GlobalCapital p.l.c.

Annual Report & Financial Statements

08

GlobalCapital

Together through life

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resilience

Chairman's Statement
Annual Report 2008

2008 will be noted in history as one of the most challenging years in the post World War II era. It has been a year characterised by great volatility in financial markets, and one in which the sustained global financial crisis resulted in a sharp downturn in the bond, equity and property markets thus significantly impacting the various areas of our Group's business.

2008 also represented the end of a chapter when, 21 years since founding the Globe Organisation and 5 years after a successful merger with the British American insurance branch in 2003, Mr. Christopher J. Pace stepped down as Chairman of the GlobalCapital Group.

Mr. Pace has been the predominant influence forging the Group into a leading and diverse financial services organisation in the Maltese Islands. On behalf of the British American Group, Aberdeen Asset Management, other shareholders and all GlobalCapital staff, I would like to recognise Mr. Pace's years of service and dedication.

Meanwhile, these challenging times have also presented the Group with the opportunity to re-assess its core business pillars. The Board has initiated a comprehensive review of its business in order to identify process efficiencies and business re-alignment, whilst maintaining our medium-term objectives.

Despite the current turmoil in the markets, attractive opportunities are still available. The Board is consequently monitoring developments whilst taking defensive measures to make sure the Group is well positioned to ride out the remainder of the downturn.

2008 AND THE GLOBAL FINANCIAL MARKETS

As anticipated, capital markets have not shown any signs of recovery throughout 2008 and severe turmoil was registered in most aspects of the financial markets throughout the period. This instability is expected to continue in 2009.

Emerging markets and western countries have registered lower or negative growth rates. Central Banks and the Federal Reserve have reduced interest rates to unprecedented levels, leading several banks to revise their interest rates downwards.

The Board has initiated a comprehensive review of its business in order to identify process efficiencies and business re-alignment, whilst maintaining our medium-term objectives

The fallout from the collapse of the U.S. sub-prime market in 2007 continued into 2008 and brought down some highly reputable U.S. financial institutions, order books for the automotive industry have practically frozen and many G20 countries have entered into a recession.

In contrast to the negative trends registered during 2008 in international markets, particularly in the US and UK banking sectors, banks in the Maltese Islands have so far shown greater resilience. Respective results show that the conservative and prudent approach adopted by the local banking sector has, so far, withstood the daunting economic tests. Nonetheless, local financial services operators have not been immune to the impact of fair value losses resulting from mark-downs in their investment holdings.

I am glad to state that none of the investments held by the Group have been categorised as 'toxic' assets and the portfolio is therefore expected to yield compensating fair value gains once the markets start to recover.

Similarly, the Group's equity and bond investment portfolio has suffered significant reductions in value which are reflected as fair value losses, predominately non-cash by their nature, and also referred to as "paper losses". These types of losses by far constitute the largest proportion of the Group's reported loss for 2008. I am glad to state that none of the investments held by the Group have been categorised as 'toxic' assets and the portfolio is therefore expected to yield compensating fair value gains once the markets start to recover.

The Group's business of insurance was also adversely impacted by the negative performance of the capital markets as well as a decline in premiums. At the same time, on the investment front the prevailing lack of confidence has led investors to take a much more cautious approach, resulting in a substantial decrease in appetite for purchase of investment products. This negative trend has also had an adverse effect on income generated from performance fees.

Conversely, the Group's Property activities and the Agency and Brokerage services registered encouraging results. The Group took strategic measures to dispose of its property assets in Dubai at a time when property in Dubai was still much sought after and selling at peak prices. We continue to hold significant interests in property assets, locally and overseas, in a diverse portfolio of property for development purposes alongside long-term yield, high rental value real estate.

With the full cooperation of the Executive Management team and all our members of staff, early in 2008 the Group successfully embarked on several cost containment measures in anticipation of the turbulent times ahead, as well as other defensive measures such as maintaining a larger than average proportion of assets in cash. Going forward we are committed to continue our drive to contain cost without negatively impacting on the smooth running of our business operations.

FINANCIAL PERFORMANCE

The unprecedented and extended disruption in the global financial markets has inevitably impacted negatively on GlobalCapital's 2008 results, with the Group declaring a loss after tax of €6,886,162 (2007: profit of €579,935) for the year ended 31 December 2008.

Our commitment to the community remains clear and unchanged

At the end of 2008, the Group's total assets stood at just under €100 million.

Our portfolio of assets registered an overall 7% drop in value over the year. Whilst significant, this outcome has occurred during a period when the local stock exchange and international exchanges registered falls well in excess of that level.

COMMITTED TO OUR COMMUNITY

Our commitment to the community remains clear and unchanged. Within the parameters of our limited resources and in the context of the prevailing tough times, we have endeavoured to support worthy causes and it is our intention to continue doing so in the months and years to come.

Notably, we have extended the existing agreement between Bupa and Luxol Basketball team and have maintained our presence in prestigious events such as the Gozo Sailing Regatta as well as collaborating with the Marsa Sports Club, the Royal Malta Yacht Club and Royal Malta Golf Club.

WAY FORWARD

The Group continues to stand on solid ground with strong foundations, clearly represented in the Group's balance sheet as high-quality assets.

With an attractive array of offerings, a very significant customer base, a talented workforce and the international exposure of the Group's institutional shareholders, I believe that GlobalCapital remains well positioned to benefit from the eventual upturn in the financial markets.

As stated earlier, it is vital for the Group to continue its comprehensive review and revitalisation of its core business streams. Throughout 2009, the Group will embark on a series of steps that address the findings of the business review. The successful implementation of this process will ensure that GlobalCapital emerges as a stronger player in the market, maintaining its leading position amongst non-banking financial services institutions in the Maltese Islands.

Nicholas Ashford-Hodges
Chairman

Stqarrija taċ-Chairman
Rapport Annwali 2008

Is-sena 2008 tibqa' magħrufa fl-istorja bħala waħda mill-aktar snin diffiċli fl-era ta' wara t-Tieni Gwerra Dinjija. Rajna sena kkaratterizzata minn volatilità kbira fis-swieq finanzjarji, sena li fiha l-kriżi finanzjarja globali mtawwla ssarfet fi tnaqqis kbir fis-swieq tal-bonds, ta' l-ishma u tal-propjetà u li għalhekk ħalliet impatt fuq diversi oqsma ta' l-attività kummerċjali tal-Grupp.

Is-sena 2008 kienet ukoll is-sena li fiha intemm kapitlu, hekk kif 21 sena wara t-twaqqif ta' l-organizzazzjoni Globe u 5 snin wara t-twaħħid b'suċċess mal-fergħa ta' l-assigurazzjoni ta' British American fl-2003, is-sur Christopher J. Pace ħalla l-kariga ta' Chairman tal-Grupp GlobalCapital.

Is-sur Pace kien fuq quddiem nett biex il-Grupp sar organizzazzjoni ewlenija u diversifikata tas-servizzi finanzjarji fil-gżejjer Maltin. F'isem British American Group, Aberdeen Asset Management, azzjonisti oħrajn u l-istaff kollu ta' GlobalCapital, nixtieq nirrikonoxxi is-snin kollha ta' ħidma u dedikazzjoni tas-sur Pace.

Intant, dawn iż-żminijiet ta' sfidi taw ukoll l-opportunità lill Grupp biex jagħmel rievalwazjoni tal-pilastri ewlenin ta' l-attività kummerċjali tiegħu. Il-Bord beda reviżjoni komprensiva tan-negozju sabiex jidentifika effiċjenzi tal-proċess u re-allenjament tan-negozju, filwaqt li nżommu l-miri tagħna għall-firxa medja ta' żmien.

Minkejja t-taqlib li għaddejjin minnhom is-swieq bżalissa, għadhom jeħistu opportunitajiet attraenti. Għalhekk, il-Bord qed isewgi l-iżviluppi li qed iseħħu filwaqt li qed jieħu miżuri difensivi sabiex jiżgura li l-Grupp jibqa' f'qagħda tajba biex jimxi 'l quddiem fil-bqija tax-xejra negattiva li għaddejjin minnha.

L-2008 U S-SWIEQ FINANZJARJI GLOBALI

Kif mistenni, is-swieq tal-kapital ma wrew ebda sinjal ta' rkupru matul l-2008 u matul dan il-perijodu ġie rreġistrat taqlib qawwi fil-biċċa l-kbira ta' l-aspetti tas-swieq finanzjarji. Din l-instabbilità mistennija tkompli fl-2009.

Swieq emerġenti u pajjiżi tal-punent irreżistraw rati ta' tkabbir baxxi jew negattivi. Banek Ċentrali u r-Riserva Federali naqqsu r-rati ta' l-imgħax għal livelli bħal qatt qabel, u b'hekk diversi banek ewlenin kellhom jirrevedu r-rati ta' l-imgħax tagħhom 'l isfel.

L-impatt tad-diżastru fis-suq Amerikan tas-*sub-prime* li seħħ fl-2007 kompla matul l-2008 u ħalla effett ħażin fuq xi istituzzjonijiet finanzjarji Amerikani li kienu jgawdu minn reputazzjoni tajba ħafna. L-ordnijiet fl-industrija awtomobilistika prattikament iffriżaw u ħafna mill-pajjiżi tal-G20 daħlu f'reċessjoni.

B'kuntrast max-xejriet negattivi tas-swieq internazzjonali fl-2008, l-aktar fis-setturi bankarji fl-iStati Uniti u fir-Renju Unit, banek Maltin s'issa qed juru ħafna aktar reżistenza. Ir-riżultati ta' dawn il-banek juru li d-deċiżjonijiet konservattivi u prudenti li ġa s-settur bankarju lokali rnexxielhom, s'issa, jilqgħu għall-provi ekonomiċi iebsin. Madankollu, operaturi lokali tas-servizzi finanzjarji xorta waħda sofrew mill-impatt ta' tnaqqis fil-valur normali b'riżultat tat-telf li sofrew l-investimenti tagħhom.

L-istess jista' jingħad għall-portafoll ta' investiment tal-Grupp f'ishma u bonds, li sofra tnaqqis notevoli fil-valur li huwa rifless bħala tnaqqis fil-valur normali, li minn natura tagħhom huma fil-biċċa l-kbira mhux kontanti, imsejjħa wkoll *paper losses*. Huma dawn it-tipi ta' telf li jikkostitwixxu l-akbar parti tat-telf irrapurtat mill-Grupp fl-2008. Għandi l-pjaċir ngħid li ebda investiment tal-Grupp ma ġie kkatekorizzat bħala assi 'tossiċi' u għalhekk il-portafoll mistenni jagħti kumpens fi gwadann tal-valur normali ladarba s-swieq jibdew jirkupraw.

In-negozju ta' l-assigurazzjoni tal-Grupp ukoll intlaqat mill-pretazzjoni negattiva tas-swieq tal-kapital, kif ukoll minn tnaqqis fil-primjums. Fl-istess waqt, fis-settur ta' l-investiment, in-nuqqas ta' fiduċja li qed tinħass bħalissa wasslet biex l-investituri jieħdu linja aktar kawta u b'riżultat ta' dan kien hemm tnaqqis sostanzjali fix-xewqa għax-xiri ta' prodotti ta' investiment. Din ix-xejra negattiva ħalliet impatt negattiv ukoll fuq id-dħul iġġenerat mill-ħlas fuq l-eżekuzzjoni.

Min-naħa l-oħra, l-attivitajiet tal-Propjetà tal-grupp u s-servizzi ta' Aġenzija u Brokerage rreġistraw riżultati nkoraġġanti. Il-Grupp ħa miżuri strateġiġi biex jiddisponi mill-assi fi propjetà li kellu f'Dubai, fi żmien meta l-propjetà hemmhekk kienet għadha ferm imfittxija u kienet qed tinbiegħ bl-ogħla prezzijiet. Għad għandha interessi notevoli f'assi ta' propjetà, kemm lokalment kif ukoll barra minn Malta, f'portafoll diversifikat ta' propjetà għall-finijiet ta' żvilupp flimkien ma' propjetà immobbli li tagħti qliegħ fit-tul u b'valur għoli ta' kiri.

Bil-kooperazzjoni sħiħa tat-tim ta' l-Immaniġjar Eżekuttiv u tal-membri kollha ta' l-istaff tagħna, kmieni fl-2008 il-Grupp nieda b'suċċess numru ta' miżuri maħsuba biex jillimitaw l-ispejjeż fid-dawl taż-żminijiet ta' taqlib li konna qed nistennew, kif ukoll miżuri oħrajn bħal li nżommu proporzjon ogħla mill-medja ta' assi fi flus. Hekk kif inkomplu mexjin 'il quddiem, intennu l-impenn tagħna biex inkomplu bl-isforzi tagħna sabiex nillimitaw l-ispejjeż mingħajr ma nħallu impatt negattiv fuq l-andament tajjeb ta' l-operat tan-negozju tagħna.

Il-Bord beda reviżjoni komprensiva tan-negozju sabiex jidentifika effiċjenzi tal-proċess u re-allenjament tan-negożju, filwaqt li nżommu l-miri tagħna għall-firxa medja ta' żmien

PRESTAZZJONI FINANZJARJA

Id-diffikultajiet mtawwla u bla preċedenti li qed iħabbtu wiċċhom magħhom is-swieq finanzjarji madwar id-dinja ma setgħux ma jħallux impatt negattiv ukoll fuq ir-riżultati ta' GlobalCapital għall-2008. Il-Grupp iddikjara telf wara t-taxxa ta' €6,886,162 (2007: profitt ta' €579,935) għas-sena li ntemmet fil-31 ta' Diċembru 2008.

Fi tmiem l-2008, l-assi totali tal-Grupp kienu ta' ftit anqas minn €100 miljun.

Il-portafoll ta' l-assi tagħna rreġistra b'kollox tnaqqis ta' 7% fil-valur matul is-sena li għaddiet. Filwaqt li dan huwa tnaqqis notevoli, ir-riżultat seħħ f'perijodu li matulu l-borża lokali u oħrajn internazzjonali rreġistraw tnaqqis ferm ogħla minn dan il-livell.

IMPENJATI LEJN IL-KOMUNITÀ

L-impenn tagħna lejn il-komunità jibqa' ċar u konsistenti. Fil-parametri tar-riżorsi limitati tagħna u fil-kuntest taż-żminijiet diffiċli li għaddejjin minnhom, komplejna nappoġjaw kawżi ġusti u bi ħsiebna nkomplu nagħmlu dan fix-xhur u fis-snin li ġejjin.

B'mod partikolari, estendejna l-ftehim eżistenti bejn Bupa u t-tim tal-basketball ta' Luxol u żammejna l-preżenza tagħna f'avvenimenti prestiġjużi bħal ma huma l-Gozo Sailing Regatta, filwaqt li kkollaborajna mal-Marsa Sports Club, ir-Royal Malta Yacht Club u r-Royal Malta Golf Club.

ĦARSA 'L QUDDIEM

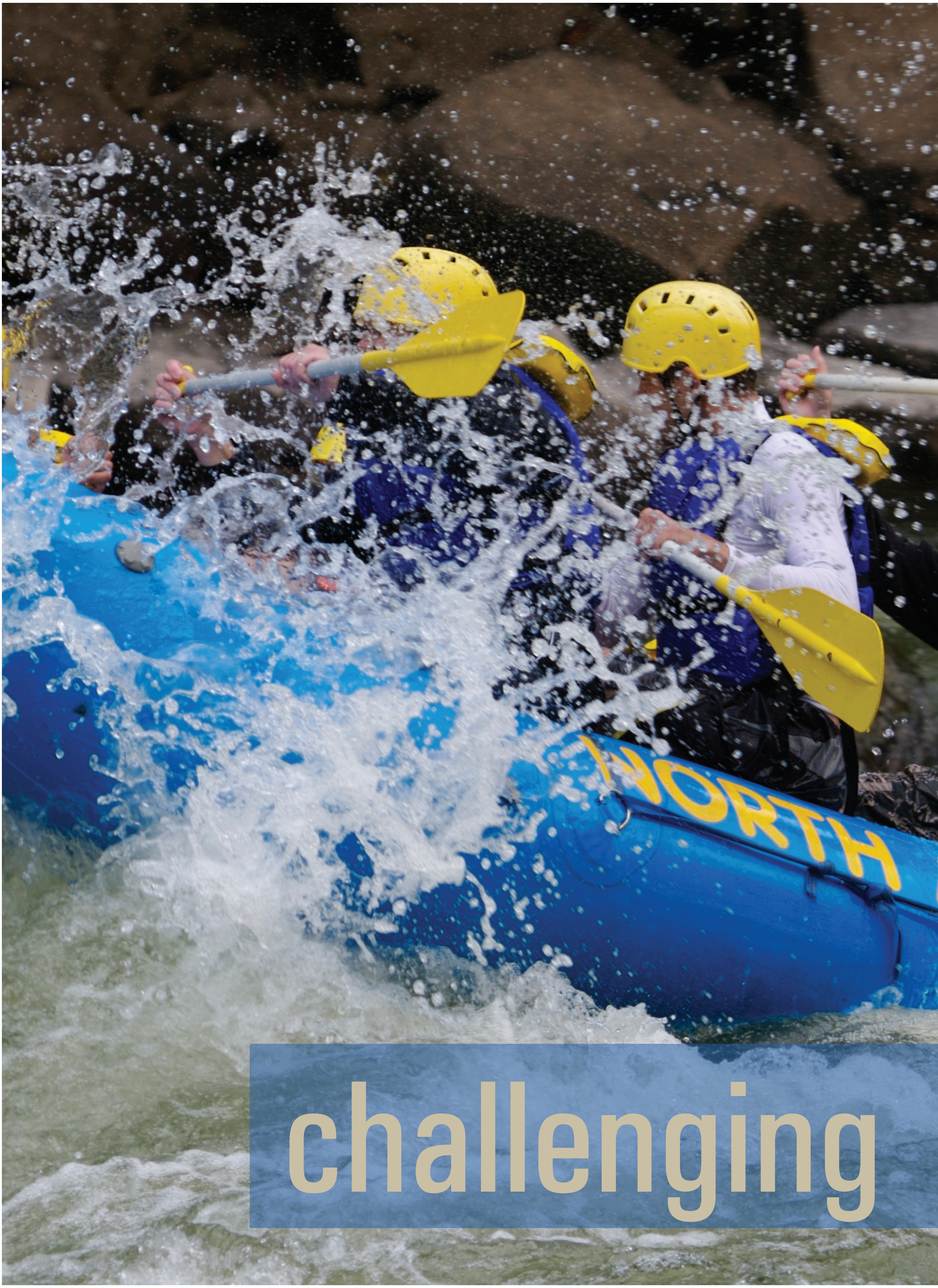
Il-Grupp għadu wieqaf fuq art stabbli b'pedamenti sodi, kif jidher ċar mill-assi ta' kwalità għolja msemmija fil-karta tal-bilanċ tal-Grupp.

B'firxa attraenti ta' offerti, bażi ta' klijenti mill-aktar sinjifikanti, impjegati b'talent u l-profil internazzjonali ta' l-azzjonisti internazzjonali tal-Grupp, nemmen bis-sħiħ li l-grupp GlobalCapital għadu f'qagħda tajba biex eventwalment jibbenefika mit-titjib fis-swieq finanzjarji.

Kif għidt qabel, huwa kruċjali li l-Grupp ikompli bir-reviżjoni komprensiva u bir-rivitalizzazzjoni tal-kanali ewlenin ta' l-attività kummerċjali tiegħu. Matul l-2009, il-Grupp se jkompli miexi fuq numru ta' passi li jindirizzaw dak li qed joħroġ mir-reviżjoni tan-negozju. L-implimentazzjoni b'suċċess ta' dan il-proċess għandu jiżgura li l-grupp GlobalCapital joħroġ bħala attur aktar b'saħħtu fis-suq, u b'hekk iżomm il-qagħda ewlenija tiegħu fost istituzzjonijiet ta' servizzi finanzjarji mhux bankarji fil-gżejjer Maltin.

L-impenn tagħna lejn il-komunità jibqa' ċar u konsistenti

Nicholas Ashford-Hodges
Chairman



challenging


tenacity

Chief Executive's Review
The global economy

The last two years have been characterised by the downturn in the global economy which was triggered by the crisis in the US sub-prime mortgage markets in late 2007. This crisis spiralled through the global banking system and later continued to spread across all sectors of the international economy, mainly on the back of a general freeze of major credit markets.

As a result, stock markets began and continued their downward trend and, in 2008 alone, major indices representing the most developed markets such as the US, UK and Japan, fell by an average of 30%. In the UK and US banking sectors some share prices fell by as much as 90% as a result of this international crisis.

Economic growth forecasts turned from positive to negative in most developed countries, with large countries such as the US, UK, Germany and others entering into a prolonged recession period. Other countries, such as China and India have registered much lower growth rates, from double digit to low single digit growth in GDP for 2008.

Locally, the Malta Stock Exchange Index fell 35% with the large capitalisation stocks leading the downturn in the market. Similarly, the GlobalCapital share price was not spared, opening at €5.15 in January 2008 and closing the year at €1.991.

2008 GROUP FINANCIAL RESULTS

Over the last five years, the Group has diversified its business interests across a number of lines of business, namely Life Assurance, Health Insurance, General Insurance Broking, Investment Services and Property. As a result, the balance sheet of the Group has grown from €39 Million in 2003 to €99 million in 2008.

This growth in the value of the Group's balance sheet has impacted our business two-fold: on the positive front, a stronger balance sheet allowed the company to access new markets, offer new products and services, and most importantly, it provided the Group with the required strength and stability to weather the storm throughout the toughest periods of 2008.

On the other hand, a larger balance sheet also means that in turbulent times, when all asset classes fall in value, the negative impact on the company's finances would be larger. In 2008, bonds, equities and to a certain extent cash holdings suffered, the latter as a result in the lowering of interest rates by central banks across the globe.

Economic growth forecasts turned from positive to negative in most developed countries

The impact of the 2008 financial turbulence on the reported results of the Group for the period under review was of €5.9 million, net of an unrealised gain on investment property of €651,310. These unrealised losses represent the single largest item reported in the profit and loss account of the Group in 2008.

Over the last five years, the Group has diversified its business interests across a number of lines of business

The results for the year show an operating loss of €5.1 million compared to a profit of €1.9 million in the corresponding period in 2007, with a total post tax loss for the year of €6.8 million compared with a positive result of €579,935 in 2007.

OPERATING RESULTS

The overall performance of some of the operations of the Group was inevitably impacted by the negative sentiment reigning in the markets, which led investors to lose confidence in financial products and adopt a cautious approach with regards to their portfolio of investment assets. This is particularly relevant to the Life Assurance and Investment operations, whilst the results of the Agency and Broking Department and the Property businesses have not been so materially impacted.

INVESTMENTS DIVISION

The revenues of this division derive from the sale of investments products and from the performance of a number of investment vehicles that it manages. Commission receivable in 2008 amounted to €1.6 million representing a fall of 41% over the commissions generated in 2007.

Throughout the year, the company further developed its capabilities in the fund administration business. The objective was to put the company in a position to offer fund administration services to third parties. I am pleased to report that the first international client was signed up earlier in 2009 and this operation is expected to generate some additional income for the company by the second half of 2009.

LIFE ASSURANCE

Similarly to the Investments Division, GlobalCapital Life generates most of its income from the performance of the underlying investments where collected premium is invested. The performance of the whole portfolio was weaker than that registered in 2007, with an approximate 5% fall in value of the total assets of the Company. The result, although not positive, is to be considered in the context of double digit falls of most international stock markets.

The resilience of this portfolio is mainly due to investment decisions taken toward the end of 2007, when the company crystallised some profits and retained an above average balance in cash. Clearly these cash balances did not attract high returns however the objective of the company was, and remains, capital preservation given the uncertainty that still prevails in the financial markets.

This company also owns a number of properties, both locally and overseas, and in the first quarter of 2008 we successfully secured the sale of remaining properties in Dubai. The company has also embarked on a number of attractive projects in Malta, which are now well underway and therefore, expected to produce positive results in the latter part of 2009 and early 2010. Other properties that the company owns for long-term rental income have experienced a high level of occupancy in excess of 90%. These properties are expected to carry on delivering strong returns for the company.

Despite the clear challenges that a fall in value of the investments may present, the company is well-positioned to introduce new product offerings and take advantage of new market opportunities as they present themselves. I am also pleased to report that the bonus rate that will be credited to the relevant policyholders for 2008 is of 3%, which represents a premium of 200 basis points over the current ECB rate of 1%.

AGENCY AND BROKING

The performance of this division was satisfactory especially given the prevailing current economic climate. Both companies that fall under this division, namely GlobalCapital Health Insurance Agency and GlobalCapital Insurance Brokers, have registered profits for the period under review which compares well with previous years.

As exclusive representatives for Bupa International, GlobalCapital Health Insurance Agency has maintained its market dominance and remains the largest health insurance distributor in Malta. The Agency focused its strategy on providing excellent customer service, mainly through investment in new processes and alliances that allow for the prompt resolution of claims. In 2009, the company will continue striving to provide a premier service to all new and existing clients.

Despite the clear challenges that a fall in value of the investments may present, the company is well-positioned to introduce new product offerings and take advantage of new market opportunities as they present themselves

Our broking company, GlobalCapital Insurance Brokers, main focus remains small and medium sized corporates, however it has also registered moderate success in other lines of business. This company is set to grow further by opening a new branch in the south of the island. The necessary regulatory approvals are in place for the opening of this branch, which should commence operations before the second half of 2009.

PROPERTY

The property assets of the Group have performed well. In 2007, the property that was acquired in Italy performed extremely well and was revalued accordingly. In 2008, all properties in our portfolio were assessed which led to a positive segment result of €882,739 in 2008. This division, which also provides management services to the other subsidiaries, is currently managing a number of development projects. Two of which are currently under development are: a 13 residential unit development in Madliena and a 2,000 square metre development in Testaferrata Street, Gzira (formerly known as the Dun showroom). Both projects are well underway and are expected to be completed by the first quarter of 2010. I am glad to state that the Madliena project has just been launched for sale and, from initial feedback, the prospects look very promising.

HUMAN RESOURCES

The Group recognises that in order to remain competitive and to be at the forefront of market developments, there needs to be a continuous and long-term investment programme in our human resource capital. Recent recruitment drives have yielded a good base of talent and this can only augur well for the future of the Group.

There has never been a better opportunity to get in touch with potential customers to inform them about the current scenario in the investments and financial planning worlds

These efforts proceeded alongside other efforts to strengthen the functions of specific offices within the Group. The Group prides itself of a highly-talented and hard working staff complement who continue to live the life of our Company as GlobalCapital ambassadors.

The Board of Directors is intent on equipping the Company with the necessary resources to emerge from these difficult times. Our collective focus remains on achieving our targets and objectives and to continue working hard to ensure efficiency, diligence and the best possible relations with all our customers.

We acknowledge that our staff members are a vital element for the success of our business and for this reason, we have launched a staff development programme across GlobalCapital, consisting of specific training programs and motivation sessions for all areas across the Group.

Recently, the Group has also been accredited as a Certified City & Guilds Training Centre making it the first financial services institution in Malta to obtain this recognition.

2009 AND BEYOND

As mandated by the Board of Directors, the Executive Management Committee will continue to drive the Group towards further cost rationalisation. Efforts undertaken in this regard in early 2008, in anticipation of the tough times ahead, mitigated the adverse results manifested as a reduction in administration costs.

This cost containment and business re-evaluation programs will continue unremittingly, thus helping the Group to reposition and realign itself in time to reap the benefits of an eventual market upturn.

There has never been a better opportunity to get in touch with potential customers to inform them about the current scenario in the investments and financial planning worlds. Therefore, throughout 2009 we will place a stronger focus on front office contact with our clients.

Even though there are early signs of a recovery in the international markets which are expected to have a positive effect on the business, times remain uncertain and Quarter 1 of 2009 has proved much of the same in terms of stock market performance.

We continue to closely monitor the performance of all our investments, whether property or other assets, including the Metropolis project in Gzira which has recently been granted the green light from the Malta Environment and Planning Authority.

We will do our utmost to assist the Board of Directors in achieving the Group's medium-term objective, that of positioning GlobalCapital in the centre of financial services offerings and being able to offer a comprehensive solution to all our clients.

Finally, I would like to thank all staff members and my fellow colleagues, shareholders and bondholders for their continuous support.

Nicholas Portelli
Chief Executive Officer

Rapport tal-Kap Eżekuttiv

L-ekonomija Globali

L-aħħar sentejn kienu kkaratterizzati mix-xejra negattiva li ħadet l-ekonomija globali, li bdiet mill-kriżijiet fis-swieq Amerikani ta' l-ipoteki *sub-prime* lejn l-aħħar ta' l-2007. Din il-kriżi nħasset bil-kbir fis-sistema bankarja dinjija u aktar tard kompliet tinfirex fis-setturi kollha ta' l-ekonomija internazzjonali, l-aktar wara li b'mod ġenerali ffriżaw swieq tal-kreditu ewlenin.

B'riżultat ta' dan, is-swieq ta' l-ishma bdew u komplew ix-xejra negattiva tagħhom, u fl-2008 biss indiċijiet ewlenin li jirrappreżentaw l-aktar swieq żviluppati, bħal dawk ta' l-iStati Uniti, tar-Renju Unit u tal-Ġappun, waqgħu b'medja ta' 30%. Fis-settur bankarju fir-Renju Unit u fl-iStati Uniti, xi prezzijiet ta' l-ishma naqsu saħansitra b'90% b'riżultat ta' din il-kriżi internazzjonali.

It-tbassir dwar it-tkabbir ekonomiku għadda mill-pożittiv għan-negattiv fil-biċċa l-kbira tal-pajjiżi żviluppati, b'pajjiżi kbar bħall-iStati Uniti, ir-Renju Unit, il-Ġermanja u oħrajn jidħlu f'perijodu mtawwal ta' reċessjoni. Pajjiżi oħra, bħaċ-Ċina u l-Indja, irreġistraw rati ta' tkabbir ferm aktar baxxi milli kienu qed jistennew, fejn il-GDP għall-2008 ma żdiedx b'ċifri b'żewġ numri kif kien mistenni iżda b'ċifri baxxi b'numru wieħed.

Lokalment, l-Indiċi tal-Borża ta' Malta niżel b'36%, bl-istokks ta' kapitalizzazzjoni ewlenin imexxu x-xejra negattiva fis-suq. Bl-istess mod, il-prezz ta' l-ishma ta' GlobalCapital ġa l-istess xejra hekk kif fetaħ is-sena b' €5.19 f'Jannar 2008 u spiċċa biex għalaq is-sena b'€1.991.

RIŻULTATI FINANZJARJI TAL-GRUPP GĦALL-2008

Fl-aħħar ħames snin, il-Grupp iddiversifika l-interessi kummerċjali tiegħu f'numru ta' linji kummerċjali, jiġifieri l-Assigurazzjoni fuq il-ħajja, l-Assigurazzjoni tas-Saħħa, Broking ta' l-Assigurazzjoni ġenerali, Servizzi ta' Investiment u Propjetà. B'riżultat ta' dan, il-karta tal-bilanċ tal-Grupp kibret minn €39 miljun fl-2003 għal €99 miljun fl-2008.

It-tbassir dwar it-tkabbir ekonomiku għadda mill-pożittiv għan-negattiv fil-biċċa l-kbira tal-pajjiżi żviluppati

Dan it-tkabbir fil-valur tal-karta tal-bilanċ tal-Grupp ħalla impatt fuq l-attività kummerċjali tagħna b'żewġ modi: fuq in-naħa pożittiva, karta tal-bilanċ aktar b'saħħitha wasslet biex il-kumpanija tkun f'qagħda li taċċedi għal swieq ġodda, toffri prodotti u servizzi ġodda, u fuq kollox tat lill-Grupp is-saħħa u l-istabilità meħtieġa biex tilqa' għall-maltempata fl-agħar perijodu ta' l-2008.

Min-naħa l-oħra, karta tal-bilanċ akbar tfisser ukoll li fi żminijiet ħżiena, meta l-kategoriji kollha ta' l-assi jaqgħu fil-valur, l-impatt negattiv fuq il-finanzi tal-kumpanija jinħass aktar. Fl-2008, bonds, ishma u sa ċertu punt ishma fi flus kontanti lkoll sofrew, b'ta' l-aħħar minħabba fit-tnaqqis tar-rati ta' l-imgħax minn banek ċentrali madwar id-dinja.

L-impatt tat-taqlib finanzjarju ta' l-2008 fuq ir-riżultati rrappurtati tal-Grupp għall-perijodu taħt reviżjoni kien ta' €5.8 miljuni, nett mill-qligħ mhux realizzat fuq investiment ta' propjetà ta' €661,310. Dan it-telf mhux realizzat jirrappreżenta l-akbar element waħdu rrappurtat fil-kont ta' qligħ u telf tal-Grupp fl-2008.

Ir-riżultati għas-sena juru telf mill-operat ta' €5.1 miljuni meta mqabbel ma' profitt ta' €1.9 miljun fl-istess perijodu ta' l-2007, b'telf totali għas-sena wara t-taxxa ta' €6.8 miljuni, meta mqabbel ma' riżultat pożittiv ta' €579,935 fl-2007.

RIŻULTATI TA' L-OPERAT

Il-prestazzjoni ġenerali ta' xi wħud mill-operazzjonijiet tal-Grupp sofriet inevitabbilment l-impatt tas-sentiment negattiv li kien predominanti fis-swieq, u li wassal biex l-investituri jitilfu l-fiduċja fi prodotti finanzjarji u jaddottaw metodi aktar kawti fir-rigward tal-portafoll ta' assi ta' l-investiment tagħhom. Dan huwa relevanti b'mod partikolari għall-operat ta' l-Assigurazzjoni fuq il-ħajja u l-Investiment, filwaqt li r-riżultati tad-Dipartiment tal-Broking u l-Aġenzija u tal-qasam tal-Propjetà ma sofrewx impatt materjali daqshekk qawwi.

TAQSIMA TA' L-INVESTIMENTI

Id-dħul minn din it-taqsima ġej mill-bejgħ ta' prodotti ta' investiment u mill-prestazzjoni ta' numru ta' kanali ta' investiment li tieħu ħsieb. Il-kummissjonijiet riċevibbli fl-2008 ammontaw għal €3.6 miljuni, li jfisser tnaqqis ta' 23% mill-kummissjonijiet iġġenerati fl-2007.

Matul is-sena, il-kumpanija kompliet tiżviluppa l-ħiliet tagħha fil-qasam ta' l-amministrazzjoni tal-fondi. L-għan kien li l-kumpanija titqiegħed f'qagħda li toffri servizzi ta' amministrazzjoni tal-fondi lil partijiet terzi. Għandi l-pjacir nirrapporta li fil-bidu ta' l-2009 kellna l-ewwel klijent barrani u li din l-operazzjoni mistennija tiġġenera xi dħul addizzjonali għall-kumpanija sat-tieni nofs ta' l-2009.

ASSIGURAZZJONI FUQ IL-ĦAJJA

B'mod li jixbah lit-taqsima ta' l-Investimenti, GlobalCapital Life jiġġeneraw il-biċċa l-kbira tad-dħul tagħhom mill-prestazzjoni ta' l-investimenti sottostanti fejn primjum miġbur jiġi investit. Il-prestazzjoni tal-portafoll sħiħ kienet aktar dgħajfa minn dik ta' l-2007, bi tnaqqis ta' madwar 5% fil-valur ta' l-assi totali tal-Kumpanija. Ir-riżultat, għad li mhuwiex pożittiv, għandu jitqies fil-kuntest tat-tnaqqis konsiderevolment akbar fil-biċċa l-kbira tas-swieq ta' l-ishma internazzjonali.

Fl-aħħar ħames snin, il-Grupp iddiversifika l-interessi kummerċjali tiegħu f'numru ta' linji kummerċjali

Il-qawwa ta' dawn il-portafoll quddiem l-għawġ finanzjarju hija dovuta l-aktar għad-deċiżjonijiet ta' l-investiment meħudin lejn tmiem l-2007, meta l-kumpanija kkristallizzat xi profitti u żammet bilanċ fi flus li kien ogħla mill-medja. Ovvjament dawn il-bilanċi ta' flus m'attirawx redditi għoljin, iżda l-għan tal-kumpanija kien, u jibqa', dak li jiġi ppreservat il-kapital fid-dawl ta' l-inċertezza li għadha tinħass fis-swieq finanzjarji.

Il-kumpanija għandha wkoll numru ta' propjetajiet, kemm lokalment kif ukoll barra minn xtutna, u fl-ewwel kwart ta' l-2008 irnexxielna niżguraw b'suċċess il-bejgħ tal-propjetajiet li kien fadal f'Dubai. Il-kumpanija bdiet taħdem ukoll fuq numru ta' proġetti attraenti f'Malta, li issa mxew sew u li għalhekk mistennija jwassalu għal riżultati pożittivi lejn l-aħħar ta' l-2009 u l-bidu ta' l-2010. Propjetajiet oħra tal-kumpanija li jagħtu dħul minn kirjiet fit-tul kellhom livell għoli ta' okkupanza li qabeż id-90%. Dawn il-propjetajiet mistennija jkomplu jagħtu redittu qawwi lill-kumpanija.

Minkejja l-isfidi li jinħassu b'riżultat tat-tnaqqis fil-valur ta' l-investimenti, il-kumpanija tinsab f'qagħda tajba biex tintroduċi offerti ta' prodotti ġodda u biex tieħu vantaġġ mill-opportunitajiet ġodda fis-suq hekk kif dawn jibdew jidhru. Għandi l-pjaċir nirrapporta wkoll li r-rata tal-bonus li se tiġi kkreditata lil dawk li għandhom poloz fl-2008 hija ta' 3%, li jfisser primjum ta' 200 punt bażi aktar mir-rata tal-BĊE ta' 1%.

AĠENZIJA U BROKING

Il-prestazzjoni ta' din it-taqsima kienet waħda sodisfaċenti, speċjalment meta wieħed iqis il-klima ekonomika ta' bħalissa. Iż-żewġ kumpaniji li jaqgħu taħt din it-taqsima, jiġifieri GlobalCapital Health Insurance Agency u GlobalCapital Insurance Brokers, irreġistraw profitti fil-perijodu taħt reviżjoni li jitqabblu tajjeb mas-snin l-imgħoddija.

Bħala rappreżentanti esklussivi ta' Bupa International, GlobalCapital Health Insurance Agency żammew il-primat tagħhom fis-suq u jibqgħu l-akbar distributuri ta' assigurazzjoni tas-saħħa f'Malta. L-Aġenzija ffukat l-istrateġija tagħha fuq li toffri servizz eċċellenti lill-klijent, l-aktar permezz ta' investiment fi proċessi u alleanzi ġodda li jissarrfu fir-riżoluzzjoni f'waqtha ta' talbiet. Fl-2009, il-kumpanija se tkompli tħabrek biex tipprovdi servizz mill-aqwa lill-klijenti ġodda u eżistenti kollha.

Il-kumpanija tagħna tal-broking, GlobalCapital Insurance Brokers, baqgħet tiffoka l-aktar fuq kumpaniji ta' daqs żgħir u medju, għalkemm irreġistrat ukoll suċċess moderat f'linji oħra ta' attività kummerċjali. Il-kumpanija mistennija tkompli tikber bil-ftuħ ta' fergħa ġdida fin-naħa t'isfel tal-gżira. L-approvazzjonijiet regolatorji meħtieġa għall-ftuħ ta' din il-fergħa diġà nkisbu, biex b'hekk din tkun tista' tibda topera qabel it-tieni nofs ta' l-2009.

PROPJETÀ

L-assi tal-propjetà tal-Grupp kellhom prestazzjoni tajba. Fl-2007, il-propjetà li nxtrat fl-Italja kellha prestazzjoni mill-aqwa u ġiet rivalutata f'dan is-sens. Fl-2008, il-propjetajiet kollha fil-portafoll tagħna żew assessjati u dan wassal għal riżultat pożittiv ta' €882,739 fl-2008. Din it-taqsima, li tipprovdi wkoll servizzi ta' immaniġjar lil kumpaniji sussidjarji oħra, bħalissa qed timmaniġja numru ta' proġetti ta' żvilupp. Tnejn minnhom li bħalissa qegħdin jiġu żviluppati huma: żvilupp ta' 13-il unità residenzjali fil-Madliena u żvilupp ta' 2,000 metru kwadru fi Triq Testaferrata fil-Gżira (li qabel kien magħruf bħala x-showroom tad-Dun). Iż-żewġ proġetti qegħdin f'fażi avvanzata u mistennija jittlestew sa' l-ewwel kwart ta' l-2010. Għandi l-pjaċir ngħid li l-proġett tal-Madliena għadu kif tnieda għall-bejgħ u, mill-ewwel reazzjonijiet li rċevejna, il-prospetti jawguraw tajjeb ħafna.

RIŻORSI UMANI

Il-Grupp jagħraf li sabiex jibqa' kompetittiv u fuq quddiemnett ta' l-iżviluppi fis-suq, jeħtieġ li jkun hemm programm ta' investiment kontinwu u fit-tul fil-kapital tar-riżorsi umani tagħna. L-inizzjattivi ta' dan l-aħħar biex jinstabu impjegati ġodda wassal biex issa għandna bażi tajba ta' talent u dan ma jistax ħlief jawgura tajjeb għall-ġejjieni tal-Grupp.

Dawn l-isforzi mxew id f'id ma' sforzi oħrajn sabiex jissaħħu l-funzjonijiet ta' uffiċċji speċifiċi fi ħdan il-Grupp. Il-Grupp huwa kburi bl-impjegati beħlin u ta' talent għoli li jħaddem u li jkomplu jgħixu l-ħajja tal-Kumpanija tagħna bħala ambaxxaturi ta' GlobalCapital.

Il-Bord tad-Diretturi huwa deċiż li jagħti lill-Kumpanija ir-riżorsi meħtieġa biex din toħroġ minn dawn iż-żminijiet diffiċli. L-għan kollettiv tagħna jibqa' dak li nilħqu l-miri u l-objettivi tagħna u li nkomplu naħdmu sabiex niggarantixxu effiċjenza, għaqal u l-aħjar relazzjonijiet possibbli mal-klijenti kollha tagħna.

Nagħrfu li l-membri ta' l-istaff tagħna huma element kruċjali għas-suċċess tan-negozju tagħna, u għalhekk nedejna programm ta' żvilupp għall-istaff fi GlobalCapital, li jikkonsisti fi programmi ta' taħriġ speċifiku u sessjonijiet ta' motivazzjoni għall-oqsma kollha tal-Grupp.

Dan l-aħħar, il-Grupp kien akkreditat ukoll bħala ċentru ta' Taħriġ Iċċertifikat ta' City & Guilds, biex b'hekk sar l-ewwel istituzzjoni finanzjarja f'Malta li kisbet dan ir-rikonoxximent.

Minkejja l-isfidi li jinħassu b'riżultat tat-tnaqqis fil-valur ta' l-investimenti, il-kumpanija tinsab f'qagħda tajba biex tintroduċi offerti ta' prodotti ġodda u biex tieħu vantaġġ mill-opportunitajiet ġodda fis-suq hekk kif dawn jibdew jidhru

L-2009 U WARA

Skont il-mandat tal-Bord tad-Diretturi, il-Kumitat ta' l-Immaniġjar Eżekuttiv se jkompli jmexxi l-Grupp lejn aktar razzjonalizzazzjoni ta' l-ispejjeż. L-isforzi f'dan ir-rigward li bdew kmieni fl-2008, biex jilqgħu għaż-żminijiet iebsin li kienu ġejjin, taffew r-riżultati negattivi manifestati bħala tnaqqis fl-ispejjeż amministrattivi.

It-tnaqqis fl-ispiża u l-programmi ta' rievalwazzjoni ta' l-attività kummerċjali se jkomplu mingħajr waqfien, biex b'hekk il-Grupp ikun f'qagħda ġdida u tajba għal dak iż-żmien li fih ikun jista' jaħsad il-benefiċċji ta' xejriet poġittivi li eventwalment jibdew jidhru fis-suq.

Qatt ma kien hemm opportunità aħjar biex isir kuntatt ma' klijenti potenzjali biex jiġu infurmati u edukati dwar ix-xenarju ta' bħalissa fid-dinja ta' l-investimenti u l-ippjanar finanzjarju. Għalhekk, fl-2009 se nkunu qed nagħmlu enfażi akbar fuq il-kuntatt dirett mal-klijenti tagħna.

Għad li hemm sinjali bikrin ta' rkupru fis-swieq internazzjonali, li mistennija jħallu impatt poġittiv fuq in-negozju, dawn iż -żminijiet jibqgħu inċerti u l-ewwel kwart ta' l-2009 deher l-istess bħax-xhur preċedenti f'dak li għandu x'jaqsam mal-prestazzjoni tas-swieq ta' l-ishma.

Qed inkomplu nsegwu mill-viċin il-prestazzjoni ta' l-investimenti kollha tagħna, kemm jekk huma propjetà jew assi oħra, inkluż il-proġett Metropolis fil-Gżira, li dan l-aħħar kiseb l-approvazzjoni ta' l-Awtorità għall-Ambjent u l-Ippjanar ta' Malta.

Se nagħmlu mill-aħjar li nistgħu biex ngħinu lill-Bord tad-Diretturi jilħaq il-mira tal-Kumpanija fil-perijodu medju, jiġifieri li GlobalCapital tkun fiċ-ċentru ta' l-għoti ta' servizzi finanzjarji u li tkun f'qagħda li toffri soluzzjoni komprensiva lill-klijenti tagħna.

Fl-aħħarnett, nixtieq inrodd ħajr lill-membri kollha ta' l-istaff u lill-kollegi sħabi, lill-azzjonisti u lil dawk li għandhom bonds, għall-appoġġ kontinwu tagħhom.

Nicholas Portelli
Kap Uffiċjal Eżekuttiv

Group Financial Highlights

	2008			2007		
	EUR	**GBP**	**USD**	**EUR**	**GBP**	**USD**
Turnover - commission and fees receivable	**3,595,991**	**3,425,181**	**5,004,541**	4,686,793	3,458,898	6,910,754
Performance fees receivable	**81,418**	**77,551**	**113,309**	134,656	99,377	198,553
Balance on the long term business of insurance technical account	**(3,767,833)**	**(3,588,861)**	**(5,243,693)**	(467,356)	(344,913)	(689,124)
Increment in value of in-force business	**1,271,282**	**1,210,896**	**1,769,243**	58,234	42,977	85,868
Gains on investment property	**651,310**	**620,373**	**906,428**	4,709,720	3,475,819	6,944,562
Profit on disposal of property held for development	**293,241**	**279,312**	**408,103**	112,527	83,046	165,923
Other operating income	**36,913**	**35,160**	**51,372**	74,612	55,064	110,017
Administrative expenses	**(5,257,900)**	**(5,008,150)**	**(7,317,419)**	(6,427,362)	(4,743,455)	(9,477,255)
Commission payable and direct marketing costs	**(543,295)**	**(517,488)**	**(756,104)**	(461,398)	(340,516)	(680,339)
Impairment of goodwill	**(1,228,715)**	**(1,170,351)**	**(1,710,003)**	(465,875)	(343,820)	(686,940)
Share of loss of associated undertaking	**(265,317)**	**(252,714)**	**(369,242)**	(3,552)	(2,621)	(5,238)
Operating profit	**(5,132,905)**	**(4,889,092)**	**(7,143,464)**	1,950,999	1,439,856	2,876,779
(Loss)/Profit before tax	**(7,554,426)**	**(7,195,591)**	**(10,513,495)**	353,743	261,066	521,600
Tax income/(expense)	**668,264**	**636,521**	**930,023**	226,192	166,932	333,524
(Loss)/Profit for the financial year	**(6,886,162)**	**(6,559,069)**	**(9,583,472)**	579,935	27,998	855,124
Earnings per share	**(0.52)**	**(0.50)**	**(0.73)**	0.04	0.03	0.06
Share capital	**3,845,663**	**2,838,136**	**5,670,494**	3,845,663	2,838,136	5,670,494
Technical reserves - life business	**50,470,801**	**48,073,438**	**70,240,214**	48,237,580	35,599,798	71,127,111
Shareholders' funds	**22,027,631**	**20,981,319**	**30,655,854**	28,913,793	21,338,658	42,633,870
Net asset value per share	**1.67**	**1.59**	**2.32**	2.19	1.62	3.23

All figures have been converted at rates of exchange ruling at 31 December 2008.

determination

Aberdeen High Yield Bond
launched

GlobalCapital *participates in the Malta International Fair*

The GlobalCapital **Gozo Regatta**

GlobalCapital Health Insurance Agency Limited, *exclusive agents of Bupa continues strong relationship with St James Group*

GlobalCapital Insurance Brokers Ltd launches **Home Insurance**

Overview of 2008

GlobalCapital Health Insurance Agency Limited delegates attend the **Bupa International Distributor Conference in Muscat, Oman**

Bupa Brand supports **SMS4Health**

Participation in the **Qormi Wine Festival**

GlobalCapital launches **Income Investment Solutions** *Campaign*

Bupa Luxol *sponsorship renewed*

Executive

James A. 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 a currently 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.

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 UK Chartered Accountant by profession, he is the President of British-American (UK) Ltd, a United Kingdom based representative office for the British American Group of Companies and sits on several of the subsidiary boards of the British American 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 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, heading the Aberdeen Group's Collective Funds Division. He is Chief Executive of Aberdeen Unit Trust Managers Limited and also Chief Executive of the Group's life company, Aberdeen Asset Management Life and Pensions Limited. He sits on the boards of Aberdeen's Dublin and Luxembourg based funds and the Group's UK asset management subsidiary, Aberdeen Asset Managers Limited.

Board of Directors

Non-Executive

Dawood A. Rawat was appointed to the Board of Directors in March 2003. He is Chairman of the British American Group of Companies, founded in 1920. He sits on the Boards of all the principal, subsidiary and associated companies of the British American Group. Operations span from Mauritius to Kenya, Malta, France and the United Kingdom. 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 moved to the United States in 1984 as a senior officer and was made President of the worldwide group in 1988. He is involved mainly in strategic issues and the development of new business ventures in new markets for British American.

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. He currently chairs the Investment Committee of the Group. 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.

Company Secretary

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

teamwork

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
Andrew Borg Cardona
Muni Krishna T. Reddy, GOSK
(appointed 24 July 2008)

Nicholas Ashford-Hodges stepped down from his post as a Committee member on 24 July 2008 following his appointment as Chairman of GlobalCapital p.l.c.

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

Investment Committee

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

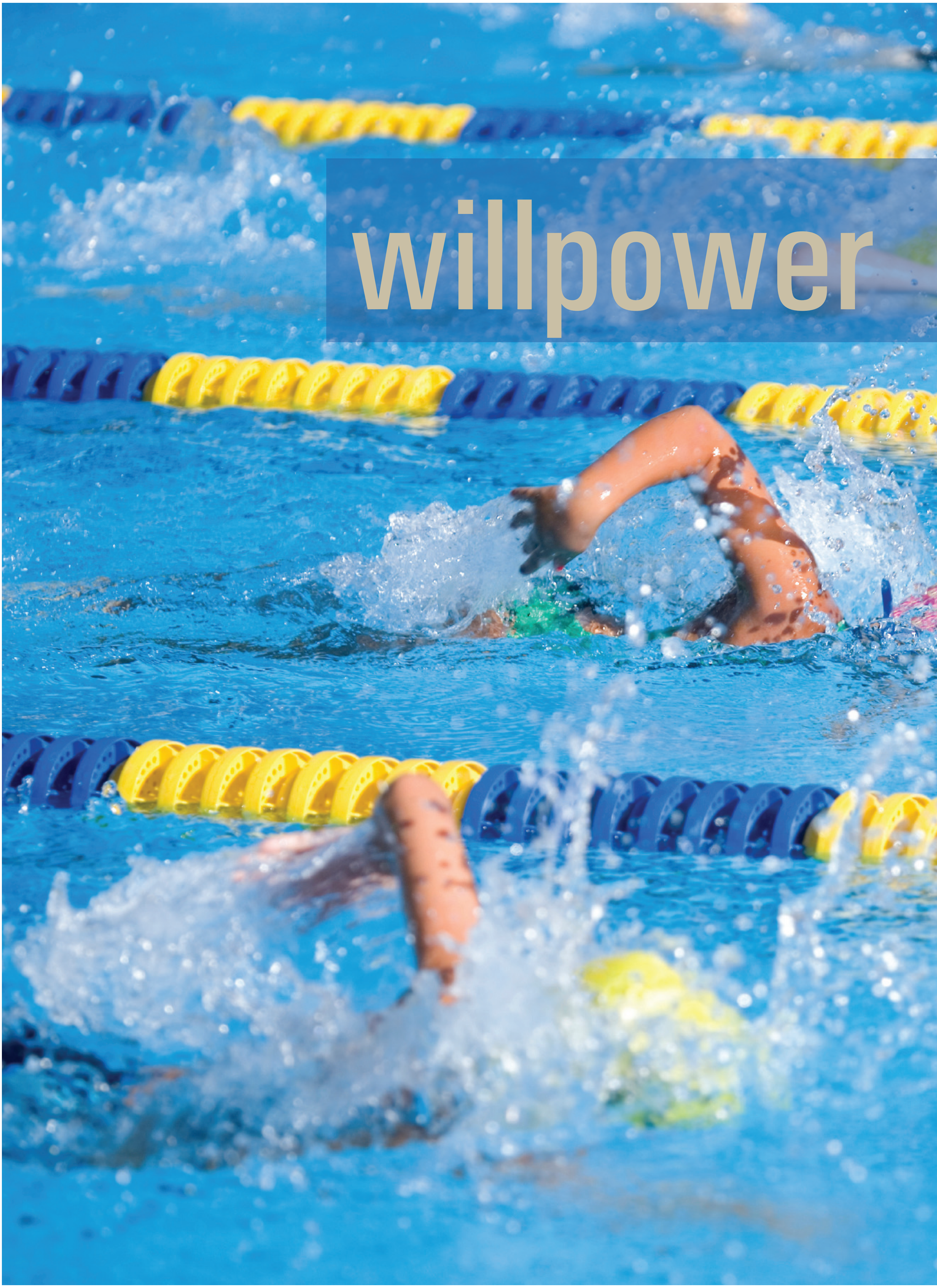
The Committee comprises:
Christopher J. Pace – Chairman
Nicholas Ashford-Hodges
Muni Krishna T. Reddy, GOSK

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

Christopher J. Pace stepped down from his post as a Committee member and Nicholas Ashford-Hodges was appointed as a Committee member in his stead on 24 July 2008.



willpower

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
Stephen Muscat
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
Ian Zammit
James Blake
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 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

skill

GlobalCapital
Together through life

08

Annual Report and Consolidated Financial Statements

31 December 2008

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Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

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 2008 of €6,886,162 compared to a profit after tax of €579,935 for year ended 31 December 2007. The sustained global financial crisis resulted in a sharp downturn in the bond, equity and property markets which, during the year under review, have significantly impacted on the various areas of the Group's business.

The Group's equity and bond investment portfolio has suffered a severe reduction in value with the largest portion of the Group's 2008 losses relating to unrealised fair value loss thereon totaling €6,513,318 compared to equivalent write-downs of €1,140,908 in 2007. Another non-cash item - impairment of goodwill totaling €1,228,715 (compared to €465,875 in 2007) - represents a further significant component of the year's losses, whilst the remaining losses are attributable to operating deficits for the year, primarily sustained in the Investment Division. This division suffered as a result of a reduction in the sale of investment products due to reduced investor confidence in the capital markets.

The Group's business of insurance was adversely impacted by the negative performance of the capital markets together with a decline in premiums resulting in a negative balance on the long term business account of €3,767,833 compared to an equivalent deficit of €467,356 in 2007. The increment in the value of in-force-business totaled €1,271,282 in 2008, compared to €58,234 in 2007 - this item reflects the projection of future shareholder profits expected from insurance policies in force at the year-end appropriately discounted and adjusted for the effect of taxation.

On the other hand, the Group's Property activities as well as the Agency and Brokerage services registered positive results. Property activities carried out across the various subsidiaries within the Group (including both property and non-property companies) registered a total pre-tax profit of €303,099 (compared to €3,013,518 in 2007) primarily arising from a combination of profit on disposal of property held for development and fair value gains on investment property,

Rapport tad-Diretturi

Id-Diretturi qegħdin jippreżentaw ir-rapport tagħhom u d-dikjarazzjonijiet finanzjarji awditjati għas-sena li għalqet fil-31 ta' Diċembru 2008.

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);
- 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 propjetà, ix-xiri u bejgħ ta' propjetà, u proġetti ta' żvilupp ta' propjetà.

ĦARSA LEJN L-ATTIVITÀ KUMMERĊJALI

Il-Grupp irreġistra telf wara it-taxxa għall-perijodu li ntemm fil-31 ta' Diċembru 2008 ta' €6,886,162 meta mqabbel ma' profitt wara t-taxxa ta' €579,935 għas-sena li ntemmet fil-31 ta' Diċembru 2007. Kien hemm tnaqqis sostanzjali fis-swieq tal-bond, ekwità u propjetà minħabba l-persistenza tal-kriċi finanzjarja globali, matul din is-sena, li kellhom effett sostanzjali f'ġafna oqsma tan-negozju tal-Grupp.

Kien hemm tnaqqis kbir fil valur tal-portofol tal-investimenti tal-Grupp fil-bond u ekwità bil-parti l-kbira tat-telf tal-Grupp għall-2008 li rriżulta minħabba telf fil-valur ekwu mhux irrealizzat li ammonta għal €6,513,318 meta mqabbel ma tnaqqis ta' €1,140,908 fl-2007. Oġġett ieħor li ma' jsarrax fi flus – it-telf fil-valur tal-avviament li ammonta għal €1,228,715 (imqabbel ma €465,875 fl-2007) – jirrapprezenta ammont sostanzjali ieħor għat-telf reġistrat matul is-sena. Il-kumplament tat-telf irriżulta minħabba tnaqqis fid-defiċit tal-operat, li kien ġej prinċiparjament mill-Uffiċċju tal-Investimenti. Dan ġie rreġistrat minħabba tnaqqis fil-bejgħ ta' prodotti tal-investiment bħala impatt tan-nuqqas ta' kunfidenza tal-investituri fis-swieq kapitali.

Is-settur tan-negozju ta' l-assigurazzjoni tal-Grupp kien milqut ħażin mill-wirja negattiva tas-swieq kapitali flimkien ma' tnaqqis fil-primjums li rriżultaw f'bilanċ negattiv ta' €3,767,833 fuq l-operat tan-negożju fit-tul meta mqabbel ma' defiċit ta' €467,356 fl-2007. Iż-żieda tal-valur tan-negożju fis-seħħ ammonta għal €1,271,282 fl-2008, meta mqabbel ma' €58,234 fl-2007 – dan jirrefletti t-tbassir fil-futur tal-profitti tal-azzjonisti mistennija mil-poloz tal-assigurazzjoni fis-seħħ fl-aħħar tas-sena li jitnaqqsu kif meħtieġ minħabba l-effett tat-taxxa.

Min-naħa l-oħra n-negozju fis-settur tal-propjetà tal-Grupp kif ukoll is-servizzi tal-Aġenzija u Brokerage irreġistraw riżultati pożittivi. In-negozju tal-propjetà fis-sussidjarji tal-Grupp (li jinkludu kumpaniji tal- propjetà kif ukoll kumpaniji oħra) irreġistraw profitt qabel it-taxxa ta' €303,099 (meta mqabbel ma' €3,013,518 fl-2007). Dan irriżulta minn bejgħ ta' propjetà miġmuma għall-iżvilupp u whilst the Group's Agency and Brokerage services registered a profit before tax of €622,810 compared to €714,307 in 2007.

Throughout 2008 the Group took constant measures to contain its direct and indirect costs. This continues to be a key area of focus in 2009, and in addition the Board has during late 2008 and early 2009 initiated a comprehensive review of its business in order to identify and implement further process efficiencies and business re-alignment. The Board is closely monitoring developments in order to ensure that the Group is well positioned to ride out the downturn and exploit opportunities arising in the markets.

RESULTS AND DIVIDENDS

The profit and loss accounts are set out on pages 54 and 55. In view of the results for 2008, the Directors do not recommend the declaration of a final dividend (2007: 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

Mr. Christopher J. Pace stepped down as Chairman on 28 July 2008 and Mr. Nicholas Ashford-Hodges was appointed in his stead.

A Shareholder holding not less than 14 per cent of the voting rights of the issued share capital of the Company, or a number of Shareholders who between them hold not less than 14 per cent, shall appoint one Director for every such 14 per cent holding by letter addressed to the Company. All shares not utilised to make appointments in terms of the above shall be entitled to vote at the Annual General Meeting to elect the remaining Directors. The Memorandum and Articles of Association of the Company provide for a Board of Directors of not less than two and not more than seven members.

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 indicated their willingness to continue in office.

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

Nicholas Ashford-Hodges
Chairman

James Blake
Director

Registered office
120 The Strand, Gzira, Malta

27 March 2009

qligħ ta' valur ekwu fuq propjetà għall-investiment, waqt li s-servizzi tal-Aġenzija u Brokerage tal-Grupp irreġistraw profitt qabel it-taxxa ta' €622,810 meta mqabbel ma' €714,307 fl-2007.

Matul l-2008, il-Grupp, ħa ċertu miżuri biex jikkontrolla l-ispejjez diretti u indiretti li se jkompli matul l-2009. Il-Bord fl-aħħar tal-2008 u fil-bidu tal-2009 ġejja reviżjoni sħiħa tal-operat biex jiddentifika u jżid l-effiċjenza u jiddirizza n-negozju. Il-Bord qiegħed iħares mill-qrib lejn żviluppi biex jassigura illi l-Grupp ikun f'qagħda tajba biex jgħaddi minn dan iż-żmien diffiċli u jieħu vantaġġ mill-opportunitajiet li hemm fis-swieq.

RIŻULTATI U DIVIDENDS

Il-kontijiet tal-profitt u t-telf jidhru f'paġni 54 u 55. Fid-dawl tar-riżultati għall-2008, id-Diretturi ma jirrikmandawx il-pagament ta' dividend finali (2007: Xejn)

DIRETTURI

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

Nicholas Ashford-Hodges – Chairman
Muni Krishna T. Reddy, GOSK – Deputat Chairman
Christopher J. Pace
Dawood A. Rawat
James Blake
Andrew Borg Cardona LL.D.
Gary R. Marshall

Fit-28 ta' Lulju 2008, is-Sur Christopher J. Pace irriżenja minn Chairman u s-Sur Nicholas Ashford-Hodges ġie maħtur minn floku.

Azzjonist li għandu mhux inqas minn 14 fil-mija tad-drittijiet għall-vot totali tal-Kumpanija, jew numru ta' Azzjonisti li bejniethom għandhom mhux inqas minn 14 fil-mija jistgħu, permezz ta' ittra ndirizzata lill-Kumpanija, jaħtru Direttur għal kull sehem ta' 14 fil-mija. L-ishma kollha mhux użati jistgħu jintużaw fil-Laqgħa Ġenerali Annwali sabiex jaħtru d-Diretturi li jkun fadal. Il-Memorandum u Artikoli ta' Assoċjazzjoni tal-Kumpanija jipprovdi li l-Bord tad-Diretturi jikkonsisti minn mhux inqas minn żewġ membri u mhux aktar minn seba' membri.

L-istess Artikoli ta' Assoċjazzjoni tal-Kumpanija jeħtieġu li d-Diretturi jirtiraw fil- Laqgħa Ġenerali Annwali, sakemm ma jkunux ġew maħtura għal perjodu inqas 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:

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 every quarter, unless further meetings are required. During the period under review, the Board of Directors met seven 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 by way of board papers during Board meetings.

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 of non-executive Directors and assists the Board in monitoring and reviewing the Group's financial statements, accounting policies and internal control mechanisms in accordance with the Committee's terms of reference. The responsibilities of the Audit Committee also include the review of the Group's risk management 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 implementation throughout the year. 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 who was appointed on 24 July 2008. Mr. Muni Krishna T. Reddy, GOSK replaced Mr. Nicholas Ashford-Hodges who resigned from his post as a committee member on 24 July 2008 following his appointment as Chairman of GlobalCapital p.l.c. The Group Head of Internal Audit attends Audit Committee Meetings.

The Group's Head of Audit and the Company's external auditors 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 potential 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 2008.

During the financial year under review, the Nominations Committee met twice 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 to participate in decisions relating to senior management and members of the Executive 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. With effect from January 2008, a performance management system has been introduced across the whole 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 2008, the Remuneration Committee met three times and is composed of Mr. Muni Krishna T. Reddy, GOSK as Chairman, and Mr. Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. 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 the Group's investment processes.

The Investment Committee met four times during 2008 and is composed of Mr. Christopher J. Pace as Chairman, Mr. Nicholas Ashford-Hodges and Mr. Muni Krishna T. Reddy, GOSK as members.

3.2 EXECUTIVE COMMITTEE

The Executive Committee is vested with the responsibility of 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 – President Insurance and Chief Officer - Property Services
Mr. Adrian Galea – Chief Operating Officer

Mr. Kevin Vella resigned as Chief Financial Officer and Chief Operating Officer on 26 May 2008. His duties as Chief Financial Officer were assumed by Mr. James Blake with immediate effect, whilst his duties as Chief Operating Officer were assumed by Mr. Adrian Galea on 18 July 2008.

Mr. Oliver Said resigned as Chief Officer – Business Development on 18 July 2008. His duties were assumed by Mr. Nicholas Portelli with immediate effect.

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 2008, Mr. Christopher J. Pace directly or indirectly acquired a further 100 and disposed of 502,720 of the Company's shares.

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 decision making processes.

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 and is composed of Andrew Borg Cardona LL.D. as Chairman, the Chief Officer – Human Resources, Training and Development, the Group Head of Internal Audit and the Head of Legal and Compliance, as members.

7. ANNUAL GENERAL MEETING AND COMMUNICATION WITH SHAREHOLDERS

Business at the Company's Annual General Meeting to be held in June 2009, will cover the approval of the Annual Report and Audited Financial Statements for the year ending 31 December 2008, the election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditor's remuneration.

Apart from the Annual General Meeting, the Group communicates with its shareholders through the Annual Report and Financial Statements, the publication of preliminary statements of 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 balance sheet, 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 27 March 2009 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 Andrew Borg Cardona LL.D. 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. With effect from 24 July 2008 Mr. Christopher J. Pace became a non-executive director and prior to this date he was 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 Group's Executive Directors 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.

The Remuneration Committee is considering the introduction of a share option scheme as approved by the Company's 2008 Annual General Meeting.

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:

Fees	€ 206,353
Remuneration	€ 201,369
Total emoluments	**€ 407,722**

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

Deloitte.

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 46 to 49 has been properly prepared in accordance with the requirements of Listing Rules 8.37 and 8.38 issued by the Listing Authority.

Sarah Curmi

Deloitte
Certified Public Accountants
Deloitte Place
Mriehel Bypass
Mriehel
Malta

27 March 2009

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 period and of the profit or loss for that period.

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

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

The Directors are responsible for the maintenance and integrity of the Annual Report on the Group's website. Access to information published on the website is available in other countries and jurisdictions where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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 27 March 2009 and signed on its behalf by:

Nicholas Ashford-Hodges
Chairman

James Blake
Director

Profit and loss accounts

		Year ended 31 December			
		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		€	€	**€**	€
Commission and fees receivable	3	**3,595,991**	4,686,795	**-**	-
Performance fees receivable	3	**81,419**	134,656	**-**	-
Balance on the long term business of insurance technical account before tax (page 55)		**(3,767,833)**	(467,356)	**-**	-
Increment in the value of in force business	8,12	**1,271,282**	58,234	**-**	-
Net gains on investment property, net of allocation to the insurance technical account	7	**651,310**	4,709,720	**-**	-
Profit on disposal of property held for development	6	**293,241**	112,527	**-**	-
Other operating income		**36,913**	74,612	**-**	-
Administrative expenses	4	**(5,257,900)**	(6,280,141)	**(73,571)**	(308,109)
Commission payable and direct marketing costs	4	**(543,295)**	(608,620)	**-**	-
Impairment of goodwill	12	**(1,228,715)**	(465,875)	**-**	-
Share of loss of associated undertaking	17	**(265,317)**	(3,552)	**-**	-
Operating (loss)/profit		**(5,132,904)**	1,951,000	**(73,571)**	(308,109)
Investment income, net of allocation to the insurance technical account	7	**722,165**	400,228	**299,341**	1,472,897
Investment charges and expenses, net of allocation to the insurance technical account	7	**(3,143,687)**	(1,997,484)	**(1,373,378)**	(1,157,862)
(Loss)/profit before tax		**(7,554,426)**	353,744	**(1,147,608)**	6,926
Tax credit/(expense)	8	**668,264**	226,191	**2,630**	(234,142)
(Loss)/profit for the financial year		**(6,886,162)**	579,935	**(1,144,978)**	(227,216)
Earnings per share (cents)	10	**(52c1)**	4c4		

Profit and loss accounts – continued

Technical account – long term business of insurance

	Notes	Year ended 31 December Group 2008 €	 2007 €
Earned premiums, net of reinsurance			
Gross premiums written	3	**7,078,502**	12,634,261
Outward reinsurance premiums		**(759,375)**	(661,020)
Earned premiums, net of reinsurance		**6,319,127**	11,973,241
Investment income	7	**2,662,383**	1,949,761
Unrealised gains on investments	7	**241,704**	-
Investment contract fee income	4	**54,942**	26,173
Total technical income		**9,278,156**	13,949,175
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**4,636,808**	2,407,410
- reinsurers' share		**(381,110)**	(330,268)
		4,255,698	2,077,142
Change in the provision for claims			
- gross amount		**(152,793)**	(153,834)
- reinsurers' share		**1,193**	148,057
	19	**(151,600)**	(5,777)
Claims incurred, net of reinsurance		**4,104,098**	2,071,365
Change in other technical provisions, net of reinsurance			
Insurance contracts			
- gross amount		**3,487,180**	2,418,143
- reinsurers' share		**(138,800)**	(114,139)
		3,348,380	2,304,004
Investment contracts with DPF - gross		**(958,544)**	6,399,038
Change in other technical provisions, net of reinsurance	19	**2,389,836**	8,703,042
Net operating expenses	4	**1,497,182**	2,438,116
Unrealised losses on investments	7	**4,945,428**	1,140,908
Other investment charges and expenses	7	**109,445**	63,100
Total technical charges		**13,045,989**	14,416,531
Balance on the long term business of insurance technical account before tax (page 54)		**(3,767,833)**	(467,356)
Tax (expense)/credit attributable to the long term business	8	**(29,004)**	412,366
Balance on the long term business of insurance technical account		**(3,796,837)**	(54,990)

Balance sheets

		As at 31 December			
		Group		Company	
		2008	2007	**2008**	2007
	Notes	**€**	€	**€**	€
ASSETS					
Intangible assets	12	**7,005,475**	7,561,570	**-**	-
Deferred tax	13	**676,559**	77,540	**-**	-
Property, plant & equipment	14	**1,474,512**	5,223,445	**-**	-
Investment property	15	**23,960,021**	21,062,835	**758,087**	679,898
Investment in group undertakings	16	**-**	-	**21,151,553**	21,151,553
Investment in associated undertakings	17	**3,532,742**	3,798,059	**-**	-
Other investments	18	**38,493,993**	45,311,340	**8,621,258**	13,190,310
Reinsurers' share of technical provisions	19	**1,005,187**	867,091	**-**	-
Current tax		**1,267,610**	1,120,205	**421,467**	706,699
Stock - property held for development	20	**5,897,283**	4,710,324	**-**	-
Trade and other receivables	21	**3,663,772**	3,609,543	**5,967,764**	2,634,036
Cash and cash equivalents	28	**12,385,073**	11,718,514	**1,429,946**	656,625
Total assets		**99,362,227**	105,060,466	**38,350,075**	39,019,121
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	**7,201,916**	6,520,361	**-**	-
Profit and loss account		**(5,990,594)**	1,577,128	**(1,176,991)**	(32,013)
Total equity		**22,027,626**	28,913,793	**19,639,313**	20,784,291
Technical provisions	19	**51,475,499**	49,104,670	**-**	-
Interest bearing borrowings	25	**20,458,529**	20,917,340	**17,279,784**	16,664,864
Deferred tax	13	**1,731,255**	1,839,720	**127,919**	145,018
Trade and other payables	26	**3,489,633**	4,016,292	**1,303,059**	1,424,948
Current tax		**179,685**	268,651	**-**	-
Total liabilities		**77,334,601**	76,146,673	**18,710,762**	18,234,830
Total equity and liabilities		**99,362,227**	105,060,466	**38,350,075**	39,019,121

The financial statements on pages 54 to 104 were authorised for issue by the Board on 27 March 2009 and were signed on its behalf by:

Nicholas Ashford-Hodges
Chairman

James Blake
Director

Statements of changes in equity

Group	Notes	Share capital €	Share Premium account €	Other reserves €	Profit and loss account €	Total €
		Attributable to the company's shareholders				
Balance at 1 January 2007		3,845,663	16,970,641	2,834,197	5,883,203	29,533,704
Profit for the financial year		-	-	-	579,935	579,935
Increment in value of in-force business, transferred to other reserves	24	-	-	37,270	(37,270)	-
Investment property fair value gains, net of deferred income tax transferred to other reserves	24	-	-	3,648,894	(3,648,894)	-
		-	-	3,686,164	(3,686,164)	-
Total recognised income and expense for 2007		-	-	3,686,164	(3,106,228)	579,935
Dividends	11	-	-	-	(1,199,846)	(1,199,846)
Balance at 31 December 2007		**3,845,663**	**16,970,641**	**6,520,361**	**1,577,128**	**28,913,793**
Balance at 1 January 2008		3,845,663	16,970,641	6,520,361	1,577,128	28,913,793
Loss for the financial year		-	-	-	(6,886,167)	(6,886,167)
Increment in value of in-force business, transferred to other reserves	24	-	-	826,330	(826,330)	-
Investment property fair value gains, net of deferred income tax transferred to other reserves	24	-	-	(144,775)	144,775	-
		-	-	681,555	(681,555)	-
Total recognised income and expense for 2008		-	-	681,555	(7,567,722)	(6,886,167)
Balance at 31 December 2008		**3,845,663**	**16,970,641**	**7,201,916**	**(5,990,594)**	**22,027,626**

Statements of changes in equity – continued

Company	Note	Share capital	Share premium account	Profit and loss account	Total
		€	€	€	€
Balance at 1 January 2007		3,845,663	16,970,641	1,395,050	22,211,354
Loss for the financial year		-	-	(227,216)	(227,216)
Dividends	11	-	-	(1,199,847)	(1,199,847)
Balance at 31 December 2007		**3,845,663**	**16,970,641**	**(32,013)**	**20,784,291**
Balance at 1 January 2008		3,845,663	16,970,641	(32,013)	20,784,291
Loss for the financial year		-	-	(1,144,978)	(1,144,978)
Balance at 31 December 2008		**3,845,663**	**16,970,641**	**(1,176,991)**	**19,639,313**

Cash flow statements

		Year ended 31 December			
		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		€	€	€	€
Cash generated from/(used in) operations	27	**1,633,828**	3,516,015	**(4,179,927)**	1,807,892
Dividends received	7	**461,376**	706,518	**6,724**	80,971
Interest received		**1,169,437**	1,494,314	**224,745**	137,647
Interest paid		**(10,643)**	(1,158,141)	**(20,636)**	(958,267)
Tax refund/(paid)		**101,022**	(1,641,242)	**(2,768)**	(30,505)
Net cash from/(used in) operating activities		**3,355,020**	2,917,464	**(3,971,862)**	1,037,738
Investing activities					
Purchase of intangible assets	12	**(39,393)**	(117,412)	**-**	-
Purchase of property, plant and equipment	14	**(71,493)**	(470,268)	**-**	-
Proceeds on disposal of plant and equipment		**49,789**	-	**-**	-
Purchase of investment property	15	**(599,129)**	(523,697)	**(78,190)**	(162,145)
Disposal of investment property		**2,626,042**	902,611	**-**	-
Purchase of investment in associated undertakings	17	**-**	(380,620)	**-**	-
Purchase of investments at fair value through profit and loss	18	**(12,442,850)**	(31,493,909)	**(333,612)**	(2,379,331)
Disposal of other investments at fair value through profit and loss	18	**8,238,514**	35,847,845	**4,669,662**	5,065,083
Purchase of cash instrument		**(6,538,844)**	-	**-**	-
Proceeds on maturity of cash instruments		**6,658,747**	-	**-**	-
Net movement on other investments-loans and receivables	18	**(3,643)**	(176,608)	**(143,099)**	(1,996,396)
Increase/(decrease) in borrowings	25	**64,698**	(77,980)	**64,698**	-
Net cash from investing activities		**(2,057,562)**	3,509,962	**4,179,459**	527,211
Financing activities					
Dividends paid		**-**	(1,199,847)	**-**	(1,199,848)
Repayment of bank loans in connection with investment properties	25	**(1,080,847)**	(52,809)	**-**	-
Net movement in relation to bond issue	25	**-**	(23,396)	**-**	(23,396)
Net cash from/(used in) investing activities		**(1,080,847)**	(1,276,052)	**-**	(1,223,244)
Movement in cash and cash equivalents		**216,611**	5,151,374	**207,597**	341,705
Cash and cash equivalents at beginning of year		**10,873,792**	5,722,418	**656,625**	314,920
Cash and cash equivalents at end of year	28	**11,090,403**	10,873,792	**864,222**	656,625

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 current global financial crisis, and has reported a loss before tax of €7,554,426 for 2008. 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 balance sheet, 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 balance sheets 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.

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.

The following International Financial Reporting Standards, some of which have not yet been endorsed by the EU as of the date of authorisation of these financial statements, could potentially impact the financial statements in the period of initial application. The impact that the initial application will have in the financial statements has not yet been assessed.

- IAS 23 (Revised), Borrowing Costs - The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Earlier application is permitted. The revised Standard removes the option of immediately recognising as an expense borrowing costs that relate to assets that take asubstantial period of time to get ready for use or sale.

- IAS 1 (Revised), Presentation of Financial Statements – The revised IAS 1 is effective for annual periods beginning on or after 1 January 2009. Early adoption is permitted. The revised Standard changes the presentation of certain items presented in certain components of the financial statements.

- IFRS 7 (Amendment), Improving Disclosures about Financial Instruments – The amendments to IFRS 7 improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. These amendments apply for annual periods beginning on or after 1 January 2009. Earlier application is permitted.

- 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. Earlier application is permitted.

- IFRIC 15, Agreements for the Construction of Real Estate – The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11, Construction Contracts or IAS 18, Revenue and when revenue from the construction should be recognised. The Interpretation is effective for annual periods beginning on or after 1 January 2009. Earlier application is permitted.

- 2008 Improvements to International Financial Reporting Standards – These projects resulted in a number of amendments to various International Financial Reporting Standards.

The Group's Directors are of the opinion that the other International Financial Reporting Standards that are in issue but not yet effective will not have a possible significant impact on the Group's or the company's financial statements 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 profit and loss account.

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 profit and loss account, 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.

(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 balance sheet as an asset. The value of in-force business is subsequently determined by the Directors on an annual basis, based on the advice of the approved actuary. The valuation represents the discounted value of projected future transfers to Shareholders from policies in force at the year end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending on the mix of investments held and expected market conditions. All movements in the in-force business valuation are credited or debited to the profit and loss account. 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. However, if the deferred income tax arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Currently enacted tax rates or those that are substantively enacted by the balance sheet 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 profit and loss account during the financial period in which they are incurred.

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

	%
Buildings	1
Office furniture, fittings and equipment	7 $^{1/2}$ – 25
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 PROPERTY

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 property is initially measured at cost including related transaction costs. Investment property is 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 property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

Unrealised gains and losses arising from changes in fair value (net of deferred taxation) are initially recognised in the profit and loss account, and unrealised gains (net of deferred taxation), to the extent that they are not attributed to policyholders in the insurance technical account, are subsequently transferred out of retained earnings to other reserves.

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 profit and loss account.

The dividend income from such investments is included in the profit and loss account 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.

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.

8. OTHER FINANCIAL ASSETS *continued*

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 profit and loss.

The fair value of quoted financial assets is based on quoted market prices at the balance sheet 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 balance sheet 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 profit and loss account.
If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(b) Impairment of other financial assets

At each balance sheet 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.

9. IMPAIRMENT OF ASSETS *continued*

(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 balance sheet 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. STOCK – 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 stock. The development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property together with other costs incurred during its subsequent development including:

(i) The costs incurred on development works, including demolition, site clearance, excavation, construction, etc.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs attributable to the development phases of the project.

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

12. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

(a) Classification

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

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

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

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

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

(b) Recognition and measurement

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

(i) Short term insurance contracts

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

(ii) Long term contracts

Insurance contracts without DPF

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

Insurance contracts with DPF

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

Investment contracts with DPF

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

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

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

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

(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.

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

(iv) A liability for long term contractual benefits that is 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 balance sheet date, and adjustment for mortality risk and other benefits.

This long term liability is recalculated at each balance sheet 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 balance sheet date.

(c) Reinsurance contracts held

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

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

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account. The Group gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in accounting policy 9(a).

(d) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account 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 – investment 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 balance sheet 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 cash flow statements, 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 profit and loss account 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 stock 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.

20. REVENUE RECOGNITION *continued*

(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. Following Malta's adoption of the Euro as its national currency on 1 January 2008, the Company's functional currency changed from Maltese Lira to Euro. Consequently the comparative results and financial position were translated at the irrevocably fixed conversion rate of Euro1:Lm0.429300.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Translation differences on non-monetary items that are measured at fair value, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

22. INVESTMENT RETURN

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

The investment return is allocated between the insurance technical account and the profit and loss account on a basis which takes into account that technical provisions are fully backed by investments and that the value of in-force business, computer software, property, plant and equipment and working capital are financed entirely from Shareholders' funds.

23. LEASES

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term. Group assets leased out under operating leases are included in investment property. Rental income is recognised in the profit and loss account 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 balance sheet date.

Notes to the financial statements

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 property

The determination of the fair value of investment property at the balance sheet date 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.

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.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK *continued*

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

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

(a) Frequency and severity of claims

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

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

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

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

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

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

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

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

Financial risk

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

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK *continued*

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

The Group's investment policy is formally approved by the Board of Directors. Portfolio review processes and investment decisions are generally delegated to a dedicated Sub-Investment Committee or the Chief Executive Officer. Transactions in excess of pre-established parameters are subject to Board approval. The procedures consider, inter alia, a recommended portfolio structure, authorisation parameters, asset and counterparty limits and currency restrictions. Management reports to the Investment Committee on a regular basis. 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.

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 following table incorporates interest rate with respect to the Group's and the Company's assets and liabilities.

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

	Group		**Company**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Assets attributable to policyholders				
Assets at floating interest rates	**9,347,166**	5,091,652	**-**	-
Assets at fixed interest rates	**24,498,380**	21,614,574	**-**	-
	33,845,546	26,706,226	**-**	-
Assets attributable to shareholders				
Assets at floating interest rates	**3,043,958**	6,626,862	**1,417,549**	656,625
Assets at fixed interest rates	**124,233**	122,973	**-**	-
	3,168,191	6,749,835	**1,417,549**	656,625
	37,013,737	33,456,061	**1,417,549**	656,625
Liabilities				
Liabilities at floating interest rates	**3,744,469**	4,252,476	**565,724**	-
Technical provisions	**50,098,264**	47,811,412	**-**	-
	53,842,733	52,063,888	**565,724**	-

As disclosed in Note 25 the Group and the Company issued a bond with a nominal value of Ð17,000,000 at a fixed rate of interest. Further as 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 balance sheet 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 balance sheet 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 sensitivity analysis for price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market. The Group is principally exposed to price risk in respect of equity investments listed on the Malta Stock Exchange. A significant holding accounted for 7% of the Group's total assets as at 31 December 2008 (2007: 11%).

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 balance sheet date increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/- €1,400,000 in 2008 (2007: +/- €2,300,000) and the impact on the Company's pre-tax profit would be +/- €40,000 in 2008 (2007: +/- €511,000). 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.

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

	Group		**Company**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Assets attributable to policyholders	**7,020,952**	9,884,055	**-**	-
Assets attributable to shareholders	**5,952,297**	12,695,511	**398,534**	5,110,685
	12,973,249	22,579,566	**398,534**	5,110,685

(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 P ound) represented 19% of the Group's total investments in Note 18 (2007: 13%).

35% (2007: 14%) of the Group's cash and cash equivalents, at 31 December 2008, 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 2008 or 31 December 2007.

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. Malta joined the Exchange Rate Mechanism II (ERMII) on 29 April 2005 further limiting the Group's exposure to exchange differences arising from investments held in Euro, and its national currency changed to Euro as from 1 January 2008.

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 balance sheet date differ by +/-10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/-€1,000,000 in 2008 (2007: +/-€700,000).

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.

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. During the prior year the Group transferred its reinsurance portfolio from a reinsurer that had a Standard & Poor's rating as at 31 December 2006 of B to a reinsurer that had a Standard & Poor's rating of AA- as at 31 December 2007. The Group's reinsurer retained its Standard & Poor's rating of AA- as at 31 December 2008.

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 balance sheet 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 balance sheet date are analysed as follows:

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

As at 31 December 2007

	AAA to AA €	A+ to A €	A- €	BBB+ to B- €	Unrated €	Total €
Investments						
Debt Securities at fair value through profit or loss	852,751	16,286,045	-	1,593,552	3,093,580	21,825,928
Loans and Receivables						
Loans secured on policies	-	-	-	-	89,159	89,159
Trade and other receivables	-	-	-	-	2,604,440	2,604,440
Cash and cash equivalents	-	-	4,979,532	-	6,740,690	11,720,222
	-	-	4,979,532	-	9,434,289	14,413,821
Reinsurance share of technical provisions	867,091	-	-	-	-	867,091
Total assets bearing credit risk	1,719,842	16,286,045	4,979,532	1,593,552	12,527,869	37,106,840

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 2008 and 2007 the Group had significant exposure with the Government of Malta through investments in debt securities. In 2008 these were equivalent to 13% (2007: 13%) of the Group's total assets.

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK *continued*

Financial risk *continued*

Liquidity risk

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. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The tables below analyse the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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 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	17,952,000	22,712,000	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	18,713,865	30,227,536	23,881,985

Expected undiscounted cash outflows

	Less than five years €	Between five and ten years €	Between ten and twenty years €	Over twenty years €	Total €	Carrying amount €
Technical provisions	13,240,090	15,917,754	15,115,329	38,627,293	82,900,466	51,475,499

2. MANAGEMENT OF INSURANCE AND FINANCIAL RISK *continued*

Financial risk *continued*

As at 31 December 2007 **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	1,155,877	380,932	1,142,798	1,542,409	4,222,016	3,407,754
Bank overdraft	844,722	-	-	-	844,722	844,722
5.6% bonds 2014/2016	952,000	952,000	2,856,000	18,904,000	23,664,000	16,664,864
Trade and other payables	4,016,292	-	-	-	4,016,292	4,014,433
	6,968,891	1,332,932	3,998,798	20,446,408	32,747,030	24,931,773

Expected undiscounted cash outflows

	Less than five years €	Between five and ten years €	Between ten and twenty years €	Over twenty years €	Total €	Carrying amount €
Technical provisions	8,148,682	21,267,156	12,764,694	46,145,884	88,326,415	48,487,384

Company

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	19,022,334	23,782,334	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	19,022,334	25,651,117	18,582,843

As at 31 December 2007 **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	18,904,000	23,664,000	16,664,864
Trade and other payables	1,424,948	-	-	-	1,424,948	1,424,948
	2,376,948	952,000	2,856,000	18,904,000	25,088,948	18,089,812

3. SEGMENTAL ANALYSIS

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Adjustments €	Group €
Year ended 31 December 2008						
Gross premium written						
- long term business	-	7,078,502	-	-	-	7,078,502
Commission and fees	1,632,466	54,942	1,955,455	220,988	(8,400)	3,855,451
Disposal of property						
held for development (Note 6)	-	-	-	974,384	-	974,384
Total Turnover	1,632,466	7,133,444	1,955,455	1,195,372	(8,400)	11,724,867
Segment results before investment return, impairment of goodwill and share of losses of associate	(2,361,065)	(3,973,563)	588,003	882,739	1,225,014	(3,638,872)
Impairment of goodwill (Note 12)	(232,937)	(995,778)	-	-	-	(1,228,715)
Share of losses of associate	-	-	-	-	(265,317)	(265,317)
Operating (loss)/profit	(2,594,002)	(4,969,341)	588,003	882,739	959,697	(5,132,904)
Investment return (Note 7)						(2,421,522)
Loss before tax						(7,554,426)
Tax credit (Note 8)						668,264
Loss for the financial year						(6,886,162)
Segment assets	54,619,006	59,797,359	2,112,466	15,912,841	(46,110,393)	86,331,279
Unallocated assets						13,062,349
						99,393,628
Segment liabilities	7,067,598	50,398,581	1,990,753	15,381,500	(13,714,014)	61,124,418
Unallocated liabilities						16,241,583
						77,366,001
Other segment items						
Impairment of receivables	(431)	(29,231)	-	-		
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)		
Unrealised fair value gains/(losses)						
- investment property	-	241,704	-	651,310		
- financial assets	(1,663,887)	(5,024,540)	5,137	-		

3. SEGMENTAL ANALYSIS *continued*

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Adjustments €	Group €
Year ended 31 December 2007						
Gross premium written						
- long term business	-	12,634,261	-	-	-	12,634,261
Commission and fees	2,728,453	-	1,908,330	363,664	(178,998)	4,821,449
Disposal of property held for development (Note 6)	-	-	-	727,929	-	727,929
Total Turnover	2,728,453	12,634,261	1,908,330	1,091,593	(178,998)	18,183,639
Segment results before investment return, impairment of goodwill and share of losses of associate	(1,659,863)	(722,402)	646,837	4,460,410	(304,557)	2,420,425
Impairment of goodwill (Note 12)	(232,937)	(232,937)	-	-	-	(465,874)
Share of losses of associate	-	-	-	-	(3,552)	(3,552)
Operating (loss)/profit	(1,892,800)	(955,339)	646,837	4,460,410	(308,109)	1,950,999
Investment return (Note 7)						(1,597,256)
Profit before tax						353,743
Tax credit (Note 8)						226,191
Profit for the financial year						579,934
Segment assets	4,593,541	54,562,595	2,515,935	25,136,424	(190,783)	86,617,712
Unallocated assets						18,442,753
						105,060,466
Segment liabilities	2,715,986	50,216,362	780,114	2,195,870	13,599	55,921,931
Unallocated liabilities						20,224,745
						76,146,677
Other segment items						
Impairment of receivables	(77,128)	(21,151)	-	-		
Capital expenditure	(359,898)	(188,479)	(6,583)	(32,721)		
Amortisation	(51,880)	(57,906)	(4,997)	(11,267)		
Depreciation	(378,407)	(204,314)	(29,781)	(12,460)		
Unrealised fair value gains/(losses)						
- investment property	-	-	-	4,400,065		
- financial assets	-	(1,140,908)	-	-		

3. SEGMENTAL ANALYSIS *continued*

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. As at 31 December 2008 and 2007, the Group is organised into four main segments:

- investment and advisory services – the provision of services in terms of the Investment Services Act (Chap. 370);
- life 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); and
- property services – to provide property management and consultancy services, and to handle property acquisitions, disposals and development projects both long and short term.

All the Group's turnover is primarily generated in and from Malta. The above turnover includes inter segment sales amounting to €243,363 (2007: €178,998).

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 common property utilised by the Group, investments that are not allocated to policyholders and taxation. Unallocated liabilities mainly comprise borrowings and taxation.

4. EXPENSES BY NATURE

	Group		Company	
	2008	**2007**	**2008**	**2007**
	€	**€**	**€**	**€**
Staff cost (Note 5)	**3,075,643**	3,925,129	**-**	-
Commission and direct marketing costs	**1,036,971**	1,429,178	**-**	-
Amortisation of computer software (Note 12)	**130,693**	126,049	**-**	-
Depreciation of property, plant and machinery (Note 14)	**522,984**	624,961	**-**	-
Operating lease rentals payable	**320,655**	385,458	**-**	-
Amortisation of bond issue costs	**49,197**	50,550	**49,197**	50,550
Other expenses	**2,337,507**	3,079,810	**24,374**	257,559
	7,473,650	9,621,135	**73,571**	308,109
Allocated as follows:				
Long term business technical account				
-claims incurred	**175,273**	294,258	**-**	-
-net operating expenses	**1,497,182**	2,438,116	**-**	-
Profit and loss account	**5,801,195**	6,888,761	**73,571**	308,109
	7,473,650	9,621,135	**73,571**	308,109

Actuarial valuation fees for the current financial year amounted to €88,500 (2007: €81,500) for the Group.

Auditor's remuneration for the current financial year amounted to €61,500 for the Group and €18,000 for the Company. Other fees payable to the auditor comprise €8,000 for other assurance services, and €51,400 for other non-audit services.

5. STAFF COSTS

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Wages and salaries	**2,888,309**	3,711,386	**2,888,309**	1,358,423
Social security costs	**187,334**	213,743	**187,334**	75,903
	3,075,643	3,925,129	**3,075,643**	1,434,326
Recharged to group undertakings	**-**	-	**(3,075,643)**	(1,434,326)
	3,075,643	3,925,129	**-**	-

The average number of persons employed during the year:

	Group		Company	
	2008	2007	**2008**	2007
Managerial	**27**	37	**27**	21
Sales	**16**	25	**16**	7
Administrative	**91**	103	**91**	42
	134	165	**134**	70

6. PROFIT ON DISPOSAL OF PROPERTY HELD FOR DEVELOPMENT

	Group	
	2008	2007
	€	€
Proceeds (Note 3)	**974,384**	727,929
Costs	**(681,143)**	(615,402)
Profit on disposal	**293,241**	112,527

7. INVESTMENT RETURN

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Investment income				
Rental income from investment property	**493,403**	372,283	**-**	-
Dividends received from shares in group undertakings	**-**	-	**-**	1,254,278
Dividends received from investments at fair value through profit or loss	**461,376**	706,518	**6,724**	80,971
Interest receivable from:				
- Group undertakings	**-**	-	**135,423**	121,897
- other loans and receivables	**676,034**	361,419	**102,032**	15,751
- associates	**6,782**	-	**-**	-
Net exchange gains	**-**	-	**55,162**	-
Net fair value gains - investment property	**1,155,933**	4,709,720	**-**	-
Net gains - financial investments at fair value through profit and loss	**1,769,212**	909,769	**-**	-
	4,562,740	7,059,709	**299,341**	1,472,897
Investment charges and expenses:				
Net losses - financial investments at fair value through profit or loss	**6,723,224**	1,921,742	**374,102**	145,580
Net losses - investment property	**124,228**	-	**-**	-
Investment management charges	**104,873**	67,596	**10,316**	4,206
Interest payable and other charges	**1,227,500**	1,158,141	**988,960**	954,060
Net exchange losses	**289,030**	54,011	**-**	54,016
Other charges	**14,888**	-	**-**	-
	8,483,743	3,201,490	**1,373,378**	1,157,862
Total investment (loss)/return	**(3,921,003)**	3,858,219	**(1,074,037)**	315,035
Allocated as follows:				
Long term business technical account	**(2,150,786)**	745,752	**-**	-
Profit and loss account	**(1,770,217)**	3,112,467	**(1,074,037)**	315,035
	(3,921,003)	3,858,219	**(1,074,037)**	315,035

8. INCOME TAX

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Current tax (income)/expense	**(405,729)**	(122,221)	**14,469**	109,998
Deferred income tax (Note 13)	**(707,484)**	(124,934)	**(17,099)**	124,144
Tax relating to value of in-force business	**444,949**	20,964	**-**	-
Tax (income)/expense	**(668,264)**	(226,191)	**(2,630)**	234,142

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	
	2008	2007	**2008**	2007
	€	€	**€**	€
(Loss)/profit before tax	**(7,554,426)**	353,744	**(1,147,608)**	6,926
Tax on profit at 35%	**(2,644,049)**	123,810	**(401,663)**	2,424
Tax effect of:				
Non - deductible expenditure	**622,284**	342,576	**298,968**	-
Capitalisation of bond issue costs	**-**	154,521	**-**	154,521
Additional allowances available under S.15 of the Income Tax Act	**(59,189)**	(23,711)	**-**	-
Exempt income and income subject to a reduced rate of tax	**(49,034)**	(590,580)	**(39,713)**	(52,863)
Impact of property transfers taxed at 12%	**183,839**	113,107	**-**	-
Reassessment of deferred tax on fair valuation of investments	**-**	(837,792)	**-**	-
(Over)/ underprovision in prior years	**(66,667)**	(122,660)	**(2,276)**	(5,302)
Other differences, including unrecognised deferred tax movement	**1,344,552**	614,538	**142,054**	135,361
Tax (income)/expense	**(668,264)**	(226,191)	**(2,630)**	234,141
Allocated as follows:				
Technical profit and loss account	**29,004**	(412,364)	**-**	-
Non-technical profit and loss account	**(697,268)**	186,173	**(2,630)**	234,141
Tax (income)/expense	**(668,264)**	(226,191)	**(2,630)**	234,141

9. DIRECTORS' EMOLUMENTS

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Fees	**253,710**	112,975	**206,353**	112,975
Remuneration	**201,369**	192,041	**201,369**	192,041
	455,079	305,016	**407,722**	305,016

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 2008 and 2007 includes salaries and emoluments amounting to €407,722 (2007: €305,016) 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 €86,300 (2007: €89,907). These amounts are included with professional fees.

10. EARNINGS PER SHARE

Earnings per share is based on the net (loss) / profit for the year divided by the weighted average number of ordinary shares in issue during the year.

	Group	
	2008	2007
	€	€
Net (loss) / profit attributable to shareholders	**(6,886,167)**	579,935
Weighted average number of ordinary shares in issue	**13,207,548**	13,207,548
Earnings per share	**(52c1)**	4c4

11. DIVIDENDS

The net dividend of €199,974 (1.51cents per ordinary share) and the special net dividend of €999,872 (7.57cents per ordinary share) proposed by the directors during 2006 was approved by the shareholders and paid in 2007. The Directors do not recommend the payment of a final dividend in respect of 2008.

12. INTANGIBLE ASSETS

Group	Goodwill €	Value of in-force business €	Computer Software €	Total €
At 1 January 2007				
Cost or valuation	5,472,027	2,117,400	971,491	8,560,918
Accumulated amortisation	-	-	(562,106)	(562,106)
Net book amount	5,472,027	2,117,400	409,385	7,998,812
Year ended 31 December 2007				
Opening net book amount	5,472,027	2,117,400	409,385	7,998,812
Additions	-	-	117,412	117,412
Increment in value of in force business	-	37,270	-	37,270
Amortisation charge	-	-	(126,049)	(126,049)
Impairment charge	(465,875)	-	-	(465,875)
Closing net book amount	5,006,152	2,154,670	400,748	7,561,570
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)
Net book amount	5,006,152	2,154,670	400,748	7,561,570
Year ended 31 December 2008				
Opening net book 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 net book amount	3,742,031	2,981,000	282,444	7,005,475
At 31 December 2008				
Cost or valuation	3,742,031	2,981,000	1,101,292	7,824,323
Accumulated amortisation	-	-	(818,848)	(818,848)
Net book amount	**3,742,031**	**2,981,000**	**282,444**	**7,005,475**

Amortisation of computer software amounting to €130,693 (2007: €126,049) is included in administrative expenses.

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 2008 (2007: €232,937). The balance of this component of goodwill, which amounted to €806,532 as at 31 December 2008 (2007: €1,039,469), is expected to continue to yield economic benefits over the next 3 years.

12. INTANGIBLE ASSETS *continued*

The Directors have considered that the performance of the investment and advisory services segment in 2008, 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.

No impairment has been recognised on the element of goodwill relating to a specific investment project enabled by the merger, which is as yet at an early stage of its development. The project was granted an outline development permit and a full development permit for the excavation in 2007. Works on the site were completed in 2008 and the construction phase is expected to start in 2009 given that the Malta Environment Planning Authority granted a full development permit in March 2009. Negotiations in relation to obtaining the necessary financing requirements of the project are currently in progress. An assessment of the recoverable amount of this goodwill has been made by reference to expected cash flows from the investment concerned, covering an expected project duration of 10 years and discounted to present value at a target rate of return of 10.5% (2007: 10.5%). It is anticipated that this element of goodwill, which amounted to €1,414,088 at 31 December 2008 and 2007, will be utilised as the related project profits are realised.

Another component, which amounted to €1,076,851 at 31 December 2008 (2007: €2,072,664), 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 2008, 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. Management has 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% (2007: 6.6%) and a growth rate of 3% beyond management's approved forecasts. An impairment charge of €995,813 (2007 – €232,937) was allocated to this segment. Should management's expectations of future annual maintainable earnings be discounted by a further 5% the Group would need to reduce the carrying value of goodwill by €210,630 (2007: €621,943).

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% (2007: 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. Changes in current year assumptions, as compared to the 2007 valuation process, increased the VOIFB by approximately €700,000. The changes in the assumptions also resulted in an increase in the reserves held, and therefore a reduction in the amount of surplus, by approximately €850,000.

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 €208,000 (2007: €282,000);
- a decrease in the projected investment return by 10% reduces the VOIFB by €350,000 (2007: €899,000); and
- an increase in the discount factor by 10% reduces the VOIFB by €101,000 (2007: €63,000).

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

13. DEFERRED INCOME TAX

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate ranging between 31% and 35% (2007: 31%-35%), except for temporary differences on investment property situated in Malta that are calculated under the liability method using a principal tax rate of 12% (2007: 12%) of the carrying amount.

The movement on the deferred income tax account is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	€	€	€	€
Year ended 31 December				
At beginning of year	**(1,762,180)**	(1,887,114)	**(145,018)**	(20,874)
Charged to profit and loss account (Note 8)	**707,484**	124,934	**17,099**	(124,144)
At end of year	**(1,054,696)**	(1,762,180)	**(127,919)**	(145,018)

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

	Group		Company	
	2008	2007	**2008**	2007
	€	€	€	€
Arising on:				
Accelerated tax depreciation	**1,564**	(60,128)	**-**	-
Unabsorbed tax credits	**674,995**	929,504	**-**	-
Capitalisation of bond issue costs	**(127,919)**	(145,018)	**(127,919)**	(145,018)
Fair value adjustments	**(1,603,336)**	(2,486,538)	**-**	-
	(1,054,696)	(1,762,180)	**(127,919)**	(145,018)

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 balance sheet:

	Group		Company	
	2008	2007	**2008**	2007
	€	€	€	€
Deferred tax asset	**676,559**	77,540	**-**	-
Deferred tax liability	**(1,731,255)**	(1,839,720)	**(127,919)**	(145,018)
	(1,054,696)	(1,762,180)	**(127,919)**	(145,018)

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

The deferred tax asset on unutilised tax credits 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 2008 the Group had unutilised tax credits amounting to €4,730,397 (2007: €1,738,440) available for relief against future taxable income. These losses give rise to a further deferred tax asset of €1,655,639 (2007: €608,454) that has not been recognised in these financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings €	Office furniture, fittings & equipment €	Motor vehicles €	Total €
At 1 January 2007				
Cost	3,535,975	3,991,048	704,526	8,231,549
Accumulated depreciation	(128,295)	(2,325,653)	(341,556)	(2,795,504)
Net book amount	3,407,680	1,665,395	362,970	5,436,045
Year ended 31 December 2007				
Opening net book amount	3,407,680	1,665,395	362,970	5,436,045
Additions	146,245	275,341	48,682	470,268
Disposals	-	(21,468)	(75,775)	(97,243)
Depreciation charge	(69,522)	(395,201)	(160,238)	(624,961)
Depreciation released on disposals	-	-	39,336	39,336
Closing net book amount	3,484,403	1,524,067	214,975	5,223,445
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)
Net book amount	3,484,403	1,524,067	214,975	5,223,445
Year ended 31 December 2008				
Opening net book 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 net book amount	241,351	1,152,436	80,725	1,474,512
At 31 December 2008				
Cost	448,813	4,183,900	677,433	5,310,146
Accumulated depreciation	(207,462)	(3,031,464)	(596,708)	(3,835,634)
Net book amount	241,351	1,152,436	80,725	1,474,512

As at 31 December 2007 land and buildings amounting to €2,212,905 were hypothecated in connection with bank finance obtained by the Group.

15. INVESTMENT PROPERTY

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**21,062,835**	15,104,086	**679,898**	517,753
Additions	**599,129**	523,697	**78,189**	162,145
Transferred from property, plant and equipment (Note 14)	**3,202,427**	-	**-**	-
Disposals	**(1,797,384)**	(592,958)	**-**	-
Transferred from stocks- property held for development (Note 20)	**-**	1,627,945	**-**	-
Fair value gains	**893,014**	4,400,065	**-**	-
At end of year	**23,960,021**	21,062,835	**758,087**	679,898
At 31 December				
Cost	**15,085,907**	13,081,735	**758,087**	679,898
Accumulated fair value gains	**8,874,114**	7,981,100	**-**	-
Net book amount	**23,960,021**	21,062,835	**758,087**	679,898

The investment properties are valued on 31 December at fair value by independent professionally qualified valuers, or by virtue of a Directors' valuation.

The value of investment property held by the Group and the Company was reviewed by the Directors during 2008. This assessment was made by reference to the valuations obtained from independent experts during 2007 taking into account events which occurred in the intervening period to year end together with market conditions existing at 31 December 2008. In particular the value of the Group's property in Rome, which is valued at €9,337,540 at 31 December 2008 (2007: €9,337,540) on the basis of the comparative sales method, was corroborated by reference to representations obtained from a leading independent global residential and commercial property consultancy firm taking into account the fact that the property is meticulously maintained. 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 14% lower to 30% higher than the fair valuation that is reflected in the Group's balance sheet as at 31 December 2008. Applying sensitivity analysis to a similar range of values would result in the profit before tax reported for the year being reduced by €1,300,000 or being increased by €2,800,000 respectively.

Payments on account of property commitments where title had not transferred to the Group as at 31 December are included in investment property and amounted to €758,086 as at 31 December 2008 (2007: €1,048,977). Payments on account of property commitments where title had not transferred to the Company as at 31 December are included in investment property and amounted to €758,086 as at 31 December 2008 (2007: €678,898).

As at 31 December 2008 investment property amounting to €1,869,468 (2007: €nil) were hypothecated in connection with bank finance obtained by the Group.

16. INVESTMENT IN GROUP UNDERTAKINGS

Company	**2008**	2007
	€	€
Year ended 31 December		
Opening and closing cost and net book 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 2008**	**Percentage of shares held 2007**
Brammer Limited	City of Sofia, Region of Mladost H.E. "Mladost" Bl. 434 Floor 5 App 114 Bulgaria	Ordinary shares	**100%**	100%
Britam Limited	120 The Strand Gzira	Ordinary shares	**-**	100%
Central Landmark Development Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GFSG (UK) Limited (In liquidation)	138 Piccadilly London UK	Ordinary shares	**100%**	100%
Global Estates Limited	120 The Strand Gzira	Ordinary 'A' shares	**100%**	100%
Global Properties Limited	26/A/3 Gunduliceva Split Croatia	Ordinary shares	**100%**	100%
GlobalCapital Financial Management Limited	120 The Strand Gzira	Ordinary shares	**100%**	100%
GlobalCapital Fund Advisors Limited	120 The Strand Gzira	Ordinary shares	**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%

16. INVESTMENT IN GROUP UNDERTAKINGS *continued*

Group undertakings	Registered office	Class of shares held	Percentage of shares held 2008	2007
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	**99%**	99%
Quadrant Italia Srl	Via Bruxelles 34 Cap 00100 Rome RM Italy	Ordinary shares	**100%**	100%

During 2008 Britam Limited merged into GlobalCapital Life Insurance Limited.

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% (2007 – 61%) of the International Growth Opportunities Fund as at 31 December 2008. This holding was not consolidated on the basis of materiality.

17. INVESTMENT IN ASSOCIATED UNDERTAKING

Group	2008 €	2007 €
Year ended 31 December		
At beginning of year	**3,798,059**	3,420,991
Additions	**-**	380,620
Share of loss of associated undertaking	**(265,317)**	(3,552)
At end of year	**3,532,742**	3,798,059
At 31 December		
Cost	**3,806,196**	3,806,196
Accumulated losses	**(273,454)**	(8,137)
Net book amount	**3,532,742**	3,798,059

The associated undertaking at 31 December:

Associate	Registered office	Class of shares held	Percentage of shares held 2008	2007
Metropolis Developments Limited	Metropolis Enrico Mizzi Street Gzira Malta	Ordinary ‘A’ shares	**41%**	41%

At 31 December 2008, Metropolis Developments Limited’s assets amounted to €14,325,568 (2007: €13,719,434) and liabilities amounted to €5,709,135 (2007: €4,421,786). The Metropolis Developments Limited Group registered a loss during the year ended 31 December 2008 of €681,215 (2007: €15,258).

18. OTHER INVESTMENTS

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

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Fair value through profit and loss	**38,399,483**	45,220,473	**398,534**	5,110,685
Loans and receivables	**94,510**	90,867	**8,222,724**	8,079,625
Total Investments	**38,493,993**	45,311,340	**8,621,258**	13,190,310

(a) Investments at fair value through profit or loss

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Equity securities and collective investments schemes:				
-listed shares	**11,149,931**	18,984,614	**349,153**	4,824,869
-collective investment schemes	**2,626,939**	3,676,271	**49,381**	285,816
-unlisted securities	**-**	733,659	**-**	-
	13,776,870	23,394,544	**398,534**	5,110,685
Debt securities				
-listed	**24,184,633**	21,825,929	**-**	-
-unlisted	**437,980**	-	**-**	-
	24,622,613	21,825,929	**-**	-
Total investments at fair value through profit or loss	**38,399,483**	45,220,473	**398,534**	5,110,685

In 2008 collective investment schemes include €887,138 (2007: €892,149) 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	**Group**	
	2008	2007
	€	€
Within 1 year	**328,043**	4,559,793
Between 1 and 2 years	**1,576,450**	482,388
Between 2 and 5 years	**4,227,642**	2,912,968
Over 5 years	**18,490,478**	13,870,780
	24,622,613	21,825,929
Weighted average effective interest rate at the balance sheet date	**6%**	5%

Group investments amounting to €1,883,065 (2007: €2,730,179) 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**	
	2008	2007	**2008**	2007
	€	€	€	€
Year ended 31 December				
At beginning of year	**45,220,473**	46,331,414	**5,110,685**	7,942,013
Additions	**8,100,814**	35,741,435	**331,612**	2,379,331
Disposals (sale and redemption)	**(8,238,514)**	(35,487,601)	**(4,593,455)**	(5,049,842)
Net fair value losses	**(6,683,290)**	(1,364,775)	**(450,308)**	(160,818)
At end of year	**38,399,483**	45,220,473	**398,534**	5,110,684
At 31 December				
Cost	**40,987,912**	41,125,611	**811,439**	5,073,282
Accumulated fair value gains/(losses)	**(2,588,429)**	4,094,861	**(412,905)**	37,403
Net book amount	**38,399,483**	45,220,472	**398,534**	5,110,685

18. OTHER INVESTMENTS *continued*

(b) Loans and receivables

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Loans to group undertakings	**-**	-	**8,222,724**	8,079,625
Loans secured on policies	**94,510**	89,159	**-**	-
Other loans	**-**	1,708	**-**	-
	94,510	90,867	**8,222,724**	8,079,625

Loans to group undertakings are unsecured, charged with interest at a rate of 8% (2007: 8%) and are repayable on demand but are not expected to be realised within twelve months after the balance sheet date.

Loans secured on policies are substantially non-current in nature. They are charged with interest at the rate of 8% (2007: 8%) per annum.

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

19. TECHNICAL PROVISIONS – INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

	Group	
	2008	2007
	€	€
Insurance contracts	**23,036,633**	19,827,774
Investment contracts with DPF	**26,547,030**	27,517,654
	49,583,663	47,345,428
Investment contracts without DPF	**887,138**	892,152
Total technical provisions	**50,470,801**	48,237,580

The movements in technical provisions are analysed below:

	Insurance contracts	**Investment contracts with DPF**	**Total**
	€	€	€
Year ended 31 December 2007			
At beginning of year	17,404,277	21,243,885	38,648,162
Charged to profit and loss account			
-change in the provision for claims	(48,223)	42,446	(5,777)
-change in other technical provisions	2,471,719	6,231,323	8,703,042
At end of year	19,827,773	27,517,654	47,345,427
Year ended 31 December 2008			
At beginning of year	19,827,773	27,517,654	47,345,427
Charged to profit and loss 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
At end of year	23,036,633	26,547,030	49,583,663

19. TECHNICAL PROVISIONS *continued*

Insurance contracts are further analysed as follows:

	2008	2007
	€	€
Gross technical provisions - insurance contracts		
Short term insurance contracts		
-claims outstanding	**78,919**	75,201
-other provisions	**288,690**	158,397
Long term insurance contracts		
-claims outstanding	**186,136**	330,566
-long term business provision	**23,487,586**	20,130,699
	24,041,331	20,694,863
Reinsurers' share of technical provisions - insurance contracts		
Short term insurance contracts		
-claims outstanding	**(26,158)**	(9,881)
-other provisions	**(98,469)**	(53,576)
Long term insurance contracts		
-claims outstanding	**(57,070)**	(74,540)
-long term business provision	**(823,490)**	(729,094)
	(1,005,187)	(867,091)
Net technical provisions - insurance contracts		
Short term insurance contracts		
-claims outstanding	**(52,761)**	(65,320)
-other provisions	**(190,221)**	(104,821)
Long term insurance contracts		
-claims outstanding	**(129,066)**	(256,026)
-long term business provision	**(22,664,096)**	(19,401,605)
	(23,036,144)	(19,827,772)

Investment contracts with DPF include claims outstanding amounting to €30,369 (2007: €42,446). 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 Group's own experience. A weighted average rate of investment return is applied in accordance with the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2007, reflecting current investment yields, adjusted by a margin of contingency. Allowance is made for policy maintenance expenses at a rate determined by reference to the insurance company's cost base. The calculation assumes the continuation of existing tax legislation and rates.

(b) Changes in assumptions

During the year, there were no changes in assumptions. A reserve was added for interest sensitive business to prevent future valuation strains from occurring. The amount of this reserve is €850,000.

19. TECHNICAL PROVISIONS *continued*

(c) Sensitivity analysis

The following table presents the sensitivity of the value of liabilities 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 variable that will trigger an adjustment and the liability adjustment that would be required.

	Increase in liability	
	2008	2007
	€	€
Variable		
10% loading applied to mortality assumptions	**104,000**	84,000
Lowering of investment return by 25 basis points	**246,000**	54,000

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. STOCK – PROPERTY HELD FOR DEVELOPMENT

	Group	
	2008	2007
	€	€
Year ended 31 December		
At beginning of year	**4,710,324**	3,491,002
Additions	**1,868,102**	3,437,561
Disposals	**(681,143)**	(590,294)
Transferred to investment property	**-**	(1,627,945)
At end of year	**5,897,283**	4,710,324
At 31 December		
Cost	**5,897,283**	4,710,324

Borrowing costs of €56,462 were capitalised during 2007. A capitalisation rate of 7% was used, representing the borrowing cost of the loan used to finance the project. At 31 December 2007 property development projects amounting to €1,165,000 were hypothecated in connection with bank finance obtained by the Group.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Trade receivables - third parties	**1,583,164**	2,080,685	**-**	-
Trade receivables - related parties	**-**	33,005	**-**	-
Less: impairment of receivables	**(66,173)**	(95,835)	**-**	-
Trade receivables - net	**1,516,991**	2,017,855	**-**	-
Other loans and receivables:				
Receivables from group undertakings	**-**	-	**5,887,134**	2,577,470
Receivables from associated undertaking	**211,032**	29,490	**-**	-
Receivables from other related parties	**150,181**	121,845	**2,019**	46,345
Other taxation receivable	**8,339**	371,016	**-**	-
Prepayments	**330,554**	270,880	**1,700**	4,517
Accrued investment income	**1,005,857**	435,250	**6,180**	-
Other receivables	**440,818**	363,207	**70,731**	5,704
	3,663,772	3,609,543	**5,967,764**	2,634,036

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

	Group	
	2008	2007
	€	€
Year ended 31 December		
At the beginning of year	**95,835**	151,812
Increase/(decrease) in provision	**(29,662)**	(55,977)
At end of year	**66,173**	95,835

The movement in the provision for impairment of debtors is included in 'administrative costs' in the profit and loss account. 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. During 2008, trade receivables of €10,017 (2007: €100,838) that were long outstanding for more than 12 months were impaired and written off as bad debts.

As at 31 December 2008, trade receivables amounting to €966,328 (2007: €1,602,001) were fully performing. As at 31 December 2008, trade receivables amounting to €550,549 (2007: €415,854) 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:

	Group	
	2008	2007
	€	€
Between 3 to 6 months	**27,167**	88,920
More than 6 months	**523,496**	326,938
	550,663	415,858

Amounts owed by group undertakings and related parties are unsecured, interest free and are repayable on demand. 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	
	2008	2007
	€	€
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 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 capital of GlobalCapital Health Insurance Agency Limited is regulated by rules issued under the Insurance Business 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.

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 balance sheet and long-term borrowings.

	2008 Minimum Own Fund Requirements	**2008 Actual Own Funds**	2007 Minimum Fund Requirements	2007 Actual Own Funds
	€	**€**	€	€
GlobalCapital Health Insurance Agency Limited	**389,807**	**572,866**	409,534	934,344
GlobalCapital Investments Limited	**116,469**	**121,986**	116,469	118,081
GlobalCapital Insurance Brokers Limited	**64,803**	**100,230**	70,976	169,287
GlobalCapital Life Insurance Limited	**3,200,000**	**10,162,846**	3,200,000	11,552,286
GlobalCapital Fund Advisors Limited	**536,774**	**1,205,270**	663,520	1,830,396
GlobalCapital Financial Management Limited	**3,491,176**	**4,916,882**	3,929,471	7,151,316

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

GlobalCapital Life Insurance Limited's margin of solvency 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. As at the date of this report, management has taken remedial action 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 €5,426,839 (31 December 2007 - €6,379,305). Management are continuously monitoring this position to ensure that the bond covenant requirements are complied with.

23. SHARE PREMIUM ACCOUNT

	Group and Company	
	2008	2007
	€	€
Share premium	**16,970,641**	16,970,641

24. OTHER RESERVES

Group	**Value of in-force business**	**Other unrealised gains**	**Total**
	€	**€**	**€**
Year ended 31 December 2007			
At beginning of year	1,129,746	1,704,451	2,834,197
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	3,648,894	3,648,894
Increment in value in-force business, transferred from retained earnings (Note 12)	37,270	-	37,270
At end of year	1,167,016	5,353,345	6,520,361
Year ended 31 December 2008			
At beginning of year	1,167,016	5,353,345	6,520,361
Fair value movement on investment property, net of deferred income tax, transferred from retained earnings	-	(144,775)	(144,775)
Increment in value in-force business, transferred from retained earnings (Note 12)	826,330	-	826,330
At end of year	1,993,346	5,208,570	7,201,916

The above reserves are not distributable.

25. INTEREST-BEARING BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Bank overdraft (Note 28)	**1,294,670**	844,722	**565,724**	-
Bank loans	**2,449,799**	3,407,754	**-**	-
5.6% bonds 2014/2016	**16,714,060**	16,664,864	**16,714,060**	16,664,864
Total borrowings	**20,458,529**	20,917,340	**17,279,784**	16,664,864

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 2008 was €74.50 (2007: €90.00).

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	
	2008	2007
	€	€
Proceeds		
€ 17,000,000, 5.6% bonds 2014/2016	**17,079,199**	17,079,199
Less:		
Issue cost	**491,974**	491,973
Accumulated amortisation	**(126,835)**	(77,638)
	365,139	414,335
Net proceeds	**16,714,060**	16,664,864

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 5.1% (2007: 6.31%) per annum.

The bank overdraft facility is secured by a pledge on investments, and bears interest at a floating interest rate of 6.3% (2007: 6.5%) per annum.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Trade payables	**1,070,617**	1,308,856	**145,585**	-
Amounts due to group undertakings	**-**	-	**411,101**	612,232
Amounts due to associates	**163,410**	-	**-**	-
Amounts due to other related parties	**297,709**	19,909	**1,660**	-
Other taxation and social security	**72,691**	1,859	**-**	-
Accruals and deferred income	**1,484,676**	2,468,185	**735,481**	812,716
Other payables	**400,530**	217,483	**9,232**	-
	3,489,633	4,016,292	**1,303,059**	1,424,948

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:

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Operating profit/(loss)	**(5,182,236)**	1,951,000	**(1,147,608)**	(308,109)
Adjustments for:				
Investment income allocated to operating profit	**4,977,792**	(5,150,787)	**374,101**	-
Share of loss of associated undertaking (Note 17)	**265,317**	3,552	**-**	-
Exchange differences (Note 7)	**234,082**	(54,011)	**-**	(54,020)
Increment in value in-force business	**(1,271,282)**	(58,234)	**-**	-
Impairment/amortisation	**1,471,015**	642,474	**49,197**	50,550
Depreciation (Note 14)	**522,984**	624,962	**-**	-
Technical provisions (net) (Note 19)	**2,238,236**	8,697,270	**-**	-
Impairment of receivables (Note 21)	**(29,662)**	(55,977)	**-**	-
Loss on disposal of fixed assets	**45,226**	57,906	**-**	-
Profit on sale of property stock	**(293,241)**	-	**-**	-
Changes in working capital:				
Stock - property held for development	**(893,718)**	(2,847,268)	**-**	-
Trade and other receivables	**69,460**	(500,396)	**(3,333,728)**	1,015,458
Trade and other payables	**(520,145)**	205,524	**(121,889)**	1,104,013
Cash generated used in operations	**1,633,828**	3,516,015	**(4,179,927)**	1,807,892

28. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Cash at bank and in hand	**12,385,073**	11,718,514	**1,429,946**	656,625
Bank overdraft	**(1,294,670)**	(844,722)	**(565,724)**	-
	11,090,403	10,873,792	**864,222**	656,625

Cash at bank earns interest at a weighted average floating interest rate of 0.95% (2007: 3.1%).

29. FAIR VALUES

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date.

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

At 31 December 2008 and 2007, the carrying amounts of other financial assets and liabilities, with the exception of investment in group undertakings 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.

30. RELATED PARTY TRANSACTIONS

Group

Transactions during the year with related parties were as follows:

	2008	2007
	€	€
Commission receivable from related parties	**90,761**	130,997
Commission receivable on investments made by related funds (see note below)	**22,451**	64,065
Fees receivable in respect of advice provided to related funds (see note below)	**184,789**	284,329
Rent payable to related parties	**25,087**	26,569

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, and James Blake are also directors of the GlobalCapital Funds SICAV p.l.c .

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 2008 and 2007 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:

	2008	2007
	€	€
Global Bond Fund Plus	**92,001**	150,100
Malta Privatisation & Equity Fund	**513,646**	830,787
Malta International Equity Fund	**66,313**	98,120
International Growth Opportunities Fund	**129,187**	747,741
The Property Fund	**255,014**	291,195
Other related funds	**252,682**	227,636
	1,308,843	2,345,579

30. RELATED PARTY TRANSACTIONS *continued*

The above investments as at 31 December 2008 were represented by the following holdings held by the Group directly in each fund:-

	2008	2007
	%	%
Global Bond Fund Plus	**6**	3
Malta Privatisation & Equity Fund	**10**	8
Malta International Equity Fund	**10**	7
International Growth Opportunities Fund	**67**	61
The Property Fund	**16**	10

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:-

	2008	2007
	%	%
Global Bond Fund Plus	**58**	63
Malta Privatisation & Equity Fund	**23**	26
Malta International Equity Fund	**44**	51
International Growth Opportunities Fund	**4**	4
The Property Fund	**45**	41

Related party balances are disclosed in Note 21. Interest receivable from Metropolis Developments Limited during the year amounted to €6,782 (2007: €2,266).

As at the balance sheet date bonds with a nominal value of €324,400 (2007: €713,509) were held by related parties. The compensation to Directors in 2008 and 2007 is disclosed in Note 9 to the financial statements.

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:

	2008	2007
	€	€
International Growth Opportunities Fund	**49,380**	285,816

The above investments as at 31 December 2008 were represented by the following holdings held by the Company directly in each fund:-

	2008	2007
	%	%
International Growth Opportunities Fund	**26**	23

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:

	2008	2007
	€	€
Not later than one year	**139,519**	164,978
Later than one year and not later than five years	**403,325**	409,057
	542,844	574,035

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:

	2008	2007
	€	€
Not later than one year	**323,217**	164,978
Later than one year and not later than five years	**397,132**	409,057
	720,349	574,035

Other commitments

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

	2008	2007
	€	€
Authorised and contracted:		
-computer software	**294,293**	128,977
-property development	**1,096,000**	2,091,344
	1,390,293	2,220,321
Authorised but not contracted:		
-computer software	**125,000**	875,295
-property development	**1,978,000**	350,680
	2,103,000	1,225,975

32. STATUTORY INFORMATION

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

Deloitte.

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 54 to 104 which comprise the consolidated and parent company balance sheets as at 31 December 2008 and the consolidated and parent company profit and loss accounts, statements of changes in equity and cash flow statements 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 52, 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 2008 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

Deloitte
Certified Public Accountants
Deloitte Place
Mriehel Bypass
Mriehel
Malta

27 March 2009

Five year summary

Profit & loss accounts

	Group 2008 €	Group 2007 €	Group 2006 €	Group 2005 €	Group 2004 €
Turnover - commission and fees receivable	**3,677,409**	4,821,449	11,247,400	7,190,680	5,745,288
Gross premiums written	**5,423,888**	12,634,260	9,713,138	8,999,744	10,291,484
Operating (loss)/profit	**(5,132,905)**	1,950,999	6,349,665	3,967,722	3,059,469
(Loss)/profit before tax	**(7,554,426)**	353,743	7,388,039	6,116,010	3,269,630
Tax income/(expense)	**668,264**	226,192	(2,637,668)	(2,356,881)	(801,782)
(Loss)/profit for the financial year	**(6,886,162)**	579,935	4,750,371	3,759,129	2,467,848

Five year summary - continued

Balance sheets

	Group 2008 €	Group 2007 €	Group 2006 €	Group 2005 €	Group 2004 €
ASSETS					
Intangible assets	**7,005,475**	7,561,570	7,998,812	8,523,077	8,636,576
Property, plant and equipment	**1,474,517**	5,223,445	5,436,045	5,205,765	4,936,317
Investment property	**23,960,021**	21,062,835	15,104,086	9,443,836	4,730,568
Investments	**42,027,626**	53,356,926	53,914,191	31,412,586	21,218,425
Stock - property held for development	**5,897,283**	4,710,324	3,491,002	-	-
	80,364,922	91,915,100	85,944,136	54,585,264	39,521,886
Other non current assets	**2,948,460**	2,064,836	1,533,340	1,494,307	1,548,912
Current assets	**16,048,845**	11,080,531	9,064,847	10,208,887	10,321,757
Total assets	**99,362,227**	105,060,467	96,542,323	66,288,458	51,392,555
EQUITY & LIABILITIES					
Capital and reserves	**22,027,631**	28,913,793	29,533,704	26,083,166	23,223,920
Provisions for liabilities and charges	**53,206,754**	50,944,390	41,526,499	33,314,354	24,899,667
Interest-bearing borrowings	**20,458,529**	20,917,340	20,217,333	3,111,800	895,166
Other liabilities	**3,669,313**	4,284,944	5,264,787	3,779,138	2,373,802
Total equity and liabilities	**99,362,227**	105,060,467	96,542,323	66,288,458	51,392,555

Accounting ratios

	Group 2008 €	Group 2007 €	Group 2006 €	Group 2005 €	Group 2004 €
Commission, fees receivable and gross premium written to total assets	**11%**	17%	22%	24%	31%
Net operating expenses to total assets	**6%**	7%	7%	8%	8%
Net (loss)/profit to commission, fees receivable and gross premium written	**-64%**	3%	23%	23%	15%
Operating profit/(loss) to commission, fees receivable and gross premium written	**-48%**	11%	30%	25%	19%
Pre-tax return on capital employed	**-34%**	1%	25%	23%	14%
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)	**166.8**	218.9	223.6	197.5	175.9
Earnings per share (cents)	**(52.14)**	4.39	35.9	28.4	18.6
Dividend cover (times)	**-**	-	3.0	3.1	4.1

Share register information

	Number of shares 31 December 2008	Number of shares 30 April 2009
Total shares in issue	13, 207,548	13, 207,548

Directors' interest in issued share capital of the Company

	Number of shares 31 December 2008	Number of shares 30 April 2009
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 2008	% Holding 31 December 2008
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 2009	% Holding 30 April 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%

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

	Number of shareholders 31 December 2008	Number of shareholders 30 April 2009
One class of shares carrying equal voting rights	1,482	1,486

Distribution of shareholding

Range	Number of shareholders 31 December 2008	Shares 31 December 2008
1– 1000	1,298	441,591
1,001 – 5,000	144	295,277
5,001 and over	40	12,470,680

Range	Number of shareholders 30 April 2009	Shares 30 April 2009
1– 1000	1304	441,111
1,001 – 5,000	143	290,757
5,001 and over	39	12,475,680

OFFICES

HEAD OFFICE
120, The Strand,
Gzira GZR 1027
Malta

OPERATIONS CENTRE
Balzan Valley
Balzan BZN 1409
Malta

CUSTOMER SERVICE AND SALES OFFICES
Ta' Xbiex
Giuseppi Cali Street
Ta' Xbiex XBX 1421
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