GlobalCapital p.l.c.

Annual Report & Financial Statements

07

GlobalCapital

Together through life

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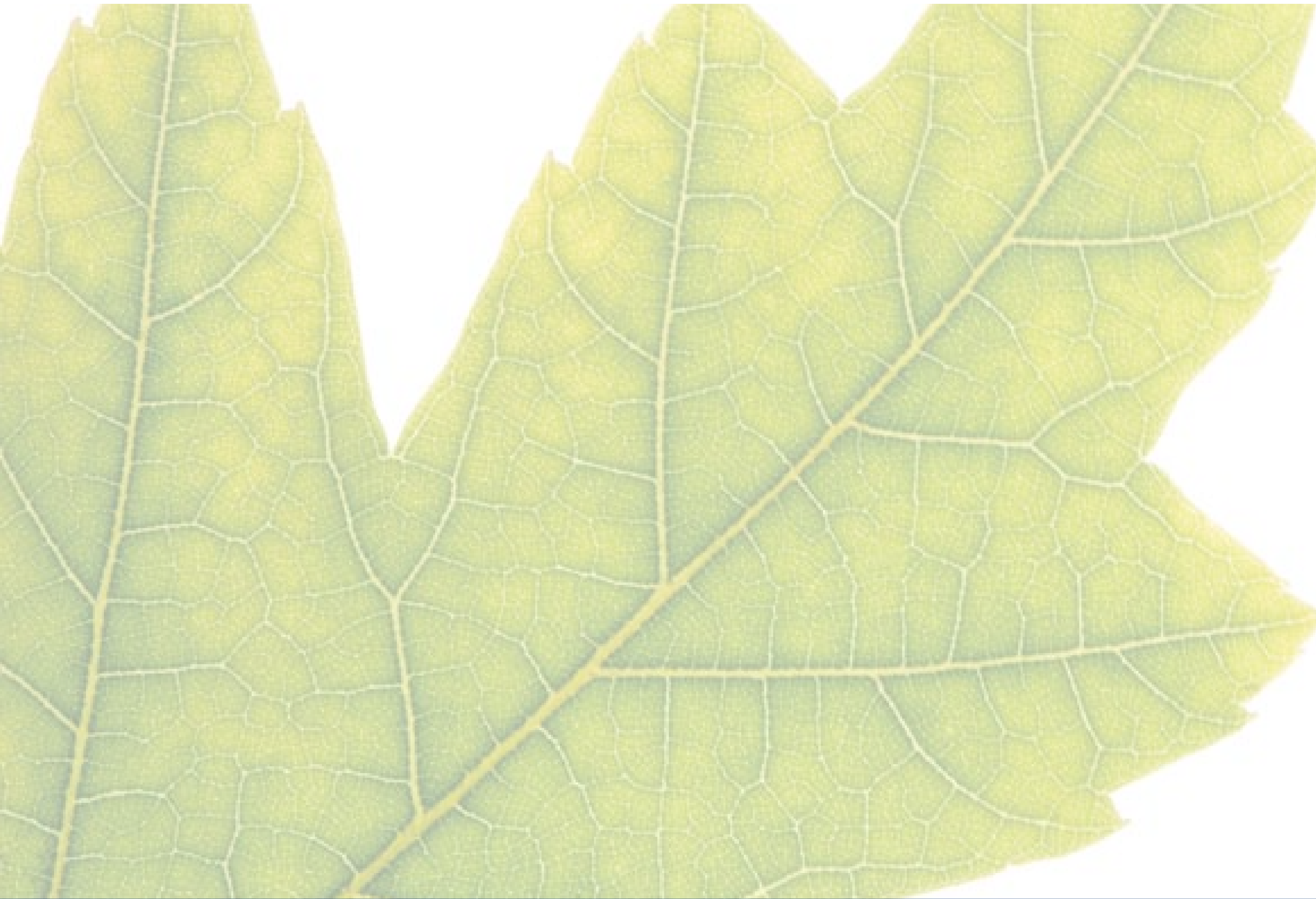
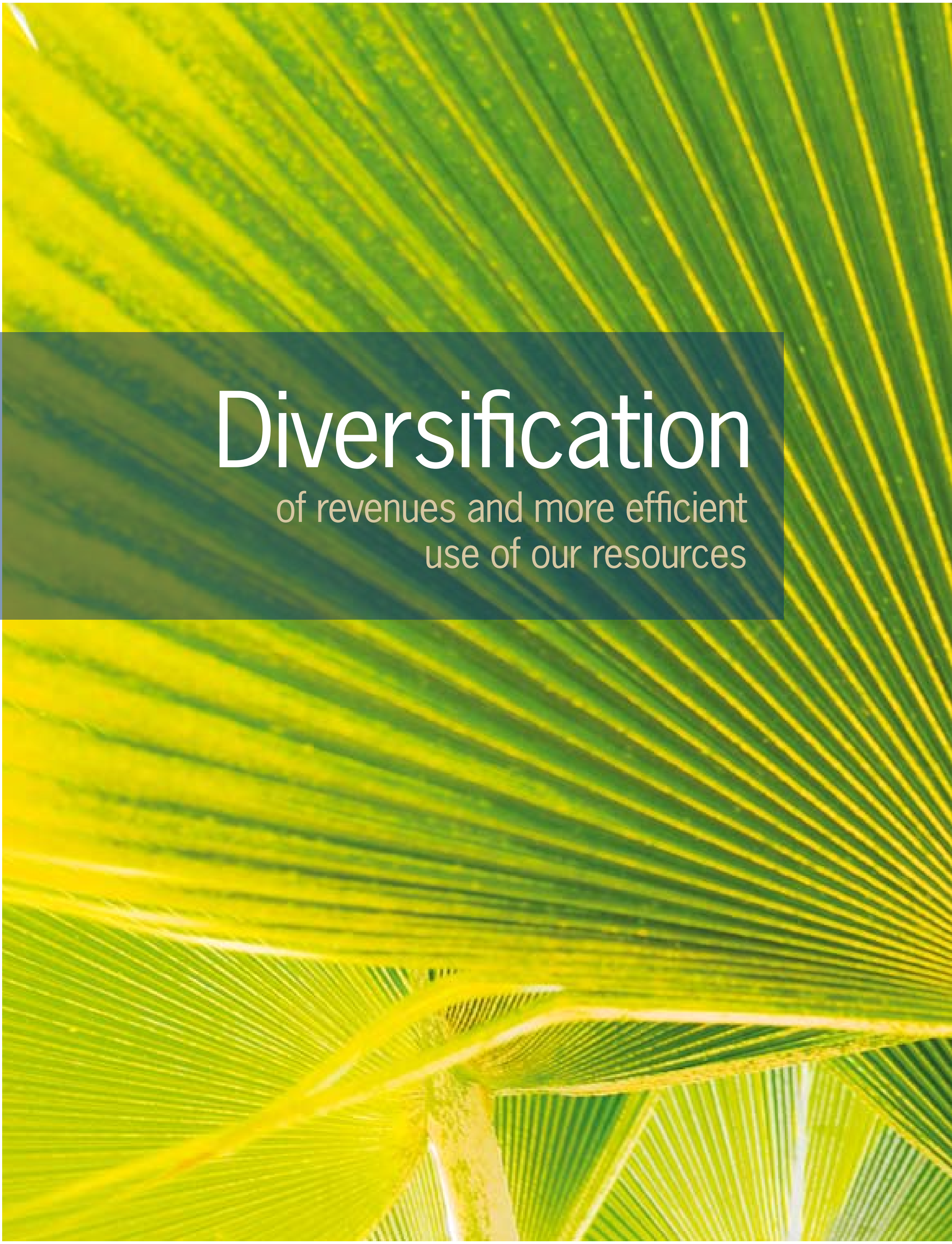


Contents

Diversification

of revenues and more efficient
use of our resources



Chairman's Statement
Stqarrija taċ-Chairman

Committed to growing our business

This financial year has been a pivotal year for the Group where important decisions were made to shape the way we do business, and approach the market in the years to come. This year has brought us closer to our strategic objective of extending our services into a new venture that will enable us to better address the market needs, consolidate our lines of business as well as give a stronger offering to our clients. These efforts have been represented in the announcement of the acquisition of an established banking operation in the early months of 2008 which will go ahead once regulatory approval is received.

Din is-sena finanzjarja kienet waħda kruċjali għall-Grupp, li matulha ttieħdu deċiżjonijiet importanti sabiex jitfassal il-mod kif nagħmlu n-negozju u nindirizzaw is-suq fis-snin li ġejjin. Din is-sena qarbitna aktar lejn il-mira strateġika tagħna li nwessgħu s-servizzi tagħna f'attività ġdida li se tpoġġina f'pożizzjoni aħjar biex nindirizzaw il-ħtiġijiet tas-suq, nagħqdu l-linji tan-negozju tagħna, kif ukoll nagħtu offerta aħjar lill-klijenti tagħna. Dawn l-isforzi ntwerew fit-tħabbira fl-ewwel xhur ta' l-2008 ta' l-akkwist ta' operat bankarju stabbilit u l-akkwist iseħħ hekk kif tingħata l-approvazzjoni regolatorja.

2007 and the Global Financial Markets

The year has been marked by a number of major events, which have negatively impacted the global economy. The most significant of these events has been the so called "credit crunch" that has severely hurt the US housing and credit market. European financial institutions did not emerge unhurt, as some of the major institutions which had substantial investments in the US sub-prime market wrote off billions of Euros in debts.

Moreover, the UK commercial property market has suffered a major correction in prices with some of the main real estate funds going to an extent of suspending redemptions. The heavy reduction in liquidity impacted bond prices and although typically used as a shelter by the more cautious investors, this asset class has experienced record volatility. This negative global scenario certainly did not help the equity market with major indices suffering sharp increases in volatility as institutional investors were looking for shelter in commodities such as Crude Oil and Gold.

Clearly the biggest impact of these events was represented in the disappointing performance of some of our investments and the investment services division.

L-2007 u s-Swieq Finanzjarji Globali

Din is-sena rat numru ta' ġrajjiet ewlenin li ħallew impatt negattiv fuq l-ekonomija globali. L-aktar avveniment sinjifikanti kien l-hekk imsejjaħ "credit crunch" li dgħajjef serjament is-swieq tal-kreditu u tad-djar fl-iStati Uniti. L-istituzzjonijiet finanzjarji Ewropej m'għaddewhiex lixxa, hekk kif xi wħud mill-istituzzjonijiet ewlenin li kellhom investimenti sostanzjali fis-suq tas-subprime fl-iStati Uniti spiċċaw bi djun ta' biljuni ta' Ewro.

Minbarra dan, is-suq tal-propjetà kummerċjali fir-Renju Unit sofra minn korrezzjoni kbira fil-prezzijiet bil-konsegwenza li xi wħud mill-fondi tal-propjetà waslu saħansitra biex jissospendu l-fidwiet. It-tnaqqis qawwi fil-likwidità ħalla impatt fuq il-prezzijiet tal-bonds u għalkemm dawn is-soltu jintużaw bħala kenn mill-investituri aktar kawti, din il-klassi ta' assi rat livell rekord ta' volatilità. Dan ix-xenarju globali negattiv żgur li m'għenx lis-suq ta' l-ishma, b'indiċijiet ewlenin isofru minn żidiet kbar fil-volatilità hekk kif investituri istituzzjonali kienu qed ifittxu l-kenn f'kumditajiet bħaż-żejt u d-deheb.

Żgur li l-akbar impatt ta' dawn il-ġrajjiet deher l-aktar fil-wirja diżappuntanti ta' xi wħud mill-investimenti tagħna, u fid-diviżjoni tas-servizzi ta' l-investiment.

A two-fold impact applied here. On the one hand, volatility in the markets substantially impacted our equity and bond holdings, while on the other hand, reduced investor confidence affected appetite for investment products resulting in reduced sales.

These events further confirm that the Group's strategy to diversify its revenue streams from non-investment based activities has been a positive move. This has been reflected in the Group's property portfolio which has performed positively, with a significant contribution to the Group both in terms of valuation and rental income. Similarly, the businesses of insurance brokerage and private medical insurance have provided a healthy contribution to the Group's bottom line as operational profit of these entities was not impacted by financial market conditions. In the latter line of business, the Company has worked hard to successfully improve the quality of the business and reduce operational costs of the business.

Financial performance

The Group's profit before tax decreased to Lm151,862 (€353,743) for the period 1 January 2007 to 31 December 2007 (2006: Lm3,171,685 / €7,388,039) which translates into a profit after tax of Lm248,966 (€579,935) compared to Lm2,039,334 (€4,750,370) in 2006. This represents earnings per share of Lm0.019 (€0.044) when compared to Lm0.154 (€0.359) in 2006. The Group's total assets increased to Lm45,102,458 (€105,060,466).

Developing our vision

GlobalCapital remains committed to further develop into a one-stop service point in financial services for individuals and corporations alike. Many of our investment and effort in 2007 was aimed at further consolidating our position in the market, and preparing ourselves to take on board further activities aimed at increasing the services offered and profitability of the Group.

A further step in this direction has been the acquisition of a Financial Institutions license that permits us to offer brokerage services on bank deposit accounts on behalf of our clients, as well as foreign exchange services. This service is being offered to both individuals as well as to companies as part of their treasury management services. I am glad to state that this has been well received and I expect increased activity in this new line of business. The timing of this license has been particularly positive as with the increased turbulence in the markets, many clients are seeking a defensive cash position. Furthermore, this activity could provide our organisation with a good foundation towards establishing our new banking operations.

L-impatt inħass fuq żewġ fronti. Min-naħa l-waħda, l-volatilità fis-swieq ħalla impatt sostanzjali fuq l-ishma u l-bonds tagħna, filwaqt li min-naħa l-oħra t-tnaqqis fil-kunfidenza ta' l-investituri ħalla impatt fuq it-tfittxija għal prodotti ta' investiment li rriżultat fi tnaqqis fil-bejgħ.

Dawn l-avvenimenti komplew jikkonfermaw li l-istrateġija tal-Grupp, li jiddiversifika s-sorsi tad-dħul minn attivitajiet mhux ibbażati fuq investimenti, kien pass fid-direzzjoni t-tajba. Dan jidher ċar fil-portafoll tal-propjetà tal-Grupp, li kellu wirja pożittiva u li kkontribwixxa sew kemm f'termini ta' valur kif ukoll f'termini ta' dħul mill-kiri. Bl-istess mod, in-negozju fil-qasam tal-brokerage ta' l-assigurazzjoni u tal-assigurazzjoni medika privata ikkontribwew b'mod pożittiv għar-riżultati li kiseb il-Grupp, hekk kif il-profitt mill-operat f'dawn l-entitajiet ma sofriex mill-impatt tal-kundizzjonijiet fis-suq finanzjarju. Fil-qasam ta' l-assigurazzjoni medika privata, il-Kumpanija ħadmet bis-sħiħ sabiex ittejjeb b'suċċess il-kwalità tan-negozju u biex tnaqqas l-ispejjeż ta' l-operat tan-negozju.

Eżekuzzjoni finanzjarja

Il-profitt tal-Grupp qabel it-tnaqqis tat-taxxa ammonta għal Lm151,862 (€353,743) għall-perijodu bejn l-1 ta' Jannar 2007 u l-31 ta' Diċembru 2007 (2006: Lm3,171,685 / €7,388,039) li jfisser profitt wara t-taxxa ta' Lm248,966 (€579,935) meta mqabbel ma' Lm2,039,334 (€4,750,370) fl-2006. Dan ifisser li l-qligħ fuq kull sehem kien ta' Lm0.019 (€0.044) meta mqabbel ma' Lm0.154 (€0.359) fl-2006. L-assi totali tal-Grupp żdiedu għal Lm45,102,458 (€105,060,466).

Niżviluppaw il-viżjoni tagħna

GlobalCapital jibqgħu impenjati li jkomplu jiżviluppaw f'one-stop service point fis-servizzi finanzjarji għal klijenti individwali u korporattivi. Ħafna mill-investimenti u l-isforzi tagħna fl-2007 kellhom l-għan li nkomplu nsaħħu l-qagħda tagħna fis-suq, u li nħejju lilna nfusna biex nidħlu għal aktar attivitajiet maħsuba biex iżidu s-servizzi li noffru u l-profittibiltà tal-Grupp.

Pass ieħor f'din id-direzzjoni kien l-akkwist ta' liċenzja ta' Istituzzjoniji Finanzjarja li tippermettilna noffru servizzi ta' brokerage fuq kontijiet ta' depożiti bankarji f'isem il-klijenti tagħna, kif ukoll servizzi ta' kambju barrani. Dan is-servizz qed jiġi offrut kemm lil individwi kif ukoll lil kumpaniji bħala parti mis-servizzi ta' treasury management. Għandi l-pjaċir ngħid li dan intlaqa' tajjeb u nistenna attività tajba f'din il-linja ġdida ta' negozju. Iż-żmien li fih ingħatat din il-liċenzja kien partikolarment pożittiv minħabba li hekk kif qed jiżdied it-taqlib fl-iswieq, ħafna klijenti qed ifittxu qagħda difensiva f'kontanti. Minbarra dan, din l-attività tista' sservi ta' pedament tajjeb għall-organizzazzjoni tagħna fit-twaqqif ta' l-operat bankarju ġdid tagħna.

Human resources, the most important resource

As identified in 2006, human resource management is becoming even more critical for the success of our business. The financial services industry is becoming even more competitive with companies operating either in Malta or through Malta. This situation is clearly creating pressure on the market in relation to staff, including management, resources and salaries. Going forward we recognise that this is a growing problem and to enable us to properly address this we have included our Head of Human Resources within our main Executive Committee.

On a national level we need to ensure that the education system is providing enough quality resources to satisfy market requirements. I believe that financial services career guidance must be directed to students at an early age so that they will be in a position to better understand and appreciate the opportunities a career in financial services can offer. It is vital that in the years to come more students will start choosing financial services in order that we may service the growing needs of our industry and ensure that Malta maintains its competitive edge.

Ir-Riżorsi umani, l-aqwa riżors

Kif deher fl-2006, l-immaniġjar tar-riżors uman qiegħed kull ma jmur isir aktar importanti għas-suċċess tan-negozju tagħna. L-industrija tas-servizzi finanzjarji qed issir dejjem aktar kompetittiva b'kumpaniji joperaw f'Malta jew jużaw lil Malta bħala l-bażi tagħhom. Din is-sitwazzjoni qegħda ovvjament toħloq pressjoni fuq is-suq f'dak li għandu x'jaqsam mar-riżorsi u s-salarji ta' l-impjegati u l-management. Hekk kif qed nimxu 'l quddiem qed nirrikonoxxu li din hija problema dejjem tikber u għalhekk, sabiex inkunu nistgħu nwieġbu tajjeb għal din l-isfida, inkludejna l-Kap tat-taqsima tar-Riżorsi Umani fi ħdan il-Kumitat Eżekuttiv ewlieni tagħna.

Fuq livell nazzjonali rridu nkunu ċerti li s-sistema edukattiva qed tipprovdi biżżejjed riżorsi ta' kwalità li jilħqu mal-ħtiġijiet tas-suq. Nemmen li l-gwida għal karrieri fis-servizzi finanzjarji trid tkun indirizzata lill-istudenti sa minn età żgħira sabiex ikunu f'qagħda aħjar li jifhmu u japprezzaw l-opportunitajiet li toffri karriera fis-servizzi finanzjarji. Huwa kruċjali li fis-snin li ġejjin aktar studenti jibdew jagħżlu s-servizzi finanzjarji sabiex b'hekk inkunu nistgħu nlaħħqu mal-ħtiġijiet dejjem jikbru ta' l-industrija tagħna u niżguraw li Malta tibqa' kompetittiva.

> "We need to ensure that the education system is providing enough quality resources to satisfy market requirements."

Committed to our community

Our commitment to the community remains unchanged and where possible, within our limited resources, the Group has supported various philanthropic organisations and activities throughout the year. These activities have ranged from direct contributions to charities, indirect support through promotion of activities as well as the coordination of staff events aimed at raising finance for specific charities.

Our international business

Once again we confirm that within our property division our carefully selected portfolio of international holdings has provided attractive returns. The key to this success has been the selection strategy, with focus on identifying growth opportunities in terms of markets and the individual properties, as opposed to entering already saturated markets. Towards the latter part of the year we have started disposing of some investment property holdings to crystallise profits in some markets allowing us to consider new opportunities. We have also managed to attract international interest in the Metropolis development, in which the Group holds an important stake.

Impenn lejn il-komunità tagħna

L-impenn tagħna lejn il-komunità baqa' sod u kull fejn hu possibli, bir-riżorsi limitati tagħna, il-Grupp ta appoġġ lil diversi organizzazzjonijiet u attivitajiet filantropiċi matul is-sena. Dawn l-attivitajiet kienu jinkludu kontribuzzjonijiet diretti lill-attivitajiet volontarji, appoġġ indirett permezz tal-promozzjoni ta' dawn l-attivitajiet kif ukoll il-koordinazzjoni ta' attivitajiet ta' l-impjegati bl-għan li jinġabru fondi għal skopijiet speċifiċi.

In-negozju internazzjonali

Għal darb'oħra nikkonfermaw li fi ħdan id-diviżjoni tal-propjetà, il-portafoll ta' l-investiment li għażilna bir-reqqa wassal għal redditu attrajenti. Iċ-ċavetta għal dan is-suċċess kienet l-istrateġija ta' l-għażla li kienet tiffoka fuq l-identifikazzjoni ta' opportunitajiet għal tkabbir f'termini ta' swieq u propjetatijiet individwali, u mhux fuq id-dħul fi swieq li diġa' huma meħuda. Fl-aħħar parti tas-sena bdejna nneħħu xi investimenti fi propjetajiet sabiex nikkristallizzaw il-profitti f'xi swieq sabiex b'hekk stajna nikkunsidraw opportunitajiet ġodda. Irnexxielna wkoll nattiraw interess internazzjonali fl-iżvilupp tal-Metropolis, li fih il-Grupp għandu sehem importanti.

With the construction of three high rise towers, the project will definitively become a Maltese landmark. The first sales phase of this project was a resounding success as all available units were immediately taken-up. Indeed, this augurs well for the next stages of the development.

Similarly, we have made positive inroads through our Libya representative office particularly on the private medical insurance business through our flagship brand Bupa. We have seen considerable interest in our services and managed to secure and grow a number of corporate accounts.

In the latter part of 2007 we have also started a process of extending our investment services knowledge to the international market. We concluded negotiations in the beginning of 2008 to appoint international fund distributors to promote our niche products into specific markets amongst other overseas licensed financial advisors.

The fund management business has helped us further our fund administration and fund services capabilities, thus allowing us to market a new service for international institutional clients. Over the last few years, Malta has experienced a tremendous growth in the domiciliation of collective investment schemes and GlobalCapital is working hard to apply its knowledge in this field to share in this growing market.

Bil-bini tat-tlett torrijiet, dan il-proġett żgur li se jkun sit ewlieni f'Malta. L-ewwel fażi tal-bejgħ ta' dan il-proġett kien suċċess enormi hekk kif il-postijiet kollha disponibbli ttieħdu mill-ewwel. Dan verament jawgura tajjeb għall-fażijiet li jmiss f'dan l-iżvilupp.

Għamilna wkoll passi pożittivi permezz ta' l-uffiċju rappreżentattiv tagħna fil-Libja, speċjalment fin-negozju ta' l-assigurazzjoni medika privata permezz tad-ditta ewlenija tagħna Bupa. Rajna tisħiħ fl-interess fis-servizzi tagħna u irnexxielna nassiguraw u nkabbru numru ta' kontijiet korporattivi.

Fl-aħħar parti ta' l-2007 bdejna wkoll proċess biex inwessgħu l-għarfien tas-servizzi ta' l-investiment fis-suq internazzjonali. Bdejna negozjati li ntemmu fil-bidu ta' l-2008 biex jinħatru distributuri ta' fondi internazzjonali sabiex jippromwovu l-prodotti tagħna f'niċeċ ta' swieq speċifiċi fost konsulenti finanzjarji liċenzjati oħra barra minn Malta.

In-negozju ta' l-immaniġjar tal-fondi għenna nkabbru l-amministrazzjoni tal-fondi u l-ħiliet fis-servizzi tal-fondi, sabiex stajna nippromwovu servizz ġdid għal klijenti istituzzjonali internazzjonali. F'dawn l-aħħar snin, Malta rat tkabbir enormi fil-preżenza ta' skemi ta' investiment kollettiv u GlobalCapital qed jaħdmu bla waqfien sabiex japplikaw l-għarfien tagħhom f'dan il-qasam biex ikollhom sehem f'dan is-suq li qed jikber.

"We remain committed to further develop a one-stop service point in financial services."

2008 and beyond

The start of 2008 has clearly shown that market turbulence in various sectors is likely to continue. Apart from the actual implications of the credit markets in the US, the financial markets and investors are still to recover from the psychological effect that such events have had. Needless to say the talk of recession in the US economy does not contribute positively to a quick general global economic recovery.

Despite this negative outlook in the financial markets, GlobalCapital remains committed to identify new opportunities to grow its business and deliver strong long term return to our shareholders.

Diversification of revenues and more efficient use of our resources will be the determining factors for the Group in 2008 and beyond. While the market becomes even more aggressive in attracting client and human resources, the market still offers us attractive opportunities.

Your support as shareholders together with direction from the Board of Directors and commitment from our staff will be even more crucial in the months and years to come. The way we are shaping the Group will ensure that all the stakeholders will benefit from future growth and results achieved through the development of both the local and international markets.

Christopher J. Pace
Chairman

L-2008 u l-ġejjieni

Il-bidu ta' l-2008 wera b'mod ċar li t-taqlib fis-suq f'diversi setturi x'aktarx li se jkompli. Minbarra l-implikazzjonijiet attwali ta' l-iswieq tal-kreditu fl-iStati Uniti, l-iswieq finanzjarji u l-investituri għad iridu jirkupraw mill-effett psikoloġiku li jġibu magħhom dawn il-kundizzjonijiet. M'għandniex xi ngħidu, l-ispekulazzjoni dwar reċessjoni fl-ekonomija Amerikana ma tantx tgħin biex l-ekonomija globali tirkupra malajr.

Minkejja dan it-tbassir negattiv għall-iswieq finanzjarji, GlobalCapital jibqgħu impenjati li jidentifikaw opportunitajiet ġodda għat-tkabbir tan-negozju tagħna u sabiex jingħata redditu fit-tul lill-azzjonisti tagħna.

Id-diversifikazzjoni fis-sorsi tad-dħul u l-użu aktar effiċjenti tar-riżorsi tagħna se jkunu l-fatturi determinanti għall-Grupp fl-2008 u l-ġejjieni. Filwaqt li s-suq se jkompli jsir aktar aggressiv biex jattira klijenti u riżorsi umani, is-suq xorta waħda jibqa' joffrilna opportunitajiet attrajenti.

L-appoġġ tagħkom bħala azzjonisti flimkien mad-direzzjoni mogħtija mill-Bord tad-Diretturi u l-impenn ta' l-impjegati tagħna se jkunu iktar kruċjali minn qatt qabel fix-xhur u fis-snin li ġejjin. Il-mod li bih qed infasslu l-Grupp se jiżgura li l-partijiet kollha konċernati jibbenefikaw mit-tkabbir u mirr-riżultati tal-ġejjieni, li jinkisbu permezz ta' l-iżvilupp kemm tas-suq lokali kif ukoll tas-swieq internazzjonali.

Opportunities

GlobalCapital has been successful in identifying new opportunities and turning them into profitable initiatives

Chief Executive Officer's Statement

Stqarijja tal-Kap Eżekuttiv

Further strengthening our business

There are a number of major developments affecting GlobalCapital's business today. Undoubtedly, such developments present us with major challenges and opportunities that could further enhance our growth.

One of these challenges has been the volatile financial markets we have been witnessing over the past months. This volatility started in 2007 on the back of the sub-prime crisis in the US, spreading across all markets and is expected to persist throughout 2008.

Inevitably this has impacted on our results with the Group registering a profit before tax for the period ended 31 December 2007 of Lm151,862 (€353,743) compared to Lm3,171,685 (€7,388,039) in 2006. Notwithstanding this I am glad to note a number of areas where our business has witnessed positive results.

Jeżistu numru ta' żviluppi ewlenin li llum qed jaffetwaw l-attività kummerċjali ta' GlobalCapital. M'hemmx dubju li dawn l-iżviluppi jpoġġu quddiemna sfidi u opportunitajiet kbar li jistgħu jkomplu jtejbu t-tkabbir tagħna.

Waħda minn dawn l-isfidi kienet il-volatilità fis-swieq finanzjarji li rajna f'dawn l-aħħar xhur. Din il-volatilità bdiet fl-2007 wara l-kriżi fis-suq tas-sub prime fl-iStati Uniti, u li mbagħad kompliet tinfirex fl-iswieq l-oħra u li mistennija tkompli matul l-2008.

Din ħalliet impatt inevitabbli fuq ir-riżultati tagħna, bil-Grupp jirreġistra profitt qabel it-taxxa ta' Lm151,862 (€353,743) għall-perijodu li ntemm fil-31 ta' Diċembru 2007, meta mqabbel ma' Lm3,171,685 (€7,388,039) fl-2006. Minkejja dan, għandi l-pjaċir ninnota numru ta' oqsma fejn in-negozju tagħna ra riżultati pożittivi.

Investment

The international credit crisis has resulted in a severe correction in the bond, equity and property markets. This had a two-fold impact on the Group's business. The Group's equity and bond investment portfolio has suffered severe reduction in values resulting in an unrealised investment loss for the year. The turbulence in the markets has also influenced investor confidence with investors assuming a defensive position into cash leading to reduced sales in investment products. This market correction has also significantly reduced the amount of performance fees earned over earlier years.

In view of the above, the income from performance fees has decreased by Lm2,449,664 (€5,706,182) from Lm2,507,472 (€5,840,839) to Lm57,808 (€134,656).

Investiment

Il-kriżi tal-kreditu internazzjonali wasslet għal korrezzjoni serja fl-iswieq tal-bonds, ta' l-ishma u tal-propjetà. Dan ħalla impatt doppju fuq l-attività kummerċjali tal-Grupp. Il-portafoll ta' l-investiment fl-ishma u l-bonds tal-Grupp sofra tnaqqis fil-valur li wassal għal telf fl-investiment mhux realizzat għas-sena. It-taqlib fl-iswieq ħalla impatt ukoll fuq il-kunfidenza ta' l-investituri hekk kif dawn ħadu qagħda difensiva fi flus kontanti li wasslet għal tnaqqis fil-bejgħ tal-prodotti ta' investiment. Din il-korrezzjoni fis-suq wasslet ukoll għal tnaqqis sinjifikanti fl-ammont tad-dħul minn ħlas fuq eżekuzzjoni li kien hemm fis-snin ta' qabel.

Fid-dawl ta' dan, id-dħul mill-ħlas fuq eżekuzzjoni naqas b' Lm2,449,664 (€5,706,182) minn Lm2,507,472 (€5,840,839) għal Lm57,808 (€134,656).

The current volatility has impacted on current valuations as reported in these financial statements. Nonetheless, the investment portfolios of the Group cover a broad asset base of high quality investments which are expected to yield good returns in the medium to long term.

Insurance

The Group's Business of Life Insurance continued to register progress which is reflected in a 30% growth in premiums written over 2006. In 2007 these amounted to Lm5,423,888 (€12,634,260) compared to Lm4,169,850 (€9,713,138) in 2006. Over the years the value of the life portfolio has increased substantially which naturally led to greater exposure to the capital markets. Despite the fact that the largest proportion of this portfolio is invested in high quality fixed income securities and cash deposits the volatility experienced throughout 2007 across all asset classes negatively impacted the segment performance.

The Group's agency and brokerage services segments registered a 49% increase in turnover over the previous year resulting in a positive segment result. In 2007 turnover totalled Lm819,246 (€1,908,330) compared to Lm549,261 (€1,279,434) in 2006. This led to a segment result of Lm277,687 (€646,837) in 2007 compared to Lm14,410 (€33,566) in 2006.

I am pleased to report the insurance broking division has continued to register growth in brokerage income. These results are mainly due to a management strategy principally focused in attracting medium sized corporate accounts. Similarly, the health insurance division has also registered a positive result mainly attributed to managements' efforts in maintaining a high level of customer service standards across the board.

Property

Ever since the establishment of this division our Property Division has consistently experienced sustained growth. What started as a small property portfolio has now developed into a significant and internationally diversified portfolio of properties spanning different countries across different continents. In 2007 turnover totalled Lm468,621 (€1,091,593) compared to Lm79,934 (€186,196) in 2006. This led to a positive segment result of Lm1,914,854 (€4,460,410) in 2007 compared to Lm749,710 (€1,746,355) in 2006.

One of our more recent property investments is our substantial shareholding in the Metropolis project located in Gzira. I am pleased to report that the demolition and excavation of the site is now in the final phases with construction expected to commence shortly.

Il-volatilità ta' bħalissa ħalliet impatt fuq il-valutazzjonijiet kurrenti hekk kif irrappurtati f'dawn l-istqarrijiet finanzjarji. Madankollu, il-portafolji ta' investiment tal-Grupp ikopru bażi wiesgħa ta' assi ta' investimenti ta' kwalità għolja li mistennija jagħtu redditu tajjeb fuq medda medja u twila.

Assigurazzjoni

In-negozju tal-Grupp fil-qasam ta' l-Assigurazzjoni fuq il-ħajja kompla jirreġistra suċċess, kif jixhed it-tkabbir ta' 30% fil-primjums magħmula fl-2006. Fl-2007 dawn ammontaw għal Lm5,423,888 (€12,634,260) meta mqabblin ma' Lm4,169,850 (€9,713,138) fl-2006. Matul is-snin, il-valur tal-portafoll fuq il-ħajja żdied sostanzjalment u dan naturalment wassal għal espożizzjoni akbar għall-iswieq kapitali. Minkejja l-fatt li l-akbar proporzjoni ta' dan il-portafoll huwa investit f'titoli bi dħul fiss u depożiti f'kontanti ta' kwalità għolja, il-volatilità li kien hemm matul l-2007 fost il-klassijiet kollha ta' l-ishma ħalla impatt negattiv fil-wirja ta' dan is-settur.

Is-setturi tas-servizzi ta' aġenzija u tal-brokerage ta' assigurazzjoni tal-Grupp irreġistraw żieda ta' 49% fid-dħul tagħhom meta mqabbel mas-sena ta' qabel. Dan wassal għal riżultat pożittiv f'dan is-settur. Fl-2007, id-dħul totali kien ta' Lm819,246 (€1,908,330) meta mqabbel ma' Lm549,261 (€1,279,434) fl-2006. Dan wassal għal riżultat f'dan is-settur ta' Lm277,687 (€646,837) fl-2007 meta mqabbel ma' Lm14,410 (€33,566) fl-2006.

Għandi l-pjaċir nirrapporta li d-diviżjoni tal-brokerage ta' assigurazzjoni kompliet tirreġistra tkabbir fid-dħul. Dawn ir-riżultati ġew l-aktar minħabba strateġija li tiffoka fuq li jiġu attirati kontijiet korporattivi ta' daqs medju. Bl-istess mod, id-diviżjoni ta' l-assigurazzjoni tas-saħħa wkoll irreġistrat riżultat pożittiv, l-aktar minħabba fl-isforzi li saru biex jinżamm livell għoli fis-servizzi kollha offruti lill-klijenti.

Propjetà

Sa minn meta ġiet imwaqqfa, id-Diviżjoni tal-Propjetà dejjem rat tkabbir konsistenti. Dak li beda bħala portafoll żgħir tal-propjetà illum żviluppa f'portafoll sinijifikanti u diversifikat internazzjonalment ta' propjetajiet f'diversi pajjiżi f'kontinenti differenti. Fl-2007, il-qliegħ ammonta għal Lm468,621 (€1,091,593) meta mqabbel ma' Lm79,934 (€186,196) fl-2006. Dan wassal għal riżultat pożittiv għal dan is-settur ta' Lm1,914,854 (€4,460,410) fl-2007 meta mqabbel ma' Lm749,710 (€1,746,355) fl-2006.

Wieħed mill-iktar investimenti reċenti tagħna fil-qasam tal-propjetà huwa s-sehem sostanzjali fil-proġett Metropolis fil-Gżira. Bi pjaċir, nirraporta li x-xogħol ta' twaqqiegħ u tħaffir resaq lejn it-tmiem u x-xogħol ta' kostruzzjoni mistenni li jibda dalwaqt.

The Metropolis site has been granted SDA (Special Designated Area) status which is an important achievement for the company in that it allows non-residents to purchase more than one unit within the development.

Is-sit ta' Metropolis ingħata l-istat ta' SDA (Special Designated Area). Din hija kisba importanti għall-kumpanija għax tagħmilha possibli biex min mhuwiex residenti jixtri aktar minn post wieħed f'dan l-iżvilupp.

Investment in staff and technology

Malta is witnessing an exceptional growth in financial services with ambitions to turn financial services into a significant contributor to Malta's GDP in the years to come. This growth presents challenges, as this has inevitably put pressure on the already scarce supply of professionals working within our industry. Today GlobalCapital has grown to become a significant employer within this industry investing resources towards training our staff. Training and retaining staff, including key personnel, has become a major challenge in its own right. The company is well positioned to offer career opportunities for staff, as these new opportunities in the market do not only apply for our shareholders but create new openings for our staff.

Investiment fl-impjegati u fit-teknoloġija

Malta qed tara tkabbir eċċezzjonali fis-servizzi finanzjarji, bl-ambizzjoni tkun dik li s-servizzi finanzjarji jibdew jagħtu kontribut ewlieni lill-Prodott Gross Domestiku ta' Malta fis-snin li ġejjin. Dan it-tkabbir iġib miegħu sfidi minħabba li żdiedet il-pressjoni fuq il-provvista diġa' skarsa ta' professjonisti li jaħdmu fi ħdan l-industrija tagħna. Illum, il-grupp GlobalCapital kiber b'mod li sar għandu rwol sinjifikanti fost dawk li jħaddmu f'din l-industrija u qed jiġu investiti riżorsi sabiex l-impjegati tagħna jkunu jistgħu jitħarrġu. Sfida ewlenija li għandna hija dik li nħarrġu u nżommu 'l-impjegati tagħna flimkien ma' l-ogħla uffiċjali. Il-kumpanija tinsab f'qagħda tajba sabiex toffri opportunitajiet ta' karriera tajba lill-impjegati tagħha hekk kif dawn l-opportunitajiet ġodda fis-suq mhumiex ta' benefiċċju biss għall-azzjonisti tagħna, iżda jiftħu bibien ġodda għall-impjegati tagħna.

> "We have an extensive client base with high retention levels and this is testament to the fact that our clients are happy to do business with us and indeed recommend us to their friends and relations."

New Initiatives

One opportunity which presented itself in 2008 is the proposed acquisition of 85.5% of the issued share capital of Medifin Holding Limited which holds 99.9% of the issued share capital of Mediterranean Bank p.l.c. Mediterranean Bank p.l.c. is licensed by the Malta Financial Services Authority to carry on the business of banking under the Banking Act, 1994 and to provide investment services under the Investment Services Act, 1994.The agreed terms are subject to confirmation following due diligence and further to all necessary regulatory approvals.

Inizzjattivi Ġodda

Waħda mill-opportunitajiet li ġietna fl-2008 kienet il-proposta għall-akkwist ta' 85.5% tas-sehem azzjonarju maħruġ ta' Medifin Holding Limited, li għandhom 99.9% tas-sehem azzjonarju maħruġ ta' Mediterranean Bank p.l.c. Mediterranean Bank p.l.c. huma liċenzjati mill-Awtorità għas-Servizzi Finanzjarji ta' Malta biex jagħmlu kummerċ bankarju skond l-Att dwar il-Kummerċ Bankarju, 1994 u biex jipprovdu servizzi ta' investiment skond l-Att dwar Servizzi ta' Investiment, 1994. Il-ftehim li fuqu sar qbil għad irid jiġi kkonfermat wara li jkun ġie studjat bir-reqqa u wara li jkunu ngħataw l-approvazzjonijiet regolatorji kollha meħtieġa.

Future outlook

GlobalCapital has been successful in identifying new opportunities and turning those opportunities into profitable initiatives. In the company's relatively short history, GlobalCapital has witnessed exponential growth in its business.

Today we are facing new challenges which we view as excellent opportunities to further strengthen our business. No doubt, with our new initiatives and the right investment in time and resources, this should prove to be profitable in the years to come.

Notwithstanding this year's results, GlobalCapital has a strong financial position which is able to withstand uncertain times. Despite the prevailing environment in the local and international capital markets, the Group is well-positioned to take advantage of any eventual upturn in the markets.

Together with all our GlobalCapital staff I am committed to continue to work tirelessly to execute the strategy as set out by the Group's Board.

Ħarsa lejn il-ġejjieni

GlobalCapital għamlu suċċess meta identifikaw opportunitajiet ġodda u rnexxielhom jibdlu dawk l-opportunitajiet f'inizzjattivi li ħallew profitt. Fl-istorja relattivament qasira tagħha, il-kumpanija GlobalCapital rat tkabbir konsistenti fl-attività kummerċjali tagħha.

Ilum qed niltaqgħu ma' sfidi ġodda, li aħna naraw bħala opportunitajiet eċċellenti sabiex inkomplu nsaħħu n-negozju tagħna. M'hemmx dubju li bl-inizjattivi ġodda tagħna, flimkien ma' investiment tajjeb fi żmien u riżorsi, dan għandu jwassal għal profittibiltà fis-snin li ġejjin.

Minkejja r-riżultati għal din is-sena, GlobalCapital qegħdin f'qagħda finanzjarja b'saħħitha u li għandha l-ħila tibqa' soda fi żminijiet ta' inċertezza. Minkejja l-qagħda ġenerali fl-iswieq kapitali lokali u internazzjonali, il-Grupp jinsab f'qagħda tajba biex eventwalment jieħu vantaġġ minn titjib fl-iswieq.

Flimkien ma' l-impjegati kollha ta' GlobalCapital, nimpenja ruħi li nkompli naħdem bla heda biex neżegwixxi l-istrateġija deċiża mill-Bord tal-Grupp.

Nicholas Portelli
Chief Executive Officer

"Today we are facing new challenges which we view as excellent opportunities to further strengthen our business."

Group financial highlights

	2007			2006		
	Lm	**EUR**	**USD**	Lm	EUR	USD
Commission and similar fees receivable	**2,012,040**	**4,686,793**	**6,910,754**	2,321,037	5,406,562	7,972,066
Performance fees receivable	**57,808**	**134,656**	**198,553**	2,507,472	5,840,838	8,612,414
Balance on the long term business of insurance technical account	**(200,636)**	**(467,356)**	**(689,124)**	64,959	151,314	223,115
Increment in value of in-force business	**25,000**	**58,234**	**85,868**	129,000	300,489	443,076
Gains on investment property	**2,021,883**	**4,709,720**	**6,944,562**	792,740	1,846,587	2,722,824
Profit on disposal of property held for development	**48,308**	**112,527**	**165,923**	-	-	-
Other operating income	**32,031**	**74,612**	**110,017**	27,019	62,937	92,802
Administrative expenses	**(2,759,267)**	**(6,427,362)**	**(9,477,255)**	(2,446,692)	(5,699,258)	(8,403,653)
Commission payable and direct marketing costs	**(198,078)**	**(461,398)**	**(680,339)**	(368,038)	(857,298)	(1,264,100)
Impairment of goodwill	**(200,000)**	**(465,875)**	**(686,940)**	(300,000)	(698,812)	(1,030,410)
Share of loss of associated undertaking	**(1,525)**	**(3,552)**	**(5,238)**	(1,586)	(3,694)	(5,447)
Operating profit	**837,564**	**1,950,999**	**2,876,781**	2,725,911	6,349,665	9,362,687
Profit before tax	**151,862**	**353,743**	**521,600**	3,171,685	7,388,039	10,893,786
Tax income/(expense)	**97,104**	**226,192**	**333,524**	(1,132,351)	(2,637,669)	(3,889,286)
Profit for the financial year	**248,966**	**579,935**	**855,124**	2,039,334	4,750,370	7,004,500
Earnings per share	**0.02**	**0.04**	**0.07**	0.15	0.36	0.52
Net dividends proposed	**-**	**-**	**-**	515,094	1,199,846	1,769,193
Share capital	**1,650,943**	**3,845,663**	**5,670,494**	1,650,943	3,845,663	5,670,494
Technical reserves – life business	**20,708,393**	**48,237,580**	**71,127,117**	16,591,656	38,648,161	56,987,361
Shareholders' funds	**12,412,691**	**28,913,792**	**42,633,870**	12,678,819	29,533,704	43,547,940
Net asset value per share	**0.94**	**2.19**	**3.23**	0.96	2.24	3.30

All figures have been converted at rates of exchange ruling at 31 December 2007.

Overview of 2007

January

GlobalCapital signs agreement as the "Preferred Financial Services Provider" for the GRTU

February

GlobalCapital launches single premium, interest sensitive endowment policy

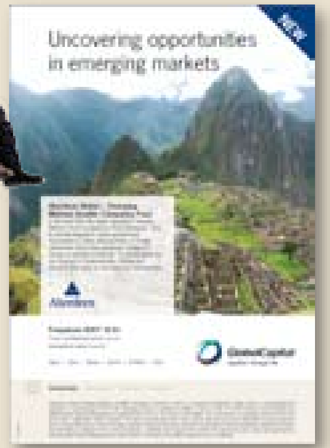
March

GlobalCapital Gozo Regatta in conjunction with the Royal Malta Yacht Club

April

New Société Générale capital guaranteed product linked to commodities launched

May



Aberdeen Global Emerging Markets Smaller Companies Fund launched

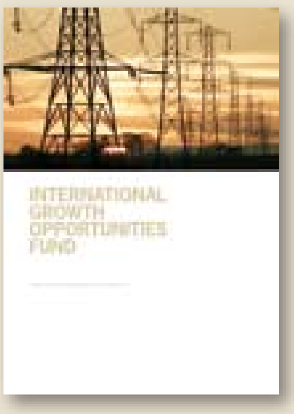
June

Strong participation in Malta International Fair

GlobalCapital launches regular premium and single premium Life Assurance Unit-Linked products

July
August

Licensing of International Growth Opportunities Fund – management and administration entrusted to GlobalCapital Fund Advisors



Three-year agreement with Marsa Sports Club concluded

September
October

Sales of Metropolis Plaza through GlobalCapital's real estate agency

Renewal of BUPA Luxol sponsorship

November
December

Think Health.
Think BUPA.
Think GlobalCapital.

Board of Directors

Executive Directors

CHAIRMAN – 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. He is principally responsible for overseeing the implementation of the Group's strategy and the identification and establishment of new Group initiatives. He currently chairs the Nominations Committee and the Investment Committee of the Group and also chairs the Group's subsidiary companies.

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 currently a member of the Executive Committee and a Director of GlobalCapital Insurance Brokers Limited and is also Chairman of GlobalCapital Fund SICAV p.l.c. He also serves as Deputy Chairman of the College of Stockbroking Firms after having occupied the post of Chairman for the past two years.

Non-Executive Directors

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.

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 is also Chairman of British American Investment Co. (Mtius.) Ltd and is involved mainly in strategic issues and the development of new business ventures in new markets for British American.

Nicholas Ashford-Hodges was appointed to the Board of Directors in March 2003. 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 many of the subsidiary boards of the British American Group. He is Vice-Chairman of British American Investment Co. (Mtius.) Ltd and also currently holds the post of director of GlobalCapital Health Insurance Agency Limited.

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.

Company Secretary

Adrian Cutajar LL.D. was appointed as Board Secretary of GlobalCapital p.l.c. in 2004. He holds a Doctorate in Laws and a Masters of Arts in Financial Services from the University of Malta. He joined GlobalCapital in 2003 and was appointed Head of Legal and Compliance in 2006.
Dr Cutajar also serves as Board Secretary to a number of Group's subsidiaries. In 2007, he was appointed as member of the GlobalCapital p.l.c. Ethics Committee.

Board Committees

Audit Committee

The Audit Committee provides assurance that financial disclosures made by management reasonably portray the Group'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
Nicholas Ashford-Hodges
Andrew Borg Cardona LL.D

Remuneration Committee

The Remuneration Committee is responsible for recommending and reviewing the Group's remuneration policy and, within that policy, determining the remuneration package 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 LL.D

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 succession planning and the review of performance of the Group's Board members and Committees.

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

Principal Companies within GlobalCapital

GlobalCapital Financial Management Ltd

GlobalCapital Financial Management Ltd is licensed to conduct investment services under its Category 2 licence, issued by the Malta Financial Services Authority.

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

Board of Directors
Christopher J. Pace – Chairman
Nicholas Portelli
Joseph R. Aquilina
Joseph M. Zrinzo
Saleem Beebeejaun

Company Secretary
Adrian Cutajar LL.D.

GlobalCapital Fund Advisors Ltd

The company is licensed by the Malta Financial Services Authority to provide investment advice, fund management and fund administration services in respect of collective investment schemes. It is the appointed investment advisor to Global Funds SICAV p.l.c. and Manager to GlobalCapital Funds SICAV p.l.c.

Board of Directors
Christopher J. Pace – Chairman
Nicholas Portelli
Joseph R. Aquilina
Joseph M. Zrinzo
Saleem Beebeejaun

Company Secretary
Adrian Cutajar LL.D.

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 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
Christopher J. Pace – Chairman
Nicholas Portelli
Ian Zammit
Stephen Muscat
Saleem Beebeejaun
Ayoob Rawat

Company Secretary
Adrian Cutajar LL.D.

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
Christopher J. Pace – Chairman
Nicholas Portelli
Nicholas Ashford-Hodges
Joseph R. Aquilina
Saleem Beebeejaun
Ian Zammit

Company Secretary
Adrian Cutajar LL.D.

GlobalCapital Investments Ltd

GlobalCapital Investments Ltd was licensed in July 2007 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
Christopher J. Pace – Chairman
Nicholas Portelli

Company Secretary
Adrian Cutajar LL.D.

GlobalCapital Insurance Brokers Ltd

GlobalCapital Insurance Brokers Limited is enrolled in the Brokers List and is authorised to carry on 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
Christopher J. Pace – Chairman
Nicholas Portelli
Ian Zammit
James Blake
Joseph R. Aquilina

Company Secretary
Adrian Cutajar LL.D.

GlobalCapital Property Advisors Ltd

GlobalCapital Property Advisors Ltd was set up in April 2006 to provide real estate services to third parties and therefore complement the Group's property division. Through a team of expert property consultants, the Company provides advice to clients on a wide range of residential and commercial properties.

Board of Directors
Christopher J. Pace – Chairman
Nicholas Portelli
Joseph R. Aquilina

Company Secretary
Adrian Cutajar LL.D.

GlobalCapital Group Structure

- **GlobalCapital p.l.c.**
  - **GlobalCapital Holdings Limited 100%**
    - GlobalCapital Financial Management Ltd 100%
    - GlobalCapital Life Insurance Ltd 100%
      - GlobalCapital Health Insurance Agency Ltd 100%
      - Britam Ltd 100%
    - GlobalCapital Fund Advisors Ltd 100%
    - GlobalCapital Insurance Brokers Ltd 100%
    - GlobalCapital Property Management Ltd 100%
      - Global Properties Ltd 100%
      - Brammer Ltd 100%
      - Global Estates Ltd 100%
        - Quadrant Italia s.r.l. 100%
    - Central Landmark Development Ltd 100%
    - GFSG (UK) Ltd 100%
    - GlobalCapital Investments Ltd 100%
    - Globe Properties Ltd 99%
    - GlobalCapital Property Advisors Ltd 100%

GlobalCapital
Together through life

Annual Report and Consolidated Financial Statements

31 December 2007

Contents

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

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, 1994;
- the carrying on of long term business of insurance under the Insurance Business Act, 1998;
- acting as an agent for sickness and accident insurance in terms of the Insurance Intermediaries Act, 2006;
- insurance broking activities in terms of the Insurance Intermediaries Act, 2006;
- money broking and trading in foreign exchange in terms of the Financial Institutions Act, 1994; and
- the provision of property management and consultancy services, handling property acquisitions, disposals and development projects.

Review of business
The Group registered a profit before tax for the period ended 31 December 2007 of Lm151,862 (2006: Lm3,171,685). The year under review was characterised by a severe downturn in the capital markets which had an adverse effect on the results and operating performance for the year. This scenario is expected to persist in the near term.

In view of the above, the income from performance fees has decreased by Lm2,449,664 from Lm2,507,472 to Lm57,808. The turmoil within the capital markets has also affected investor confidence which impacted the sale and distribution of investment products.

The Group's business of insurance segment continued to register progress which is reflected in the growth of premiums written. In 2007, these amounted to Lm5,423,888 compared with Lm4,169,850 in 2006. However this segment's performance was also adversely impacted by the situation with the capital markets performance which prevailed in 2007.

The same positive trend was experienced in the Group's agency and brokerage services segments whereby turnover increased to Lm819,246 in 2007 compared to Lm549,261 in 2006. This also led to a segment result of Lm277,687 in 2007 compared to Lm14,410 in 2006.

The Group's property segment has continued to perform at good levels in line with the previous year with turnover of Lm468,621 in 2007 compared to Lm79,934 in 2006. The corresponding result for this segment is Lm1,914,854 in 2007 compared to Lm749,710 in 2006.

Despite the prevailing environment in the local and international capital markets, the Group is well-positioned to take advantage of an upturn in due course. The Board is of the view that there are imperfections in the market and therefore opportunities, including acquisitions, for further strengthening the Group's market presence in the financial services and ancillary industries, are being actively pursued.

Rapport tad-Diretturi

Id-Diretturi qegħdin jippreżentaw ir-rapport tagħhom u d-dikjarazzjonijiet finanzjarji awditjati għas-sena li għalqet fil-31 ta' Diċembru 2007.

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 ta' l-Investiment, 1994;*
- *in-negozju fit-tul ta' assigurazzjoni fuq il-ħajja skond l-Att dwar il-Kummerċ ta' l-Assigurazzjoni, 1998;*
- *bħala aġent għall-assigurazzjoni tal-mard u inċidenti skond l-Att dwar l-Intermedjarji fl-Assigurazzjoni, 2006;*
- *f'servizzi ta' broking ta' l-assigurazzjoni skond l-Att dwar l-Intermedjarji fl-Assigurazzjoni, 2006;*
- *servizzi ta' money broking u ta' kambju skond l-Att dwar l-Istituzzjonijiet Finanzjarji, 1994; 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 profitt qabel it-taxxa għall-perijodu li ntemm fil-31 ta' Diċembru 2007 ta' Lm151,862 (2006: Lm3,171,685). Is-sena taħt eżami rat tnaqqis serju fl-iswieq kapitali, u dan ħalla impatt negattiv fuq ir-riżultati u l-wirja ta' l-operat għas-sena. Dan ix-xenarju huwa mistenni li jippersisti fiż-żmien li ġej.

Fid-dawl ta' dan, id-dħul mill-ħlasijiet fuq l-eżekuzzjoni naqas b'Lm2,449,664 minn Lm2,507,472 għal Lm57,808. It-taqlib fi ħdan l-iswieq kapitali ħalla impatt ukoll fuq il-kunfidenza ta' l-investituri, li wassal għal effett negattiv fuq il-bejgħ u d-distribuzzjoni ta' prodotti ta' investiment.

Is-settur tan-negozju ta' l-assigurazzjoni tal-Grupp kompla jirreġistra progress, kif jixhed it-tkabbir fil-primjums sottoskritti. Fl-2007, dawn ammontaw għal Lm5,423,888, meta mqabblin ma' Lm4,169,850 fl-2006. Madankollu, il-wirja ta' dan s-settur ukoll sofriet l-impatt negattiv b'riżultat tas-sitwazzjoni fil-wirja ta' l-iswieq kapitali fl-2007.

L-istess xejra pożittiva dehret fis-setturi tas-servizzi ta' aġenzija u ta' senserija tal-Grupp, fejn id-dħul żdied għal Lm819,246 fl-2007 meta mqabbel ma' Lm549,261 fl-2006. Dan wassal ukoll għal riżultat f'dan is-settur ta' Lm277,687 fl-2007 meta mqabbel ma' Lm14,410 fl-2006.

Is-settur tal-propjetà tal-Grupp kompla b'wirja f'livelli tajbin u bena fuq dak li nkiseb fis-sena ta' qabel, bi dħul ta' Lm468,621 fl-2007 meta mqabbel ma' Lm 79,934 fl-2006. Ir-riżultat korrispondenti għal dan is-settur huwa ta' Lm1,914,854 fl-2007 meta mqabbel ma' Lm749,710 fl-2006.

Minkejja l-qagħda prevalenti fl-iswieq kapitali lokali u internazzjonali, il-Grupp qiegħed f'qagħda tajba biex jieħu vantaġġ mit-titjib fil-ġejjieni. Il-Bord hu ta' l-opinjoni li hemm imperfezzjonijiet fis-suq u għalhekk qiegħed iħares ukoll lejn opportunitajiet, inklużi dawk ta' akkwist, sabiex tkompli tissaħħaħ il-preżenza tal-Grupp fis-suq tas-servizzi finanzjarji u l-industriji anċillari.

Post balance sheet event

Post balance sheet date, the Group entered into preliminary negotiations for the acquisition of a majority shareholding in a locally licensed credit institution. Such acquisition is subject to Board approval, confirmation following due diligence and all necessary regulatory approvals and the Directors are aware that the financing requirements of such acquisition requires additional injection of cash within the acquiring company in the Group, and are considering the options available.

Results and dividends

The profit and loss accounts are set out on pages 43 and 44. In view of the results for 2007, the Directors do not recommend the payment of a final dividend (2006: final net dividend of Lm85,849 equivalent to 0.65 cents per share and a special net dividend of Lm429,245 equivalent to 3.25 cents per share). In 2006, the Directors paid an interim net dividend of Lm171,698 equivalent to 1.3 cents per share.

Directors

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

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

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

PricewaterhouseCoopers have indicated their willingness to continue in office.

On behalf of the Board

Christopher J. Pace
Chairman

Muni Krishna T. Reddy, GOSK
Deputy Chairman

Registered office
120 The Strand
Gzira
Malta

3 April 2008

Avveniment wara l-Karta tal-Bilanċ

Wara d-data tal-Karta tal-Bilanċ, il-Grupp daħal f'negozjati preliminari għall-akkwist ta' sehem maġoritarju f'istituzzjoni ta' kreditu liċenzjata lokalment. Dan l-akkwist huwa suġġett għall-approvazzjoni tal-Bord, għall-konferma wara studju bir-reqqa u għall-approvazzjonijiet regolatorji kollha meħtieġa. Id-Diretturi jafu tajjeb li l-ħtiġijiet għall-finanzjament ta' dan l-akkwist jitolbu injezzjoni addizzjonali ta' flus fil-kumpanija akkwirenti tal-Grupp, u qegħdin bħalissa jikkonsidraw l-għażliet li għandhom quddiemhom.

Riżultati u dividends

Il-kontijiet tal-profitt u t-telf jidhru f'paġni 43 u 44. Fid-dawl tar-riżultati għall-2007, id-Diretturi ma jirrikmandawx il-pagament ta' dividend finali (2006: dividend nett finali ta' Lm85,849 ekwivalenti għal 0.65 ċenteżmu għal kull sehem u dividend nett speċjali ta' Lm429,245 ekwivalenti għal 3.25 ċenteżmi għal kull sehem). Fl-2006, id-Diretturi ħallsu dividend nett proviżorju ta' Lm171,698 ekwivalenti għal 1.3 ċenteżmu għal kull sehem.

Diretturi

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

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

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. 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 jerġgħu jikkontestaw jew jerġgħu jkunu maħtura bħala Diretturi fuq il-Bord.

L-Awdituri

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

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 two executive Directors and five 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 four 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 effecting the duties and responsibilities of Directors and developments in the local and European Union regulatory framework are submitted as 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 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. During the financial year under review, the Audit Committee met six times and is composed of Mr. Gary Marshall as Chairman, and Mr. Nicholas Ashford-Hodges and Dr. Andrew Borg Cardona as members. The Group Head of Internal Audit attends Audit Committee Meetings.

3. Committees - continued

3.1.1. Audit Committee - continued

The Company's external auditors are invited to attend Audit Committee Meetings, and they are entitled to convene a meeting of the Committee if they consider it necessary. The Chief Financial Officer, the GlobalCapital Life Insurance Limited Appointed Actuary and the Head of Legal and Compliance are also invited to attend Audit Committee Meetings.

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.

A formal evaluation process of the performance of the individual Directors of the Board was carried out for the first time in 2006. It is anticipated that another formal review will be conducted during 2008.

During the financial year under review, the Nominations Committee met twice and is composed of Mr. Christopher J. Pace as Chairman, and Mr. Muni Krishna T. Reddy 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 balanced score card 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 2007, the Remuneration Committee met three times and is composed of Mr. Muni Krishna T. Reddy as Chairman, and Mr. Nicholas Ashford-Hodges and Dr. Andrew Borg Cardona as members.

3.1.4. Investment Committee

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

The Investment Committee met four times during 2007 and is composed of Mr. Christopher J. Pace as Chairman, and Mr. Nicholas Ashford-Hodges and Mr. Muni Krishna T. Reddy as members.

3. Committees - continued

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 month 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. Kevin Vella	Chief Financial Officer and Chief Operating Officer
Mr. James Blake	Chief Officer - Investor and Public Relations
Mr. Ian Zammit	Chief Officer - Property Services
Mr. Oliver Said	Chief Officer - Business Development
Mr. Adrian Galea	Chief Officer - Human Resources, Training and Development

Mr. Adrian Bonett resigned as Chief Operating Officer of the Group on 31 December 2007. His duties were assumed by Mr. Kevin Vella 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 2007, British American Insurance Co. (Mtius) Ltd acquired a further 20,719 and disposed of 100 of the Company's shares, Mr. Christopher J. Pace directly or indirectly acquired a further 63,067 and disposed of 458,283 of the Company's shares. Mr. James Blake disposed of 46,800 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 licenced activities 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. With effect from September 2007, the Group Head of Internal Audit also temporarily assumed responsibility for risk management, further to the appointment of Mr. Adrian Galea as Chief Officer – Human Resources, Training and Development.

During the year under review, the Group's Legal and Compliance department has continued to ensure that the Group adheres to its regulatory commitments and act as a point of contact between the Group and its regulators. This department also had a key role in the implementation of the Markets in Financial Instruments Directive (MiFID) within the investment services arm of the Group. The obligations and expertise of this department have continued to increase as a result of the financial institutions licence obtained by GlobalCapital Investments Limited, one of the Group's subsidiaries, in July 2007.

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 at least once a month and is composed of Dr. Andrew Borg Cardona 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.

6. Annual General Meeting and communication with Shareholders

Business at the Company's Annual General Meeting to be held in June 2008, will cover the approval of the Annual Report and Audited Financial Statements for the year ending 31 December 2007, 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 auditors' remuneration.

Apart from the Annual General Meeting, the Group communicates with its shareholders through the Annual Report and Financial Statements, the publication of preliminary statements of 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.

7. Corporate social responsibility

During the financial year under review, the Group has announced the establishment of the GlobalCapital Foundation which is intended to formalise and enhance the Group's initiatives within the context of its corporate social responsibility obligations.

8. 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 3 April 2008 and signed on its behalf by:

Christopher J. Pace
Chairman

Muni Krishna T. Reddy, GOSK
Deputy Chairman

Remuneration committee report

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

The Committee is chaired by Mr. Muni Krishna T. Reddy, GOSK. The other members are Mr. Nicholas Ashford-Hodges and Dr. Andrew Borg Cardona. All of the members are non-executive Directors. During the financial year under review, three meetings of the Remuneration Committee were held. The attendance at the meetings was as follows:

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

The main activities of the Remuneration Committee include:

(a) The devising of appropriate policies and packages to attract, retain and motivate Directors and senior management of a high calibre in order to well position the Group within the financial services market; and

(b) The review and evaluation of performance of Directors and senior management.

Remuneration Statement

The Company's Chairman together with another Executive Director, are employed with the Company in an executive capacity on an indefinite 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 the performance of the individual units and the Group's overall performance and the Company's share price.

The Company is also considering, subject to the necessary approvals, the setting up of a share option scheme appropriate to the achievement of the Group's vision.

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	Lm48,500
Remuneration	Lm82,443
Total emoluments	**Lm130,943**

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

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

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 34 to 37 has been properly prepared in accordance with the requirements of Listing Rules 8.37 and 8.38 issued by the Listing Authority.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

3 April 2008

Statement of Directors' responsibilities

The Directors are required by the Companies Act, 1995 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 European Union;
- 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, 1995. 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 9.40.5

We confirm that to the best of our knowledge:

1. the financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2007, 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 European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

2. the Directors' report includes a fair review of the developments and performance of the business and the position of the Group and the Company together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors on 3 April 2008 and signed on its behalf by:

Christopher J. Pace
Chairman

Muni Krishna T. Reddy, GOSK
Deputy Chairman

Independent auditor's report on the financial statements

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 43 to 93 which comprise the consolidated and parent company balance sheets as at 31 December 2007 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 European Union and the requirements of the Maltese Companies Act, 1995. As described in the Statement of Directors' responsibilities on page 40, 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 2007, 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 European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

3 April 2008

Profit and loss accounts

		Year ended 31 December			
		Group		Company	
		2007	2006	**2007**	2006
	Notes	**Lm**	Lm	**Lm**	Lm
Commission and similar fees receivable	3	**2,012,040**	2,321,037	**-**	-
Performance fees receivable	3	**57,808**	2,507,472	**-**	-
Balance on the long term business of insurance technical account before tax (page 44)		**(200,636)**	64,959	**-**	-
Increment in the value of in-force business	8,12	**25,000**	129,000	**-**	-
Gains on investment property	7	**2,021,883**	792,740	**-**	-
Profit on disposal of property held for development	6	**48,308**	-	**-**	-
Other operating income		**32,031**	27,019	**-**	-
Administrative expenses	4	**(2,759,267)**	(2,446,692)	**(132,271)**	(49,694)
Commission payable and direct marketing costs	4	**(198,078)**	(368,038)	**-**	-
Impairment of goodwill	12	**(200,000)**	(300,000)	**-**	-
Share of loss of associated undertaking	17	**(1,525)**	(1,586)	**-**	-
Operating profit/(loss)		**837,564**	2,725,911	**(132,271)**	(49,694)
Investment income, net of allocation to the insurance technical account	7	**171,818**	744,448	**632,315**	1,287,491
Investment charges and expenses	7	**(857,520)**	(298,674)	**(497,071)**	(262,237)
Profit before tax		**151,862**	3,171,685	**2,973**	975,560
Tax income/(expense)	8	**97,104**	(1,132,351)	**(100,517)**	(272,506)
Profit/(loss) for the financial year		**248,966**	2,039,334	**(97,544)**	703,054
Earnings per share (cents)	10	**1c9**	15c4		

Profit and loss accounts – continued

Technical account – long term business of insurance

	Notes	Year ended 31 December Group 2007 Lm	2006 Lm
Earned premiums, net of reinsurance			
Gross premiums written	3	**5,423,888**	4,169,850
Outward reinsurance premiums		**(283,776)**	(231,542)
		5,140,112	3,938,308
Investment income	7	**837,032**	1,205,698
Unrealised gains on investments	7	**-**	100,903
Other technical income, net of reinsurance		**11,236**	-
Total technical income		**5,988,380**	5,244,909
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**1,033,501**	903,537
- reinsurers' share		**(141,784)**	(242,004)
		891,717	661,533
Change in the provision for claims			
- gross amount		**(66,041)**	(49,478)
- reinsurers' share		**63,561**	105,973
	19	**(2,480)**	56,495
Claims incurred, net of reinsurance		**889,237**	718,028
Change in other technical provisions, net of reinsurance			
Insurance contracts			
- gross amount		**1,038,109**	1,028,000
- reinsurers' share		**(49,000)**	6,000
		989,109	1,034,000
Investment contracts with DPF - gross		**2,747,107**	2,216,000
Change in other technical provisions, net of reinsurance	19	**3,736,216**	3,250,000
Net operating expenses	4	**1,046,683**	1,180,357
Unrealised losses on investments	7	**489,792**	-
Other investment charges and expenses	7	**27,088**	31,565
Total technical charges		**6,189,016**	5,179,950
Balance on the long term business of insurance technical account before tax (page 43)		**(200,636)**	64,959
Tax income/(expense) attributable to the long term business	8	**177,028**	(46,673)
Balance on the long term business of insurance technical account		**(23,608)**	18,286

Balance sheets

		As at 31 December			
		Group		Company	
	Notes	**2007**	2006	**2007**	2006
		Lm	Lm	**Lm**	Lm
ASSETS					
Intangible assets	12	**3,246,182**	3,433,890	**-**	-
Deferred income tax	13	**33,288**	38,729	**-**	-
Property, plant and equipment	14	**2,242,425**	2,333,694	**-**	-
Investment property	15	**9,042,275**	6,484,184	**291,880**	222,271
Investment in group undertakings	16	**-**	-	**9,080,362**	9,080,362
Investment in associated undertaking	17	**1,630,507**	1,468,632	**-**	-
Other investments	18	**21,275,621**	21,676,730	**5,662,600**	6,021,036
Reinsurers' share of technical provisions	19	**372,242**	386,803	**-**	-
Taxation receivable		**480,904**	232,731	**303,386**	149,050
Stock – property held for development	20	**2,022,142**	1,498,687	**-**	-
Trade and other receivables	21	**1,549,577**	1,417,270	**1,130,791**	1,566,727
Cash and cash equivalents	28	**3,207,295**	2,474,269	**281,889**	152,830
Total assets		**45,102,458**	41,445,619	**16,750,908**	17,192,276
EQUITY AND LIABILITIES					
Capital and reserves attributable to the Company's Shareholders					
Share capital	22	**1,650,943**	1,650,943	**1,650,943**	1,650,943
Share premium account	23	**7,285,496**	7,285,496	**7,285,496**	7,285,496
Other reserves	24	**2,799,191**	1,216,721	**-**	-
Profit and loss account		**677,061**	2,525,659	**(13,743)**	598,895
Total equity		**12,412,691**	12,678,819	**8,922,696**	9,535,334
Technical provisions	19	**21,080,635**	16,978,459	**-**	-
Interest-bearing borrowings	25	**8,979,814**	8,679,301	**7,154,226**	7,160,204
Deferred income tax	13	**789,792**	848,867	**62,256**	8,961
Trade and other payables	26	**1,724,194**	1,635,960	**611,730**	487,777
Current income tax liabilities		**115,332**	624,213	**-**	-
Total liabilities		**32,689,767**	28,766,800	**7,828,212**	7,656,942
Total equity and liabilities		**45,102,458**	41,445,619	**16,750,908**	17,192,276

The financial statements on pages 43 to 93 were authorised for issue by the Board on 3 April 2008 and were signed on its behalf by:

Christopher J. Pace
Chairman

Muni Krishna T. Reddy, GOSK
Deputy Chairman

Statements of changes in equity

Group	Notes	Share capital Lm	Share premium account Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2006		1,650,943	7,285,496	472,578	1,788,486	11,197,503
Profit for the financial year		-	-	-	2,039,334	2,039,334
Increment in value of in-force business, transferred to other reserves	24	-	-	84,000	(84,000)	-
Investment property - fair value gains, net of deferred income tax, transferred to other reserves	24	-	-	660,143	(660,143)	-
Net income/(expense) recognised directly in equity		-	-	744,143	(744,143)	-
Total recognised income for 2006		-	-	744,143	1,295,191	2,039,334
Dividends	11	-	-	-	(558,018)	(558,018)
Balance at 31 December 2006		**1,650,943**	**7,285,496**	**1,216,721**	**2,525,659**	**12,678,819**
Balance at 1 January 2007		1,650,943	7,285,496	1,216,721	2,525,659	12,678,819
Profit for the financial year		-	-	-	248,966	248,966
Increment in value of in-force business, transferred to other reserves	24	-	-	16,000	(16,000)	-
Investment property - fair value gains, net of deferred income tax, transferred to other reserves	24	-	-	1,566,470	(1,566,470)	-
Net income/(expense) recognised directly in equity		-	-	1,582,470	(1,582,470)	-
Total recognised income for 2007		-	-	1,582,470	(1,333,504)	248,966
Dividends	11	-	-	-	(515,094)	(515,094)
Balance at 31 December 2007		**1,650,943**	**7,285,496**	**2,799,191**	**677,061**	**12,412,691**

As at 31 December 2007, unrealised fair value gains attributable to Shareholders, net of taxation, amounting to Lm703,169 (2006: Lm783,380), have been credited to the profit and loss account.

Statements of changes in equity – continued

Company	Note	**Share capital Lm**	**Share premium account Lm**	**Profit and loss account Lm**	**Total Lm**
Balance at 1 January 2006		1,650,943	7,285,496	453,859	9,390,298
Profit for the financial year		-	-	703,054	703,054
Dividends	11	-	-	(558,018)	(558,018)
Balance at 31 December 2006		**1,650,943**	**7,285,496**	**598,895**	**9,535,334**
Balance at 1 January 2007		1,650,943	7,285,496	598,895	9,535,334
Loss for the financial year		-	-	(97,544)	(97,544)
Dividends	11	-	-	(515,094)	(515,094)
Balance at 31 December 2007		**1,650,943**	**7,285,496**	**(13,743)**	**8,922,696**

As at 31 December 2007, unrealised fair value gains attributable to Shareholders, net of taxation, amounting to Lm16,057 (2006: Lm76,135) have been credited to the profit and loss account.

Cash flow statements

	Notes	Group 2007 Lm	Group 2006 Lm	Company 2007 Lm	Company 2006 Lm
		Year ended 31 December			
Operating activities					
Cash generated from/(used in) operations	27	**1,509,425**	2,924,481	**776,128**	(377,307)
Dividends received	7	**303,308**	204,739	**34,761**	13,023
Interest received		**641,509**	494,825	**59,092**	95,019
Interest paid		**(497,190)**	(34,155)	**(411,384)**	(2,115)
Tax paid		**(704,585)**	(645,805)	**(13,096)**	(8,690)
Net cash from/(used in) operating activities		**1,252,467**	2,944,085	**445,501**	(280,070)
Investing activities					
Purchase of intangible assets	12	**(50,405)**	(50,144)	**-**	-
Purchase of property, plant and equipment	14	**(201,886)**	(666,162)	**-**	-
Disposal of property, plant and equipment		**-**	63,931	**-**	-
Purchase of investment property	15	**(224,823)**	(1,245,599)	**(69,609)**	(222,271)
Disposal of investment property		**387,491**	281,642	**-**	-
Purchase of investment in associated undertaking	17	**(163,400)**	(81,700)	**-**	-
Purchase of investments at fair value through profit or loss	18	**(15,343,798)**	(10,238,635)	**(1,021,447)**	(3,928,952)
Disposal of investments at fair value through profit or loss	18	**15,389,480**	2,578,554	**2,174,440**	545,049
Net movement on other investments – loans and receivables	18	**(75,818)**	(1,103,724)	**(857,053)**	(2,611,530)
Repayment of loans in connection with purchase of property for own use	25	**(22,671)**	(24,028)	**-**	-
Net cash (used in)/from investing activities		**(305,830)**	(10,485,865)	**226,331**	(6,217,704)
Financing activities					
Dividends paid	11	**(515,094)**	(558,018)	**(515,094)**	(558,018)
Increase in borrowings	25	**(33,477)**	302,866	**-**	-
Net movement in relation to bond issue	25	**(10,044)**	7,130,940	**(10,044)**	7,130,940
Net cash (used in)/from financing activities		**(558,615)**	6,875,788	**(525,138)**	6,572,922
Movement in cash and cash equivalents		**388,022**	(665,992)	**146,694**	75,148
Cash and cash equivalents at beginning of year		**2,456,634**	3,122,626	**135,195**	60,047
Cash and cash equivalents at end of year	28	**2,844,656**	2,456,634	**281,889**	135,195

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 consolidated financial statements include the financial statements of GlobalCapital p.l.c. and its subsidiary undertakings. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and with the Companies Act, 1995. They also consider the requirements of the Insurance Business Act, 1998 in consolidating the results of GlobalCapital Life Insurance Limited, where appropriate. The consolidated 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 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 accounting policies. The areas involving a higher degree of judgement or complexity are disclosed in Note 1 to these financial statements.

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

Standards, interpretations and amendments to published standards effective in 2007

In 2007, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Group's accounting policies.

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduce new disclosures relating to financial instruments and do not have any impact on the classification and measurement of the Group's financial instruments and capital.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2007. The Group has not early adopted these revisions to the requirements of IFRSs and the Group's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group'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. 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 net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

2. Consolidation - continued

(a) *Subsidiaries* - continued

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 by the equity method of accounting, unless they are allocated to the insurance fund and designated as financial assets at fair value through profit or loss, in which case they are accounted for in accordance with the recognition and measurement principles described in accounting policy 8. 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 assets of the acquired group/associated undertaking or business concern at the date of the acquisition. Goodwill on acquisition of group undertakings is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include 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.

3. Intangible assets - continued

(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 developing or 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 all 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 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 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. 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	7½ – 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

6. Investment property - continued

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. The impairment loss is calculated using the same method used for these financial assets. These processes are disclosed in accounting policy 9(a). 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. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the 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 financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in 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 insurance 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 the Group intends to sell in the short term or that it has designated as fair value through profit or loss. 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.

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 account within 'net gains or losses' in the period in which they arise.

8. Financial assets - continued

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 non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. These principally comprise goodwill. 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).

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., together with the costs of ancillary activities such as site security.

(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, including imputed interests, attributable to the development phases of the project.

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

12. Insurance contracts and investment contracts with DPF

(a) *Classification*

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

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

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

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

(b) *Recognition and measurement*

Insurance contracts and investment contracts with DPF are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) *Short term insurance contracts*

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

12. Insurance contracts and investment contracts with DPF - continued

(b) *Recognition and measurement* - continued

(ii) *Long term contracts*

Insurance contracts without DPF

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

Insurance contracts with DPF

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

Investment contracts with DPF

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

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

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

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

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

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

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

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

(iv) A liability for long term contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. This liability is determined by the approved actuary following his annual investigation of the financial condition of the Group's long term business as required under the Insurance Business Act, 1998. 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, 1998. 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.

12. Insurance contracts and investment contracts with DPF - continued

(b) *Recognition and measurement* - continued

(iv) 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 premium received on in-force contracts that related 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 13(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 – investments contracts without DPF. Investments contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, and are designated at inception as at fair value through profit or loss. The fair value of a unit linked financial liability is determined using the current unit values that reflect the fair values of the financial assets linked to the financial liability multiplied by the number of units attributed to the contract holder at the 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 in current liabilities.

15. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are capitalised within stock or investment property 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 when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares as consideration for the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

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 for services 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*

Sale of property held for development are 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) *Other net fair value gains or losses from financial assets at fair value through profit or loss*

Other 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 account within 'Net fair value gains or losses on financial assets at fair value through profit or loss' in the period in which they arise.

(e) *Interest income*

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(f) *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 Maltese Liri, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Translation differences on non-monetary items, 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, other 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, share of associated undertaking's result, 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.

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 (revised), 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 value-in-use calculations and requires the use of estimates on 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) *Fair valuation of investment property*

The fair value gains reported in Note 7 include a gain of Lm1,502,770 arising on an investment property situated on the outskirts of Rome. The value of this property as at 31 December 2007 was determined on the basis of a professional valuation using the comparative sales method which was carried out by a leading independent global residential and commercial property consultancy firm. An unrealised gain on this property of Lm772,740 was also recognised in the financial year ended 31 December 2006. The valuation in 2006 was principally based on management's estimate of discounted cash flows from future potential rental streams. Further details of key assumptions and sensitivities to the valuation are disclosed in Note 15 to the financial statements.

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.

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.

2. Management of insurance and financial risk - continued

Insurance risk - continued

(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 five 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.

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.

2. Management of insurance and financial risk - continued

Financial risk - continued

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 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.

The Group trades in derivative financial instruments consisting in the main of equity contracts for differences (CFDs). The Board places limits on the level of risk undertaken. The Group's exposure to derivatives is monitored on a regular basis. Control structures are in place to assess and monitor exposures and risk thresholds in respect of derivative trading activity. The Directors consider that adequate controls are in place to monitor and control such exposure, and to prevent unauthorised transactions. As disclosed in Note 18 to the financial statements there was no exposure to derivatives as at 31 December 2007.

Market risk

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

The Group is exposed to the risk of fluctuating market interest rates. Assets/liabilities issued at variable rates expose the Group to cash flow interest risk. Assets/liabilities issued at fixed rates expose the Group to fair value interest rate risk. The following table incorporates interest rate and maturity information with respect to the Group's assets and liabilities:

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

	Group		**Company**	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Assets attributable to policyholders				
Assets at floating interest rates	**370,176**	1,424,655	**-**	-
Assets at fixed interest rates	**11,094,807**	9,452,529	**-**	-
	11,464,983	10,877,184	**-**	-
Assets attributable to shareholders				
Assets at floating interest rates	**2,844,912**	1,825,082	**281,889**	152,830
Assets at fixed interest rates	**52,792**	56,056	**-**	-
	2,897,704	1,881,138	**281,889**	152,830
	14,362,687	12,758,322	**281,889**	152,830
Liabilities				
Liabilities at floating interest rates	**1,825,588**	1,536,732	**-**	17,635
Technical provisions	**20,525,439**	16,313,070	**-**	-
	22,351,027	17,849,802	**-**	17,635

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

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.

2. Management of insurance and financial risk - continued

Financial risk - continued

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

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

Some minimum guaranteed rates are set at limits as low as 3%. Bonus declarations for these products have historically exceeded the minimum guaranteed return by a reasonable margin. Higher guaranteed fixed interest rates may be offered for a short period on the issue of new products (generally not exceeding one year).

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.

As at the balance sheet date the Directors considered that no hedging arrangements were necessary to address interest rate risk, which is monitored by the Board on an ongoing basis.

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 is exposed to market price risk arising from the uncertainty about the future prices of investments held by the Group in respect of investments that are classified in the balance sheet 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 equity 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 11% of the Group's total assets as at 31 December 2007 (2006: 11%). Should the MSE equity index increase/decrease by 10%, with all other variables held constant and all the Group's local equity instruments moving according to the historical correlation with the index, the impact on pre-tax profit would be Lm883,006 in 2007 (2006: Lm895,087). The impact of the same equity index increase/decrease would have an impact on the Company's pre-tax profit of Lm219,402 (2006: Lm214,475). 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.

2. Management of insurance and financial risk - continued

Financial risk - continued

(b) *Price risk* - continued

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

	Group		**Company**	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Assets attributable to policyholders	**4,243,225**	3,488,987	**-**	-
Assets attributable to shareholders	**5,450,183**	7,185,808	**2,194,017**	3,409,506
	9,693,408	10,674,795	**2,194,017**	3,409,506

(c) *Currency risk*

The Group's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Maltese lira and Euro. 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 joined the Eurozone as from 1 January 2008. As at 31 December, the Group's exposure to foreign currency investments (principally comprising a mix of US Dollar and UK pound) represented 12% of the Group's total investments (2006: 10%). Currency exposure is regulated by the Regulations underlying the Insurance Business Act, 1998, in so far as life assurance business is concerned. The Directors do not consider the Group's exposure to exchange risk to be significant.

Credit risk

The Group has 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 with respect to derivative transactions);
- reinsurers' share of technical provisions;
- trade and other receivables; and
- cash and cash equivalents.

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 derivative investments is not considered to be significant by the Directors due to the controls that are in place to limit the nature or amount of underlying exposures.

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 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.

2. Management of insurance and financial risk - continued

Credit risk - continued

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.

The Company was not exposed to significant credit risk as at the financial year end since exposure was principally towards amounts due from subsidiary undertakings.

Assets bearing credit risk at the balance sheet date are analysed as follows:

Group

	As at 31 December 2007					
	AAA to AA- Lm	A+ to A Lm	A- Lm	BBB+ to B- Lm	Unrated Lm	Total Lm
Investments						
Debt securities at fair value through profit or loss	366,086	6,991,599	-	684,112	1,328,074	9,369,871
Loans and receivables						
Loans secured on policies	-	-	-	-	38,276	38,276
Deposits with banks	-	-	-	-	1,824,196	1,824,196
Trade and other receivables	-	-	-	-	1,549,577	1,549,577
Cash and cash equivalents	-	-	2,137,713	-	1,069,582	3,207,295
	-	-	2,137,713	-	4,481,631	6,619,344
Reinsurance share of technical provisions	372,242	-	-	-	-	372,242
Total assets bearing credit risk	738,328	6,991,599	2,137,713	684,112	5,809,705	16,361,457

	As at 31 December 2006					
	AAA to AA- Lm	A+ to A Lm	A- Lm	BBB+ to B- Lm	Unrated Lm	Total Lm
Investments						
Debt securities at fair value through profit or loss	863,555	5,180,679	25,970	850,937	909,900	7,831,041
Derivatives (CFDs)	-	-	-	-	40,986	40,986
	863,555	5,180,679	25,970	850,937	950,886	7,872,027
Loans and receivables						
Loans secured on policies	-	-	-	-	36,654	36,654
Deposits with banks	-	-	1,750,000	-	-	1,750,000
Trade and other receivables	-	-	-	-	1,417,270	1,417,270
Cash and cash equivalents	-	-	773,471	-	1,700,798	2,474,269
	-	-	2,523,471	-	3,154,722	5,678,193
Reinsurance share of technical provisions	-	-	-	386,803	-	386,803
Total assets bearing credit risk	863,555	5,180,679	2,549,441	1,237,740	4,105,608	13,937,023

2. Management of insurance and financial risk - continued

Credit risk - continued

Unrated financial assets principally comprise locally traded bonds on the Malta Stock Exchange, debtors and certain deposits with local bank institutions for which no international rating is available.

As at 31 December 2007 and 2006 the Group had significant exposure with the Government of Malta through investments in debt securities. In 2007 these were equivalent to 13% (2006: 12%) of the Group's total assets.

Liquidity risk

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

The Group adopts a prudent liquidity risk management approach by maintaining a sufficient proportion of its assets in cash and marketable securities through the availability of an adequate amount of committed credit facilities and the ability to close out market positions. Senior management is updated on a regular basis on the cash position of the Group illustrating, inter alia, actual cash balance net of operational commitments falling due in the short term as well as investment commitments falling due in the medium and long term.

The Directors consider opportunities from time to time, including business acquisitions, for further strengthening the Group's market presence in the financial services and ancillary industries. Post balance sheet date, the Group entered into preliminary negotiations for the acquisition of a majority shareholding in a locally licensed credit institution. Such acquisition is subject to Board approval, confirmation following due diligence and all necessary regulatory approvals and the Directors are aware that the financing requirements of such acquisition requires additional injection of cash within the acquiring company in the Group, and are considering the options available.

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 2007	**Contracted undiscounted cash outflows**					
	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm	Carrying amount Lm
Borrowings						
Bank loans	496,218	163,534	490,603	662,156	1,812,511	1,462,949
Bank overdraft	362,639	-	-	-	362,639	362,639
5.6% bonds 2014/2016	408,694	408,694	1,226,081	8,115,487	10,158,956	7,154,226
Trade and other payables	1,724,194	-	-	-	1,724,194	1,724,194
	2,991,745	572,228	1,716,684	8,777,643	14,058,300	10,704,008

	Expected undiscounted cash outflows					
	Less than five years Lm	Between five and ten years Lm	Between ten and twenty years Lm	Over twenty years Lm	Total Lm	Carrying amount Lm
Technical provisions	3,498,229	9,129,990	5,479,883	19,810,428	37,918,530	20,815,634

2. Management of insurance and financial risk - continued

Liquidity risk - continued

As at 31 December 2006

	Contracted undiscounted cash outflows					
	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm	Carrying amount Lm
Borrowings						
Bank loans	466,400	163,534	490,603	738,661	1,859,198	1,519,097
Bank overdraft	17,635	-	-	-	17,635	17,635
5.6% bonds 2014/2016	408,694	408,694	1,226,081	8,524,179	10,567,648	7,142,569
Trade and other payables	1,635,960	-	-	-	1,635,960	1,635,960
	2,528,689	572,228	1,716,684	9,262,840	14,080,441	10,315,261

	Expected undiscounted cash outflows					
	Less than five years Lm	Between five and ten years Lm	Between ten and twenty years Lm	Over twenty years Lm	Total Lm	Carrying amount Lm
Technical provisions	1,181,870	8,283,697	4,354,051	18,723,207	32,542,825	16,978,459

Company

As at 31 December 2007

	Contracted undiscounted cash outflows					
	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm	Carrying amount Lm
Borrowings						
5.6% bonds 2014/2016	408,694	408,694	1,226,081	8,115,487	10,158,956	7,154,226
Trade and other payables	611,730	-	-	-	611,730	611,730
	1,020,424	408,694	1,226,081	8,115,487	10,770,686	7,765,956

As at 31 December 2006

	Contracted undiscounted cash outflows					
	Less than one year Lm	Between one and two years Lm	Between two and five years Lm	Over five years Lm	Total Lm	Carrying amount Lm
Borrowings						
5.6% bonds 2014/2016	408,694	408,694	1,226,081	8,524,179	10,567,648	7,142,569
Bank overdraft	17,635	-	-	-	17,635	17,635
Trade and other payables	487,777	-	-	-	487,777	487,777
	914,106	408,694	1,226,081	8,524,179	11,073,060	7,642,981

3. Segmental Analysis

Group

	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations/ allocations Lm	Group Lm
Year ended 31 December 2007						
Gross premiums written						
- long term business	-	5,423,888	-	-	-	5,423,888
Commission, fees and rent receivable	1,171,325	-	819,246	156,121	(76,844)	2,069,848
Disposal of property held for development (Note 6)	-	-	-	312,500	-	312,500
Total turnover	1,171,325	5,423,888	819,246	468,621	(76,844)	7,806,236
Segment result before impairment of goodwill	(712,579)	(310,127)	277,687	1,914,854	(132,271)	1,037,564
Impairment of goodwill (Note 12)	(100,000)	(100,000)	-	-	-	(200,000)
Operating profit	(812,579)	(410,127)	277,687	1,914,854	(132,271)	837,564
Investment return (Note 7)						(685,702)
Profit before tax						151,862
Tax income (Note 8)						97,104
Profit for the financial year						248,966
Segment assets	1,972,007	23,423,722	1,080,091	10,791,067	(81,903)	37,184,984
Unallocated assets						7,917,474
						45,102,458
Segment liabilities	1,165,973	21,557,884	334,903	942,687	5,838	24,007,285
Unallocated liabilities						8,682,482
						32,689,767
Other segment items						
Impairment of receivables	(33,111)	9,080	-	-		
Capital expenditure	154,504	80,914	2,826	14,047		
Amortisation	22,272	24,859	2,145	4,837		
Depreciation	162,450	87,712	12,785	5,349		
Unrealised fair value gains/(losses)						
- investment property	-	-	-	1,888,948		
- financial assets	-	(489,792)	-	-		

3. Segmental Analysis - continued

Group

	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations/ allocations Lm	Group Lm
Year ended 31 December 2006						
Gross premiums written						
- long term business	-	4,169,850	-	-	-	4,169,850
Commission, fees and rent receivable	4,276,158	-	549,261	79,934	(76,844)	4,828,509
Total turnover	4,276,158	4,169,850	549,261	79,934	(76,844)	8,998,359
Segment result before impairment of goodwill	2,321,863	(10,378)	14,410	749,710	(49,694)	3,025,911
Impairment of goodwill (Note 12)	(100,000)	(200,000)	-	-	-	(300,000)
Operating profit	2,221,863	(210,378)	14,410	749,710	(49,694)	2,725,911
Investment return (Note 7)						445,774
Profit before tax						3,171,685
Tax expense (Note 8)						(1,132,351)
Profit for the financial year						2,039,334
Segment assets	2,793,738	21,452,938	601,282	7,335,267	(105,160)	32,078,065
Unallocated assets						9,367,554
						41,445,619
Segment liabilities	960,534	17,456,202	163,246	984,993	5,709	19,570,684
Unallocated liabilities						9,196,116
						28,766,800
Other segment items						
Impairment of receivables	-	(22,838)	-	-		
Capital expenditure	309,297	69,183	8,667	96,801		
Amortisation	36,167	20,083	1,861	1,100		
Depreciation	127,203	55,316	11,464	3,192		
Unrealised fair value gains/(losses)						
- investment property	-	382,157	-	792,740		
- financial assets	-	(261,254)	-	-		

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 2007 and 2006, the Group is organised into four main segments:

- investment and advisory services – the provision of services in terms of the Investment Services Act, 1994;
- life insurance – to carry on long term business of insurance under the Insurance Business Act, 1998;
- agency and brokerage services – provision of agency or brokerage services for health or other general insurance in terms of the Insurance Intermediaries Act, 2006 and money broking and trading in foreign exchange in terms of the Financial Institutions Act, 1994; 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 Lm76,844 (2006: Lm76,844).

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.

In 2006, the segment result for investment and advisory services includes a performance fee of Lm2,507,472 that was earned during the year by a group undertaking from its activity as investment advisor to Global Funds SICAV p.l.c. The performance fee is determined with reference to the actual performance of the underlying funds during the relevant accounting period ending 31 July.

4. Expenses by nature

	Group		**Company**	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Staff costs (Note 5)	**1,685,058**	1,788,723	**-**	-
Commission and direct marketing costs	**613,546**	848,182	**-**	-
Amortisation of computer software (Note 12)	**54,113**	59,211	**-**	-
Depreciation of property, plant and equipment (Note 14)	**268,296**	220,297	**-**	-
Operating lease rentals payable	**165,477**	119,572	**-**	-
Amortisation of bond issue costs	**21,701**	11,629	**21,701**	11,629
Other expenses	**1,322,162**	1,021,528	**110,570**	38,065
	4,130,353	4,069,142	**132,271**	49,694
Allocated as follows:				
Technical account:				
- claims incurred	**126,325**	74,055	**-**	-
- net operating expenses	**1,046,683**	1,180,357	**-**	-
Non-technical account	**2,957,345**	2,814,730	**132,271**	49,694
	4,130,353	4,069,142	**132,271**	49,694

Auditor's remuneration for the current financial year amounted to Lm34,000 (2006: Lm32,950) for the Group and Lm8,250 (2006: Lm7,750) for the Company.

Actuarial valuation fees for the current financial year amounted to Lm35,000 (2006: Lm30,000) for the Group.

5. Staff costs

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Wages and salaries	**1,593,298**	1,707,548	**583,171**	537,597
Social security costs	**91,760**	81,175	**32,585**	28,662
	1,685,058	1,788,723	**615,756**	566,259
Recharged to group undertakings	**-**	-	**(615,756)**	(566,259)
	1,685,058	1,788,723	**-**	-

The average number of persons employed during the year:

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Managerial	**37**	25	**21**	16
Sales	**25**	47	**7**	9
Administrative	**103**	73	**42**	43
	165	145	**70**	68

In 2006 staff costs included Lm45,625 relating to bonuses linked to the Company's future share price movements over a defined period.

6. Profit on disposal of property held for development

	Group	
	2007	2006
	Lm	Lm
Proceeds (Note 3)	**312,500**	-
Costs	**(264,192)**	-
Profit on disposal	**48,308**	-

7. Investment return

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Investment income				
Rental income from investment property	**159,821**	100,707	**-**	-
Dividends received from shares in group undertakings	**-**	-	**538,462**	1,153,846
Dividends received from investments at fair value through profit or loss	**303,308**	204,739	**34,761**	13,023
Interest receivable from:				
- receivables due from group undertakings	**-**	-	**52,330**	74,750
- other loans and receivables	**155,157**	139,484	**6,762**	11,377
Net fair value gains – investment property	**2,021,883**	1,232,864	**-**	-
Net gains – financial investments at fair value through profit or loss	**390,564**	1,165,995	**-**	34,495
	3,030,733	2,843,789	**632,315**	1,287,491
Investment charges and expenses				
Net losses – financial investments at fair value through profit or loss	**825,004**	-	**62,496**	-
Investment management charges	**29,019**	36,543	**1,806**	-
Interest payable and other charges	**497,190**	273,695	**409,578**	241,655
Exchange losses	**23,187**	20,001	**23,191**	20,582
	1,374,400	330,239	**497,071**	262,237
Total investment return	**1,656,333**	2,513,550	**135,244**	1,025,254
Allocated as follows:				
Technical account – long term business of insurance	**320,152**	1,275,036	**-**	-
Profit and loss account	**1,336,181**	1,238,514	**135,244**	1,025,254
	1,656,333	2,513,550	**135,244**	1,025,254

8. Income tax

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Current tax (income)/expense	**(52,470)**	761,033	**47,222**	263,545
Deferred income tax (Note 13)	**(53,634)**	326,318	**53,295**	8,961
Tax relating to value of in-force business	**9,000**	45,000	**-**	-
Tax (income)/expense	**(97,104)**	1,132,351	**100,517**	272,506

8. Income tax - continued

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	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Profit before tax	**151,862**	3,171,685	**2,973**	975,560
Tax on profit at 35%	**53,152**	1,110,090	**1,041**	341,446
Tax effect of:				
Non-deductible expenditure	**147,068**	193,428	**-**	-
Capitalisation of bond issue costs	**66,336**	(66,336)	**66,336**	(66,336)
Additional allowances available under S.15 of the Income Tax Act	**(10,179)**	(13,700)	**-**	-
Exempt income and income subject to a reduced rate of tax	**(253,536)**	(138,677)	**(22,694)**	(2,604)
Impact of property transfers taxed at 12%	**48,557**	16,092	**-**	-
Reassessment of deferred tax on fair valuation of investments	**(359,664)**	-	**-**	-
Over provision in current tax in prior years	**(52,658)**	-	**(2,276)**	-
Other differences, including unrecognised deferred tax movement	**263,820**	31,454	**58,110**	-
Tax (income)/expense	**(97,104)**	1,132,351	**100,517**	272,506
Allocated as follows:				
Technical account - long term business of insurance	**(177,028)**	46,673	**-**	-
Profit and loss account	**79,924**	1,085,678	**100,517**	272,506
Tax (income)/expense	**(97,104)**	1,132,351	**100,517**	272,506

9. Directors' emoluments

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Fees	**48,500**	37,917	**48,500**	37,917
Remuneration	**82,443**	140,131	**82,443**	140,131
	130,943	178,048	**130,943**	178,048

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.

In 2006 emoluments included performance bonuses of Lm13,250 that were linked to the Group's future share price movement over a defined period.

The above information for the Company for 2007 and 2006 includes salaries and emoluments amounting to Lm28,403 (2006: Lm178,048) 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 Lm38,597 (2006: Lm38,076).

10. Earnings per share

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

	Group 2007	Group 2006
Net profit attributable to Shareholders	**Lm248,966**	Lm2,039,334
Weighted average number of ordinary shares in issue	**13,207,548**	13,207,548
Earnings per share	**1c9**	15c4

11. Dividends

The Directors do not recommend the payment of a final dividend in respect of 2007 (2006: dividend of 0.65 cents per share, amounting to a total net dividend of Lm85,849 and a special net dividend of 3.25 cents per share, amounting to a total special net dividend of Lm429,245). In 2006 the Directors paid a net interim dividend of Lm171,698 equivalent to 1.3 cents per share. The net final dividend declared in 2006 in respect of 2005 was Lm386,320 (2.93 cents per share).

12. Intangible assets

Group	Goodwill Lm	Value of in-force business Lm	Computer software Lm	Total Lm
At 1 January 2006				
Cost or valuation	2,649,141	825,000	366,917	3,841,058
Accumulated amortisation	-	-	(182,101)	(182,101)
Net book amount	2,649,141	825,000	184,816	3,658,957
Year ended 31 December 2006				
Opening net book amount	2,649,141	825,000	184,816	3,658,957
Additions	-	-	50,144	50,144
Increment in value of in-force business (Note 24)	-	84,000	-	84,000
Amortisation charge	-	-	(59,211)	(59,211)
Impairment charge	(300,000)	-	-	(300,000)
Closing net book amount	2,349,141	909,000	175,749	3,433,890
At 31 December 2006				
Cost or valuation	2,349,141	909,000	417,061	3,675,202
Accumulated amortisation	-	-	(241,312)	(241,312)
Net book amount	2,349,141	909,000	175,749	3,433,890
Year ended 31 December 2007				
Opening net book amount	2,349,141	909,000	175,749	3,433,890
Additions	-	-	50,405	50,405
Increment in value of in-force business (Note 24)	-	16,000	-	16,000
Amortisation charge	-	-	(54,113)	(54,113)
Impairment charge	(200,000)	-	-	(200,000)
Closing net book amount	2,149,141	925,000	172,041	3,246,182
At 31 December 2007				
Cost or valuation	2,149,141	925,000	467,466	3,541,607
Accumulated amortisation	-	-	(295,425)	(295,425)
Net book amount	2,149,141	925,000	172,041	3,246,182

Amortisation of computer software amounting to Lm54,113 (2006: Lm59,211) is included in administrative expenses.

12. Intangible assets - continued

Impairment tests for goodwill

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

In part, goodwill relates to synergies and specific investment opportunities which were created as a result of the merger. These elements of goodwill are not expected to have an indefinite life. The significance and measurability of business synergies is diluted as a business evolves, and on this basis an impairment charge of Lm100,000 was reflected during 2007 (2006: Lm100,000). The balance of this component of goodwill, which amounted to Lm446,244 as at 31 December 2007 (2006: Lm546,244), is expected to continue to yield economic benefits over the next 4 years. The Directors have considered that the performance of the investment and advisory services segment in 2007, which was 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 specific investment projects enabled by the merger, which are as yet at an early stage of their development. An assessment of the recoverable amount of this goodwill has been made by reference to expected cash flows from the investments concerned, covering an expected project duration of 10 years and discounted to present value at a target rate of return of 10.5% (2006: 10.5%). It is anticipated that this element of goodwill, which amounted to Lm607,068 at 31 December 2007 and 2006, will be utilised as the related project profits are realised.

The largest component, which amounted to Lm889,795 at 31 December 2007 (2006: Lm989,795), 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 analysis performed. In 2007, estimates of future maintainable earnings were based on forecasts approved by management for the next three years where the profits projected reflect past trends. 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 6.6% and a growth rate of 3% beyond management's approved forecasts. In 2006, future maintainable earnings were based on more optimistic three year financial estimates approved by management, discounted by 25% to cater for attendant uncertainties associated with certain key assumptions, extrapolated at a growth rate of 3% beyond that period, and capitalised at 7.5%. An impairment charge of Lm100,000 (2006: Lm200,000) was allocated to this segment. Should management's expectations of future annual maintainable earnings be discounted by 5% the Group would need to reduce the carrying value of goodwill by Lm267,000 (2006: Lm350,000).

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% (2006: 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 2006 valuation process, increased the VOIFB by approximately Lm40,000.

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 Lm121,000 (2006: Lm105,000);
- a decrease in the projected investment return by 10% reduces the VOIFB by Lm386,000 (2006: Lm115,000); and
- an increase in the discount factor by 10% reduces the VOIFB by Lm27,000 (2006: Lm25,000).

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 of 35% (2006: 35%), except for temporary differences on investment property that are calculated under the liability method using a principal tax rate of 12% (2006: 12%) of the carrying amount.

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

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Year ended 31 December				
At beginning of year	**(810,138)**	(483,820)	**(8,961)**	-
Charged to profit and loss account (Note 8)	**53,634**	(326,318)	**(53,295)**	(8,961)
At end of year	**(756,504)**	(810,138)	**(62,256)**	(8,961)

Deferred taxation at the year end comprises the following temporary differences:

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Accelerated tax depreciation	**(25,813)**	(4,297)	**-**	-
Unabsorbed tax credits	**399,036**	113,676	**-**	-
Provision for impairment of receivables	**14,399**	22,810	**-**	-
Capitalisation of bond issue costs	**(62,256)**	-	**(62,256)**	-
Fair value adjustments				
- financial investments	**(276,433)**	(460,280)	**-**	(8,961)
- investment property	**(805,437)**	(482,047)	**-**	-
Net deferred income tax liability	**(756,504)**	(810,138)	**(62,256)**	(8,961)

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. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Deferred tax asset	**33,288**	38,729	**-**	-
Deferred tax liability	**(789,792)**	(848,867)	**(62,256)**	(8,961)
	(756,504)	(810,138)	**(62,256)**	(8,961)

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. As at 31 December 2007 the Group had unutilised tax losses amounting to Lm292,803 (2006: Lm283,005) available for relief against future taxable income. These losses give rise to a further deferred tax asset of Lm102,481 (2006: Lm99,052) that has not been recognised in these financial statements.

14. Property, plant and equipment

Group	Land and buildings Lm	Office furniture, fittings & equipment Lm	Motor vehicles Lm	Total Lm
At 1 January 2005				
Cost	1,472,850	1,448,625	301,545	3,223,020
Accumulated depreciation	(31,955)	(836,594)	(119,636)	(988,185)
Net book amount	1,440,895	612,031	181,909	2,234,835
Year ended 31 December 2006				
Opening net book amount	1,440,895	612,031	181,909	2,234,835
Additions	329,244	278,789	58,129	666,162
Disposals	-	(14,057)	(57,221)	(71,278)
Transferred to investment property (Note 15)	(284,100)	-	-	(284,100)
Depreciation charge	(23,122)	(161,809)	(35,366)	(220,297)
Depreciation released on disposals	-	-	8,372	8,372
Closing net book amount	1,462,917	714,954	155,823	2,333,694
At 31 December 2006				
Cost	1,517,994	1,713,357	302,453	3,533,804
Accumulated depreciation	(55,077)	(998,403)	(146,630)	(1,200,110)
Net book amount	1,462,917	714,954	155,823	2,333,694
Year ended 31 December 2007				
Opening net book amount	1,462,917	714,954	155,823	2,333,694
Additions	62,783	118,204	20,899	201,886
Disposals	-	(9,216)	(32,530)	(41,746)
Depreciation charge	(29,846)	(169,660)	(68,790)	(268,296)
Depreciation released on disposals	-	-	16,887	16,887
Closing net book amount	1,495,854	654,282	92,289	2,242,425
At 31 December 2007				
Cost	1,580,777	1,822,345	290,822	3,693,944
Accumulated depreciation	(84,923)	(1,168,063)	(198,533)	(1,451,519)
Net book amount	1,495,854	654,282	92,289	2,242,425

Land and buildings amounting to Lm950,000 (2006: Lm950,000) are hypothecated in connection with bank finance obtained by the Group.

15. Investment property

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Year ended 31 December				
At beginning of year	**6,484,184**	4,054,239	**222,271**	-
Additions	**224,823**	1,245,599	**69,609**	222,271
Transferred from property, plant and equipment (Note 14)	**-**	284,100	**-**	-
Disposals	**(254,557)**	(225,041)	**-**	-
Transferred from/(to) stocks – property held for development (Note 20)	**698,877**	(45,610)	**-**	-
Fair value gains	**1,888,948**	1,170,897	**-**	-
At end of year	**9,042,275**	6,484,184	**291,880**	222,271
At 31 December				
Cost	**5,615,989**	4,946,846	**291,880**	222,271
Accumulated fair value gains	**3,426,286**	1,537,338	**-**	-
Net book amount	**9,042,275**	6,484,184	**291,880**	222,271

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

As disclosed in Note 1 to the financial statements, unrealised fair value gains for the year include a gain of Lm1,502,770 (2006: Lm772,740) that was recognised on an investment property situated in Rome which was valued at Lm4,008,606 (2006: Lm2,513,648). In 2007 this valuation was carried out by a leading independent global residential and commercial property consultancy firm on the basis of the comparative sales method. 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 2007. Applying sensitivity analysis to a similar range of values would result in the profit before tax reported for the year being reduced by Lm558,000 or being increased by Lm1,200,000 respectively.

The fair value for this property as at 31 December 2006 was principally based on management's estimate of discounted cash flow projections.

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 Lm450,326 as at 31 December 2007 (2006: Lm632,260). 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 Lm291,880 as at 31 December 2007 (2006: Lm222,271). Borrowing costs of Lm47,653 were capitalised during the year ended 31 December 2006 and are included in 'Additions' for the Group. A capitalisation rate of 5.5% was used, representing the borrowing cost of the loan used to finance the project.

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

	Group	
	2007	2006
	Lm	Lm
At 31 December		
Cost	**5,615,989**	4,946,846
Accumulated depreciation	**(132,671)**	(82,264)
Net book amount	**5,483,318**	4,864,582

16. Investment in group undertakings

Company

	2007	2006
	Lm	Lm
Year ended 31 December		
Opening and closing cost and net book amount	**9,080,362**	9,080,362

The principal group undertakings at 31 December are shown below:

Group undertakings	**Registered office**	**Class of shares held**	**Percentage of shares held 2007**	**2006**
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%**	100%
Central Landmark Development Limited	120, The Strand, Gzira	Ordinary shares	**100%**	100%
GFSG (UK) Limited	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%
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%

The distribution of dividends by most subsidiary undertakings is restricted by the solvency requirements of relevant legislation, mainly the Insurance Business Act, 1998, the Insurance Intermediaries Act, 2006 and the Investment Services Act, 1994.

As disclosed in Note 30, the Group held 61% of the International Growth Opportunities Fund as at 31 December 2007. This holding was not consolidated on the basis of materiality.

17. Investment in associated undertaking

Group	2007 Lm	2006 Lm
Year ended 31 December		
At beginning of year	**1,468,632**	1,388,518
Additions	**163,400**	81,700
Share of loss of associated undertaking	**(1,525)**	(1,586)
At end of year	**1,630,507**	1,468,632
As at 31 December		
Cost	**1,634,000**	1,470,600
Accumulated losses	**(3,493)**	(1,968)
Net book amount	**1,630,507**	1,468,632

The associated undertaking at 31 December:

Associate	Registered office	Class of shares held	Percentage of shares held 2007	Percentage of shares held 2006
Metropolis Developments Limited	Level 14, Portomaso Business Tower, Portomaso, St. Julians, Malta	Ordinary 'A' shares	**41%**	41%

At 31 December 2007, Metropolis Developments Limited's assets amounted to Lm5,889,753 (2006: Lm3,659,167) and liabilities amounted to Lm1,898,272 (2006: Lm63,967). The Metropolis Developments Limited Group registered a loss during the period ended 31 December 2007 of Lm6,551 (2006: Lm1,036). As at 31 December 2006, commitments in relation to the above investment, representing uncalled share capital amounted to Lm163,400.

As disclosed in Note 30, the Group held 20% of the Malta Privatisation and Equity Fund as at 31 December 2006. Part of this investment had been allocated to the insurance fund and was therefore designated as an investment at fair value through profit or loss.

18. Other investments

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

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Fair value through profit or loss	**19,413,149**	19,890,076	**2,194,017**	3,409,506
Loans and receivables	**1,862,472**	1,786,654	**3,468,583**	2,611,530
Total investments	**21,275,621**	21,676,730	**5,662,600**	6,021,036

(a) Investments at fair value through profit or loss

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Equity securities and collective investment schemes:				
- listed shares	**8,150,095**	7,767,619	**2,071,316**	1,216,343
- collective investment schemes	**1,578,223**	2,861,320	**122,701**	1,097,003
- unlisted securities	**314,960**	1,389,110	**-**	1,096,160
	10,043,278	12,018,049	**2,194,017**	3,409,506
Debt securities	**9,369,871**	7,831,041	**-**	-
Held for trading investments:				
- derivatives (CFDs)	**-**	40,986	**-**	-
Total investments at fair value through profit or loss	**19,413,149**	19,890,076	**2,194,017**	3,409,506

In 2007 collective investment schemes include Lm383,000 that are held to cover linked liabilities.

Maturity of debt securities

	Group	
	2007	2006
	Lm	Lm
Within 1 year	**1,957,519**	1,351,238
Between 1 and 2 years	**207,089**	212,826
Between 2 and 5 years	**1,250,537**	1,112,297
Over 5 years	**5,954,726**	5,154,680
	9,369,871	7,831,041
Weighted average effective interest rate at balance sheet date	**5%**	6%

Group investments amounting to Lm1,172,066 (2006: Lm1,033,920) were pledged in favour of third parties at the financial year end.

18. Other investments - continued

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

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

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Year ended 31 December				
At beginning of year	**19,890,076**	11,413,975	**3,409,506**	-
Additions	**15,343,798**	10,238,635	**1,021,447**	3,928,952
Disposals (sale and redemption) – cost	**(15,234,827)**	(2,062,272)	**(2,167,897)**	(604,542)
Net fair value (losses)/gains	**(585,898)**	299,738	**(69,039)**	85,096
At end of year	**19,413,149**	19,890,076	**2,194,017**	3,409,506
At 31 December				
Cost	**17,655,225**	17,546,254	**2,177,960**	3,324,410
Accumulated fair value gains	**1,757,924**	2,343,822	**16,057**	85,096
Net book amount	**19,413,149**	19,890,076	**2,194,017**	3,409,506

In 2006, the Group's investments at fair value through profit or loss included held for trading instruments, consisting of funds held with a broker for investment in derivative financial instruments, principally CFDs and index futures. As at 31 December 2006, the Group's outstanding derivative contracts consisted of equity CFDs with a notional amount of Lm90,744, which was based on the fair value of the underlying equity instruments as at year end. Unrealised gains and losses arising on the underlying equity positions were reflected in the carrying amount of the Group's held for trading instruments.

(b) Loans and receivables

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Loans to group undertakings	**-**	-	**3,468,583**	2,611,530
Loans secured on policies	**38,276**	36,654	**-**	-
Deposits with banks or credit institutions	**1,824,196**	1,750,000	**-**	-
	1,862,472	1,786,654	**3,468,583**	2,611,530

Loans to group undertakings are unsecured, charged with interest at a rate of 8% (2006: 8%) and are repayable on demand.

Maturity of deposits with banks or credit institutions:

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Within 3 months	**1,824,196**	1,750,000	**-**	-
Weighted average effective interest rate at balance sheet date	**5%**	2%	**-**	-

Loans secured on policies are substantially non-current in nature. They are charged with interest at the rate of 8% (2006: 8%) per annum.

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

19. Technical provisions – insurance contracts and investment contracts

	Group 2007 Lm	2006 Lm
Insurance contracts	**8,512,063**	7,471,656
Investment contracts with DPF	**11,813,329**	9,120,000
	20,325,392	16,591,656
Investment contracts without DPF	**383,001**	-
Total technical provisions	**20,708,393**	16,591,656

The movements in technical provisions are analysed below:

	Insurance contracts Lm	Investment contracts with DPF Lm	Total Lm
Year ended 31 December 2006			
At beginning of year	6,364,424	6,920,737	13,285,161
Charged to profit and loss account			
- change in the provision for claims	73,232	(16,737)	56,495
- change in other technical provisions	1,034,000	2,216,000	3,250,000
At end of year	7,471,656	9,120,000	16,591,656
Year ended 31 December 2007			
At beginning of year	7,471,656	9,120,000	16,591,656
Charged to profit and loss account			
- change in the provision for claims	(20,702)	18,222	(2,480)
- change in other technical provisions	1,061,109	2,675,107	3,736,216
At end of year	8,512,063	11,813,329	20,325,392

19. Technical provisions – insurance contracts and investment contracts - continued

Insurance contracts are further analysed as follows:

	Group	
	2007	2006
	Lm	Lm
Gross technical provisions – insurance contracts		
Short term insurance contracts		
- claims outstanding	**32,284**	45,551
- other provisions	**68,000**	67,000
Long term insurance contracts		
- claims outstanding	**141,912**	212,908
- long term business provision	**8,642,109**	7,533,000
	8,884,305	7,858,459
Reinsurers' share of technical provisions – insurance contracts		
Short term insurance contracts		
- claims outstanding	**4,242**	2,688
- other provisions	**23,000**	20,000
Long term insurance contracts		
- claims outstanding	**32,000**	97,115
- long term business provision	**313,000**	267,000
	372,242	386,803
Net technical provisions – insurance contracts		
Short term insurance contracts		
- claims outstanding	**28,042**	42,863
- other provisions	**45,000**	47,000
Long term insurance contracts		
- claims outstanding	**109,912**	115,793
- long term business provision	**8,329,109**	7,266,000
	8,512,063	7,471,656

Investment contracts with DPF include claims outstanding amounting to Lm18,222 (2006: LmNil). 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.

19. Technical provisions – insurance contracts and investment contracts - continued

Long term contracts – assumptions, changes in assumptions and sensitivity - continued

(b) Changes in assumptions

During the year, the investment return assumption was revised upwards in accordance with market interest movements. The approximate impact of the change, which is reflected in the insurance technical result for the year, was for technical provisions to reduce by Lm40,000.

(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	
	2007	2006
	Lm	Lm
Variable		
10% loading applied to mortality assumptions	**36,000**	19,000
Lowering of investment return by 25 basis points	**23,000**	26,000

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	
	2007	2006
	Lm	Lm
Year ended 31 December		
At beginning of year	**1,498,687**	-
Additions	**1,475,745**	1,453,077
Disposals	**(253,413)**	-
Transferred (to)/from investment property (Note 15)	**(698,877)**	45,610
At end of year	**2,022,142**	1,498,687
At 31 December		
Cost	**2,022,142**	1,498,687

Borrowing costs of Lm24,239 were capitalised during the year. A capitalisation rate of 7% was used, representing the borrowing cost of the loan used to finance the project. Property development projects amounting to Lm500,000 (2006: Lm500,000) are hypothecated in connection with bank finance obtained by the Group.

21. Trade and other receivables

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Trade receivables - third parties	**893,238**	645,998	**-**	-
Trade receivables - related parties	**14,169**	10,173	**-**	-
Less: impairment of receivables	**(41,142)**	(65,173)	**-**	-
Trade receivables - net	**866,265**	590,998	**-**	-
Other loans and receivables:				
Receivables from group undertakings	**-**	-	**1,106,508**	1,548,951
Receivable from associated undertaking	**12,660**	45,172	**-**	4,248
Receivables from related parties	**52,308**	41,604	**19,896**	316
Other taxation receivable	**159,277**	144,400	**-**	-
Prepayments	**116,289**	98,883	**1,939**	730
Accrued investment income	**186,853**	148,810	**-**	-
Other receivables	**155,925**	347,403	**2,448**	12,482
	1,549,577	1,417,270	**1,130,791**	1,566,727

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

	Group	
	2007	2006
	Lm	Lm
Year ended 31 December		
At beginning of year	**65,173**	88,011
Decrease in provision	**(24,031)**	(22,838)
At end of year	**41,142**	65,173

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 2007, trade receivables of Lm43,290 (2006: Lm54,180) that were long outstanding for more than 12 months were impaired and written off as bad debts.

As at 31 December 2007, trade receivables amounting to Lm687,739 (2006: Lm448,308) were fully performing. As at 31 December 2007, trade receivables amounting to Lm178,526 (2006: Lm142,690) 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	
	2007	2006
	Lm	Lm
Between 3 to 6 months	**38,173**	19,165
More than 6 months	**140,353**	123,525
	178,526	142,690

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	
	2007	2006
	Lm	Lm
Authorised		
30,000,000 Ordinary shares of 12c5 each	**3,750,000**	3,750,000
Issued and fully paid		
13,207,548 Ordinary shares of 12c5 each	**1,650,943**	1,650,943

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 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.

As at 31 December 2007, the aggregated regulatory capital of these companies resulted in a solvency rate of 2.1 times (2006: 1.5 times).

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.

In 2007 GlobalCapital Life Insurance Limited's asset admissibility for solvency purposes was adversely impacted by a fall in the credit rating of its former reinsurer. As a consequence this subsidiary did not observe minimum capital levels required by the Malta Financial Services Authority throughout the financial period. Management instigated remedial action by negotiating a reinsurance portfolio transfer of its reinsurance exposure to another reinsurer of high international standing 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 Lm90,500 (31 December 2006 – Lm2,056,526). Management is continuously monitoring this position to ensure that the bond covenant requirements are complied with.

23. Share premium account

	Group and Company	
	2007	2006
	Lm	Lm
Share premium	**7,285,496**	7,285,496

24. Other reserves

Group	Value of in-force business Lm	Other unrealised gains Lm	Total Lm
Year ended 31 December 2006			
At beginning of year	401,000	71,578	472,578
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	660,143	660,143
Increment in value of in-force business, transferred from retained earnings (Note 12)	84,000	-	84,000
At end of year	485,000	731,721	1,216,721
Year ended 31 December 2007			
At beginning of year	485,000	731,721	1,216,721
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	1,566,470	1,566,470
Increment in value of in-force business, transferred from retained earnings (Note 12)	16,000	-	16,000
At end of year	501,000	2,298,191	2,799,191

The above reserves are not distributable.

25. Interest-bearing borrowings

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Bank overdraft (Note 28)	**362,639**	17,635	**-**	17,635
Bank loans	**1,462,949**	1,519,097	**-**	-
5.6% bonds 2014/2016	**7,154,226**	7,142,569	**7,154,226**	7,142,569
Total borrowings	**8,979,814**	8,679,301	**7,154,226**	7,160,204

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 2007 was €90.00 (2006: €100.10), which in the opinion of the Directors fairly represented the fair value of these financial liabilities.

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	
	2007	2006
	Lm	Lm
Proceeds		
€17,000,000, 5.6% bonds 2014/2016	**7,332,100**	7,332,100
Less:		
Issue costs	**211,204**	201,160
Accumulated amortisation	**(33,330)**	(11,629)
	177,874	189,531
Net proceeds	**7,154,226**	7,142,569

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 6.31% (2006: 4.85%) per annum.

The bank overdraft facility is secured by a pledge on investments, and bears interest at a floating interest rate of 6.5% (2006: 4.6%) per annum.

26. Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Trade payables	**561,892**	409,581	**-**	-
Amounts due to group undertakings	**-**	-	**262,831**	214,102
Amounts due to related parties	**8,547**	15,140	**-**	-
Other taxation and social security	**798**	27,954	**-**	-
Accruals and deferred income	**1,059,592**	1,059,012	**348,899**	247,950
Other payables	**93,365**	124,273	**-**	25,725
	1,724,194	1,635,960	**611,730**	487,777

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	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Operating profit/(loss)	**837,564**	2,725,911	**(132,271)**	(49,694)
Adjustments for:				
Investment income allocated to operating profit	**(2,211,233)**	(2,003,612)	**-**	-
Share of loss of associated undertaking (Note 17)	**1,525**	1,586	**-**	-
Exchange differences (Note 7)	**(23,187)**	(20,001)	**(23,191)**	(20,582)
Increment in value of in-force business	**(25,000)**	(129,000)	**-**	-
Impairment/amortisation	**275,814**	370,840	**21,701**	11,629
Depreciation (Note 14)	**268,296**	220,297	**-**	-
Technical provisions (net) (Note 19)	**3,733,738**	3,306,495	**-**	-
Impairment of receivables (Note 21)	**(24,031)**	(22,838)	**-**	-
Gain on disposal of fixed assets	**24,859**	(1,025)	**-**	-
Changes in working capital:				
Stock - property held for development	**(1,222,332)**	(1,453,077)	**-**	-
Trade and other receivables	**(214,820)**	(230,020)	**435,936**	(104,264)
Trade and other payables	**88,232**	158,925	**473,953**	(214,396)
Cash generated from/(used in) operations	**1,509,425**	2,924,481	**776,128**	(377,307)

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	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Cash at bank and in hand	**3,207,295**	2,474,269	**281,889**	152,830
Bank overdraft	**(362,639)**	(17,635)	**-**	(17,635)
	2,844,656	2,456,634	**281,889**	135,195

Cash and cash equivalents bear interest at a weighted average floating interest rate of 3.1% (2006: 3.3%).

29. Fair values

The fair value of publicly traded securities and assets held for trading is based on quoted market prices at the balance sheet date. At 31 December 2007 and 2006, 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, including Directors, and entities related by way of common Directors and ultimate Shareholders, were as follows:

	Group	
	2007	2006
	Lm	Lm
Commission receivable from related parties	**56,237**	67,071
Commission receivable on investments made by related funds (see note below)	**27,503**	61,661
Fees receivable in respect of advice provided to related funds (see note below)	**122,061**	2,581,597
Rent payable to related parties	**11,406**	15,492
Investment property acquired from a related party (see note below)	**-**	420,000

GlobalCapital Fund Advisors Limited, a group undertaking, acts as Investment Advisor and Fund manager to the Global Funds SICAV p.l.c and GlobalCapital Funds SICAV p.l.c respectively. 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 Officer - Human Resources, Training and Development 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 Fund Advisors Limited, and James Blake, are also directors of the GlobalCapital Funds SICAV p.l.c.

During 2006 the Group acquired an investment property from a company with a common director and shareholder to the GlobalCapital Group.

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 2007 and 2006 in respect of receivables from related parties.

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

	2007	2006
	Lm	Lm
Global Bond Fund Plus	**64,438**	204,619
Malta Privatisation & Equity Fund	**356,657**	1,269,319
Melita International Equity Fund	**42,123**	23,337
International Growth Opportunities Fund	**321,005**	-
The Property Fund	**125,010**	-
Other related funds	**97,724**	259,546
	1,006,957	1,756,821

30. Related party transactions - continued

Group - continued

The above investments as at 31 December 2007 were represented by the following holdings held by the Group directly in each fund:-

	2007	2006
	%	%
Global Bond Fund Plus	**3**	6
Malta Privatisation & Equity Fund	**8**	20
Melita International Equity Fund	**7**	3
International Growth Opportunities Fund	**61**	-
The Property Fund	**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:

	2007	2006
	%	%
Global Bond Fund Plus	**63**	63
Malta Privatisation & Equity Fund	**26**	21
Melita International Equity Fund	**51**	69
International Growth Opportunities Fund	**4**	-
The Property Fund	**41**	33

Related parties subscribing to Metropolis Developments Limited include Pace Investments Limited, a company owned by Mr. Christopher J. Pace, Chairman to and Director of the GlobalCapital Group Board. He is also a significant Shareholder in GlobalCapital Group. Another related party is Aquisons Company Limited, a company partially owned by Mr. David Aquilina (33%). The balance due from this associated undertaking is disclosed in Note 21. Interest receivable from Metropolis Developments Limited during the year amounted to Lm973 (2006: Lm995).

As at the balance sheet date bonds with a nominal value of Lm306,306 (2006: Lm432,262) were held by related parties.

The compensation to Directors in 2007 and 2006 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. The following transactions were carried out by the Company with related parties:

	2007	2006
	Lm	Lm
Proceeds on disposals of other investments to group undertakings	**-**	539,800

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.

30. Related party transactions - continued

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

	2007	2006
	Lm	Lm
Global Bond Fund Plus Distributor	**122,701**	-
Malta Privatisation & Equity Fund	**-**	928,403
	122,701	928,403

The above investments as at 31 December 2007 were represented by the following holdings held by the Company directly in each fund:-

	%
International Growth Opportunities Fund	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:

	Group	
	2007	2006
	Lm	Lm
Not later than one year	**70,825**	92,612
Later than one year and not later than five years	**175,608**	255,159
	246,433	347,771

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:

	Group	
	2007	2006
	Lm	Lm
Not later than one year	**179,904**	110,633
Later than one year and not later than five years	**285,986**	24,382
	465,890	135,015

31. Commitments - continued

Other commitments

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

	Group	
	2007	2006
	Lm	Lm
Authorised and contracted:		
- computer software	**55,370**	48,070
- property development	**897,814**	1,713,853
	953,184	1,761,923
Authorised but not contracted:		
- property, plant and equipment	**375,764**	390,200
- property development	**150,547**	736,500
	526,311	1,126,700

32. Statutory information

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

33. Post balance sheet event

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. Post balance sheet date, the Group entered into preliminary negotiations for the acquisition of a majority shareholding in a locally licensed credit institution. Such acquisition is subject to Board approval, confirmation following due diligence and all necessary regulatory approvals and the Directors are aware that the financing requirements of such acquisition requires additional injection of cash within the acquiring company in the Group, and are considering the options available.

In considering these investment opportunities, the Directors will also take cognisance of the liquidity requirements in terms of the regulated businesses and bond covenant requirements.

34. Euro converted financial highlights

	Group	
	2007	2006
	€	€
Turnover	**18,183,638**	20,960,538
Profit for the financial year	**579,935**	4,750,370
Earnings per share	**4c4**	35c9
Net asset value	**28,913,792**	29,533,704
Cash flows from/(used in):		
Operating activities	**2,917,463**	6,857,873
Investing activities	**(712,392)**	(24,425,495)
Financing activities	**(1,301,223)**	16,016,278

The Directors do not recommend the payment of a final dividend in respect of 2007 (2006: dividend of 1.51 cents per share, amounting to a total net dividend of €199,974 and a special net dividend of 7.57 cents per share, amounting to a total special net dividend of €999,872). In 2006 the Directors paid a net interim dividend of €399,949 equivalent to 3 cents per share. The net final dividend declared in 2006 in respect of 2005 was €899,884 (6.83 cents per share).

All figures have been translated using the Irrevocably Fixed Conversion Rate of €1 = Lm0.4293.

Five year summary

Profit & loss accounts

	Group 2007 Lm	Group 2006 Lm	Group 2005 Lm	Group 2004 Lm	Group 2003 Lm
Commissions, fees and rent receivable	**2,069,848**	4,828,509	3,086,959	2,466,452	1,438,788
Gross premiums written	**5,423,888**	4,169,850	3,863,590	4,418,134	3,478,288
Disposal of property held for development	**312,500**	-	-	-	-
Operating profit	**837,564**	2,725,911	1,703,343	1,313,430	282,976
Profit before tax	**151,862**	3,171,685	2,625,603	1,403,652	470,231
Tax income/(expense)	**97,104**	(1,132,351)	(1,011,809)	(344,205)	(167,312)
Profit for the financial year	**248,966**	2,039,334	1,613,794	1,059,447	302,919

Five year summary – continued

Balance sheets

	Group 2007 Lm	Group 2006 Lm	Group 2005 Lm	Group 2004 Lm	Group 2003 Lm
ASSETS					
Intangible assets	**3,246,182**	3,433,890	3,658,957	3,707,682	3,628,572
Property, plant and equipment	**2,242,425**	2,333,694	2,234,835	2,119,161	2,272,350
Investment property	**9,042,275**	6,484,184	4,054,239	2,030,833	1,595,000
Investments	**22,906,128**	23,145,362	13,485,423	9,109,070	6,515,997
Stock - property held for development	**2,022,142**	1,498,687	-	-	-
	39,459,152	36,895,817	23,433,454	16,966,746	14,011,919
Other non current assets	**886,434**	658,263	641,506	664,948	239,710
Current assets	**4,756,872**	3,891,539	4,382,675	4,431,130	2,537,938
Total assets	**45,102,458**	41,445,619	28,457,635	22,062,824	16,789,567
EQUITY & LIABILITIES					
Capital and reserves	**12,412,691**	12,678,819	11,197,503	9,970,029	8,996,432
Provisions for liabilities and charges	**21,870,427**	17,827,326	14,301,852	10,689,427	6,802,716
Interest-bearing borrowings	**8,979,814**	8,679,301	1,335,896	384,295	470,832
Other liabilities	**1,839,526**	2,260,173	1,622,384	1,019,073	519,587
Total equity and liabilities	**45,102,458**	41,445,619	28,457,635	22,062,824	16,789,567

Accounting ratios

	Group 2007 Lm	Group 2006 Lm	Group 2005 Lm	Group 2004 Lm	Group 2003 Lm
Total turnover to total assets	**17%**	22%	24%	31%	29%
Net operating expenses to total assets	**7%**	7%	8%	8%	8%
Net profit to total turnover	**3%**	23%	23%	15%	6%
Operating profit to total turnover	**11%**	30%	25%	19%	6%
Pre-tax return on capital employed	**1%**	25%	23%	14%	5%
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	12,935,436
Net assets per share (cents)	**94.00**	96.0	84.8	75.5	68.1
Earnings per share (cents)	**1.9**	15.4	12.2	8.0	2.3
Dividend cover (times)	**-**	3.0	3.1	4.1	3.5

(1) Figures have been adjsuted to take into account the re-designation of issued share capital that occurred on 25 July 2003.

Share register information

	Number of shares 31 December 2007	Number of shares 9 June 2008
Total shares in issue	13,207,548	13,207,548

Directors' interests in the share capital of the Company

	Number of shares 31 December 2007	Number of shares 9 June 2008
James Blake	277,000	277,000
Andrew Borg Cardona LL.D.	10,000	10,000
Christopher J. Pace	2,010,965	1,510,965

Shareholders holding 5% or more of the equity

	Number of shares 31 December 2007	% holding 31 December 2007
British American Insurance Co. (Mtius.) Ltd	6,399,092	48.45%
Christopher J. Pace	2,010,965	15.23%
Aberdeen Asset Management p.l.c.	1,180,000	8.93%
Provident Real Estate Fund Ltd	750,534	5.68%

	Number of shares 9 June 2008	% holding 9 June 2008
British American Insurance Co. (Mtius.) Ltd	6,399,092	48.45%
Christopher J. Pace	1,510,965	11.44%
Aberdeen Asset Management p.l.c.	1,180,000	8.93%
Provident Real Estate Fund Ltd	750, 534	5.68%

Dawood A. Rawat has a 42.28% beneficial interest in British American Insurance Co. (Mtius.) Ltd

Number of shareholders

	Number of Shareholders 31 December 2007	Number of Shareholders 9 June 2008
One class of every shall carrying equal voting rights	1,477	1,488

Distribution of shareholding

Range	Number of Shareholders 31 December 2007	Shares 31 December 2007
1 - 1,000	1,296	441,690
1,001 - 5,000	145	292,260
5,001 and over	36	12,473,598

Range	Number of Shareholders 9 June 2008	Shares 9 June 2008
1 - 1,000	1,304	444,470
1,001 - 5,000	145	296,677
5,001 and over	39	12,466,401

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Malta

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Balzan BZN 1409
Malta

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Ta' Xbiex XBX 1421
Malta

92, St. Bartholomew Street,
Qormi QRM 2186
Malta

Level 3, Arkadia Commercial Centre,
Fortunato Mizzi Street,
Victoria VCT 2574
Gozo

Private clients division

2nd Floor,
Giuseppe Cali Street,
Ta' Xbiex XBX 1421
Malta

Chairman's office

Level 14, Portomaso Tower,
Portomaso,
St. Julian's STJ 4010
Malta

Training centre

10, Stadium Street,
Gzira,
Malta

Operations centre

Balzan Valley,
Balzan BZN 1409
Malta

Insurance brokerage

Balzan Valley,
Balzan BZN 1409
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Real estate

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Property management and consultancy

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20

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