184,789
Rent payable to related parties	**-**	25,087

GlobalCapital Fund Advisors Limited and GlobalCapital Financial Management Limited, both of which are group undertakings, act as Investment Advisor and Fund Manager respectively to the 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 Global Funds SICAV p.l.c.. Joseph M. Zrinzo and Joseph R. Aquilina, who sit on the board of GlobalCapital Financial Management Limited and GlobalCapital Fund Advisors Limited are also directors of the GlobalCapital Funds SICAV p.l.c .

30. RELATED PARTY TRANSACTIONS (continued)

Amounts owed by or to related parties are disclosed in Notes 21 and 26 to these financial statements. No impairment loss has been recognised in 2009 and 2008 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:

	2009	2008
	€	€
Global Bond Fund Plus	**120,322**	92,001
Malta Privatisation & Equity Fund	**460,204**	513,646
Malta International Equity Fund	**71,585**	66,313
International Growth Opportunities Fund	**210,932**	129,187
The Property Fund	**65,188**	255,014
Other related Funds	**258,093**	252,682
	1,186,324	1,308,843

The above investments as at 31 December 2009 were represented by the following holdings held by the Group directly in each fund:-

	2009	2008
	%	%
Global Bond Fund Plus	**6**	6
Malta Privatisation & Equity Fund	**11**	10
Malta International Equity Fund	**11**	10
International Growth Opportunities Fund	**66**	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:-

	2009	2008
	%	%
Global Bond Fund Plus	**57**	58
Malta Privatisation & Equity Fund	**21**	23
Malta International Equity Fund	**41**	44
International Growth Opportunities Fund	**4**	4
The Property Fund	**45**	45

Related party balances are disclosed in Note 21. Interest receivable from Metropolis Developments Limited during the year amounted to €12,255 (2008: €6,782).

As at the statement of financial position date bonds with a nominal value of €525,700 (2008: €324,400) were held by related parties. The compensation to Directors in 2009 and 2008 is disclosed in Note 9 to the financial statements.

30. 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 7. Amounts owed by or to group undertakings and related parties are disclosed in Notes 18, 21 and 26. 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:

	2009	2008
	€	€
International Growth Opportunities Fund	**80,627**	49,380

The above investments as at 31 December 2009 were represented by the following holdings held by the Company directly in each fund:-

	2009	2008
	%	%
International Growth Opportunities Fund	**26**	26

31. 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:

	2009	2008
	€	€
Not later than one year	**109,875**	139,519
Later than one year and not later than five years	**155,149**	403,325
	265,024	542,844

31. 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:

	2009	2008
	€	€
Not later than one year	**347,928**	323,217
Later than one year and not later than five years	**403,173**	397,132
	751,101	720,349

Other commitments

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

	2009	2008
	€	€
Authorised and contracted:		
- computer software	**-**	294,293
- property development	**633,136**	1,096,000
	633,136	1,390,293
Authorised but not contracted:		
- computer software	**172,220**	125,000
- property development	**2,007,000**	1,978,000
	2,179,220	2,103,000

32. STATUTORY INFORMATION

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

Independent auditor's report

To the shareholders of GlobalCapital p.l.c.

We have audited the consolidated and parent company financial statements ('the financial statements') of GlobalCapital p.l.c. on pages 49 to 107 which comprise the consolidated and parent company statements of financial position as at 31 December 2009 and the consolidated and parent company 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 notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Chap. 386). As described in the Statement of Directors' responsibilities on page 10, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2009 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements
In our opinion, the financial statements have been properly prepared in accordance with the requirements of the Companies Act (Chap. 386).

Sarah Curmi
Partner for, and on behalf of

Deloitte.

Deloitte Place
Mriehel Bypass
Mriehel
Malta

18 March 2010

Five year summary

Statement of Comprehensive income

	Group 2009 €	Group 2008 €	Group 2007 €	Group 2006 €	Group 2005 €
Turnover - commission and fees receivable	**2,891,154**	3,677,410	4,821,449	11,247,400	7,190,680
Gross premiums written	**10,117,050**	7,078,502	12,634,260	9,713,138	8,999,744
Operating profit/(loss)	**(1,516,587)**	(5,132,904)	1,950,999	6,349,665	3,967,722
(Loss)/profit before tax	**(800,648)**	(7,554,426)	353,743	7,388,039	6,116,010
Tax income/(expense)	**39,904**	668,264	226,192	(2,637,668)	(2,356,881)
(Loss)/profit for the financial year	**(760,744)**	(6,886,162)	579,935	4,750,371	3,759,129

Statement of Financial Position

	Group 2009 €	Group 2008 €	Group 2007 €	Group 2006 €	Group 2005 €
ASSETS					
Intangible assets	**6,233,789**	7,005,475	7,561,570	7,998,812	8,523,077
Property, plant and equipment	**1,267,446**	1,474,512	5,223,445	5,436,045	5,205,765
Investment property	**28,729,196**	23,960,021	21,062,835	15,104,086	9,443,836
Investments	**44,071,460**	42,026,735	53,356,926	53,914,191	31,412,586
Property held for development	**2,805,117**	5,897,283	4,710,324	3,491,002	-
	83,107,008	80,364,026	91,915,100	85,944,136	54,585,264
Other non current assets	**2,981,683**	2,949,356	2,064,836	1,533,340	1,494,307
Current assets	**13,454,451**	16,048,845	11,080,531	9,064,847	10,208,887
Total assets	**99,543,142**	99,362,227	105,060,467	96,542,323	66,288,458
EQUITY & LIABILITIES					
Capital and reserves	**21,269,034**	22,027,626	28,913,793	29,533,704	26,083,166
Provisions for liabilities and charges	**53,229,206**	53,206,754	50,944,390	41,526,499	33,314,354
Interest-bearing borrowings	**19,482,903**	20,458,529	20,917,340	20,217,333	3,111,800
Other liabilities	**5,561,999**	3,669,318	4,284,944	5,264,787	3,779,138
Total equity and liabilities	**99,543,142**	99,362,227	105,060,467	96,542,323	66,288,458

Accounting ratios

	Group 2009 €	Group 2008 €	Group 2007 €	Group 2006 €	Group 2005 €
Commission, fees receivable and gross premium written to total assets	**13%**	11%	17%	22%	24%
Net operating expenses to total assets	**5%**	6%	7%	7%	8%
Net (loss)/profit to commission, fees receivable and gross premium written	**(6%)**	(64%)	3%	23%	23%
Operating profit/(loss) to commission, fees receivable and gross premium written	**(12%)**	(48%)	11%	30%	25%
Pre-tax return on capital employed	**(4%)**	(34%)	1%	25%	23%
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)	**161.0**	166.8	218.9	223.6	197.5
Earnings per share (cents)	**(5.76)**	(52.14)	4.4	35.9	28.4
Dividend cover (times)	**-**	-	-	3.0	3.1

Share register information

	Number of Shares 31 December 2009	Number of Shares 30 April 2010
Total Shares in issue	13,207,548	13,207,548

Directors' interest in issued share capital of the Company

	Number of Shares 31 December 2009	Number of Shares 30 April 2010
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 2009	% Holding 31 December 2009
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 2010	% Holding 30 April 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%

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

	Number of Shareholders 31 December 2009	Number of Shareholders 30 April 2010
One class of shares carrying equal voting rights	1488	1476

Distribution of Shareholding

Range :	Number of shareholders 31 December 2009	Shares 31 December 2009
1 – 1,000	1244	382,532
1,001 – 5,000	205	361,463
5,001 and over	39	12,463,553

Range :	Number of shareholders 30 April 2010	Shares 30 April 2010
1 – 1,000	1294	436,099
1,001 – 5,000	143	297,346
5,001 and over	39	12,474,103

Offices

HEAD OFFICE
120, The Strand,
Gzira GZR 1027
Malta

OPERATIONS CENTRE
Balzan Valley
Balzan BZN 1409
Malta

CUSTOMER SERVICE AND SALES OFFICES

Qormi
92, St. Bartholomew Street
Qormi QRM 2186
Malta

Fgura
16, Hompesch Road
Fgura FGR 2011
Malta

Balzan
Balzan Valley
Balzan BZN 1409
Malta

Victoria – Gozo
15/14
Fortunato Mizzi Street
Victoria VCT 2574
Gozo, Malta

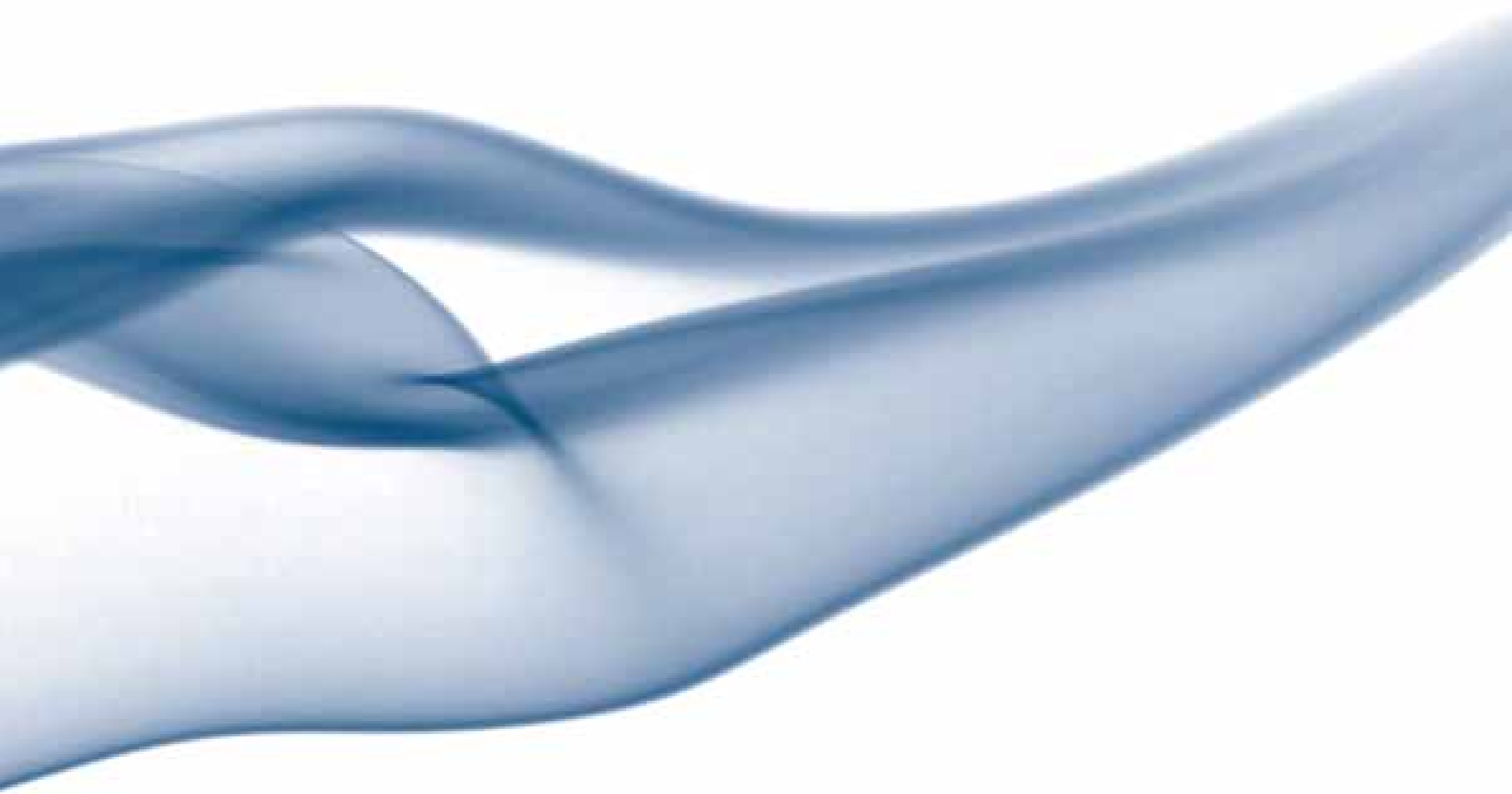
REAL ESTATE
Gzira
120, The Strand,
Gzira GZR 1027
Malta

INSURANCE BROKERAGE
Balzan Valley,
Balzan BZN 1409
Malta

INTERNATIONAL OFFICE
Libya representative office
Nesreen Street He Alzohoor
Tripoli
Libya

www.globalcapital.com.mt

Freephone 8007 3131



GlobalCapital plc

GlobalCapital p.l.c.
120, The Strand, Gzira GZR1027, Malta
www.globalcapital.com.mt